




June 2, 2025

To: Executive Committee

From: Darrell E. Johnson, Chief Executive Officer 

Subject: Measure M2 Quarterly Progress Report for the Period of January 2025 through March 2025

Overview

Staff has prepared the Measure M2 Quarterly Progress Report for the third quarter of fiscal year 2024-25 as information for the Orange County Transportation Authority Board of Directors. This progress report highlights the delivery of Measure M2 projects and programs as promised to voters and the monitoring of external challenges. The full report 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 (M2) Transportation Investment Plan (Plan), a one half-cent sales tax for transportation improvements. Effective in 2011, the Plan provides a 30-year program of investments across a broad range of transportation and environmental initiatives and a governing ordinance, Ordinance No. 3 (M2 Ordinance), that defines the requirements for implementing the Plan. The 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. The M2 Ordinance also charges OCTA to provide for a number of transparency measures and safeguards to uphold and reciprocate the public's trust in OCTA.

OCTA is committed to fulfilling the promises made to secure voter approval of the M2 initiative. This means completing the projects described in the Plan and adhering to numerous specific requirements, safeguards, and transparency provisions identified in the M2 Ordinance. One such requirement is the publication of quarterly status reports on the projects detailed in the Plan and its presentation to the Board of Directors (Board).

This report is built on individual project and program-level staff reports that are regularly presented to the Board, covering the status of various activities in the Plan.

Discussion

This quarterly report, provided as Attachment A, reflects activities and progress across all M2 programs for the period of January 1, 2025, through March 31, 2025. The quarterly report also includes project budget and schedule information as provided in the Capital Action Plan reports to the Board. Additionally, information on the Local Fair Share and Senior Mobility Program payments made to cities during the quarter is also included.

OCTA has established the Program Management Office, charged with providing unified oversight to ensure compliance, fiscal responsibility, transparency, and accountability as laid out in the M2 Ordinance and Plan. Attachment A also includes a summary of the Program Management Office (PMO) activities.

The following provides highlights of M2 accomplishments during the quarter by mode, notable items under the PMO activities, and key challenges that OCTA is monitoring and working to address.

Freeway Program

The M2 Freeway Program consists of 30 project segments to be delivered by 2041. To date, 15 project segments are complete, and another 12 are underway and expected to be completed by 2030. The 12 project segments that are underway include four projects that are in construction, seven that are in final design, and a joint project with the Riverside County Transportation Commission that is in environmental revalidation. The joint project will improve State Route 91 (SR-91) between State Route 241 and State Route 71. Completing these 12 projects would bring the total number of completed projects to 27 by 2030, equating to approximately 90 percent of the M2 Freeway Program. The remaining three project segments are in various stages of project development. On March 10, 2025, a presentation was provided to the Board highlighting upcoming freeway construction projects. Construction of these projects is anticipated to begin in phases starting in early 2025 through 2027. Notable freeway program highlights that occurred during the quarter are below.

- Interstate 5 (I-5) between Interstate 405 and State Route 55 (SR-55) – This project is comprised of two segments. On February 10, 2025, a project update on the latest progress and upcoming milestones was presented to the Board. On March 24, 2025, the Board selected a consultant to provide public outreach services for the pre-construction

and construction phases for both segments. Both segments are anticipated to be advertised for construction in summer 2025. (Project B)

- I-5 between State Route 73 and El Toro Road – This project is comprised of three segments and includes two interchange improvements at Avery Parkway and La Paz Road. On January 13, 2025, a project update on the latest progress and upcoming milestones was presented to the Board. The middle segment (Oso Parkway to Alicia Parkway) was completed in December 2024. The remaining segments are anticipated to complete construction by mid-2025. (Projects C and D)
- SR-91 between SR-55 and State Route 57 – This project was split into three segments for the design and construction phases. The California Department of Transportation advertised the easterly segment (SR-55 to Lakeview Avenue) for construction on June 24, 2024, opened bids on October 16, 2024, and awarded the contract on January 3, 2025, followed by its approval on February 18, 2025. In addition, on January 13, 2025, a project update on the latest progress and upcoming milestones for all three segments was presented to the Board. A groundbreaking event was held on March 7, 2025, marking the start of construction in the corridor. The remaining two segments are anticipated to be advertised for construction by the end of 2025. (Project I)

