




June 7, 2021

To: Executive Committee

From: Darrell E. Johnson, Chief Executive Officer 

Subject: Measure M2 Quarterly Progress Report for the Period of January 2021 Through March 2021

Overview

Staff has prepared the Measure M2 quarterly progress report for the third quarter of fiscal year 2020-21, covering January 2021 through March 2021, as information for 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 nearly 70 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 (M2 Ordinance) 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 M2 Ordinance. The M2 Ordinance 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 various capital projects by the Capital Programs Division.

Discussion

This quarterly report reflects current activities and progress across all M2 programs for the period of January 1, 2021 through March 31, 2021 (Attachment A). The report includes project budget and schedule information as provided and reported in the Capital Action Plan. Information on the Local Fair Share and Senior Mobility Program payments made to cities during the quarter is also included.

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 Boards' 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 fall 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).

During the quarter, the consultant team completed an update of the cost pressure index model through March 2021. The spring report indicated that OCTA could potentially experience a low inflationary cost environment (ranging negative two percent to one percent) during 2021, a minimal cost inflation (one percent to two percent) in 2022, followed by a more increasing cost environment in 2023 (ranging from six percent to 11 percent). Cost pressures have increased slightly in the most recent data and are primarily attributed to the economy reopening. Staff will continue to monitor market conditions and will provide updates to the Board as appropriate.

Next 10 Delivery Plan (Next 10 Plan)

Annually, staff reviews the Board-adopted commitments in the Next 10 Plan to ensure it remains deliverable with updated revenues and project costs. On October 26, 2020, the 2020 M2 sales tax revenue forecast of \$11.6 billion was presented to the Board. This year-over-year decline of \$1.8 billion is attributed to the economic impacts of the coronavirus (COVID-19) pandemic and represents the lowest forecast since M2 inception. On December 14, 2020, the Board directed staff to pursue a financially prudent course of action with a proactive stance on project delivery. Given the fluidity of current events,

the Board directed staff to review fiscal year (FY) 2020-21 second-quarter sales tax revenue actuals to provide an additional financial data point prior to updating the Next 10 Plan. At the March 8, 2021 Board meeting, staff presented an update on sales tax collections through December 2020. The sales tax receipts did not materially impact the short- or long-term sales tax forecasts and reconfirmed the October 2020 forecast of \$11.6 billion.

The 2020 Next 10 Plan was presented to the Board on April 12, 2021. The update incorporated the reconfirmed \$11.6 billion sales tax revenue forecast, revised project and program cash flows, and included the fall market conditions forecast and risk analysis report. As a result of OCTA's strategic planning to date, the 2020 Next 10 Plan continues to demonstrate that the Plan remains deliverable.

Progress Update

The following provides an overview of M2 accomplishments to date by mode, as well as highlights of activities that occurred during the third 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, 13 project segments are complete, four are in construction, and another five are readying for construction. The remaining eight project segments are in various stages of project development.

Key freeway project highlights taking place this quarter are highlighted below.

- Interstate 5 (I-5) between State Route 73 (SR-73) to El Toro Road – An update on construction activities for all three segments of the I-5 between SR-73 and the El Toro Road Project was provided to the Regional Planning and Highways (RPH) Committee on March 1, 2021, and to the Board on March 8, 2021. All three segments are anticipated to complete construction by early 2025. (Project C and Project D)
- State Route 55 (SR-55) between Interstate 405 (I-405) and I-5 – In early December 2020, the California Transportation Commission awarded OCTA \$140 million in competitive SB 1 (Chapter 5, Statutes of 2017) Trade Corridor Enhancement Program and SB 1 Local Partnership Program-Competitive funding. This infusion of external funding helped reduce the draw on M2 funds, temper the need for

additional bonding, and allowed OCTA to keep other M2 freeway projects on schedule as part of the 2020 Next 10 Plan. On January 11, 2021, the Board adopted two resolutions to formally accept the \$140 million. (Project F)

