



October 5, 2015

To: Executive Committee
From: Darrell Johnson, Chief Executive Officer
Subject: Measure M2 Ten-Year Review Report

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Overview

Measure M2 Ordinance No. 3 includes a provision to review the project and program elements of the Transportation Investment Plan at least every ten years. Consistent with the triennial performance review cycles, the ten-year period is assumed to have begun on November 8, 2006 (effective date of Ordinance No. 3), and would conclude on November 7, 2016. The review has been conducted, and the final report is provided for the Board of Directors information along with an action plan for consideration.

Recommendations

- A. Receive and file the Measure M2 Ten-Year Review Report as an information item.
- B. Direct staff to initiate the process to amend the Measure M2 Transportation Investment Plan to adjust funds within the transit category to ensure commitments to the voters can be upheld.
- C. Direct staff to return to the Board of Directors to set a date for a public hearing for action to adopt amendments to the Measure M2 Transportation Investment Plan.

Background

In November 2006, Orange County voters approved the Renewed Measure M Ordinance No. 3 and the Transportation Investment Plan (Plan), also called Measure M2 (M2). The Orange County Transportation Authority (OCTA) is committed to fulfilling the promises made in M2. This means delivering all the projects and programs described in the Plan, and complying with the specific

requirements identified in Ordinance No. 3. Within Ordinance No. 3 there is a requirement to conduct a comprehensive review at least every ten years of all project and program elements included in the Plan. This requirement is found within Section 11 of Ordinance No. 3:

TEN-YEAR COMPREHENSIVE PROGRAM REVIEW - At least every ten years the Authority shall conduct a comprehensive review of all projects and programs implemented under the Plan to evaluate the performance of the overall program and may revise the Plan to improve its performance. The review shall include consideration of changes to local, state and federal transportation plans and policies; changes in land use, travel and growth projections; changes in project cost estimates and revenue projections; right-of-way constraints and other project constraints; level of public support for the Plan; and the progress of the Authority and jurisdictions in implementing the Plan. The Authority may amend the Plan based on its comprehensive review, subject to the requirements of Section 12.

With the start of sales tax revenue collection on April 1, 2011, M2 is in year five of the 30-year Plan. However, work on program delivery began in 2006, with the OCTA Board of Directors (Board) adoption of the Early Action Plan, which initiated the early implementation of M2. Following the precedent set with the required triennial performance reviews under Ordinance No. 3, the ten-year period is assumed to have begun on November 8, 2006 (effective date of Ordinance No. 3), and will conclude on November 7, 2016. In November 2014, staff provided the Board with an overview of the ten-year review schedule, objectives, and approach as part of the regular M2 Quarterly Report, and an update and status report were provided in April 2015. Regular updates on the review progress were included with each M2 Quarterly Report with the most recent taking place last month.

Discussion

The Measure M Program Management Office led the ten-year review, with staff participation from throughout OCTA. Based on the language in M2 Ordinance No. 3, the following five objectives were established to ensure all elements were analyzed as required by Section 11:

1. Research and identify external policy and/or regulatory changes at the local, state, and federal level, as well as changes in land use, travel, and growth projections that require consideration.
2. Evaluate current project and program cost estimates and the financial capacity of the sales tax revenue through 2041 to confirm Plan delivery.
3. Review M2 program and project elements to determine if there are performance issues or constraints to the promised delivery.
4. Identify OCTA's and local jurisdictions' progress in implementing the Plan.
5. Assess public and stakeholder support for the Plan.

With the recent completion of Orange County's 2014 Long-Range Transportation Plan (LRTP), and the understanding that M2 is the cornerstone of that Plan, OCTA staff capitalized on this effort and used research and outreach conducted as part of the 2014 LRTP to serve as a baseline for the M2 Ten-Year Review. Information gleaned from the LRTP included changes to land use, travel, and growth projections, as well as public input. Staff also looked to the recently completed (January 2015) update of OCTA's Comprehensive Business Plan (CBP), which includes a section that specifically analyzes M2 to ensure it is financially viable, as well as performed an updated financial review to confirm plan delivery. Additional research, analysis, and public outreach was conducted to ensure a comprehensive review of elements identified in Section 11 of Ordinance No. 3.

Ten-Year Review Report

The Ten-Year Review Report (Attachment A) addresses purpose, background, and the review process, and reports on changes that have occurred to determine any effect on the M2 Plan performance and delivery of the program. A summary of findings covering the objectives is included below.

