



**June 1, 2026**

**To:** Executive Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Initial 405 Express Lanes Excess Toll Revenue Expenditure Plan

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is positioned in the upper right area of the document.

**Overview**

The 405 Express Lanes, implemented through the Interstate 405 Improvement Project, opened on December 1, 2023. The Orange County Transportation Authority operates the lanes through tolling authority provided by the California Transportation Commission and under a 40-year lease with the California Department of Transportation. In November 2025, the Orange County Transportation Authority Board of Directors approved the Policy and Framework for the Use of 405 Express Lanes Excess Toll Revenue. Board of Directors' approval is now requested for the Initial 405 Express Lanes Excess Toll Revenue Expenditure Plan to guide the future use of excess toll revenue, which may be available beginning in 2029.

**Recommendations**

- A. Approve the development of the 405 Corridor Plan as the only expenditure in the Initial 405 Express Lanes Excess Toll Revenue Expenditure Plan.
- B. Approve the charter for and the establishment of the 405 Corridor Technical Advisory Committee.
- C. Direct staff to return with a draft 405 Express Lanes Excess Toll Revenue Expenditure Plan to prioritize capital projects for future spending following completion of the 405 Corridor Plan as identified in the Initial 405 Express Lanes Excess Toll Revenue Expenditure Plan.

**Background**

The Orange County Transportation Authority (OCTA), in cooperation with the California Department of Transportation (Caltrans) and the cities of Costa Mesa, Fountain Valley, Huntington Beach, Seal Beach, and Westminster, implemented the Interstate 405 (I-405) Improvement Project (Project). The Project spans the

corridor between State Route 73 and Interstate 605 (I-605), for approximately 14 miles in length.

Key Project improvements included:

- One general purpose lane in each direction from Euclid Street to I-605, consistent with Measure M2 Project K.
- One additional lane in each direction, that combines with the existing high-occupancy vehicle lane to create the 405 Express Lanes – dual express lanes in each direction.
- The 405 Express Lanes started operations on December 1, 2023.

The Board of Directors (Board) first approved the 405 Express Lanes Toll Policy (Toll Policy) in 2016 and subsequently updated it in July 2023, when opening toll rates were also established. The Toll Policy emphasizes safety, performance, throughput, and financial viability, and is guided by the following goals:

- Ensure a safe, reliable, and congestion-free commute for express lanes users.
- Maintain optimal traffic flow at free-flow speeds.
- Encourage higher average vehicle occupancy.
- Balance capacity and demand to serve customers who pay tolls as well as people who rideshare or use transit.
- Generate enough revenue to maintain financial sustainability of the 405 Express Lanes.
- Fulfill all financial covenants.
- Allocate any net excess toll revenue toward improvements along the I-405 freeway corridor, after meeting all debt and reserve obligations and in accordance with legal requirements.

OCTA operates and maintains the 405 Express Lanes under a toll operating and lease agreement with Caltrans, executed in March 2017. The term of the agreement is 40 years, which started when the 405 Express Lanes opened on December 1, 2023, and will conclude on November 30, 2063.

The agreement outlines how excess toll revenue, which are funds that remain after covering operations, maintenance, debt repayment costs, enforcement, repair, rehabilitation, reserves, and administrative costs, can be used. The funds become accessible only after the development of an expenditure plan, created in partnership with Caltrans and approved by the Board. The agreement further states that beginning five years before any excess toll revenue is expected to be available, OCTA, in partnership with Caltrans, shall develop and annually update a ten-year expenditure plan. Based on recent projections, the excess toll revenue could be available as early as 2029. Accordingly, work began on developing principles and a framework for the expenditure plan in 2024.

In addition to the aforementioned agreement, in 2017, OCTA entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan agreement with the federal government to construct the 405 Express Lanes. This agreement also includes requirements for the use of excess toll revenues:

- For the first five years after tolling begins, any excess toll revenue must be held in a distribution lock-up fund managed by a trustee bank.
- After this period, if all loan conditions are met, 50 percent of excess toll revenue must go toward repaying the TIFIA loan.
- The remaining 50 percent may be directed by OCTA to transportation improvements within the I-405 freeway corridor.
- Once the loan is fully repaid, OCTA will have access to 100 percent of the excess toll revenue until the end of tolling authority on November 30, 2063.

