



June 1, 2026

To: Regional Transportation Planning Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Capital Programming Update

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Overview

The Orange County Transportation Authority uses a combination of federal, state, and local funding sources to plan and deliver Orange County Transportation Authority Board of Directors-approved capital improvement and transit projects, including those promised in the voter-approved sales tax program, Measure M2. As projects advance through the various stages of development, funding sources and amounts are updated and adjusted to reflect the most current cost estimates and to maximize the benefit of local sales tax dollars and the use of external state and federal revenues. Board of Directors' authorization is requested to program federal, state and local funding for existing Board of Directors-approved projects as further described herein.

Recommendations

- A. Authorize the use of \$12.224 million in Congestion Mitigation and Air Quality Improvement Program project savings from 40-foot Compressed-Natural-Gas Replacement Buses and local complete streets projects to the Alternative Fuel 60-Foot Replacement Buses Project.
- B. Authorize the reallocation of \$6.072 million in SB 125 (Chapter 54, Statutes of 2023) Transit Program funds from OC Bus Operations Startup - Connections to OC Streetcar Project for OC Streetcar operations.
- C. Authorize the reallocation of \$6.072 million in Congestion Mitigation and Air Quality Improvement Program savings from OC Streetcar operations to the Interstate 5 Improvement from County Line to Avenida Pico Project.
- D. Authorize the use of an additional \$71.705 million in Measure M2, Project S funds for OC Streetcar capital projects.

- E. Authorize staff to process all necessary amendments to the Federal Transportation Improvement Program and execute all necessary agreements.

Background

The Orange County Transportation Authority (OCTA) is underway with a robust program of Board of Directors (Board)-approved capital projects that support OCTA's mission to develop and deliver transportation solutions to enhance the quality of life and keep Orange County moving, and to continue delivering on promises made to voters through the Measure M2 (M2) one-half-cent sales tax program. As projects advance through development, costs and funding requirements may change, requiring periodic updates to funding. Regular project updates are provided for specific freeway and transit project costs through the quarterly Capital Action Plan (CAP), which highlights project costs, schedules, and status.

Board approval to update funding amounts and sources for projects is periodically requested, consistent with revised needs as projects advance to the next phase of delivery. This item seeks approval to adjust federal, state, and local funding allocations necessary for transit, highway, and local complete streets projects. These recommended actions are consistent with the Board-approved Capital Programming Policies (CPP) that direct how OCTA uses federal, state, and local funds (Attachment A) and the Policy to Guide Redistribution of Savings for Federal Funds (Federal Savings Policy) approved by the Board on April 13, 2026, that guides how OCTA directs federal Surface Transportation Block Grant (STBG) and Congestion Mitigation and Air Quality Improvement Program (CMAQ) savings.

SB 125 (Chapter 54, Statutes of 2023) amended the Budget Act of 2023, creating a formula funding program using a combination of the state general fund, greenhouse gas reduction fund, and public transportation account revenues to support transit operations and capital needs through two funding programs: the Transit and Intercity Rail Capital Program (TIRCP), which has a very broad use for transit and rail projects, and the Zero-Emission Transit Capital Program (ZETCP), which was developed specifically to support zero-emission bus needs. The funds are distributed to Regional Transportation Planning Agencies (RTPA) by the California State Transportation Agency (CalSTA) and are referred to as the SB 125 Transit Program. Designated as an RTPA for this purpose, OCTA is responsible for using or further distributing these funds to qualifying transit operators. On July 8, 2024, CalSTA approved OCTA's submittal for \$380.916 million for three broad categories of projects: Stabilize Rail and Bus Operations, Construction of Critical Rail Infrastructure, and Deploy Zero-Emission Buses and Clean Energy. On August 12, 2024, the Board approved authorization of these funds.

At the OCTA Board meeting on February 23, 2026, staff presented the State Legislative Status Report which summarized Governor Gavin Newsom’s proposed fiscal year (FY) 2026-27 state budget. ZETCP funding for FY 2026-27 and 2027-28 was not included in the Governor’s budget proposal. The recommended funding changes to SB 125 Transit Program TIRCP-funded projects proposed in this item are partially funded with the ZETCP and therefore may be impacted by the Governor’s proposed budget. Staff will continue to monitor the FY 2026-27 state budget development process and evaluate potential impacts to OCTA’s SB 125 Transit Program projects and the ZETCP as additional details become available.

The above noted factors require OCTA to adjust funding allocations across federal and local programs to ensure that projects remain fully funded and consistent with funding eligibility requirements.

Discussion

This report includes the redirection of STBG/CMAQ savings based on the Federal Savings Policy which advises staff to consider the use of STBG/CMAQ savings twice a year. The first priority for STBG/CMAQ savings is for OCTA projects that have a regional benefit. The second priority is for Metrolink projects or local agency projects. Only projects that have been selected by the Southern California Association of Governments (SCAG) can be considered for STBG/CMAQ savings, per the SCAG guidelines.

