



September 14, 2020

To: Members of the Board of Directors

From: Darrell E. Johnson, Chief Executive Officer

Subject: Measure M2 Quarterly Progress Report for the Period of April 2020 Through June 2020

Overview

Staff has prepared the Measure M2 quarterly progress report for the period of April 2020 through June 2020, for consideration 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). The Board is also provided with individual project staff reports and overall reports on the status of the capital programs by the Capital Programs Division.

Discussion

This quarterly report reflects current activities and progress across all M2 programs for the period of April 1, 2020 through June 30, 2020 (Attachment A). The report includes budget and schedule information provided from the Capital Action Plan, Local Fair Share and Senior Mobility Program payments made to cities during the quarter, as well as total distributions from M2 inception through June 2020.

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

Next 10 Delivery Plan/Sales Tax Revenue Forecast

Annually, staff reviews the Board-adopted commitments in the Next 10 Delivery Plan (Next 10) to ensure the plan remains deliverable. From May through July 2020, the Board received updated economic outlook and taxable sales forecasts from MuniServices, University of California, Los Angeles, Chapman University, and California State University, Fullerton. Anticipating a decrease in taxable sales due to the coronavirus (COVID-19) pandemic, OCTA prepared a preliminary update for the M2 sales tax forecast. In August 2020, the preliminary forecast of \$11.6 billion for the M2 Program was shared with the Board, which represents a decline of \$1.8 billion compared to last year's forecast. The preliminary forecast will be updated based on final fiscal year (FY) 2019-20 sales tax receipts. Staff will return to the Board with the final forecast in October 2020.

The updated sales tax forecast will be included in the Next 10 review, along with updated project and program cash flows, and the fall update of the construction market conditions analysis. The updated Next 10 is anticipated to be presented to the Board in November 2020.

Progress Update

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

Freeway Program

The M2 Freeway Program consists of 30 project segments to be delivered by 2041. Currently, while in year ten of the 30-year program, 12 project segments are complete, four are in construction, and another four are readying for

construction. The remaining ten project segments are in various stages of project development, with six (included in the 2019 Next 10) of those slated to go into construction and be complete or near complete by 2026.

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

- Interstate 5 (I-5) between State Route 55 (SR-55) and State Route 57 (SR-57) - The first of two northbound high-occupancy vehicle (HOV) lanes and the first of two southbound HOV lanes reopened to traffic on June 30 and July 2, 2020, respectively. (Project A)
- I-5 between Alicia Parkway and El Toro Road - The project was advertised for construction on May 11, 2020, and the bid opening was held on June 30, 2020. Construction is anticipated to begin in fall 2020. (Project C)
- SR-55 between Interstate 405 (I-405) and I-5 - A project update was provided to the Regional Planning and Highways (RPH) Committee on May 4, 2020, and to the Board on May 11, 2020. The 100 percent design was submitted, and right-of-way (ROW) acquisition, utility relocation coordination, and public outreach activities are underway. The Board also provided direction to continue implementation of the project through construction. (Project F)
- State Route 91 between SR-55 to SR-57 - The environmental phase of this project was completed with the approval of the final environmental document on June 22, 2020. The project is being delivered in three segments to optimize bidding opportunities. Design work on segment two, between La Palma Avenue and SR-55, commenced on June 17, 2020. Design work on segment one, between SR-55 and Lakeview Avenue, has been underway since March 2020. Design work on segment three, between Acacia Street to La Palma Avenue will be underway in late 2020. (Project I)
- I-405 between State Route 73 and Interstate 605 (I-605) - Construction on the project is proceeding and a full project update was provided to the RPH Committee on May 4, 2020, and to the Board on May 22, 2020. In June 2020, stage one of the Goldenwest Street and Bolsa Chica Road bridges was completed and opened to traffic. (Project K)

- I-605/Katella Interchange Improvements - The request for proposals for design was approved for release by the Board on April 13, 2020. Staff recommendation for consultant selection was approved by the Board on August 10, 2020. Design is anticipated to begin late 2020. (Project M)

Streets and Roads

Since 2011, approximately \$884 million¹ has been allocated to local jurisdictions for transportation improvements through the streets and roads competitive and formula funding programs. Additionally, M2 provided \$149 million, a portion of the \$667 million total project cost, to grade separate seven street and rail crossings, leveraging the majority of the funds (\$518 million) from local, state, and federal sources.

