




**March 4, 2019**

**To:** Executive Committee

**From:** Darrell E. Johnson, Chief Executive Officer 

**Subject:** Measure M2 Quarterly Progress Report for the Period of October 2018 Through December 2018

### **Overview**

Staff has prepared a Measure M2 quarterly progress report for the period of October 2018 through December 2018, for review by the Orange County Transportation Authority Board of Directors. This report highlights progress on Measure M2 projects and programs and will be available to the public via the Orange County Transportation Authority website.

### **Recommendation**

Receive and file as an information item.

### **Background**

On November 7, 2006, Orange County voters, by a margin of 69.7 percent, approved the Renewed Measure M Transportation Investment Plan (Plan) for the Measure M2 (M2) one half-cent sales tax for transportation improvements. The Plan provides a 30-year revenue stream for a broad range of transportation and environmental improvements, as well as a governing ordinance, which defines the requirements for implementing the Plan. Ordinance No. 3 designates the Orange County Transportation Authority (OCTA) as responsible for administering the Plan and ensuring that OCTA's contract with the voters is followed.

OCTA is committed to fulfilling the promises made in M2. This means not only completing the projects described in the Plan but adhering to numerous specific requirements and high standards of quality called for in the measure, as identified in the ordinance. Ordinance No. 3 requires that quarterly status reports regarding the major projects detailed in the Plan be brought to the

OCTA Board of Directors (Board). On September 25, 2017, the Board approved rebranding M2 externally to OC Go to promote OCTA's Measure M awareness and public perception, as well as to avoid confusion with the recently approved, similarly named Los Angeles County Metropolitan Transportation Authority's "Measure M." M2 progress is summarized in these quarterly progress reports, which are posted online for public review.

### ***Discussion***

This quarterly report reflects current activities and progress across all M2 programs for the period of October 1, 2018 through December 31, 2018 (Attachment A).

The quarterly report is designed to be easy to navigate and public friendly, reflecting OCTA's Strategic Plan transparency goals. The report includes budget and schedule information provided from the Capital Action Plan, and Local Fair Share and Senior Mobility Program payments made to cities during the quarter, as well as total distributions from M2 inception through December 2018.

Additionally, Attachment A includes a summary of the Program Management Office (PMO) activities that have taken place during the quarter. Two areas in particular are highlighted below.

### **Ordinance Safeguards**

The M2 Ordinance includes a requirement for a performance assessment to be conducted at least once every three years to evaluate OCTA's efficiency and effectiveness in the delivery of M2, as promised to the voters. Three prior performance assessments have been completed covering fiscal year (FY) 2007 through FY 2009, FY 2010 through FY 2012, and FY 2013 through FY 2015. Findings and recommendations from assessments are presented to the Board, and recommendations are implemented as appropriate.

Sjoberg Evashenk Consulting was selected to conduct the fourth performance assessment covering the period between July 1, 2015 and June 30, 2018. During this quarter, the consultant wrapped up interviews with staff and external stakeholders, held two staff briefings on their findings, and submitted an initial set of findings and report outline. Staff provided an update on progress to the Taxpayer Oversight Committee (TOC). A draft report was provided to staff in January 2019, and a final report is anticipated to be brought to the TOC and Board in spring 2019. The consultants review to date indicates a very positive

assessment of OCTA's efficiency and effectiveness in the delivery of M2 projects and programs.

#### Sales Tax Revenue Forecast

Staff received good news in December 2018 with FY 2018 sales tax receipts. The actual growth rate for FY 2018 is 4.8 percent and the net annual sales tax receipts is \$320 million, as compared to the 3.3 percent assumed in the FY 2018 budget.

Additionally, the PMO annually reviews and updates the M2 Ordinance Compliance Matrix to ensure that OCTA tracks compliance with all requirements in Ordinance No. 3. During the quarter, the annual review for January 1, 2018 to December 31, 2018, was updated by the PMO in coordination with the responsible OCTA point of contact. The matrix was shared with the TOC Audit Subcommittee on February 12, 2019, and is planned to be shared with the full TOC at their meeting on April 9, 2019.

#### Progress Update

The following provides an overview of M2 accomplishments to date by mode, as well as highlights of activities that occurred during the first quarter of FY 2019.

##### Freeway Program

The M2 Freeway Program currently consists of 27 projects or project segments identified in the Plan and approved by the voters to be delivered by 2041.

Currently, while concluding year seven of the 30-year program, 12 segments are complete, with three in construction and another three readying for construction. The remaining nine segments are in various stages of project development, with two of those slated to go into construction and be complete or nearing completion by 2026.

