



January 11, 2021

To: Members of the Board of Directors

From: Darrell E. Johnson, Chief Executive Officer

Subject: Measure M2 Quarterly Progress Report for the Period of July 2020 Through September 2020

Overview

Staff has prepared the Measure M2 quarterly progress report for the first quarter of fiscal year 2020-21, covering July 2020 through September 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 also 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 also is 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 July 1, 2020 through September 30, 2020 (Attachment A). The report includes project budget and schedule information as provided and reported in the Capital Action Plan, as well as the Local Fair Share, and Senior Mobility Program payments made to cities during the quarter, as well as total distributions from M2 inception through September 2020.

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

Market Conditions Forecast and Risk Analysis

At the Board's direction, OCTA contracts with two local economists to monitor and analyze key early warning indicators affecting the construction market. The information is incorporated in a cost pressure index model to identify potential cost risk factors on M2 project delivery. The results of the analysis were presented to the Board on November 9, 2020. The report identified that OCTA may experience a low inflation cost environment (ranging negative two percent to one percent) during 2021 and 2022, followed by a more normal inflation cost environment in 2023 (ranging two to six percent).

Compared to the previous report presented to the Board in October 2019, cost pressures have tempered in the most recent data available and are primarily attributed to the coronavirus (COVID-19) pandemic. For example, a change from a low unemployment economy to that of a high one lowered the risk for higher labor costs. In addition, building permits in California have slowed down, and building material costs have stabilized. Staff will continue to monitor market conditions and effects on the Next 10 Delivery Plan (Next 10 Plan) and provide updates to the Board as appropriate.

Next 10 Plan/Sales Tax Revenue Forecast

Annually, staff reviews the Board-adopted commitments in the Next 10 Plan to ensure it remains deliverable with updated revenues and project costs. With the uncertainties of the economic impacts of COVID-19, staff presented a preliminary \$11.6 billion M2 sales tax revenue forecast on August 24, 2020. With tax receipts for quarter four of fiscal year (FY) 2019-20 received in September 2020, the final M2 sales tax forecast was presented to the Board on October 26, 2020. Despite sales tax receipts being higher than anticipated for

FY 2019-20, the total anticipated sales tax to support the M2 Program remained at \$11.6 billion due to a more conservative short-term forecast provided by MuniServices. This represents a year-over-year decline of \$1.8 billion and the lowest forecast since M2 inception.

On December 14, 2020, options were presented to the Board for discussion and feedback on how to manage the impacts of the decreased M2 sales tax revenue forecast and revised project cost estimates. The Board suggested that staff pursue a financially prudent course of action with a proactive stance on project delivery while remaining flexible, given the fluidity of current events. In addition, staff will be reviewing FY 2020-21 second quarter financial information prior to presenting a revised M2 Next 10 Plan, which is anticipated in early 2021.

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 2020-21.

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, five are in construction, and another four are readying for construction. The remaining nine project segments are in various stages of project development.

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) - In August 2020, the second of two high-occupancy vehicle lanes in the north and southbound directions were opened. The project team continues to work on final inspections and punch list items, which are anticipated to be completed by the end of the year. (Project A)
- I-5 between Alicia Parkway and El Toro Road - On September 23, 2020, the California Department of Transportation awarded the construction contract to the lowest bidder, which was 11.7 percent below the engineer's estimate. This is the northernmost of three segments of the I-5 between State Route 73 (SR-73) and El Toro Road Project. All three segments are now under construction. (Project C)

- State Route 91 between SR-55 to SR-57 - This project was split into three segments for the design phase. Design work on segment one, between SR-55 and Lakeview Avenue, and segment two, between La Palma Avenue and SR-55 are underway. A consultant to provide design work on segment three, between Acacia Street to La Palma Avenue was approved by the Board on July 13, 2020. As of November 30, 2020, all three segments are now in the design phase. (Project I)
- Interstate 405 between SR-73 and Interstate 605 - Construction on the project is proceeding and a full project update was provided to the Regional Planning and Highways Committee on September 3, 2020, and to the Board on September 28, 2020. In October 2020, the Bushard Street and McFadden Street bridges were completed and opened to traffic. (Project K)

Streets and Roads

Since 2011, approximately \$893.5 million 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.

