




June 5, 2023

To: Executive Committee

From: Darrell E. Johnson, Chief Executive Officer  For

Subject: Measure M2 Quarterly Progress Report for the Period of January 2023 through March 2023

Overview

Staff has prepared the Measure M2 Quarterly Progress Report for the third quarter of fiscal year 2022-23 as information for the Orange County Transportation Authority Board of Directors. This report highlights progress on Measure M2 projects and programs and 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 Transportation Investment Plan (Plan) for the Measure M2 (M2) one half-cent sales tax for transportation improvements. The 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 implementing the Plan. Ordinance No. 3 (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.

OCTA is committed to fulfilling the promises made in M2. This means not only completing the projects described in the Plan but also adhering to numerous specific requirements, safeguards, and transparency provisions identified in the M2 Ordinance. The M2 Ordinance requires that quarterly status reports regarding the major projects detailed in the Plan be brought to the Board of Directors (Board). The Board is also provided with individual project and program-level staff reports on the status of various initiatives included in the Plan.

Discussion

This quarterly report reflects activities and progress across all M2 programs for the period of January 1, 2023, through March 31, 2023 (Attachment A). The quarterly report also includes project budget and schedule information as provided in the Capital Action Plan reports to the Board. Information on the Local Fair Share and Senior Mobility Program payments made to cities during the quarter is also included. Additionally, Attachment A 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 working to address.

Freeway Program

The M2 Freeway Program consists of 30 project segments to be delivered by 2041. To date, 13 project segments are complete, five are in construction, and eight are in final design. Completing these projects would bring the total number of completed projects to 26 by fiscal year (FY) 2029-30, equating to approximately 87 percent of the M2 Freeway Program. The remaining four project segments are in various stages of project development. Notable freeway program highlights that occurred during the quarter are noted below.

- **State Route 91 between State Route 55 and Lakeview Avenue –** The Board selected a consultant to provide public outreach services on March 27, 2023, to prepare this project for the construction phase. Construction is anticipated to begin in early 2024. (Project I)
- **Interstate 405 between State Route 73 and Interstate 605 –** A project update was presented to the Board on February 13, 2023, providing progress on construction, risk monitoring, and outreach efforts. The project is more than 92 percent complete with 11 of the 18 bridges fully opened to traffic. (Project K)
- **Freeway Service Patrol (FSP) –** On February 13, 2023, the Board awarded contracts for FSP services serving four service areas in Orange County. OCTA contracts with private tow service firms to provide FSP services. Through these contracts, the tow service firms provide assistance to motorists whose vehicles have become disabled on Orange County freeways and congestion-causing debris from traffic lanes to reduce freeway congestion and collisions. (Project N)

Streets and Roads

In partnership with the 35 local jurisdictions, a significant milestone in the M2 Streets and Roads Program was reached as funding allocation and distributions surpassed \$1 billion in September 2022. Since 2011, more than \$1.06 billion has been allocated to local jurisdictions for transportation improvements through the streets and roads competitive and formula funding programs.

In addition, OCTA was able to leverage nearly \$53.9 million in external funding to support these programs. To date, 429 project phases have been allocated through M2 competitive streets and roads funding programs, of which 320 phases, or approximately 75 percent, have been completed. The remaining phases are underway or planned to be underway.

- M2 includes two competitive streets and roads programs known as the Regional Capacity Program (RCP) and Regional Traffic Signal Synchronization Program (RTSSP). These programs target projects that improve mobility by considering factors such as degree of congestion relief, cost-effectiveness, and project readiness. On August 8, 2022, the Board authorized staff to accept one-time escalation adjustment requests from local jurisdictions for existing RCP and RTSSP allocations previously programmed through the 2018, 2019, 2020, and 2021 calls for projects (call) due to local jurisdictions experiencing extraordinary cost increases for materials and labor due to shortages, supply chain issues, and extraordinary inflation. During the quarter, staff completed review of requests from local jurisdictions for escalation rate adjustments. On February 13, 2023, the Board approved escalation adjustments for an additional \$5.76 million in M2 funding for nine RCP and RTSSP projects. (Project O and Project P)

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 station improvements and transit connections to extend the reach of the service. Due to the coronavirus (COVID-19) pandemic, Metrolink implemented temporary service reductions due to reduced ridership levels. During the quarter, ridership recovery continued to trend positively yet below projections. Total boardings on the three lines are approximately 61 percent lower than pre-pandemic levels. 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 (\$40 million to date), and bus stop improvements (\$2.9 million to date). In addition, M2 provides a set amount of annual funding to support three programs intended to meet the needs of seniors and persons with disabilities (\$115.3 million¹ to date). Other notable Transit activities from the quarter are noted below.

