



December 1, 2025

To: Executive Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Measure M2 2025 Update: Next 10 Delivery Plan

Overview

The Measure M2 Next 10 Delivery Plan provides a strategic framework for delivering Measure M2 freeway, roadway, transit, and environmental projects. Staff has prepared the 2025 update of the Measure M2 Next 10 Delivery Plan, which incorporates the most recent Measure M2 sales tax revenue forecast, current external funding assumptions, and refined project schedules and costs. This update outlines near-term commitments through fiscal year 2034-35, supports fiscal sustainability, and emphasizes the timely delivery of transportation benefits for the Orange County community. The draft update is presented to the Orange County Transportation Authority Board of Directors for review and adoption.

Recommendations

- A. Adopt the 2025 Measure M2 Next 10 Delivery Plan.
- B. Direct staff to continue to work with Metrolink to develop a financially sustainable service plan, such as establishing a target Orange County Transportation Authority funding level as part of the fiscal year 2026-27 budget development process.
- C. Direct staff to continue monitoring revenue and project cost shifts that could affect the Measure M2 Next 10 Delivery Plan and, if necessary, report to the Orange County Transportation Authority Board of Directors with changes.

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 M2 Plan provides a 30-year program of investments across a broad range of transportation and environmental initiatives and a governing ordinance that

defines the requirements for implementation. Ordinance No. 3 (M2 Ordinance) designates the Orange County Transportation Authority (OCTA) as responsible for administering the M2 Plan and ensuring that OCTA's contract with the voters is followed. The M2 Plan defines the general scope of the programs and projects that are to be delivered within four primary categories: freeways, streets and roads, transit, and environmental programs. The M2 Plan summary page is included as Attachment A.

OCTA is committed to delivering the programs and projects outlined in the M2 Plan. Fulfilling the promises made to voters began with the development of delivery plans to expedite the implementation of M2 projects and programs. These plans validate OCTA's ability to deliver the M2 Plan consistent with commitments to voters, outline a near-term work plan to promote effectiveness and efficiency, establish a shared understanding among M2 stakeholders, set a baseline upon which future changes are measured, and provide the basis for the preparation of OCTA's budgets and financial plans for capital projects. To date, the OCTA Board of Directors (Board) has adopted three types of delivery plans:

- The 2007 Early Action Plan to mobilize the M2 Plan;
- The 2012 M2020 Plan to outline a delivery plan through 2020;
- The 2016 Next 10 Delivery Plan (Next 10 Plan) replaced the M2020 Plan and addressed economic changes and impacts to M2 Plan delivery.

Since 2016, the Next 10 Plan has been regularly updated. The latest update of the Next 10 Plan was presented to the Board on November 12, 2024, and spanned fiscal year (FY) 2024-25 to FY 2033-34. The Next 10 Plan is intended to be a living document with delivery timeframes that shift to ensure the outlook on revenues, project costs, and delivery schedules remain current and provide a path forward. As such, the draft 2025 update of the Next 10 Plan spans FY 2025-26 to FY 2034-35.

OCTA receives annual updates to the M2 sales tax revenue forecasts; the most recent update was presented to the Board on October 27, 2025. The 2025 M2 sales tax revenue forecast is estimated to be \$13.2 billion over the 30-year span of the measure. Sales tax collections for FY 2024-25 increased by 0.1 percent to \$431.8 million, compared to the prior FY. The latest estimate represents a 5.7 percent decrease from what was included in the 2024 Next 10 Plan. In the long term, the revenue forecasts assume an annual average growth rate of approximately 2.7 percent. While a reduction in sales tax revenues affects all M2 programs, in most areas of the M2 Plan, programs can be scaled to available revenues.

OCTA also monitors construction market conditions key indicators to provide insight on potential construction cost drivers that could affect projects delivered within the Next 10 Plan timeframe. On October 13, 2025, the latest market

conditions analysis and forecast was presented to the Board, indicating a potential uptick in inflationary pressures in 2026, 2027, and 2028. The rise in building permits, California unemployment rates, and cost of construction materials and labor indicate that the macroeconomy is under strain.

Discussion

The 2025 Next 10 Plan, as well as prior delivery plans, were developed based on three fundamental principles: fulfill the commitment to voters, ensure fiscal sustainability, and implement projects and programs effectively and expeditiously. OCTA implements these principles in the following manner. First, the annual review of the Next 10 Plan tests and validates whether the complete M2 Plan can be delivered consistent with the commitments to voters. Second, financial analysis of the latest revenue forecast and project information ensures that the rate of expenditures is financially sustainable and that M2 can withstand economic fluctuations over the life of M2 through 2041. Third, the Next 10 Plan aims to implement projects and programs pragmatically and expeditiously so the public can realize the benefits of M2 as early as possible.