Streets and Roads

Since 2011, more than \$1.2 billion^{1,2} has been allocated to local jurisdictions for transportation improvements through M2 streets and roads programs, which include two competitive and one formula-based funding program. In addition, OCTA was able to leverage nearly \$53.9 million in external funding to support these programs. To date, 486 project phases have been allocated through M2 competitive streets and roads funding programs, of which 353 phases, or approximately 72 percent, have been completed. Notable streets and roads highlights that occurred during the quarter are below.

- Applications for the 15th call for projects for the Regional Capacity Program and Regional Traffic Signal Synchronization Program were received on October 24, 2024, and are under review. Based upon project selection criteria as specified in the Comprehensive Transportation

¹ Only includes disbursed funds. On May 28, 2024, the Board determined the City of Buena Park ineligible to receive net M2 revenues for five years pursuant to Section 10.4 of the M2 Ordinance. Disbursements of net M2 revenues have been suspended until the City of Buena Park reestablishes eligibility.

² On May 28, 2024, the Board determined the City of Orange ineligible to receive net M2 revenues. Disbursements of net M2 revenues have been suspended until the City of Orange achieves compliance; the Board reconsidered the matter on May 12, 2025.

Funding Program guidelines, programming recommendations are anticipated to be presented for Board consideration in mid-2025. (Projects O and P)

- Through the Local Fair Share Program, 18 percent of M2 net revenues are allocated by formula to eligible local jurisdictions. During the quarter, approximately \$24.7 million was disbursed, bringing the total provided through March 2025 to nearly \$784.6 million^{3,4}. (Project Q)

Transit

The M2 transit mode includes several programs designed to provide expanded transportation options. M2 is the primary funding source for Southern California Regional Rail Authority (Metrolink) commuter rail service in Orange County and includes funding for rail projects to improve operations and transit connections to extend the reach of the service. On October 21, 2024, Metrolink implemented a pilot optimized service schedule that aims to adjust the focus from commuter rail to regional rail by addressing service gaps and making the most efficient use of equipment and crews. As such, the three lines serving Orange County (Orange County, Inland Empire-Orange County, and the 91/Perris Valley lines) now operate 58 weekday trains, a 29 percent increase from the 45 trains previously serving Orange County. Compared to the same quarter last year, ridership levels on all three lines have increased by 26 percent. Additional Metrolink challenges are discussed in the Challenges section of this report.

Since 2011, M2 has provided competitive multi-year transit funding commitments for bus and station van services connecting to Metrolink (\$483,133 to date), community-based transit circulators (\$80.5 million to date), and bus stop improvements (\$2.9 million to date). In addition, M2 provides a set amount of funding to support three programs (Senior Mobility Program, Senior Non-Emergency Medical Transportation Program, and Fare Stabilization Program), intended to expand mobility options for seniors and persons with disabilities (\$144.4 million^{3,4} to date). Other notable transit program activities from the quarter are highlighted below.

- **Emergency Coastal Rail Projects Update and Planning for the Future –** On February 10, 2025, the Board received an update on the Coastal Rail Stabilization Priority Project, including providing direction to advance

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engineering and environmental work for four reinforcement areas in south Orange County. The Board also received an update on the Coastal Rail Resiliency Study, which is evaluating short- and mid-term strategies for maintaining coastal rail service and developing conceptual alternatives for stakeholder input. (Project R)

