

DRAFT

Policy and Framework for the Use of 405 Express Lanes Excess Toll Revenue

POLICY

Orange County Transportation Authority (OCTA) Definition of 405 Corridor Investment Zone

The 405 Corridor Investment Zone will encompass a three-mile buffer within Orange County along the span of Interstate 405 (I-405), including OCTA's 405 Express Lanes. The investment zone will extend beyond this three-mile buffer to include only the I-405 (does not include city streets or other facilities for this section of the I-405), from the southern terminus of the 405 Express Lanes to its connection with Interstate 5 within Orange County.

General Policy

The Orange County Transportation Authority (OCTA) is committed to reinvesting toll revenue from the 405 Express Lanes in ways that benefit all who travel the I-405 freeway corridor. In accordance with California state law, including the requirements of AB 194 (Chapter 687, Statutes of 2015), excess toll revenue – defined as funds remaining after covering the costs of operations, maintenance, 405 Express Lanes improvements, and debt service – will be used to support a balanced and sustainable transportation system within the 405 Corridor Investment Zone. Transportation investment priorities are expected to be developed and refined through 405 corridor plan(s).

Generally, priority will be given to projects that:

- Relieve congestion on the I-405, ensuring that toll revenue benefits all corridor users, not just 405 Express Lanes customers;
- Advance currently planned and future freeway and roadway improvement projects within the 405 Corridor Investment Zone;
- Invest in transit, signal synchronization, active transportation, and first/last-mile improvements that strengthen corridor-wide mobility options and encourage ridesharing; and
- Improve the 405 Express Lanes driver experience, including enhanced access, connectivity, safety, and travel-time reliability.

All funded transportation improvements should demonstrate benefits to the I-405 freeway system and align with OCTA's adopted planning documents, such as the Renewed Measure M Transportation Investment Plan, the Long-Range Transportation Plan, and Regional Transportation Plan as informed by the California Transportation Plan, as well as the agency's goals for equitable, sustainable, and efficient transportation. This

approach ensures that toll revenue serves the broader public interest, consistent with the intent of AB 194 and state oversight.

FRAMEWORK

Precepts for the 405 Express Lanes Excess Toll Revenue Expenditure Plan

1. Definition and Use of Excess Toll Revenue

Excess toll revenue from the 405 Express Lanes is defined as the remaining funds after meeting all financial obligations for operations, maintenance, enforcement, debt repayment, rehabilitation, reserves, and administrative costs. Through the general policy stated above, OCTA is also including improvements to the 405 Express Lanes as a primary use of 405 Express Lanes toll revenue prior to determining excess toll revenue. The excess toll revenue will be calculated annually and prioritized for reinvestment in the 405 Corridor Investment Zone through the 405 Express Lanes Excess Toll Revenue Expenditure Plan to benefit the overall transportation system, consistent with the requirements of AB 194 and OCTA's adopted policies.

2. Corridor-Based Investment Planning

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 Regional Transportation Plan (currently titled Connect SoCal 2024) as informed by the California Transportation Plan and should be included in the 405 Corridor Plan.

3. Project Eligibility and Planning Alignment

Local jurisdiction transportation improvements considered for funding must originate from the 405 Corridor Plan and be reflected in the jurisdiction's capital improvement program and, where applicable, the Master Plan of Arterial Highways. The goal is to ensure alignment with regional planning efforts and long-term mobility objectives.

4. Technical Advisory Committee (TAC)

A Technical Advisory Committee will be established to provide technical guidance and review. The committee will include Public Works directors or city engineers from cities that are immediately adjacent to the 405 Express Lanes segment of the I-405 freeway system (Costa Mesa, Fountain Valley, Huntington Beach, Seal Beach, and Westminster), the County of Orange, the California Department of Transportation (Caltrans), and OCTA. This group will advise on both the Corridor Plan and the Expenditure Plan.

5. Revenue Set-Asides

Two specific set-asides from excess toll revenue will be maintained:

- Eight percent for project and program reserve, consistent with OCTA's Reserve Policy.
- Two percent for planning purposes, including the development and periodic update of the 405 Corridor Plan.

6. Proposed Transportation Improvement Selection and Approval Process

All transportation improvements must be formally reviewed and approved by the OCTA Board of Directors as part of the annual expenditure plan. Local jurisdiction nominated projects within the 405 Corridor Investment Zone will be selected through a competitive process. Local jurisdictions (including those within the 405 Corridor Investment Zone beyond the TAC) may apply for funding, provided their projects meet the eligibility criteria and offer at least a 20 percent funding match.

7. Proposed Transportation Improvement Evaluation Criteria

Selection of transportation improvements for funding will be based on transparent and performance-based criteria:

- Freeway/tollway projects: Emphasis on congestion relief, relationship to Measure M2, cost-benefit analysis, and readiness.
- Transit (bus/rail) projects: Emphasis on usage potential, cost-effectiveness, regional/local benefits, and intermodal integration.
- Local streets, roads, and active transportation projects: Evaluated based on congestion relief to the I-405 freeway system, cost-effectiveness, project readiness, and leveraging of local, state, or federal funds.

All funded transportation improvements must demonstrate direct benefits to the I-405 freeway system.

8. Caltrans Project Participation Requirements

Caltrans may submit enhancement projects for consideration only if:

- Caltrans adheres to a maintenance of effort commitment that is currently being developed.
- Caltrans charges the lowest functional rate possible for oversight and project delivery. This is also currently under development.
- The projects or improvements are considered enhancements above and beyond what would have been provided through the State Highway Operation and Protection Program and other regular Caltrans maintenance funding programs.

9. Oversight and Transparency

All transportation improvements funded through the 405 Express Lanes Excess Toll Revenue Expenditure Plan will be subject to audits to ensure transparency, accountability, and appropriate use of funds.