Orange County Transportation Authority

July 1, 2021 to June 30, 2024 M2 Performance Assessment

February 2025

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At-A-Glance Executive Summary

Sjoberg Evashenk Consulting, Inc. (Sjoberg Evashenk) was contracted by the Orange County Transportation Authority (OCTA) to conduct the sixth Measure M2 (M2) performance assessment for the three-year period covering July 1, 2021 through June 30, 2024 to evaluate efficiency, effectiveness, economy, and program results of OCTA in meeting Ordinance No. 3 (Ordinance) requirements. Key review results are summarized below and review recommendations are highlighted on the next page.

OCGO
Local Tax Dollars at Work

FISCAL YEARS 2021-2022 — 2023-2024
KEY RESULTS

Program Goals and Delivery

- OCTA continued to make progress towards M2 goals, with delivery commensurate with time lapsed. After 13 years of sales tax collection (43% of the Ordinance timeline), OCTA has demonstrated significant progress across all program areas and has achieved 65% completion of capital construction work.

Program Management

- OCTA's M2 Project Management Office demonstrated strong program management with well-defined roles and responsibilities across divisions, ensuring effective coordination, fiscal accountability, and adherence to M2 Ordinance requirements.

- While OCTA's construction management was robust, some opportunities exist to build upon existing reporting practices to improve transparency.

- Procurement practices and activities generally complied with policies, though small improvements can be made to consistently and clearly document procurement activity and clarify language in OCTA's policies.

Cybersecurity

- OCTA strengthened its cybersecurity through updated policies, annual training requirements for staff and contractors, and improved access controls aligned with national standards.

- OCTA made progress addressing key recommendations from a recent cybersecurity audit, and implemented improved asset tracking, vulnerability management, and disaster recovery practices.

Compliance, Transparency, and Accountability

- OCTA established a robust, organized system to track compliance with the M2 Ordinance.

- Grant evaluation and award process was documented and clear, but the payment process needs improvement with 14 percent of payment requests totaling $33.4 million between FY 2019 and FY 2024 remaining unpaid as of October 2024.

- OCTA continued to use an extensive array of outreach and communication methods, maintaining high consistency across platforms and demonstrating a commitment to transparency.

- The M2 Taxpayer Oversight Committee continued to fulfill its oversight role as outlined in the Ordinance, contributing to M2's transparent and accountable implementation, though OCTA identified some room for clarification in the Ordinance.

Finance

- OCTA continued to utilize conservative fiscal practices to ensure financial security in the face of an ever-changing economic environment and shifting transportation funding priorities.

OCGO
Local Tax Dollars at Work

FISCAL YEARS 2021-2022 — 2023-2024
REVIEW RECOMMENDATIONS

Program Management

1. To enhance transparency, OCTA should consider providing contextual disclosures in its reporting when project cost and schedule status are being reported against an amended plan rather than the original plan.

2. As part of the development of the new E-procurement solution, OCTA should ensure that the scoring and evaluation processes are reviewed to build system functions that capture consistent and accurate data that clearly documents how and why vendors were awarded contracts.

3. To strengthen compliance with OCTA's contracting and procurement policies, OCTA should add clarifying language in the CAMM manual on what CAMM policies are subject to staff discretion.

Compliance, Transparency, Accountability

4. Develop a plan to address backlog and timeliness of payments, which may include implementing the recommendations provided by the payment process consultant, as appropriate; consideration of more frequent and consistent timelines within the process; and assuring appropriate staffing levels and resources are available to better organize and expedite review of payments and payment authorization.

Introduction and Background

In November 2006, Orange County voters passed a 30-year extension of the Measure M half-cent sales tax. M2 is governed by the Ordinance and continues local transportation investments from 2011 through 2041. These funds are designated for use towards congestion relief, improved accessibility, and reduced pollution through various freeway, roadway, transit, and environmental projects called for in the Transportation Investment Plan (Plan). OCTA, in its capacity as the Regional Transportation Planning Agency and administrator of the sales tax, is responsible for administering M2 programs and projects in coordination with the California Department of Transportation (Caltrans) and several local partner agencies.

M2 Goals

- ✓ RELIEVE CONGESTION
- ✓ FIX POTHOLES & RESURFACE STREETS
- ✓ EXPAND METROLINK
- ✓ SYNCHRONIZE TRAFFIC LIGHTS
- ✓ PROVIDE TRANSIT, AT REDUCED RATES, TO SENIORS & DISABLED PERSONS
- ✓ REDUCE AIR & WATER POLLUTION

Official Ballot General Election Orange County, November 2006

Specifically, the ballot promised to relieve congestion on the Interstate 5 (I-5), Interstate 405 (I-405), State Route 22 (SR-22), State Route 55 (SR-55), State Route 57 (SR-57), and State Route 91 (SR-91) freeways, fix potholes and resurface local streets, expand Metrolink rail service, provide additional transit options and transit services at reduced rates to seniors and persons with disabilities, synchronize traffic lights, reduce air and water pollution, and protect local beaches from oil runoff from roadways.