An update to the traffic and revenue forecast was completed in May 2025. The new forecast incorporated the first full year of operational data from the 405 Express Lanes to derive the updated figures. OCTA's cash flow model has been updated to reflect the new 405 Express Lanes revenue forecast. The current model projects that there would be approximately \$168 million in excess revenue available in 2029. Per the TIFIA loan, half of the excess revenue must be utilized to pay down the loan while the other half of the revenue can be utilized for transportation improvements within the corridor.

Beyond the terms of the TIFIA loan, the use of excess toll revenue must also comply with other statutory requirements detailed in state and federal law, including:

- Streets and Highways Code Section 149.7, created by AB 194 (Chapter 687, Statutes of 2015), is the primary authorizing legislation for the 405 Express Lanes. The provisions require excess revenue to be used in the corridor where they are generated, pursuant to an expenditure plan adopted by the sponsoring agency's governing board.
- Government Code Section 14106, as created by AB 2250 (Chapter 500, Statutes of 2014), which again emphasizes that the toll revenue from an express toll lane must be expended only within the respective corridor in which the managed lane is located.
- 23 USC 129(a)(3), the primary federal authority for toll facilities on the interstate system, which restricts excess toll revenue to purposes authorized under Title 23, governing federal-aid highway programs.

On November 24, 2025, the Board approved the Policy and Framework for the Use of 405 Express Lanes Excess Toll Revenue (Policy and Framework) which is included as Attachment A. The Policy and Framework laid the foundation for the future expenditure plan and defined the 405 Corridor Investment Zone

(Attachment B). The Board also directed staff to develop a draft 405 Express Lanes Excess Toll Revenue Expenditure Plan (Expenditure Plan).

This report presents the draft Initial 405 Express Lanes Excess Toll Revenue Expenditure Plan (Initial Expenditure Plan).

### ***Discussion***

To inform the development of the Initial Expenditure Plan, staff considered the Policy and Framework approved by the Board in November 2025. OCTA met individually with Caltrans, the County of Orange, and the 405 Corridor Investment Zone primary stakeholder cities, including the cities of Costa Mesa, Fountain Valley, Huntington Beach, Seal Beach, and Westminster, to help inform the content and direction for the Initial Expenditure Plan. OCTA also held a stakeholder meeting that included all these agencies so that a group discussion could take place. Separately, OCTA staff met with the other cities that may have an interest in the 405 Investment Corridor to inform them of the progress to date and the recommendations outlined in this report.

Through the primary stakeholder meetings, which focused on eligible project types, the limits of the 405 Investment Zone, and criteria for prioritizing the future projects for funding consideration, it became clear that an Initial Expenditure Plan should address these questions. As part of the Policy and Framework item, the Board approved the concept of developing a 405 Corridor Plan every three years, which is separate from the Expenditure Plan. The 405 Corridor Plan would focus on understanding the transportation needs in the corridor, identifying a comprehensive list of OCTA, Caltrans and local agency projects and developing criteria for prioritizing regional projects as well as for the competitive call for local agency projects. The 405 Corridor Plan is critical to fully understanding how certain project types would benefit the I-405 freeway system. Therefore, staff recommends that the Initial Expenditure Plan focus solely on the 405 Corridor Plan, which will help guide future expenditure plans to prioritize transportation investments that benefit the I-405 freeway system.

### **Initial Expenditure Plan/405 Corridor Plan**

The Initial Expenditure Plan is provided as Attachment C, and the only initial expenditure identified is for the 405 Corridor Plan. The Policy and Framework describes the 405 Corridor Plan as follows.

The Policy and Framework states:

“A comprehensive 405 Corridor Plan will guide the identification of investment needs and priorities across freeway, local streets and roads, and transit networks

within the 405 Corridor Investment Zone. The plan will be developed and updated every three years and will include:

- Freeway improvements (e.g., capacity, connectors, and traffic flow).
- Local streets and roads (e.g., capacity, active transportation, complete streets, and signal or pavement upgrades).
- Transit investments (e.g., capital, operations, transit incentives, and first/last-mile connections).

