APPROVED COMPREHENSIVE BUSINESS PLAN

FISCAL YEAR 2018-19

WWW.OCTA.NET

ORANGE COUNTY TRANSPORTATION AUTHORITY
550 S. MAIN STREET, P.O. BOX 14184
ORANGE, CA 92863-1584

September 24, 2018

To Chairwoman Lisa Bartlett & Members of the OCTA Board of Directors:

I am pleased to present the Fiscal Year 2018-19 Comprehensive Business Plan for the Orange County Transportation Authority (OCTA). This business plan provides the OCTA Board of Directors and the citizens of Orange County with a comprehensive summary of OCTA's transportation plans consistent with OCTA's mission to "develop and deliver transportation solutions to enhance quality of life and keep Orange County moving."

The Fiscal Year 2018-19 Comprehensive Business Plan is a financially constrained business planning tool providing a twenty-year cash flow for each of OCTA's transportation programs and serves as the baseline for developing the fiscal year 2019-20 budget. The plan details a comprehensive, multimodal approach ensuring the financial viability of each of OCTA's programs and is consistent with the goals of the OCTA's Strategic Plan, Next 10 Plan, and Designing Tomorrow.

The Fiscal Year 2018-19 Comprehensive Business Plan ensures that OCTA's core goals and objectives can be met over a twenty-year horizon, which will allow the OCTA to keep the promises made to the voters and continue to deliver on the transportation solutions that will ensure the citizens of Orange County maintain the quality of life and economic productivity they have come to expect and enjoy.

Sincerely,

Darrell E. Johnson
Chief Executive Officer

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Table of Contents

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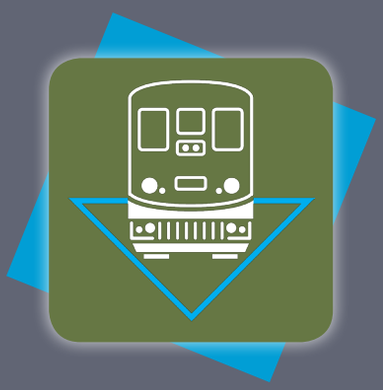
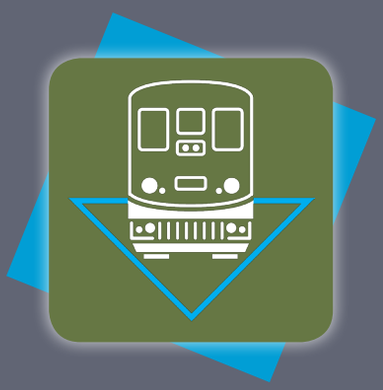
INTRODUCTION



OCTA

INTRODUCTION



OCTA

Orange County Transportation Authority (OCTA) is governed by an 18-member Board of Directors (Board) consisting of five members of the Orange County Board of Supervisors, 10 city council members selected by the cities in the supervisorial district in which they represent, two public members selected by the other 15 board members, and a representative appointed by the Governor of California serving in a non-voting capacity. OCTA is managed by a Chief Executive Officer (CEO), who acts in accordance with the direction, goals, and policies articulated by the Board.

2018 BOARD OF DIRECTORS

Lisa A. Bartlett
Chairwoman
Supervisor, 5th District

Tim Shaw
Vice Chairman
City Member, 4th District

Laurie Davies
Director
City Member, 5th District

Barbara Delgleize
Director
City Member, 2nd District

Andrew Do
Director
Supervisor, 1st District

Lori Donchak
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City Member, 5th District

Michael Hennessey
Director
Public Member

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City Member, 1st District

Mark A. Murphy
Director
City Member, 3rd District

Richard Murphy
Director
City Member, 2nd District

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Director
City Member, 3rd District

Shawn Nelson
Director
Supervisor, 4th District

Miguel Pulido
Director
City Member, 1st District

Todd Spitzer
Director
Supervisor, 3rd District

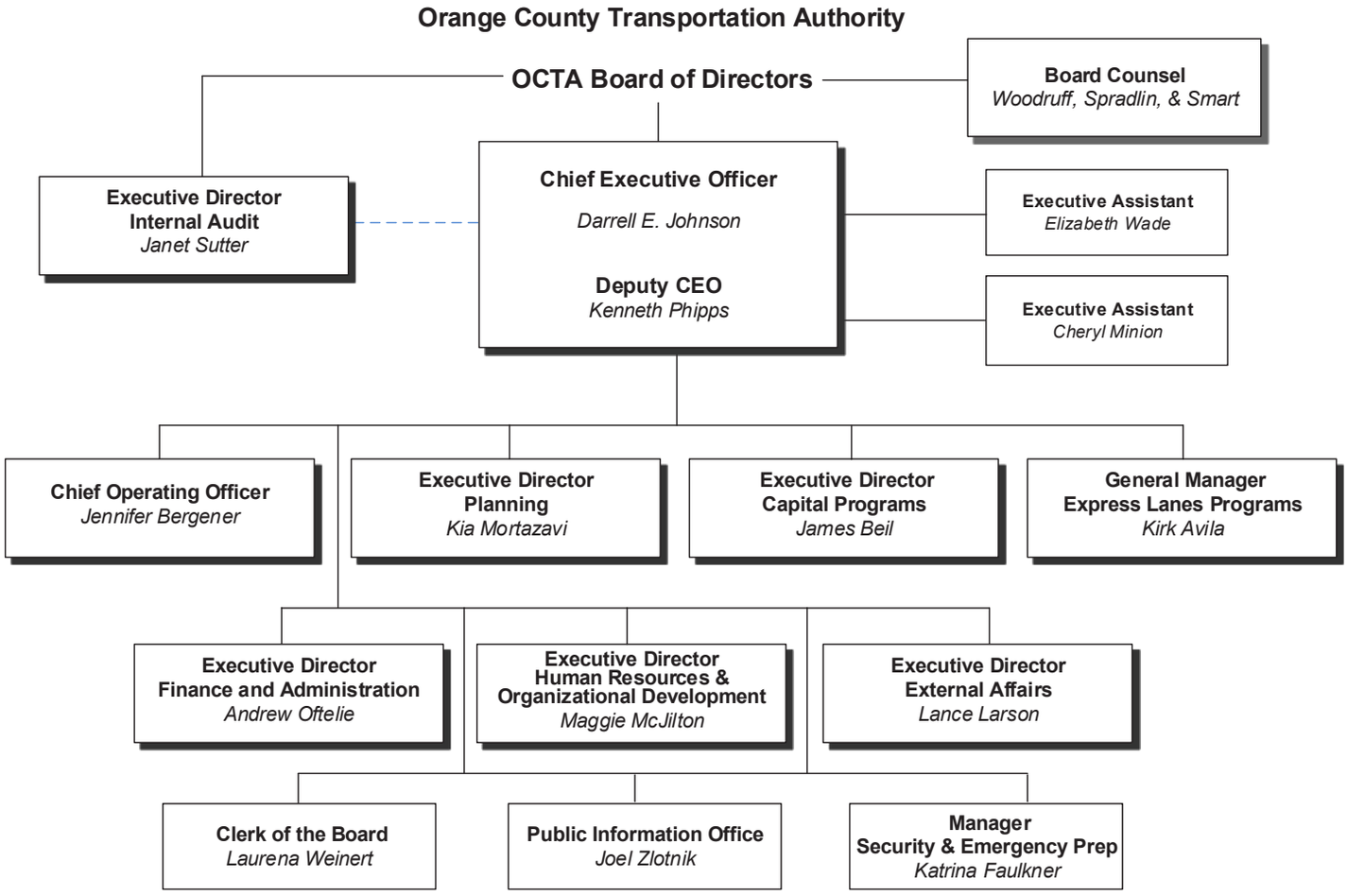
Michelle Steel
Director
Supervisor, 2nd District

Tom Tait
Director
City Member, 4th District

Gregory T. Winterbottom
Director
Public Member

(Vacant)
Caltrans District 12
Ex-Officio Member

Orange County Transportation Authority Organizational Chart



OCTA Vision

An integrated and balanced transportation system that supports the diverse travel needs and reflects the character of Orange County.

OCTA Mission

Develop and deliver transportation solutions to enhance quality of life and keep Orange County moving.

The Board of Directors has developed five goals to guide OCTA in achieving this vision and mission. These goals represent each aspect of the organization and encompass every division and employee of the OCTA.

Goals

- Mobility - Deliver programs, projects and services to improve the movement of people and goods throughout Orange County and the region.
- Public Service - Enhance customer satisfaction by understanding, connecting with and serving our diverse communities and partners.
- Fiscal Sustainability - Ensure fiscal health through prudent financial management and by protecting and leveraging available revenue sources.
- Stewardship - Embrace responsible policies and practices designed to promote environmental sustainability and enhance the safety and quality of life in Orange County.
- Organizational Excellence - Continue the tradition of being a high-performing organization through employee development and efficient business practices.

BRAVO 543 provides express service in Fullerton for the same price as a regular OCTA route.

Purpose of the Comprehensive Business Plan

The Comprehensive Business Plan (CBP) is a business planning tool designed to assist the Orange County Transportation Authority (OCTA) in implementing its strategic goals and objectives. The CBP encapsulates OCTA's programs and outlines their goals and objectives, as articulated by the Board. This is accomplished within the framework of sound business practices to provide an effective and efficient multi-modal transportation network to the residents of Orange County. Through the use of financial modeling and divisional input and review, a comprehensive study of economic influences and programmatic needs and objectives are incorporated into a business planning document to ensure the financial viability of each of OCTA's programs over a 20-year horizon.

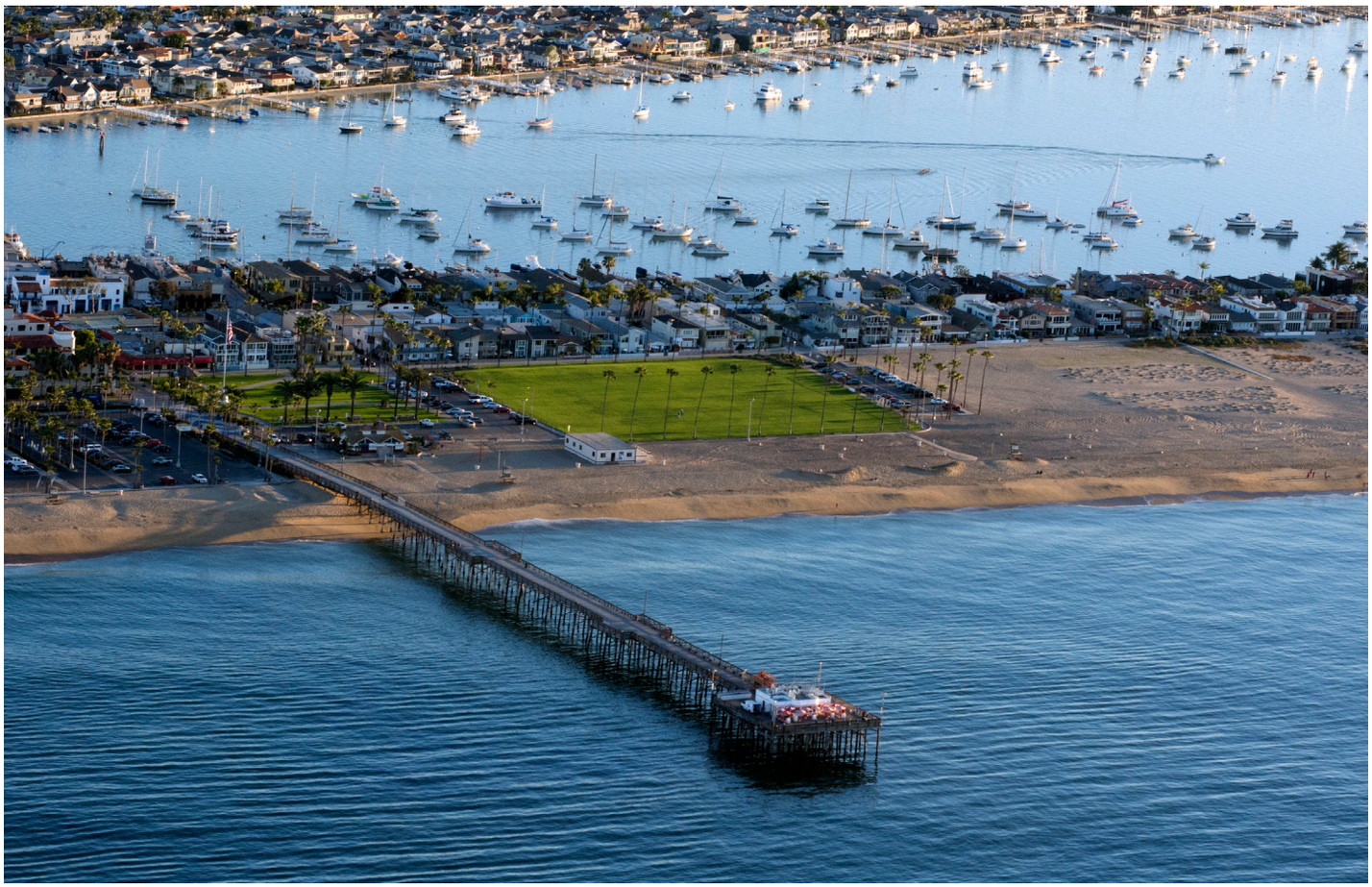
The CBP is an evolving document that is updated regularly in response to the ever-changing social, political, and economic environment. The CBP lays the foundation for the annual budget process and is consistent with the goals of the Strategic Plan, Measure M2 (M2), Next 10 Delivery Plan, and Designing Tomorrow, OCTA's Long-Range Transportation Plan.

The CBP also provides the framework to ensure that items brought to the Board in the future are consistent with long-range initiatives and are financially feasible. The CBP does not authorize staff to enter into any contracts nor does it appropriate any funds. Decisions on specific programs and projects and associated funding appropriations are subject to future Board approval through the annual budget process or through specific Board action.

Overview of Programs

As an organization, OCTA is comprised of six distinct programs with unique characteristics and objectives; however, these programs work together to accomplish OCTA's mission, "Develop and deliver transportation

Aerial view of Balboa Pier.



solutions to enhance quality of life and keep Orange County moving." The programs include: Bus Operations, Rail, M2, Express Lanes, Non-Program Specific Projects, and Motorist Services.

Bus Operations

The Bus Operations Program is a core business unit of OCTA, which delivers fixed-route, express, limited-stop, Stationlink rail feeder, and complementary paratransit bus services for Orange County residents.

The fixed-route network provides bus service on 38 local lines, seven community lines, six inter/intracounty express lines, six Stationlink rail feeder lines, and two Bravo! (limited stop) lines. The local lines operate along major arterials comprising a "grid" network and have high passenger volumes that require the use of higher capacity 40-foot and 60-foot buses. Community lines may use smaller buses to accommodate roadway constraints or lower passenger demand and provide connections to the local lines. The limited-stop lines, called Bravo!, provide commuters and visitors with an efficient travel option to key destinations within major corridors. Express service provides a freeway-based service to major employment areas in Orange County and surrounding areas. Stationlink rail feeder service provides connector services for the Metrolink commuter rail system allowing Metrolink commuters to reach employment centers. OCTA paratransit services provide demand response bus service to persons with developmental and physical disabilities as required by the federal Americans with Disabilities Act (ADA), as well as bus service to transport elderly persons to destinations such as adult activity programs and health care providers.

Rail

The Metrolink Program is a regional rail system operated as a Joint Powers Authority (JPA) by the Southern California Regional Rail Authority (SCRRA). Five member agencies participate in the JPA serving the counties of Los Angeles, Orange, Riverside, San Bernardino, and Ventura. OCTA is responsible for participating and providing the funding necessary to operate the three lines that serve Orange County. These lines include: the Orange County (OC) Line, Inland Empire-Orange County (IEOC) Line, and 91 Line. The routes service rail commuters between Los Angeles, Orange, Riverside, San Bernardino, and San Diego Counties.

Metrolink transportation can be used for work or pleasure.

Measure M2 (M2)

In November 1990, Orange County voters approved Measure M (M1), a 20-year program for local transportation improvements funded by a one-half cent sales tax. OCTA delivered on the promises made to the voters completing more than $4 billion of improvements while leveraging over $1.2 billion in federal, state, and local funding. OCTA was able to deliver 192 lane miles of additional freeway capacity, modernize and improve 170 intersections and 38 freeway interchanges, provide $1.3 billion dollars to improve streets and roads, and implement Metrolink service. On March 30, 2011, the collection of sales tax revenue under M1 concluded.

In November 2006, Orange County voters approved the renewal of the Measure M one-half cent sales tax, which will continue investment of local tax dollars in Orange County's transportation infrastructure over a

Measure M2 funded traffic signal synchronization keeps Orange County Traffic flowing.

30-year period from April 2011 through March 2041. The M2 Transportation Investment Plan is a $13.1 billion program that includes:

- Expanding and improving Orange County's freeway system
- Maintaining and improving the network of streets and roads in every community
- Expanding Metrolink rail service through the core of Orange County with future connections among nearby communities and regional rail systems
- Providing additional transit service for seniors and persons with disabilities
- Providing funds to clean up runoff from highways and roads

Express Lanes

The Orange County segment of the 91 Express Lanes is a four-lane, 10-mile toll facility extending from the State Route 55 (SR-55) on the west to the Orange/Riverside County line on the east. Authorized as one of four public-private toll road projects by the State of California the lanes were built at a cost of $135 million and opened in 1995 by the California Private Transportation Company (CPTC). In January 2003, OCTA acquired the 91 Express Lanes from the CPTC in order to clear the way for future improvements along the 91 Corridor. The 91 Express Lanes continue to be an important element in ensuring that traffic flows smoothly between Orange and Riverside counties. Commuters can save an average of 30 minutes on their drive time by using the 91 Express Lanes.

The OCTA, in cooperation with the California Department of Transportation (Caltrans), and the cities of Costa Mesa, Fountain Valley, Huntington Beach, Seal Beach, and Westminster, is implementing the Interstate 405 (I-405) Improvement Project between State Route 73 (SR-73) and Interstate 605 (I-605). This project will add one general purpose lane from Euclid Street to I-605, consistent with M2 Project K, and will add an additional lane in each direction that will combine with the existing high-occupancy vehicle (HOV) lane to provide dual express lanes in each direction of I-405 from SR-73 to I-605, otherwise known as the 405 Express Lanes. On November 14, 2016, OCTA Board

awarded the $1.2 billion design-build (DB) contract to OC 405 Partners. Construction on the project began in 2018 and will be completed in 2023, with the Express Lanes portion of the project scheduled to open in early 2023.

Non-Program Specific Projects

The majority of significant freeway, street and roads, and transit projects are funded primarily through the M2 Program. OCTA has also committed to a handful of projects not funded through the M2 Program. These projects are funded using other local, state, and federal sources and include the Vanpool, Rideshare, and Active Transportation Programs.

Motorist Services

The Service Authority for Freeway Emergencies (SAFE) program provides Freeway Callbox System and Freeway Service Patrol (FSP) services, both of which are designed to assist motorists in emergency situations and reduce traffic congestion. SAFE also provides funding toward the Southern California 511 Program. This system allows the traveling public to access information on highway conditions, traffic speeds, transit, and commuter services via the internet and a toll-free number with an interactive voice response system.

Orange County's welcome sign on the Interstate 5 in Buena Park.

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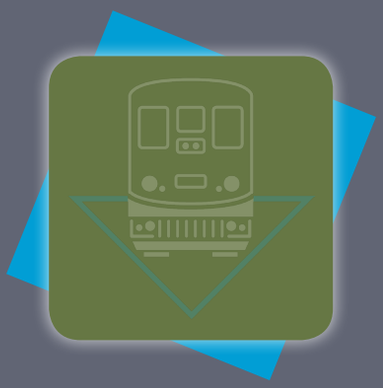
BUS PROGRAM



OCTA

BUS PROGRAM

OCTA

Background

Orange County began transit operations in the fall of 1972 through establishment of the Orange County Transit District (OCTD) by state legislation with eight local fixed-routes. Today, service consists of 59 bus routes and annual boardings exceed 39 million.

Bus services are tailored to various market demands and needs. These services include local fixed-route, community fixed-route, express, limited-stop, Stationlink rail feeder, and complementary paratransit bus service. The fixed-route network provides bus service on 38 local lines, seven community lines, six inter/intracounty express lines, two limited-stop lines, and six Stationlink rail feeder lines. The local lines operate along major arterials comprising a "grid" network and have high passenger volumes that require the use of higher capacity 40-foot and 60-foot buses. Community lines use smaller buses to accommodate for roadway constraints or lower passenger demand and provide connections to the local lines. The Express Service provides a freeway-based service to major employment areas in Orange County and surrounding areas. The limited-stop lines are provided on select local route corridors and are designed to provide an attractive rapid transit option for Orange County commuters and visitors by decreasing travel time and improving travel speed within high use corridors, while offering connections to key destinations, major attractions, and Metrolink train services. Stationlink rail feeder service is provided to the Metrolink commuter rail stations in Orange County that are considered destination stations, ensuring a connection between rail stations and employment centers for Metrolink commuters. In addition, the Orange County Transportation Authority (OCTA) operates seasonal service on five weekends in July and August from nine locations to the Orange County Fair.

OCTA also provides special needs transportation services under four program elements, Americans with Disabilities Act (ADA) ACCESS paratransit service, non-ADA taxi, special agency services, and community transportation programs. ACCESS provides demand response bus service to persons with developmental and physical disabilities as required by the ADA. OCTA offers non-ADA same day taxi service to ACCESS-eligible customers and subsidizes trips to adult daycare programs on alternative transportation services. In addition, OCTA funds and administers community transportation services offered through the Senior Mobility Program (SMP) and federal grant programs.

