




March 4, 2024

To: Executive Committee

From: Darrell E. Johnson, Chief Executive Officer 

Subject: Measure M2 Quarterly Progress Report for the Period of October 2023 through December 2023

Overview

Staff has prepared the Measure M2 Quarterly Progress Report for the second quarter of fiscal year 2023-24 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. Effective in 2011, 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 October 1, 2023, through December 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 monitoring and 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 and another 14 are underway and expected to be completed by 2030. The group of projects that are underway includes five projects that are in construction, eight that are in final design, and a joint project with Riverside County Transportation Commission. The joint project will improve State Route 91 between State Route 241 and State Route 71. Completing these 14 projects would bring the total number of completed projects to 27 by 2030, equating to approximately 90 percent of the M2 Freeway Program. The remaining three project segments are in various stages of project development. A notable freeway program highlight that occurred during the quarter is below.

- Interstate 405 between State Route 73 and Interstate 605 – As the project neared substantial completion, more frequent updates were presented to the Board (October 23, 2023, and November 27, 2023) providing progress on construction, risk monitoring, and outreach efforts. On December 1, 2023, OCTA held a dedication event to celebrate the successful completion of all 18 bridge reconstructions, freeway lanes, and on- and off-ramps. Remaining project activities include landscaping, installation of bridge lighting, cultural resources restoration, and punch-list items, which are anticipated to be completed in early 2024. (Project K)

Streets and Roads

Since 2011, over \$1.1 billion¹ has been allocated to local jurisdictions for transportation improvements through the M2 Streets and Roads Program, which includes two competitive and one formula-based funding programs. In addition, OCTA was able to leverage nearly \$53.9 million in external funding to support these programs. To date, 469 project phases have been allocated through M2 competitive streets and roads funding programs, of which 332 phases, or approximately 71 percent, have been completed. Notable streets and roads highlights that occurred during the quarter are below.

- Applications for the 14th call for projects (call) for the Regional Capacity Program and Regional Traffic Signal Synchronization Program were received on October 26, 2023, and are currently under review. Based upon project selection criteria as specified in the Comprehensive Transportation Funding Program guidelines, programming recommendations are anticipated to be presented for Board consideration in mid-2024. (Project O and Project P)
- Through the Local Fair Share program, 18 percent of M2 net revenues are allocated by formula to eligible local jurisdictions. During the quarter, \$13.2 million was disbursed, bringing the total provided through December 2023 to nearly \$700 million¹. (Project Q)

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 rail improvements to improve operations and transit connections to extend the reach of the service. Compared to the same quarter last year, ridership levels increased by 17.3 percent; however, total boardings on the three lines are approximately 55 percent lower than pre-pandemic levels due to shifts in travel patterns and availability of work-from-home options. 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 (\$42 million to date), and bus stop improvements (\$2.9 million to date). In addition, M2 provides a set amount of

¹ Only includes disbursed funds. On May 22, 2023, the Board determined the City of Cypress ineligible to receive net M2 revenues. Disbursements of M2 revenues have been suspended until the City of Cypress achieves compliance and the Board reconsiders the matter at a future meeting.

annual funding to support three programs intended to expand mobility options for seniors and persons with disabilities (\$125 million² to date). Other notable transit program activities from the quarter are below.

- OC Streetcar – A quarterly update was presented to the Board on October 23, 2023, providing information on the status of construction activities, vehicle manufacturing, and public outreach. Construction milestones during the quarter include the completion of the Santa Ana River and Westminster bridges, installation of tracks and overhead contact system poles on Santa Ana Boulevard from Bristol Street to Mortimer Street and reopening of the Santa Ana Boulevard and Santiago Street intersection. (Project S)
- Community-Based Transit Circulators – This program provides competitive funding to local jurisdictions for local transit services designed to complement regional transit services. On November 13, 2023, the Board approved revisions to the Comprehensive Transportation Funding Program guidelines and issued the fifth call. Applications were received on January 25, 2024, and programming recommendations are anticipated to be presented to the Board in mid-2024. (Project V)

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 \$60.2 million to local jurisdictions for 209 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 69.5 million gallons of trash have been captured since the inception of the program, which equates to over 12,000 trash truck loads of garbage that could have been deposited in Orange County streams and waters. The next Tier 1 and Tier 2 calls are anticipated to be released in early 2024.

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.

² Only includes disbursed funds. On May 22, 2023, the Board determined that the City of Cypress was ineligible to receive net M2 revenues. Disbursements of net M2 revenues have been suspended until the City of Cypress achieves compliance and the Board reconsiders the matter at a future meeting.