- Regional Capacity Program and Regional Traffic Signal Synchronization Program – On May 11, 2020, the Board approved \$23.4 million of funding for eight arterial and intersection capacity enhancement projects, and \$12.1 million of funding for six signal synchronization projects (Project O and Project P)

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 multi-year funding commitments for bus and station van extension services connecting to Metrolink (\$483,133 to date), local community-based transit circulators and planning studies (\$41.8 million to date), bus stop improvements (\$1.9 million to date), and funding to support specific programs to meet the needs of seniors and persons with disabilities (\$80.7 million¹ to date). Key transit project activities taking place this quarter are highlighted below.

- OC Streetcar - A quarterly update was provided to the Transit Committee on June 11, 2020, and to the Board on June 22, 2020. The update included information on status of construction activities, vehicle manufacturing and

¹ Includes disbursements to the City of Santa Ana and City of Stanton. On May 13, 2019, the Board determined that the cities were ineligible to receive net M2 revenues. Funds were suspended until the cities achieved compliance. On April 13, 2020, based on compliance audit results, the Board determined the cities eligible to receive net M2 revenues again.

delivery, award of contract for operations and maintenance services to Herzog Transit Services, and public outreach activities. (Project S)

- Community-Based Transit Circulators - Programming recommendations for six capital and operating reserves and three planning studies, totaling \$9.2 million, were presented to the Transit Committee on April 9, 2020, and to the Board on April 13, 2020. (Project V)

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 M2 Freeway Program. The ECP improves water quality by addressing transportation-related pollutants, while the EMP offsets biological impacts of freeway projects.

Since 2011, the ECP has allocated approximately \$48.6 million to local jurisdictions for 167 projects for trash removal devices (Tier 1), and 18 projects for large scale water quality best management practices projects (Tier 2). It is estimated that nearly 33 million gallons of trash have been captured since inception of the program, which is the equivalent of filling nearly 78 football fields with one-foot deep of trash.

Additionally, the Board previously 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 to restore habitat on 350 acres of open space across Orange County to fulfill the necessary freeway program mitigation needs. The wildlife and habitat on the acquired lands are protected in perpetuity, and long-term management of the properties will be funded by an established endowment. It is estimated that it will take approximately 12 years to fully fund the endowment with annual deposits, or until the fund totals \$46.2 million. As of June 30, 2020, the balance of the endowment was \$12,419,908. The balance is slightly below the June 30, 2020 target of \$12,440,408, due to capital markets experiencing sharp declines due to COVID-19 and its adverse effects on the economic activity.

- The ECP's tenth Tier 1 call for projects was authorized by the Board on March 9, 2020, for approximately \$2.8 million. Applications deadlines were extended to June 25, 2020. Staff is currently reviewing the applications and is anticipated to provide funding recommendations to the Board in fall 2020. (Project X)

Challenges

COVID-19 Pandemic

On February 27, 2020, OCTA activated its Emergency Operations Center and implemented its Emergency Operations Plan in response to COVID-19. On March 19, 2020, the Governor issued a stay-at-home order to protect the health and well-being of all Californians and slow the spread of COVID-19. Public transportation and infrastructure projects were designated by the state and federal governments as essential. OCTA has continued operations while following best practices and health guidance from local, state, and federal officials to help ensure the health of the public and OCTA employees. As stay-at-home orders are gradually lifted, the PMO continues to monitor COVID-19 impacts to M2 to ensure projects and programs remain deliverable as promised to voters. Pandemic implications on the individual M2 Program areas and revenues are discussed further below.

Freeways

Between March and May 2020, reduced traffic volumes on freeways due to the stay-at-home order allowed for increased productivity of construction work on essential projects. In coordination with OCTA and the California Department of Transportation (Caltrans), construction contractors (at their discretion) could request to take advantage of more daytime lane closures and extended nighttime work windows. As traffic volumes on the freeway increased in late May, Caltrans has had limited additional daytime lane closure opportunities. OCTA will continue to work with Caltrans for opportunities for daytime lane closures and extended work windows.

Risks for schedule-critical ROW acquisition processes continue to be impacted by COVID-19. ROW acquisition offers to owners, associated discussions, negotiations, and meetings are being impacted by business closures and availability of owners and attorneys. There are also additional COVID-19-related ROW impacts due to court closures, filing and service delays, potential temporary easement timeline expirations, land and business valuation challenges, and appraisal and site inspection issues.

Streets and Roads

OCTA completed the March 2020 semi-annual review of projects funded through the Comprehensive Transportation Funding Programs. This process reviews the status of M2 grant-funded projects and provides an opportunity for local agencies to update project information and request project modifications. In response to

COVID-19, OCTA extended the semi-annual review to allow local agencies to assess any potential COVID-19 impacts on project timelines. The number of project adjustment requests increased from 28 to 77 during the extended review period. These adjustment requests were subsequently approved by the Board on August 10, 2020.