- OC Streetcar – A quarterly update was presented to the Board on January 27, 2025, providing information on the status of construction activities, vehicle manufacturing, and public outreach. During the quarter, the Maintenance and Storage Facility (MSF) was declared ready to receive vehicles and received a temporary certificate of occupancy. The vehicles are anticipated to be delivered to the MSF from the contractor's storage facility over the next several months, with the first vehicle arriving in spring 2025. (Project S)
- Community-Based Transit Circulators – A ridership report covering April 2024 through September 2024 was provided to the Board on January 27, 2025. The report noted that all 17 services in operation during the reporting period met the required cost per boarding and customer satisfaction standards. (Project V)

Environmental Programs

The M2 program includes two innovative programs: the Environmental Cleanup Program (ECP) and the Environmental Mitigation Program (EMP). The ECP improves water quality by addressing transportation-related pollutants, while the EMP offsets the biological habitat impacts of M2 freeway projects.

On March 10, 2025, the Board approved the release of the 15th ECP Tier 1 call for projects, with programming recommendations anticipated in late summer 2025. Since 2011, the ECP has allocated approximately \$69.2 million to local jurisdictions for 216 projects for trash removal devices (Tier 1) and 22 projects for large-scale water quality best management practices projects (Tier 2). It is estimated that 81.5 million gallons of trash have been captured since the inception of the program, which equates to over 14,400 trash truck loads of garbage that could have been deposited in Orange County streams and waters.

Additionally, the Board has authorized \$55 million for the EMP to acquire conservation lands and fund habitat restoration projects. OCTA has acquired more than 1,300 acres and funded 12 projects to restore habitat on 350 acres of open space across Orange County to fulfill the necessary M2 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 endowment that is being established. To date, OCTA has made nine deposits of approximately \$2.9 million. As of March 2025, the balance of the endowment was \$32,538,437. Current projections indicate that OCTA remains on track to meet the endowment target of \$46.2 million in fiscal year (FY) 2027-28; however, the performance of the fund may affect the timeframe for full funding of the endowment.

PMO

Ten-Year Review – The M2 Ordinance includes a provision to conduct a comprehensive review of all projects and programs under the Plan at least every ten years to evaluate the performance of the overall program. Due to the early initiation of project development activities prior to the start-up of revenue collection in 2011, the first review was completed in 2015. The second effort is underway and is anticipated to be completed in early 2026. Outreach efforts were initiated this quarter with the finalization of collateral materials and branding and the launch of stakeholder engagement activities to guide the development of key findings and recommendations. On March 10, 2025, a presentation was provided to the Board outlining key activities completed to date and previewing upcoming outreach, analysis, and reporting efforts. The PMO continues to facilitate coordination with various OCTA divisions to fulfill the five objectives developed:

1. Research and identify external policy and/or regulatory changes at the local, state, and federal level, as well as changes in land use, travel, and growth projections that require consideration.
2. Evaluate current project and program cost estimates and the financial capacity of the sales tax revenue through 2041 to confirm Plan delivery.
3. Review M2 program and project elements to determine if there are performance issues or constraints to attain the promised delivery.
4. Assess public and stakeholder support for the Plan.
5. Identify OCTA's and local jurisdictions' progress in implementing the Plan.

M2 Triennial Performance Assessment – The M2 Ordinance requires a performance assessment every three years to evaluate the efficiency, effectiveness, economy, and program results of OCTA's delivery of M2. The sixth assessment, covering the period from July 1, 2021, through June 30, 2024, was presented to the Board on March 10, 2025. The report reflects a positive assessment of OCTA's efficiency and effectiveness in the delivery of M2 projects and programs. While there were no significant findings, four recommendations for enhancement were provided. The report noted that OCTA has implemented two of the four recommendations and continues to actively address the remaining two as necessary on an ongoing basis. Staff will report on implementation progress in future M2 quarterly reports.