The wildlife and habitat on the acquired lands are protected in perpetuity, and long-term management of the properties will be funded by an endowment that is being established. OCTA has made eight deposits of approximately \$2.9 million into the endowment and as of December 31, 2023, the balance of the endowment was \$27.6 million. Current projections indicate that OCTA remains on track to meet the endowment target of \$46.2 million in fiscal years (FY) 2027-28; however, the performance of the fund may affect the timeframe for full funding of the endowment.

An update for the EMP was provided to the Board on December 11, 2023, which included progress on the Conservation Plan, coordination efforts with Southern California Edison, and projects that have benefited from the program. The 2022 Conservation Plan Annual Report, which highlights the implementation process for calendar year 2022, was reviewed and finalized in November 2023 and is available for public review on the OCTA website. The annual report for 2023 is anticipated to be shared with the Environmental Oversight Committee and Board in mid-2024.

PMO

Next 10 Delivery Plan (Next 10 Plan) – To ensure and reconfirm the ability to deliver M2 through 2041, staff annually reviews the Board-adopted commitments in the Next 10 Plan. On November 13, 2023, the Board adopted the 2023 update of the Next 10 Plan, which outlines a near-term work plan spanning FY 2022-23 through FY 2031-32. This update incorporated the latest data available: \$14.8 billion M2 sales tax revenue forecast, market conditions forecast and risk analysis, and project schedules and estimates. The 2023 Next 10 Plan confirms that the Plan remains deliverable; however, this update continues to emphasize that Metrolink operations require close monitoring.

Challenges

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

- At the direction of the Board, OCTA receives biannual updates of market conditions, key indicators analysis, and forecast that provide insight into potential project delivery cost drivers. On October 9, 2023, the fall 2023 analysis and forecast were presented to the Board. While the report anticipated potential tempering of inflationary pressures in 2024, 2025, and 2026, the construction market continues to experience escalation of materials and labor pricing. The Federal Highway Administration maintains the National Highway Construction Cost Index (NHCCI), which reflects quarterly cost increases equivalent to a 15.3 percent annual inflation rate. Since the end of 2020, the NHCCI shows that highway

construction costs have increased by 59.3 percent. This will have impacts on estimates and forecast costs of projects not yet in the construction phase. Staff will continue to monitor the construction market and report to the Board as appropriate.

- Metrolink is currently operating Orange County rail services at approximately 85 percent of pre-pandemic levels. Despite ridership continuing to improve quarter-over-quarter, ridership is still below pre-pandemic levels. As reported in the 2023 Next 10 Plan, without changes in service planning, ridership growth, as well as operations and rehabilitation costs, the current service cannot be sustained beyond FY 2031-32. OCTA has proposed to program Transit and Intercity Rail Capital Program formula funds to help sustain Metrolink service. If this is approved in the coming months, the one-time infusion of external funds is anticipated to extend Metrolink operations through FY 2037-38. OCTA will continue to engage with Metrolink and the other member agencies to monitor ridership levels and the corresponding financial impacts to M2.
- Railroad track stabilization and protection efforts in south Orange County have become a major focus area, given its importance to the continued operation of Metrolink and Amtrak passenger rail services in Orange County and freight services throughout the corridor. Over the past three years, the City of San Clemente's eroding bluffs on both city and private property, have repeatedly forced closure of the rail line, which has operated largely uninterrupted for more than 125 years.

In August 2023, the Board selected a consultant to prepare the South Coast Rail Infrastructure Feasibility Study and Alternative Concepts Analysis to identify and evaluate short- and medium-term solutions with the goal of protecting the rail line in place. A separate study will follow to evaluate potential long-term solutions which may include relocation of the rail line. The lead agency for the long-term study has not been identified. However, OCTA, in conjunction with other regional agencies, has requested the State assume a larger role in this effort. OCTA will remain an active participant in the process; future implications to M2 with respect to service levels or costs are unknown at this time.

- The OC Streetcar project has faced unforeseen utility conflicts and conditions, contaminated soils, construction quality control and contractor non-compliance, oversight and approvals, and several change requests, which affect operational-related milestones such as vehicle delivery and testing. In fall 2022, OCTA worked with the Federal Transit Administration (FTA) 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. Staff will continue assessing project risks and make regular reports to the Board.

Staff will continue to monitor these challenges to ensure M2 remains deliverable as promised to voters and provide updates to the Board as appropriate.

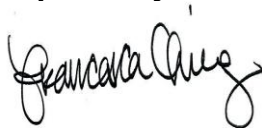
Summary

A quarterly report covering activities from October 2023 through December 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.

Attachment

- A. Measure M2 Quarterly Progress Report, Second Quarter of Fiscal Year 2023 - 24, October 1, 2023 through December 31, 2023

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