As shown in Exhibit 1, 24 specific projects and programs were outlined for completion over the 30-year timeframe of M2. These projects and programs were initially estimated to amount $11.9 billion in 2005 dollars.[1] Except for specific highway capital construction projects identified, many of the M2 projects or programs are scalable to available funds—meaning the M2 Plan can be delivered as promised, based on the available revenue, while still meeting commitments to voters. One other exception is related to Project U-Fare Stabilization Program where M2 is to provide fare discounts for seniors and persons with disabilities "in an amount equal to the percentage of partial funding of fares" as of the effective date of the Ordinance.

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[1] The fiscal year (FY) 2023-2024 sales tax revenue forecast estimate is $14.8 billion (year of collection dollars) over the life of the program.

EXHIBIT 1. MEASURE M2 PROJECTS

Source: M2 Plan

Legend: ■ Freeways ■ Streets & Roads ■ Transit ■ Environmental Cleanup

The Ordinance also included taxpayer safeguards through annual independent audits and taxpayer reports, ongoing monitoring and spending reviews by the Taxpayer Oversight Committee (TOC), regular quarterly project progress reports, triennial performance assessments, and a comprehensive review of M2 every ten years.

Scope and Methodology

As a taxpayer safeguard in the Ordinance, OCTA must undergo a performance assessment once every three years to evaluate efficiency, effectiveness, economy, and program results of OCTA in satisfying the provisions and requirements of the Ordinance. Five performance assessments have been completed to date covering program activities since FY 2006-2007. This report provides results of the sixth performance assessment for the three-year period covering July 1, 2021, through June 30, 2024, except where we needed to obtain contextual or underlying support data from periods prior to July 1, 2021, or more recent information to fully analyze program activities or practices.

Scope

Sjoberg Evashenk was contracted by OCTA to examine OCTA's performance on a range of activities surrounding the planning, management, and delivery of M2 Program components to ensure necessary tools and practices were in place to successfully implement the plan over its remaining life. This included, but was not limited to, a review of OCTA's:

- Effectiveness and efficiency in developing and implementing the M2 projects and programs;

- Approach to program management with regard to addressing prior assessment findings, interdivisional coordination, progress reporting mechanisms, function and functionality of the M2 Program Management Office (PMO), and security over cyber-attacks;

- Practices to ensure compliance with monitoring and reporting on Ordinance provisions;

- Fiscal responsibilities when funding local grants and reporting on expenditures in addition to established practices surrounding long-term financial and investment decisions given anticipated revenue shortfalls; and

- Transparency and accountability in informing the public and decision-makers on M2 matters, public involvement when planning for M2 projects, and functionality of safeguards such as the TOC.

Objectives

The primary objectives identified for this performance assessment were as follows:

1. Evaluate the status of findings from the fifth performance assessment and the effectiveness of the changes implemented;

2. Assess the performance of the agency on the efficient delivery of M2 projects and programs; and

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

Methodology

To fulfill these objectives, we conducted a series of detailed tasks involving data mining and analysis, documentary examinations, peer comparisons, source data verification, and interviews. This included, but was not limited to, a review of OCTA's:

- Effectiveness and efficiency in developing and implementing the M2 projects and programs;

- Approach to program management with regard to addressing prior assessment findings, interdivisional coordination, progress reporting mechanisms, function and functionality of the M2 PMO, and security over cyber-attacks;

- Practices to ensure compliance with monitoring and reporting on Ordinance provisions.

- Fiscal responsibilities when funding local grants, reporting on expenditures, and establishing practices surrounding long-term financial and investment decisions given anticipated revenue shortfalls; and

- Transparency and accountability in informing the public and decision-makers on M2 matters, public involvement when planning for M2 projects, and functioning and functionality of taxpayer safeguards such as the TOC.

To assess OCTA's effectiveness and efficiency in developing and implementing M2 projects and programs, we performed the following:

- Reviewed various delivery plans including the Updated Next 10 Delivery Plan (Next 10 Plan), the Ordinance and M2 Plan, as well as other underlying documents to gain an understanding of the full complement of programs, projects, and promises made.