Situation Analysis: Reviewing the Changes Impacting Orange County's Transportation Systems

The ten-year review examined federal and state legislation, demographics and land use, emerging transportation-related issues, and state transportation policies. Upon review, it was determined that none of the changes in demographics, land use, federal or state laws, or regulations passed or issued since the passage of M2 (2006) would prompt a recommendation to change the M2 Program. Because of the flexibility built into the M2 ordinance and guidelines, OCTA has been able to adapt to changes while keeping with the intent of the voter commitment and continuing to advance locally-prioritized M2 transportation projects.

While guidelines implementing legislation related to sustainability, reducing greenhouse gas, addressing high-occupancy vehicle degradation, and a new push towards managed lanes are evolving, the M2 Plan is currently contained in the 2012 Regional Transportation Plan (RTP)/Sustainable Community Strategies (SCS), which complies with known requirements. It is likely that additional requirements could make it more difficult for upcoming highway and roadway capacity projects to be completed. In the event that this happens, additional plan reviews and actions may be warranted.

It is important to recognize that M2 is a balanced plan that includes freeways, streets and roads, transit, and environmental elements. M2 was developed with sustainability elements in mind. Working with the environmental community, M2 includes two significant environmental elements in the overall program.

The Freeway Mitigation Program provides comprehensive (not piecemeal) mitigation to freeway improvements, and the Environmental Cleanup Program (ECP) provides funding to address clean water standards due to urban runoff that goes over and above required mitigations.

The Plan also was approved through a programmatic environmental impact report which evaluated the program as a whole, and the Plan went through a rigorous process of analyzing air quality benefits. Additionally, the Plan elements are included in the most recent 2012 RTP, which is in place to ensure environmental conformity and consistency with the SCS.

While the ultimate outcome of this emphasis on sustainability and managed lanes is yet to be determined, this will likely change the make-up of future sales tax measures. What is unclear is how these policy changes will apply to existing measures that predate these policies as in the case of M2, that contains considerable environmental sustainability measures. Moving forward, it will be important for both OCTA and the California Department of Transportation (Caltrans) to work together to ensure the commitment made to voters is upheld.

Financial Analysis: Evaluating OCTA's Capacity to Complete Measure M Commitments

The financial capacity of the M2 Program to meet the commitments made to the voters of Orange County was analyzed as part of the CBP and then again for the ten-year review. Revenue and expenditure assumptions were analyzed at the project and mode (category) level to ensure adequate financial capacity to deliver the M2 Program. Despite the significant impact of the 2008 Great Recession (resulting in a 36 percent decrease in forecasted revenue), OCTA anticipates that the sales tax generated for the M2 Program, along with the support of external funding, will be able to meet the intent of commitments made to Orange County voters. While program levels have been reduced, the M2 Plan remains deliverable due to the scalability of the Plan to revenue received. The areas that are not scalable are the freeway category due to set project scopes, and one program element in the transit category. The freeway program will need to capitalize on external funding to minimize risk to overall project delivery. The transit program will need to move funds within the category to remain deliverable. A brief analysis is provided below.

Freeways

The freeway category represents the largest area of risk for the M2 Program. All freeway projects within the M2 freeway category are well defined with set scopes and need to be completed despite the substantial decrease in forecasted sales tax revenue. OCTA has historically been successful in obtaining external funding to maximize the use of M2 funds. The plan going forward will be to continue to seek external funding. Based on current revenue and expenditure

assumptions, OCTA anticipates being able to deliver all freeway projects included in the M2 Program, assuming external funding expectations hold and project costs are contained.

Streets and Roads

Unlike the freeway program of projects which has a specific set of projects defined in the M2 Ordinance, expenditures for the streets and roads category can be scaled to match available revenue. As a result, going forward, OCTA will continue to issue calls for projects for the Regional Capacity Program and the Regional Traffic Signal Synchronization Program, as well as fund the Local Fair Share Program as outlined in the M2 Ordinance based on available M2 revenue.

ECP

Similar to the streets and roads category, expenditures within the ECP can be scaled to match available revenue as defined by the M2 Ordinance.

Transit

Similar to the streets and roads category, expenditures within the transit category can generally be scaled to match available revenue, with some exceptions. As a result, expenditures supporting programs such as High-Frequency Metrolink Service, Transit Extensions to Metrolink, Metrolink Gateways, Senior Mobility Program, Senior Non-Emergency Medical Transportation Program, Community-Based Transit Circulators, and Safe Transit Stops have been scaled to match available revenues or will be funded based on a formula defined by the M2 Ordinance and Board direction.