OCTA's Compressed Natural Gas Bus on the go.

Fixed-Route Service

In order to provide a sustainable level of bus service throughout the county, OCTA decreased service by a total of 383,000 revenue vehicle hours (RVH) in fiscal year (FY) 2008-09 and FY 2009-10 in response to dramatically decreasing revenues. To continue on a sustainable path, OCTA developed and implemented a plan to mitigate operating costs by increasing contract service levels up to 40 percent of the total fixed-route service. As transit operations staff attrited, directly operated service was converted to contract service proportionately, subject to financial and operational considerations. Currently, approximately 39.1 percent of fixed-route service is operated by the contractor.

Significant service reductions precipitated by the recession put a strain on customers and service delivery. As the economy recovered, OCTA was able to increase service levels from 1.552 million hours at recession

ACCESS provides a transportation option for Orange County's senior and disabled residents.

induced lows to 1.602 million in FY 2018-19, an increase of 3.2 percent or 50,000 hours. Over that time period, Bravo! Service commenced and schedule maintenance hours were added in order to mitigate overcrowding conditions and increase on-time performance. Despite service increases, boardings have decreased by 23.8 percent or 12.2 million since FY 2010-11 to 39 million boardings in FY 2017-18. Efforts have been underway to increase bus system ridership by improving bus travel times and frequencies, expanding access to routes and real-time arrival information, introducing mobile ticketing, evaluating new pricing options through a fare study, and increasing awareness of the bus system. The 2016 Bus Service Plan (OC Bus 360°) is a major component of the effort to improve service and is expected to grow ridership by reallocating the resources used on lower performing routes to areas with higher demand.

Based on the significant ridership decline and declining revenue sources, staff prepared a cost-neutral route optimization plan to grow ridership. The plan reallocates resources currently used on lower-performing routes to areas with higher demand to improve bus frequencies and customer travel times. This approach is consistent with the recommendations from an American Public Transportation Association Peer Review and OCTA's Transit System Study. OCTA anticipates an increase in boardings over the long-term due to general growth in both population and the economy. This may be slightly mitigated by scheduled fare increases every ten years. The next anticipated fare increase is scheduled to occur in FY 2022-23. Fare increases are essential to ensuring a sustainable level of service because the primary source of funding for operations, Transportation Development Act (TDA) funds, legally requires OCTA to maintain a minimum 20 percent farebox recovery ratio to maintain funding. Fare increases are subject to future Board approval and would require extensive public outreach and a public hearing. OCTA would also have to conduct a federally required Title VI analysis to ensure that the fare adjustment does not disproportionately impact low-income or minority customers.

Figure 1 illustrates the annual RVH projected through FY 2037-38. In order to attain the 40 percent outsourcing level, OCTA increased contract service RVH from 0.10 million in June 2010 to 0.63 million in June 2018. This annual RVH projection is based on the assump-

Figure 1 - Fixed Route Revenue Vehicle Hours (in thousands)

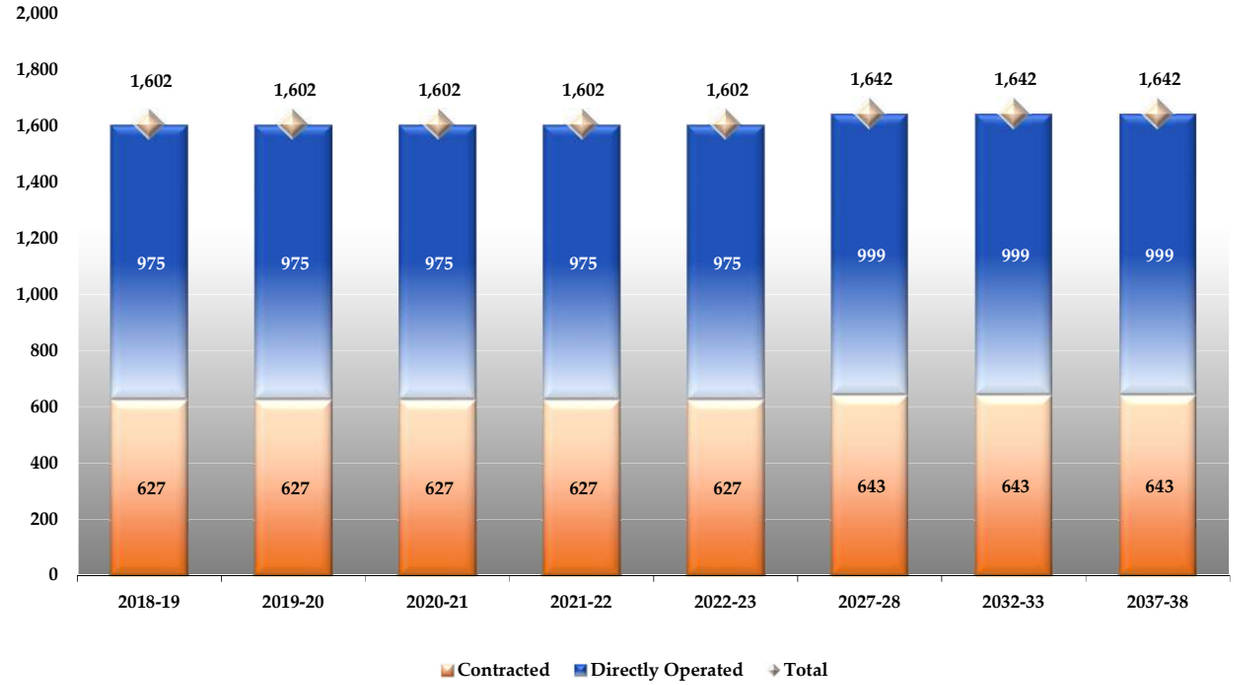
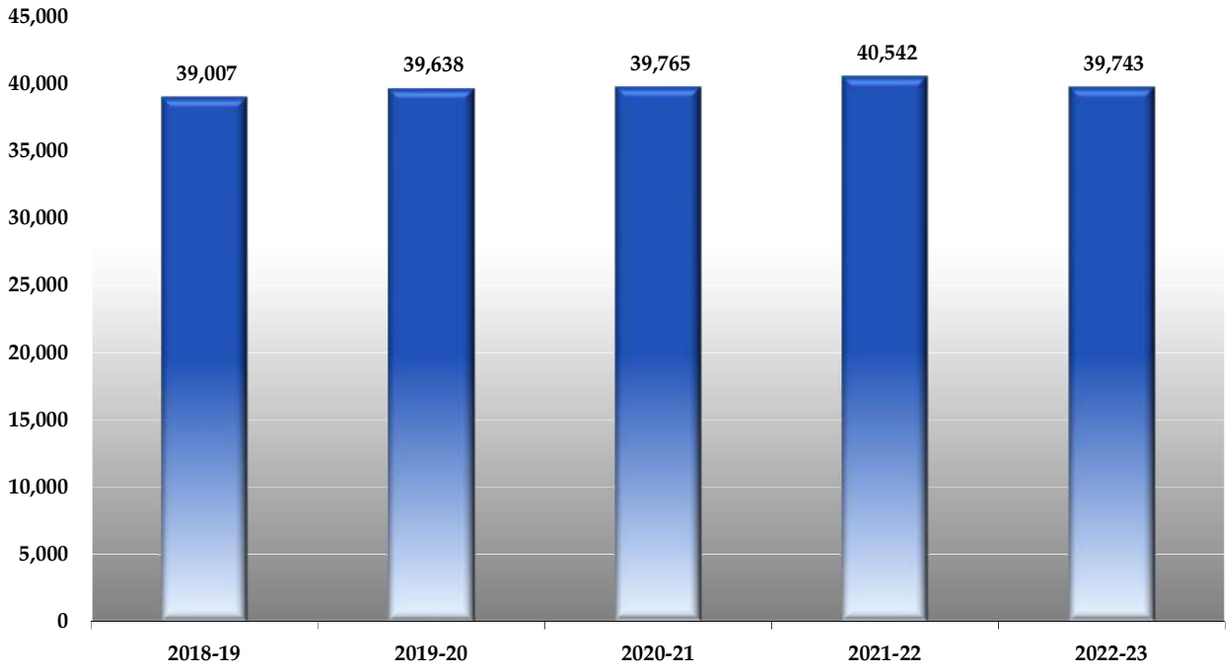


Figure 2 - Fixed Route Boardings (in thousands)



tion that OCTA will receive Senate Bill 1 (SB1) funding for the next 20 years. A repeal of SB1 will cause a significant impact on OCTA's bus program financially, and possibilities such as service reduction might need to be considered in order to sustain the bus program. **Figure 2** illustrates the estimated annual boardings through FY 2022-23.

Local Bus Service

Local Bus Service represents the majority of transit options offered throughout Orange County. Currently, 45 local bus routes operate along the major arterials comprising a "grid" network. Of these 45 routes, seven are community routes; these are operated by the contracted fixed-route provider.

Inter/Intracounty Express Service

Express routes operate Monday through Friday during peak hours targeting longer distance home-to-work commuters. Service operates primarily on freeways, utilizing the high-occupancy vehicle (HOV) network where possible, to offer customers travel times comparable to travel by automobile.

Rail Feeder Service

Rail feeder services were introduced to transport commuter rail passengers between Metrolink train stations and their employment destinations in Orange County. Stationlink buses travel over a defined route with intermittent stops located at major employment centers. A total of six Stationlink routes operate weekdays during the morning and evening commute periods. Metrolink passengers may board Stationlink routes free of charge.

Special Bus Service

Limited-Stop Service

Limited-stop service is designed to offer more frequent service and reduce travel times along the corridor. Known as Bravo! Routes, OCTA operates both routes during peak hours, with service on the Harbor Boulevard corridor seven days a week and service on the 17th Street/Westminster Avenue corridor Monday through Friday. Service on Beach Boulevard is expected to commence in FY 2018-19.

Xpress Service

Xpress service is a new, faster commute option on the Main Street, Bristol Street, and Bolsa Avenue/First Street routes. This service skips many of the low volume stops to help patrons get to their destination faster. Service runs on weekdays from 6 a.m. to 6 p.m.

OC Flex Pilot Service

OC Flex Pilot Service is a shared-ride micro-transit service that will cover approximately six square miles in Huntington Beach and South Orange County. This service will provide riders the ability to book and pay for a ride in real-time through the use of a mobile application. Service will begin in the fall of FY 2018-19.

Seasonal Service

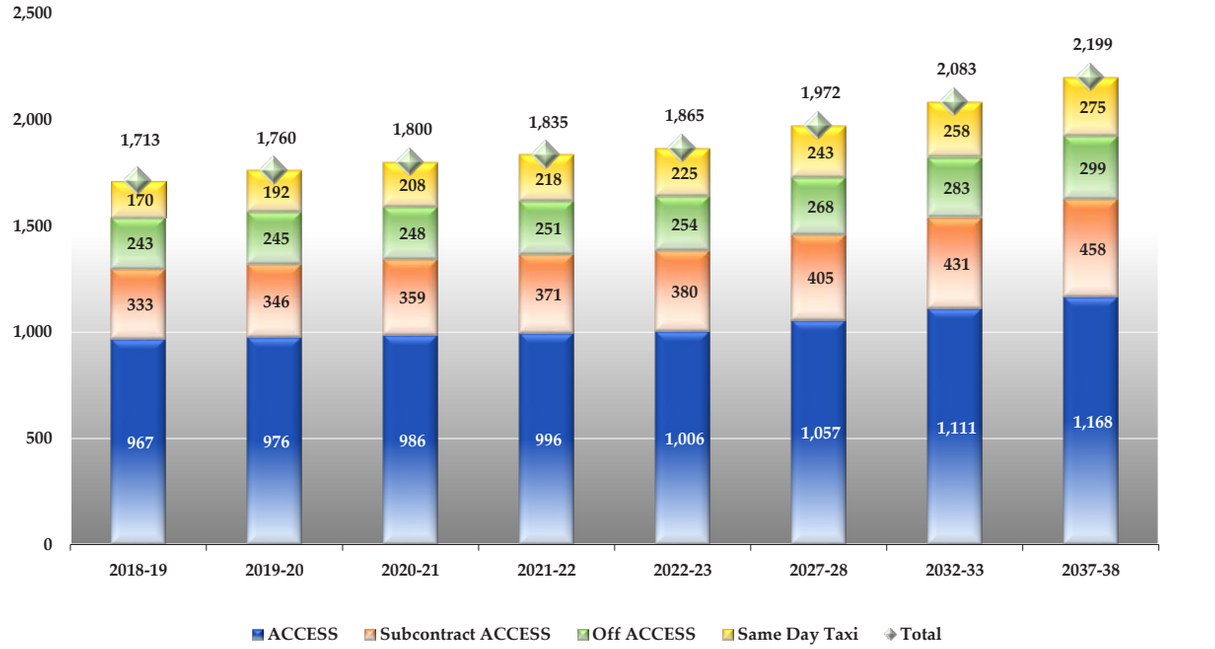
Since 2011, OCTA has operated service to the Orange County Fair. Funded by the Mobile Source Air Pollution Reduction Review Committee (MSRC), this service offers a convenient and attractive alternative to automobile travel by providing reliable and efficient, nonstop express bus service directly to the Orange County Fair from nine locations within Orange County. Continuing for a third year is the Laguna Beach Summer Breeze Service. This service allows patrons to visit Laguna Beach on the weekends without the hassle of finding a parking space within the city.

Paratransit

As a provider of public fixed-route transit services, OCTA is required by the ADA to provide complementary paratransit services, known as ACCESS, for individuals whose disabilities prevent them from using regular transit service. In addition, OCTA funds and administers other special needs transportation programs to help reduce the demand and cost of ACCESS service.

Implementation of a Growth Management Plan reduced the double-digit growth experienced in the first half of the last decade. However, growth in this area is anticipated over the long-term. OCTA forecasts ACCESS service levels to increase by as much as 21,000 RVH or four percent from FY 2018-19 through FY 2022-23. ACCESS currently accounts for 25 percent of the total RVH provided by OCTA, but is projected

Figure 3 - Paratransit Trips (in thousands)



to account for up to 28.2 percent by FY 2037-38. **Figure 3** illustrates the projected total paratransit trip growth through FY 2037-38.

ACCESS Service

OCTA's complementary ADA paratransit services are currently provided by MV Transportation (MV). These contracted services are operated from OCTA's Irvine Construction Circle facility. Trips provided by MV account for approximately 58 percent of all paratransit trips. MV sub-contracts with a taxi service to provide ACCESS trips during peak periods which helps OCTA keep the size of the ACCESS fleet from increasing significantly. In addition, these supplemental taxi services are currently being utilized to increase efficiency during non-peak periods, in an effort to decrease total ACCESS costs and increase total system efficiency. The use of supplemental taxi services is one of a variety of cost mitigation measures being employed.

Non-ADA Taxi, Special Agency Services, and Transportation Network Companies

A critical component of the Growth Management Plan was development of less costly services. Unlike standard ACCESS service, these services are not specifically meant to provide complementary paratransit service, but to expand the transportation choices available to persons who might have otherwise used ACCESS. OCTA has developed partnerships with special agencies that provide day programs for special needs individuals or seniors with chronic medical conditions. Under these partnerships, OCTA provides a partial operating subsidy to the program and the agency now has the responsibility for providing the trip to and from the program. Trips are only reimbursed if the individual has ACCESS eligibility and if the trip is within the ACCESS service area. In addition, OCTA offers a non-ADA same-day taxi service which allows ACCESS eligible customers to schedule a partially subsidized taxi trip, significantly reducing OCTA's cost per trip. The Same-day Taxi Program has expanded to provide services over a greater coverage area.

Community Transportation Programs

OCTA also supports the development of community-based transportation services for seniors, persons with disabilities, and persons of low income. Under the SMP, OCTA currently provides M2 funding to 31 cities and transit funding to four non-profit organizations to support local senior transportation services. In addition, OCTA administers grant funds under the Federal Transit Administration's (FTA) Section 5316 Job Access

OCTA's Santa Ana Bus Base.

and Reverse Commute (JARC) and Section 5317 New Freedom programs where approximately $15 million in funding over the past eight years have supported a variety of projects including mobility management programs, travel training, volunteer driver programs, and new transportation services which benefit the JARC and New Freedom populations. OCTA continues to operate the JARC funded program entitled Vocational Visions, utilizing the funding for trips on this program for OC ACCESS service.

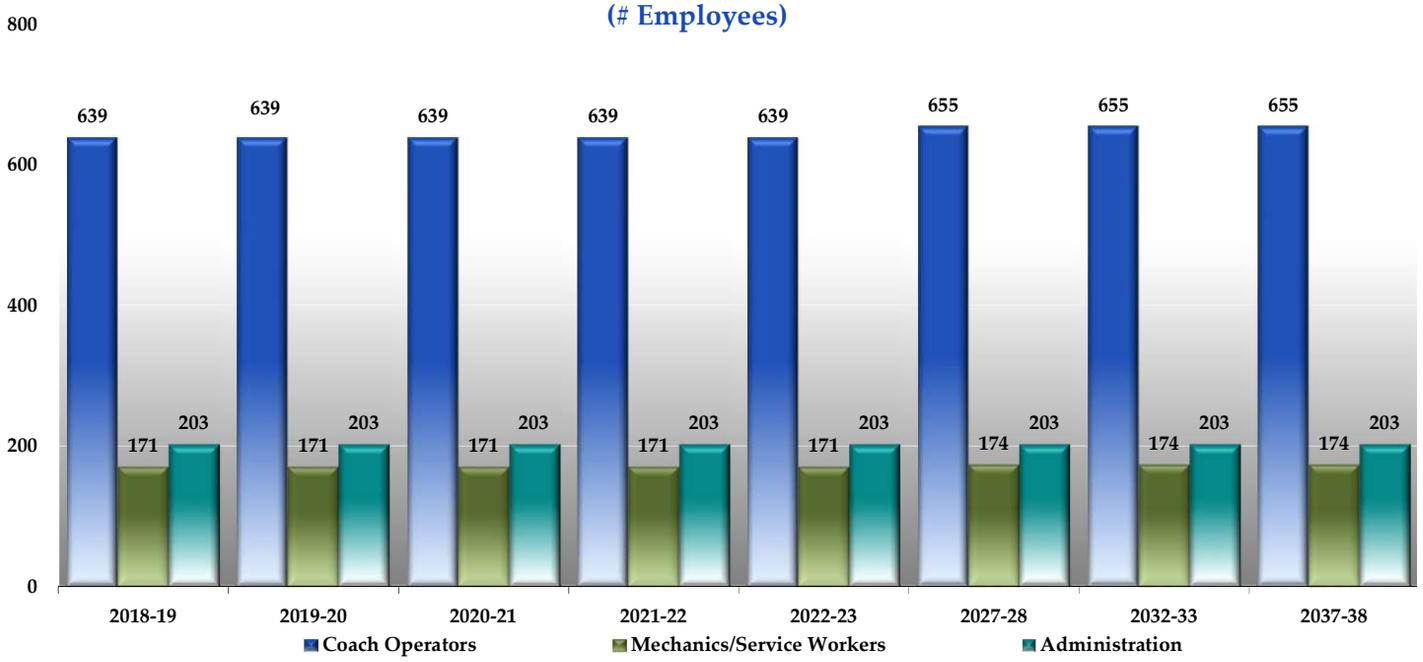
Transit Staffing

Figure 4 presents the projected staffing levels for FY 2018-19 through FY 2037-38 for the Bus Operations Division. Coach operators, supervisory personnel, mechanics, bus service workers, and administrative staff are represented in the table.

Capital Expenditures

Capital expenditures in the OCTD Fund include a variety of expenses such as: revenue vehicle replacement, support vehicles, fueling infrastructure, radio systems, vehicle and facility rehabilitation, and miscellaneous equipment. The funding for these costs is comprised of both grant and local sources. Grant funding includes sources from federal, state, and local agencies that typically cover up to 80 percent of the asset cost. The local portion, or 20 percent match, is paid from the capital replacement fund. Since the beginning of the recession, OCTA has used 5307 funds for traditional operating purposes to a greater extent than in prior years. This has expedited the receipt of 5307 funds and

Figure 4 - Projected Transit Staffing Plan
(# Employees)



allowed OCTA to deposit the funds earlier and collect additional interest earnings. The interest earnings are then used to fund operating and capital expenditures.

Bus purchases and replacement of critical infrastructure components are costly. A single 40-foot bus powered by compressed natural gas costs approximately $600,000, while a 60-foot bus costs approximately $930,000. An essential component of running a fiscally responsible operation is ensuring capital requirements are satisfied. Timely replacement of capital ensures stable operations and decreased expenses associated with maintenance of equipment that has operated beyond its useful life. OCTA maintains a useful life of 18 years for 40-foot and 60-foot buses, seven years for mid-size buses, and seven years for the paratransit fleet. Adherence to a capital replacement cycle enables OCTA to maintain high equipment standards and plan for the subsequent costs on an annual basis. The State of California is currently considering an unfunded mandate on transit agencies to transition all transit fleets to zero emission bus (ZEB) technology by 2040. This could potentially be extremely costly to transit agencies like OCTA. However, the new requirement will not affect OCTA for several years. Projected FY 2018-19 through FY 2022-23 expenditures are summarized in **Figure 5**.

Fixed-Route

Details of the type and average age of OCTA's large bus fixed-route active fleet is shown in **Figure 6**. Currently, OCTA's active bus fleet consists of 510 vehicles with 287 vehicles designated for directly operated fixed-route use and 223 designated for contracted fixed-route service, as shown in **Figure 7**.

Over the next five years OCTA plans to purchase approximately 18 new revenue vehicles. The current fleet plan anticipates the purchase of 18 mid-size buses over a five-year window. As service conditions change, the composition of the fleet will be revisited regularly to ensure the proper mix of buses within the fleet.

