Final Report

July 2009 – June 2012 M2 Performance Assessment

Prepared for

OCTA

Orange County Transportation Authority

550 South Main Street
Orange, CA 92863

March 2013

CH2MHILL

6 Hutton Centre Drive, Suite 700
Santa Ana, CA 92707

In cooperation with:

CAMBRIA
SOLUTIONS

S
The Solís Group

Contents

Executive Summary

The Measure Ordinance No. 3 requires a performance assessment be conducted every three years to evaluate the efficiency, effectiveness, economy and program results of the Authority (OCTA) in satisfying the provisions and requirements of the Investment Summary of the Plan, the Plan and the Ordinance. This report contains the findings and recommendations from the second Performance Assessment of OCTA's management and delivery of the Renewed Measure M Transportation Investment Plan, or the M2 Program. M2 authorizes collection of a one-half cent sales tax in Orange County over 30 years to fund numerous transportation improvements. The assessment, which covers the timeframe from July 1, 2009 to June 30, 2012, evaluates OCTA's performance on a range of activities covering planning, management and delivery of the M2 Program. Key objectives of this assessment are:

- Evaluate the status of findings from the first M2 performance assessment and effectiveness of changes implemented.

- Assess the performance of OCTA on the efficiency, effectiveness, and economy in the delivery of Measure M2 projects and programs.

- Identify and evaluate any potential barriers to success and opportunities for process improvements.

The five areas of the assessment are: Project Delivery; Program Management/ Responsiveness, Compliance, Fiscal Responsibility, and Transparency/Accountability.

Project Delivery: OCTA has achieved significant project delivery successes across the board through an extensive and aggressive program. Through the Early Action Plan (EAP) and by reaching out to private markets and Federal and State funding opportunities, OCTA was able to take advantage of the competitive bidding environment and to make significant progress on a large number of projects, despite the downturn in M2 revenues resulting from the economic recession that began in 2008. During the review period, OCTA also put in place a number of procedures and processes to help administer M2, ranging from setting up a dedicated Program Management (PMO) office, and establishing workshops, guidelines, Call for Projects, systems and program management (e.g., Sharepoint), and the M2 website.

Challenges with project delivery also exist; these generally relate to maintaining and refining the existing processes. Key challenges include managing project management staff turnover, ensuring that systems management procedures are consistently followed, strengthening support from partner agencies, balancing the PMO office workload, and managing administrative charges subject to the 1% cap prescribed by the M2 Ordinance. Despite the current economic recession and revenue forecasts that are lower than originally projected, OCTA has plans to deliver the entire M2 program to Orange County voters within the M2 schedule.

Program Management/Responsiveness: The M2 program management responsibility spans a number of OCTA organizational areas, and originates with the OCTA Board of Directors (Board) and Chief Executive Officer's leadership and policy directives. In 2006, to help meet its M2 program management responsibility, OCTA assigned responsibility for managing and

monitoring M2 activities to a staff person in the Finance and Administration Division. Then in 2010, OCTA officially established a Program Management Office (PMO in the Planning Division. In 2011, the current full-time M2 PMO Office and Project Manager were designated.

Today, a fully functional Program Management Office fulfills its prescribed charter. From its inception and through its full-time staff assignment, OCTA's PMO function has continued to evolve and mature. The PMO has demonstrated an exceptional commitment to M2 Ordinance provisions and to efficient and effective delivery of the M2 program. This is illustrated through operations and management practices that are significant to establishing and preserving an effective program management effort, including: the M2 Management Committee, the M2 Ordinance Matrix, M2 Quarterly Reports, and mediums for delivering M2 information to stakeholders and the general public. The PMO also works closely with OCTA project managers and project controls personnel to track schedule and budget adherence, and has recently established a Sharepoint site for M2 document control.

Compliance: Key compliance requirements from the M2 Ordinance include:

- Administration: Limits the amount expended for salaries and benefits of OCTA administrative staff to no more than one percent (1%) of M2 gross revenue in any year.

- Uses of Revenue: Defines the allocation of M2 net revenue among freeway projects (43 percent), street and road projects (32 percent), and transit projects (25 percent).

- Safeguards: Establishes safeguards to ensure strict adherence to the limitations on use of revenues, including the Taxpayers Oversight Committee and performance assessments to be conducted every three years.

- Amendments: Defines requirements for amendments that change the programs, projects, or funding allocations specified in the Ordinance.

The study team observed that OCTA's compliance with the 1% cap on administrative expenses is among the most challenging aspects of the M2 Ordinance, which is further challenged by the provision of compliance on an annual basis. OCTA is focused on complying with this provision across all areas of program administration, and the study team has developed a set of recommendations to help meet this challenge.

Fiscal Responsibility: The original year 2005 forecast for M2 sales tax revenues during the life of the 30-year program was $24.3 billion. By May 2010, M2 revenue projections were $13.7 billion, or about 44 percent lower than originally projected due to the economic recession that began in 2008. With recent improvements in the economy, the Spring 2012 forecast has improved to $15.5 billion. Fluctuations of this magnitude can have significant implications for achievement of the M2 program. After three years of declines in sales tax revenues (FY2009 – FY2011), the forecasts for FY 2012 and FY2013 are positive relative to prior years.

OCTA has taken several steps to achieve efficiencies pertaining to fiscal responsibility during the assessment period, including:

- Taking advantage of more competitive construction costs, resulting in more than $100 million in cost savings relative to engineer cost estimates.

- Securing unanticipated state and federal funding for shovel-ready projects, including $135 million in federal ARRA dollars as well as $612 million in State Proposition 1B funds.

- Leveraging historically low interest rates (4.33% on long term borrowing) and federal Build America Bonds (on which the federal government pays 35% of interest costs), resulting in financing costs of approximately $288 million.

Transparency and Accountability: The M2 Program is among OCTA's most transparent and publicly visible programs. Balancing the appropriate levels of effort to transparency and accountability (strategies for promoting awareness) relative to the costs of these strategies can be challenging given funding constraints. This challenge is especially common to public agencies that serve broad and diverse populations, including OCTA. OCTA has addressed this challenge by utilizing a variety of communications strategies, including the OCTA website, newsletters and publications, and group e-mail distribution lists that can reach large numbers of stakeholders and stakeholder groups. In addition to leveraging relatively lower cost strategies, OCTA also holds project-level meetings and follows up on stakeholder inquiries in-person, by phone, and by mail. OCTA also provides much of its information to the general public in multiple languages, a highly regarded public service.

OCTA newsletters and public meetings were both praised for being thorough, carefully prepared, and informative. E-mails from OCTA regarding notifications of M2 project activities were appreciated. Upgrades to the OCTA website were launched during the course of this assessment, with a number of interviewees reporting high satisfaction with its key features and M2 content.   Accessibility of OCTA background documents including staff reports is one key area drawing praise from website visitors.

The assessment commends OCTA's commitment to the effective and efficient management and delivery of the M2 Program. Descriptions of specific recommendations for OCTA's consideration, pertaining to each area of the assessment, are provided within Sections 2 to 6 of this report. The study team's key findings and recommendations are also summarized in Section 7.

1.0 Introduction

1.1 Background

In November 2006, Orange County voters approved Ordinance 3, the Renewed Measure M Transportation Investment Plan (M2), which authorizes collection of a one-half cent sales tax in Orange County over 30 years to fund transportation improvements. Collection of sales tax revenues under M2 began on April 1, 2011. To advance delivery of select transportation projects contained in M2, the Orange County Transportation Authority (OCTA) developed and adopted an Early Action Plan (EAP). The EAP was designed to accommodate the start of work on M2 project delivery in 2007 through the use of debt financing secured by the anticipated sales tax revenue stream.

The OCTA M2 Ordinance provides for a triennial Performance Assessment that helps ensure effective and efficient delivery of M2 projects and programs. Specifically, the Ordinance (Section 10.6) states that:

A performance assessment shall be conducted at least once every three years to evaluate the efficiency, effectiveness, economy and program results of the Authority in satisfying the provisions and requirements of the Investment Summary of the Plan, the Plan, and the Ordinance.

The first triennial Measure M2 performance assessment was completed in October 2010, covering the period from November 2006 through June 2009.

In July 2012, OCTA selected CH2M HILL as the study team to conduct the second M2 performance assessment, covering the period from July 1, 2009 to June 30, 2012. This report provides the findings and recommendations of this assessment, which involved evaluating OCTA's performance on a range of activities covering planning, management and delivery of the M2 Program. Key objectives of this assessment are as follows:

- Evaluate the status of findings from the first M2 performance assessment and effectiveness of changes implemented.

- Assess the performance of OCTA on the efficient delivery of Measure M2 projects and programs.

- Identify and evaluate any potential barriers to success and opportunities for process improvements.

The assessment consists of five main areas:

- Area 1: Project Delivery. Evaluate OCTA's effectiveness in developing and implementing the projects and programs described in M2.

- Area 2: Program Management/Responsiveness. Evaluate OCTA's approach to program management.

- Area 3: Compliance. Evaluate OCTA's approach to ensuring compliance with the M2 Ordinance.

- Area 4: Fiscal Responsibility. Evaluate the extent to which OCTA is economical in structuring the approach to project and program delivery.

- Area 5: Transparency and Accountability. Evaluate how fully, intelligibly, and otherwise appropriately OCTA reports on M2 matters to the Board of Directors, the Taxpayers Oversight Committee (TOC), the general public, and other stakeholders.

1.2   Data Sources

Exhibit 1-1 lists the major data sources that the study team used for the assessment, as provided by OCTA. These sources are in addition to meeting minutes, other working files, and project-related materials that were reviewed by the study team.

Exhibit 1-1: M2 Assessment Major Data Sources

Source	Relevance
M2 Document Management (2012)	Overview of M2 document management procedures
M2 Early Action Plan Updates (July 26, 2010)	Provides update on OCTA's delivery of the M2 Early Action Plan
M2 Legal Opinions to Date (July 31, 2012)	Legal opinions on M2, on topics including the 1% administration cap and use of bond financing
M2 Management Committee: Agenda, Action Items, and Notes for 12/1/10 Meeting	Sample of M2 management committee meeting materials
M2 Ordinance Tracking Matrix - Ordinance No 3 (July 30, 2012)	Tracks OCTA's compliance with specific requirements of Ordinance No 3
M2 Triennial Performance Assessment (Oct 25, 2010)	Orange County Business Council's year 2006-2009 M2 assessment
Measure M Program Management Office Charter (2011)	Identifies goals and functional responsibilities for OCTA's M2 Program Management Office
Measure M2 Fair Share Payments Inception to Date (July 2012)	Payments to cities from July 2011 to present
Measure M2 Final M2020 Plan (Sep 10, 2012)	Provides plan for delivery of M2 projects through 2020

Source	Relevance
Measure M2 Freeway Plan (Feb 2012)	Describes projects, schedules, key considerations, benefits, and costs for M2 freeway projects.
Measure M2 Progress Reports, provided on a quarterly basis for each quarter during the assessment period	Highlights progress on M2 projects and programs for the OCTA Board of Directors, and made available to the general public
Measure M2 Project Schedules (or Dashboard) on OCTA's website	Provides a visual summary of current progress and planned schedule for M2 projects
Measure M2 Sales Tax Forecast (Spring 2011, Spring 2010, June 2009)	Forecasts of M2 sales tax revenues
Measure M2 Schedule of Revenues, Expenditures and Changes in Fund Balance (end of each fiscal year during the assessment period)	Actual M2 revenues and expenditures by line item and by M2 project
Measure M2 Triennial Performance Assessment Report Update, Staff Report (June 11, 2012)	OCTA's status on addressing the 18 findings from the OCBC year 2006-2009 M2 assessment
Meeting Notes from M2 Finance Directors Workshops, held Jun 2011 and Jul 2012	Notes from workshops held between OCTA and the Finance Directors from local jurisdictions in Orange County to discuss the M2 program
OCTA CAMM Policy Manual (Jul 2010)	Policies, procedures, and forms for OCTA's Contracts Administration & Materials Management (CAMM) Department
OCTA Comprehensive Business Plans (Apr 25, 2011 and Jan 28, 2008)	OCTA's plan to ensure financial feasibility of OCTA programs
OCTA Comprehensive Transportation Funding Program, September 2011 Guidelines	Guidelines and procedures for Orange County agencies to apply for funding from OCTA
OCTA Organization Charts (as of July 10, 2012)	OCTA's functional organization charts
OCTA Organizational Readiness and Capacity Assessment (Jan 2009)	Independent review of OCTA's organizational readiness and capacity
OCTA Staff Report: 2011 Annual Investment Policy (Jan 9, 2012)	OCTA M2 fund investment guidelines
OCTA Staff Report: 2012 State and Federal Programming Guidelines (Dec 3, 2012)	OCTA updated programming guidelines for the use of state and federal funds
OCTA Staff Report: FY2011-12 Call for Projects Programming Recommendations (Apr 23, 2012)	List of projects recommended for funding for FY2011-12 M2 Calls for Projects
OCTA Staff Report: Repayment of the Orange County Unified Transportation Trust (OCUTT) Fund for Measure M2 Early Action Plan Costs (Dec 2, 2011)	Plan for OCTA to repay the OCUTT fund for funds borrowed to pay for M2 Early Action Plan administrative costs

Source	Relevance
OCTA Strategic Plan (Feb 2011)	Performance-based approach to achieving OCTA's goals
Official Statements for commercial paper notes and sales tax revenue bonds (Dec 9, 2010)	Provide a summary of OCTA financing measures used
Ordinance No 3: Renewed Measure M Transportation Ordinance and Investment Plan (Jul 24, 2006)	Provides governing language for M2 Program transportation improvements and requirements authorized by Orange County voters
Renewed Measure M Eligibility Guidelines (Mar 12, 2012)	Eligibility requirements for local jurisdictions to receive M2 funding
Sample M2 Grant Report from Anaheim (Jul 13, 2012)	Sample of local agency M2 grant report

1.3   Interviews

The study team conducted interviews with a number of OCTA personnel to obtain more information to support the study, as identified in Exhibit 1-2. The interviews were supported through the use of an interview guide with specific, targeted questions covering each major area of the M2 performance assessment.

Exhibit 1-2: M2 Assessment OCTA Interview List

Chief Executive Officer	Director, Strategic Planning
Deputy Chief Executive Officer	General Manager, Treasury/Toll Roads
Executive Director, Capital Programs	Senior Section Manager, Project Controls
Executive Director, External Affairs	Section Manager, Environmental Programs
Executive Director, Finance and Administration	Section Manager, Measure M Programs
Executive Director, Government Relations	Section Manager, Strategic Communications
Executive Director, Internal Audit	Manager, Financial Planning & Analysis
Executive Director, Planning	Manager, Metrolink Expansion
Director, Contracts Admin. & Materials Mgmt	Project Manager, Highway Programs (I-5)
Director, Finance and Administration	Project Manager, Highway Prog. (SR-57, SR-91)
Director, Highway Programs	Project Manager, M2 Program Office
Director, Rail Programs & Facilities Engineering	Project Manager, Rail Programs (Local Initiatives)

CH2M HILL also conducted interviews with select external stakeholders, identified by OCTA as representing organizations that work with OCTA on particular aspects of the M2 Program. Exhibit 1-3 identifies the external organizations that were interviewed for this assessment.

Exhibit 1-3: M2 Assessment External Organization Interview List

American Council of Engineering Companies (ACEC)	Measure M2 Taxpayers Oversight Committee
Auto Club (AAA) of Southern California	OCTA Citizens Advisory Committee
California Department of Transportation (Caltrans), District 12	OCTA Environmental Oversight Committee
City of Laguna Hills	Orange County Business Council
Los Angeles/Orange County Building Trades	Orange County Taxpayers Association
LSA Associates, Inc.	The Irvine Company

1.4   Report Organization

The remainder of this report is organized in accordance with the five main areas of the assessment:

- Section 2: Project Delivery
- Section 3: Program Management / Responsiveness
- Section 4: Compliance
- Section 5: Fiscal Responsibility
- Section 6: Transparency and Accountability

Each of these sections begins with an overview, followed by a discussion of observations, and concluding with a set of specific findings and recommendations associated with the assessment area.

Section 7: Summary of Findings and Recommendations is provided next, which summarizes the study team's key findings and recommendations pertaining to each area of the assessment. Each of our recommendations stems from a particular finding.

The following appendices are included at the end of the report:

- Appendix A – Follow Up on Prior Assessment Findings: Provides follow up regarding the 18 key findings made in the prior M2 assessment, covering fiscal years 2007 to 2009. For each of these findings, the finding is presented followed by OCTA's official response to the finding as stated in its Triennial Performance Assessment Report Update, Staff Report (dated June 11, 2012). This is followed by statements based on the study team's review of OCTA's progress towards implementing the finding.

- Appendix B - Measure M2 Early Action Plan (EAP) Work Program: Provides a status summary of the Measure M2 Early Action Plan (EAP) Work Program. By July 2012, 22

of the 29 EAP projects were either underway or on course to be advertised for construction.
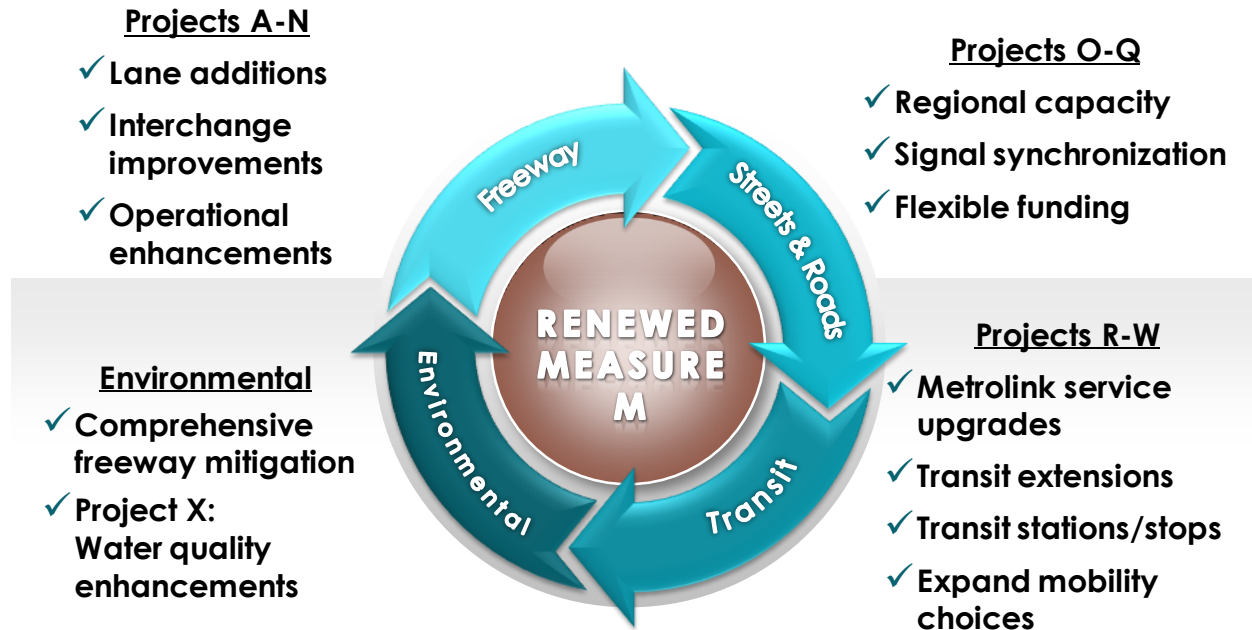
- <u>Appendices C to F – Activity Summaries:</u> These appendices provide a chronological progression of project delivery for each of the M2 Projects A-X during the assessment period (July 2009 – June 2012). The major sources for this information are the M2 Quarterly Progress Reports and the M2020 Plan. There is one appendix for each of the four main types of M2 projects:

    - Appendix C: Freeways (Projects A to N)

    - Appendix D: Streets and Roads (Projects O to Q)

    - Appendix E: Transit (Projects R to W)

    - Appendix F: Environmental Cleanup (Project X)

- <u>Appendix G – M2 Expenditures Summary:</u> Presents the progression of total net tax revenues and expenditures for each M2 project. The sources of this information are the published M2 quarterly schedules of revenues and expenditures from the end of each fiscal year in the assessment period.