- Anaheim Canyon Metrolink Station – On January 30, 2023, the newly constructed improvements opened to the public. These improvements included new and extended platforms, new passenger amenities, and a second main track to allow more than one train in the station at a time. (Project R)
- South Coast Rail Infrastructure Feasibility Study – Over the past several years, coastal storm surges, combined with several other environmental factors, have caused damage to coastal sections of the Los Angeles - San Diego - San Luis Obispo (LOSSAN) Rail Corridor in south Orange County. These events required increased maintenance and emergency repairs to stabilize the infrastructure. The emergency repairs have also led to intermittent service loss and delays. This portion of the rail corridor is important for the transportation of people and goods and is a key railroad line for national defense. To identify short- and medium-term solutions to address rail infrastructure protection in south Orange County, the Board approved the release of a request for proposals for a feasibility study and alternative concept analysis on March 13, 2023. Proposals were due on April 10, 2023, and consultant selection is anticipated to be presented to the Board in late 2023. (Project R)
- OC Streetcar – A quarterly update was presented to the Board on January 23, 2023, providing information on the status of construction activities, vehicle manufacturing, and public outreach. During the quarter, construction continued at the Maintenance and Storage Facility, placement of embedded track on Santa Ana Boulevard, and preparation of various intersections for utility installations. In addition, all eight vehicles are in the final stages of manufacturing. (Project S)

¹ Only includes disbursed funds. On October 12, 2020, the Board approved a temporary exception to the SMP guidelines, allowing OCTA to hold allocations in reserve for agencies with suspended services due to the COVID-19 pandemic. The state lifted the State of Emergency on February 28, 2023, which triggered the 30-day requirement to resume transportation service. All withheld funds will be released with the next bimonthly disbursement.

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.

Since 2011, the ECP has allocated more than \$57.2 million to local jurisdictions for 201 projects for trash removal devices (Tier 1) and 18 projects for large-scale water quality best management practices projects (Tier 2). It is estimated that nearly 60 million gallons of trash have been captured since the inception of the program, which is the equivalent of filling nearly 138 football fields with one foot deep of trash.

- The 13th Tier 1 call was released on February 13, 2023, in the amount of \$3 million. Applications were received on April 27, 2023, and programming recommendations are anticipated to be presented to the Board in summer 2023. (Project X)

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 established endowment. OCTA has made seven deposits of approximately \$2.9 million into the endowment and as of March 31, 2023, the balance of the endowment was \$23,112,620. Current projections indicate that OCTA remains on track to meet the endowment target of \$46.2 million in FY 2027-28; however, the performance of the fund may affect the timeframe for full funding of the endowment.

Market Conditions Forecast and Risk Analysis

At the Board's direction, OCTA contracts with two local economists to monitor and analyze key early warning indicators affecting the construction market. The information is incorporated in a cost pressure index model to identify potential cost risk factors on M2 project delivery. The latest report indicates that OCTA may continue to experience a high-cost environment through 2024, with relief of price pressures in 2025. Major drivers of the cost pressures include the high cost of materials and high construction wages. While the Federal Reserve continues to raise interest rates to curb inflation, the broader labor market remains strong with job openings outnumbering available workers. Staff will continue to monitor market conditions and provide updates to the Board as appropriate.

Challenges

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

- In April 2022, Metrolink restored service to 90 percent of pre-pandemic levels, however ridership has struggled to recover which has negatively affected farebox revenues and significantly increased operating subsidies. The prevalence of flexible remote work policies has further affected ridership. Without changes in service planning, ridership growth, operations and rehabilitation costs, or infusion of external funds, the current service cannot be sustained beyond FY 2035-36. OCTA will continue to engage with Metrolink and the other member agencies to monitor ridership levels and the corresponding financial impacts to M2.
- Another impact to Metrolink in Orange County is passenger services closures through the City of San Clemente due to track and slope stabilization efforts. While passenger rail service resumed on April 17, 2023, following the completion of emergency construction work, passenger service was again halted on April 27, 2023, due to falling debris from a hillside slope near San Clemente's cultural center, just two miles north of the completed emergency work. OCTA continues to monitor the situation and will determine next steps for when the track can safely be reopened.
- The OC Streetcar project has faced challenges, such as unforeseen utility conflicts and conditions, contaminated materials, construction quality control and compliance, added oversight and approvals, and several change requests. OCTA applied for and was awarded \$149.84 million in supplemental Transit and Intercity Rail Capital Program (TIRCP) funding in January 2023. In addition, OCTA worked with the Federal Transit Administration (FTA) project management oversight consultant on a comprehensive project risk, cost, and schedule assessment, consistent with achieving 75 percent construction completion. The FTA identified a cost of \$579.16 million to complete the project and a risk-based revenue service date of August 2025. OCTA will continue to manage the streetcar project to reach the November 2024 revenue service date identified in the revised schedule. In addition, the incremental \$69.62 million in the revised cost estimate will be covered by the infusion of supplemental TIRCP funds noted above. The balance of the additional TIRCP funding will help preserve M2 funds for the operations and maintenance phase of the project or future funding needs in this M2 program category.

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 2023 through March 2023, 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. Hard copies are available by mail upon request.

Attachment

- A. Measure M2 Quarterly Progress Report, Third Quarter of Fiscal Year 2022 - 23, January 1, 2023 through March 31, 2023

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