Figure 5 - Fixed Asset Replacement (in millions)

Asset Category	2018-19	2019-20	2020-21	2021-22	2022-23
Large Bus Replacement	$0.0	$0.0	$0.0	$0.0	$0.0
Support Equipment	1.4	18.9	0.6	2.7	0.6
Vehicle Modifications	0.7	0.5	0.0	0.0	4.2
Small Bus Replacement	0.1	0.3	2.9	18.9	0.5
Facility Modifications	12.0	6.2	4.5	4.9	5.8
Total Capital Purchases	$14.3	$25.9	$8.0	$26.5	$11.1

Figure 6 - Fixed-Route Fleet Age by Bus Type

Fuel Type	Average Age (Years)
Forty Foot	7.1
Sixty Foot Articulated	3.1
Mid-Size	3.0
Average Age	6.6

ACCESS

The current paratransit active fleet consists of 248 vehicles, as seen in **Figure 8**, which represents 33 percent of OCTA's active fleet. RVH are used to project the required number of vehicles necessary to operate this service. The plan assumes replacement of 116 vehicles as well as expanding the fleet by 10 vehicles within the next five years. A variety of strategies are being considered to manage the projected demand for service growth. Strategies include using other supplemental services, providing mobility training to current ACCESS riders to use fixed-route, and working with programs to explore their role in the provision of trips for program participants. These strategies and others could help reduce costs and mitigate the growth rate of the fleet.

Reserves

A capital replacement fund is utilized to plan and account for capital replacement purchases. Ensuring the organization has the funds required to replace capital assets allows OCTA to eliminate financing costs associated with purchases and accrue interest earnings on the cash balance. The Capital Replacement Fund is sufficient for OCTA to maintain the proposed capital replacement schedule for all assets needed to maintain county-wide bus service through the end of the plan. OCTA also maintains a separate 45-day operating reserve in order to minimize impacts to cash flow due to fluctuations in operating revenues and expenditures.

Figure 7 - Fixed -Route Fleet Size (# buses)

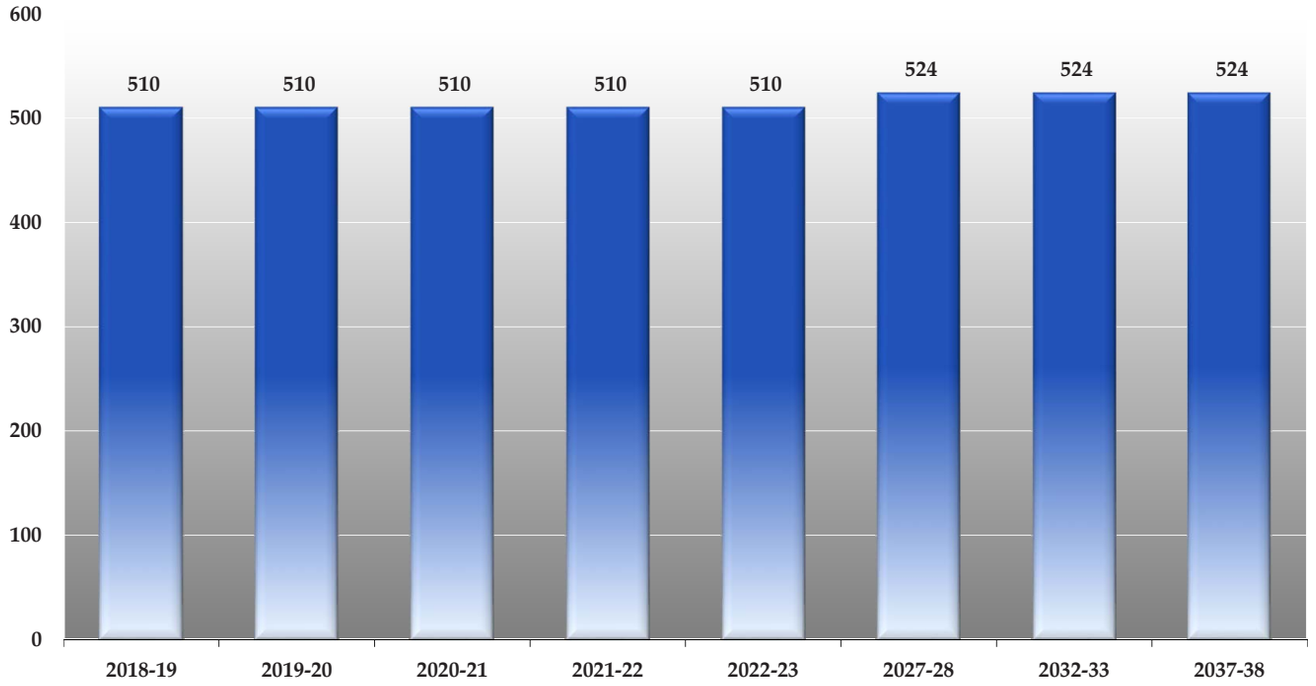
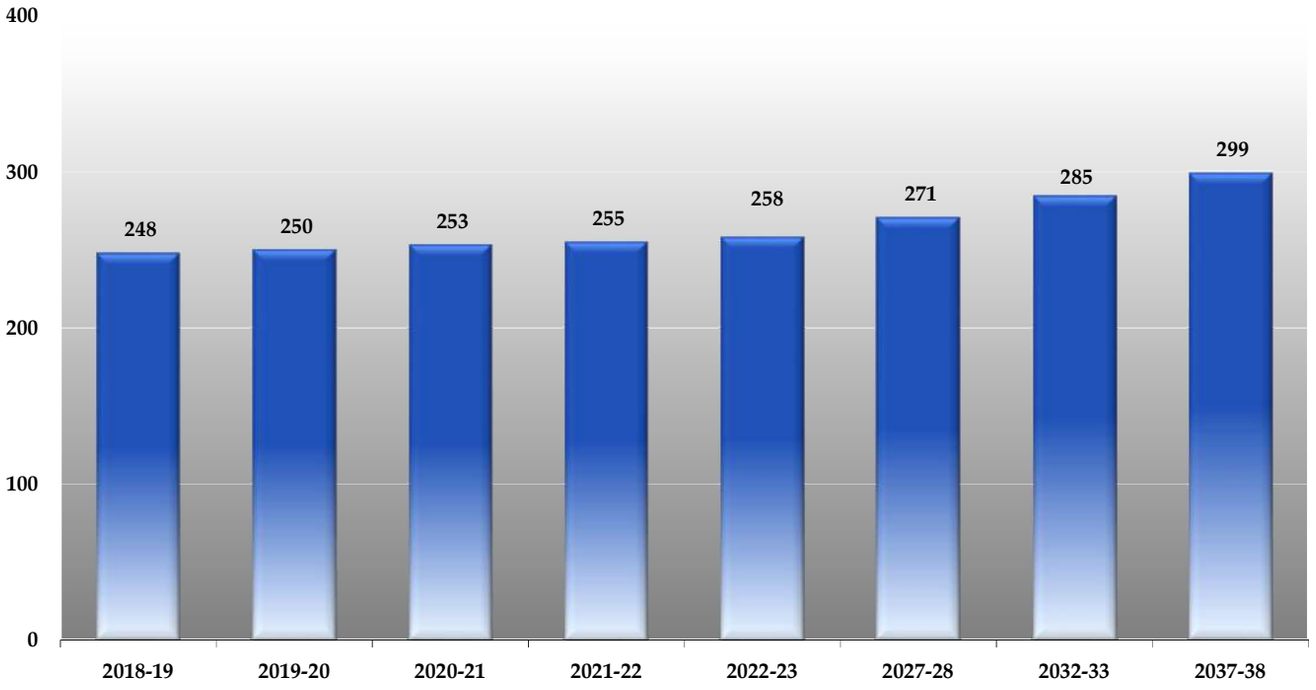


Figure 8 - Paratransit Fleet Size (# buses)



Bus Operations Revenue

Bus Operations is dependent upon external revenue sources to supplement farebox revenue and help offset operating expenditures for fixed-route and paratransit services. The primary revenue sources are comprised of: the Local Transportation Fund (LTF), State Transit Assistance Fund (STAF), federal operating grants, SB1, and property tax contributions.

The major funding source that allows OCTA to provide transportation services to Orange County residents is the LTF, a one-quarter cent state sales tax signed into law as part of the TDA in 1971. Funding from the LTF covers approximately half the operating costs for services. The growth rate of sales tax revenue is dependent upon the state of the economy and any fluctuations can have a significant impact over the life of the plan. Therefore, this business plan will be revisited periodically to ensure that service levels are appropriately planned to meet revenue projections. **Figure 9** illustrates the revenue sources projected through FY 2022-23.

Since post-recession lows, LTF sales tax has grown each year. In recent years, however, the rate of increase has fallen short of expectations, primarily due to changes in consumer behavior and tax codes. In 2012, California implemented Assembly Bill 153, frequently referred to as the "Amazon Tax". This law requires taxes be imposed on internet sales. As internet-based sales have increased and brick and mortar sales have decreased, the composition of LTF sales tax revenues has changed. As a "point of sale" tax, LTF sales tax revenues have failed to meet projections in Orange County over recent years. This is primarily attributed to online purchases that are sold and shipped from distribution centers outside Orange County. Due to the structural change in this revenue source, the forecasting methodology for LTF sales tax has changed. In the first five years, an LTF-specific forecast devised by Muni Services is being utilized. The blended rate forecast from the three universities (Chapman, California State University, Fullerton, and University of California, Los Angeles) is used for the remaining years. The CBP utilizes the FY 2018-19 budget forecast of 2.90 percent for the base year and a modest average growth rate of 3.07 percent for the life of the plan.

The CBP anticipates STAF revenues of approximately $19.7 million in FY 2018-19. Throughout the life of the plan STAF revenues are anticipated to remain flat.

On December 4, 2015, Congress passed and the President signed into law the Fixing America's Surface Transportation (FAST) Act, H.R. 22. The FAST Act authorizes funding for a five-year period through the end of federal fiscal year (FFY) 2020. The total authorized funding levels in the FAST Act are $305.5 billion over the five-year period.

All transit program funding grows under the FAST act. FTA 5307 funding is expected to grow from $50.4 million in FY 2018-19 to $65.9 million in FY 2037-38. FTA 5337 and 5339 are expected to grow from $8.4 million in FY 2017-18 to $10.2 million in FY 2037-38. This amounts to an expected FTA revenue of $1.5 billion over the 20-year period.

In April 2017, Governor Jerry Brown signed SB1 in the State of California. This bill is expected to generate $52.5 billion over the next ten years, with approximately $7.5 billion going directly to transit operations and capital for transportation entities around California. OCTA expects to receive approximately $16.3 million of operating and $6.8 million of capital annually or $494 million over the next 20-year period. This revenue will be collected by raising gasoline and diesel excise taxes, new fees on all vehicle registration renewals, and a new annual fee on zero-emission vehicles.

Figure 9 - Bus Operations Revenue (in millions)

Sources	2018-19	2019-20	2020-21	2021-22	2022-23
Sales Tax Revenue	$ 159.0	$ 162.5	$ 165.9	$ 169.2	$ 172.6
Federal Formula Grant 5307	50.4	51.7	53.5	55.3	56.7
Passenger Fares	48.4	49.3	49.5	50.4	55.3
State Transit Assistance	19.7	19.7	19.7	19.7	19.7
Property Tax Revenue	16.9	17.7	18.3	18.9	19.5
Senate Bill 1	16.3	16.3	16.3	16.3	16.3
Miscellaneous Revenues	7.3	5.5	5.5	5.5	5.6
Advertising Revenue	4.0	4.1	4.2	4.3	4.4
Measure M	3.5	3.6	3.6	3.7	4.1
Rail Feeder	2.1	2.2	2.3	2.2	2.2
CMAQ	2.0	2.0	2.0	2.0	2.0
Interest	1.3	1.6	2.0	2.2	2.5
Total	$ 330.9	$ 336.0	$ 342.7	$ 349.6	$ 360.7

OCTA's fare revenue is directly tied to ridership. Boardings across the fixed-route system have decreased by 1.8 percent from FY 2016-17 to FY 2017-18. Fluctuations in boardings continue to have a significant impact on fare revenues. For every boarding lost or gained, revenue changes by approximately $1.01. As discussed earlier, OC Bus 360° is continuing and is part of a comprehensive approach to addressing declining ridership on the fixed-route system. As part of the Global Warming Solutions Act of 2006 (AB 32), Cap and Trade Programs were implemented that will provide supplemental funding to transportation programs. The Low Carbon Transit Operations Program (LCTOP) was implemented under AB 32 and among many other eligible uses, it can be utilized to subsidize fare discount programs. As part of the comprehensive effort to increase bus ridership, LCTOP funds have been authorized to provide fare discounts to Orange County bus riders through various programs and promotions. LCTOP funds will backfill the revenue lost for promotional or free fare and discounted fare programs, increasing ridership while maintaining fare revenues. In FY 2017-18, the first of several anticipated pilot programs began; by providing the students of Santa Ana College with discounted fares. As the economy grows, promotional programs are implemented, and OC Bus 360 takes full effect, ridership and fare revenues are anticipated to stabilize and may continue to be augmented by fare increases every ten years beginning in FY 2022-23.

Bus Program Major Assumptions	
Service and Costs:	
1	Additional 40K hours of fixed-route service in FY 2023-24
2	Paratransit trip growth is 1.1 percent and maintained on an annual basis
3	Large bus useful life - 18 years
4	Small bus useful life - seven years
Revenues:	
1	Sales tax annual average growth rate of 3.1 percent
2	Boardings annual average growth rate of 1.5 percent
3	25 percent fare increase every 10 years beginning FY 2022-23
4	SB1 operating revenue of $16.3M annually for 20 years
5	SB1 capital revenue of $6.8M grown annually by forecasted CPI
6	STAF revenue of $19.7M annually for 20 years
7	Federal revenue grows an average of 2.3 percent over the plan's 20 years
8	Maintain capital replacement fund

Bus Program Risks	
1	SB1 repealed
2	Softening of sales tax revenue growth
3	Continued declines in bus ridership
4	Paratransit trip growth exceeds 1.1 percent annually
5	Unfunded mandates (i.e. zero emission bus purchase)

Cash Flow Statement - Bus Program

(millions)		2018-19	2019-20	2020-21	2021-22	2022-23	2027-28	2032-33	2037-38
Beginning balance - operating	$	**49.9**	**60.6**	**68.2**	**71.8**	**71.7**	**71.7**	**25.4**	**66.1**
Cash flows from operating activities:									
Sources of funds:									
Sales tax revenue		159.0	162.5	165.9	169.2	172.6	202.8	239.7	283.3
Federal formula grant 5307		50.4	51.7	53.5	55.3	56.7	66.7	74.0	73.2
Passenger fares		48.4	49.3	49.5	50.4	55.3	66.1	78.0	92.3
State transit assistance		19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.6
Property tax revenue		16.9	17.7	18.3	18.9	19.5	23.0	27.1	31.9
Senate Bill 1		16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3
Miscellaneous revenues		14.9	13.3	13.4	13.4	13.8	13.1	14.5	16.1
Advertising revenue		4.0	4.1	4.2	4.3	4.4	5.0	5.6	6.3
Interest		1.3	1.6	2.0	2.2	2.5	3.4	2.0	3.4
Total sources of funds	$	**330.9**	**336.0**	**342.7**	**349.6**	**360.7**	**416.0**	**476.8**	**542.4**
Cash flows from operating activities:									
Uses of funds:									
Salaries and benefits		115.3	118.8	122.3	129.0	132.7	155.5	163.2	188.7
Purchased transportation services		92.8	96.1	99.8	101.3	103.3	121.3	140.6	162.1
Administrative service expense		41.1	43.0	45.0	47.1	49.2	61.1	67.6	84.4
Professional services		19.0	19.5	20.0	20.5	21.1	24.4	27.4	30.6
Maintenance, parts and fuel		16.7	17.3	17.9	18.6	19.3	23.7	28.6	34.6
General and administrative		4.1	4.2	4.4	4.5	4.6	5.3	6.0	6.7
Other operating expense		3.2	3.3	3.4	3.5	3.6	4.2	4.8	5.4
Designation to capital		27.9	26.3	26.2	25.2	23.1	28.6	27.2	32.5
Total uses of funds	$	**320.2**	**328.4**	**339.0**	**349.8**	**356.9**	**424.2**	**465.4**	**545.1**
Net cash provided by operations	$	**10.7**	**7.6**	**3.7**	**(0.1)**	**3.8**	**(8.2)**	**11.4**	**(2.7)**
Available cash - operating	$	**60.6**	**68.2**	**71.8**	**71.7**	**75.5**	**63.5**	**36.8**	**63.4**
Beginning balance - capital	$	**261.9**	**300.2**	**322.1**	**363.5**	**387.6**	**337.6**	**453.6**	**453.1**
Cash flows from captial activities:									
Sources of funds:									
Contribution to capital		27.9	26.3	26.2	25.2	23.1	28.6	27.2	32.5
Federal Formula Grants 5337/5339		8.4	8.6	8.8	8.9	9.1	10.1	11.2	12.3
Senate Bill 1		6.8	7.0	7.1	7.3	7.4	8.3	9.3	10.4
Miscellaneous revenues		4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest		4.7	6.1	7.3	9.2	10.7	13.7	18.3	18.4
Total sources of funds	$	**52.6**	**47.9**	**49.4**	**50.6**	**50.4**	**60.6**	**65.9**	**73.6**
Cash flows from captial activities:									
Uses of funds:									
Capital expenditures		14.3	25.9	8.0	26.5	11.1	42.0	9.6	38.8
Total uses of funds	$	**14.3**	**25.9**	**8.0**	**26.5**	**11.1**	**42.0**	**9.6**	**38.8**
Net cash provided by capital activities	$	**38.3**	**22.0**	**41.4**	**24.1**	**39.3**	**18.6**	**56.4**	**34.8**
Available cash - capital	$	**300.2**	**322.1**	**363.5**	**387.6**	**426.9**	**356.2**	**509.9**	**487.9**

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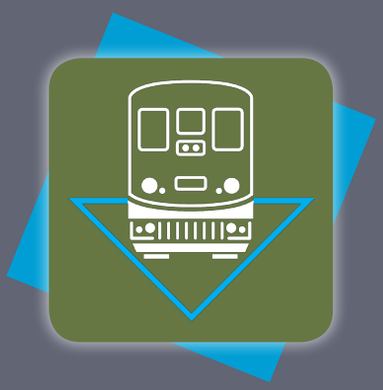
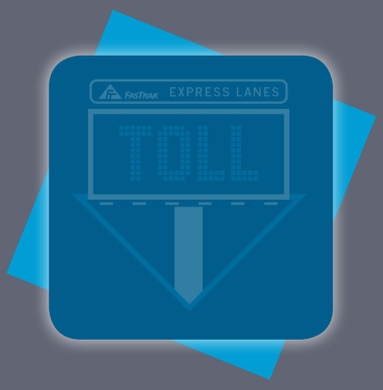
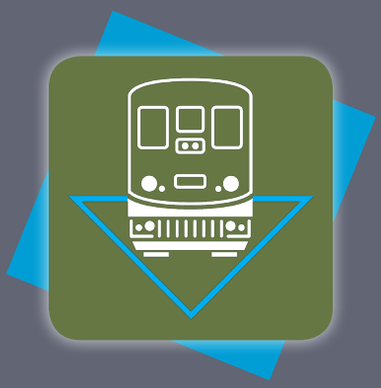
RAIL PROGRAM





OCTA

RAIL PROGRAM



OCTA

Passengers travel by Metrolink for their daily commute.

Background

Metrolink's five-agency membership includes the Orange County Transportation Authority (OCTA), Los Angeles County Metropolitan Transportation Authority (LA Metro), Riverside County Transportation Commission (RCTC), San Bernardino County Transportation Authority (SBCTA), and Ventura County Transportation Commission (VCTC). Metrolink operates 171 weekday trains and 90 weekend trains on seven routes, serving 62 stations, and on average carries more than 42,000 riders each weekday.

Service Levels

There are three lines that provide service to Orange County. The Orange County (OC) Line service began in 1994, followed by the Inland Empire – Orange County (IEOC) Line in 1995, and the 91 Line in 2002. The three lines serving Orange County currently provide a total of 54 trains each weekday serving 11 Orange County stations. In 2006, the OC Line and IEOC Line began offering service on weekends, year-round. In July 2014, weekend service began on the 91 Line. In June 2016, the 91 Line was extended east to Perris Valley and was renamed the 91/Perris Valley (91/PV) Line.

Following completion of the Metrolink Service Expansion Program (MSEP) improvements in 2011, OCTA deployed a total of ten Metrolink intra-county trains operating between Fullerton and Laguna Niguel/ Mission Viejo, primarily during mid-day and evening hours. The intracounty trains offer improved frequency within Orange County, and also provide service to Angels baseball home games.

Service levels in Metrolink's fiscal year (FY) 2018-19 budget are consistent with the previous FY. As a result, fare pricing remains stable in alignment with the pre-

Figure 1 - Metrolink Service Levels

Service/Line	# Trips/Day
Weekday Service	
91/PV Line	9
IEOC Line	16
OC Line (Intracounty)	10
OC Line (service to LA)	19
Sub-total	**54**
Weekend Service	
91/PV Line	4
IEOC Line	4
OC Line (service to LA)	8
Sub-total	**16**

Metrolink began serving Orange County in 1994.

vious FY. Metrolink's budget continues the provisions of safe, reliable, and high-quality commuter rail service. **Figure 1** highlights current service levels.