The only program that cannot be scaled back to available revenue is the Fare Stabilization Program under Project U. The M2 Ordinance states that one percent of net revenues will be dedicated to provide fare discounts for seniors and persons with disabilities. The M2 Ordinance also provides specific guidance that fares will be stabilized “in an amount equal to the percentage of partial funding of fares for seniors and persons with disabilities as of the effective date of the ordinance.” As a result of the reduction in projected M2 revenues, one percent of the net revenues is not sufficient to fund the requirements outlined in the M2 Ordinance. Currently, the transit category as a whole is forecasted to have sufficient funding and remains deliverable; however, the shortfall in Project U needs to be addressed.

Shortfall and Need within the Transit Category

The original projections in 2005 estimated that \$232 million would be collected for the Fare Stabilization Program. Current projections estimate that only \$147 million will be generated. Based on current ridership

projections, the need to fulfill the requirement outlined in the M2 Ordinance is \$221 million, leaving a shortfall of \$74 million. The Board has already taken one step to begin to fill the shortfall. On February 14, 2011, the Board approved M2 Project U Funding and Policy Guidelines. At that time, a potential shortfall in the Fare Stabilization Program was already being forecasted due to the drop in M2 sales tax collections. As a result, the Board directed staff to utilize unallocated funds from the Senior Mobility Program, also a Project U Program, to help backfill the shortfall in the Fare Stabilization Program. During the 30-year period of M2, this source will provide approximately \$5 million to the Fare Stabilization Program, leaving a projected shortfall of approximately \$69 million.

Another area of need is Metrolink Service Expansion (Project R), which is the program that supports ongoing capital requirements and operations of Metrolink service. This program has been scaled back to the available revenue which has limited the level of additional service that can be added. This program also faces regulatory risks as well as high operating costs. Providing additional funds to this program would allow the service to grow to meet future demand and also support sustainability goals by providing an attractive option for commuters using the freeway.

Recommended Solution

Within the M2 Plan, all projects and programs are moving forward. Not including individual freeway projects, the transit category is the only category that has a program which is complete. Per the M2 Ordinance, Project T is to be utilized for converting Metrolink Station(s) to regional gateways that connect Orange County with high-speed rail systems. OCTA has contributed Project T funds for the construction of the Anaheim Regional Transportation Intermodal Center, which is already complete and operational. This station is designed to be the southern terminus for the planned high-speed rail system in California. Since no other stations in Orange County are to be served on the planned route and no other high-speed rail systems have moved forward in the planning stages, given the defined shortfall in Projects U and R, it is recommended that the remaining funds in Project T be reallocated to other M2 transit line items. It is anticipated that approximately \$219 million will be available in Project T.

Ordinance No. 3 spells out the process for plan amendments. Amendments within a category do not require voter approval but require a two-thirds vote of the Taxpayer Oversight Committee (TOC) and a two-thirds vote of the OCTA Board, as well as a public hearing and notification process. Amendments to the Ordinance can be made at any time it is determined to be needed.

As a result of this review, it is recommended that \$69 million be transferred from Project T to Project U to cover the shortfall in the Fare Stabilization Program. The balance of the Project T funds (\$150 million) is recommended to be transferred to Project R, which funds the ongoing operation of Metrolink service in Orange County. If there becomes a need in the future to convert a Metrolink Station to a Regional Gateway that connects with high-speed rail, the first look for funding should be within the High-Speed Rail Plan. If this is not available and improvements are justifiable, funding could be available out of Project R with OCTA Board approval.

Project Delivery Analysis: Identifying Progress and Project Constraints

Progress

Implementation of the M2 Plan continues at a fast pace. While M2 is only in year five of the 30-year program (revenues started flowing in 2011), every program in the M2 Transportation Expenditure Plan has been initiated, with some already complete. More than \$900 million has been allocated to improving freeways. Every freeway project listed in the plan is in one stage or another of project implementation (27 segments total). More than \$1 billion has been invested in streets and road projects. Approximately \$1 billion has been allocated for transit, and a significant commitment to sustainability through environmental programs has been made available through the Freeway Mitigation Program and the Water Cleanup Program.

Constraints

The most significant area of concern for the M2 Plan is the conflicting priorities between OCTA and Caltrans regarding the delivery of M2 freeway projects. As part of the project development process, Caltrans is now requiring a broader range of alternatives be studied to meet broader state highway system needs and/or requirements, which is different than the assumptions that went into the development of the M2 Freeway Program. These considerations can expand project footprint, change intent, add costs, and/or have scheduling impacts. It is imperative that OCTA and Caltrans remain coordinated and find common ground despite differing interests.

OCTA and Caltrans have made progress during the past year to reach consensus; however, there are still a number of issues that remain a challenge. Staff will continue to work with Caltrans to manage scope, schedule, and funding concerns. However, it is key to ensure that M2 projects are delivered as promised to the voters.