2.0   Project Delivery

2.1   Overview

The M2 Program includes a broad range of freeway, streets & roads, transit, and environmental cleanup projects, as summarized in Exhibit 2-1.

Exhibit 2-1: M2 Program Components

Projects A-N
- ✓ **Lane additions**
- ✓ **Interchange improvements**
- ✓ **Operational enhancements**

Projects O-Q
- ✓ **Regional capacity**
- ✓ **Signal synchronization**
- ✓ **Flexible funding**

Environmental
- ✓ **Comprehensive freeway mitigation**
- ✓ **Project X: Water quality enhancements**

RENEWED MEASURE M

Freeway

Streets & Roads

Environmental

Transit

Projects R-W
- ✓ **Metrolink service upgrades**
- ✓ **Transit extensions**
- ✓ **Transit stations/stops**
- ✓ **Expand mobility choices**

An overview of these projects is provided below. More specific information pertaining to activities conducted by OCTA for each project is provided in Appendices C to F.

2.1.a: Freeway Projects (A-N)

The delivery of freeway projects in Orange County is the single largest component of M2, with 43 percent of net revenues devoted to freeway construction. The freeway projects included in M2 are as follows:

- Project A: I-5 improvements between SR-55 and SR-57, including additions of a second HOV lane in both directions and interchange improvements with added capacity to relieve congestion. This project is currently in the environmental phase, and is expected to open in late 2017.

- Project B: I-5 improvements between SR-55 and SR-133 (near the El Toro "Y" in Lake Forest), including additions of general purpose lanes in both directions and interchange improvements. Preliminary engineering for this project has been completed, and environmental clearance for the project is expected by the year 2020.

- Project C: This project consists of two segments:

  o The first segment consists of I-5 improvements from south of the El Toro "Y" to SR-73 in Mission Viejo, including lane additions and interchange improvements. This project is currently in the environmental phase. Project construction is expected to start in 2018, and the project is expected to open in 2022.

  o The second segment consists of extending the HOV lanes on I-5 from Avenida Pico to Juan Creek Road in the cities of San Juan Capistrano, Dana Point, and San Clemente. Some of the upgrades may be completed by 2015, and the entire project is expected to be complete by 2016.

- Project D: This project consists of interchange improvements on I-5:

  o The first is the El Toro Road interchange. This project is currently in the planning phase. Environmental clearance is expected by the year 2020.

  o The second is the SR-74 (Ortega Highway) interchange. This project is currently in construction, and is expected to open in 2015.

  o The project also includes major interchange improvements at Avenida Pico, Avery Parkway, and La Paz Road which have been incorporated into Project C between the El Toro Road and SR-73.

- Project E: SR-22 access improvements, including interchange improvements at Euclid St, Brookhurst St, and Harbor Blvd. This project was completed in the year 2006 as part of the SR-22 widening project.

- Project F: SR-55 improvements between I-405 and SR-22, including lane additions and merging lanes between interchanges to smooth traffic flow. Phase I of the project, on SR-55 between I-405 and I-5, is currently in the environmental phase and is expected to open in 2020. Phase II, on SR-55 between I-5 and SR-22, is expected to complete the environmental phase by 2020 including operational improvements on SR-55 between SR-22 and SR-91.

- Project G: SR-57 improvements, including the addition of one general purpose lane in the northbound direction between Orange and Brea, and new auxiliary lanes in select locations. The first phase of this project is currently in construction, and is expected to be open in 2014. Future project phases are to be advanced into environmental clearance.

- Project H: SR-91 improvements between I-5 and SR-57, which connects existing westbound auxiliary lanes through interchanges. Design for this project has been completed, and construction will start in 2013 with the project expected to open in 2015.

- Project I: SR-91 improvements between SR-57 and SR-55, including a new westbound auxiliary lane, an eastbound general purpose lane, and interchange improvements. The westbound phase of the project is in design, and is expected to open in 2015. The eastbound phase is currently in the planning phase.

- Project J: SR-91 improvements between SR-55 and the Riverside County line, including lane additions and interchange improvements. Eastbound improvements on SR-91 between SR-241 and SR-71 opened in January 2011. Additional improvements are

currently in construction, and future improvements are contingent on plans for future widening of SR-91 in Riverside County.

- Project K: I-405 improvements between I-605 and SR-55, including the addition of one general purpose lane in each direction and interchange improvements. Express lane alternatives for this project were also considered, but were not advanced. This project is currently in the environmental phase, and is expected to open in 2019.

- Project L: I-405 improvements between SR-55 and I-5, including lane additions and interchange improvements. This project is currently in the preliminary engineering phase, to be advanced next into the environmental phase.

- Project M: I-605 access improvements in Los Alamitos and Cypress, including at Katella Avenue. The planning phase of this project will be initiated in 2013.

- Project N: Fund Freeway Service Patrol (FSP) operations on Orange County freeways during weekday peak periods, and along select freeways during the midday and weekends. FSP operations are ongoing.

2.1.b: Streets & Roads Projects (O-Q)

The M2 streets & roads projects involve OCTA working with local jurisdictions in Orange County for street widening, street maintenance, intersection improvements, and traffic signal synchronization. The percentage of M2 net revenues that goes to streets & roads projects is 32 percent. These projects are as follows:

- Project O: The Regional Capacity Program, which funds completion of the Orange County Master Plan of Arterial Highways (MPAH), intersection improvements, and other projects to improve traffic flow. Local jurisdictions apply for Project O funding through a competitive process and generally provide a 50 percent match in local funds, with a lower match requirement for specified projects that address key objectives. Two Project O Calls for Projects have been held so far.

- Project P: The Regional Traffic Signal Synchronization Program, which implements and provides ongoing operations for regional signal coordination programs covering over 2,000 signalized intersections throughout Orange County and across jurisdictional boundaries. Local jurisdictions provide a 20 percent match in local funds. Seventeen corridor-based signal synchronization projects are currently being implemented.

- Project Q: Local Fair Share Program, which provides flexible funding for local jurisdictions and the County of Orange to maintain streets and meet other local transportation needs such as safety enhancements. Funds are distributed by formula to local jurisdictions and the County of Orange that agree and abide by a specified set of requirements. The formula is based on population, street mileage, and amount of sales tax collected.

2.1.c: Transit Projects (R-W)

The M2 transit projects build and improve rail and bus transportation in Orange County, with 25 percent of M2 net revenues devoted to these projects. The transit projects are as follows:

- Project R: The High Frequency Metrolink Service project consists of service frequency improvements, track improvements, additional vehicles, and other needs to enhance Metrolink commuter rail service provision within Orange County and to/from downtown Los Angeles. Many of the capital improvements are complete. Operations of additional Metrolink trains in Orange County have begun, with further operational improvements expected in the near future.

- Project S: The Transit Extensions to Metrolink project involves the planning, development, and implemention of new fixed guideway and bus/shuttle services that strengthen connections between communities in Orange County with the Metrolink system. Local jurisdictions apply for Project S funding through a competitive process. Two fixed guideway projects, one in Anaheim and one in Santa Ana and Garden Grove, are currently in the environmental review phase. The first Call for Projects for bus/shuttle services was held in March 2012.

- Project T: Project T (Convert Metrolink Stations to Regional Gateways) involves providing for improvements to regional transit centers and transit services to connect Metrolink stations in Orange County with the future California High Speed Rail system. The City of Anaheim received environmental clearance for the Anaheim Regional Transportation Intermodal Center (ARTIC) project earlier this year, and construction is currently underway.

- Project U: Project U (Expand Mobility Choices for Seniors and Persons with Disabilities) funds transit fare discounts for seniors and persons with disabilities, expands local community van services through the Senior Mobility Program (SMP), and supplements the County of Orange Senior Non-Emergency Medical Transportation Program (SNEMT). Twenty-five local jurisdictions are currently participating in the SMP, and the SNEMT is in operation.

- Project V: The Community Based Transit/Circulators project involves the planning, development, and implementation of new local bus shuttle and circulator services that complement existing transit services in Orange County. Local jurisdictions apply for Project V funding through a competitive process. No Project V funding has yet been allocated; program guidelines are currently being developed.

- Project W: The Safe Transit Stops project provides for passenger amenities, including improved shelters, lighting, traveler information, and ticket vending machines, at the 100 busiest transit stops across Orange County. Potential locations have been identified, and program guidelines are currently being developed.

2.1.d: Environmental Projects

There are two primary types of environmental projects that are funded by M2:

- Freeway Environmental Mitigation Program: A minimum of 5 percent of the total M2 freeway budget is made available for the comprehensive mitigation of environmental impacts of freeway improvements. These mitigation measures, including habitat protection, wildlife corridors, and resource preservation, are specified in a Master Agreement between OCTA, state agencies, and federal resource agencies that was

approved in January 2010. OCTA acquired five properties totaling about 950 acres of open space in the Trabuco Canyon area and in Brea in 2011.

- Project X: The Environmental Cleanup project is funded by an allocation of two percent of M2 gross revenue (allocated prior to the distribution of net revenue between the other M2 projects). This project helps Orange County meet federal Clean Water Act standards by protecting beaches from transportation-generated pollution or urban runoff, and improving ocean water quality. Funds are distributed on a competitive basis for projects that include catch basins with biofiltration systems and roadside landscaping systems that filter oil runoff from freeways, streets, and roads. Two Calls for Projects for Project X have been issued so far, the first in 2011 and the second in 2012.

2.2 Observations

OCTA has achieved significant project delivery successes across the board through an extensive and aggressive program. Through the Early Action Plan (EAP), by reaching out to private markets, and by leveraging Federal and State funding opportunities, OCTA was able to take advantage of the competitive bidding environment and make significant progress on a large number of projects, despite the downturn in M2 revenues resulting from the economic recession that began in 2008. During the review period, OCTA also put in place a number of procedures and processes to help administer M2, ranging from starting a dedicated PMO office, and establishing workshops, guidelines, Call for Projects, systems management (i.e., Sharepoint), and the M2 website.

Challenges with project delivery also exist; these are mostly related to maintaining and refining the existing processes. Key challenges include filling project management staff vacancies in a timely manner, ensuring that systems management procedures are consistently followed, strengthening support from partner agencies, balancing the PMO office workload, and managing administrative charges subject to the 1% cap prescribed by the M2 Ordinance. Despite the recession and lower revenue forecasts, OCTA has plans to deliver the entire M2 program to Orange County voters within the M2 schedule.

Project delivery observations are presented below for each of the following areas:

- Successes in Project Delivery

- Controls in Place for Schedule/Cost/Quality

- Notable Challenges

For the purposes of this report, the word "project" in the text that follows is defined as follows:

- "Ordinance" projects are the 25 project categories from the M2 Ordinance (i.e., Project A through Project X, with Freeway Mitigation included as Project Z).

- "Individual" projects are discrete projects formed by OCTA (e.g., Ordinance project category F contains multiple individual projects). There are 29 such individual projects included in the Early Action Plan.

2.2.a: Successes in Project Delivery

Early Action Plan: The effect of the EAP, adopted by the OCTA Board in August 2007, was to jump start projects prior to the receipt of sales tax revenues in April 2011, with two main objectives: (1) deliver projects faster to the public and (2) take advantage of the competitive bidding environment. The July 2010 EAP Update report references a capital program for 29 individual highway, streets & roads, and transit projects valued at $4.7 billion[1]. The findings below are indicative of the EAP's success:

- By April 2011, which was the first month that M2 revenues were collected, about half of these projects were already either underway or on course to be advertised.

- By July 2012, over three-quarters of the projects were either underway or on course to be advertised for construction. Appendix B contains the full listing.

Volume of Activities and Projects Advanced: From the inception of the M2 Program (i.e., from implementation of the EAP) to June 30 2012, OCTA has spent $457.7 million in M2 dollars on the program[2]. The vast majority of these funds were spent between July 2009 and June 2012; about $12.5 million were spent prior to July 2009. The volume of OCTA's activities and the number of projects that OCTA advanced is important. By June 2012, the end of the review period for this assessment, the significant majority of OCTA's M2 capital projects from the original EAP list are either underway or on course to be advertised for construction[3]. A detailed chronology of project-by-project is presented in Appendices C to F[4].

During the last three years, implementation of the M2 program has accelerated significantly, with progress on all plan elements. Notable projects include:

- Freeways: OCTA is advancing a wide range of freeway projects through environmental and design/right-of-way, and six freeway projects are in construction or complete[5]. The Freeway Mitigation Program also advanced significantly with OCTA's acquisition of five open space properties.

- Streets and Roads: OCTA completed design/right of way acquisition on five grade separation projects throughout the county, and initiated construction on these projects (with three more lined up for early 2013). Calls for projects were initiated for other project types as well.

- Transit: OCTA fully implemented and delivered the planned rail grade crossing safety enhancements (component of Project R). Bid documents were released by the City of Anaheim to construct the entire Anaheim Regional Transportation Intermodal Center (ARTIC) project, with ground-breaking taking place in September 2012. All other transit projects are progressing.

- Environmental Cleanup: OCTA issued two Calls for Projects, in 2011 and 2012.

---

[1] Measure M2 Early Action Plan Update, July 2010, page 3 (reproduced in Appendix B)

[2] Measure M2 Schedule of Revenues, Expenditures and Changes in Fund Balance as of June 30, 2012 (Unaudited) and prior Schedules for the Audit Period.

[3] Measure M2 2020 Plan September 10, 2012

[4] Sources: Quarterly Progress Reports during audit period; Measure M2 2020 Plan

[5] Measure M2 2020 Plan September 10, 2012 (p.12)

Implementation of Delivery Support Processes: OCTA deserves praise for a number of activities successfully undertaken during the assessment period to support the smooth delivery of projects, including the following:

- The M2 program has always been managed internally by OCTA staff. OCTA more formally established a Program Management Office (PMO) Office in October 2011, with the appointment of one full time staff member. OCTA also developed a Program Management Office charter[6].

- OCTA held M2 workshops on specific topics, including Finance Directors workshops in June 2011 and July 2012 as well as the M2020 plan development workshop in February 2012.

- OCTA prepared extensive documentation regarding project delivery activities, including quarterly reports to the Board of Directors and annual M2 Expenditure Reports.

- OCTA published M2 guidelines and procedures in September 2011 to formalize and facilitate city applications for funding through Project O: Regional Capacity Program, Project P: Regional Traffic Synchronization Program, Project S: Transit Extensions to Metrolink, Project T: Metrolink Gateways, Project V: Community Based Transit/Circulators, and Project X: Environmental Cleanup.

- Building from the policy framework and guidelines, OCTA issued Calls for Projects for Projects O: Regional Capacity Project, P: Regional Traffic Signal Synchronization Program, S: Transit Extensions to Metrolink, and X: Environmental Cleanup. OCTA is taking steps towards Calls for Projects for Projects V: Community Based Transit/Circulators and W: Safe Transit Stops.

2.2.b: Controls in Place for Schedule/Cost/Quality

Beyond successes in project delivery, OCTA has also gradually strengthened its controls in significant ways during the past three years:

- Central Document Management System – OCTA implemented a new central document control system using SharePoint, and is in the process of populating the SharePoint site. The M2 Document Center website is designed to provide a unified structure for archiving Measure M project and program files.

- Primavera System; Project Control Staff - The Capital Programs Division has established a group of individuals that provide project controls support for costs and schedule updating and reporting. There is one manager, two staff assigned for Highways projects, one for Grade Separation projects, and one for Transit/Rail projects. The distribution is based on the number of projects and associated workload. The grade separation position is contracted out through OCTA's program management contract.

- Primavera System; Key Staff Access - OCTA has made the Primavera M2 project management information accessible to over two dozen OCTA staff, for increased accountability and transparency. Project managers have some project editing privileges.

---

[6] Measure M2 Progress Report for October 2011 Through December 2011

Project Managers can update the narrative portion of projects, but not cost or schedule. Other key staff include interested parties such as upper management. They have the ability to view and print M2 project information, but not to edit. In cases where a project is being run by an outside party (such as Project R by Metrolink), OCTA has a project manager assigned who is supported by a program management consultant responsible for tracking project progress and scrutinizing any changes to scope/cost/schedule.

- Ordinance Tracking Matrix – In early 2012 OCTA developed a detailed Ordinance Tracking Matrix[7]. The main purpose of the matrix is to ensure OCTA's compliance with requirements in the M2 ordinance through awareness and accountability. The PMO office has widely distributed the matrix to the responsible parties for project delivery, as well as to the M2 Management Committee for Information. The matrix contains both general M2 program requirements as well as requirements specific to each individual project. This valuable tool has the potential to serve OCTA even more in the future.

- Accountability for Project Delivery – Responsible OCTA personnel for each of the M2 projects conduct regular updates and discussions, including providing information for reports and presentations to the OCTA Board of Directors and Taxpayers Oversight Committee. Examples include monthly OCTA staff meetings involving project managers, the PMO office, and project controls personnel; monthly Primavera updates; and monthly meetings with Caltrans on freeway projects.

- Schedule and Cost Fluctuation – Ongoing changes in schedules and budgets will always represent a challenge for the oversight of M2. This reality is a concept that OCTA management has regularly communicated to the Board. Monthly updates prepared by OCTA's project managers and project controls department provide early warnings of potential schedule changes. OCTA personnel actively analyze and manage these changes, and communicate them as appropriate.

- Funding Controls – OCTA typically establishes project budget contingencies at 10 percent. On the Streets and Roads program, OCTA holds back 25 percent of funding available to make programming capacity available each year. The set-aside is then drawn down during the year as needed. This stepwise approach makes it possible to move projects up if necessary.

- Administration and Oversight of City Projects – With Streets and Roads projects, OCTA provides a large up-front payment (75%) at contract award and a final payment (25%) when a project is complete. This virtually eliminates the chance of a funding-driven delay, and aids in responsible project delivery. OCTA works closely with local jurisdictions through semi-annual reviews to track progress, and has made it harder for a City to cancel a project and reapply later.

---

[7] Ordinance Tracking Matrix – Ordinance No. 3, Ord Xlist Version 7 30 12

2.2.c: Notable Challenges

The M2 Program is an extremely large and fast-paced program, which comprises four very different project types. OCTA has accomplished significant successes in the early implementation of the M2 program. The project delivery challenges uncovered as part of this review are typical of an early stage of the investment plan. One main objective of this assessment is to document challenges observed to date, and suggest strategies that can mitigate these challenges going forward to the extent possible. Particular challenges are as follows:

- Project Manager Vacancies – OCTA has experienced some turnover in M2 project manager personnel. While staff turnover is a regular aspect of project delivery, OCTA has experienced vacancies in project manager positions that in some cases have taken more than a couple months to fill. To maintain project schedules, it will be important for OCTA to recruit highly qualified personnel to fill position vacancies in a timely manner and implement proven staff retention strategies.

- Cost Adherence – OCTA is generally staying within the budgets established for each M2 project, and under-runs have been achieved in certain cases including Project J: SR-91 Improvements. One exception to this has been Project K: I-405 Improvements, which is significantly over the original budget estimate due mainly to the costs associated with reconstruction of overcrossings. Fortunately, the expected over-run on Project K relative to the original budget is not expected to compromise the delivery of the full M2 program, in part due to the ability to transfer funding from Project J.

  On a related note, the tracking and reporting of M2 project, debt service, and administrative expenditures is an ongoing responsibility of the PMO office. Appendix G summarizes the progression of expenditures for each M2 project. As an observation, the top three of 25 project categories from the Ordinance have expenditure levels of 10%, 8% and 7% respectively. Over half of the project categories (with 14 of 25) are barely drawn down, with between 0% and 2% spent. This is a useful snapshot to track progress for future assessment periods, recognizing that external funding is not included.