Key freeway project activities taking place this quarter along with updates are highlighted below.

- A construction contract with OHL USA, Inc., was approved for the Interstate 5 (I-5) between State Route 55 (SR-55) and the State Route 57 (SR-57) Project on December 28, 2018. (Project A)

- The construction bid package for the I-5 between Oso Parkway and Alicia Parkway/La Paz Road Interchange Project was advertised on November 5, 2018. Bids were opened on January 16, 2019, and the apparent low bid is 11.68 percent above the engineer's estimate. The apparent low bid is currently being assessed for responsiveness. (Project C and Project D)
- The California Department of Transportation (Caltrans) provided a study update to the Board on October 8, 2018 for the I-5, El Toro Interchange Project. (Project D)
- The public review/circulation period for the SR-57 between Orangewood Avenue and Katella Avenue project draft environmental document and draft project report was held from October 11 to November 9, 2018, with a public hearing on October 25, 2018. The environmental phase is anticipated to be complete in early 2019. (Project G)
- All technical reports, the draft environmental document, and the draft project report were finalized for the State Route 91 between SR-55 and SR-57. The public review/circulation period was held from November 20 to December 21, 2018, with a public hearing on December 11, 2018. (Project I)
- Partial bridge demolition activities on the Interstate 405 between State Route 73 and Interstate 605 (I-605) project began at Goldenwest Street, Bolsa Chica Road, and Magnolia Street. (Project K)
- The environmental document for the I-605, Katella Avenue interchange improvements was completed in October. This project is shelf-ready for future advancement. (Project M)

#### **Streets and Roads**

Since 2011, approximately \$741 million has been provided to local jurisdictions for transportation improvements through the streets and roads competitive and formula funding programs. Additionally, M2 provided a portion of the \$664 million to grade separate seven rail crossings, leveraging the majority of the funds (\$520 million) from local, state, and federal sources. The 2019 call for projects for the Regional Capacity Program and the Regional Traffic Signal Synchronization Program were released in August 2018. Final 2019 programming recommendations will be presented to the Board by mid-2019.

## **Transit**

The M2 transit mode includes a number of programs designed to provide additional transportation options. M2 is the main funding source for Metrolink commuter rail service in Orange County and provides funding for rail station improvements and transit connections to extend the reach of the services.

Since 2011, M2 has provided competitive funding commitments for bus and station extension projects to Metrolink (\$483,133 to date), local community-based transit circulators and planning studies (\$36.6 million to date), bus stop improvements (awarded \$1.4 million to date), and funding to support specific programs to meet the needs of seniors and persons with disabilities (\$62.6 million to date). Key transit project activities taking place this quarter are highlighted below.

- On August 27, 2018, the Laguna Niguel to San Juan Capistrano Passing Siding Project was advertised for construction and seven bids were received on October 23, 2018. The lowest bidder was approximately \$3 million or 20.1 percent over the engineer's estimate, and as a result staff reevaluated the project budget. On January 14, 2019, the Board authorized the construction contract to be awarded to Reyes Construction, Inc., and authorized the use of an additional \$6.23 million in state and federal funds for the project. (Project R)
- On November 12, 2018, an exterior vehicle design for the OC Streetcar was approved by the Board to submit to Siemens Industries, Inc. Additionally, the Board approved the release of a request for proposals for operations and maintenance of the OC Streetcar. (Project S)
- OCTA executed a Limited Notice to Proceed for construction to Walsh Construction Company for the OC Streetcar on November 19, 2018 to begin mobilizing, start work on long lead items and prepare key safety, quality, and schedule submittals. (Project S)
- The Federal Transit Administration and OCTA signed the Full Funding Grant Agreement for OC Streetcar on November 30, 2018, and right-of-way (ROW) and utility work began on the project. (Project S)
- On November 26, 2018, the Board approved revised guidelines for the Senior Mobility Program to streamline program delivery and oversight. (Project U)

- On October 22, 2018, the Board authorized a second Project W allocation process providing up to \$3 million to eligible agencies to make bus stop amenity improvements, including installation of bus benches or seating, shelters, lighting, and other passenger related amenities. Funding recommendations are anticipated to go to the Board in April 2019. (Project W)

### Environmental Programs

The M2 Program includes two innovative programs, the Environmental Cleanup Program (ECP) with specific activity, and the Environmental Mitigation Program (EMP) with funding from the freeway program. The ECP improves water quality by addressing transportation related pollutants while the EMP off-sets biological impacts of freeway projects.