- State Route 57 (SR-57) Northbound between Orangewood Avenue and Katella Avenue – On March 8, 2021, the Board approved the release of a request for proposals for the preparation of plans, specifications, and estimates. Proposals were due on April 5, 2021, with design efforts anticipated to begin in early 2022. (Project G)
- I-405 between SR-73 and Interstate 605 – A quarterly project update was provided to the RPH Committee on January 4, 2021, and to the Board on January 11, 2021. During the quarter, the first halves of the new Fairview Road and Westminster Boulevard overcrossing bridges opened to traffic in January and February 2021, respectively. The full bridges are anticipated to be completed early next year. (Project K)
- Freeway Service Patrol (FSP) – On March 8, 2021, the Board awarded contracts for FSP services serving six areas in Orange County. OCTA contracts with private tow service firms to provide FSP services that comply with standard operating guidelines developed by the California Highway Patrol and OCTA. Through these contracts, the tow service firms provide assistance to motorists whose vehicles have become disabled on Orange County freeways and remove congestion-causing debris from traffic lanes to reduce freeway congestion and collisions. (Project N)

Streets and Roads

Since 2011, approximately \$912 million has been allocated to local jurisdictions for transportation improvements through the streets and roads competitive and formula funding programs. To date, 419 project phases have been allocated through the streets and roads competitive funding programs. Of the 419 project phases, 288 phases, equating to nearly 70 percent, have been completed. Additionally, M2 provided \$149 million, a portion of the \$668.7 million total project cost, to grade-separate seven streets and rail crossings, leveraging the majority of the funds (\$519.7 million) from local, state, and federal sources.

- Regional Capacity Program (RCP) and Regional Traffic Signal Synchronization Program (RTSSP) – During the quarter, staff reviewed the 2021 RCP and RTSSP call for projects (call) applications for eligibility, consistency, and adherence to guidelines and overall program objectives. Programming recommendations for 12 projects, totaling \$28.6 million, were presented to the RPH Committee on May 3, 2021, and to the Board on May 10, 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 (\$41.9 million to date), and bus stop improvements (\$2.9 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 (\$88.1 million¹ to date). Key transit project activities taking place this quarter, along with updates, are highlighted below.

- Anaheim Canyon Metrolink Station Improvements – On March 22, 2021, the Board awarded the construction contract. The recommended firm's bid is 14.5 percent above the engineer's estimate. The engineer's analysis of the bids concluded that the higher bid may be attributed to several factors including the difficulty of construction due to site constraints, construction near an active railroad track, and high steel prices. Construction began in April 2021 and is anticipated to be completed by the end of 2022. (Project R)
- OC Streetcar – A quarterly update was provided to the Transit Committee on January 14, 2021, and to the Board on January 25, 2021. The update included information on the status of construction activities, vehicle manufacturing, and delivery. (Project S)
- Community-Based Transit Circulators Program – A ridership report was provided to the Transit Committee on January 14, 2021, and to the Board on January 25, 2021. In addition, the Board approved program revisions to address impacts related to COVID-19 by modifying the program's minimum performance requirements and service parameters to allow for the re-establishment of services. The Board also approved an annual escalation of funding within the programmed grant amount to account for inflationary adjustment. (Project V)

¹ Only includes disbursed funds. On October 12, 2020, the Board approved a temporary exception to the Senior Mobility Program Guidelines, which allows for OCTA to hold allocations in reserve for agencies with suspended services due to the COVID-19 pandemic. The funds will be held until the State lifts the State of Emergency or transportation services resume, whichever occurs first.

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 \$51.4 million to local jurisdictions for 178 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 the inception of the program, which is the equivalent of filling nearly 78 football fields with one-foot deep of trash.

- The 11th Tier 1 call was released on February 8, 2021, in the amount of \$2.8 million. Applications were due on May 6, 2021, and programming recommendations are anticipated to be presented to the Board in late 2021. (Project X)

Additionally, the Board previously authorized \$55 million for the EMP to acquire conservation lands, fund habitat restoration projects, and develop the Natural Community Conservation Plan/Habitat Conservation Plan. OCTA has acquired more than 1,300 acres (Preserves) 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.