The 2025 update of the Next 10 Plan, included as Attachment B, incorporates the \$13.2 billion 2025 M2 sales tax revenue forecast, committed external revenues, and refined project information. Through this effort, OCTA can confirm that the M2 Plan remains deliverable; however, this update continues to emphasize that Metrolink operations require close monitoring and development of a sustainable plan to continue. Additional details on Metrolink are included under the transit section of this report. The 2025 update also continues progress on near-term projects and prepares additional projects for delivery while optimizing the level of debt financing, which maintains the assumption of no additional bond issuances through 2041.

The 2025 Next 10 Plan outlines an investment of approximately \$6.1 billion to improve the local transportation system from FY 2025-26 through FY 2034-35 (Attachment C); the planned deliverables along with progress to date are included as Attachment D. The following sections provide a brief overview of what is included in the 2025 Next 10 Plan.

Freeway Program

The M2 Freeway Program consists of 13 projects listed in the M2 Plan, which have been subdivided into 30 project segments for delivery purposes. The projects have defined scopes of work; therefore, they cannot be scaled to available revenue. As of September 2025, 17 project segments have been completed, three are in construction, and eight are progressing in final design/readying for construction. The remaining two project segments are currently in various stages of project development. With this progress, OCTA remains on track to complete 28 of the 30 freeway projects, effectively 93 percent

of the M2 Freeway Program by 2033, eight years in advance of the M2 Plan horizon. This outcome fulfills the goal of delivering project benefits early, despite extraordinary financial and regulatory challenges.

Included in the M2 Freeway Program is the Environmental Mitigation Program (EMP). OCTA has purchased seven properties and is addressing the balance of the freeway program mitigation needs through restoration projects on 13 publicly owned properties. The 2025 Next 10 Plan accounts for the recurring costs for the management and support of the EMP, as well as an annual deposit of approximately \$2.9 million to fund a non-wasting endowment to maintain the purchased properties. While the performance of the endowment fund may affect the timeframe for full funding, current projections indicate that OCTA remains on track to meet the endowment target of \$46.2 million in FY 2027-28. Regular reports on the status of the endowment are provided to the Board as a standalone item.

Streets and Roads Program

The M2 Streets and Roads Program is programmatic and scales to available revenues. It includes three distinct programs: Regional Capacity Program (RCP {Project O}), Regional Traffic Signal Synchronization Program (RTSSP {Project P}), and the Local Fair Share Program (Project Q). The RCP makes funding available to address roadway bottlenecks and close gaps in the regional roadway network. The RTSSP provides ongoing funding support to ensure a network of 2,000 intersections across Orange County remains coordinated to minimize stop-and-go traffic. Lastly, the Local Fair Share Program will continue to provide flexible funding to local jurisdictions to improve and maintain streets or for other local transportation priorities including residential street projects, bicycle trails, sidewalks, or community transit services. The assumptions for the funding of the three programs remain on a pay-as-you-go basis. The 2025 Next 10 Plan assumes annual calls for projects (call) for Project O and Project P, as well as providing a reliable, flexible funding source for local jurisdictions for transportation improvements through 2041.

Transit Program

The M2 Transit Program includes funding for Metrolink operations, station and infrastructure improvements (Project R), implementation of the OC Streetcar (Project S), expanded mobility for seniors and persons with disabilities (Project U), funding for community-based transit circulators (Project V), and enhanced passenger amenities for Orange County's busiest transit stops (Project W).

Close monitoring of Metrolink operations is necessary and development of a plan to ensure sustainability through 2041. In October 2024, Metrolink implemented *Metrolink Reimagined*, a service change that increased weekday train frequency and expanded midday and evening service to better accommodate new travel

patterns resulting from alternative work schedules. The revised schedule also improved connectivity between lines through clockface scheduling, allowing for easier transfers and more efficient use of train equipment and crews. The three Metrolink lines serving Orange County now operate 58 weekday trains, representing a 7.4 percent increase over pre-pandemic service levels. Despite the service change, Metrolink recovery continues to struggle as farebox revenue and ridership actuals consistently fall below forecasts, impacting cost recovery. To exacerbate this shortfall, operating costs have also increased. Without changes in service levels, ridership growth, operations and rehabilitation costs, or additional external funds, the 2025 Next 10 Plan notes that the current service cannot be sustained beyond FY 2033-34 - four years sooner than assumed in the 2024 Next 10 Plan. OCTA will continue to actively engage with Metrolink and the other member agencies to develop a financially sustainable service plan.

Railroad track stabilization efforts in south Orange County remain a major focus area, given their importance to the continued operation of Metrolink in the County. While the rail line remains open as a result of ongoing emergency work, longer-term solutions must be developed to ensure the ability to provide reliable rail service in this portion of the County. In partnership with key stakeholders, a planning study is currently underway to identify and evaluate immediate short- and medium-term solutions with the goal of protecting the rail line in place for approximately the next 30 years. A separate study will assess potential long-term solutions, which may include relocation of the rail line. The California State Transportation Agency has committed to lead the long-term study to plan for future investments necessary to ensure a resilient Los Angeles-San Diego-San Luis Obispo (LOSSAN) Rail Corridor. As these studies progress, future updates to the Next 10 Plan will incorporate more current information.