- Consensus Building for Project Development – For Project K: I-405 Improvements, OCTA personnel supported a managed lanes alternative. The OCTA Board recently approved a general purpose lane addition alternative instead. This process did impact the I-405 project schedule, but committing the resources necessary to investigate managed lanes is commendable.

- Freeway Project Delivery; Caltrans-OCTA Collaboration – OCTA and Caltrans have different viewpoints on particular issues related to freeway project delivery. Some OCTA personnel believe that Caltrans could provide more flexibility with respect to its requirements and regulations, such that projects can be advanced in a more timely and cost-effective manner. Some Caltrans personnel believe that OCTA staff members and their consultants could benefit from having more complete training with respect to these requirements and regulations, which would assist in keeping projects on schedule.

- Streets and Roads Project Delivery – OCTA recognizes that local jurisdictions differ with respect to their capacities to implement Streets and Roads projects. In general, larger jurisdictions tend to have staff that are more prepared and dedicated to M2 project delivery, while smaller jurisdictions may have fewer resources available to deliver

projects on schedule. This is a potential concern that should be monitored and may need to be addressed.

- <u>Fixed Guideway Project Implementation</u> – The development and implementation of fixed guideway projects in Anaheim and Santa Ana through Project S: Transit Extensions to Metrolink has been a new undertaking for the local jurisdictions. OCTA indicated that these projects have not been advancing at the schedule originally anticipated, due in part to the learning curve associated with the processes to establish these projects. However, OCTA is satisfied with progress on the technical analysis and expects the projects will be successfully implemented through OCTA's continued oversight of and partnership with local jurisdictions.

- <u>Keeping Track of Big Picture</u> – OCTA is doing an excellent job of tracking individual sub-projects (e.g., Project H: SR-91 Westbound (WB), I-5 to SR-57). However, one of the major challenges for the PMO office for a program of this magnitude is tracking the performance of the totality of the Ordinance projects as compared to the individual projects. To continue the example, Ordinance Project H is made up of multiple individual projects. The Dashboard, Quarterly Reports, and other standard reporting tools tend to report on these individual projects. Progress with the Ordinance project as a whole (i.e., total Ordinance project scope) is not documented on the Dashboard and is challenging to obtain.

2.3   Findings and Recommendations

Four findings and four recommendations for OCTA in the Project Delivery area are as follows.

<u>Project Delivery Finding #1:</u> OCTA has experienced some turnover in M2 project manager personnel. While staff turnover is a regular aspect of project delivery, OCTA has experienced vacancies in project manager positions that in some cases have taken more than a couple months to fill.

<u>Project Delivery Recommendation #1:</u> Having well qualified project managers in place is critical to proper oversight of the M2 program. It is important for OCTA to recruit highly qualified personnel to fill position vacancies in a timely manner and implement proven staff retention strategies.

<u>Project Delivery Finding #2:</u> OCTA has a robust Project Controls group in its Capital Programs Division, with 5 full-time equivalents including the manager (four OCTA and one contracted staff). These individuals support Highway (two staff members), Grade Separation (one staff person), and Transit/Rail (one staff person) projects as assigned based on current workloads. In the future this may change, though OCTA can reach out to its Program Management consultant for additional support if needed. OCTA's Project Controls group and its Program Management Office (PMO) both have important functions with respect to the tracking and reporting of OCTA's progress in project delivery, including schedule and budget adherence.

<u>Project Delivery Recommendation #2:</u> There are two suggestions related to Project Controls. First, the Project Controls group and the PMO office need to work closely together as a team to fulfill the PMO functional roles of compliance, management, fiscal responsibility, transparency

and safeguards. In effect the Project Controls group, while located under Capital Programs should function as direct extension of PMO office capability. The Executive Directors of Planning and Capital Programs should agree on this. Second, OCTA should ensure every M2 project manager has the latest training with the P6 Schedule module. Project Managers should be responsible for overall content accuracy, even when a different agency is the delivery lead (e.g., Metrolink).

Project Delivery Finding #3: During the assessment period, OCTA issued Calls for Projects for Projects O: Regional Capacity Project, P: Regional Traffic Signal Synchronization Program, S: Transit Extensions to Metrolink, and X: Environmental Cleanup. OCTA is taking steps towards Calls for Projects for Projects V: Community Based Transit/Circulators and W: Safe Transit Stops. The number of M2 projects to be undertaken by local jurisdictions in Orange County will increase significantly going forward.

Project Delivery Recommendation #3: The PMO office should develop a listing of all the Calls, including project type, frequency, and time of year for the respective Calls. This would alleviate potential bunching and facilitate Call applications.

Project Delivery Finding #4: Communication of schedule and budget information for M2 projects to external stakeholders is an important aspect of OCTA's work. Current progress with M2 Ordinance projects as a whole (i.e., total Ordinance project scope) is not documented on OCTA's M2 Dashboard and is challenging to obtain.

Project Delivery Recommendation #4: Recommendations related to the Dashboard are provided here as related to Project Delivery. Project delivery metrics through the Dashboard could be improved through the following:

- Regarding cost reporting in the Dashboard, OCTA should consider specifying if the planned cost displayed is for the individual project, current phase, or total for the Ordinance project category (Example: SR-57 (NB) Yorba Linda to Lambert segment progress versus Ordinance project G progress). This will make it easier for interested stakeholders to understand the information presented.

- OCTA should consider adding both an On Budget field (a simple Yes or No field) and a Percent Program Expenditure field (e.g., 8%, 15%) for the reporting of each project.

- OCTA should consider posting a general description of the other remaining individual projects to be carried out under a given Ordinance project category, to the extent they are known and if applicable.

- It is challenging to capture project performance as a percentage of milestones delivered. However, one way would be to list, within the dashboard area corresponding to a given M2 project, the list of individual projects that are under construction or completed.

3.0 Program Management / Responsiveness

3.1 Overview

For purposes of this performance assessment, the OCTA M2 Program Management/ Responsiveness function can be defined as the employment of process based activities designed to support the multiple components of the Renewed Measure M Transportation Ordinance and Investment Plan mission.

The M2 program management responsibility spans a number of OCTA organizational areas, and originates with the OCTA Board and Chief Executive Officer's leadership and policy directives. In 2006, to help meet its M2 program management responsibility, OCTA designated a staff member in the Finance and Administration Division to serve (along with other responsibilities) as the M2 Program Manager. As the M2 program accelerated, OCTA recognized the need for expanded program management and created a Program Management Office (PMO) in the Planning Division. In 2011, the current full-time M2 PMO Office and Project Manager were designated. Today, a fully functional Program Management Office fulfills its prescribed charter. Additionally, specific PMO policies, procedures, and protocols have been put in place and continue to be refined.

The significance of this M2 program delivery function is emphasized in the PMO Charter[8], adopted in June 2011. The stated purpose of the PMO is as follows:

OCTA is committed to fulfilling the promises made in M2. This means not only completing the projects described in the Investment Plan, but adhering to numerous specific requirements and high standards of quality called for in the Measure. The PMO is intended to provide unified oversight and action to ensure successful delivery. While other organizational units within OCTA carry out the Investment Plan's individual projects and programs, the PMO monitors and as appropriate analyzes and assesses, facilitates, coordinates, and reports on M2 activities and progress.

Additionally, the PMO Charter prescribes specific responsibilities to the PMO program management function. These are intended to promote unified oversight and actions in support of successful delivery of M2 programs and projects. From its Charter, the PMO must:

- Ensure compliance and consistency with M2 Ordinance provisions.
- Establish appropriate business processes and systems for effective and efficient delivery of M2 plans.
- Establish proper reporting of M2 receipts, expenditures, and accounting standards.
- Coordinate reporting of M2 Program status to internal and external stakeholders.
- Ensure implementation of safeguard measures established in M2 Ordinance.

These responsibilities illustrate the breadth of the M2 program management function, as they cut across all OCTA divisions engaged in the M2 program delivery effort.

---

[8] PMO Charter adopted June 2011

Exhibit 3-1 summarizes the M2 project life cycle process including project definition, design, and delivery. M2 program management functions are engaged throughout the project life cycle. Within the M2 Ordinance and Charter provisions, and through its management principles and practices, the OCTA PMO is engaged in a broad range of program management activities in support of M2 project delivery responsibilities.

Exhibit 3-1: Summary of M2 Program Management Functions
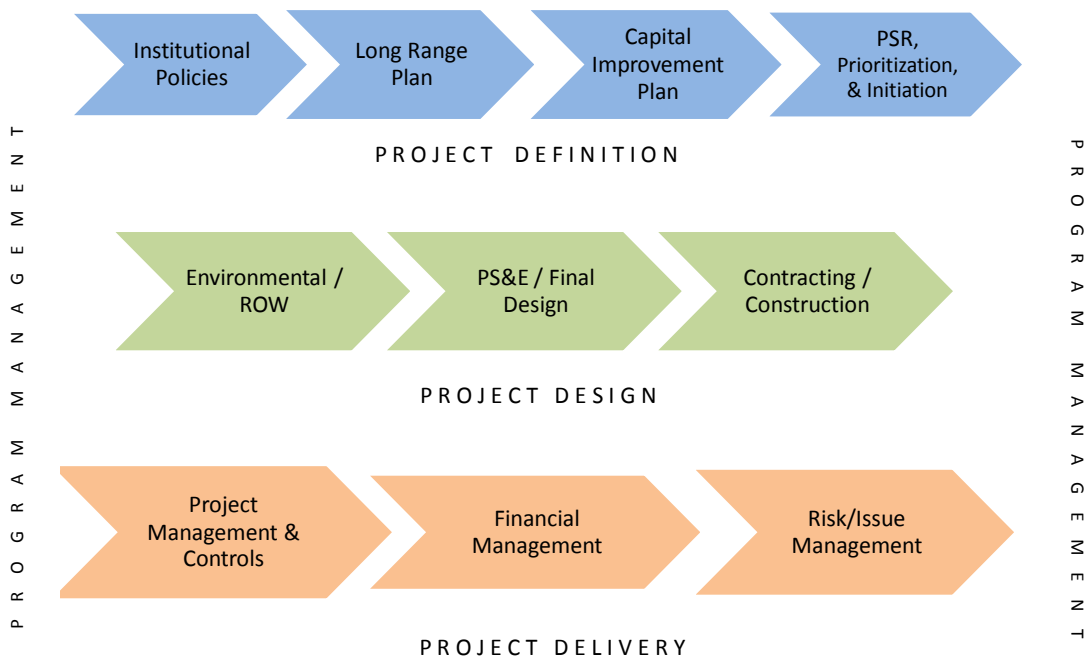
From its inception and through its full-time staff assignment, OCTA's PMO function has continued to evolve and mature. The assessment team notes that the PMO has demonstrated an exceptional commitment to M2 Ordinance provisions and to efficient and effective delivery of the M2 program. This is illustrated through the following noteworthy operations practices and management vehicles significant to establishing and preserving an effective program management effort:

- <u>M2 Management Committee:</u> The M2 Management Committee meets every two weeks and reviews M2 related issues, status of projects, and internal management items. The Deputy CEO chairs these meetings and the PMO sets the agendas. OCTA uses a tracking matrix of action items that identifies lead staff and status.

- <u>M2 Ordinance Matrix:</u> The PMO maintains a matrix of M2 Ordinance provisions to actively identify requirements and to serve as a point of reference for internal roles and responsibilities with respect to M2 compliance.

- <u>M2 Quarterly Reports:</u> The PMO leads preparation of M2 Quarterly Reports designed to keep the OCTA Board apprised of M2 program progress in a public setting, project financials and issues, and key project status.

- Public Information and Communications: The OCTA website, M2 webpage, and related links provide succinct M2 program information and excellent project-by-project detail, especially through its up-to-date Fact Sheets.

As the M2 program management and responsiveness function continues to evolve and continues to be refined, this assessment is timely and opportune. It is timely in its relevance to the launch of the M2020 Plan, and opportune in its capacity to identify, define, and implement important refinements.

Through the following discussion of this performance area, this assessment highlights important accomplishments that have been realized by OCTA and the PMO in organizing delivery of the aggressive M2020 Plan and associated programs. Discussion of specific findings, including challenges and opportunities, then sets a framework for a range of general recommendations intended to further fine-tune this key M2 program management activity.

3.2   Observations

Based on key document reviews and interviews with select OCTA staff, as well as the consultant team professional experience, a range of general observations and initial findings relevant to this assessment were noted. Towards this end, the assessment underscores the baseline observation that the effectiveness and efficiency of the OCTA organization and of its program management function is centered in its strategic vision and mission statements supported by its operating principles, policies, protocols, and operations practices specific to this function. Provided next is a description of the following:

- M2 Delivery Principles

- PMO Operations Goals and Protocols

- PMO Operations Management Practices

- PMO Operations Management Tools

- PMO Challenges

- PMO Opportunities

This information supports the program management recommendations provided in Section 3.3.

3.2.a: M2 Delivery Principles[9]

M2 operations management principles, adopted in the EAP and extended in the M2020 Plan, serve to direct and focus the organization toward key values as the organization progresses through its day-to-day M2 program activities. These key principles, first enumerated in the OCTA EAP and later carried forward to the M2020 Plan include:

- Project Readiness

- Congestion Relief and Demand

---

[9] Principles adopted for Early Action Plan and extended to M2020 Plan

- External Funding Availability

- Public Opinion and Support

- Project Sequencing and Connectivity

- Project Duration and Cycle

The OCTA Board and Executive Officer have endorsed additional organizational values through the approval of the OCTA Strategic Plan. These values are inherent to defining the culture of the OCTA organization and are noteworthy as they permeate across and throughout the OCTA family. They include:

- Integrity: Deliver as promised and do so ethically, fairly, and with transparency.

- Customer Focus: Treat our customers with care, consideration, and respect, providing friendly and reliable professional service responsive to their needs.

- Can-Do Spirit: Tackle challenges with innovation, vision, and strategic thinking.

- Communication: Provide consistent, timely, and reliable information in an open, honest, and straightforward manner.

- Teamwork: Work well together from a sense of shared purpose and mutual respect.

The OCTA Comprehensive Business Plan supplements these principles and values by providing financial analysis, strategic direction, and guidance towards establishing sound business principles for OCTA programs including M2.

3.2.b: PMO Operations Goals and Protocols[10]

The assessment team observes that beyond the foregoing formalized organizational values, a range of culture-based operating protocols are openly and visibly advanced through broader-based OCTA operations related to M2 program management operations. These include:

- M2 Management Committee: The M2 Management Committee meets every two weeks and typically reviews topics that include M2 related issues, status of projects, internal management items, and external influences.

- M2 Ordinance Matrix & Compliance Tracking: The PMO develops and maintains a matrix of M2 Ordinance provisions to clearly identify requirements, serve as a touchstone for internal roles and responsibilities, and provide guidance on compliance requirements to OCTA personnel.

- Triennial Performance Assessments: Outside contractors, managed through the PMO, develop these assessments to provide an independent evaluation of OCTA's progress on implementation of the M2 Program.

- M2 Quarterly Reports to OCTA Board: The PMO leads the preparation of Quarterly Reports designed to keep the Board apprised of M2 program progress, financials, issues, and key project status.

---

[10] From PMO Charter, adopted 2011

- Public Information and Outreach: Within the OCTA website, the M2 program webpage provides detailed, comprehensive, and timely information on M2 programs and projects. Project information included in up-to-date Fact Sheets provides excellent detail on individual projects.

The breadth of the foregoing protocols speaks not only to the attention that OCTA is directing to its program management function, but also highlights the breadth of responsibilities assigned to the PMO and to supporting OCTA divisions.

3.2.c: PMO Operations Management Practices

Established operations practices and management vehicles are important for establishing and preserving an effective program management function. From its inception and through its full-time staff assignment, OCTA's PMO function continues to evolve and mature. OCTA PMO practices include:

- Project Delivery Priorities: Project priorities are established early, first through the EAP, and more recently through the M2020 Plan. Delivery schedules are tracked at various stages, with early warnings of schedule slippage or cost escalations.

- Inclusive Program Management Participation: OCTA leadership and the PMO pursue full engagement and participatory management of M2 delivery responsibilities. This principle is still maturing and requires refinement as it relates to key activities such as project controls, risk and issues management, and change management, among others.

- Open Communications: The culture of OCTA as advanced through its Board of Directors and CEO and in combination with M2 Ordinance provisions promotes an environment of openness and accessibility to internal and external interests.

- Timely Progress Reporting: M2 Ordinance provisions have set a baseline and pattern for timely reporting of progress in delivering M2 projects and programs, including scheduled reports to the OCTA Board and the Taxpayers Oversight Committee, as well as provision of M2 project information to a variety of external stakeholders.

- Transparent & Informative Public Outreach: Public information and outreach are a high-priority throughout the OCTA organization. Multiple mediums, including the OCTA website, M2 Newsletters, Speakers Bureaus, and other outreach mediums are employed to fulfill this M2 program management and delivery function.

3.2.d: PMO Operations Management Tools

OCTA employs key operations management tools, first through its Primavera system managed through its Project Controls department in cooperation with OCTA's project managers. Primavera tracks start dates, end dates, and percent complete for primary milestones on a project-by-project basis, with dependencies identified that establish critical path items and potential bottlenecks.

In addition to the Primavera tool, the Project Controls group also works with project managers to prepare monthly status reports for each project that summarize projects status, schedules,

and budgets. Additionally, OCTA has employed SharePoint to enable document management and control across M2 initial pilot projects including:

- Financial management tracking

- Program management tracking

- Project management tracking

- Risk/issues management

- Document controls and archiving

The value and effectiveness of SharePoint was successfully demonstrated through pilot projects, including grade separation projects, confirming broad benefits to OCTA program management functions.

SharePoint and Primavera can be credited with improving OCTA's program management effectiveness and efficiency. Key program management outputs from these applications have considerably improved interagency communications and have enhanced M2 public information and outreach activities.

With the foregoing PMO operating environment and operations management systems in mind, the following sections then discuss related challenges and opportunities, and through these, propose program refinements that would address these challenges and help capitalize on these opportunities.

3.2.e: PMO Challenges

M2020 Implementation: The recently adopted M2020 Plan calls for nearly $5 billion in freeway, streets and roads, transit projects, and environmental programs to be delivered through the year 2020. Delivery of M2020 requires a precise plan of finance, a capital improvement plan, a resource allocation plan, and a risk management plan, all directed at fulfilling an aggressive schedule of project activities. Additional anticipated challenges include managing the changing project-delivery environment, including cost uncertainties, availability of qualified private contractors, and the associated challenge of meeting prescribed delivery schedules.

PMO Budget Limitations: The 1% administrative budget limitation established in the M2 Ordinance limits growth in staffing and in associated administrative and operations costs, creating an institutional challenge. Addressing this challenge will involve an organization-wide analysis of program management and responsiveness hierarchies, roles, responsibilities, and associated cost allocation strategies.

Staffing & Operating Resources: As OCTA capital improvements and corresponding transportation operations activities grow the expansion of supporting program management functions must necessarily follow. Precise definition of the PMO function, together with estimates of required program management resources represent both near and long-range challenges. In the meantime, staff resource balancing, training, and consultant management continues to stretch available resources.

Program Management Roles & Responsibilities: Sharing program management roles and responsibilities across divisions as well as through functional areas reaching to the project management level can leverage resources and corresponding cost allocations.

Cross-Divisional Communications/Coordination: The importance of building cross-divisional awareness and buy-in to the M2 program management mission adds to the broader organizational management challenge.

PMO/Project Manager Relationships: Project managers have important roles that involve close interface with the M2 program management function. As an example, early identification of project risks and issues or stakeholder concerns can allow for early resolution and avert potentially greater impacts to the broader M2 program. Challenges associated with these important roles could be amplified by "distance" in the organizational structure between the PMO and project managers.