The Rail 2 Rail Program, which began in 2003, allows Metrolink monthly pass holders the option of riding Amtrak Pacific Surfliner trains at no additional charge, provided the pass holder travels within the designated stations identified on the monthly pass. In Orange County, a valid Metrolink ticket or pass also permits free transfers to local OCTA bus routes that directly serve a Metrolink station, including all Stationlink routes, which provide connecting bus service to major employment centers. There are currently six Stationlink routes serving four Orange County Metrolink stations.

Operating Revenue

Measure M2

On November 7, 2006, Orange County voters approved the renewal of Measure M, which continues the investment of local tax dollars in Metrolink for 30 years from April 1, 2011 through March 31, 2041. Funding from Measure M2 (M2) for the Metrolink Program is projected to be approximately $1.24 billion dollars. The first priority for the use of M2 Project R funds is to ensure adequate funding for Metrolink operations through FY 2040-41. It is anticipated that the bulk of M2 revenue will be required to support operations.

Commuter Rail

As authorized by the OCTA Board, the balance of Measure M (M1) Transit funds were transferred to the newly developed Commuter Rail Fund. The Commuter Rail Fund was created with the intention of replacing the Commuter and Urban Rail Endowment (CURE) Fund, with the specific purpose of supporting rail expenditures going forward. Rail expenditures are currently drawing down the balance of Commuter Rail Fund available reserves.

Fare Revenue

Combined annual ridership for the three lines serving Orange County (including Rail 2 Rail) has increased from 4.4 million in FY 2013-14 to 5.1 million in FY 2017-18. **Figure 2** shows combined revenue and ridership figures. Starting in FY 2016-17, Metrolink began tracking ridership through tickets sales instead of conductor counts. The OC Line continues to carry the most passengers of the three lines serving Orange County. **Figure 3** shows ridership by line.

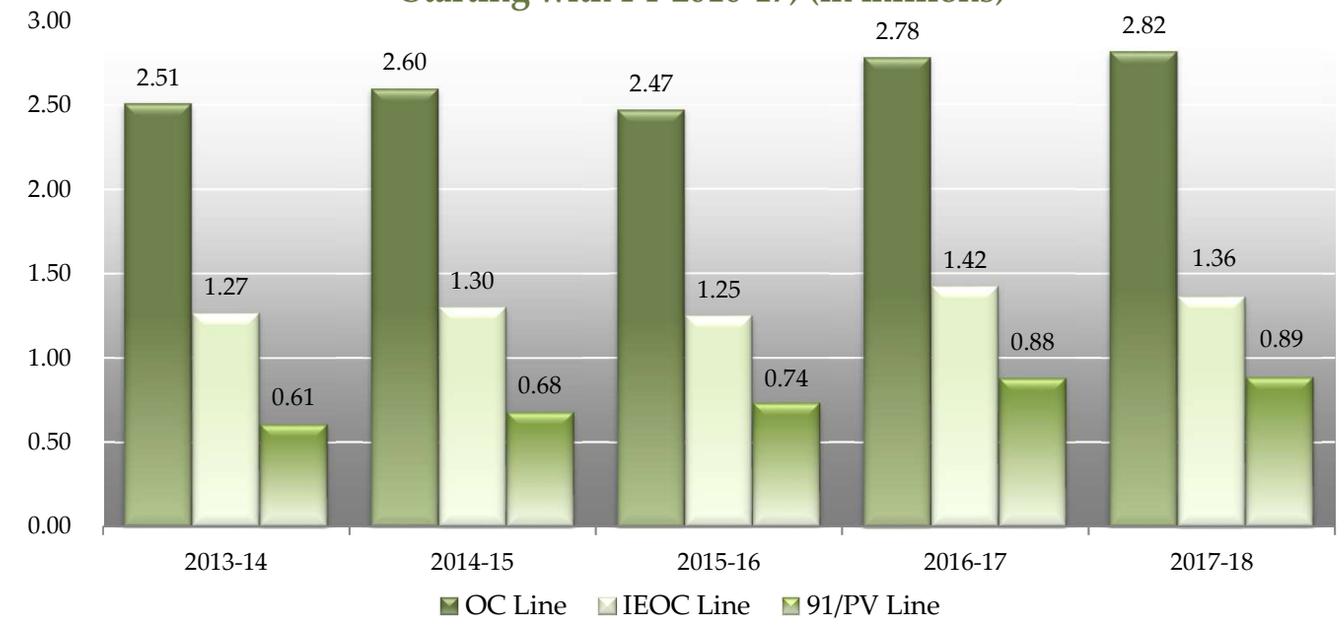
Passenger fare revenue provides roughly half of Metrolink operating expenses with the remainder covered by member agency subsidies. Total fare revenue for the three lines serving Orange County (including Rail 2 Rail) grew from $33.6 million in FY 2013-14 to $35.7 million in FY 2017-18 based upon a combination of growth in ridership and fare increases.

Capital

External funding is anticipated to be the primary source of funding for rail capital expenditures. Federal funds in combination with available M2 and external funding sources will be necessary to fund track and station rehabilitation, replacement of rail cars and locomotives, design and construction of new rail station improvements, as well as projects to improve track and siding. It is anticipated that after completion of currently planned capital expenditures there will be limited funding available for future capital expen-

Figure 2 - Combined Annual Ridership and Fare Revenue for Orange County Lines (in millions)

Figure 3 - Annual Ridership by Line (Tracked Through Ticket Sales Starting with FY 2016-17) (in millions)



ditures. As a result, OCTA will likely have to rely on a combination of additional local and external funding sources to fund capital expenditures outside of the planned capital programs.

Transit Extensions to Metrolink

M2 establishes a competitive program to enable local jurisdictions to enhance regional transit capabilities by creation of new connections to Orange County Metrolink stations. Current revenue forecasts suggest that approximately $1.1 billion of M2 funds will be available over the life of the program to fund improved connections to Orange County Metrolink stations.

Fixed-Guideways

The OC Streetcar is the first modern streetcar project to be built in Orange County and will provide a connection between the Santa Ana Regional Transportation Center (SARTC) and Harbor Boulevard and Westminster Avenue in the City of Garden Grove. Expected to begin carrying passengers in September 2021, the streetcar will operate along a 4.15-mile route that will serve key destinations including SARTC, downtown Santa Ana, historic neighborhoods, Civic Center, and Harbor Boulevard in the City of Garden Grove. Through Go Local and Transit Extensions to Metrolink, a Measure M2 Program, Santa Ana and Garden Grove initiated the streetcar planning efforts.

In May 2014, the Board directed staff to develop a financial plan to fund capital, operations, and maintenance of the OC Streetcar Project that maximizes the use of state and federal funding sources by leveraging M2 revenues. Additionally, the Board directed staff to develop a project implementation plan for the OC Streetcar Project, with OCTA serving as the lead agency. Financial and implementation plans were approved by the Board in August 2014. In cooperation with the cities in early 2015, OCTA officially became the lead agency for project development, engineering, construction, operations, and maintenance. OCTA entered into a contract for OC Streetcar design services in February 2016. Design proceeded on schedule with 30, 60, and 90 percent submittals in June 2016, December

Santa Ana Metrolink Station.

Beautiful coastline views are standard on Metrolink Rail Service.

2016, and April 2017 - July 2017, respectively. In January 2017, the FTA approved the OC Streetcar Project into the engineering phase of the New Starts process. In May 2017, OCTA submitted a Full Funding Grant Agreement (FFGA) application to FTA. The FFGA is pending approval by FTA with an anticipated execution date of late 2018. In March 2018, the OCTA Board selected Siemens Industries Inc. as the firm to manufacture and deliver the eight streetcar vehicles needed to support the service. Next steps include award of the construction contract and release of a Request for Proposals (RFP) for operations and maintenance of the OC Streetcar.

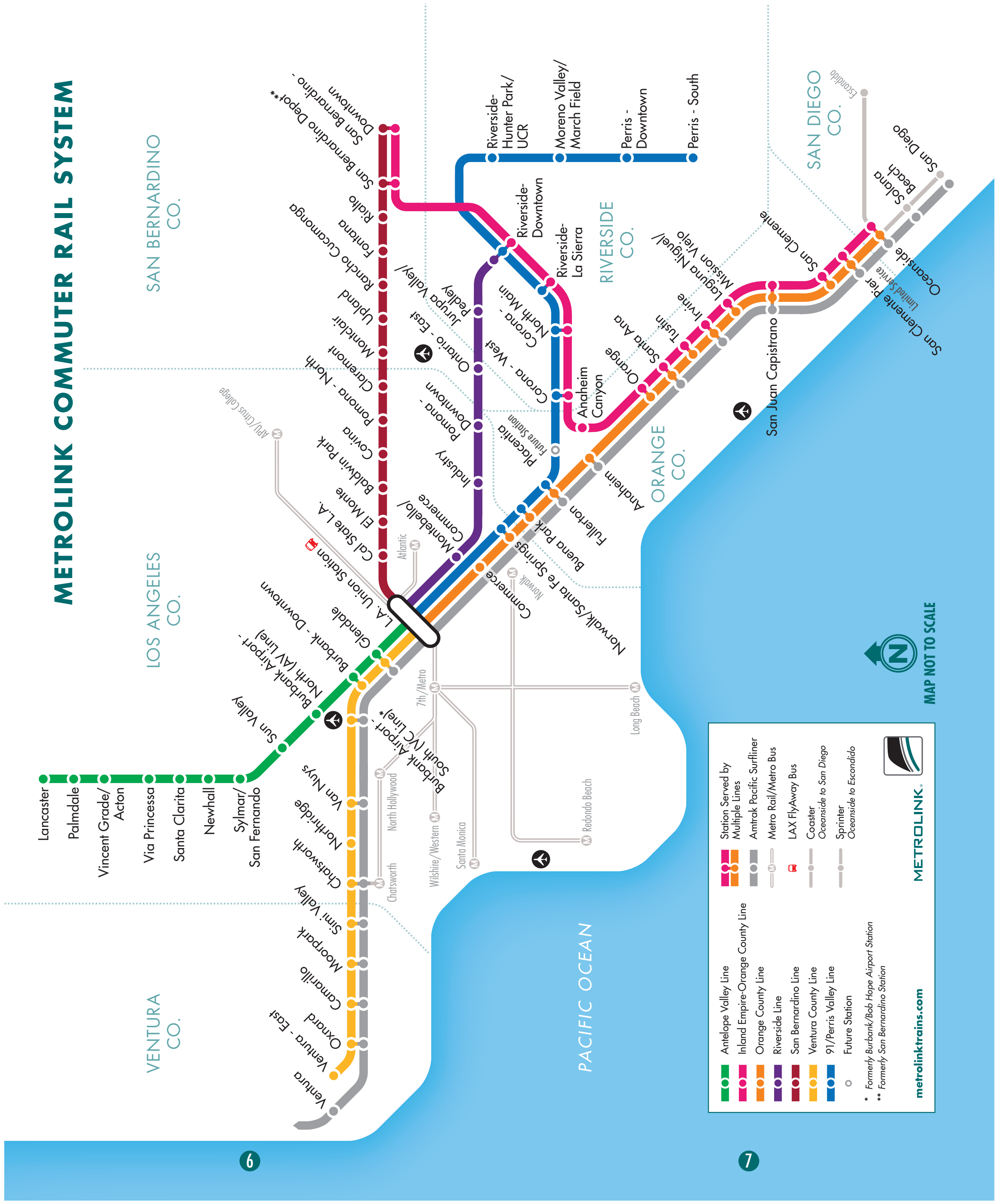
Based upon delays in the FFGA execution, extension of the construction project schedule, and market conditions, a revised project funding plan was approved by the Board in July 2018. The funding plan assumes that a Federal New Starts grant will contribute just under $149 million to the project, contingent on FTA approval. Other federal funds, Congestion Management and Air Quality Improvement Program (CMAQ), and FTA Section 5307 urbanized area formula program, will provide approximately $68 million. The State has approved approximately $25 million in Cap and Trade funds to support the project. Finally, M2 is providing just over $165 million which is approximately 41 percent of the cost for the project.

Bus and Station Vans

In December 2011, the Board of Directors (Board) approved the Project S bus and station van extension guidelines. In February 2012, OCTA issued a M2 Project S call for bus and Metrolink station van extension projects making $10 million available. Two local agencies, Anaheim and Lake Forest, submitted proposals which met Project S guidelines and were approved by the Board. A total of $733,000 was awarded with each local agency required to meet a ten percent local match requirement. Local agency projects funded with Project S are currently underway in Anaheim and Lake Forest.

Cash Flow Statement - Rail

(millions)		2018-19	2019-20	2020-21	2021-22	2022-23	2027-28	2032-33	2037-38
Beginning balance	**$**	**200.7**	**202.6**	**194.4**	**190.8**	**186.9**	**146.0**	**98.5**	**52.5**
Cash flows from operating activities:									
Sources of funds:									
Measure M2 Sales Tax (Project R)		31.2	32.0	32.8	33.6	34.3	41.1	49.5	59.7
Federal Operating Revenue		8.4	10.0	10.0	10.0	7.4	7.4	7.4	7.9
Miscellaneous revenue		7.7	4.6	4.6	5.1	3.1	1.2	1.3	1.5
Total sources of funds	**$**	**47.3**	**46.5**	**47.3**	**48.6**	**44.9**	**49.7**	**58.3**	**69.0**
Cash flows from operating activities:									
Uses of funds:									
Subsidy to SCRRA		29.4	29.5	30.9	34.2	34.9	38.6	42.6	46.8
Management fee expense		2.6	2.7	2.8	2.9	3.0	3.7	4.2	5.2
Professional services		6.0	6.6	6.4	6.2	6.0	6.6	7.3	8.0
Repayment of Proposition 116 Funds		3.0	3.0	3.1	3.2	3.3	3.9	4.5	5.2
Other operating expenses		2.1	2.2	2.3	2.2	2.2	2.5	2.8	3.2
Total uses of funds	**$**	**43.0**	**43.9**	**45.5**	**48.7**	**49.4**	**55.3**	**61.4**	**68.4**
Net cash provided by operations	**$**	**4.3**	**2.6**	**1.9**	**(0.1)**	**(4.5)**	**(5.6)**	**(3.1)**	**0.6**
Cash flows from capital and related financing activities:									
Capital grants/other capital revenues		38.6	45.0	34.7	30.6	15.6	3.0	3.3	19.4
Acquisition/construction of capital assets		(42.5)	(57.7)	(42.4)	(37.0)	(22.1)	(10.2)	(11.3)	(28.1)
Principal & interest paid on TECP/bonds		(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Net cash used by capital and related financing activities	**$**	**(5.8)**	**(14.6)**	**(9.7)**	**(8.3)**	**(8.5)**	**(9.2)**	**(9.9)**	**(10.7)**
Cash flows from investing activities:									
Interest on investments		3.4	3.8	4.1	4.5	4.8	5.4	3.5	1.7
Net cash provided by investing activities	**$**	**3.4**	**3.8**	**4.1**	**4.5**	**4.8**	**5.4**	**3.5**	**1.7**
Net increase/decrease in cash	**$**	**1.9**	**(8.2)**	**(3.6)**	**(3.9)**	**(8.2)**	**(9.3)**	**(9.5)**	**(8.3)**
Available cash	**$**	**202.6**	**194.4**	**190.8**	**186.9**	**178.7**	**136.7**	**89.0**	**44.1**


METROLINK COMMUTER RAIL SYSTEM
SAN BERNARDINO CO.
LOS ANGELES CO.
VENTURA CO.
RIVERSIDE CO.
ORANGE CO.
SAN DIEGO CO.
PACIFIC OCEAN
Lancaster
Palmdale
Vincent Grade/ Acton
Via Princessa
Santa Clarita
Newhall
Sylmar/ San Fernando
Sun Valley
Burbank Airport - North (AV Line)
Burbank - Downtown
Glendale
L.A. Union Station
Ventura
Ventura - East
Oxnard
Camarillo
Moorpark
Simi Valley
Chatsworth
Northridge
Van Nuys
Burbank Airport - South (VC Line)*
San Bernardino Depot**
San Bernardino - Downtown
Rialto
Fontana
Rancho Cucamonga
Upland
Montclair
Claremont
Pomona - North
Covina
Baldwin Park
El Monte
Cal State L.A.
Riverside- Hunter Park/ UCR
Moreno Valley/ March Field
Perris - Downtown
Perris - South
Riverside- Downtown
Riverside- La Sierra
Jurupa Valley/ Pedley
Ontario - East
Pomona - Downtown
Industry
Montebello/ Commerce
Corona - North Main
Corona - West
Anaheim Canyon
Placentia
Future Station
Commerce
Norwalk/Santa Fe Springs
Buena Park
Fullerton
Anaheim
Orange
Santa Ana
Tustin
Irvine
Laguna Niguel/ Mission Viejo
San Juan Capistrano
San Clemente
San Clemente Pier
Limited Service
Oceanside
Solana Beach
San Diego
Escondido
APU/Citrus College
Atlantic
7th/Metro
North Hollywood
Wilshire/Western
Santa Monica
Redondo Beach
Long Beach
Norwalk
Chatsworth
MAP NOT TO SCALE
Antelope Valley Line
Inland Empire-Orange County Line
Orange County Line
Riverside Line
San Bernardino Line
Ventura County Line
91/Perris Valley Line
Future Station
Station Served by Multiple Lines
Amtrak Pacific Surfliner
Metro Rail/Metro Bus
LAX FlyAway Bus
Coaster Oceanside to San Diego
Sprinter Oceanside to Escondido
* Formerly Burbank/Bob Hope Airport Station
** Formerly San Bernardino Station
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METROLINK.
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MEASURE M2

OCTA

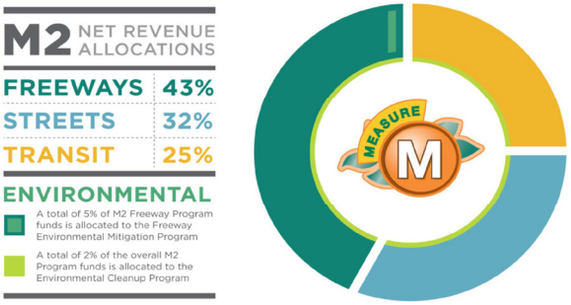
MEASURE M2

OCTA

Background

On November 7, 2006, nearly 70 percent of Orange County voters renewed the Measure M (M2) one-half cent sales tax for transportation improvements. The half-cent sales tax, administered by the Orange County Transportation Authority (OCTA), is estimated to provide approximately $13.1 billion to improve transportation in Orange County over a 30-year period through March 2041. The M2 Transportation Investment Plan is designed to improve freeways, maintain streets and roads, synchronize traffic signals countywide, improve travel connections with new and existing transit programs, protect the environment from debris and runoff that pollute Orange County beaches, and preserve natural habitats and native species through the purchase of open space land. The plan calls for the $13.1 billion to be allocated as summarized in **Figure 1**.

Figure 1 - M2 Net Investment Allocation by Mode



Early Delivery Plans

Since M2 approval, the OCTA Board of Directors (Board) have continued to advance implementation of M2 through the adoption of a series of early delivery plans. These early delivery plans are designed to ensure the delivery of all M2 projects and programs through fiscal year (FY) 2040-41 as promised to the voters, bring transportation improvements earlier to residents and commuters of Orange County, and as appropriate, address slower growth in sales tax revenue through strategic financing and successfully capturing and augmenting the program with available external and local revenue. Early delivery plans to date include:

- Early Action Plan (EAP) – the five-year plan was adopted in 2007 (completed in 2012) designed to jumpstart the M2 Program prior to inception in April 2011. The EAP developed guiding principles that set the direction for staff on establishing priorities for project acceleration;
- M2020 Plan - adopted in 2012 and intended to go through 2020 but cut short in 2016, this was designed to address the impact of lower sales tax revenue projections resulting from the impact of the 2008 Great Recession by bringing in external state and federal revenues; and most recently,
- Next 10 Delivery Plan (ten-year plan from 2016-2026) adopted in 2016 and updated in 2017 designed to address a further reduction in the sales tax revenue forecast by bringing in additional local revenues through the allocation of net excess 91 Express Lanes revenue.

NEXT 10 DELIVERY PLAN

Next 10 Delivery Plan

The Next 10 Plan was approved by the Board in November 2016 and the plan was reviewed and updated in November 2017 and again in September 2018. The 2018 Next 10 Plan incorporates current cash flows, schedule, and project information. The 2018 Next 10 Plan provides a blueprint for continued advancement of M2 projects and programs for a ten year period from FY 2016-17 through FY 2025-26. To address lower forecasted sales tax revenues, the adopted 2018 Next 10 Plan includes the addition of local revenues through the allocation of net excess 91 Express Lanes revenue, in an amount not to exceed the project costs for eligible projects. The two eligible projects are on State Route 91 (SR-91): Project I, between State Route 55 (SR-55) and State Route 57 (SR-57), and Project J, between SR-55 and the Riverside County line. While a reduction in revenues affects the M2 Program as a whole, in most areas within the M2 Plan, programs can be scaled based on available revenue.

In July 2018, the cash flow for the 2018 Next 10 Delivery Plan was reviewed as part of this Comprehensive Business Plan (CBP) and the revised $13.1 billion sales tax revenue forecast was incorporated along with updated external state and federal programmed funds. The revenue assumptions include a confirmed $153.9 million contribution from the Transportation Infrastructure Finance and Innovation Act (TIFIA) Program, the Board authorized allocation of a portion of net excess 91 Express Lanes revenue currently estimated at $741.7 million, and makes specific assumptions about near-term grants such as New Starts. The 2018 review confirmed that with updated revenue assumptions incorporated into the Next 10 Plan, the adopted Next 10 deliverables, as well as the entire M2 Plan remains deliverable.