On August 10, 2020, the Board approved revisions to the Comprehensive Transportation Funding Programs Guidelines. Board action included the release of the 2021 annual call for projects (call) for arterial and intersection capacity enhancement and signal synchronization projects up to \$30 million. Applications for the call were due on October 22, 2020, with programming recommendations anticipated in spring of 2021. (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 transit 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), and bus stop improvements (\$3 million to date). In parallel, M2 provides a set amount of annual funding to support three programs intended to meet the needs of seniors and persons with disabilities (\$82.5 million 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 September 10, 2020, and to the Board on September 14, 2020. The update included information on the status of construction activities, vehicle manufacturing, and delivery. (Project S)
- Senior Mobility Program (SMP) - OCTA continues efforts to expand senior transportation services through the SMP. On August 24, 2020, the Board approved a cooperative agreement with the City of Laguna Beach to participate and receive SMP funding. In total, there are 32 out of 34 cities in Orange County participating in the SMP. (Project U)
- Safe Transit Stops - Programming recommendations for 35 bus stop improvements totaling \$1.03 million were approved by the Board on September 14, 2020. (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 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. Prior to COVID-19, it was estimated that it would take approximately 12 years to fully fund the endowment with annual deposits, or until the fund totals \$46.2 million. The level of annual deposits will be reassessed based on availability of M2 funds. Any changes may affect the timeframe for the full funding of the endowment. In July 2020, OCTA made the annual deposit of approximately \$2.9 million into the EMP endowment. As of September 30, 2020, the balance of the endowment was just over \$16 million.

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, Governor Newsom issued a stay-at-home order to protect the health and well-being of all residents of California and slow the spread of COVID-19.

As stay-at-home orders were gradually lifted, cases started to increase, which resulted in the Governor issuing new stay-at-home orders on November 21, 2020 (limited) and again on December 3, 2020 (regional). Public transportation and infrastructure projects are 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. 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 are discussed further below.

Freeways

Risks for schedule-critical right-of-way (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.

In addition, the California Department of Industrial Relations Division of Occupational Safety and Health issued new emergency temporary standards, which were effective November 30, 2020. Staff will continue to monitor contractor COVID-19 cases to ensure essential operations are not impacted.

Streets and Roads

OCTA completed the September 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 to request project modifications. Of the total 64 project adjustment requests, 40 were attributed to COVID-19-related impacts. These adjustments were subsequently approved by the Board on December 14, 2020.

Transit

Travel pattern changes due to stay-at-home orders have affected Metrolink ridership, which is down by 79 percent as of September 2020 when compared to September 2019. Since March 26, 2020, Metrolink has reduced service levels by 30 percent. Metrolink's Board adopted a Recovery Plan Framework designed to position Metrolink operations as a smart, better, and essential service post-COVID-19 pandemic. With the decline in ridership and its compounding effects on the level of revenues from fares, Metrolink's Board adopted new fare policy goals to guide future fare discussions and decisions. The availability of the federal Coronavirus Aid, Relief, and Economic Security Act funding will mitigate this impact in the near-term.

Through the SMP, M2 provides funding to cities for programs that meet the needs of seniors in their communities. Due to COVID-19, some jurisdictions have suspended operation of their SMP or modified services, such as providing home delivered meals in lieu of transporting the seniors to their nutrition programs. To provide flexibility in serving their senior communities and relief to jurisdictions from timely-use of funds provisions, on October 12, 2020, the Board approved temporary exceptions to the SMP Guidelines. For cities with modified services, the exceptions will allow for meal delivery in lieu of transportation to the senior center until the Governor lifts the State of Emergency. For cities with suspended services, OCTA will suspend the distribution of SMP funds and hold them in reserve for jurisdictions until the Governor lifts the State of Emergency, or when the agency notifies OCTA that they have reinitiated SMP services, whichever occurs first.

The Community-Based Transit Circulator Program continues to be affected by COVID-19 as 21 services have been suspended since March 2020. Per Board direction, OCTA evaluated options for modifying the cooperative agreements to extend the terms to accommodate the suspended services.

On December 14, 2020, the Board approved cooperative agreement amendments for all active Project V services to incorporate proposed COVID-19-related grant term adjustments, up to 24 months. OCTA continues to communicate with local agencies to assess future service resumption.

Orange County Fires

On October 26, 2020, two wind-driven fires (Silverado and Blue Ridge) started in Orange County. Following that, on December 2, 2020, another fire (Bond) broke out in Silverado Canyon. Since then, all fires have been fully contained. The fires did not impact any OCTA mitigation properties but did affect some OCTA-funded restoration projects. OCTA is working closely with restoration project managers to fully assess the damage and will coordinate with Wildlife Agencies to discuss next steps.

Staff will continue to closely monitor these challenges to ensure M2 remains deliverable as promised to voters and provide updates to the Board as appropriate.

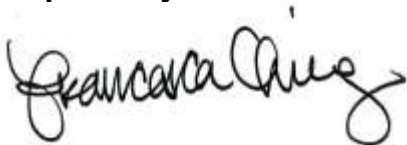
Summary

As required by Ordinance No. 3, a quarterly report covering activities from July 2020 through September 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

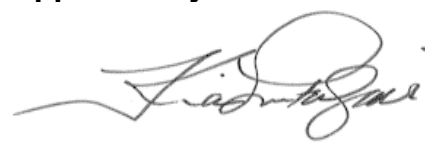
- A. Measure M2 Quarterly Progress Report, First Quarter of Fiscal Year 2020-21, July 1, 2020 through September 30, 2020

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