- On March 8, 2021, the Board approved a consultant to provide professional environmental support for the M2 EMP with various tasks related to freeway project permitting, the Preserves, and the restoration projects.

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. OCTA has made five deposits of approximately \$2.9 million annually into the endowment; the performance of the endowment fund may affect the time frame for full funding. Current projections indicate that OCTA remains on track to meet the endowment target of \$46.2 million in FY 2027-28. As of March 31, 2021, the balance of the endowment was just over \$18 million.

Challenges

As with all major programs, challenges arise and need to be monitored and addressed. A few key challenges are highlighted below.

- The environmental phase of the I-5/El Toro Road Interchange Project was originally anticipated to be complete by the end of 2019; however, the lack of consensus on a project alternative has delayed the completion. Built into M2 is a promise that projects would be delivered in cooperation with local agencies. As such, efforts to reach a consensus have continued with the cities of Laguna Hills, Laguna Woods, and Lake Forest, the California Department of Transportation, and OCTA. In September 2020, an assessment was initiated to analyze all alternatives. The assessment is nearing completion and an update will be presented to the Board in the summer of 2021.
- The critical, complex right-of-way (ROW) activities for the SR-55 project between I-405 and I-5 are currently underway. These property rights are needed in order to advance the project into the construction phase and are being closely monitored as the target ROW certification date is August 2021.
- The OC Streetcar Project has faced many challenges, such as unforeseen utility conflicts and conditions, contaminated materials, construction quality control, and compliance, added oversight and approvals, and an extensive number of change requests. The project supplemental contingency has been drawn down more quickly than anticipated due to these challenges. On March 22, 2021, the Board approved an additional \$15.68 million for supplemental contingency funding. The Federal Transit Administration project management oversight consultant is performing a comprehensive project risk, cost, and schedule assessment, which is anticipated to be completed later this year.

From changes in sales tax revenue forecast and traffic patterns to transit ridership and administrative processes, the COVID-19 pandemic affected all elements of M2. To grant some flexibility and help local jurisdictions manage COVID-19 impacts, the Board has approved multiple adjustments, which are detailed in Attachment B.

While recent M2 sales tax forecast updates have been relatively optimistic, the extent of recovery to pre-pandemic revenue levels in FY 2021-22 remains unclear. To assist local jurisdictions with the transition back to the pre-pandemic maintenance of effort (MOE) benchmarks, on April 12, 2021, the Board directed staff to initiate an M2 Ordinance amendment. In June 2020, the Board amended the M2 Ordinance to revise MOE requirements for FY 2019-20 and FY 2020-21

in anticipation of near-term negative general fund revenue (GFR) growth due to COVID-19. For FY 2019-20, local jurisdictions reported actual MOE expenditures, which could be below the MOE benchmark. For FY 2020-21, local jurisdictions were given the option of meeting either the MOE benchmark or a proportional MOE calculation. The proportional calculation used the local jurisdictions' MOE benchmark compared to GFR, as reported in the local jurisdictions' FY 2018-19 Comprehensive Annual Financial Reports. This option allowed local jurisdictions to scale the MOE requirement with fluctuations in their GFR in FY 2020-21. On May 24, 2021, the Board amended the M2 Ordinance to extend the revised MOE requirement for FY 2020-21 through FY 2021-22.

Staff will continue to monitor all COVID-19 impacts and program challenges closely to ensure M2 remains deliverable as promised to voters.

Summary

As required by the M2 Ordinance, a quarterly report covering activities from January 2021 through March 2021, 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.

Attachments

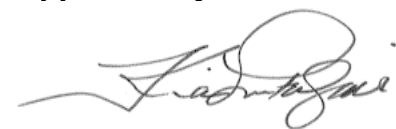
- A. Measure M2 Quarterly Progress Report, Third Quarter of Fiscal Year 2020-21, January 1, 2021 through March 31, 2021
- B. Measure M2 (M2) Adjustments Related to the Coronavirus (COVID-19) Pandemic

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