Freeway Program

The M2 Transportation Investment Plan allocates 43 percent of M2 net revenue to freeway improvements, which represents the greatest investment in the M2 Program at approximately $5.3 billion over the life of M2. When originally passed, 13 freeway projects were highlighted in the M2 Transportation Investment Plan. Since then, these projects have been segmented into 28 projects. Because of early delivery plans, significant progress has already been made including the completion of 12 project segments with new lanes, new interchanges, and new bridges on SR-91, Interstate 5 (I-5), SR-57, and State Route 22 (SR-22). One more is currently in construction (I-405, discussed below), two on I-5, one in north and one in south Orange County starting early next year and several more in final design slated to begin within a couple of years. Major traffic chokepoints on almost every Orange County freeway are planned to be improved and are currently moving forward through the project development process. The anticipated schedule for M2 freeway projects is shown in **Figure 2**.

One of the centerpieces of the 2018 Next 10 Delivery Plan is the improvement to the I-405 Freeway. Project improvements include adding a general purpose lane in each direction of the I-405 Freeway, from Euclid Avenue to the I-605 Interchange (Project K) and adding an additional lane in each direction that would combine with the existing HOV lane to provide dual tolled express lanes in each direction on the I-405, from SR-73 to I-605. On April 27, 2015, the OCTA Board voted to take the lead on implementing both the general purpose lanes promised in M2 and the express lanes, which will be financed separately and paid for from toll revenues.

To adhere to the promises of M2, the 2018 Next 10 Delivery Plan includes several delivery goals for the freeway program from FY 2016-17 (when adopted) through FY 2025-26 in **Figure 3**.

M2 allocates at least five percent of freeway program net revenues for an Environmental Mitigation Program (EMP) designed to address biological impacts from the M2 freeway projects. This is achieved through a comprehensive mitigation effort that ensures early and higher-value environmental benefits such as habitat protection, connectivity, and resource preservation. In 2017, OCTA received streamlined biological resource permits in exchange for the development of the Natural Community Conservation Plan/Habitat Conservation Plan and Environmental Impact Report/Environmental Impact Statement. Receipt of these permits

Figure 2 - Freeway Program Project Schedule

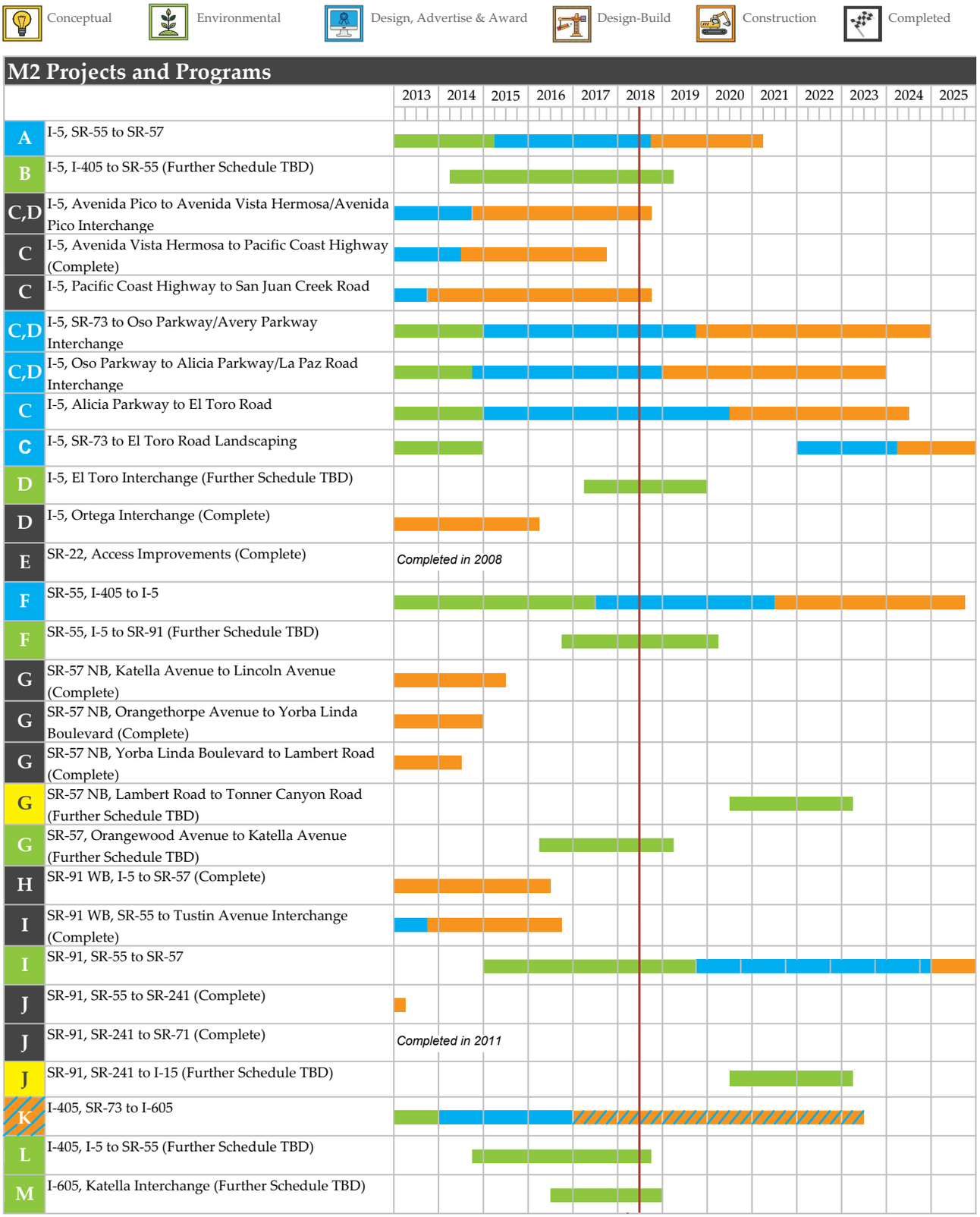


Figure 3 -Freeways

Next 10 Plan Updated Initiatives
1 Deliver construction of ten freeway project segments; seven along Interstate 5 (I-5), one along Interstate 405 (I-405), one along State Route 55 (SR-55), and one along State Route 91 (SR-91) (Projects A, C, C/D, F, I, and K).
2 Complete the environmental phase for the remaining eight project segments to be "shelf ready." This includes one on each of I-5, I-405, SR-91, and SR-55; two along State Route 57 (SR-57); and two interchange projects, one at El Toro Road/I-5 and one at Katella Avenue/ Interstate 605 (Projects B, D, F, G, J, L, and M).
3 Invest approximately $715 million in revenues (bringing the completed Freeway Program total to 78 percent) to move "shelf-ready" projects forward using the guiding principles.

represent the culmination of years of collaboration and support by the Board, environmental community, and regulatory agencies. As a result, the environmental process will be streamlined, allowing OCTA to move forward with the M2 freeway improvement projects with mitigation requirements already in place. This program was slated for early delivery by the Board and following voter approval of M2, in summer 2007, the Board authorized a total of approximately $55 million: $42 million for property acquisitions, $10.5 million for habitat restoration activities, and $2.5 million for conservation plan development and program support. To date, OCTA has acquired seven properties in Brea, Laguna Beach, Silverado Canyon, and Trabuco Canyon (Preserves) totaling approximately 1,300 acres, and funded 12 habitat restoration projects to restore approximately 350 acres of open space lands throughout Orange County. The restoration project plans have been approved by the wildlife agencies and are currently at various stages of implementation.

OCTA currently holds the title and interim land management responsibility of the preserves. Over time, the long-term management of the preserves will be transitioned to an entity whose core function is to manage conservation lands. As part of the Conservation Plan process, in 2014, the Board approved a non-wasting endowment target of $34.5 million for long-term management of the conservation properties. In September 2016, the Board approved the selection of California Community Foundation to serve as endowment fund manager for the M2 EMP. To date, three payments totaling $8.7 million have been deposited into the endowment. It is estimated that it may take 10-12 years to fully fund the endowment. The 2018 Next 10 Delivery Plan includes several deliverable goals for the EMP through FY 2025-26 in **Figure 4**.

Streets and Roads Projects

Orange County has more than 6,500 lane miles of aging streets and roads, many in need of repair and rehabilitation. M2 will allocate 32 percent of net revenues, estimated at $4 billion, to streets and roads. Approximately $1.2 billion is planned to be allocated to the Regional Capacity Program (RCP), $496 million is planned to be allocated to the Regional Traffic Signal Synchronization Program (RTSSP) and $2.2 billion is planned to be allocated to the Local Fair Share Program as shown in **Figure 5**. These funds will help fix potholes, improve intersections, synchronize traffic signals county-wide, and make the existing network of streets and roads safer and more efficient. To date, OCTA has awarded local agencies approximately $375 million in RCP and RTSSP funds and has paid out over $175 million of the awarded funding for local streets and roads improvements.

The RCP (Project O), in combination with local matching funds, provides a funding source to complete the Orange County Master Plan of Arterial Highways. The program also provides for intersection improvements and other projects to improve street operations and reduce congestion. The program allocates funds through a competitive process and targets projects that help traffic the most by considering factors such as degree of congestion relief, cost effectiveness, and project readiness.

In June 2018, the Board approved a revised funding plan of $664 million for the seven Project O railroad

Figure 4 - Environmental Mitigation

Next 10 Plan Updated Initiatives	
1	Oversee and manage the Preserves while the endowment is being established, and determine long-term land manager(s) and endowment holder(s).
2	Focus environmental mitigation program resources funding as a first priority toward the establishment of the endowment for the Preserves.
3	Finalize the resource management plans on M2 Preserves including provisions for public access as appropriate (projects A-M).
4	Complete approximately 350 acres of restoration projects funded through M2 to fulfill the Conservation Plan commitments.

Project U provides expanded mobility choices for Seniors and Disabled.

Figure 5 - Allocation of M2 Streets & Roads Funds

Program	$ millions	%
Regional Capacity Program	1,237	31%
Signal Synchronization Program	495	12%
Local Fair Share Program	2,227	56%
Total	3,959	100%

grade separation projects in Anaheim, Fullerton, and Placentia. Along with M2 funds, the program successfully leveraged most of the funds ($520 million) from state, federal, and local sources. Construction on all seven of these projects is complete with closeout activities for the final project underway. The schedule for the M2 grade separation projects is shown in **Figure 6**.

The RTSSP (Project P) targets over 2,000 signalized intersections across Orange County for coordinated operation. The goal is to improve the flow of traffic by developing and implementing regional signal coordination programs that cross jurisdictional boundaries. In June 2018, the Board approved programming recommendations for an eighth call for projects in the amount of $8.9 million, totaling approximately $81 million in aggregate for RTSSP projects. As of June 2017, OCTA and local agencies have met and exceeded the target of 2,000 synchronized intersections along 540 miles of streets. From 2017-2026, the entire network of signals is anticipated to have been retimed or optimized at least twice. This equates to more than 4,000 intersections retimed over the preceding ten-year period.

Once a local agency has met the guidelines, the funds are distributed on a formula basis which accounts for population, street mileage, and amount of sales tax collected in each jurisdiction. Since inception, approximately $350 million of Local Fair Share funds has been distributed to local agencies. Approximately $56 million will be distributed in FY 2018-19, and this amount is expected to grow annually. The 2018 Next 10 Delivery Plan for streets and roads recommends three major initiatives through FY 2025-26 in **Figure 7**.

The Local Fair Share Program (Project Q) receives 18 percent of net revenues and assists cities and the County of Orange in keeping up with the rising cost of repairing the aging street system. Local agencies can use these funds for local transportation needs, includ-

ing residential street projects, traffic and pedestrian safety near schools, and signal priority for emergency vehicles. Since the program is designed to augment, rather than replace existing transportation expenditures, cities are required to meet a set of guidelines on an annual basis to receive the funds.

Transit Projects

Of the net revenues raised by M2, 25 percent, estimated at $3.1 billion, is allocated to expand and improve Orange County's rail and bus service. Approximately $2.4 billion of the transit funds are planned to be allocated to High Frequency Metrolink Service, Transit Extensions to Metrolink, and Metrolink Gateways. Additionally, over $700 million is planned to be used to expand choices for seniors & persons with disabilities, Community Based Transit/Circulators, and Safe Transit Stops as shown in **Figure 8**.

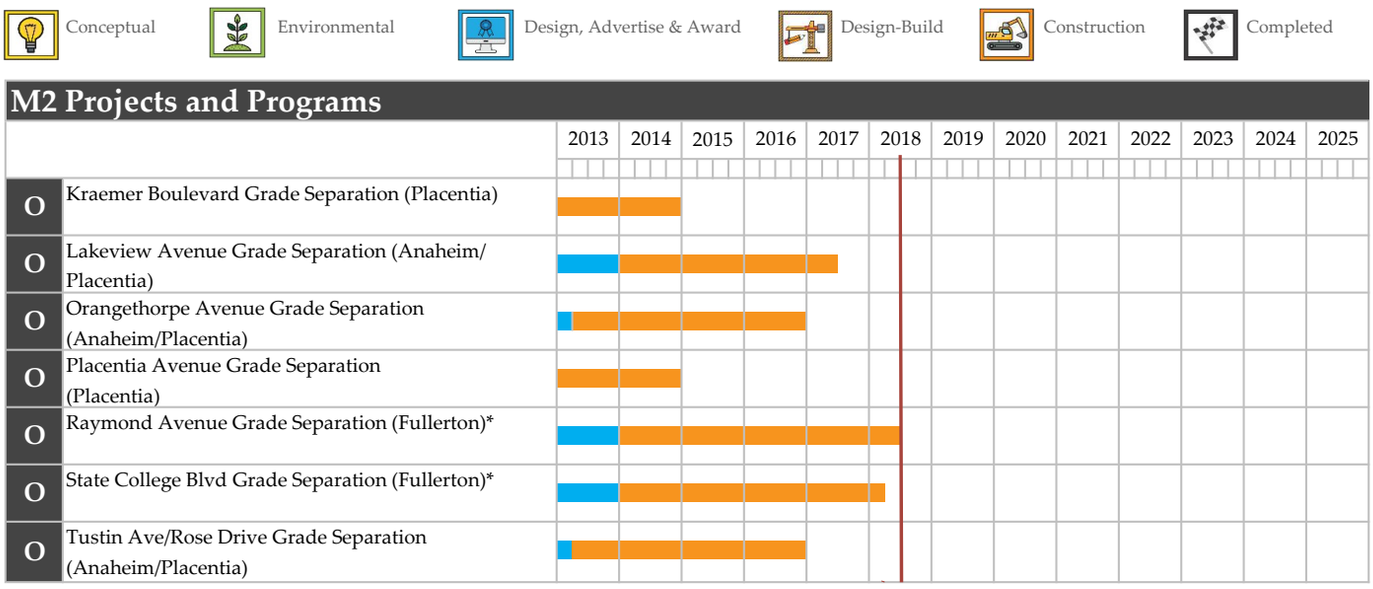
The High Frequency Metrolink Service Program (Project R) provides funding for increased rail service within OC, including additional service implemented in FY 2014-15. This program provides for track improvements, upgraded stations, additional parking, safety improvements, and other related items to accommodate expanded service. M2 funds are planned to be the primary source of operating funds for rail service throughout the life of M2. Please see the Rail section for more details on this program. The anticipated schedule for M2 Transit projects is shown in **Figure 9**.

The Transit Extensions to Metrolink Program (Project S) establishes a competitive program for local jurisdictions to broaden the reach of the rail system to communities and major activity centers that are not immediately adjacent to the Metrolink corridor. These connections may include a variety of transit technolo-

Figure 7 - Streets & Roads

Next 10 Plan Updated Initiatives	
1	Provide $400 million in competitive funding to local jurisdictions to expand roadway capacity and synchronize signals (Project O and P).
2	Complete the remaining OC Bridges grade separation projects by late 2018.
3	Provide approximately $600 million in flexible funding to local jurisdictions to help maintain aging streets or for use on other transportation needs as appropriate (Project Q).

Figure 6 - OC Bridges Project Schedule



* Projects managed by local agencies

Figure 8 - Allocation of M2 Transit Funds

Program	$ millions	%
High Frequency Metrolink Service	1,236	40%
Transit Extensions to Metrolink	1,095	35%
Metrolink Gateways	63	2%
Fare Stabilization	182	6%
Senior Mobility Program	124	4%
Senior Non-Emergency Medical Transportation	124	4%
Community Based Transit/Circulators	248	8%
Safe Transit Stops	27	1%
Total	3,099	100%

gies such as conventional bus, bus rapid transit, streetcar, or other high capacity rail transit systems if they can be fully integrated and provide seamless transition for the users. Please see the Rail section for more details on the transit extensions to Metrolink Program.

The Metrolink Gateways Program (Project T) provides funds for local improvements necessary to connect planned future high-speed rail systems to stations on the Orange County Metrolink route. Through a call for projects in FY 2008-09, the City of Anaheim was awarded funding to convert/relocate the Anaheim Metrolink/Amtrak station to a new location that would allow for a multimodal facility to be built that accommodates the State's planned high-speed rail system. The Anaheim Regional Transportation Intermodal Center (ARTIC) opened on December 6, 2014. The construction of ARTIC satisfied the objective of Project T, and the Board authorized the remaining balance to be programmed to Projects R and U.

The Expand Mobility Choices for Seniors and Persons with Disabilities Program (Project U) provides funds to support mobility choices for seniors and persons with disabilities. This funding supports the senior and disabled Fare Stabilization Program, the Senior Mobility Program (SMP), and the County of Orange Senior Non-Emergency Medical Transportation Program (SNEMT). Combined to make up Project U, these programs provide services to meet the growing transportation needs of seniors and persons with disabilities.

The Fare Stabilization Program ensures that fares are discounted for seniors and persons with disabilities. With the revised allocation of net revenues for the Fare Stabilization Program due to the closeout of Project T, the Fare Stabilization Program is expected to receive $182 million over the life of M2.

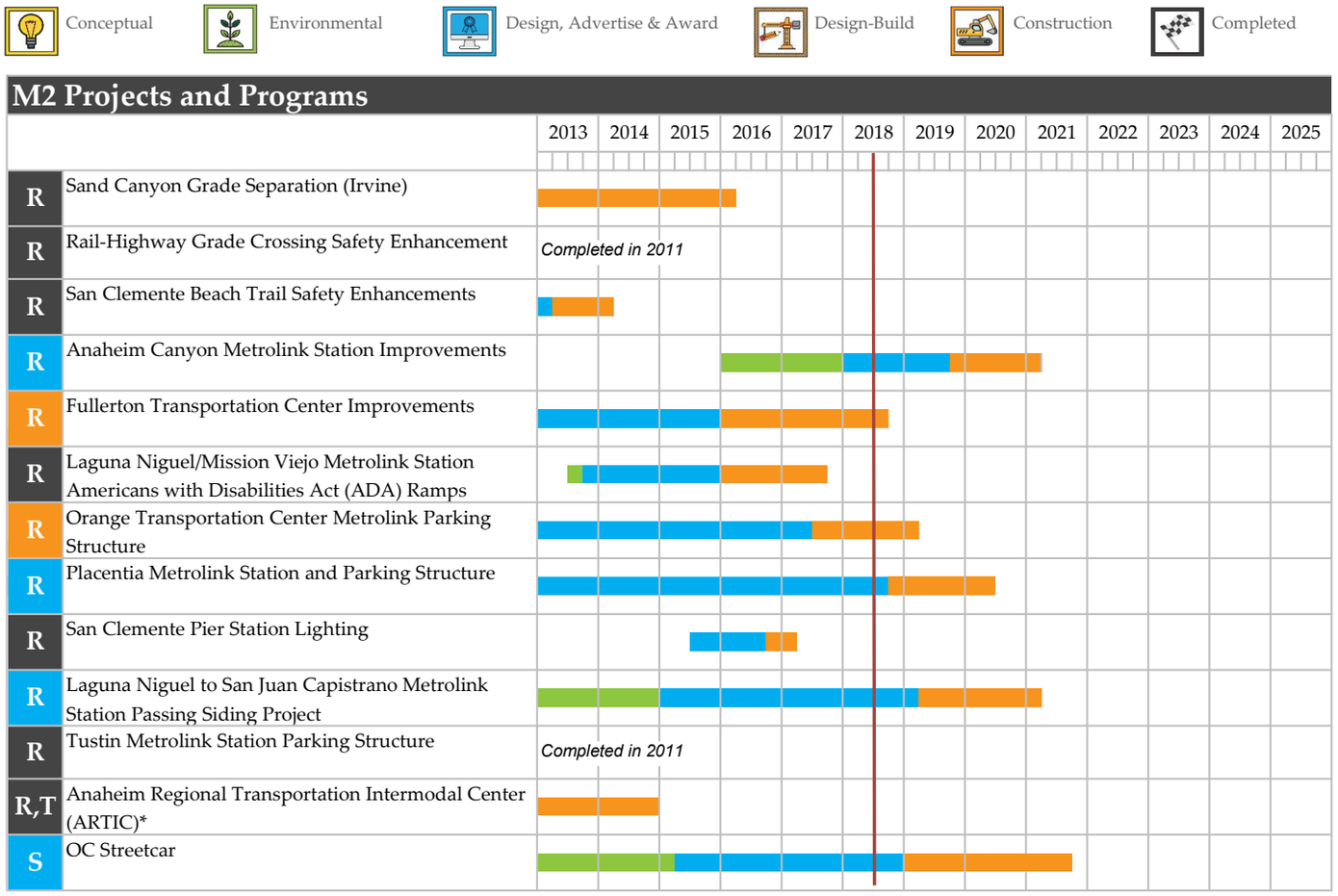
The SMP was established in 2001 and for the first ten years was supported with TDA funds. Currently, 31 cities participate in the program offering a variety of local senior transportation resources for medical, nutrition, shopping, and social trips. Cities are required to contribute a 20 percent match for the cost of SMP service. It is anticipated that $124 million of M2 funding will be available for this program over the life of M2.