All funded projects must demonstrate direct benefits to the I-405 freeway system and be consistent with OCTA's Long-Range Transportation Plan and the Southern California Association of Governments' Regional Transportation Plan (currently titled Connect SoCal 2024) as informed by the California Transportation Plan.”

The proposed fiscal year (FY) 2026-27 budget includes funding to procure a consultant for development of the 405 Corridor Plan. The 405 Corridor Plan will take approximately 18 to 20 months to complete. The scope of work for the first 405 Corridor Plan includes working directly with OCTA, Caltrans and the local jurisdictions to develop a comprehensive list of projects. The list will consider all potential projects but would focus on projects that first benefit the I-405 freeway corridor, consistent with the Policy and Framework, and those that could likely be delivered or would need funding between 2029 and 2036. The 405 Corridor Plan will be updated every three years focusing initially on a seven-year period while also considering beyond that period to aid in future project planning. The scope of work also includes developing criteria to evaluate and prioritize OCTA and Caltrans projects, as well as developing separate or additional criteria for use in the call for projects for local jurisdictions. Finally, the 405 Corridor Plan will outline potential transportation needs and opportunities for improvements within the corridor.

#### Establishment of the 405 Corridor Technical Advisory Committee (405 TAC)

Consistent with the Policy and Framework, the Board approval of the draft 405 TAC Charter is requested. The draft charter for the 405 TAC is provided in Attachment D. Based on what is outlined in the Board-approved Policy and Framework, the 405 TAC will provide technical guidance and review for both the 405 Corridor Plan as well as the annual Expenditure Plan. It will make recommendations through the appropriate Board committee and to the Board. Consistent with AB 194, while the 405 TAC will provide review and guidance, the Board has ultimate decision making related to the Expenditure Plan. The 405 TAC voting members will include the public works directors from the cities of Costa Mesa, Fountain Valley, Huntington Beach, Seal Beach, and Westminster. Also consistent with AB 194, which requires the Board to approve the Expenditure Plan in consultation with Caltrans, OCTA will have three voting

members on the 405 TAC, the Chief Financial Officer, the Express Lanes General Manager, and the Executive Director of Planning, who will also serve as the chair, and Caltrans will have two voting members, the Deputy District Director, Planning & Local Assistance and the Deputy District Director, Strategic Portfolio Management.

The 405 TAC will also include non-voting ex-officio members made up of the public works directors from the County of Orange and the cities of Cypress, Garden Grove, Irvine, Los Alamitos, Newport Beach, Santa Ana, and Stanton. The 405 TAC will meet quarterly and will continue as long as excess revenues are available or until the OCTA Board decides to change the charter.

#### Next Steps

With Board direction, a request for proposals for consultant services to develop the 405 Corridor Plan will be issued with a goal of awarding a consultant contract in the fall. The work on the 405 Corridor Plan is expected to be completed in mid-2028, at which point the 405 TAC will begin the work of developing draft guidelines for a call for projects (call) for local jurisdictions and prioritizing regional projects for inclusion in the Expenditure Plan. The draft Guidelines and overall Expenditure Plan are expected to be presented to the Board for approval in early 2029, immediately following when the excess toll revenue would first be released from the required TIFIA distribution lock-up fund.

#### ***Summary***

The draft Initial Expenditure Plan for the 405 Express Lanes excess revenues, which focuses solely on the first 405 Corridor Plan, and the draft charter for the 405 TAC are presented for Board consideration and approval. The draft Initial Expenditure Plan is consistent with provisions within the Caltrans/OCTA toll operating agreement to start developing an expenditure plan for 405 Express Lanes excess revenue five years before excess revenues are expected to be available. The draft Initial Expenditure Plan also lays the groundwork for future expenditure plans that will support significant transportation investments in the 405 Corridor Investment Zone.

***Attachments***

- A. Policy and Framework for the Use of 405 Express Lanes Excess Toll Revenue
- B. Map of 405 Corridor Investment Zone
- C. 405 Express Lanes Excess Toll Revenue Initial Expenditure Plan
- D. Draft 405 Corridor Technical Advisory Committee Charter

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