- Assessed the status of the M2 programs and projects as of June 30, 2024, using M2 progress reports such as the M2 Quarterly Reports, M2 website, capital project documents, PMO tracking files, and other available budget and cost data.

- For a sample of projects, verified scope for completed projects aligned with intent of the Ordinance by reconciling the improvement made to the recommendations from the final Program Environmental Impact Report that served as the guiding document in developing the Ordinance.

- Compiled a universe of M2 programs and capital projects (see Appendix A) to compare budgets to actuals for both costs and schedules, as well as to identify the current status of projects.

- Reviewed available key performance indicators related to congestion, pavement, and transit to compare outcomes against performance goals tied to M2 projects in the Measure.

- Reviewed program and construction management procedures for elements found in leading practices as determined by the Project Management Institute's Construction Extension to the Project Management Body of Knowledge Guide, Construction Management Association's Construction Management Standards of Practice, Federal Highway Administration guidance, and Caltrans Local Assistance Manual.

- Tested a sample of M2 contract files for compliance with OCTA procurement guidelines as established in its Contracts Administration and Materials Management manual.

- Reviewed successes and challenges with the environmental mitigation program.

To understand OCTA's approach to program management, we:

- Reviewed OCTA's M2 PMO charter.

- Reviewed all prior performance assessments reports to determine the current status of prior recommendations, whether findings were adequately addressed, or if there were any carryover items or follow-ups needed.

- Assessed OCTA's processes for calculating and monitoring administrative costs to ensure limits complied with the Ordinance.

- Reviewed OCTA's cyber security policies, procedures, and protocols, and determined whether those aligned with industry standards established by the United States Department of Commerce National Institute of Standards and Technology, United States Department of Transportation Cybersecurity, California Office of Information Security, Information Systems Audit and Control Association, among others.

To evaluate practices in place to ensure compliance with M2 monitoring and reporting provisions, we:

- Identified all compliance areas required by the Ordinance and reviewed OCTA's Ordinance Compliance Tracking Matrix for completeness.

- Assessed compliance with M2 local eligibility guidelines, including testing a sample of eligibility reviews conducted on local city and county jurisdictions to ensure that each required eligibility compliance category was reviewed, and eligibility guidelines were followed.

- Assessed grant practices, including testing a sample of approved grants to determine if selection process was robust and had supporting documentation, such as scoring sheets, technical reviews, and overall adherence to grant purpose and proposed project.

- Verified capital project schedule and cost data presented to the public reconciled with and across internal reports.

To evaluate fiscal responsibilities, we:

- Assessed OCTA's management of sales tax revenues regarding revenue projection methodologies, leveraging of funds, debt financing, investment practices, and cash flow planning.

- Determined whether fiscal practices in place allow for the delivery of the entire program within the M2 prescribed timeframe. This included a review of safeguards put in place to mitigate the impacts of future projected revenue shortfalls.

To review OCTA's public transparency and accountability, involvement of the public when planning for M2 projects, and the functioning of the TOC, we:

- Reviewed outreach tools employed, and content provided to inform the public about M2 programs and projects. Summarized and assessed surveys of public awareness and attitude towards M2 looking for trends and compared OCTA practices to similar entities.

- Determined whether the TOC functions as intended by the Ordinance by reviewing meeting minutes for items discussed or issues raised.

Finally, we also met with OCTA executives, managers, and staff over areas related to planning, finance/administration, internal audits, capital programs, and external affairs on multiple occasions to

understand, assess, and vet practices employed implementing the M2 Program. Additional M2 stakeholders were interviewed to garner views and perspective, including representatives from the Automobile Club of Southern California, Orange County Taxpayers Association, Rancho Mission Viejo, Orange County Business Council, Environmental Oversight Committee (EOC), Environmental Cleanup Allocation Committee, TOC, Technical Advisory Committee, Southern California Association of Governments (SCAG), and Caltrans.

Chapter 1: Program Goals Have Been Met Thus Far

As of June 2024, OCTA made substantial progress in delivering on the promises outlined in the 30-year measure. Nearly halfway through the timeline, OCTA has completed significant portions of its planned infrastructure projects aimed at reducing traffic congestion, improving local transit, and advancing environmental goals. Work has concluded on 65 percent of the 52 project segments that make up the 17 M2 capital construction projects, and OCTA remains on track to meet its overall delivery goals.[2]

Key achievements include the completion of 81.6 miles of freeway lanes—53 percent of the total goal—and the reduction of commute delays in major corridors like the I-405, which has already seen a 36 to 57 percent reduction in vehicle hours of delay following recent improvements. Despite external influences such as the economic impact of the COVID-19 pandemic and significant material and labor cost escalations, OCTA's efforts to improve regional mobility and meet voter expectations continue to progress in alignment with the measure's timeline.