The SNEMT Program was established by the County of Orange in 2002. The SNEMT fills a gap in senior transportation services for those seniors who do not qualify for ACCESS or whose advanced age or profound condition make it difficult to use ACCESS service. M2 funding for this program supplements existing County funding to expand the capacity of the program and increase the number of available SNEMT trips. It is anticipated that $124 million of M2 funding will be available for this program over the life of M2.

The Community Based Transit/Circulators Program (Project V) is a competitive program for local jurisdictions to develop bus transit services such as community-based circulators, shuttles, and bus trolleys that complement regional bus and rail services, as well as meet needs in areas not adequately served by regional transit. Projects are required to meet performance criteria, be financially viable, be competitively bid, and cannot duplicate or compete with existing transit services (except for regional transit services). To date, the Board has approved three rounds of funding, totaling over $43.6 million for 23 projects and seven planning grants, located in cities throughout the county.

The Safe Transit Stops Program (Project W) provides for passenger amenities at 100 of the busiest transit stops across the county. The stops will be designed to ease transfers between bus lines and provide passenger amenities such as improved shelters and lighting. The Board approved the framework for the Safe Transit Stops Program in March 2014. OCTA staff worked with local agencies to develop a needs assessment and applications to request funding for Safe Transit Stops.

Figure 9 - Transit Program Project Schedule



* Projects managed by local agencies

The needs assessment considered factors such as ridership demand, current age and condition of the bus stops, and other factors identified by the local agencies. Seven out of 15 eligible cities applied and requested funding for 51 projects totaling $1.2 million. The Board approved all projects for funding in July 2014. Agreements with local agencies to allow the use of funds have been completed. Upgrades to 43 of the busiest stops in the cities of Brea, Costa Mesa, Irvine, Orange, Santa Ana, and Westminster have been completed to date. The City of Anaheim withdrew their funding request due to timing issues and plan to resubmit during the next funding cycle which is anticipated in 2019. The Board also approved $370,000 toward a mobile ticketing application which was successfully deployed, along with mobile ticket readers on all OCTA buses, in February 2017. The mobile ticketing system makes it more convenient for bus customers to purchase bus passes, obtain trip information, and board buses. The 2018 Next 10 Delivery Plan for transit recommends nine major initiatives through FY 2025-26 as shown in **Figure 10**.

Environmental Cleanup Projects

The M2 Program allocates two percent of gross sales tax revenue, which represents approximately $259 million, to an Environmental Cleanup Program (ECP) that is designed to supplement, not supplant, existing transportation-related water quality programs. Development of ECP Program guidelines have been approved by the Board. The M2 ECP Committee (Allocation Committee) makes recommendations to the Board on the allocation of funds for water quality improvements.

In May 2010, the Board approved a two-tiered approach

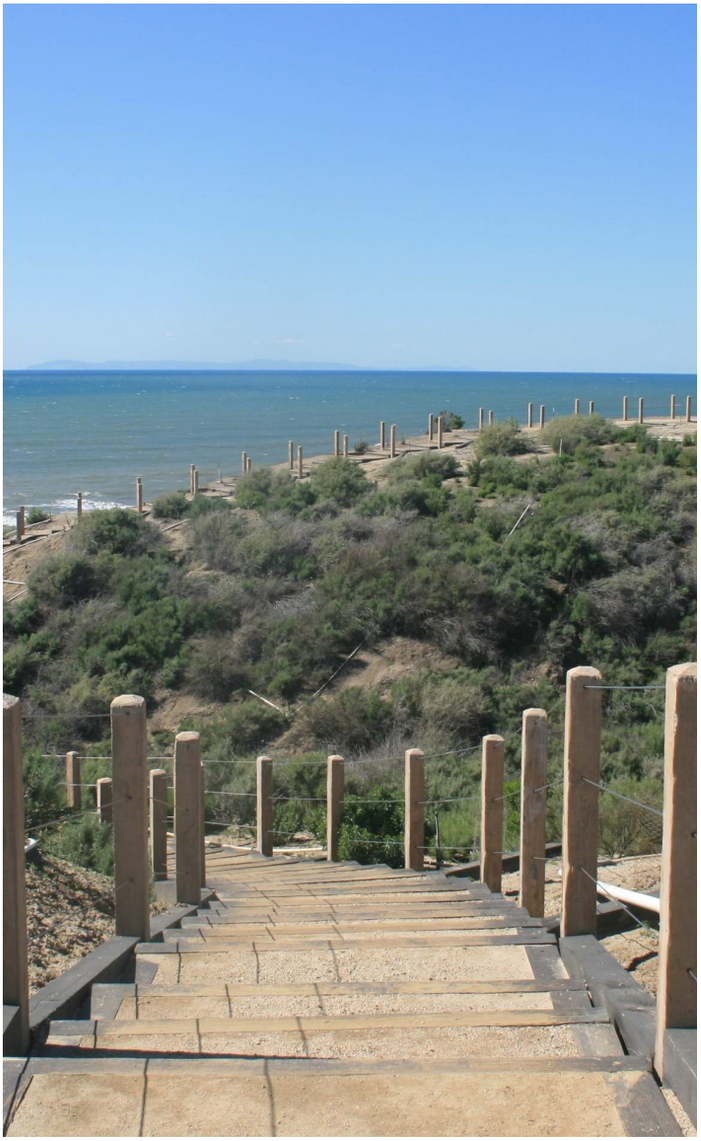
Figure 10 - Transit

Next 10 Plan Updated Initiatives	
1	Complete six rail station improvements (Project R).
2	Maintain existing Metrolink service levels.
3	Expand Metrolink service from Orange County into Los Angeles County, contingent upon cooperation and funding participation from route partners.
4	Complete design, construction, and begin operating, the OC Streetcar.
5	Incorporate recommendations from planning studies to guide development of future transit connections.
6	Provide $49 million to stabilize OCTA's bus fares for seniors and persons with disabilities, provide $33 million for senior community transportation programs and $33 million for senior non-emergency medical transportation services.
7	Support and provide grant opportunities for local agencies to implement effective local transit services.
8	Allocate $7 million in funding to improve the top 100 busiest bus stops in Orange County.
9	Support the modernization of the OC Bus system to enhance the customer experience.

to fund the ECP. The funding plan called for up to $19.5 million in Tier 1 grants on a "pay-as-you-go" basis through FY 2017-18, and up to $38 million in Tier 2 grants via bonding through FY 2014-15.

The Tier 1 Grant Program is designed to mitigate the more visible forms of pollutants, such as litter and debris, which collect on the roadways and in the catch basins prior to being deposited in waterways and the ocean. It consists of grant funding for OC local governments to purchase equipment and upgrades for existing catch basins and other related best management practices. Examples include screens, filters, and inserts for catch basins, as well as other devices designed to remove the above-mentioned pollutants. Since August 2011, the Board has approved funding of $20.1 million for 154 Tier 1 projects.

The Tier 2 Grant Program consists of funding for regional, potentially multi-jurisdictional, capital-intensive projects. Examples may include, but are not limited to, constructed wetlands, detention/infiltration basins, and bioswales. These types of water quality projects mitigate pollutants such as heavy metals, organic chemicals, sediment, nutrients, and pathogenic material related to roadway runoff. Since 2012, Tier 2 projects have been awarded totaling approximately $28 million.



Scenic pathway leading down to beach.

Approximately $10 million remains from the $38 million for a third call for projects. The 2018 Next 10 Delivery Plan for the Environmental Cleanup Plan recommends two major initiatives through FY 2025-26 as shown in **Figure 11**.

Taxpayer Safeguards and Audits

Through FY 2040-41, one percent of M2 gross revenue, approximately $131 million, is allocated for salaries and benefits related to program oversight. Additionally, $307 million is set aside for audits, safeguards, taxpayer protection, and non-project related expenditures. Lastly, as mandated by state law, approximately 1.2 percent, or $150 million, of the gross sales tax revenue generated by M2 must be paid to the California Department of Tax and Fee Administration for collecting the countywide one-half percent sales tax revenue that funds the M2 Program.

Figure 11 - Environmental Cleanup

Next 10 Plan Updated Initiatives	
1	Protect Orange County beaches by removing 25 tons of trash(during the ten-year period) from entering waterways and inlets that ultimately lead to the ocean.
2	Work with the Environmental Cleanup Allocation Committee to develop the next tiers of water quality funding programs with a goal of providing up to $40 million of grants to prevent the flow of trash, pollutants, and debris into waterways from transportation facilities. In addition, focus on improving water quality on a regional scale that encourages partnerships among the local agencies as part of the Environmental Cleanup Program (Project X).

Cash Flow Statement - Measure M2

(millions)		2018-19	2019-20	2020-21	2021-22	2022-23	2027-28	2032-33	2037-38
Beginning balance	**$**	**725.0**	**855.9**	**515.3**	**483.3**	**194.8**	**678.7**	**870.0**	**883.6**
Sources of funds:									
Sales tax revenue		330.0	338.2	346.7	355.0	363.2	434.7	523.7	631.0
Bond proceeds		348.8	-	398.6	-	199.3	-	-	-
Interest		8.2	5.4	11.8	8.4	4.8	5.7	6.9	8.3
Other revenues (private, local, state, & fed. funding)		210.8	242.8	210.4	236.7	148.2	107.2	15.1	-
Total sources of funds	**$**	**897.8**	**586.5**	**967.5**	**600.1**	**715.5**	**547.5**	**545.7**	**639.3**
Debt service									
Gross debt service on TECP/bonds		48.9	47.9	77.3	75.5	90.7	129.2	162.9	178.3
Cash reserve for TIFIA loan		50.0	-	100.0	-	(150.0)	-	-	-
Total debt service payments		**98.9**	**47.9**	**177.3**	**75.5**	**(59.3)**	**129.2**	**162.9**	**178.3**
Program expenditures									
Freeway projects		328.7	503.4	520.8	552.6	406.1	202.2	215.5	127.4
Streets & roads projects		167.4	142.8	140.3	141.7	134.4	114.2	129.4	203.7
Transit projects		151.6	212.2	139.8	96.8	56.2	86.9	114.6	166.1
Environmental cleanup		6.6	6.8	6.9	7.1	7.3	8.7	10.5	12.6
Taxpayer safeguards & audits		7.1	7.3	7.5	7.7	7.8	9.4	11.3	13.6
Non-project related expenditures		6.6	6.8	6.9	7.1	7.3	8.7	10.5	12.6
Total program expenditures		**668.1**	**879.2**	**822.2**	**813.0**	**619.1**	**430.1**	**491.7**	**536.0**
Net cash provided by operations	**$**	**130.8**	**(340.6)**	**(32.0)**	**(288.4)**	**155.7**	**(11.8)**	**(108.9)**	**(75.0)**
Available cash	**$**	**855.9**	**515.3**	**483.3**	**194.8**	**350.5**	**666.9**	**761.1**	**808.6**

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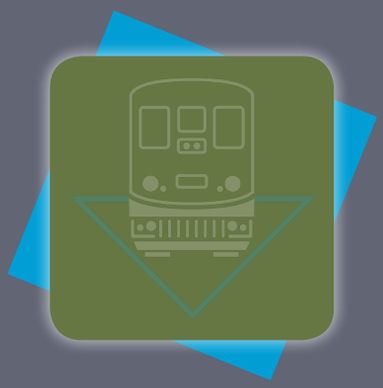
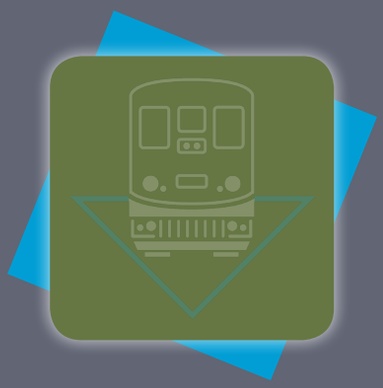
EXPRESS LANES



OCTA

EXPRESS LANES



OCTA

Background

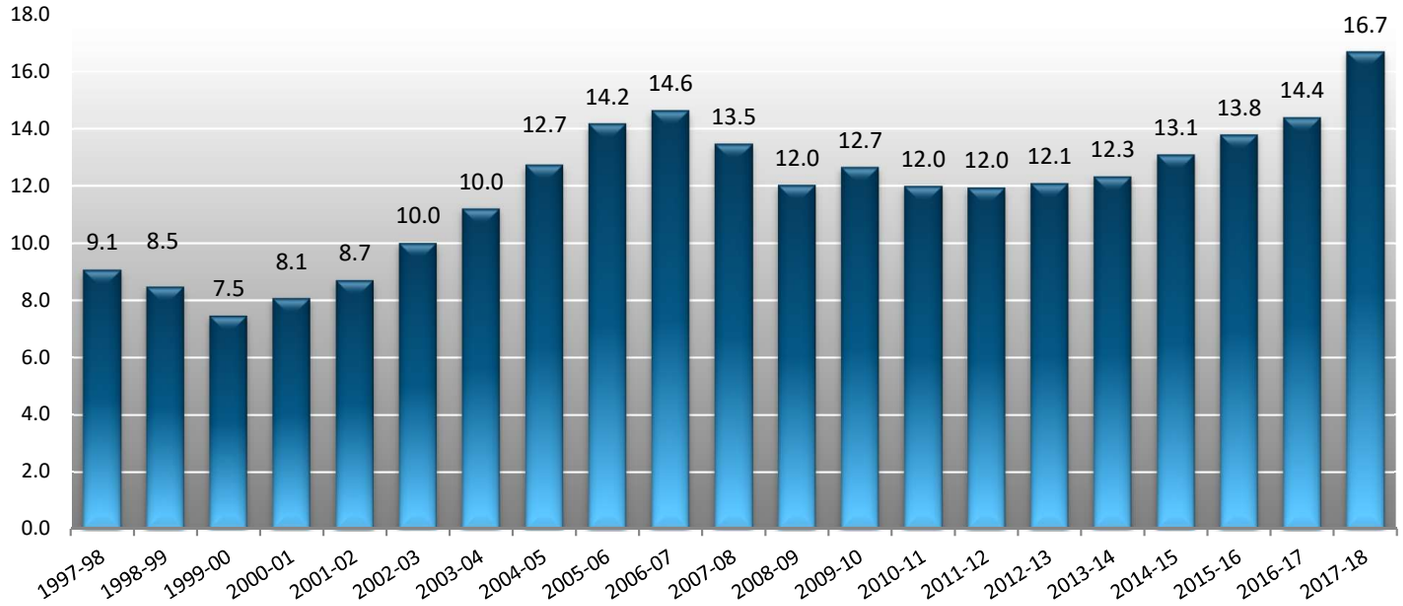
The Orange County segment of the 91 Express Lanes is a four-lane, 10-mile toll road extending from the Orange/Riverside County line west to the State Route 55 (SR-55). This 91 Express Lanes project was authorized as a toll road by the State of California legislature in 1989. Built at a cost of $135 million, the toll road opened on December 27, 1995.

The California Private Transportation Company (CPTC) was the original owner of the 91 Express Lanes. An agreement with the State of California Department of Transportation (Caltrans) included a non-compete provision that created a 1.5-mile protection zone along each side of the State Route 91 (SR-91). This zone prohibited improvements along the corridor for 30 years in order to satisfy bondholder requirements for a secure revenue stream. This created mobility problems as the region and corresponding transportation demands grew. Evidence of that growth was supported by the fact that total traffic volume on the 91 Express Lanes grew from 7.59 million in fiscal year (FY) 1996-97 to 16.7 million in FY 2017-18. **Figure 1** on the following page shows historical traffic volumes for the Express Lanes.

To mitigate growing concerns over congestion, the Orange County Transportation Authority (OCTA) acquired the 91 Express Lanes franchise rights from CPTC in January 2003. The purchase was enabled by Assembly Bill (AB) 1010 (Correa), which eliminated the non-compete provision, clearing the way for future enhancements that will increase capacity and improve traffic flow. The franchise rights would have been terminated on December 26, 2030.

On September 30, 2008, the governor approved Senate Bill (SB) 1316 (Correa) as an update to the provisions of AB 1010. SB 1316 authorized OCTA to assign its franchise rights, interests, and obligations in the Riverside County portion to the Riverside County Transportation Commission (RCTC), thereby allowing RCTC to add two toll lanes and a regular lane in each direction on the SR-91 from the Orange/Riverside County line to Interstate 15 (I-15). RCTC's project, which opened for traffic in March 2017, extended the 91 Express

Figure 1 - Historical Traffic Volumes (in millions)



Lanes by an additional eight miles. In addition, the bill authorized the terms of the franchise to expire no later than December 31, 2065. SB 1316 also required OCTA and RCTC to enter into an agreement providing for the coordination of their respective tolling facilities if RCTC was to construct and operate the toll facilities on the Riverside County portion of the SR-91 franchise.

In December 2011, the Board approved a cooperative agreement that detailed the joint operation and defined each agency's roles and responsibilities for the 91 Express Lanes extension during the design, construction, operations, and maintenance phases of the project. A joint operation of the 91 Express Lanes would create economies of scale and cost benefits through joint contracting, and joint provision of certain services related to the maintenance and operation of the 91 Express Lanes for both OCTA and RCTC. The major provisions of the cooperative agreement with RCTC included the equal distribution of certain non-toll revenues in addition to the equal share of operator costs and other services related to the operation of the 91 Express Lanes.

Toll Policies

In May 2003, the Board underscored its commitment to mobility by endorsing a policy allowing 91 Express Lanes users driving zero emission vehicles, motorcycles, vehicles with disabled plates, disabled veterans plates, and users with three or more persons per vehicle to ride free. One exception to this free ride policy is for the hours between 4 p.m. to 6 p.m., Monday through Friday, in the eastbound direction, where they pay 50 percent of the posted toll rate. In an effort to keep the 91 Express Lanes uniform between both Orange and Riverside counties, in August 2012, RCTC adopted the same discounted tolling policy.

The Board also approved a "congestion management" toll pricing policy in July 2003. The objective of the policy is to use pricing to optimize the number of vehicles that can safely travel on the toll road at free-flow speeds during all hours, including peak hours. The toll policy uses trigger points defined as a percentage of maximum and minimum optimal capacity, along with constant monitoring of hourly, daily, and directional traffic volumes, to adjust tolls up or down. The toll rates are increased when volumes have grown to the point where the traffic flow could become unpredictable and are decreased in order to stimulate demand and encourage use of the 91 Express Lanes.

Transponders and Accounts

Since the 91 Express Lanes is a fully electronic toll facility, motorists pay tolls through the convenient use of windshield mounted FasTrak® transponders that automatically deduct toll charges from a prepaid account. At the end of June 2018 there were 140,692 active customer accounts, with 217,876 transponders assigned to those accounts. Commencing January 1, 2019, all California tolling agencies will be required to read a new transponder protocol, 6C. California also requires the phase out of the existing Title 21 protocol by January 1, 2024.

The 6C protocol is an open, non-proprietary communication standard developed by the International Organization of Standards for passive radio frequency identification transponders and readers. Since it does not require a battery to operate, 6C transponders are available in a variety of forms, such as hard-case for 2-position, and 3-position switchables and sticker types. This new protocol will lower the cost of transponders for the 91 Express Lanes. In addition to phasing in readers for the 6C transponder protocol, OCTA will also start issuing 6C transponders in January of 2019.

Toll Road Revenue

Operations

Revenues for the 91 Express Lanes can be divided into two categories: toll revenues and non-toll revenues. Toll revenues comprise the majority of the revenue generated by the 91 Express Lanes. Toll revenues include the tolls collected from 91 Express Lanes patrons using the toll facility, in addition to tolls collected from customers of other toll agencies that use the 91 Express Lanes. The average long-term rate of growth for toll road revenues is projected to be 3.4 percent.

The largest component of non-toll revenues is comprised of account maintenance fees. Income from violation processing fees represents another large component of non-toll revenues. Other non-toll revenues include plate read fees, lost and stolen transponder fees, and miscellaneous fees. Projected toll road revenues are provided in **Figure 2**.

Capital

An internal capital reserve account was created as a fund for OCTA to deposit excess revenues into on an annual basis. This fund will be used for future capital expenditures on the 91 Express Lanes. After paying for operating expenditures, debt service, and reserves, state law allows remaining funds to be used for general improvements.