Transit

Travel pattern changes due to stay-at-home orders have affected Metrolink ridership, which is down by 83 percent as of June 2020, when compared to June 2019. Since March 26, 2020, Metrolink has reduced service levels by 30 percent. Metrolink is working on a recovery plan framework and ridership recovery scenarios to phase-in post-COVID-19 pandemic operations. The ridership decline has a compounding effect on the level of revenues derived from fares. However, the availability of the federal Coronavirus Aid, Relief, and Economic Security Act funding will mitigate this impact in the near-term.

M2 also provides funding to local jurisdictions for programs that meet the needs of seniors in their communities through the Senior Mobility Program (SMP). Due to COVID-19, services provided have been altered or suspended. In addition, OCTA staff was notified that one transit service provider serving six cities ceased operations in Orange County effective May 31, 2020. On May 22, 2020, the Board approved a temporary suspension of the competitive procurement requirement in the SMP Guidelines through May 31, 2021. This allowed local jurisdictions to quickly secure a replacement provider in the short-term. By June 1, 2021, local jurisdictions will be required to have contracts in place that have been competitively procured meeting the requirements specified in the SMP Guidelines.

The Community-Based Transit Circulators Program continues to be affected by COVID-19 as services have been suspended through the summer. Through the semi-annual review, local jurisdictions were able to preserve unused M2 Project V funds for subsequent FYs. Per Board direction, OCTA will evaluate options for modifying the cooperative agreements with local jurisdictions to extend the terms to accommodate the suspended services.

M2 Eligibility – Maintenance of Effort (MOE)

To proactively address impacts that COVID-19 will have on local jurisdiction general fund revenue sources, an amendment to Ordinance No. 3 was initiated on May 11, 2020. To receive M2 net revenues, local jurisdictions need to maintain eligibility. As a component of eligibility, local jurisdictions need to spend a certain level of local funds for roadway or MOE. On June 22, 2020, the Board

amended Ordinance No. 3 to temporarily adjust the MOE requirement for local jurisdictions for two years. For FY 2019-20, local jurisdictions can report actual MOE that may be below the established target. For FY 2020-21, local jurisdictions may set their MOE as proportional share of roadway expenditures to total local funds instead of the fixed FY 2020-21 MOE benchmark amount to account for the unknown impacts of COVID-19 on local revenues.

Sales Tax Revenue

Through the first eight months of FY 2019-20, revenues were growing by approximately two percent. Due to the impacts of COVID-19, it is estimated that total sales tax collections decreased. Total FY 2019-20 M2 sales tax collection is estimated at \$303 million, or a decrease of 8.8 percent from FY 2018-19. The full magnitude of COVID-19 impacts to the economy is still unknown at this time. The California Department of Tax and Fee Administration normally disburses sales tax two months in arrears, with trueed up numbers in the following quarter. A factor that adds more uncertainty is that the State of California has provided relief to businesses to defer sales tax remittance. Due to these circumstances, OCTA will not have a complete understanding of the true impacts of COVID-19 on sales tax revenues for several months.

OCTA is closely monitoring trends and forecasts to ensure M2 remains deliverable as promised to voters. The M2 cashflow included an allowance for economic uncertainties based on OCTA's conservative approach to financial planning. As a result, all M2 projects that are currently underway are anticipated to continue as planned in the FY 2020-21 budget. As part of the 2020 review of the Next 10, OCTA staff is conducting a strategic assessment of the timing of projects and programs for future years. Staff will continue to monitor COVID-19 impacts to M2 and provide updates to the Board as appropriate.

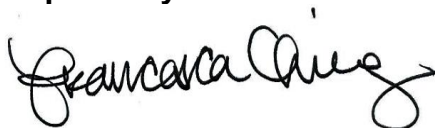
Summary

As required by Ordinance No. 3, a quarterly report covering activities from April 2020 through June 2020, is provided to update progress in implementing the Plan. The above information and the attached details indicate significant progress on the overall M2 Program despite facing challenges. 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

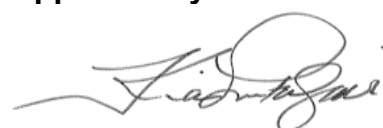
- A. Measure M2 Progress Report, Fourth Quarter of Fiscal Year 2019-20, April 1, 2020 through June 30, 2020

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