3.2.f: PMO Opportunities

M2 Program Management Roles & Responsibilities: Through a formalized organizational review of M2 program management functions and corresponding cross-divisional roles and responsibilities, OCTA could identify M2 program management gaps. Beyond a roles and responsibilities assessment, the review could address budget constraints prescribed by M2 Ordinance provisions and research avenues for meeting associated shortfalls.

PMO Budget Limitations: Compliance with the M2 1% administrative cost cap is a high-emphasis area of program responsiveness with OCTA management. Acknowledging that with programs as substantial as M2, administrative functions and associated costs are typically 'front-loaded,' managing M2 administrative costs to the prescribed 1% annual cap may in part be addressed through multi-year cost-leveling. More specifically, a precise demarcation between program costs and project costs could be achieved through limitations of administrative costs attributable to project delivery.

Program Coordination & Communications: Streamlined communications between M2 project managers, the PMO, and division executives could promote improved coordination and communication protocols and mediums. Formalization or streamlining could take various forms, such as ease of managing Primavera databases and inputs, to creating internal communications vehicles that strengthen internal awareness of M2 program status and progress.

Program Management Training: Staff training and education is an ongoing challenge in any organization. Nonetheless, properly designed and administered, training could produce broad and valuable benefits to the organization and to the public at large. These could include enhancing the cohesiveness of the organization family and strengthening its commitment to its broad mission. In the case of M2 program management function, OCTA-branded training modules specific to M2 could further enhance outcomes across training objectives.

3.3 Findings and Recommendations

Three findings and three recommendations for OCTA to consider in the Program Management/ Responsiveness area are as follows.

Program Management Finding #1: Through a formalized organizational review of M2 program management functions and corresponding cross-divisional roles and responsibilities, OCTA could identify M2 program management gaps. The review could also address budget constraints prescribed by M2 Ordinance provisions and research avenues for meeting associated shortfalls.

Program Management Recommendation #1: OCTA should review organization-level M2 program management functions and definitions of associated functional responsibilities. This effort will identify key division-of-labor opportunities through:

- A precise definition of M2 "administration" and associated activities relating specifically to M2 program activity.

- Clear demarcations of project-based work, and appropriate limitations on administrative expenses that are not directly attributable to project-based activity.

Program Management Finding #2: Streamlined communications between M2 project managers, the PMO, and division executives could promote improved coordination and communication protocols and mediums. Formalization or streamlining could take various forms, such as ease of managing Primavera databases and inputs, to creating internal communications vehicles that strengthen internal awareness of M2 program status and progress.

Program Management Recommendation #2: Through enhanced communications with M2 project managers, the PMO and division executives should promote improved coordination and communications protocols and mediums. Specific enhancements include:

- Streamline the maintenance of Primavera databases and data inputs, and enhance uses of system outputs.

- Enhance internal program coordination and communications vehicles.

- Promote early project issues identification and resolution.

- Initiate individual and project team recognition programs that promote M2 project and program management enhancements.

Program Management Finding #3: Staff training and education is an ongoing challenge in any organization. Nonetheless, properly designed and administered, training could produce broad and valuable benefits to the organization and to the public at large. These could include enhancing the cohesiveness of the organization family and strengthening its commitment to its broad mission. In the case of M2 program management function, OCTA-branded training modules specific to M2 could further enhance outcomes across training objectives.

Program Management Recommendation #3: Within current staff training program budget(s), OCTA should ensure that M2 administrative budget provisions and associated compliance

guidelines are being met. Through properly designed staff training modules, OCTA training for new staff and refresher training for existing staff should address:

- M2 Ordinance provisions and compliance approaches.

- M2 Program delivery policies and associated policy administration strategies.

- Cost allocation, time management, and timesheet reporting requirements.

4.0   Compliance

4.1   Overview

The compliance section of this report evaluates OCTA's approach to ensuring compliance with the Renewed Measure M Transportation Ordinance No. 3, dated July 24, 2006. Key requirements from the Ordinance are summarized in Exhibit 4-1.

Exhibit 4-1: Summary of M2 Ordinance Compliance Requirements

Environmental Cleanup Program	**2% of Gross Revenues**
Audits, Safeguards, and Taxpayer Protection	**1% of Gross Revenues**
Authority Administrative Staff	**No More Than 1% of Total**
Use of Net Revenues	**43% Freeways, 32% Streets and Roads, 25% Transit**
Local Jurisdiction Participation	**Eligibility Criteria and Matching Fund Requirements**
Taxpayer Oversight Committee	**Review and Certify Overall Spending Decisions**

A description of key requirements is as follows:

- Net Revenue: Net revenue is defined as gross revenue from the Measure M2 sales tax, minus the following deductions:

  1) Amounts payable to the State Board of Equalization for the performance of administration and operation functions of the Ordinance.

  2) Costs for OCTA's administration of the Ordinance, including salaries, wages, benefits, overhead, and services. *The amount expended for salaries and benefits of OCTA staff to administration of the M2 Program shall not exceed one percent of gross revenue in any year.*

  3) Two percent of gross revenue allocated annually for Environmental Cleanup.

  4) Satisfaction of debt service requirements of bonds issued pursuant to the Ordinance that are not satisfied out of separate allocations.

  The use of net revenue is to be allocated solely for the transportation purposes described in the Ordinance, which specifies that:

  - 43 percent of net revenues will be used for freeway projects, focused on new freeway construction.

- o 32 percent will be used for streets and roads projects, including fixing potholes, improving intersections, and synchronizing traffic signals.

- o 25 percent will be used for transit projects, including high frequency Metrolink service, transit extensions to Metrolink, and senior transportation programs.

- Safeguards: The safeguards established to ensure strict adherence to the limitations on use of revenues include the following:

  - o Each jurisdiction will distinguish the receipt, maintenance, and expenditure of M2 Net Revenues separately from other funding sources.

  - o No jurisdiction shall use Net Revenues for purposes other than what is authorized in the Ordinance. Interest earned on Net Revenues shall be expended only for those purposes for which the Net Revenues were allocated.

  - o A Taxpayers Oversight Committee is established to provide an enhanced level of accountability for expenditure of Revenues under the ordinance.

  - o The Chair of the Taxpayers Oversight Committee certifies annually whether revenues have been spent in compliance with the Ordinance.

  - o A performance assessment will be conducted every three years to evaluate the efficiency, effectiveness, economy, and results of OCTA in satisfying the provisions and requirements of the Ordinance.

  - o Quarterly status reports regarding major M2 projects shall be brought before OCTA in public meetings.

  - o OCTA shall annually publish a report on how all Revenues have been spent and on progress in implementing M2 projects.

  - o A comprehensive review of all M2 projects and programs shall be conducted at least every ten years, to evaluate the performance of the overall program.

- Maintenance of Effort: M2 streets & roads funding is meant to supplement existing local discretionary funds being used for transportation improvements. Local jurisdictions in Orange County are to annually maintain, as a minimum, a maintenance of effort amount of local discretionary funds as specified in Ordinance No. 2, adjusted for inflation every three fiscal years.

- Amendments: Amendments to the Ordinance can be made to provide for the use of additional funding, to account for unexpected revenue, or to take into account unforeseen circumstances. Public hearings on proposed amendments must be held, and amendment adoption requires a two-thirds vote of the OCTA Board of Directors. Additional requirements apply to amendments that change programs or projects, or that change funding allocations among the four major categories of freeway projects, street and road projects, transit projects, and environmental cleanup projects.

4.2   Observations

As noted in Section 2, OCTA developed a detailed Ordinance Tracking Matrix in early 2012. The Compliance Matrix contains both general M2 program compliance requirements as well as requirements specific to each individual project. For each requirement, OCTA provides a description of the compliance item, the citation within the Ordinance that the item stems from, the OCTA division that is primarily responsible for compliance, the compliance timeframe, the status, and notes. This matrix is an effective method for OCTA to track compliance with the M2 Ordinance, provided it is updated on a regular basis.

Net Revenue: Several OCTA personnel noted that complying with the one percent cap on OCTA M2 administrative expenses is one of the most challenging aspects of the ordinance. A key requirement of the M2 Ordinance is that the 1% administrative cap applies for each year – whereas for the previous Measure M ordinance adopted in 1990, the administrative cap applied to the entire life of the ordinance, and the administrative expenses could therefore be averaged over multiple years.

OCTA personnel noted a couple key points relevant to the one percent administrative cap:

- Administrative expenses for capital project delivery tend to be higher during program and project startup, as project management systems and protocols need to be established. Administrative expenses then trend lower once project delivery activities are further underway. With the one percent administrative cap applying in each year of the ordinance timeframe, this trending is not taken in account.

- With Board approval of the Early Action Plan (EAP) in August 2007, OCTA began the delivery of M2 projects in 2008 - prior to the start of M2 sales tax revenue collection in 2011. In order to cover administrative expenses incurred prior to the start of M2 revenue collection, the OCTA Board acted to borrow funds from the Orange County Unified Transportation Trust Fund (OCUTT) which will be repaid over time.

OCTA tracks other compliance aspects associated with net revenue closely, including the allocation of net revenue between freeway, streets & roads, and transit projects, the revenue allocation to environmental cleanup, and satisfaction of debt service requirements. OCTA reports actual M2 revenues and expenditures to the Taxpayers Oversight Committee on a quarterly basis.

Safeguards: OCTA complies with each of the safeguards specified in the M2 Ordinance. This includes the following:

- OCTA works with each jurisdiction in Orange County to ensure M2 revenues are being used appropriately. OCTA personnel meet with representatives from every city at least twice a year to review project delivery and reporting requirements associated with M2 streets and roads projects.

- The Taxpayers Oversight Committee serves the functions specified in the M2 Ordinance, which includes determining if the Authority is proceeding in accordance with the Ordinance. The Taxpayers Oversight Committee meets every two months at OCTA.

- An independent performance assessment of OCTA in satisfying the provisions and requirements of the M2 Ordinance has been conducted every three years. The first M2 performance assessment was completed by the Orange County Business Council, covering the period from November 2006 to June 2009. This report is the second M2 performance assessment, covering the period from July 2009 to June 2012.

- OCTA regularly reports its progress on the delivery of M2 projects in Board meetings, Regional Planning and Highways Committee meetings, and Transit Committee meetings which are held at OCTA on a regular basis and are open to the public. OCTA also prepares quarterly reports on M2 progress for the OCTA Board.

Maintenance of Effort: In working with the local jurisdictions, OCTA certifies that each jurisdiction in Orange County annually maintains a minimum maintenance of effort amount of local discretionary funds as specified in the M2 Ordinance, adjusted for inflation.

Amendments: OCTA presented to its Board of Directors a formal amendment to shift funding from Project J: SR-91 Improvements to Project K: I-405 Improvements, in order to authorize additional funding to cover the expected additional expenses on Project K relative to the original budget estimate.

4.3 Findings and Recommendations

One finding and one recommendation for OCTA in the Compliance area are as follows.

Compliance Finding #1: OCTA developed a detailed Ordinance Tracking Matrix in early 2012. The Compliance Matrix contains both general M2 program compliance requirements as well as requirements specific to each individual project. For each requirement, OCTA provides a description of the compliance item, the citation within the Ordinance that the item stems from, the OCTA division that is primarily responsible for compliance, the compliance timeframe, the status, and notes. This matrix is an effective method for OCTA to track compliance with the M2 Ordinance, provided it is updated on a regular basis.

Compliance Recommendation #1: The M2 Ordinance Tracking Matrix developed by OCTA is a great tool to serve OCTA, and the PMO office in particular. The project by project part of the Matrix (i.e., pages 6 to 15) can be filled in by the individual project managers for status and progress, and maintained by the PMO office. Also, the matrix should be made available to the M2 Taxpayers Oversight Committee.

5.0 Fiscal Responsibility

5.1 Overview

The fiscal responsibility section of the report evaluates OCTA's efficiency and effectiveness in structuring the fiscal approach to M2 project and program delivery.

As described in the M2 Program Management Office Charter, the PMO's functional responsibilities with respect to fiscal responsibility include ensuring:

- Proper reporting and ongoing review of M2 receipts, expenditures and accounting of M2 business proceeds to meet business and agency standards.

- Uses of M2 and related external funding follow the provisions of the ordinance.

More holistically, OCTA's fiscal responsibilities for the M2 program could be defined to include a broader spectrum of activities, including project selection as well as management and oversight of M2 funds, and ensuring compliance with financial aspects of M2 mandates such as using M2 funds to leverage opportunities to expand project funding. These areas, summarized in Exhibit 5-1, have been considered in the assessment of OCTA's delivery of its fiscal responsibilities for the M2 program.

Exhibit 5-1: Fiscal Responsibility Objectives and Strategies

Objectives	Strategies
Merit-Based Project Selection	• Clear, measurable evaluation criteria • Encourage cost-effectiveness • Look for project coordination opportunities
Prudent Management of M2 Funds	• Control project costs without reducing effectiveness • Project reporting to identify issues early • Sound policies for financing and investment
Leverage External Funding	• Consider all available grant opportunities • Full compliance with applicable requirements • Seek private sector participation

5.2   Observations

As noted throughout this report, OCTA is to be commended for its accomplishments in administering and managing the M2 Program and ensuring that it is delivered efficiently and economically. Specifically with respect to fiscal responsibility, the Early Action Plan created a need to identify additional funding sources that could be leveraged to initiate delivery of the Program prior to the collection of any M2 revenues. OCTA succeeded in leveraging anticipated M2 revenues through the bond market, as well as in the use of federal and State funding sources. This in turn enabled OCTA to take advantage of the effects of the recession on the competitive bidding environment that was particularly evident as the EAP kicked off, despite the reduction in M2 revenue projections.

As noted below, OCTA staff also developed guidelines for the local fair share grant program and forged new relationships with eligible and participating jurisdictions to ensure ongoing compliance with M2 requirements.

Findings, including both successes and challenges, are presented below for each of the following areas:

- Administrative expenses
- Cost allocation
- Revenue risk
- Program financing
- Project monitoring and oversight

5.2.a: Administrative Expenses

Section 7 of the M2 ordinance pertains to administrative requirements. It specifies that:

> Revenues may be expended by the Authority for salaries, wages, benefits, and overhead and for those services, including the contractual services, necessary to carry out its responsibilities pursuant to Division 19; however, in no case shall the Revenues expended for salaries and benefits of Authority administrative staff exceed more than one percent (1%) of the Revenues in any year.

Both Measure M and Measure M2 include 1% caps on administrative expenses for salaries and benefits of OCTA administrative staff, but the M2 language sets the cap on an annual basis, whereas the original Measure M set it as an annual average over the life of the measure. In a legal opinion on the issue of funding M2 administrative expenses subject to the 1% cap, OCTA's attorneys concluded that the 1% cap on M2 administrative expenses is applicable each year and that, unlike Measure M, it may not be calculated as an annual average over the life of the measure. In effect, under the Measure M calculation, the amount that could be charged against the 1% cap was 1% of whatever revenues had been collected since revenue collections began.

For example, assuming the annual revenue collections shown in Exhibit 5-2 below, under Measure M it was possible to expense up to $100,000 of costs incurred in the first year, $150,000

of costs incurred in the first two year, and $400,000 of costs incurred in the first three years. Under M2, if costs exceed the revenue collected each year, OCTA must borrow to cover the difference until revenues exceed expenses incurred in the current year and are available to fund expenses incurred in a previous year as well as the costs of financing the funds borrowed to cover the shortfall in the earlier year.

Exhibit 5-2: Example of 1% Cap Calculation Under M2

	Revenue Collected	1% of Revenue Collected	Cumulative 1%
Year 1	$10,000,000	$100,000	$100,000
Year 2	$5,000,000	$50,000	$150,000
Year 3	$25,000,000	$250,000	$400,000

In summary:

- The annual cap impacts cash flow on an annual basis, whereas the previous language provided greater flexibility for covering administrative costs over the length of the program.

- During the 30 years that M2 revenues are collected, OCTA is able to charge up to 1% of total tax revenues per year and to cover any excess charges using balances available for administrative expenses in prior or future years.

- Any M2 expenses for administrative salaries and benefits that exceed the 1% cap have been funded by borrowing from the Orange County Unified Transportation Trust Fund (OCUTT), including all administrative salaries and benefits incurred prior to April 2011 as a result of EAP implementation.

- Based on the Measure M experience, administrative expenses will continue to be incurred as projects are being closed out and after M2 revenue collections cease in 2041. These expenses will need to be funded from another source based on the current ordinance language.

- In addition to direct charges to administrative costs, indirect costs are also incurred as a result of OCTA's cost allocation plan (CAP), as discussed further below, in Section 5.2.b.

Based on the original M2 revenue projections, OCTA expected to receive $24.3 billion in M2 funds, with 1% of total revenues available to fund administrative salaries and benefits over the life of the program. As M2 revenue projections declined as a result of economic conditions, the funds available to support administrative salaries and benefits have also declined from the original expectations. While revenue has declined, the administrative effort needed to deliver M2 remains the same.

As of June 30, 2012, $8.3 million in administrative/overhead salaries and benefits had been charged to the M2 administrative cap since the initiation of the EAP. Based on M2 revenues received through that date, $3.1 million were available to fund these administrative costs, leaving a shortfall of $5.2 million which has been funded by borrowing from OCUTT. This is

shown in Exhibit 5-3. Over time, it is planned that OCUTT will be repaid by under-running available administration funds.

Exhibit 5-3: OCTA M2 Administrative Expenses Through June 30, 2012

	2007	2008	2009	2010	2011	2012	Total to Date
Revenues							
M2 Sales Tax	0	0	0	0	61,121,168	252,132,453	313,253,621
Operating Interest	0	0	0	(3,465)	(59,782)	547,855	484,608
Total sales tax and interest	0	0	0	(3,465)	61,061,386	252,680,308	313,738,229
Expenditures							
Salaries & Benefits - Administration/overhead	22,622	218,401	854,193	1,233,981	2,594,840	3,396,845	8,320,882
Salaries & Benefits - Driect	4,374	500,389	1,491,570	2,654,460	3,563,189	4,509,083	12,723,065
Salaries and Benefits - Subtotal	26,996	718,790	2,345,763	3,888,441	6,158,029	7,905,928	21,043,947
Other administrative costs	14,073	598,495	1,504,199	1,986,697	2,939,781	3,445,941	10,489,187
Total Administrative Costs	41,069	1,317,285	3,849,962	5,875,138	9,097,810	11,351,869	31,533,134
1% Admnistrative Cap							
1% of Measure M2 Sales Tax	0	0	0	(35)	610,614	2,526,803	3,137,382
Amount of salaries & benefits/admin under/(over) 1%	(22,622)	(218,401)	(854,193)	(1,234,016)	(1,984,226)	(870,042)	(5,183,500)
OCUTT funding of salaries & benefits*							
Salaries & Benefits - Administration/overhead	22,622	218,401	854,193	1,234,016	1,984,226	870,042	5,183,500

The Project Management Office is working with OCTA staff to manage administrative costs by ensuring that M2 project-specific administrative costs are charged to the appropriate project, and by tracking both project-specific and non-project administrative charges on an on-going basis. This is to meet the requirements of the Ordinance and so that charges that exceed the 1% cap can be offset by administrative funds available from another year. Currently, time charging cannot be controlled at the data entry point and must be enforced by education, communication, and after-the-fact review and adjustment of timesheet data. OCTA should consider an automated time reporting system to help with this effort.

Going forward, OCTA should continue its efforts to manage administrative costs, ensure that project-specific administrative costs are charged appropriately, and confirm a strategy for funding administrative costs that exceed the 1% cap over the course of the M2 program, including the EAP and the closeout period that pre-date and post-date the collection of M2 revenues from April 2011 to March 2041.