An additional capital reserve fund was approved by the Board in October 2017, specifically for eligible projects along the State Route 91 corridor in the areas

91 Express Lanes Freeway Sign.

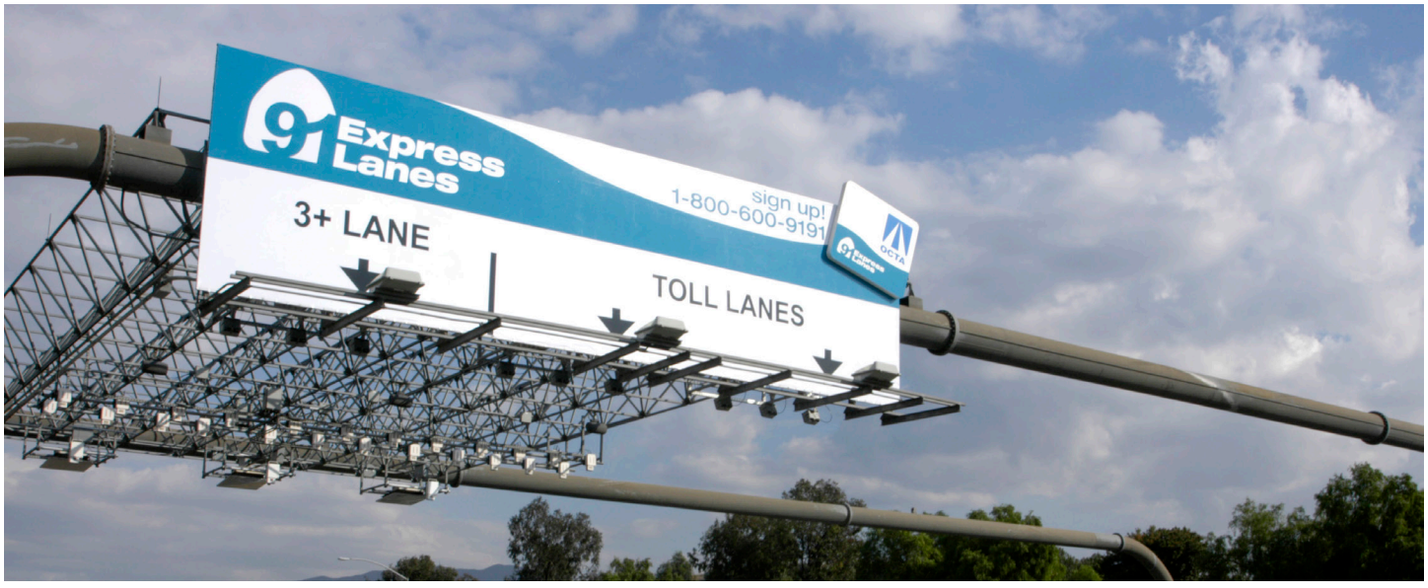


Figure 2 - Projected Toll Road Revenues (in millions)

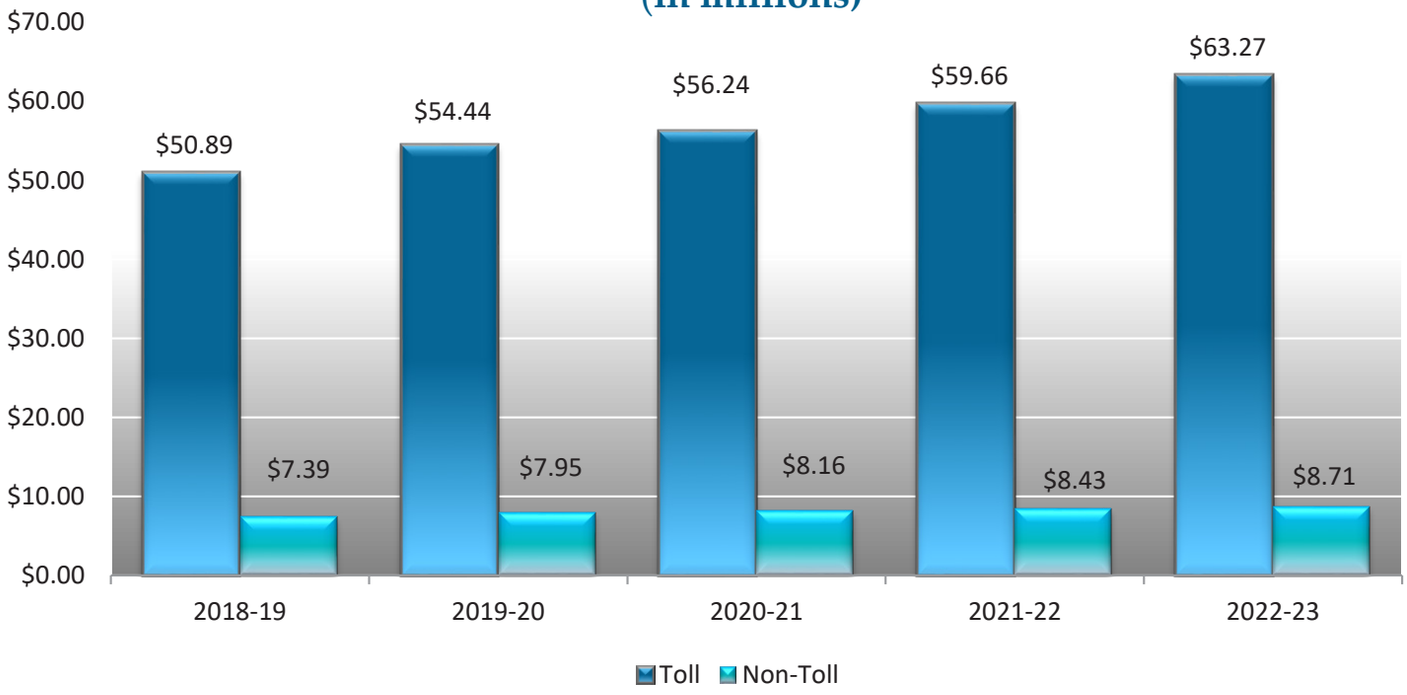
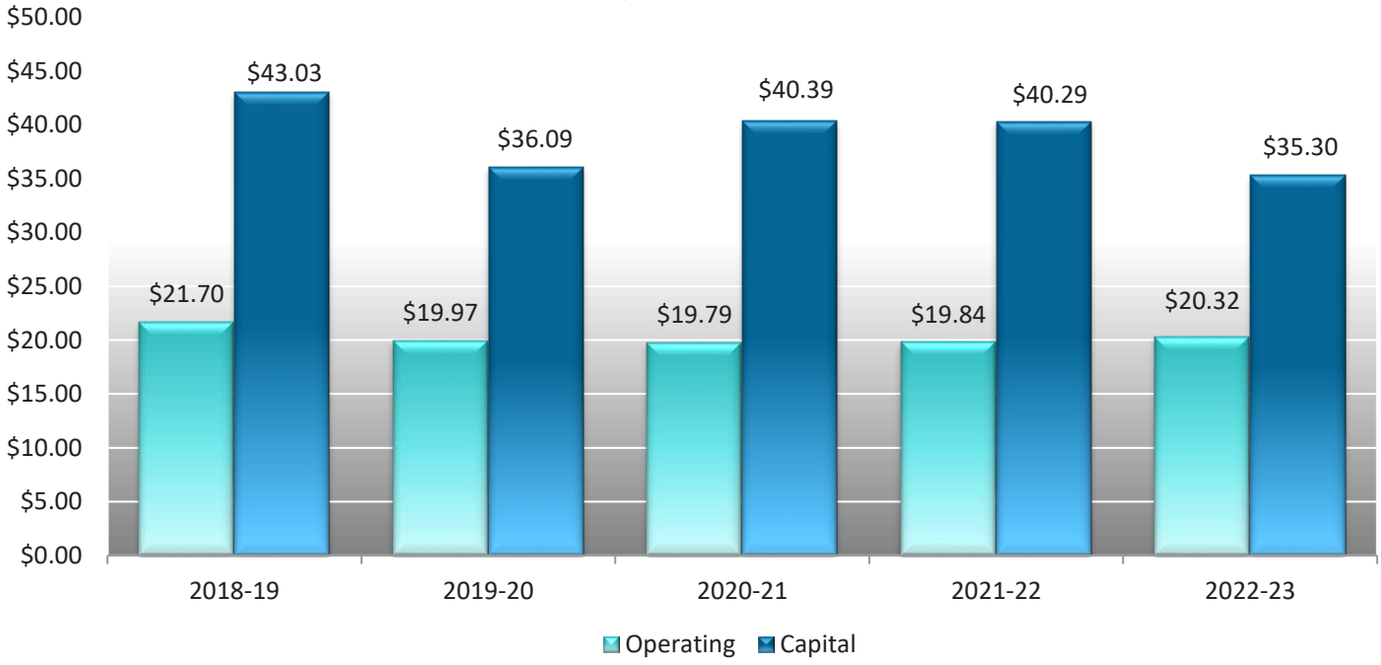


Figure 3 - Projected Toll Road Capital and Operating Expenses (in millions)



The Pavement Replacement Project on the 91 Express Lanes was completed in 2016.

adjacent to the 91 Express Lanes. This fund will contribute to the SR-91 widening from SR-57 to SR-55 (M2 Project I) and the SR-91 widening from SR-241 to I-15 (M2 Project J) under M2 that are expected to cost $741.7 million.

Toll Road Operating & Capital Expenditures

Expenses include: operating costs, capital purchases, reserve set-asides, and debt payments (e.g. senior debt service and subordinated debt repayment). There are two types of reserve set asides, those that are required by the senior bond indenture and the internal capital reserve fund established by the Board. Projected capital and operating expenses are provided in **Figure 3**.

Operations

OCTA contracts with Cofiroute USA (Cofiroute) to provide management and operational services for the 91 Express Lanes. Cofiroute is responsible for: the day to day operations of the toll facility, including management of the Customer Service Center in Corona, the Traffic Operations Center in Anaheim, and the Customer Assistance Patrol, which assists stranded motorists on the 91 Express Lanes. Additional operating expenses include credit card processing fees and toll road account servicing. In May 2013, the OCTA Board approved a three-party operating agreement between OCTA, RCTC, and Cofiroute that identified Cofiroute as the service operator for the entire length of the 91 Express Lanes.

Routine maintenance is scheduled on every third Sunday (weather permitting) and is performed by Caltrans. Routine maintenance consists of sweeping, replacement of channelizers, and other repairs which can only be performed while the lanes are closed due to the need for crew safety. Closures are kept to a minimum and scheduled for non-peak traffic times.

Capital

The Electronic Toll and Traffic Management (ETTM) system identifies and captures vehicle information for customer account billing or violation processing. In 2018, a contract was executed with Kapsch TrafficCom USA, Inc; for the full architectural replacement of the ETTM System at a cost of $7.5 million and future maintenance of the system at $6.2 million. Project management and upgrades to the ETTM are planned to take place every seven to ten years, beginning with costs of $3.5 million in FY 2023-24 for a partial upgrade, and a full system replacement for $8 million in FY 2026-27. The services and upgrades will further improve the reliability, accuracy, and documentation of toll transactions.

In June 2011, the Revenue and Account Management System (RAMS), the new back-office/account management software developed by Cofiroute was deployed on the 91 Express Lanes' network. The RAMS retrieves data from the ETTM System, calculates the correct toll amounts, and automatically charges the customer

accounts. In addition, the system interfaces with the California Department of Motor Vehicles (DMV) in order to retrieve information, and if appropriate, generates violation notices to be mailed to motorists who cannot be identified as customers. The system also interfaces with the customer service center's telephone system, the 91 Express Lanes' website, and exchanges files with other toll agencies for the processing of interoperability transactions. Replacement of the system is planned to take place every ten years, with a contract expected to be executed in FY 2018-19. It is anticipated to cost OCTA $6.75 million for full replacement of the system during each ten-year cycle.

The 91 Express Lanes pavement has been in place since the lanes were constructed in 1995. In FY 2006-07, OCTA completed the pavement maintenance project when the pavement in the buffer area was found to have exhibited some surface loss with hairline cracks developing at a few locations. As part of the project, pavement cracks were filled and sections of the road were re-paved and re-sealed to reduce the rate of roadway deterioration. Since the pavement's design life was estimated to be 20 years, pavement analysis was conducted in order to assess whether an overlay or replacement was needed. It was determined that a full replacement would be best, and work began in September 2016 with partial weekend closures of the express lanes to complete the project. The pavement replacement work was completed in December 2016.

As part of the pavement replacement project, OCTA also replaced the variable message and price signs, along with the attached structures. There are a total of six signs that were replaced for $687,000. The total cost of the pavement replacement project was $15.2 million, with another upgrade planned in FY 2036-37.

Other capital expenditures include: facilities upgrades to the customer service center and administrative office which houses the traffic operations center, transponders, and miscellaneous expenses such as computers, printers, and additional equipment.

SR-91 General Purpose Lanes Implementation Plan

OCTA, in collaboration with Caltrans and RCTC, issues an annual SR-91 Implementation Plan to establish a program of projects eligible for funding by potential excess 91 Express Lanes toll revenue and other funds. The FY 2017-18 SR-91 Implementation Plan describes projects and transportation benefits, anticipated implementation schedules by milestone

Figure 4 - SR-91 Implementation Plan Projects

No.	Project Summary (By County)	Cost ($M)
	Orange County Projects	
1	SR-91 Improvements between SR-57 and SR-55	250-350
2	Fairmont Boulevard Improvements	77
	Subtotal	**327-427**
	Riverside County Projects	
5	15/91 Express Lanes Connector	180
6	SR-71/SR-91 Interchange Improvements	123
7	SR-91 Improvements East of I-15	TBD
	Subtotal	**303+**
	Bi-County Projects	
8	Express Bus Service Improvements Between Orange County and Riverside County	6
9	Metrolink Service and Station Improvements	56
10	6th General Purpose Lane Addition (SR-241 to SR-71)	TBD
11	RCTC Operational Improvements	TBD
12	SR-241/91 Express Connector	181
	Subtotal	**243+**
	Concepts Post-2035	
A-1	Elevated 4-Lane Facility (MIS Corridor A) from SR-241 to I-15 (Post-2035)	2,720
A-2	Anaheim to Ontario International Airport Maglev High Speed Rail (Post-2035)	2,770-3,200
A-3	Irvine-Corona Expressway (ICE) 4-Lane Facility from SR-241/SR-133 to I-15/Cajalco Road (Post-2030)	8,855
A-4	WB SR-91 to SB SR-55 Improvements (Post-2035)	75-150
A-5	EB SR-91 Fifth Lane Addition at SR-241	31
	Subtotal	**14,451 - 14,956**

OCTA approved $1.3 billion towards major improvements on the I-405 Corridor.

year, and costs for major projects from now through FY 2034-35 and beyond. **Figure 4** shows the list of projects and cost estimates based on the FY 2017-18 SR-91 Implementation Plan approved by the Board in June 2018. Projects are organized by county, readiness, and logical sequencing; however, full funding for all projects has not been secured.

Excess Toll Revenue Policy

In January 2014, the Board adopted a policy on the use of excess 91 Express Lanes toll revenues. The adopted policy recommended that excess tolls be programmed relative to the capacities provided by freeway, rail, and bus travel modes. The corridor (including rail and bus, but excluding the 91 Express Lanes) is capable of carrying approximately 13,000 persons in the peak hour and peak direction. About 80 percent of this capacity is provided by the general purpose freeway lanes, and 20 percent by Metrolink and express bus service. The policy also includes an option for use of excess revenues for early debt retirement, as well as to pay for eligible M2 Program project within the 91 corridor.

In June 2014, evaluation criteria and a set of potential candidate projects to maximize the allocation of excess toll revenues were approved by the Board. The criteria included:

- Projects proposed to be funded by excess toll revenues must be included in the latest SR-91 Implementation Plan and Regional Transportation Plan
- Priority will be given to projects ready for implementation
- Any new financing will not impact OCTA's adopted 91 Express Lanes toll policy, existing bond agreements, or OCTA's ability to meet any and all financial obligations related to the 91 Express Lanes

The candidate projects approved by the Board include:

- Metrolink service expansion in the SR-91 corridor
- Placentia Metrolink station
- Express bus service in the SR-91 corridor
- Final design for the SR-91 improvement project between SR-57 and SR-55
- Operational study on the westbound SR-91 between SR-241 and SR-55

In November 2017, OCTA's Board approved the Next 10 Plan, an update to the M2 M2020 Plan. The Next 10 Plan includes the utilization of up to $748.7 million in 91 Express Lanes excess revenue on a pay-as-you-go basis for two projects: SR-91 Widening from SR-57 to SR-55 (M2 Project I), and SR-91 Widening from SR-241 to I-15 (M2 Project J).

The 80 percent split for freeway and 20 percent split for transit (rail and bus) projects is to be calculated every two years through the Comprehensive Business Plan (CBP) process and achieved by 2030.

Debt Service

OCTA purchased the 91 Express Lanes from CPTC for $207.5 million, including $72.5 million in cash from internal reserves and the assumption of $135 million in taxable bonds. In November 2003, OCTA refinanced the 91 Express Lanes taxable bonds with tax-exempt bonds (Series 2003 Bonds). The issuance was in the amount of $195.3 million with a final maturity of December 2030.

In July 2013, OCTA issued Senior Lien Toll Road Revenue Refunding Bonds, Series 2013, to refund the outstanding Series 2003 Bonds. The Series 2013 Bonds were issued as fixed-rate bonds, having a true interest cost of 3.83 percent, and a final maturity date of December 2030.

The 2013 Bonds are rated "AA-" from Standard and Poor's, "A1" from Moody's, and "A" from Fitch. With the Standard and Poor's ratings, the 91 Express Lanes is one of the only single asset managed lanes toll facilities rated in the "AA" category.

Interstate 405 (I-405) Express Lanes

In 2013, OCTA's Board approved $1.3 billion towards improvements on a major corridor in Orange County, I-405 through the cities of Costa Mesa, Fountain Valley, Huntington Beach, and Seal Beach. The Board approved alternative is commonly referred to as Alternative 1, which aligns with the M2 Ordinance and accommodates for the addition of one general purpose lane in each direction on I-405. On July 25, 2014, Caltrans informed OCTA that Alternative 3, the tolled express lanes alternative, had been recommended as the project preferred alternative for improvements to the I-405 Improvement Project between SR-55 and I-605. Under Alternative 3, the tolled express lanes would be combined with existing high-occupancy vehicle (HOV) lanes to provide dual express lanes in both the north bound and south bound directions on the I-405. Adoption of Alternative 3 through collaboration with Caltrans and integration of the express lanes component brings the estimated total project cost to $1.93 billion.

A major source of funding for development of the express lanes project will come from a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan. In July 2017, OCTA representatives signed the approved TIFIA loan agreement for approximately $629 million, or one third of the total project cost. As of June 30, 2018, $165 million is outstanding on the loan.

Project Implementation

On November 14, 2016, OCTA awarded a $1.2 billion design/build contract for the I-405 Improvement project to OC 405 Partners. Construction officially began with the groundbreaking ceremony in January, 2018 and completion of the overall project is expected in early FY 2022-23.

On October 12, 2015, the OCTA Board approved toll policy assumptions and options for the I-405 Express Lanes. OCTA instructed Stantec, who analyzes data related to the 91 Express Lanes, to conduct a Traffic and Revenue Study using the Board-approved assumptions for the proposed I-405 Express Lanes. This study was presented to the Board in May 2016 and offered several alternative toll policies that OCTA reviewed for implementation, and the Board approved a preliminary toll policy and finance plan. In February 2018, OCTA awarded a contract to Kapsch TrafficCom USA, Inc., for toll integrator services for the design, installation, operations, and maintenance of the ETTM System for the 405 Express Lanes.

Cash Flow Statement - 91 Express Lanes

(millions)		2018-19	2019-20	2020-21	2021-22	2022-23	2027-28	2032-33	2037-38
Beginning balance	$	**153.2**	**138.2**	**136.1**	**132.2**	**132.2**	**116.9**	**82.9**	**148.1**
Cash flows from operating activities:									
Sources of funds:									
Toll revenue		50.9	54.4	56.2	59.7	63.3	83.5	109.2	127.6
Non-Toll Revenue		6.8	7.3	7.4	7.6	7.7	8.5	9.4	10.4
Total sources of funds	$	**57.7**	**61.7**	**63.7**	**67.2**	**71.0**	**92.0**	**118.5**	**137.9**
Cash flows from operating activities:									
Uses of funds:									
Management fee expense		2.8	3.0	3.1	3.2	3.4	4.2	5.2	6.4
Professional services		11.4	9.6	9.8	9.5	9.7	11.3	11.9	13.2
General and administrative		2.0	2.0	1.6	1.7	1.7	1.9	2.1	2.3
Other operating expenses		5.5	5.3	5.2	5.4	5.5	6.1	6.7	7.4
Total uses of funds	$	**21.7**	**20.0**	**19.8**	**19.8**	**20.3**	**23.4**	**25.9**	**29.4**
Net cash provided by operations	$	**36.0**	**41.7**	**43.9**	**47.4**	**50.7**	**68.6**	**92.6**	**108.6**
Cash flows from capital and related financing activities:									
Capital grants/other capital revenues		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition/construction of capital assets		(43.0)	(36.1)	(40.4)	(40.3)	(35.3)	(93.4)	(132.5)	(72.1)
Bond proceeds		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal & interest paid on bonds		(10.8)	(10.8)	(10.8)	(10.8)	(10.8)	(10.8)	0.0	0.0
Net cash used by capital and related financing activities	$	**(53.8)**	**(46.9)**	**(51.2)**	**(51.1)**	**(46.1)**	**(104.2)**	**(132.5)**	**(72.1)**
Cash flows from investing activities:									
Interest on investments		0.6	0.7	0.7	0.9	1.0	1.9	2.4	2.7
Interest from capital replacement fund		2.2	2.4	2.6	2.9	3.3	3.3	2.1	6.1
Net cash provided by investing activities	$	**2.8**	**3.1**	**3.4**	**3.8**	**4.3**	**5.2**	**4.4**	**8.9**
Net increase/decrease in cash	$	**(15.0)**	**(2.1)**	**(3.9)**	**0.0**	**8.9**	**(30.5)**	**(35.5)**	**45.4**
Available cash	$	**138.2**	**136.1**	**132.2**	**132.2**	**141.1**	**86.4**	**47.4**	**193.5**

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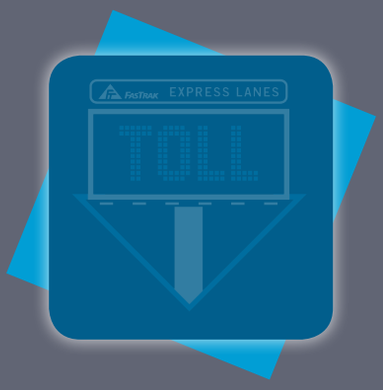
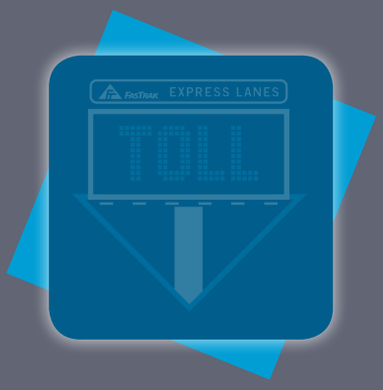
NON-PROGRAM SPECIFIC PROJECTS



OCTA

NON-PROGRAM SPECIFIC PROJECTS



OCTA

Background

The majority of significant freeway, street and roads, and transit projects are funded primarily through the Measure M2 (M2) Program. The Orange County Transportation Authority (OCTA) has also committed to a handful of projects not funded through the M2 programs. These projects are funded using other local, state, and federal sources and include the vanpool program, rideshare program, and the Active Transportation Program.