Project Delivery Is Commensurate With Time Lapsed

Nearly halfway through the 30-year measure, OCTA has made substantial progress on meeting its delivery plans. M2 outlined 24 projects and programs (labeled Projects A to X) aimed at reducing traffic congestion through highway improvements, street resurfacing, traffic light synchronization, transit options, and environmental initiatives. Of which, 17 projects were capital construction projects that aimed to construct improvements such as highways. The 17 projects are further divided into 52 project segments that split out the scope of pledged work into manageable pieces. As shown in Exhibit 2, although only six out of the 17 capital projects have been completed to-date, OCTA completed 65 percent of the scope of work promised for these projects through the completion of 34 of the 52 project segments. For instance, although only 4 of the 13 freeway projects have been completed, to-date, OCTA has delivered 81.6 miles of the total 154.6 miles of freeway lanes promised—or 53 percent—with 43 percent of the measure timeline spent.

Further, at the program level, all the projects have commenced or are already well along in being delivered. As such, OCTA's delivery of the program is commensurate with the time lapsed in the measure lifespan.

EXHIBIT 2. STATUS OF M2 PROJECTS, PROGRAMS, AND SEGMENTS AS OF JUNE 30, 2024

Type	# of M2 Projects	# of Completed Projects	# of Project Segments	Project Segment Status as of June 30, 2024	# Miles	# Inter changes	Percent Complete by Segment
Capital Projects							
Freeway	13	4	30	In-Progress	16	73	1	53%
				Completed	14	81.6	4	**47%**
Streets and Roads	1	1	7	Completed	7			**100%**

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[2] The remaining seven out of 24 are not standard capital construction projects, but rather a variety of transportation related projects funded by M2 such as but not limited to providing van service for seniors, passenger amenities at transit stops, and environmental mitigation.

Type	# of M2 Projects	# of Completed Projects	# of Project Segments	Project Segment Status as of June 30, 2024		# Miles	# Inter changes	Percent Complete by Segment
Capital Projects								
Rail/Metrolink	3	1	15	In-Progress	2			13%
				Completed	13			**87%**
Capital Projects Total	17	6	52	In-Progress	18			35%
				Completed	34			**65%**
Non-Capital Programs								
Programs	7 A	On-going 1	12 B					
Total Projects and Programs	24	6	64					

Source: Auditor-generated based on final project status reports, quarterly reports, and internal project manager spreadsheets

Note: **Green** text highlights completed delivery

Note [1]: The non-capital programs are on-going programs that will remain active for the life of the measure.

Note [A]: Projects N, P, Q, U (Expanded Mobility Choices), V, W, X

Note [B]: Projects N, O, P, Q, S, U (Senior Mobility), U (Senior Non-Emergency Medical Transportation), U (Fare Stabilization), V, W, X (Tier 1), X (Tier 2)

M2 Goals have Generally Been Met Thus Far

In addition to delivery in terms of projects pledged, progress can also be measured by achievement of specific goals and outcomes tied to projects. M2 promised various performance outcomes tied to project scopes—such as the I-405 reducing congestion. Our review of the goals described in M2 and reported progress to date showed that M2 goals have mostly been met thus far, as summarized in Exhibit 3.

EXHIBIT 3. CUMULATIVE PROGRESS TOWARD MEETING M2 GOALS THROUGH JUNE 30, 2024

#	M2 Goal	Measure	Results as of June 30, 2024 [A]
1	Relieve Congestion on I-5, I-405, SR-22, SR-55, SR-57, and SR-91	• Commute Time • Hours of Delay	• Congestion remained stable over the three-year review period • Vehicle hours of delay decreased on the I-405 Corridor Project K after the improvement efforts were complete
2	Fix Potholes & Resurface Streets	• Pavement Condition Index	• Improvements in Pavement Condition Index (PCI) noted in 2016 have remained at 79 from 2020 to 2022, though no data was available for 2023 and 2024 • As of 2022, Orange County continued to have one of the best pavement conditions in the State
3	Expand Metrolink Rail & Connect with Local Communities	• Projects Completed	• 12 of 13 identified Metrolink rail expansion capital projects to accommodate future increased service frequency were completed which included approximately 50 at-grade rail crossings safety enhancements • As of June 30, 2024, three lines servicing Orange County operate reduced service (by 17 percent from 54 to 45 weekday trains) due to declining ridership • OC Streetcar construction began construction in November 2018 • $53.8 million awarded to 36 projects and 10 planning studies