5.2.b: Cost Allocation

OCTA costs are categorized as either direct or indirect:

- Direct costs can be identified specifically with a particular project, program, or activity, such as employee compensation for time devoted to a specific project, costs of materials acquired for a project, travel incurred specifically for a project, and equipment and other capital expenditures associated with a project.

- Indirect costs are those that have been incurred for the common good, benefit more than one cost objective, and cannot be easily identified with a particular project, program or activity.

Cost allocation plans provide a methodology for calculating indirect cost rates to be used to allocate indirect costs to projects, programs or activities, in order to determine their fully allocated costs for purposes such as complying with external reporting requirements (such as the Federal Transit Administration's National Transit Database reporting requirements), charging to capital grants (the FTA allows transit agencies to charge indirect costs against capital grants as long as an approved cost allocation plan is used to determine the costs subject to federal funding), allocating costs for purposes of jurisdictional subsidy reimbursements and to set fees that reflect the full cost of providing a program or service, and providing an accurate picture of true project costs that allows for better management decisions regarding cost effectiveness.

OCTA's Cost Allocation Plan (CAP) uses a multiple rate method to calculate indirect cost rates. This approach recognizes that indirect costs benefit the agency's functions in varying degrees. Costs are accumulated into separate cost groupings, then allocated using a base that best measures the relative benefits of each cost pool (e.g., accounts payable costs are allocated on the basis of transactions performed). First, direct costs are allocated to the various organizations (e.g., OCTD, LTA (M1 and M2), SAFE, CURE, OCTAP, etc.) based on time sheet reporting. Secondly, indirect costs are allocated to the various organizations using a specific basis, then indirect costs that are allocated to the General Fund are redistributed to the various organizations, including the LTA (Local Transportation Authority).

The payroll interface, performed bi-weekly, allocates vacation, sick and holiday time to M2 in proportion to the way all of the people in a department charge their time for a pay period. For a department with staff working on M2 projects, the vacation, sick, and holiday costs of M2 staff are allocated to M2 in proportion to the overall time charged by the department to M2. For example, for a department that charges 75% of work time to OCTD and 25% to M2, the vacation time for someone working exclusively on M2 would be charged 25% to M2 and 75% to OCTD. Similarly, the vacation time of someone in that department charging all of their time to OCTD would be charged 25% to M2 and 75% to OCTD. Now that Measure M and M2 are such a significant portion of OCTA's overall program, OCTA may wish to review the impacts of the payroll interface on M2 administrative expenses.

Currently, information is not readily available to the Program Management Office on the costs that are allocated in this way against the 1% administrative cap. Without insight into these CAP-allocated charges, it is difficult for the PMO staff to have a comprehensive understanding of the costs they are responsible for managing.

OCTA may also wish to consider alternatives to the Cost Allocation Plan to recognize that a significant portion of M2 costs are expended through contractors and consultants. This approach would allocate costs against a base that represents capital expenditures made to contractors, possibly through a base such as contractual dollar values.

It is understood that there may be costs as well as benefits to making these changes. It is therefore recommended that OCTA evaluate these costs and benefits, including the cost of borrowing to fund the 1% cap overruns.

5.2.c: Revenue Risk

The year 2005 forecast for M2 sales tax revenues over the life of the program was $24.3 billion. In May 2010, M2 revenue projections were $13.7 billion, or about 44% lower than originally projected. With recent improvements in the economy, the Spring 2012 forecast has improved to $15.5 billion. Fluctuations of this magnitude can have significant implications for achievement of the M2 program.

After three years of declines in sales tax revenues (FY2009 – FY2011), the forecasts for FY2012 and FY2013 are positive relative to prior years. OCTA's Spring 2012 forecast was developed using an average of forecasts of sales tax growth rates provided by Chapman University, Cal State Fullerton, and UCLA. All three forecasts are bullish with respect to economic recovery over the next five years and positive over the long term. The CSU Fullerton forecast tends to be more conservative and UCLA tends to be more aggressive with respect to the economic recovery and future economic trends, as shown in Exhibit 5-4:

Exhibit 5-4: M2 Sales Tax Revenue Forecasts, Growth Projections

Forecast Period	UCLA	Chapman	CSU, Fullerton
1-year rate (FY2013)	7.22%	6.19%	3.31%
Avg 3-year rate (FY13-FY15)	7.15%	6.10%	4.72%
Avg 5-year rate (FY13-FY17)	7.33%	5.71%	4.54%
Avg 10-year rate (FY13-FY22)	5.47%	5.24%	3.96%
Avg 30-year rate (FY12-FY41)	4.56%	4.82%	3.99%

Source: OCTA financial workshop presentation, Measure M2 Sales Tax Forecast, 2012

Revenue fluctuations and the accuracy of the projections pose a risk for the M2 program. Given the variability of the underlying forecasts, OCTA may find it helpful to provide a range of forecast scenarios – either high/low or high/medium/low – to supplement OCTA's average forecast approach for delivery of the M2020 Plan.

5.2.d: Program Financing

The Renewed Measure M Transportation Investment Plan, in its discussion of Taxpayer Safeguards and Audits, mandates that "every effort shall be made to maximize matching state and federal transportation dollars." While Ordinance No. 3 prefers pay as you go financing, it permits bond financing where pay as you go financing is not feasible. Implementation of the EAP and the magnitude of the highway programs, combined with the decision to adopt alternative (bond) financing, created opportunities for OCTA to achieve economies in several areas, such as:

- Taking advantage of more competitive construction costs, resulting in more than $100 million in cost savings relative to engineers' cost estimates.

- Securing unanticipated state and federal funding for shovel-ready projects, including $135 million in federal ARRA dollars as well as $612 million in State Proposition 1B funds for highway, streets and roads, and transit projects.

- Leveraging historically low interest rates (4.33% on long term borrowing) and federal Build America Bonds (on which the federal government pays 35% of interest costs), resulting in financing costs of approximately $288 million.

The effects have been to significantly increase revenues from external funding sources and reduce construction costs, offsetting the cost of financing.

Looking forward, the recently enacted federal legislation, Moving Ahead for Progress in the 21st Century (MAP-21), will expand the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, which provides secured loans, loan guarantees, lines of credit, and now master credit agreements with total Federal assistance available for up to 80% of project cost. Although that program is very competitive, its expansion is likely to help OCTA secure funding.

5.2.e: Project Monitoring and Oversight

In implementing the local fair share (Project Q) and senior mobility (Project U) programs, OCTA staff members have been proactive in developing guidelines and procedures and providing assistance and support for city staff, with the objective of providing program oversight and ensuring compliance with M2 requirements pertaining to project reporting. OCTA personnel have also made significant efforts to be flexible and to work with local jurisdictions to accommodate their needs.

For example, one M2 requirement pertains to expenditure reporting and project reporting. Recognizing that OCTA staff had working relationships with city engineers but not with finance directors, Finance and Administration staff initiated annual meetings with their counterparts in the local jurisdictions to share information on program requirements, in an effort to ensure that the annual expenditure reporting requirements would be met:

- At the first Finance Directors' Workshop in June 2011, OCTA staff went through the M2 Ordinance, recent audit findings, revenue forecasts, and expenditure reporting requirements. OCTA also explained the sales tax cash flow and the lags between revenue collection, receipt by OCTA, and transfer of funds to the jurisdictions. With only three months of revenue collections in FY 2011, not all local jurisdictions had received any money or had anything to report.

- A second workshop was conducted in July 2012 and for that fiscal year, every local jurisdiction had reporting requirements. OCTA staff reminded local jurisdictions via e-mail about the reporting requirements and the local jurisdictions reported and updated their data on-line.

In some cases, local jurisdictions experienced a drop in funding for transit as a result of M2 (only three months of revenue was collected in FY 2011). OCTA has used State Transportation Development Act (TDA) funds to make local jurisdictions whole. Because ten local jurisdictions

chose not to participate in the senior mobility program, OCTA was able to flex the available funds and used them to supplement the fare stabilization fund.

5.3   Findings and Recommendations

Three findings and three recommendations for OCTA in the Fiscal Responsibility area are as follows.

Fiscal Responsibility Finding #1: Based on the original M2 revenue projections, OCTA expected to receive $24.3 billion in M2 funds, with 1% of total revenues available to fund administrative salaries and benefits over the life of the program. As M2 revenue projections declined as a result of economic conditions, the funds available to support administrative salaries and benefits have also declined from the original expectations. While revenue has declined, the administrative effort needed to deliver M2 remains the same. As of June 30, 2012, $8.3 million in administrative/overhead salaries and benefits had been charged to the M2 administrative cap since the initiation of the EAP.

Fiscal Responsibility Recommendation #1: Continue efforts to manage administrative costs and ensure that project-specific administrative costs are charged appropriately. Confirm a strategy for funding administrative costs that exceed the 1% cap over the course of the M2 program, including M2 administrative expenses incurred prior to April 2011 and after March 2041.

Fiscal Responsibility Finding #2: OCTA's Cost Allocation Plan (CAP) uses a multiple rate method to calculate indirect cost rates. This approach recognizes that indirect costs benefit the agency's functions in varying degrees. Costs are accumulated into separate cost groupings, then allocated using a base that best measures the relative benefits of each cost pool (e.g., accounts payable costs are allocated on the basis of transactions performed). First, direct costs are allocated to the various organizations (e.g., OCTD, LTA (M1 and M2), SAFE, CURE, OCTAP, etc.) based on time sheet reporting. Then, indirect costs are allocated to the various organizations using a specific basis. Indirect costs that are allocated to the General Fund are redistributed to the various organizations, including the LTA.

Currently, information is not readily available to the Program Management Office on the costs that are allocated in this way against the 1% administrative cap. Without insight into these CAP-allocated charges, it is difficult for the PMO staff to have a comprehensive understanding of the costs they are responsible for managing.

Fiscal Responsibility Recommendation #2: In order to manage M2 administrative expenses, it is important for PMO staff to understand the indirect costs that are allocated to the M2 administrative expense code. Currently, the detail is not readily identifiable. OCTA should determine the extent of these charges and make that information available to the Project Management Office, to assist them in understanding the extent of the impacts of the current CAP allocations on M2 administrative expenses and in managing the administrative expense budget.

OCTA should also consider alternatives to the CAP that more effectively allocate indirect charges to capital projects. One way to recognize and allocate these costs could be through a

basis such as the dollar value of capitalized contracts. Other approaches to minimizing the impact of the CAP on administrative expenses could include automating time reporting and reassigning the non-project time of staff who work exclusively on M2 projects to M2 administration for the specific M2 project. In reviewing this alternative, OCTA should evaluate their costs and benefits, including the implications of the cost of borrowing to fund overruns against the 1% cap.

Fiscal Responsibility Finding #3: The year 2005 forecast for M2 sales tax revenues over the life of the program was $24.3 billion. In May 2010, M2 revenue projections were $13.7 billion, or about 44% lower than originally projected. With recent improvements in the economy, the Spring 2012 forecast has improved to $15.5 billion. Fluctuations of this magnitude can have significant implications for achievement of the M2 program.

Fiscal Responsibility Recommendation #3: With respect to M2 revenue projections, consider providing the range of forecast scenarios (high and low) in addition to OCTA's average forecast approach. This would underscore the variability of sales tax forecasts that OCTA uses to project M2 revenues and help OCTA manage towards revised revenue projections over the life of the M2 program.

6.0   Transparency and Accountability

6.1   Overview

The Transparency and Accountability section of this report evaluates how fully, intelligibly, and otherwise appropriately OCTA reports on M2 matters to the Board of Directors, the Taxpayers Oversight Committee (TOC), the general public, and other stakeholders.

The M2 Program is among OCTA's most transparent and publicly visible programs. Balancing the appropriate levels of effort to transparency and accountability (the strategies for promoting awareness) relative to the costs of these strategies can be challenging given funding constraints. This challenge is especially common to government agencies including OCTA that serve broad and diverse populations of the general public. OCTA has addressed this challenge by utilizing a variety of communications strategies, including the OCTA website, newsletters and publications, and group e-mail distribution lists that can reach numerous stakeholders at once. In addition to leveraging relatively lower cost strategies, OCTA also holds project-level meetings and follows up on specific stakeholder inquiries in-person, by phone, and by mail. OCTA also provides much of its information to the general public in at least three languages: English, Spanish, and Vietnamese.

6.2   Observations

Our evaluation of OCTA's effectiveness in the transparency and accountability area was performed primarily through interviews with a cross-section of external stakeholders, as identified in Exhibit 6-1.

Exhibit 6-1: External Organization Interview List

American Council of Engineering Companies (ACEC)	Measure M2 Taxpayers Oversight Committee
Auto Club (AAA) of Southern California	OCTA Citizens' Advisory Committee
California Department of Transportation (Caltrans), District 12	OCTA Environmental Oversight Committee
City of Laguna Hills	Orange County Business Council
Los Angeles/Orange County Building Trades	Orange County Taxpayers Association
LSA Associates, Inc.	The Irvine Company

Overall, the stakeholders interviewed for this assignment have a high level of satisfaction with OCTA's transparency and accountability when communicating about M2 projects. The significant majority of stakeholders interviewed report that OCTA has been clear, consistent, and timely in its communications, and that they were welcomed to provide feedback in time to be incorporated into decision making.

<u>**6.2.a: Staff Responsiveness**</u>

Accessibility to OCTA staff members was given particularly high marks, with multiple respondents indicating that they knew how to reach OCTA staff who are in a position to receive and act upon their feedback, and that OCTA staff were responsive and attentive to their input. This was true of both committee members with a formal staff liaison (such as members of the Taxpayer Oversight Committee and Environmental Committee), and stakeholders without such a relationship (such as city public works personnel and staff from housing development corporations). A high level of OCTA staff continuity, with low turnover, was cited as one contributing factor to this accessibility and responsiveness.

Members of OCTA commissions (such as the Taxpayer Oversight Committee and the Environmental Committee) reported that staff were eager to provide them as much information as they asked for, and that they never felt as though information was being slanted or selectively presented in order to color their opinions. Interviewees praised OCTA staff members for careful fidelity to the text of the ordinance and the will of the voters, and for continuing to be guided by those principles, such that "mission drift" is essentially non-existent.

<u>**6.2.b: Accessibility of Information**</u>

Several respondents receive information through direct communication with individual OCTA staff, or through their positions on OCTA commissions. These commissions have agendas prepared by a staff liaison, including some supplemental information and links or references to other information (studies, staff reports, previous meeting minutes, etc.). The information provided by OCTA is generally reported as very satisfactory, though on a couple of occasions, additional information needed to be requested from OCTA staff or the information was not provided far enough in advance of meetings to be thoroughly reviewed. These occasional issues are not perceived as recurring or significant.

Stakeholders report receiving information from OCTA public outreach efforts in several ways: targeted e-mails, visits to the OCTA website, weekly newsletters, publications of upcoming bids, public informational meetings, and Board meetings were all mentioned. Communications may be relating to internal activities (such as meetings), project-specific, or area-specific (such as notifications of road closures or mitigation activities). Respondents report that communications are effective at directing them where to find further information about these activities.

OCTA newsletters and public meetings were both praised for being thorough, carefully prepared, and informative. E-mails from OCTA regarding notifications of M2 project activities were appreciated. A new version of the OCTA website launched while this study was underway; some interviewees report having visited the redesigned OCTA website, and are satisfied with it (they were happy with the previous website as well). The accessibility of OCTA background documents such as staff reports is one area that drew praise on the new website.

OCTA messaging is generally reported as consistent across different media; i.e., respondents do not perceive that one message is given in the newsletter and a different one at a Board meeting. Occasionally different parts of a message can be emphasized in different settings, such as in a committee meeting vs. a public forum. These are not perceived as deliberate attempts to

mislead or "spin" information, or as major issues, but as a natural response to the distinct concerns of different audiences, or just the fact that staff members have individual styles. As with all agencies, it is important to avoid compartmentalization and communicate internally such that external messaging and activities remain consistent.

6.2.c: Quantitative Rating

In an attempt to provide a benchmark for future reviews, interviewees were asked to rate OCTA's performance in the areas of transparency and accountability on a scale of 1 to 10, with 10 being best. Among those willing to give a numerical rating, no rating was below 7, and the mean was 8.4.

6.2.d: Review of OCTA Website

In addition to the stakeholder interviews, the study team also reviewed OCTA's web pages as they pertain to the M2 Program. The OCTA website, M2 web pages, and M2 attachments provide succinct and informative M2 program information and excellent project-by-project detail, especially through its up-to-date Fact Sheets. Exhibit 6-2 provides a sample graphic from the M2 Schedules web page, with select freeway project schedules identified.

Exhibit 6-2: Sample of M2 Schedules Web Page
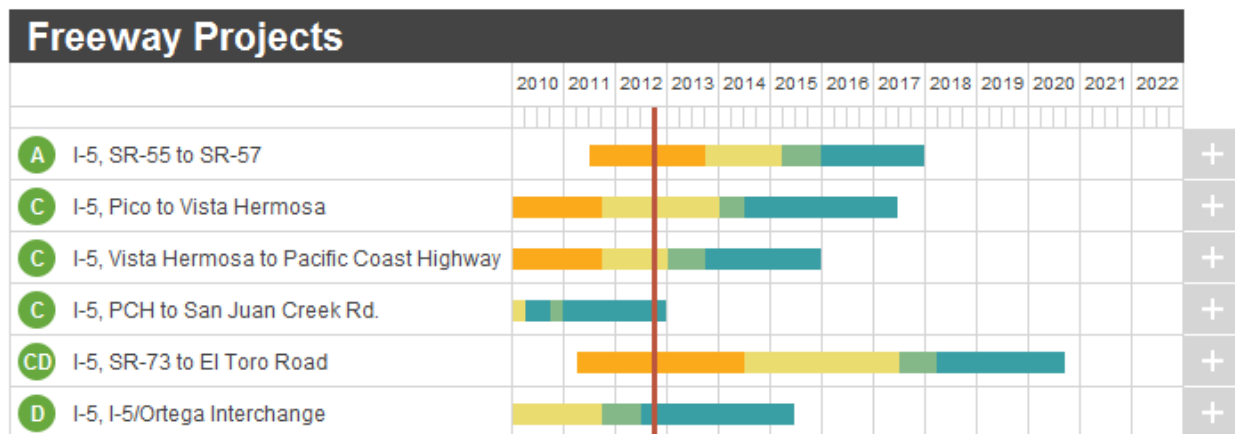
Exhibit 6-3 provides a summary of the study team's review, in comparison with two other transportation sales tax websites hosted by agencies in Los Angeles County (Los Angeles Metro) and San Diego County (SANDAG).

Exhibit 6-3: Review of OCTA and Other Agency Web Pages

Agency / Website Attribute	OCTA	LA METRO	SANDAG
Program Description & Base	Half-cent 20-year sales tax (Measure M) was approved in 1990. Extension (Measure M2) was approved in 2006 for an additional 30 years, to 2041.	Half-cent sales tax (Measure R) was approved in 2008 for a period of 30 years. A Nov 2012 vote to extend the sales tax (Measure J) did not pass.	Half-cent 20-year sales tax (TransNet) first approved in 1988. Extension approved by voters in 2004 for an additional 40 years, to 2048.
Home Page Accessibility	Brand shown in grayscale, in a mix of OCTA services / programs.	Exists as a second-level link from the top navigation bar. Difficult to identify unless actively seeking Measure R information.	TransNet brand not displayed on homepage.
Project Dashboard	'Schedule' link from M Overview page. Provides project schedules, cost, and general description.	'Project Tracker' provides good detail of broad program by Metro region.	'Dashboard' not easily accessible, but once accessed provides excellent interactive map and project tabs.
General Navigability	Generally good. Could be improved through greater use of M2 brand as a 'trailblazer' to program content.	Not easily identifiable on Homepage. Once accessed, navigability simplified.	Somewhat difficult to locate. Once accessed, more easily navigable.
Program / Project Content	Excellent overall content, especially project maps and Fact Sheets.	Very good; provides project budget and status information, though not updated in real-time.	Excellent. Separate TransNet "Keep San Diego Moving" homepage is a good feature.
User Feedback Feature	Yes, but do not see feedback feature specific to Measure M.	Metro Public Info Subscribe feature.	Not specific to TransNet.
Other Notes	Content is excellent, though navigation to specific items (e.g. Fact Sheets) could be improved. Excellent language translation feature. Could be identified more prominently.	Information in Project Tracker could be enhanced, such as with project start and end dates.	Helpful links to Public Partner websites.