Project S, transit extensions to Metrolink, funds the capital and operating cost of the OC Streetcar, which is slated to be open to the public in 2026. OCTA continues to actively manage the contractor to advance the project; however, challenges and risks remain. Staff, in coordination with the Federal Transit Administration, has continued to assess the remaining schedule and cost risks.

Project U is made up of three programs: the Senior Mobility Program, the Senior Non-Emergency Medical Transportation Program, and the Fare Stabilization Program. While all three programs adjust to available revenue, the Fare Stabilization Program requires a minimum level of funding, which could present a challenge if sales tax revenues significantly decreased. OCTA proactively addressed this challenge with an early amendment to the M2 Ordinance to provide additional funding by transferring the savings from completed transit projects to this program. The 2025 Next 10 Plan projects adequate and stable funding for all three Project U programs through 2041.

Both Project V and Project W are funded on a pay-as-you-go basis. OCTA continues to communicate with local cities to support successful Project V services and to evaluate opportunities for additional community-based transit circulators. Through Project W, OCTA will continue to have the capacity to invest in amenities at the County's busiest transit stops.

Environmental Cleanup Program

The Environmental Cleanup Program (ECP) (Project X) also adjusts to available revenues and is funded on a pay-as-you-go basis. The ECP helps improve overall water quality in Orange County from transportation-generated pollution by preventing the flow of trash and debris into waterways. The 2025 Next 10 Plan assumes continued commitment to annual Tier 1 calls for water quality spot-improvement grants. Timing of Tier 2 calls for larger scale, system-level improvements will be evaluated based on project success, local jurisdiction interest, and detailed cash flow analysis.

Key Risks and Actions to Protect M2 Delivery

Delivering the M2 Plan is not without challenges. OCTA remains vigilant in monitoring delivery risks, including fluctuations in sales tax revenue, market volatility, and evolving regulatory requirements. While these uncertainties may impact timing and implementation strategies, they do not change the commitments made to voters. A table of risks is included on pages six through eight in Attachment B, with the three key risks highlighted below.

- **Economic** – The 2025 30-year sales tax revenue forecast of \$13.2 billion represents a \$800 million (5.7 percent decrease) compared to the 2024 forecast. Additionally, the latest market conditions analysis and forecast indicates a potential uptick in inflationary pressures in 2026, 2027, and 2028. Despite these economic fluctuations, the 2025 Next 10 Plan confirms that the M2 Plan remains deliverable; however, Metrolink operations continues to require close monitoring.
- **Programmatic** – Without changes in Metrolink service levels, ridership growth, operations and rehabilitation costs, or additional external funds, the 2025 Next 10 Plan notes that the current service cannot be sustained beyond FY 2033-34. To ensure Metrolink service through 2041, OCTA will need to work with Metrolink to develop a financially sustainable service plan, which may include establishing a target OCTA funding level.
- **Regulatory** – Current state planning and project approval policies place great emphasis on reducing travel by automobile and encourage project alternatives that promote short trips where possible, such as travel by transit, bicycling or walking, and use of zero-emission vehicles. These

requirements will affect the project environmental review process. The majority of M2 freeway projects, where this risk could manifest itself, have obtained the necessary approvals, but if the approvals require a review or revision, these new requirements could impact delivery. This risk is compounded by the fact that the current rules do not permit OCTA to take credit for M2-funded services such as regional rail service or community-based transit circulators as complementary measures to deliver balanced mobility solutions.

- Climate – Over the past several years, coastal storm surges, combined with several other environmental factors, have damaged the 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 is in Orange County, this rail corridor is vital for Metrolink, state-supported intercity rail (Pacific Surfliner), freight connection to the Port of San Diego, and is part of the Strategic Rail Corridor Network that supports national defense operations. The long-term solution will require collaboration from key stakeholders to develop and to implement. OCTA will be an active participant in the process; future implications to M2 with respect to service levels or costs are unknown at this time.

Updated revenue assumptions and commitments result in a delivery plan that ensures the M2 promises to voters are upheld. This balanced plan not only allows OCTA to maintain current commitments but will also allow OCTA to weather reasonable changes to cost or revenues in the future while reducing reliance on debt financing.

Summary

Staff has reviewed and updated the Next 10 Plan with the \$13.2 billion sales tax revenue forecast, revised external funding, and refined project information. Strategic financial decisions to date result in a delivery plan that fulfills OCTA's commitment to the voters of Orange County. The 2025 updated Next 10 Plan is presented for Board review and approval.

Attachments

- A. Measure M Investment Summary
- B. 2025 Update, Next 10 Delivery Plan, 2026-2035
- C. 2025 Updated Next 10 Delivery Plan, Measure M2 Investments
- D. 2025 Updated Next 10 Delivery Plan, Progress on Deliverables

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