#	M2 Goal	Measure	Results as of June 30, 2024 [A]
4	Provide Reduced Cost Transit Services to Seniors and Persons with Disabilities	• Number of Boardings • Funding Provided • Number of Issued Passes	• $38.5 million has been provided to support nearly 3 million boardings provided under the Senior Mobility Program • $41.1 million has been allocated to support nearly 1.6 million boardings provided to Orange County to supplement existing Senior Non-Emergency Medical Transportation Program services • $55 million has been allocated to support more than 152.6 million boardings provided to stabilize fares and provide fare discounts to seniors and persons with disabilities • 5,792,348 Fare Stabilization Program Fixed Route passes and 1,871,815 ACCESS Passes were issued during the review period.
5	Synchronize Traffic Lights	• Number of Lights Synced	• 3,705 intersections synchronized
6	Reduce Air and Water Pollution and Protect Local Beaches through Cleanup of Roadway Oil Runoff	• Better Air Quality and Less Water Pollution	• 69.5 million gallons of trash estimated to have been removed • 1,300 acres approved as open space • 350 acres restored

Source: Generated from OCTA Quarterly Progress Reports and OC Go Website

Note A: Congestion data is as of 2023; Pavement Performance data is as of 2022 due to limited data available

A Combination of Internal and External Forces Continue to Impact Goals and Outcomes

While OCTA made progress in its delivery of the projects and programs promised to voters, over the review period there remained factors outside of OCTA's sphere of influence that impacted both project and program delivery. External factors include, but are not limited to, economic conditions, natural disasters, population changes, and more. In Exhibit 4, we provide an illustrative list of factors that are both within OCTA's sphere of influence and external factors that OCTA has no control over.

EXHIBIT 4. INTERNAL AND EXTERNAL FORCES IMPACTING M2

The review period of July 1, 2021, to June 30, 2024, encompassed the unique period of recovery after the Covid-19 pandemic disrupted the world in 2020 and likely contributed to some of the anomalies notated in trends reported during the review period.

As shown in Exhibit 5, Orange County's population has remained consistent before and after the onset of the pandemic, but some changes in travel trends have occurred such as increased vehicle miles traveled, and slightly increased commute times and annual commuter delays.
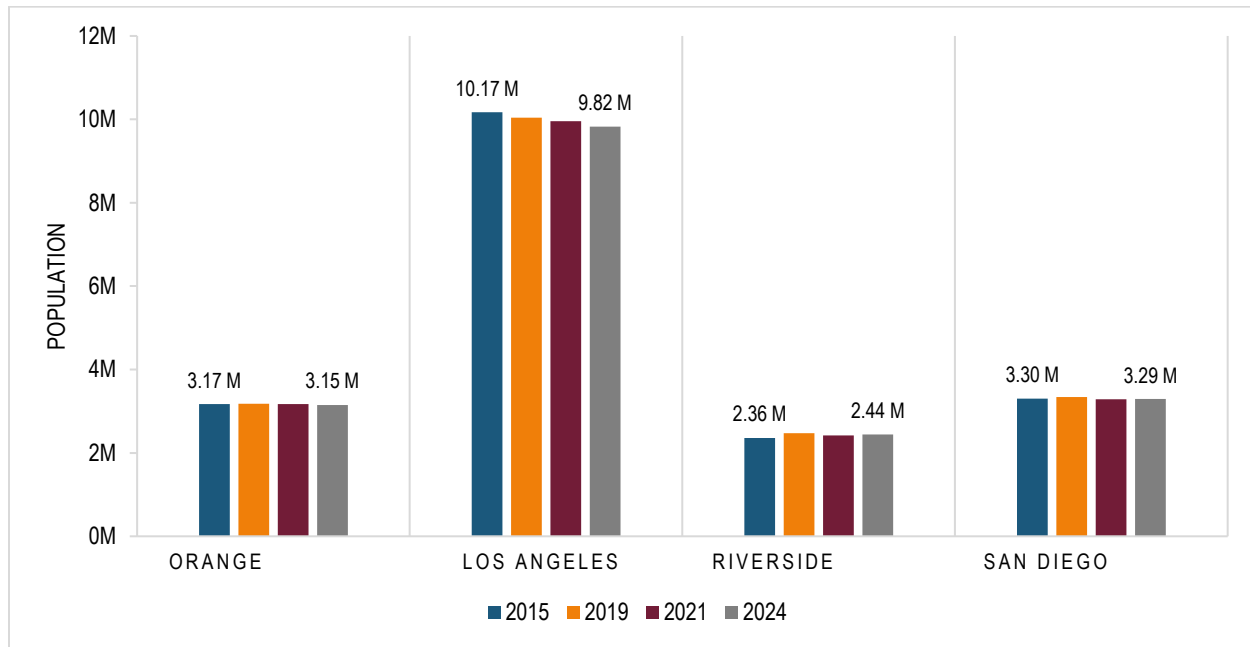
Source: 2015 and 2019 American Fact Finder Census Data,
2021 and 2024 California Department of Finance Population Estimates based on 2020 Census Benchmark