6.3   Findings and Recommendations

One finding and one recommendation for OCTA in the Transparency/Accountability area are as follows.

Transparency/Accountability Finding #1: A review of OCTA M2 web pages found that the M2 brand was present in a mix of OCTA services/programs, and not as readily identifiable as it could be. Navigability is generally good; could be improved through greater use of the M2 brand as a link to program content.

Transparency/Accountability Recommendation #1: The OCTA website and M2 program information and outreach page(s) provide succinct and informative M2 program data and excellent project-by-project detail. From current M2 program applications and content, specific recommended improvements include:

- Highlight, emphasis, and broader utilization of the current M2 brand.

- Consider launching a separate M2 homepage (accessible from OCTA homepage or via its own URL) to promote greater awareness specifically of the M2 Program.

7.0   Summary of Findings and Recommendations

Exhibit 7-1 provides a summary of the study team's key findings and recommendations pertaining to each area of the assessment, as described in the previous sections of the report.

Exhibit 7-1: Summary of Findings and Recommendations

No.	Finding	Recommendation
Area 1: Project Delivery		
1	OCTA has experienced some turnover in M2 project manager personnel. While staff turnover is a regular aspect of project delivery, OCTA has experienced vacancies in project manager positions that in some cases have taken more than a couple months to fill.	Having well qualified project managers in place is critical to proper oversight of the M2 program. It is important for OCTA to recruit highly qualified personnel to fill position vacancies in a timely manner and implement proven staff retention strategies.
2	OCTA has a robust Project Controls group in its Capital Programs Division, with 5 full-time equivalents including the manager (four OCTA and one contracted staff). These individuals support Highway (two staff members), Grade Separation (one staff person), and Transit/Rail (one staff person) projects as assigned based on current workloads. OCTA's Project Controls group and its Program Management Office (PMO) both have important functions with respect to the tracking and reporting of OCTA's progress in project delivery, including schedule and budget adherence.	There are two suggestions related to Project Controls. First, the Project Controls group and the PMO office need to work closely together as a team to fulfill the PMO functional roles of compliance, management, fiscal responsibility, transparency and safeguards. In effect the Project Controls group, while located under Capital Programs should function as direct extension of PMO office capability. Second, OCTA should ensure every M2 project manager has the latest training with the P6 Schedule module. Project Managers need to be responsible for overall content accuracy. This is true even where a different agency is the delivery lead.
3	During the assessment period, OCTA issued Calls for Projects for Projects O: Regional Capacity Project, P: Regional Traffic Signal Synchronization Program, S: Transit Extensions to Metrolink, and X: Environmental Cleanup. OCTA is taking steps towards Calls for Projects for Projects V: Community Based Transit/Circulators and W: Safe Transit Stops. The number of M2 projects to be undertaken by local jurisdictions in Orange County will increase significantly going forward.	The PMO office should develop a listing of all the Calls, including project type, frequency, and time of year for the respective Calls. This would alleviate potential bunching and facilitate Call applications.
4	Communication of schedule and budget information for M2 projects to external stakeholders is an important aspect of OCTA's work. Current progress with M2 Ordinance projects as a whole (i.e., total Ordinance project scope) is not documented on OCTA's M2 Dashboard and is challenging to obtain.	Enhance project delivery metrics through the M2 Dashboard, by: clarifying cost reporting, adding a percent program expenditure field, and list a description and completion status at the designated M2 project level tied to individual projects.

No.	Finding	Recommendation
Area 2: Program Management/Responsiveness		
5	Through a formalized organizational review of M2 program management functions and corresponding cross-divisional roles and responsibilities, OCTA could identify M2 program management gaps. The review could also address budget constraints prescribed by M2 Ordinance provisions and research avenues for meeting associated shortfalls.	Review organization-level M2 program management functions and definitions of associated functional responsibilities. Identify a precise definition of M2 administration and associated activities relating specifically to M2 program activity. This would include clear demarcations of project-based work, and appropriate limitations on administrative expenses that are not directly attributable to project-based activity.
6	Streamlined communications between M2 project managers, the PMO, and division executives could promote improved coordination and communication protocols and mediums. Formalization or streamlining could take various forms, such as ease of managing Primavera databases and inputs, to creating internal communications vehicles that strengthen internal awareness of M2 program status and progress.	Improve coordination and communication by enhancing uses of Primavera system outputs, enhancing internal program coordination and communications vehicles, promoting early project issues identification and resolution, and initiating individual and project team recognition programs that promote M2 project and program management enhancements.
7	Staff training and education is an ongoing challenge in any organization. Nonetheless, properly designed and administered, training could produce broad and valuable benefits to the organization and to the public at large. These could include enhancing the cohesiveness of the organization family and strengthening its commitment to its broad mission. In the case of M2 program management function, OCTA-branded training modules specific to M2 could further enhance outcomes across training objectives.	Conduct training for new staff, and refresher training for existing staff, on M2 Ordinance provisions and compliance approaches, M2 Program delivery policies and associated policy administration strategies, cost allocation, time management, and timesheet reporting requirements.
Area 3: Compliance		
8	OCTA developed a detailed Ordinance Tracking Matrix in early 2012. The Compliance Matrix contains both general M2 program compliance requirements as well as requirements specific to each individual project. This matrix is an effective method for OCTA to track compliance with the M2 Ordinance, provided it is updated on a regular basis.	Request project managers to fill out the project by project portion of the M2 Ordinance Tracking Matrix (i.e., pages 6 to 15) for status and progress, to be maintained by the PMO office. Also, the matrix should be made available to the M2 Taxpayers Oversight Committee.

No.	Finding	Recommendation
Area 4: Fiscal Responsibility		
9	Based on the original M2 revenue projections, OCTA expected to receive $24.3 billion in M2 funds, with 1% of total revenues available to fund administrative salaries and benefits over the life of the program. As M2 revenue projections declined as a result of economic conditions, the funds available to support administrative salaries and benefits have also declined from the original expectations. While revenue has declined, the administrative effort needed to deliver M2 remains the same. As of June 30, 2012, $8.3 million in administrative/overhead salaries and benefits had been charged to the M2 administrative cap since the initiation of the EAP.	Continue efforts to manage administrative costs, ensure that project-specific administrative costs are charged appropriately, and confirm a strategy for funding administrative costs that exceed the 1% cap over the course of the M2 program, including M2 administrative expenses incurred prior to April 2011 and after March 2041.
10	OCTA's Cost Allocation Plan (CAP) uses a multiple rate method to calculate indirect cost rates. Costs are accumulated into separate cost groupings, then allocated using a base that best measures the relative benefits of each cost pool. First, direct costs are allocated to the various organizations (e.g., OCTD, LTA (M1 and M2), SAFE, CURE, OCTAP, etc.) based on time sheet reporting. Then, indirect costs are allocated to the various organizations using a specific basis. Indirect costs that are allocated to the General Fund are redistributed to the various organizations. Currently, information is not readily available to the Program Management Office on the costs that are allocated in this way against the 1% administrative cap. Without insight into these CAP-allocated charges, it is difficult for the PMO staff to have a comprehensive understanding of the costs they are responsible for managing.	In order to manage M2 administrative expenses, it is important for PMO staff to understand the indirect costs that are allocated to the M2 administrative expense code. Currently, the detail is not readily identifiable. OCTA should determine the extent of these charges and make that information available to the Project Management Office, to assist them in understanding the extent of the impacts of the current CAP allocations on M2 administrative expenses and in managing the administrative expense budget. OCTA should also consider alternatives to the CAP that more effectively allocate indirect charges to capital projects. One way to recognize and allocate these costs could be through a basis such as the dollar value of capitalized contracts. Other approaches to minimizing the impact of the CAP on administrative expenses could include automating time reporting and reassigning the non-project time of staff who work exclusively on M2 projects to M2 administration for the specific M2 project. In reviewing this alternative, OCTA should evaluate their costs and benefits, including the implications of the cost of borrowing to fund overruns against the 1% cap.

No.	Finding	Recommendation
11	The year 2005 forecast for M2 sales tax revenues over the life of the program was $24.3 billion. In May 2010, M2 revenue projections were $13.7 billion, or about 44% lower than originally projected. With recent improvements in the economy, the Spring 2012 forecast has improved to $15.5 billion. Fluctuations of this magnitude can have significant implications for achievement of the M2 program.	With respect to M2 revenue projections, consider providing the range of forecast scenarios (high and low) in addition to OCTA's average forecast approach. This would underscore the variability of sales tax forecasts that OCTA uses to project M2 revenues and help OCTA manage towards revised revenue projections over the life of the M2 program.
Area 5: Transparency and Accountability		
12	A review of OCTA M2 web pages found that the M2 brand was present in a mix of OCTA services/programs, and not as readily identifiable as it could be. Navigability is generally good; could be improved through greater use of the M2 brand as a link to program content.	Consider enhancements to the OCTA website and M2 program information and outreach web pages, with broader utilization of the M2 brand.

Appendix A: Follow Up on Prior Assessment Findings

Prior Assessment Finding (October 2010)	OCTA Statement (June 2012)	Current Assessment Review (December 2012)
1. Request for proposals for the Measure M2 (M2) Performance Assessment should be issued on or about June 30 of the third year of each assessment period.	The procurement is underway for the performance assessment and on target to have a consultant on board by the end of July 2012.	Contract with consultant for the performance assessment was executed on July 31, 2012.
2. The actions and procedures spelled out in the first Early Action Plan (EAP) and subsequent modifications have been initiated and carried out in an appropriate and prudent manner by the Orange County Transportation Authority (OCTA).	Staff will continue to monitor financial projections in order to maintain schedules and determine the scale of programs and projects.	OCTA accomplished the objectives of the EAP that were identified for the timeframe from 2009 to 2012.
3. M2 debt financing program should assess the necessary size of borrowing, the costs of fees and charges, and various financing options.	All efforts in issuing debt for M2 will include a thorough analysis of expenditure requirements and associated costs. The 2012 M2 bond issues took advantage of the Build America Bond Program to reduce the cost of borrowing.	OCTA carefully evaluated the benefits and costs associated with the use of debt financing for the EAP, including different financing options. We agree with OCTA's decision to utilize debt financing in order to take advantage of low interest rates and external funding sources, and deliver project benefits earlier.
4. Charges for M2 administration and overhead should be carefully monitored.	OCTA staff has been provided with updated project codes for M2 projects and provided staff training sessions regarding the proper use of project codes on timesheets. Also, a timesheet policy was developed and approved. The Finance and Administration Division is providing a quarterly report to Executive Management detailing all M2 timesheet charges. Executive Management meets on a quarterly basis to review the timesheet charges and corrective measures have been made where appropriate.	Several OCTA personnel identified the one percent cap on administrative expenses as a significant area of concern, both during the EAP and in the years after 2041 as the program is closed out, as well as during the period that M2 revenues are collected. We have described recommended strategies for addressing this within the main report.

Prior Assessment Finding (October 2010)	OCTA Statement (June 2012)	Current Assessment Review (December 2012)
5. Delivery of Project K – San Diego Freeway (Interstate 405) widening between the Costa Mesa Freeway (State Route 55) and the San Gabriel River Freeway (Interstate 605) – appears to require substantial supplemental funding.	On February 27, 2012, staff presented an overview of the M2 program and shared with the Board of Directors (Board) a financing plan that ensured delivery of all Measure M projects and programs including the I-405 project. The I-405 draft environmental document was completed and is currently in circulation for public comments. Staff plans to present a recommended locally preferred alternative to the Board for consideration in July 2012.	OCTA determined cost estimates associated with three different alternatives for the delivery of Project K. After the end of the assessment period, OCTA presented these alternatives to the Board of Directors and one alternative was selected for implementation. A financial plan was put in place to cover the additional funding required, by shifting funds from an expected under-run on Project J as well as leveraging external state and federal funds.
6. During the time period of the assessment, OCTA was making good progress towards implementing recommendations and initiatives arising from both the readiness and market conditions studies.	Staff continues to implement appropriate recommendations and initiatives as needed to ensure timely M2 Program delivery. The EAP was updated in July 2010 to include additional capital projects. The next Board-directed delivery plan is in development – M2020 – and will be brought to the Board in August for consideration.	OCTA continued to leverage project readiness and market conditions during this assessment period, including attractive construction costs and the availability of Federal funding.
7. While there was consistent and thorough updates on important events to both internal boards and committees and to external stakeholders, communication on how public input is addressed and incorporated in plans for the overall program could be improved. Better tracking and summary reports of public input can help make the program more transparent and maintain trust with voters.	Staff continues to improve how public input is incorporated in plans by highlighting key findings in staff reports and working with project staff to address comments. In addition, outreach reports are posted online for projects and studies at key milestones, and when planning efforts are complete.	Section 6: Transparency and Accountability of the report provides specific recommendations for OCTA to enhance communication with the general public.
8. M2 and the EAP are complex programs that are constantly adapting to a changing environment to fulfill promises made to voters. Quarterly and annual reports on the status of	The EAP has been renamed to the Capital Action Plan (CAP). The CAP provides delivery actions and project milestone progress including planned, forecast and achieved. The	OCTA has enhanced the Measure M2 project website during (as well as after the end of) the assessment period, which provides summary-level scope and

Prior Assessment Finding (October 2010)	OCTA Statement (June 2012)	Current Assessment Review (December 2012)
M2 EAP projects do provide updates, but could provide a shorter report card style fact sheet and make better use of graphics or tables to communicate the overall status of the program.	updated CAP is presented to the Board quarterly and posted on the OCTA web page for public review.	schedule information for M2 projects. The OCTA website serves as the primary source of summary M2 information.
9. The newly designed M2 portal on the OCTA website does an effective job of getting users to project-specific information. Overall, M2 Program information is less readily available. Linking of documents could be improved, as well as better document management and access.	The M2 website navigability and content has been improved with enhanced project information, increased document accessibility, and dashboard tracking statistics. Staff will continue to assess the website on an ongoing basis to continually improve M2 Program and project information, document management, and functionality.	As noted in item 8, OCTA has enhanced the Measure M2 project website during (as well as after the end of) the assessment period. Section 6: Transparency and Accountability provides specific recommendations for further enhancement.
10. The transition from Citizens Oversight Committee to the Taxpayers Oversight Committee (TOC), as required by Ordinance No. 3, was completed in an appropriate manner. Subsequent TOC activity during the assessment period was consistent with the committee objectives as described to tax payers.	Staff continues to support the TOC consistent with the intent of the M2 ordinance.	The TOC has continued to meet its objectives during the assessment period, based on a review of meeting minutes and supporting files.
11. OCTA should continue to monitor State Board of Equalization (SBOE) fees and, if the fees do not return to the 2006-2007 level of less than 1%, OCTA should engage the Self-Help Counties Coalition and seek legislation capping SBOE fees at 1%.	Staff will continue to monitor SBOE fees, which are currently at 1.4% (FY 2010-11), and engage the Self-Help Counties Coalition as necessary to seek appropriate legislation. It should be noted that the M2 Investment Plan projected a 1.5% cost for the SBOE over the life of the program.	When M2 was approved, there was a 1.5% per statute cap on the fees SBOE could assess. The cap was removed at the end of FY06. Measure M2 contains specific references to paying the SBOE 1.5% each year ($178 million in 2005 dollars). However, OCTA's agreement with the SBOE agrees to pay the Board's cost as provided by law. Staff continue to monitor and report on SBOE's fees, which increased annually from 0.9% in FY07 to 1.4% in FY11 and then dropped to 1.0% in FY12.

Prior Assessment Finding (October 2010)	OCTA Statement (June 2012)	Current Assessment Review (December 2012)
12. The Environmental Oversight Committee and Environmental Cleanup Allocation Committee were created as required by the voter-approved OCTA M2 Ordinance No. 3. The process whereby the committees were formed, convene, and communicate is appropriate. Both committees are well positioned to advise the Board on the allocation of M2 funds for freeway environmental mitigation and streets and highway environmental cleanup respectively, as required by Ordinance No. 3.	These committees have been instrumental in developing and recommending key policies to the Board (e.g., acquisition and restoration projects and a two-tiered funding program).	These committees have continued to meet during the assessment period in support of the environmental components of M2 project delivery, including monitoring the appropriate allocation of M2 funds.
13. OCTA staff should continue to work closely with the three universities to try and bring their forecasts more in line with actuals. Accurate revenue forecasting is critical to delivery of the M2 Program. OCTA should seek outside advice from strategic partners and consultants to undertake a thorough review of the academic forecasts and their inputs, models, and assumptions.	OCTA returned to the blended three university forecasts, which provide an independent, academic perspective in developing the forecast and is widely accepted in the business community. Additionally, all three universities came and presented to the Finance and Administration Committee and the Board in August of last year. As a result, the Board reaffirmed their position and directed staff to continue to use the same three forecasts to project sales tax revenues and use the blended university forecast in the CBP.	We concur with OCTA's adoption of the blended university forecast in its CBP. We also acknowledge the risks associated with revenue fluctuation going forward, and have provided recommendations for addressing this in Section 5: Fiscal Responsibility.
14. Placing environmental review in construction, and not planning, impacts the effectiveness of monitoring early M2 project definition efforts by the Capital Programs Division's project controls group, and the smoothness of project transition between divisions should be revisited when the duties of the M2 Program Office duties are reviewed.	Staff believes the environmental review and project approval phase is appropriately positioned in the Capital Programs Division. During the environmental phase, the scope, schedule, and cost of a project are defined. The present organizational structure ensures continuity from the environmental phase to eventual construction and project completion.	Based on OCTA staff interviews conducted for the assignment, having environmental review functions in the Capital Programs Division is believed to be appropriate. Adequate coordination and communication between OCTA divisions and personnel is taking place. A more specific organizational assessment of OCTA would be required to evaluate this issue further. .

Prior Assessment Finding (October 2010)	OCTA Statement (June 2012)	Current Assessment Review (December 2012)
15. The Primavera Project Management Program uses a simple red-light, yellow-light, green-light system as a visual representation of project status at any given moment. This red-yellow-green system should also be used as a more broadly-based, OCTA-wide early warning system on project status.	The CAP provides delivery actions and project milestone progress including planned, forecast, and achieved. The updated CAP is presented to the Board quarterly and posted on the OCTA web page for public use. The status of all capital projects, incorporating the red-yellow-green-light system, is also included in the quarterly M2 reports presented to the Board.	OCTA's project managers for every M2 project work with OCTA Project Controls personnel to monitor project schedules and potential delays. Regardless of how broadly Primavera reports are used across the organization, OCTA's project managers will still bear ultimate responsibility for knowing the scope, schedule, and budget status of their projects at all times. Based on staff interviews, project managers are fully aware of such responsibilities.
16. A more comprehensive review of OCTA's internal invoice approval process, with emphasis on the roles of the Accounts Payable Department, Contracts Administration & Materials Management Department (CAMM), and project managers, should be undertaken, with the goals of maintaining strong and consistent internal controls.	The current invoice review process is consistent with Board-directed policies which incorporate some level of redundancy as a "second set of eyes" directed by the Board.	We concur with OCTA's statement. While the invoice approval process was not generally an area of concern based on OCTA staff interviews, some staff members did acknowledge that additional resources may be necessary going forward as more M2 projects proceed into the right-of-way and construction phases.
17. Consider developing a more formal process for analyzing change orders, perhaps an internal review committee made up of OCTA executive staff for construction contract change orders over a certain threshold in terms of increased contract dollar size and scope values, perhaps $1,000,000.	Staff has a formal process in place for analyzing change orders. This process is in conformance with industry standards and in compliance with the California Department of Transportation Local Assistance requirements. The process is documented in OCTA's Construction Management Manual.	We concur with OCTA that a formal process is in place, on the basis of document review and staff interviews. OCTA executive staff members are involved in the review of change orders of large magnitude.
18. CAMM contract administration practices are consistent with the broader framework of OCTA M2 rules and practices and industry and government standards.	Staff continues to implement appropriate actions to ensure compliance with regulations while fast-tracking the process.	OCTA CAMM personnel continued to adhere to formal policies and procedures during the assessment period, as provided in the CAMM Policy Manual.