Public Priority Analysis: Assessing Public and Stakeholder Continued Support for M2

To gauge the level of public support, a comprehensive public outreach plan was designed to elicit direct feedback from a variety of stakeholders from April 2015 through September 2015. In addition, outreach results were combined with results from the recently completed 2014 LRTP public involvement program. Target audiences included government officials, community and business leaders, transportation professionals, multicultural leaders, and the general public.

The public was encouraged to contribute comments through a multi-faceted approach that included an online questionnaire, roundtables, outreach meetings, letters, a public opinion survey, and promotion on traditional and digital media.

Public Feedback

Outreach participants consistently echoed their support for M2. Many participants generally felt that OCTA should continue to develop and expand multi-modal options that include everything from transit services, to street and freeway improvements, and investments in active transportation. In addition, participants articulated the need to consider how to utilize new and emerging technologies to both enhance current services and maximize efficiency in construction. Participants also mentioned how important it is to continue, and perhaps expand upon, allotting resources to educate and inform the public about M2 transportation improvements and options.

Just as when M2 was passed by nearly 70 percent of Orange County voters in 2006, the public still supports the plan as approved. In addition, the priorities that have emerged from the ten-year review align with those that surfaced as part of the 2014 LRTP. Participants also acknowledged that Measure M must have flexibility to accommodate future trends while maintaining the balance of the M2 Plan and promise to the voters.

Conclusions

After completing the comprehensive review of OCTA's M2 Program and the requirements listed in Ordinance No. 3 related to the ten-year review, no major external changes related to legislation, land use, travel and growth projections, project cost/revenue projections or right-of-way, and/or other constraints have been identified that would require substantial changes to the M2 Plan as approved by the voters in 2006, and as amended November 23, 2013. The review also highlighted that M2 as a whole is supported by the public as approved, and that OCTA has made substantial progress in delivering the program as promised to the voters with all elements initiated and a number of projects delivered.

In reviewing the financial capacity of the M2 Plan by category, the transit category has been identified as in need of a shift in funding between transit programs. Ordinance No. 3 spells out the process for Plan amendments. Amendments within a category do not require taking the amendment to the voters, but instead requires a two-thirds vote of the TOC, and a two-thirds vote of the OCTA Board, as well as a public hearing and notification process.

Proposed Amendment

Staff recommends amending the transit category within the M2 Transportation Investment Plan along with the following actions:

- Determine that the intent of Project T has been fulfilled and the remaining balance is available to support a shortfall in Project U, and a long-term need in Project R
- Initiate the amendment process of the M2 Transportation Investment Plan
- \$69 million from Project T to Project U to address shortfall
- Remaining amount in Project T (\$150 million) to Project R to address future demand and also support sustainability goals by providing an option for commuters using the freeway

Amendment Process	Date
OCTA Board Receives Ten-Year Review Report	October 12, 2015
TOC hears ten-year review and findings related to amendment proposal	October 13, 2015
OCTA Board considers amendment and sets a public hearing date for December 14, 2015	October 26, 2015
Proposed amendment sent to local agencies for public review prior to public hearing	October 27, 2015
TOC considers/acts on amendment (requires two-thirds vote)	November 10, 2015
Public hearing on amendment and roll call vote by Board (requires two-thirds vote)	December 14, 2015
Adopted amendment transmitted to local agencies	December 15, 2015
Amendment effective 45 days following adoption	January 28, 2016

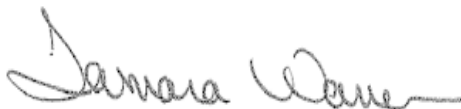
Summary

A comprehensive ten-year review was conducted as required by M2 Ordinance No. 3, and a report (including an executive summary) has been prepared with extensive analysis and findings. The report includes a review of all projects and programs implemented under the Plan to evaluate the performance of the overall program and recommendations to revise the Plan to improve its performance. The report concludes that although there have been legislative and economic changes, they do not warrant any significant changes in the M2 Plan. Also, outreach performed verifies that there is continued public support for the priorities in the Transportation Investment Plan. However, to ensure all elements of the Plan can be delivered as promised, staff is recommending an amendment to the transit category. The amendment would closeout Project T (Gateways to Metrolink), and allocate the remaining funds to backfill the projected shortfall in Project U (Stabilize Fares for Seniors and Persons with Disabilities) and Project R (High-Frequency Metrolink Service).

Attachment

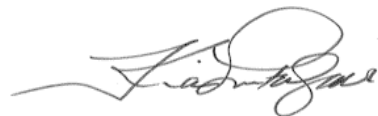
- A. Renewed Measure M Comprehensive Ten-Year Review

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