Typically, population changes have an impact on traffic patterns—with increases in population correlating to increased delays. But the modest congestion related increases in the review period may be a result of return to pre-pandemic activities and changes to travel patterns resulting from a combination of changes to employment characteristics (in-person, remote, and hybrid workforce) and population migration between nearby counties, rather than population changes in Orange County. Despite these slight congestion related increases, the addition of new lanes on the I-405 significantly reduced vehicle hours of delay particularly in the I-405 Corridor, where delays decreased by up to 57 percent following project completion in December 2023. As such, despite the variety of external factors that may impact M2 delivery, OCTA still made progress on delivery pledges and achieved performance improvements.

Commute Times Slightly Increased over the Assessment Period but Recently Completed M2 Project Had Positive Impact on Travel Delays and Congestion Has Declined Since 2010

As stated in M2, one of the measures key goals was to "relieve congestion on the I-5, I-405, SR-22, SR-55, SR-57, and the SR-91." To determine whether goals have been met thus far, we reviewed a combination of congestion data related to commute times, annual hours of delay, and freeway speeds. Though some congestion indicators trended upward showing increased traffic, the opening of the I-405 between I-605 and SR-55 in December 2023 resulted in improved mobility for travelers in the project area.

Commute Times Slightly Increased over Assessment Period

OCTA does not publish targets or goals for commute times. But SCAG, the Metropolitan Planning Organization for Orange County that provides regional direction on transportation planning, publishes its

own goals measured by performance metrics in its Regional Transportation Plan. In absence of OCTA having targets, SCAG's methods for measuring performance from its Regional Transportation Plan can be reasonably used as a comparable method for OCTA. SCAG indicated that the American Community Survey would be used to monitor the commute to work time performance measure with a target of improvement (decrease) over base year. Data produced by the American Community Survey provides an estimate of the commute time to work for all commuters in each of the comparison counties across all modes—driving alone, carpools, motorcycles, trucks, public transportation, bikes, and walking.

In Orange County, the percentage of commutes that took less than 30 minutes minimally decreased by 0.7 percent between calendar years 2021 and 2023—meaning that commute times took longer. But at around 62 percent of commutes lasting less than 30 minutes, Orange County commuters spend less time in traffic than neighboring Los Angeles or Riverside counties as shown in Exhibit 6. While San Diego County still had the highest share of shorter commutes in calendar year 2023, Orange County's decline in shorter commutes was the smallest amongst comparison areas.

EXHIBIT 6. CHANGE IN PERCENT OF COMMUTES THAT TOOK LESS THAN 30 MINUTES, CALENDAR YEARS 2021 TO 2023
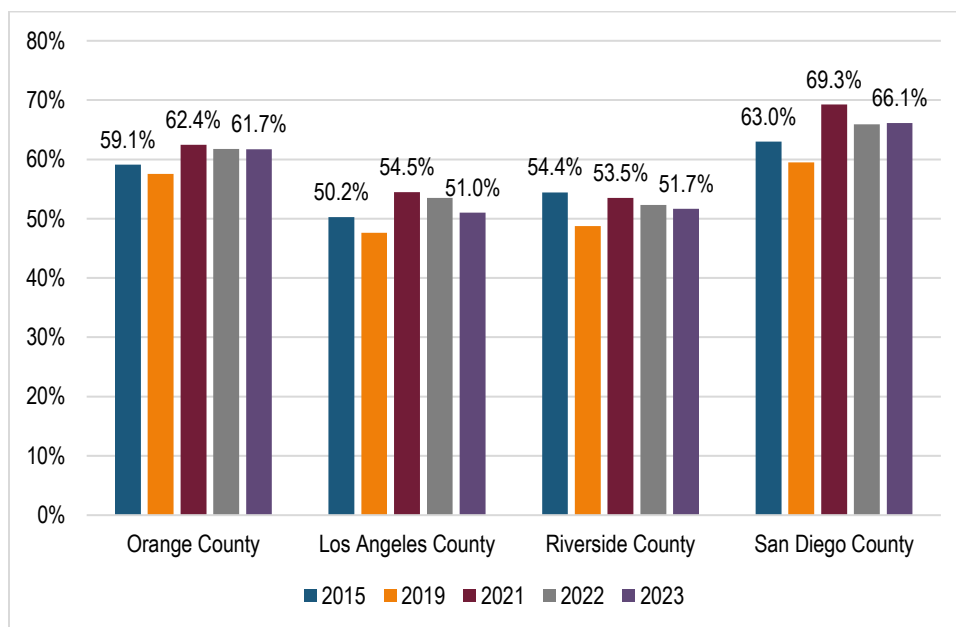
Source: American Community Survey estimates calendar years 2015, 2019, 2021, 2022, 2023
Note: Data was only available through 2023