Since 2011, the ECP has awarded \$48.1 million to local jurisdictions through a competitive process, which funded 159 grants for trash removal devices and 20 grants for large scale water quality best management practices projects. More than 6.2 million cubic feet of trash (or over 2,600 40-foot shipping containers) have been captured so far.

Additionally, the Board has authorized \$55 million for the EMP to acquire conservation lands, fund habitat restoration projects, and to develop the Conservation Plan. OCTA has acquired more than 1,300 acres and funded 12 restoration projects across Orange County. The wildlife and habitat on the acquired lands are protected in perpetuity, and long-term management of the properties will be funded by an endowment.

### Challenges

Given current market trends pointing to higher construction costs in project delivery, it is imperative that OCTA continue to closely monitor construction bid activity and update project cost estimates as appropriate.

During this quarter, the trend indicating higher project delivery costs has been realized on the cost of the San Juan Capistrano-Laguna Niguel Passing Siding (Project R) Rail Construction Project. On October 23, 2018, seven bids were received and publicly opened. All seven bids priced the work above the engineer's estimate. In analyzing the lowest bid which was approximately 20 percent over, most of the higher bid prices were attributed to track and structures construction items. The increased construction costs have likely been impacted by current market conditions, such as shortages in availability of skilled

labor and increasing material costs for steel and concrete. On January 14, 2019, the Board authorized the construction contract to be executed with Reyes Construction, Inc., and authorized the use of an additional \$6.23 million in state and federal funds for the project.

Additionally, bids for Segment 2, I-5 between Oso Parkway to Alicia Parkway were opened on January 16, 2019 (projects C and D). The I-5 widening from Oso Parkway to Alicia Parkway is the first large design-bid-build contract bid since market trends have impacted construction costs. Three firms submitted bids, and the apparent low bid is 11.68 percent above the \$116,203,251 engineer's estimate. All three firms that submitted bids priced the work above the engineer's estimate. These bids indicate a continuation in the trend of rising construction bid prices due to escalating labor and material costs. The apparent low bid is currently being assessed for responsiveness. Although the apparent low bid is above the engineer's estimate, on June 11, 2018, the Board approved additional funding based on the Federal Highway Administration required cost estimate review, for a total \$148,232,000 for construction capital funds. This amount includes funds for the contractor plus other construction phase costs such as state furnished items.

Another challenge is availability of professional staff to handle specialty work such as ROW. Staff is working with Caltrans to determine if they have sufficient resources to provide oversight and support OCTA Measure M project demands and schedules. OCTA has several Measure M projects moving forward and due to Caltrans' staff attrition and their own increasing post SB 1 (Chapter 5, Statutes of 2017) project delivery direct workload demands, Caltrans may not be able to meet the rigorous schedule demands. This is a particular concern in the areas of ROW acquisition, utilities, and oversight approvals needed for project delivery. OCTA is exploring options for OCTA to assume lead agency responsibility for ROW acquisition in order to keep Measure M projects moving forward on schedule.

Staff is monitoring the progress of the Caltrans-led project approval and environmental document (PA&ED) phase for the I-5 El Toro Interchange Project (Project D). The PA&ED phase is nearing completion, however, remaining alternatives under analysis have significant ROW impacts, which will result in higher costs than originally assumed in the Next 10 Delivery Plan (Plan), as well as local agency concerns related to community impacts. Staff will continue to monitor the progress of the alternative selection and once the preferred alternative is selected, staff will assess the revised project cost against the built-in assumptions used to develop the program delivery plan.

On all Measure M projects, staff is working to develop and implement the most cost-effective design that provides the highest congestion relief with the least impact to businesses and communities. This includes efforts to document and present non-standard design variations to Caltrans for approvals to achieve project scope while limiting ROW needs. Additionally, staff will continue to urge Caltrans to coordinate all Caltrans initiated safety, operational, and maintenance projects with planned Measure M projects, and avoid multiple impacts to the traveling public and inefficient use of funding and resources.

M2 project delivery is monitored closely, and progress, as well as challenges, are presented to the Board through these quarterly staff reports, individual project staff reports, as well as through the Capital Action Plan quarterly performance metrics reports from the Capital Programs Division.

### ***Summary***

As required by M2 Ordinance No. 3, a quarterly report covering activities from October 2018 through December 2018 is provided to update progress in implementing the Plan. The above information and the attached details indicate significant progress on the overall M2 Program. To be cost-effective and to facilitate accessibility and transparency of information available to stakeholders and the public, the M2 Quarterly Progress Report is made available through the OCTA website. Hard copies are available by mail upon request.

### ***Attachment***

- A. Measure M2 Progress Report, Second Quarter Fiscal Year 2018-19, October 1, 2018 through December 31, 2018

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