Challenges

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

- At the direction of the Board, OCTA contracts with two local economists to receive biannual updates on market conditions and cost risk indicators affecting project delivery. The spring 2025 forecast, presented to staff, indicated that while inflationary pressures may begin to moderate over the next few years, the construction market continues to experience escalation of materials and labor pricing. The California Department of Transportation opened construction bids on January 23, 2025, for the Interstate 605 Katella Avenue Interchange Project. The low bid came in 6.7 percent higher than the engineer's estimate. Additionally, recent wildfires devastated communities in Los Angeles County, which may further impact construction cost pressures. The potential impact of new federal economic and trade policies on material pricing remains uncertain. As multiple M2 freeway projects are anticipated to be advertised for construction in 2025, staff will closely monitor regional bid pricing and update the Board as appropriate.
- Close monitoring of Metrolink operations and capital rehabilitation projects is necessary to ensure sustainability through 2041. Metrolink ridership recovery continues to struggle, which impacts farebox revenues and cost recovery. The program's funding shortfall is further compounded by a rise in operating costs. The 2024 Next 10 Delivery Plan (Next 10 Plan) cashflow includes the assumption of one-time, state Transit and Intercity Rail Capital Program formula funds to help sustain Metrolink operations. While Metrolink has implemented an optimized service schedule, without changes in ridership growth, operations and rehabilitation costs, or additional external funds, the current service cannot be sustained beyond FY 2037-38. OCTA will continue to engage with Metrolink and the other member agencies to monitor ridership levels and the corresponding financial impacts to M2.
- Over the past several years, coastal storm surges, combined with several other environmental factors, have damaged the Los Angeles – San Diego – San Luis Obispo (LOSSAN) rail corridor. These events have required increased maintenance and emergency repairs to stabilize the rail infrastructure. The emergency repairs have also led to intermittent service loss and delays. Although the affected portion of the railroad tracks in the City of San Clemente (San Clemente) is located within Orange County, this rail corridor is vital for Metrolink and state-supported intercity rail (Pacific Surfliner), freight connection to the Port of San Diego, and plays a strategic role in the operations of the Marine Corps Base Camp

Pendleton. In partnership with key stakeholders, a comprehensive plan to integrate engineering and sand nourishment solutions is underway to protect the coastal segment of the rail corridor in south Orange County in the immediate timeframe. On December 9, 2024, the Board approved the acceptance of \$305 million from the California Transportation Commission, California State Transportation Agency, and the Federal Railroad Administration, for the design and construction phases of this effort. To address the ongoing threats to a critical link in Southern California's rail network, OCTA submitted an Emergency Coastal Development Permit on March 31, 2025, to the California Coastal Commission to expedite work to stabilize four areas most vulnerable to failure through San Clemente. The application was approved and passenger rail service through San Clemente was suspended beginning April 28, 2025, to allow for crews to safely conduct emergency work to reinforce sections of track at immediate risk from landslides and coastal erosion. Updates will be provided to the Board as appropriate.

- The Coastal Rail Resiliency Study is underway to identify and evaluate potential near- and mid-term solutions to protect the rail line in place while long-term solutions, which may include relocation, to adapt the rail line to the changing environment are developed. OCTA is leading the effort on the near- and mid-term resiliency measures. The State will lead the long-term study, but the lead state agency has not yet been identified; OCTA will be an active participant in the study. As these studies progress, future updates to the Next 10 Plan will incorporate more current information.
- The OC Streetcar project has faced unforeseen utility conflicts and conditions, contaminated soils, construction quality control and contractor non-compliance, oversight and approvals, additional right-of-way acquisition, and several change requests, which affect operation-related milestones such as vehicle delivery and testing. In fall 2024, OCTA collaborated with the Federal Transit Administration on a comprehensive assessment of project risk, cost, and schedule, consistent with achieving 90 percent construction completion. Results of this analysis identified a cost of \$649 million to complete the project and a revenue service date in spring 2026. Staff will continue assessing project risks and make regular reports to the Board on the status of construction and expenditures.

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

Summary

A quarterly report covering activities from January 2025 through March 2025, 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.

Attachment

- A. Measure M2 Quarterly Progress Report, Third Quarter of Fiscal Year 2024 - 25, January 1, 2025 through March 31, 2025

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