Hours of Delay Slightly Increased since the End of the COVID-19 Pandemic, but Overall Improvement Noted Since 2010

Annual delay per auto commuter is defined in OCTA's Mobility Indicators Report as "a measure of the extra travel time endured throughout the year by auto commuters who make trips during peak period." As such, annual delay per auto commuter can reasonably be interpreted as one indicator of congestion, in addition to average monthly urban freeway speeds and vehicle flow.

As shown in Exhibit 7, annual hours of delay at speeds of less than 60 miles per hour on freeways in Orange County have increased since the end of the COVID-19 pandemic in calendar year 2021, although

still trending at levels lower than ten years ago. Total annual hours of delay were at 12.6 hours in calendar year 2023 compared to its peak of 18.5 hours of delay in 2015. Following a similar trend, afternoon peak hours were at 6.7 hours of delay in calendar year 2023, and morning commutes remained relatively stable at 3.4 hours of delay.

EXHIBIT 7. ANNUAL HOURS OF DELAY PER CAPITA AND/OR PER COMMUTER AT SPEEDS LESS THAN 60 MILES PER HOUR ON FREEWAYS IN ORANGE COUNTY: CALENDAR YEARS 2010-2023
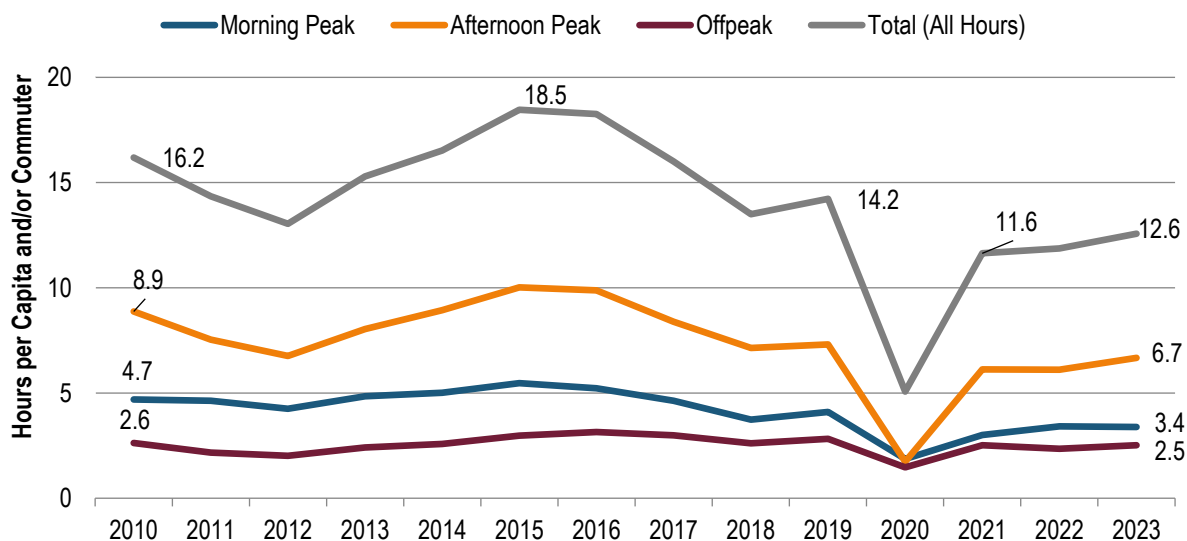
Source: 2023 OCTA Mobility Indicator Report data, unaudited

As shown in Exhibit 8, prior to calendar year 2020, the average freeway speeds in Orange County were generally trending between 55 to 60 miles per hour (mph) but peaked in calendar year 2020 at nearly 64 mph, likely due to fewer vehicles on roadways during the COVID-19 pandemic. Despite some fluctuations in calendar year 2022 and mid-2023, speeds have generally returned to pre-pandemic levels at up to 60 mph during the first half of calendar year 2024. Speed patterns for Orange County have also been generally aligned with statewide trends—although Orange County noted an overall improvement in speeds from 2010 to the first half of 2024.