Vanpool & Rideshare

OCTA administers vanpool and rideshare programs. The two programs are designed to encourage commuters to reduce their single occupancy vehicle commuter trips and use a carpool or vanpool for their daily commute. OCTA supports the Rideshare Program through annual activities like Dump the Pump Week, Bike Month, and Rideshare Week. Additionally, OCTA reaches out to current and potential rideshare participants and employers daily on social media, via email, and on OCTA.net. OCTA's Vanpool Program provides assistance to commuters working in Orange County who live in Los Angeles, Orange, Riverside, or San Bernardino counties. OCTA works with employers, commuters, and private vanpool operators to organize and sustain vanpools throughout Orange County.

As of fiscal year (FY) 2017-18, a total of 527 vanpools serve over 176 destinations in Orange County, providing over 107,000 passenger trips per month. OCTA supports vanpool by administering programs that help commuters and employers find vanpool participants, including vanpool outreach and sales efforts. OCTA provides contracts to private companies that offer vehicle leases, and provides a $400 a month subsidy for each vanpool to offset vehicle lease and maintenance costs.

Active Transportation Program

OCTA supports the expansion and promotion of active transportation throughout Orange County. Over the past year, OCTA has advanced multi-layered efforts related to engineering, education, and enforcement efforts to improve active transportation countywide. Coordination and collaboration continues between the Southern California Association of Governments (SCAG), Caltrans, OCTA Citizens Advisory Com-

Vanpool van picking up passengers.

Bicycle and pedestrian facilities promote active transportation.

mittee (CAC), and community members to identify improvements to the network of walking and bicycling facilities throughout Orange County.

Bicycle and Pedestrian Facilities

Since 2012, Orange County agencies have secured $93.2 million in state and local grants for bicycle and pedestrian projects from the Active Transportation Program (ATP) and Bicycle Corridor Improvement Program (BCIP).

The Capital Programming Policies, last approved by the Board in May of 2017, set aside 10 percent of OCTA's annual Congestion Mitigation and Air Quality Improvement Program (CMAQ) apportionment for bicycle and pedestrian projects. Since 2012, OCTA has completed three BCIP calls for projects which will provide $28.7 million towards the $38.6 million required to fund 38 bicycle projects throughout Orange County.

Additionally, Orange County agencies secured $64.5 million in three cycles of Statewide and Regional ATP funding. These funds are utilized for implementation of bicycle and pedestrian projects, active transportation planning, safe routes to school projects, and bicycle and pedestrian safety outreach and education. In May 2018, the California Transportation Commission (CTC) released the ATP Cycle 4 call for projects. The results for ATP Cycle 4 are pending.

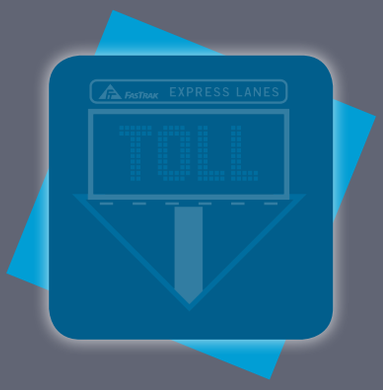
Bicycle Safety Program

OCTA supports the initiative for a safer and more bicycle friendly community. The Bicycle Safety and Awareness Program provides a comprehensive safety platform for all ages and skill levels of bicycle riders. The program will include the annual bike festival, the OCTA Bike Rally, and other May Bike Month events. Additionally, OCTA secured a grant from the Office of Traffic Safety to host bicycle skills training classes and distribute reflectorized materials to people riding the bus and bicycling in Orange County.

Active Transportation Planning Efforts

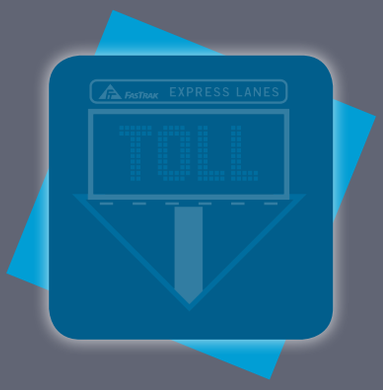
Additionally, the OCTA Planning Department is collaborating with law enforcement representatives, schools, and the Orange County Health Care Agency (OCHCA) on planning efforts. With Caltrans funding, the countywide Safe-Routes-to-Schools Action Plan will jointly be led by OCTA, with the OCHCA and will convene a partnership between cities, school districts, and local community organizations to support and encourage families to safely walk, bike, and roll to school. Additionally, OCTA received a grant from SCAG to facilitate the Partnerships With Police project to provide officer briefings on crash behaviors and laws affecting people walking and biking. These programs will help to create and foster a safer bicycle community for everyone on the road.

MOTORIST SERVICES



OCTA

MOTORIST SERVICES



OCTA

Background

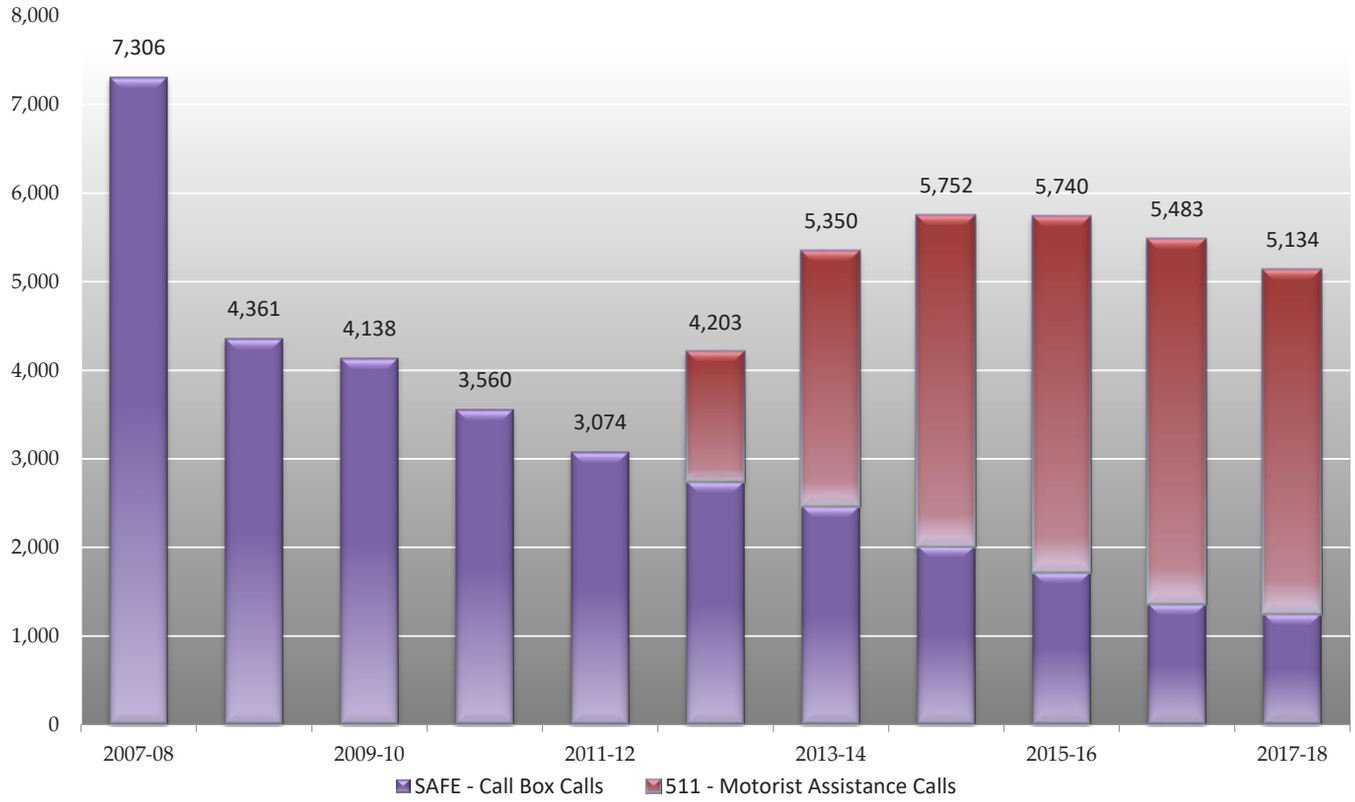
The Motorist Services Program was instituted when California statute authorized Service Authority for Freeway Emergencies (SAFE) in 1985 to enable counties to generate revenue for the purpose of purchasing, installing, operating, and maintaining a system of motorist aid call boxes. The revenue collected is from a $1 fee on all non-exempt registered vehicles along with an additional $2 fee on certain commercial vehicles registered in Orange County. The program has since grown and is currently comprised of the Freeway Call Box, the FSP, and the Southern California 511 programs.

Freeway Call Box Program

The Call Box Program consists of a network of approximately 420 solar powered cellular-based telephones along 197 centerline miles of highway and toll roads throughout the County. The Orange County Transportation Authority (OCTA) is responsible for the acquisition, installation, and maintenance of the call boxes. The Transportation Corridor Agencies (TCA)

FSP keeps the freeways moving & reduces congestion.

Figure 1 - SAFE Call Box and 511 Calls



reimbursed OCTA for the cost of acquiring and installing call boxes on the toll roads. A private firm under contract with OCTA receives the calls and routes assistance requests to the California Highway Patrol (CHP) or FSP.

With the proliferation of cellular phones, call box usage in Orange County has steadily declined from FY 2007-08 to FY 2017-18 as shown in **Figure 1**. The number of call boxes was reduced by about half during FY 2005-06. This increased spacing between call boxes from one-quarter mile to one and one-quarter miles on freeways and from a half-mile to one mile on the toll roads.

FSP Program

In 1992, the California Legislature enacted a statute creating the Freeway Service Patrol (FSP) Program. Subject to annual appropriations, the FSP Program receives funding from the State Highway Account that requires a 25 percent local match. The Senate Bill 1 (SB1) transportation funding package was signed into law on April 28, 2017, and will provide annual funding to the FSP Program. SB1 funding will be used to expand tow truck hours beginning in fiscal year (FY) 2018-19. Excess revenue from the vehicle registration fee collected for the Call Box Program provides the 25 percent local match for the FSP Program and funds a share of the Southern California 511 Program.

The FSP Program is a traffic congestion management program designed for the rapid removal of motorists' disabled vehicles from traffic lanes and shoulders, as well as timely response to accidents and other incidents that require removal of debris on the freeways. The FSP is a partnership between Caltrans, CHP, and OCTA. Private tow truck companies operate the service under contract to OCTA. Each tow truck driver patrols their assigned freeway segment during program service hours, stopping to assist motorists. The driver offers assistance, such as changing a flat tire, offering a free gallon of gas, or taping a coolant hose as

Figure 2 - FSP Assists By Type

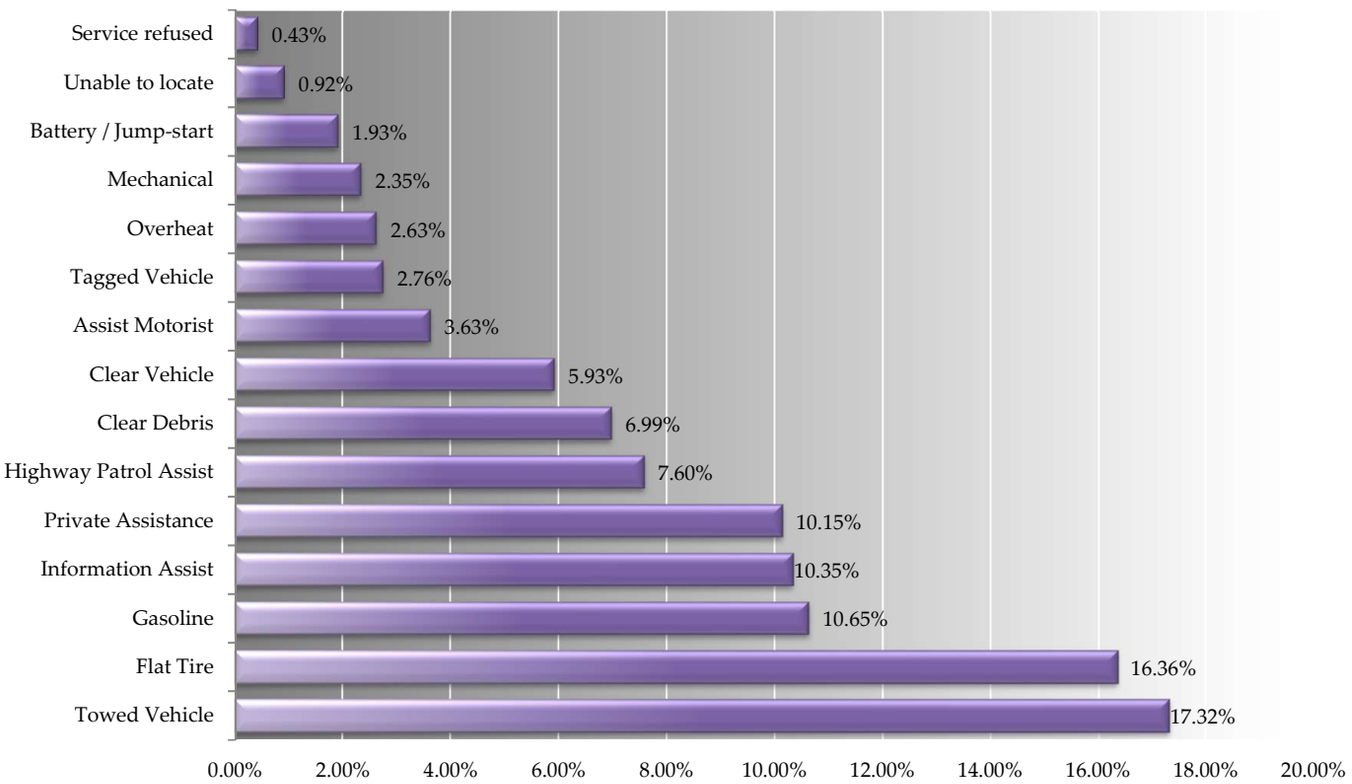
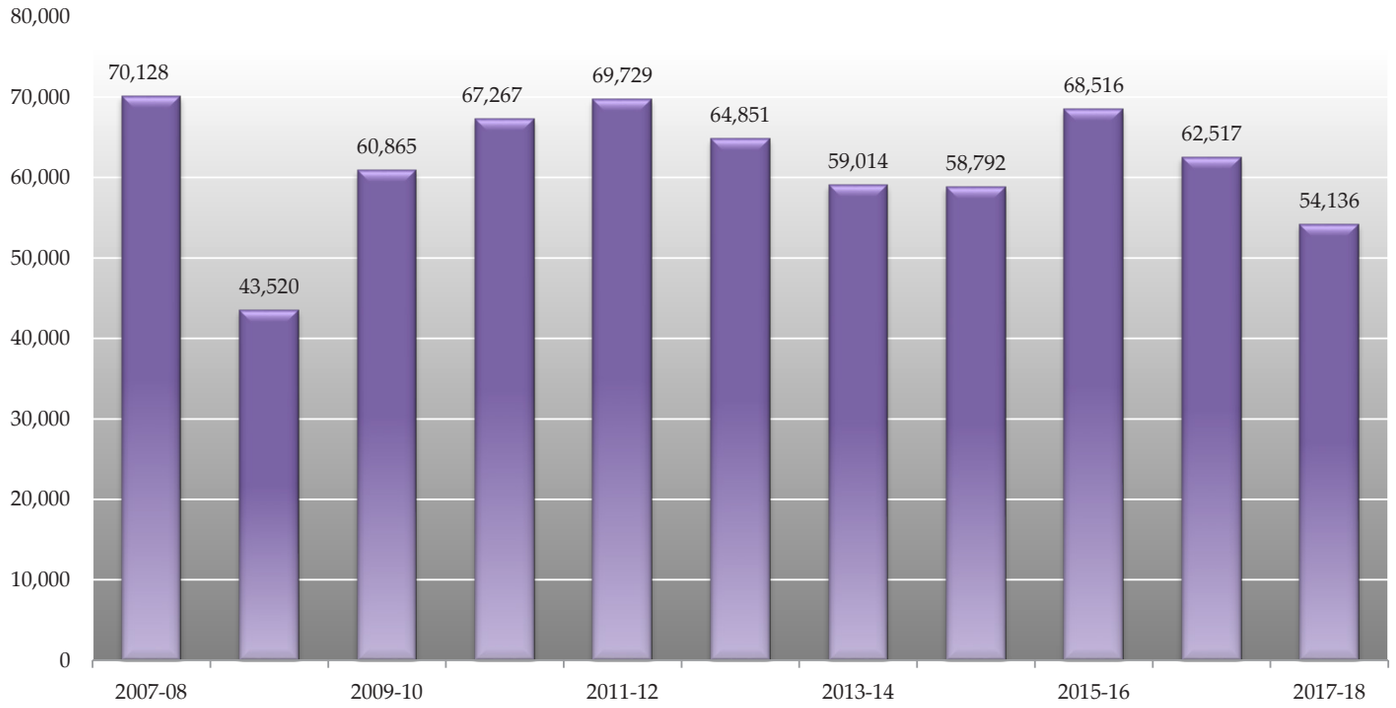


Figure 3 - FSP Assists



shown in **Figure 2**. OCTA's FSP tow trucks provided 54,136 assists in FY 2017-18 shown in **Figure 3**.

State funding allocation to the 14 agencies participating in the FSP Program is based on freeway miles, traffic congestion, and population within each jurisdiction. On November 7, 2006, voters approved Measure M2 (M2), which has a FSP component allocating approximately $155.6 million to the program. The M2 funding will ensure program solvency and growth for an additional 30 years. During FY 2011-12, the Board approved the M2 Project N FSP guidelines. In accordance with the guidelines, two additional midday and two additional weekend beats were added in June 2012, to address growing congestion in those time periods. The 34 trucks being operated during peak hours, the seven trucks being operated midday, the four trucks being operated on the weekend, and the three trucks being operated during M2 construction deliver approximately 80,567 hours of service along Orange County's freeways. The current cost to operate this level of service is about $5.1 million annually, exclusive of Motorist Services staff salaries.

Southern California 511

Southern California 511 is the motorist aid and traveler information system for Los Angeles, Orange, and Ventura counties. This system allows the traveling public to access information on highway conditions, traffic speeds, transit, and commuter services via a toll-free number with an interactive voice response system, the internet, and through a mobile application.

In 1999, the United States Department of Transportation petitioned the Federal Communications Commission (FCC) to designate a nationwide three-digit telephone number for traveler information. At the time, there were over 300 different telephone numbers providing some sort of highway or public transportation-related information to the public.

On July 21, 2000, the FCC designated 511 as the national travel information number. The FCC ruling leaves nearly all of the implementation issues to the states and local agencies. The ruling did not have a federal mandate regarding how to fund the national system. That would also be left to the states and local agencies. The Los Angeles County Metropolitan Transportation Authority (MTA) in partnership with OCTA, the Ventura County Transportation Commission, Caltrans, and CHP, developed the 511 system which debuted on June 14, 2010 as shown in **Figure 1.**

Cash Flow Statement - SAFE

(millions)		2018-19	2019-20	2020-21	2021-22	2022-23	2027-28	2032-33	2037-38
Beginning balance	**$**	**2.1**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**
Cash flows from operating activities:									
Sources of funds:									
Freeway Service Patrol		3.2	5.0	5.6	5.8	5.4	5.5	6.4	7.5
Callbox		3.0	3.0	3.0	3.0	3.0	3.1	3.2	3.2
Total sources of funds	**$**	**6.2**	**8.0**	**8.6**	**8.8**	**8.5**	**8.7**	**9.6**	**10.7**
Cash flows from operating activities:									
Uses of funds:									
Salaries and benefits		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Management fee expense		0.9	0.9	1.0	1.0	1.1	1.3	1.5	1.8
Professional services		6.3	7.0	7.2	7.3	7.4	7.4	8.1	8.9
General and administrative		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total uses of funds	**$**	**7.2**	**8.0**	**8.2**	**8.4**	**8.5**	**8.7**	**9.6**	**10.8**
Net cash provided by operations	**$**	**(1.1)**	**(0.0)**	**0.4**	**0.5**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**
Cash flows from capital and related financing activities:									
Capital grants/other capital revenues		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition/construction of capital assets		(0.1)	0.0	(0.4)	(0.5)	0.0	0.0	0.0	0.0
Net cash used by capital and related financing activities	**$**	**(0.1)**	**0.0**	**(0.4)**	**(0.5)**	**0.0**	**0.0**	**0.0**	**0.0**
Cash flows from investing activities:									
Interest on investments		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by investing activities	**$**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net increase/decrease in cash	**$**	**(1.1)**	**(0.0)**	**(0.0)**	**0.0**	**0.0**	**(0.0)**	**(0.0)**	**0.0**
Available cash	**$**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**

Freeway Service Patrol Beats

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