Appendix B: Measure M2 Early Action Plan (EAP) Work Program

FREEWAY	ADVERTISE FOR CONSTRUCTION	($ MILLIONS)
Riverside Freeway (State Route 91), Foothill Transportation Corridor (State Route 241) to Corona Expressway (State Route 71)	June 2009	$65
San Diego Freeway (Interstate 405)/Garden Grove Freeway (State Route 22) WCC	February 2010	$131
Interstate 405 (I-405)/San Gabriel Freeway (Interstate 605) WCC*	May 2010	$177
Orange Freeway (State Route 57), Orangethorpe Avenue to Yorba Linda Boulevard	May 2010	$76
State Route 57 (SR-57), Yorba Linda Boulevard to Lambert Road	May 2010	$79
State Route 91 (SR-91), Costa Mesa Freeway (State Route 55) to State Route 241 (SR-241)	June 2011	$128
SR-91, SR-241 to County Line (EIR completion date)	May 2011	$100
SR-57, Katella Avenue to Lincoln Avenue	May 2011	$54
San Diego Freeway (Interstate 5), Ortega Highway (State Route 74) Interchange	June 2012	$78
SR-91, Interstate 5 to SR-57	August 2012	$78
SR-91, Tustin Avenue/SR-55	February 2013	$91
Interstate 5, Avenida Pico to Pacific Coast Highway	August 2015	$249
I-405, SR-55 to Interstate 605** (EIR completion date)	March 2013	$2,200
Sub-total		$3,506
STREET/GRADE SEPARATIONS		
Signal Synchronization Program	July 2009	$8
Placentia Avenue Undercrossing	August 2010	$78
Kraemer Boulevard Undercrossing	September 2010	$70
Lakeview Avenue Overcrossing	January 2011	$70
Orangethorpe Avenue Overcrossing	May 2012	$117
Tustin Avenue/Rose Drive Overcrossing	May 2012	$103
State College Boulevard Undercrossing	November 2012	$74
Raymond Avenue Undercrossing	November 2012	$77
Sub-total		$597
RAIL		
Metrolink Service Expansion Capital Projects	Underway	$95
Metrolink Service Expansion Rolling Stock	Underway	$144
Grade Crossing Safety Program	Underway	$86
Fullerton Parking	2010	$42
Tustin Avenue Parking	June 2010	$18
Sand Canyon Avenue Undercrossing	January 2010	$56
Anaheim Regional Transportation Intermodal Center	2011	$179
Orange Station Parking	June 2013	$24
Sub-total		$644
TOTAL		$4,747

WCC – West County Connector EIR – Environmental impact report
* WCC Project funded with state and federal funds with partial contribution from Measure M
** I-405 figure project alternatives cost are in the range of $1.7 billion to $2.2 billion

Source: Measure M2 Early Action Plan Update, July 2010

Appendix C: Freeway Projects Activity Summary (Projects A-N)

Project A: I-5 Improvements (SR-55 to SR-57)

QUARTER	SUMMARY
APR – JUN 2011	• Added the M2 project for an additional carpool lane on I-5 from SR-55 to SR-57 to the CAP, and established the environmental approval schedule for the project. The scope of the improvements also includes operational improvements for the southbound I-5 transition to the SR-55. • Initiated an environmental study to add lanes to I-5 between SR-55 and SR-57 in June 2011.
JAN – MAR 2012	• Two alternatives identified for the HOV lane, and three alternatives for the 1st/4th Street interchange. Three neighborhood meetings were conducted in the City of Santa Ana (City), along with one meeting for the City public works staff.

Project B: I-5 Improvements (SR-55 to the El Toro "Y" Area)

QUARTER	SUMMARY
APR – JUN 2011	• Submitted the completed I-5 project study report/project development (PSR/PD) support document to Caltrans for final review and approval. The document identifies the viable alternatives to add capacity to I-5 improvements between the El Toro Y area and the SR-55.
OCT – DEC 2011	• Approved PSR/PD for I-5 improvements between the El Toro Y area and the SR-55.

Project C: I-5 Improvements (South of El Toro "Y")

QUARTER	SUMMARY
PRIOR TO AUDIT PERIOD	• Initiated environmental study for improvements along the I-5 between Avenida Pico and San Juan Creek Road in June 2009.
JAN – MAR 2011	• Completed preliminary engineering for improvements along the I-5 between Avenida Pico and San Juan Creek Road in February 2011.
APR – JUN 2011	• Initiated final design for improvements along the I-5 between Avenida Pico and San Juan Creek Road in June 2011.
OCT – DEC 2011	• Completed environmental study for improvements along the I-5 between Avenida Pico and San Juan Creek Road in October 2011, two months ahead of schedule.

Project D: I-5 Local Interchange Upgrades

QUARTER	SUMMARY
PRIOR TO AUDIT PERIOD	• Initiated environmental study for the I-5/Ortega Highway (SR-74) Interchange improvements in September 2006, and completed the study in June 2009. • Initiated final design for the I-5/Ortega Interchange improvements in January 2009.
JAN – MAR 2011	• Initiated right-of-way work for the I-5/Ortega Interchange improvements.
OCT – DEC 2011	• Completed final design for the I-5/Ortega Interchange improvements in December 2011, one month behind schedule.
APR – JUN 2012	• I-5/Ortega Interchange improvements construction ready in April 2012, one month behind schedule. • Advertised the I-5/Ortega Interchange improvements for construction bids in June 2012.

Project C & D: I-5 (SR-73 to El Toro Road)

QUARTER	SUMMARY
APR – JUN 2011	• Added the M2 project to widen the I-5 from SR-73 to El Toro Road to the CAP. • Initiated final design on the M2 project to add a carpool lane on the I-5 between Avenida Pico and PCH. This project will include major improvements to the Avenida Pico interchange. • Completed the I-5/Avery Parkway engineering feasibility study. The study identified improvements to the Avery interchange. The results of this study have been incorporated into the I-5 project between SR-73 and El Toro Road.
JUL – SEP 2011	• Initiated a project study report (PSR) to examine alternatives to update and improve the I-5/El Toro Road interchange in the cities of Laguna Hills and Lake Forest.

QUARTER	SUMMARY
OCT – DEC 2011	• Initiated environmental study for I-5 between SR-73 and El Toro Road in October 2011, one month behind schedule.

Project E: SR-22 Access Improvements

QUARTER	SUMMARY
PRIOR TO AUDIT PERIOD	• Interchange improvements at Euclid, Brookhurst and Harbor completed in 2006 as part of the SR-22 widening project.

Project F: SR-55 Improvements

QUARTER	SUMMARY
APR – JUN 2011	• Initiated environmental study to widen the SR-55 from I-405 to the I-5 (part of Project F) in May 2011, two months behind schedule.
JAN – MAR 2012	• Request for proposals released for project study reports (PSR) to add capacity on SR-55 between I-5 and SR- 22. • Completed the traffic study, began surveys for the various environmental technical studies, and completed the geometric layouts.

Project G: SR-57 Improvements

QUARTER	SUMMARY
PRIOR TO AUDIT PERIOD	• Initiated environmental study for new SR-57 northbound lane between Orangethorpe and Lambert in August 2005, and completed the study in December 2007. • Initiated final design for new SR-57 northbound lane between Orangethorpe and Lambert in February 2008. • Initiated environmental study new SR-57 northbound lane between Katella and Lincoln in April 2008. • Initiated final design new SR-57 northbound lane between Katella and Lincoln in August 2008.
JUL – SEP 2009	• Completed final design new SR-57 northbound lane between Orangethorpe and Lambert in July 2009, five months ahead of schedule.
OCT – DEC 2009	• Completed environmental study new SR-57 northbound lane between Katella and Lincoln in November 2009, four months behind schedule. • New SR-57 northbound lane between Orangethorpe and Yorba Linda construction ready in December 2009, four months ahead of schedule.
JAN – MAR 2010	• New SR-57 northbound lane between Yorba Linda and Lambert construction ready in March 2010, one month ahead of schedule.
APR – JUN 2010	• Advertised the new SR-57 northbound lane between Orangethorpe and Lambert for construction bids in May 2010, one month ahead of schedule.
OCT – DEC 2010	• Awarded construction contracts for new SR-57 northbound lane between Orangethorpe and Lambert in October 2010. • Completed final design for new SR-57 northbound lane between Katella and Lincoln in December 2010, one month behind schedule.
APR – JUN 2011	• New northbound lane on the SR-57 between Katella and Lincoln construction ready in April 2011, one month behind schedule.
JUL – SEP 2011	• Advertised the new SR-57 northbound lane between Katella and Lincoln for construction bids in July 2011, two months behind schedule. • Initiated construction of a new northbound lane on the SR-57 between Orangethorpe and Lambert.
OCT – DEC 2011	• Awarded construction contract for new northbound lane on the SR-57 between Katella and Lincoln in October 2011, two months behind schedule.
JAN – MAR 2012	• Initiated construction of a new northbound lane on the SR-57 between Katella and Lincoln in January 2012. • Construction 40 percent complete for the new northbound lane on SR-57 between Katella and Lincoln. Construction 50 percent complete percent complete for the new northbound lane on SR-57 between Yorba Linda and Lambert. Construction 40 percent complete for the new northbound lane on SR-57 between Yorba Linda and Orangethorpe. • Request for proposals released for project study report (PSR) to add capacity on SR-57 between Orangewood to Katella in the northbound direction.

QUARTER	SUMMARY
APR – JUN 2012	• Construction 55 percent complete for the new northbound lane on the SR-57 between Orangethorpe and Lambert.

Project H: SR-91 Improvements (I-5 to SR-57)

QUARTER	SUMMARY
PRIOR TO AUDIT PERIOD	• Initiated environmental study for the SR-91 improvements between I-5 and SR-57 in July 2007.
JAN – MAR 2010	• Initiated final design for the SR-91 improvements between I-5 and SR-57 in March 2010, five months behind schedule.
APR – JUN 2010	• Completed environmental study for the SR-91 improvements between I-5 and SR-57 in June 2010, two months behind schedule.
JAN – MAR 2012	• Submitted 100 percent design plans to Caltrans for final review and approval to add a new westbound general purpose lane on SR-91 between I-5 and SR-57. Prepared and submitted the project's environmental document and associated supplemental reports for revalidation.
APR – JUN 2012	• Completed final design for the SR-91 improvements between I-5 and SR-57 in April 2012, two months behind schedule.

Project I: SR-91 Improvements (SR-57 to SR-55)

QUARTER	SUMMARY
PRIOR TO AUDIT PERIOD	• Initiated environmental study for the SR-91 westbound improvements between SR-57 and SR-55 in July 2008.
APR – JUN 2011	• Completed environmental study for the SR-91 westbound improvements between SR-57 and SR-55 in May 2011, two months ahead of schedule. • Initiated final design for the SR-91 westbound improvements between SR-57 and SR-55 in June 2011, one month ahead of schedule.
JUL – SEP 2011	• Initiated a project study report to look at alternatives to add capacity on SR-91 eastbound between the SR-55 and SR-57.
APR – JUN 2012	• Completed alternatives development, traffic analysis, and cost estimates on SR-91 between the SR-55 and the SR-57 as part of the project study report/project development (PSR/PD).

Project J: SR-91 Improvements (SR-55 to Orange/Riverside County Line)

QUARTER	SUMMARY
PRIOR TO AUDIT PERIOD	• Initiated environmental study for the SR-91 improvements between SR-241 and SR-71 in March 2005, and completed the study in December 2007. • Initiated final design for the SR-91 improvements between SR-241 and SR-71 in July 2007, and completed design in December 2008. • Initiated environmental study for the SR-91 improvements between SR-55 and SR-241 in July 2007, and completed the study in April 2009. • Initiated final design for the SR-91 improvements between SR-55 and SR-241 in April 2009. • SR-91 improvements between SR-241 and SR-71 construction ready in May 2009. • Advertised SR-91 improvements between SR-241 and SR-71 for construction bids in June 2009.
JUL – SEP 2009	• Awarded construction contracts for SR-91 improvements between SR-241 and SR-71 in August 2009, one month behind schedule.
APR – JUN 2010	• Construction more than 60 percent complete for SR-91 improvements between SR-241 and SR-71.
JUL – SEP 2010	• Construction 75 percent complete for SR-91 improvements between SR-241 and SR-71. • Completed final design for the SR-91 improvements between SR-55 and SR-241 in August 2010, five months ahead of schedule.
OCT – DEC 2010	• SR-91 improvements between SR-55 and SR-241 construction ready in December 2010, four months ahead of schedule. • Construction completed for SR-91 between SR- 241 and SR-71.
JAN – MAR 2011	• Advertised SR-91 improvements between SR-55 and SR-241 for construction bids in February 2011, four months ahead of schedule.
APR – JUN 2011	• Awarded construction contracts for SR-91 improvements between SR-55 and SR-241 in May 2011, four months ahead of schedule.

JUL – SEP 2011	• Initiated construction of SR-91 improvements between SR-55 and SR-241.
JAN – MAR 2012	• Construction 50 percent for SR-91 improvements between the SR-55 and State Route 241, including the reconstruction and realignment of three ramps: Yorba Linda/Weir Canyon off-ramps and the Imperial Highway eastbound tangent on-ramp.
APR – JUN 2012	• Construction 65 percent complete for SR-91 improvements between SR-55 and SR-241.

Project K: I-405 Improvements (I-605 to SR-55)

QUARTER	SUMMARY
PRIOR TO AUDIT PERIOD	• Initiated environmental study for I-405 improvements between I-605 and SR-55 in March 2009.
APR – JUN 2010	• Completed final design and authorized funding to start construction on the West County Connectors projects. Awarded construction contract for the east segment of I-405/SR-22.
JUL – SEP 2010	• Initiated construction for the West County Connectors projects.
APR – JUN 2012	• Released draft EIS/EIR for I-405 improvements between I-605 and SR-55 in May 2012 with public review and comment scheduled through July.

Project L: I-405 Improvements (SR-55 to I-5)

QUARTER	SUMMARY
JUL – SEP 2011	• Initiated project study report (PSR) for alternatives to add capacity on I-405 between SR-55 and the El Toro Y area.

Project M: I-605 Access Improvements

QUARTER	SUMMARY
	• No activity to date.

Project N: Freeway Service Patrol

QUARTER	SUMMARY
JAN – MAR 2012	• Board approved Project N Guidelines for the Freeway Service Patrol in February 2012.
APR – JUN 2012	• Board approved a public safety dispatcher position with the California Highway Patrol (CHP) and the addition of two midday and two weekend Freeway Service Patrol service beats to be funded with M2 in May 2012.

Freeway Mitigation Program

QUARTER	SUMMARY
OCT – DEC 2009	• M2 Freeway Mitigation Program Environmental Oversight Committee (EOC) reviewed the independent conservation assessment of the conservation/mitigation opportunities within Orange County.
JAN – MAR 2010	• M2 Freeway Mitigation Program EOC recommended acquisition property evaluation results were approved by T2020 and the Board.
APR – JUN 2010	• Board approved the M2 Freeway Mitigation Program Environmental Oversight Committee's recommendations.
JUL – SEP 2010	• Board approved six primary and three secondary restoration projects for program funding as recommended by the M2 Freeway Mitigation Program Environmental Oversight Committee.
OCT – DEC 2010	• Board authorized staff to begin negotiations to acquire up to $42 million of Orange County properties as part of the comprehensive freeway project impact mitigation program. • Open space restoration grants agreements were prepared and reviewed by OCTA, the U.S. Fish and Wildlife Service, and the California Department of Fish and Game as additional components of the comprehensive freeway mitigation program.
JAN – MAR 2011	• EOC endorsed the ranking of the 36 candidate acquisition properties submitted during the second round of call for properties that took place between December 2010 and January 2011. In negotiations with several of the acquisition properties. • OCTA staff is continuing to finalize the five selected restoration plans and grant agreements.

APR – JUN 2011	• Acquired nearly 900 acres of open space as part of the M2 Freeway Mitigation Program (Projects A-N). OCTA prepared interim property management agreements and worked to complete the master environmental impact report for the program by the end of 2012. • Began process to request and accept grant applications for the second round of restoration funding.
JUL – SEP 2011	• Received 17 applications for environmental funding consideration during the second call for projects (part of Projects A-N). • Secured Board approval of two interim land management agreements (part of Projects A-N).
OCT – DEC 2011	• In November, EOC and OCTA toured 11 potential restoration sites that are being considered for funding. • In December, OCTA officials purchased the fifth open space property. To date, OCTA has acquired approximately 950 acres of open space property in the Trabuco Canyon area and in the Brea and funded 11 habitat restoration projects, totaling approximately 400 acres. Approximately $8.5 million (inclusive of the long-term management cost) remains for additional acquisitions, and the funds are expected to be allocated within the next several months.
JAN – MAR 2012	• In March 2012, EOC endorsed staff's recommendation to fund a second round of restoration projects.
APR – JUN 2012	• In May 2012, Board approved the M2 Environmental Mitigation Program Revised Restoration Funding Guidelines; approved six restoration projects for funding; and authorized staff to negotiate and execute grant agreements consistent with the funding amounts and revised restoration funding guidelines.

Appendix D: Streets and Roads Projects Activity Summary (Projects O-Q)

Project O: Regional Capacity Project

QUARTER	SUMMARY
PRIOR TO AUDIT PERIOD	• Initiated environmental study for Placentia, Kraemer, Orangethorpe, Tustin/Rose, and Lakeview grade separations in January 2001. • Completed environmental study for Placentia grade separation in May 2001. • Initiated final design for State College grade separation in 2006. • Initiated environmental study for Raymond grade separation in February 2009. • Initiated environmental study for State College grade separation in December 2008, and completed the study in December 2007. • Initiated final design for Placentia grade separation in January 2009. • Initiated final design for Kraemer, Orangethorpe, Tustin/Rose, and Lakeview grade separations in February 2009.
JUL – SEP 2009	• Completed environmental study for Kraemer, Orangethorpe, Tustin/Rose, and Lakeview grade separations in September 2009.
OCT – DEC 2009	• Completed environmental study for Raymond grade separation in November 2009.
JAN – MAR 2010	• Board approved a revised project schedule to advance completion of construction. Appraisal work related to the Placentia Avenue project began and parcels impacted by the Kraemer Avenue project were identified. • Initiated final design for Raymond grade separation in March 2010.
APR – JUN 2010	• Completed final design for Placentia grade separation in June 2010, two months behind schedule. • Board authorized OCTA to begin the right-of-way process with property owners and tenants impacted by the Orangethorpe and Tustin/Rose grade separation projects. A public information effort was developed for the grade separation program.
JUL – SEP 2010	• Completed final design for Kramer grade separation in July 2010. • Board approved a budget amendment to fully fund the implementation of the seven grade separation projects along the Orangethorpe freight-railroad corridor.
OCT – DEC 2010	• Regional Capacity Program call for projects was issued. This call made approximately $56 million available for streets and roads projects. • Continued to secure property interests for the Kraemer and Placentia grade separation projects. • The 65 percent design packages were completed for the Lakeview and Tustin/Rose grade separations.
JAN – MAR 2011	• Applications received for projects under the Regional Capacity Program, in January 2011. Initiated review the projects' applications and working with the local agencies on technical issues. • Placentia grade separation construction ready in January 2011, eight months behind schedule. • Kraemer grade separation construction ready in January 2011, six months behind schedule. • Advertised construction contract for the Placentia grade separation in March 2011, eight months behind schedule.
APR – JUN 2011	• Board approved $56 million of funding for Regional Capacity Program projects. • Completed the federal environmental clearance process for the State College grade separation project in April 2011, three months behind schedule. • Opened construction bids for the M2 Placentia Avenue railroad grade separation project. The bids were 31 percent below engineer's estimate resulting in savings to M2. • Advertised construction contract for the Kraemer grade separation in June 2011, two months behind schedule.