Staff has reviewed STBG- and CMAQ-funded completed projects and has identified STBG and CMAQ savings, as follows:

Project	CMAQ (\$000s)
40-Foot Compressed-Natural-Gas Replacement Buses	\$ 10,449
Peters Canyon Extension	\$ 884
Bristol Street from Civic Center Drive to Washington Avenue	\$ 794
Utica Avenue Bicycle Boulevard	\$ 77
Previously Unprogrammed Funding	\$ 16
District 5 Regional Bikeways - Mission Viejo North-South Corridor and Jeronimo Road/Chrisanta Trail	\$ 4
Total	\$ 12,224

Consistent with the Federal Savings Policy, staff is recommending that the savings of \$12.224 million be used for the purchase of alternative fuel 60-foot replacement buses, which is an OCTA project with regional benefit and a SCAG-selected project. CMAQ funds can be used for either zero-emission buses or buses that run on compressed natural gas. The additional funds will increase the project funding from \$43.381 million to \$55.605 million.

The added CMAQ will help support a cost increase that is tied to tariffs and the sunset of the sales tax exemption as well as the purchase of two additional 60-foot buses to replace a total of 20 existing 60-foot buses that have reached the end of their useful life. The use of CMAQ funds for alternative fuel 60-foot replacement buses is consistent with the CPP that states external fund sources should be used whenever possible to decrease the need for local funds. The CPP also lists bus purchases as an eligible use for CMAQ funds. The existing funding, project descriptions, and the recommended funding changes for this project and the projects described later in this staff report are outlined in Attachment B.

Staff is also requesting Board approval to reprogram \$6.072 million of SB 125 Transit Program funding from OC Bus operations to OC Streetcar operations. These funds were previously approved to support new OC Bus connections to the OC Streetcar but after a Bus Rail Interface Plan was conducted, it was determined that the funding was not needed and use of the funds for OC Bus would be difficult to track for grant reporting purposes. OC Streetcar operations is already part of the SB 125 Transit Program and is eligible for these funds.

Concurrently, staff recommends moving \$6.072 million in CMAQ funds currently programmed to OC Streetcar operations and offset by the SB 125 funds noted above to the plans, specifications, and estimates (PS&E) phase for the Interstate 5 Improvement Project from the San Diego County Line to Avenida Pico (I-5 Project). The I-5 Project was selected and partially funded by SCAG for PS&E in the latest STBG/CMAQ call for projects nominations cycle. Programming these funds to the I-5 Project may help to expedite the start of the PS&E phase. The use of CMAQ for the I-5 Project is consistent with the Federal Savings Policy because it is a project with regional benefit with a funding need. It is also consistent with the CPP that states CMAQ may be used for construction of high-occupancy vehicle lanes.

Finally, in the Capital Action Plan item that was presented to the Board on May 11, 2026, the forecasted project completion for the OC Streetcar Project was revised to early 2027 in consideration of ongoing mediation of contractor disputes and litigation. The revised completion date also impacts the overall cost of the project. A new cost estimate of \$720.705 million was developed, which includes current litigation-related mediation efforts and additional professional service support costs and related project extension costs based on the revised completion date. The current estimate for these costs results in the need for additional funding of \$71.705 million to support the OC Streetcar Project. Staff is recommending the use of Measure M2 Project S Transit Extensions to Metrolink funds to meet the funding need. Use of Measure M2, Project S funding for this purpose is consistent with both the Measure M2 Ordinance No. 3 and the CPP.

Next Steps

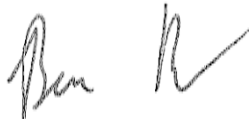
All federally funded or regionally significant projects must be included in the Federal Transportation Improvement Program. Upon Board approval, staff will coordinate with SCAG and appropriate agencies to implement the recommended funding adjustments. These changes are all reflected in the Capital Funding Program (Attachment C). In addition, as part of this semi-annual item, OCTA typically provides a comprehensive list of the prior Board programming actions to provide context for these requested changes. The list is included as Attachment D.

Summary

To ensure that OCTA projects remain fully funded, savings are reprogrammed and that external funding is maximized, staff recommends adjustments to federal, state and local funding allocations. The proposed actions reallocate CMAQ funding to bus replacement and HOV lane projects, utilize SB 125 Transit Program funding for OC Streetcar operations, and provide support for the OC Streetcar capital projects. The recommended funding adjustments ensure that funding is used in a manner consistent with eligibility requirements and that OCTA projects remain fully funded.

Attachments

- A. Capital Programming Policies by Fund Source, December 2021
- B. Capital Programming Update Project Descriptions
- C. Capital Funding Program Report
- D. List of Board of Directors Reports with Programming Actions - January 2025 – June 2026

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