JUL – SEP 2011	• Board approved changes to the Regional Capacity Program guidelines and authorized staff to issue the 2011-12 call for projects. • Awarded construction contracts for Placentia and Kraemer grade separations in July 2011 and September 2011, respectively. Both were one month behind schedule. • Completed final design for the Tustin/Rose grade separation in July 2011, five months ahead of schedule.
OCT – DEC 2011	• Received 40 project applications from the Regional Capacity Program call for projects in December 2011. Initiated review the projects' applications and working with the local agencies on technical issues. • Presented program overview to the Board outlining the progress to date for all the grade separation projects, including the initiation of construction administration activities for the Placentia Avenue and Kraemer Boulevard undercrossing projects in November. • Continued right-of-way activities for the Orangethorpe and Tustin/Rose grade separations. • Completed final design for the Orangethorpe grade separation in October 2011, two months ahead of schedule. • The Lakeview Avenue overcrossing design reached the 95 percent completion level, and property appraisals underway.
JAN – MAR 2012	• Completed the Regional Capacity Program application review process in February 2012. Technical Steering and Technical Advisory committees approved programming recommendations in March 2012.
APR – JUN 2012	• Initiated the process of preparing for the 2013 Regional Capacity Program call for projects. Developed adjustments to the Regional Capacity Program guidelines in conjunction with the Technical Steering Committee and Technical Advisory Committee during June 2012. • Orangethorpe grade separation construction ready in April 2012, four months behind schedule. • Tustin/Rose grade separation construction ready in June 2012, three months behind schedule.

Project P: Regional Traffic Signal Synchronization Program

QUARTER	SUMMARY
OCT – DEC 2009	• In process of developing the master plan for the Regional Traffic Signal Synchronization Program.
JAN – MAR 2010	• Initiated final design on the second phase of the Regional Traffic Signal Synchronization Program and procured traffic engineering services.
APR – JUN 2010	• Phase I of the Regional Traffic Signal Synchronization Program, with projects on Alicia (41 signalized intersections along 11 miles), Beach (71 signalized intersections along 20 miles), and Chapman (47 signalized intersections along 13 miles), is approximately 75 percent complete.
JUL – SEP 2010	• Board approved the Regional Traffic Signal Synchronization Program and funding guidelines in July 2010. • Initiated work on the Phase II of the Traffic Light Synchronization Program, with projects on Brookhurst, Edinger/Irvine Center/ Moulton/Golden Lantern, El Toro, and Orangethorpe.
JAN – MAR 2011	• Received applications for project nominations under the Regional Traffic Signal Synchronization Program in March 2011. Reviewed the project applications and working with the local agencies on technical issues. • Completed field data collection. Started implementation of the new timing plans for Phase II of the Regional Traffic Signal Synchronization Program along Brookhurst, Edinger/Irvine Center/ Moulton/Golden Lantern, El Toro, and Orangethorpe.
APR – JUN 2011	• Board approved $7.8 million of funding for the Regional Traffic Signal Synchronization Program to synchronize over 400 traffic signals along 140 miles of arterials. Seventeen projects were awarded funding that included 24 local agencies. • Advanced the implementation of signal synchronization on four corridors: Brookhurst, Edinger/Irvine Center/ Moulton/Golden Lantern, El Toro, and Orangethorpe. • Initiated preliminary signal timing work for three corridors: Katella, La Palma, and Yorba Linda.

JUL – SEP 2011	• Completed the first half of Phase II of the Regional Traffic Signal Synchronization Program. This phase includes four corridors: Brookhurst (with 59 signalized intersections along 16 miles), Edinger/Irvine Center/ Moulton/Golden Lantern (with 81 signalized intersections along 21 miles), El Toro (with 39 signalized intersections along 11 miles), and Orangethorpe (with 43 signalized intersections along 19 miles). • Issued contracts to construct the Phase III corridors: Katella (58 intersections/15 miles), La Palma (58 intersections/18 miles), and Yorba Linda (45 intersections/12 miles). Phase III (final phase) includes advanced signal synchronization efforts along ten arterial corridors comprised of 533 signalized intersections on 158 miles of roadway.
APR – JUN 2012	• All projects were underway or contracted before June 30, 2012.

Project Q: Local Fair Share Program

QUARTER	SUMMARY
APR – JUN 2012	• To date, approximately $36.7 million in Local Fair Share payments have been provided to local agencies as of the end of the quarter.

Appendix E: Transit Projects Activity Summary (Projects R-W)

Project R: High Frequency Metrolink Service

QUARTER	SUMMARY
PRIOR TO AUDIT PERIOD	• Completed environmental study for the Sand Canyon grade separation in September 2003. • Initiated final design for Sand Canyon grade separation in January 2004. • Initiated environmental study for the Metrolink Service Expansion Program in May 2007, and completed the study in April 2008. • Initiated final design for Metrolink Service Expansion Program in July 2007, and completed design in March 2009. • Advertised construction contract for Metrolink Service Expansion Program in September 2008. The project was construction ready in March 2009. Awarded construction contract in March 2009. • Initiated environmental study and final design for the Rail-Highway Grade Crossing Safety Enhancements in January 2008. Completed final design in September 2008 and environmental study in October 2008. • Rail-Highway Grade Crossing Safety Enhancements construction ready, and advertised construction contract in September 2008.
JUL – SEP 2009	• Awarded construction contract for the Rail-Highway Grade Crossing Safety Enhancements in August 2009.
JAN – MAR 2010	• Completed the pedestrian gate foundations, sidewalk improvements, raised medians, handrails, and pedestrian swing gates for most of the crossings in Orange. Installed signal foundations and conduits and initiated civil construction of medians and sidewalk improvements in Anaheim.
APR – JUN 2010	• Activated first eight crossings in Orange initially scheduled for late September 2010. Initiated construction in Tustin.
JUL – SEP 2010	• Initiated construction in Santa Ana. • Completed final design for Sand Canyon grade separation, and project construction ready in July 2010.
OCT – DEC 2010	• Activated first nine improved grade crossings in Orange in October 2010. • Advertised construction contract for Sand Canyon grade separation in October 2010.
JAN – MAR 2011	• Grade crossing safety improvements along the Olive subdivision in Orange and Anaheim went into service in January, followed by the Red Hill Avenue grade crossing safety improvements in Tustin at the end of February. • Awarded construction contract for Sand Canyon in February 2011.
APR – JUN 2011	• Issued the notice to proceed to the construction contractor for Sand Canyon railroad grade separation. • Completed a number of grade crossing safety improvements and initiated additional Metrolink service in July 2011.
JUL – SEP 2011	• Installed signal foundations and conduits, pedestrian gate foundations, sidewalk improvements, raised medians, handrails, and pedestrian swing gates in Dana Point, Irvine, Santa Ana, and San Juan Capistrano.
OCT – DEC 2011	• Completed construction for the Rail-Highway Grade Crossing Safety Enhancements in December 2011. Crossings in the cities of Dana Point, San Juan Capistrano, and San Clemente went into service in October 2011. The final railroad crossing of the program, the Harvard Avenue crossing in the City of Irvine, went into service at the end of December.

Project S: Transit Extensions to Metrolink

QUARTER	SUMMARY
PRIOR TO AUDIT PERIOD	• Initiated environmental study for Anaheim Rapid Connection in January 2009. • Initiated Santa Ana/Garden Grove Fixed-Guideway in August 2009.
OCT – DEC 2009	• Continued alternatives analysis and environmental clearance (Step Two) for the two Go Local fixed-guideway projects: Anaheim Rapid Connection and Santa Ana/Garden Grove Fixed-Guideway.
APR – JUN 2010	• 30 bus/shuttle concepts in Step Two service planning under Go Local. An additional 22 bus/shuttle community-based circulator concepts incorporated into the Step Two service planning effort.

JAN – MAR 2011	• Executed cooperative agreements with Anaheim and Santa Ana in March 2011 to identify the roles and responsibilities associated with the preliminary engineering efforts proposed Go Local fixed-guideway projects. • Finalized all technical efforts for bus/shuttle projects in February 2011. Submitted a total of 35 concepts and studied as part of the broader OCTA Transit System Study to ensure regional integration.
APR – JUN 2011	• Provided updates to the Transportation 2020 Committee on the Go Local fixed-guideway projects. • Completed Step Two of the service planning work for all 60 service concepts under the Go Local Bus/Shuttle programs (Projects S and V). Results are being integrated into the Transit System Study.
JUL – SEP 2011	• Secured Board approval to serve as a grantee, and the cities of Anaheim and Santa Ana/Garden Grove as subgrantees, to the Federal Transit Administration for the purpose of potential future federal funding opportunities for Go Local fixed-guideway projects. • Conducted meetings with interested cities and major employers, upon request, to discuss 35 Go Local/bus shuttle concepts in more detail as part of the integrated Transit System Study planning efforts.
OCT – DEC 2011	• Board approved cooperative agreements with Anaheim and Santa Ana in December 2011. • Presented initial options to the Transportation 2020 Committee for which entity should be responsible for the design and construction of the fixed-guideway projects. • Received approval for the Guidelines for Bus and Station Van Extension Projects in December 2011. OCTA has requested letters of interest inquiring if the cities and/or County plan to submit projects.
APR – JUN 2012	• Completed the re-assessment of cost-effective alternatives for Anaheim Rapid Connection and added a streetcar alternative back into the projects for consideration. • Completed the final alternatives analysis report and draft of the environmental assessment and environmental impact report for Santa Ana/Garden Grove Fixed-Guideway. • Hosted tour and briefing of the guideway projects for FTA representatives.

Project T: Convert Metrolink Stations to Regional Gateways that Connect Orange County with High-Speed Rail Systems

QUARTER	SUMMARY
APR – JUN 2010	• Issued call for projects for eligible station cities for the development and implementation of station projects in preparation for future high-speed rail systems.

Project R & T: Anaheim Regional Transportation Intermodal Center

QUARTER	SUMMARY
PRIOR TO AUDIT PERIOD	• Initiated environmental study for the Anaheim Regional Transportation Intermodal Center (ARTIC) in April 2009. • Initiated final design for ARTIC in June 2009.
JUL – SEP 2010	• Anaheim certified the environmental document in September 2010.
JAN – MAR 2011	• Initiated the contract procurement process for the ARTIC building terminal shell and enclosure. This began the engineering, fabrication, and construction process for the ARTIC building structure.
JAN – MAR 2012	• Received approval from the Federal Transit Administration on the environmental document with the issuance of a Finding of No Significant Impact in February 2012, one year behind schedule. • ARTIC final design 90 percent complete.
APR – JUN 2012	• Completed final design for ARTIC in May 2012. • ARTIC construction ready in May 2012, and advertised construction contract in May 2012. • Continued property negotiations for ARTIC.

Project U: Expand Mobility Choices for Seniors and Persons with Disabilities

QUARTER	SUMMARY
JAN – MAR 2011	• Board approved funding and policy guidelines for the three senior/disabled programs in February 2011. Begun execution of agreements with the recipients.
JAN – MAR 2012	• Disbursed $1.4 million in funding to 25 cities participating in the Senior Mobility Program (SMP) through March 2012. Collectively, the cities have provided nearly 200,000 trips for seniors traveling to medical appointments, nutrition programs, shopping destinations, and senior and community center activities. Disbursed $1.7 million to the County of Orange to support the Office on Aging Senior Non-Emergency Medical Transportation Program.

QUARTER	SUMMARY
APR – JUN 2012	• Disbursed $2.1 million in funding to 25 cities participating in SMP through June 2012. Collectively, the cities have provided more than 223,000 trips for seniors. Disbursed $2.5 million to the County of Orange to support the Office on Aging Senior Non-Emergency Medical Transportation Program.

Project V: Community Based Transit/Circulators

QUARTER	SUMMARY
OCT – DEC 2009	• Board approved project concepts for community based transit circulators from 13 cities.
JAN – MAR 2010	• Incorporated 22 community circulators concepts into Step Two service planning for the Go Local Bus/Shuttle programs.
JAN – MAR 2011	• Finalized technical efforts for bus/shuttle projects related to the Community Circulators Program.
APR – JUN 2011	• Completed Step Two of the service planning work for all 60 service concepts under the Go Local Bus/Shuttle programs (Projects S and V). Results are being integrated into the Transit System Study.
JUL – SEP 2011	• Conducted meetings with interested cities and major employers, upon request, to discuss 35 Go Local/bus shuttle concepts in more detail as part of the integrated Transit System Study planning efforts.

Project W: Safe Transit Stops

QUARTER	SUMMARY
	• Potential locations identified.

Appendix F: Environmental Cleanup Activity Summary (Project X)

Project X: Water Quality Program

QUARTER	SUMMARY
JUL – SEP 2009	• Environmental Cleanup Allocation/Water Quality Committee (Allocation Committee) continued to refine the draft funding guidelines and framework for the allocation of water quality funding.
OCT – DEC 2009	• Allocation Committee finalized the draft funding guidelines and framework for the allocation of water quality funding.
JAN – MAR 2010	• Allocation Committee recommended approval of the draft funding guidelines and framework for the allocation of water quality funding to the Transportation 2020 (T2020) Committee and the Board.
APR – JUN 2010	• Board approved actions proposed by the Allocation Committee, including a two-tier water quality grant program, a funding plan and guidelines for both tiers, and the development of a Tier 2 planning study scope of work.
JUL – SEP 2010	• Allocation Committee and the T2020 Committee discussed a master agreement with the County of Orange to assemble a panel of vendors to fast track and assist local agencies in installing storm water screens.
OCT – DEC 2010	• Finalized the Tier 1 Water Quality Grant Program procedures in preparation for a call projects in early 2011. • Board approved selection of consultant to develop planning documents to support the Tier 2 Grant Water Quality Program efforts and related funding guidelines in November 2010.
JAN – MAR 2011	• Released the Tier 1 Water Quality Grant Program 2011 Call for Projects in February 2011.
APR – JUN 2011	• Concluded the Tier 1 Water Quality Grant Program 2011 Call for Projects process with a total of 42 applications received in April 2011. Allocation Committee recommended funding 34 projects totaling $2,861,786 in June 2011.
JUL – SEP 2011	• Awarded more than $2.8 million to 23 cities and the County of Orange to provide funding for projects that will help eliminate litter and debris from oceans and waterways. A total of 34 projects were funded.
OCT – DEC 2011	• Countrywide assessment underway to determine the best candidate sites for funding regional capital projects like bioswales, constructed wetlands, and detention/infiltration basins. • Allocation Committee in the process of developing the Comprehensive Transportation Funding Program funding guidelines in preparation for call for projects.
JAN – MAR 2012	• Completed the draft countywide assessment to determine the best candidate sites for funding regional capital projects like bioswales, constructed wetlands, and detention/infiltration basins.
APR – JUN 2012	• Board approved the Environmental Cleanup Program Tier 2 Comprehensive Transportation Funding Program Guidelines and authorized staff to issue the 2012-13 Tier 2 Grant Program Call for Projects in May 2012. • Issued the Call for Projects in June 2012 with approximately $13.3 million being available for this call.

Appendix G: M2 Expenditures Summary

This Appendix presents the progression total net tax revenues and expenditures for each M2 project. The source is the published quarterly schedules of revenues and expenditures at the end of each fiscal year in the audit period.

			Total Net Tax Revenues (Millions)				Expenditures			
			June-09	June-10	June-11	June-12	June-09	June-10	June-11	June-12
		Project								
Freeways	A	I-5 Improvements (SR-55 to SR -57)	$ 535.2	$ 554.1	$ 576.5	$ 589.4	0.00%	0.00%	0.01%	0.19%
43%	B	I-5 Improvements (SR-55 to El Toro Y)								
	C	I-5 Widening (South of the El Toro "Y")								
	D	I-5 Local Interchange Improvements								
		B-C-D	$ 1,349.5	$ 1,397.3	$ 1,453.7	$ 1,486.3	0.06%	0.46%	0.69%	1.86%
	E	SR-22 Access Improvements	$ 136.6	$ 141.5	$ 147.2	$ 150.5	0.00%	0.00%	0.00%	0.00%
	F	SR-55 Improvements	$ 416.8	$ 431.5	$ 448.9	$ 459.0	0.02%	0.08%	0.09%	0.63%
	G	SR-57 Improvements	$ 294.6	$ 305.0	$ 317.4	$ 324.5	5.18%	6.22%	7.96%	7.90%
	H	SR-91 Improvements (I-5 to SR-57)								
	I	SR-91 Improvements (SR-57 to SR-55)								
	J	SR-91 Improvements (SR-55 to Riverside Line)								
		H-I-J	$ 1,686.9	$ 1,746.6	$ 1,817.2	$ 1,857.9	0.15%	0.22%	0.46%	0.65%
	K	I-405 Improvements (I-605 to SR-55)								
	L	I-405 Improvements (SR-55 to I-5)								
		K-L	$ 933.3	$ 966.4	$ 1,005.4	$ 1,027.9	0.07%	0.57%	2.09%	2.42%
	M	I-605 Freeway Access Improvements	$ 22.8	$ 23.6	$ 24.5	$ 25.1	0.00%	0.00%	0.00%	0.00%
	N	Freeway Service Patrol	$ 170.8	$ 176.8	$ 184.0	$ 188.1	0.00%	0.00%	0.00%	0.01%
	Z	Freeway Mitigation	$ 292.0	$ 302.3	$ 314.5	$ 321.6	0.04%	0.14%	8.97%	9.74%
Streets	O	Regional Capacity Program	$ 1,357.8	$ 1,405.8	$ 1,462.6	$ 1,495.4	0.24%	1.31%	3.61%	6.92%
32%	P	Regional Signal Synchronization	$ 543.1	$ 562.3	$ 585.0	$ 598.1	0.01%	0.02%	0.05%	0.12%
	Q	Local Fare Share Program	$ 2,444.0	$ 2,530.6	$ 2,632.8	$ 2,691.7	0.00%	0.00%	0.11%	1.65%
Transit	R	High Frequency Metrolink	$ 1,215.5	$ 1,258.5	$ 1,309.4	$ 1,338.7	1.25%	2.57%	3.68%	4.66%
25%	S	Transit Extensions to Metrolink	$ 1,198.6	$ 1,241.0	$ 1,291.2	$ 1,320.1	0.00%	0.00%	0.00%	0.01%
	T	Metrolink Gateways	$ 271.6	$ 281.2	$ 292.6	$ 299.1	0.00%	0.00%	0.00%	0.00%
	U	Mobility for Seniors and Disabilities	$ 407.3	$ 421.7	$ 438.7	$ 448.6	0.00%	0.00%	0.00%	1.65%
	V	Community-Based Transit/Circ.	$ 271.5	$ 281.1	$ 292.5	$ 299.0	0.00%	0.00%	0.00%	0.00%
	W	Safe Transit Stops	$ 30.0	$ 31.0	$ 32.3	$ 33.0	0.00%	0.00%	0.00%	0.02%
Environm	X	Environmental cleanup								
			$ 284.4	$ 302.5	$ 314.6	$ 316.3	0.06%	0.16%	0.50%	0.63%
Mgt		Collect sales tax (1.5%)				$ 231.8				1.3%
		Oversight and Audits (1 %)				$ 158.2				2.0%
		Totals	$ 13,862.2	$14,360.9	$ 14,941.0	$ 15,270.1				