Source: 2023 OCTA Mobility Indicator Report data, unaudited

Vehicle Hours of Delay Decreased on I-405 Corridor K Project after Improvement

While countywide statistics can give context to factors impacting a region, measuring outcomes of transportation projects generally need to be at a more focused level. For example, according to the M2 Early Action Plan, the proposed benefits of Project "K"—San Diego Freeway (I-405), SR-55 to I-605 Design Build" were to increase freeway capacity and reduce congestion. The project opened to traffic in December 2023 and included new general purpose and express lanes.

We compared delay data from Caltrans Performance Measurement System for the full 2016 calendar year before construction started in January 2017 to the congestion data from the year after the new general purpose and new express lanes opened to traffic in December 2023. Although only eight months into the opening of the new lanes, as shown in Exhibit 9, there was a substantial decrease in vehicle hours of delay from calendar years 2016 to 2024—a 36 percent reduction on southbound lanes and 57 percent reduction on northbound lanes, suggesting that the M2 improvement had a positive impact on traffic for the project area.
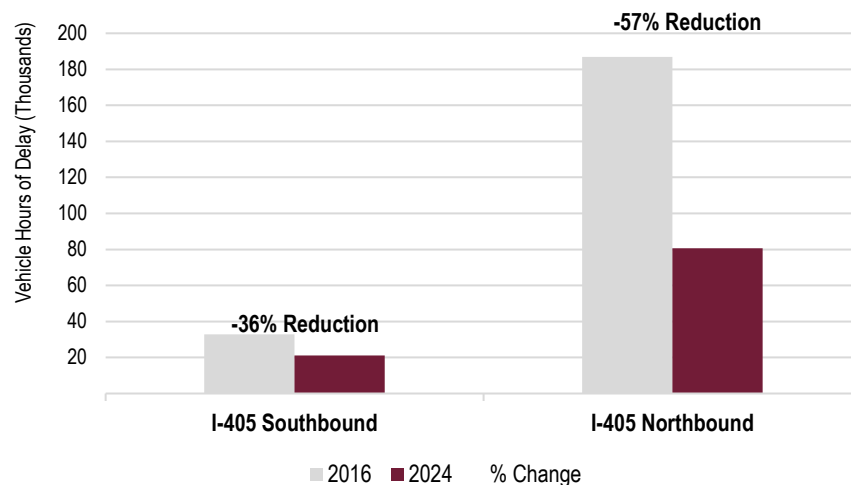
Source: Caltrans Performance Measurement System
Note: Data from Caltrans Performance Measurement System is available on the corridor level, specifically, travel time delay. Travel time delay is a measure of additional time driven on a roadway due to relative to the amount of time it would have taken at "free-flow" speeds (non-congested conditions). Caltrans allows the user to set the free-flow" for the system to perform the delay calculations. In the Exhibit comparisons, 60mph was used as the free-speed.

Countywide Pavement Condition Generally Maintained Over the Assessment Period

The M2 ballot proposed that funding would fix potholes and resurface streets, but did not define performance metrics to measure progress. Based on best available limited data, we found that the pavement condition of local roads stayed the same during the review period.

Pavement condition can be assessed by a variety of methods. Two standardized methods include the International Roughness Index (IRI) and the Pavement Condition Index (PCI). The IRI is measured by a modified vehicle that is equipped with sensors and computers to automatically collect and analyze the road condition as the driver travels the roadway. The IRI is a measure of the "roughness" of ride quality, or in simpler terms, a measure of how bumpy the road is.

Another method of assessing pavement condition is with the PCI. The PCI was initially developed by the United States Army Corps of Engineers and, like IRI, was also standardized by the American Society for Testing Materials. The PCI is calculated from a visual survey—which may be aided by video capture from a modified vehicle—of pavement distress with score ranges from 0 (failed) to 100 (perfect). Points are deducted from 100 for distress such as cracking, rutting, and other distortions.

While auditors intended to review data for both measurement methods, only the PCI was available for our review period due to limited availability of data sources.

Local Streets and Roads Pavement Conditions Have Remained Constant in Review Period

Pavement condition for local streets and roads has been reported semi-annually jointly by the League of California Cities, California State Association of Counties, County Engineers Association of California, California Regional Transportation Planning Agencies, California Rural Counties Task Force, and Metropolitan Transportation Commission through the California Local Streets & Roads Needs Assessment.

The assessment collected data on California local streets and roads through a survey to California's counties, cities, and Regional Transportation Planning Agencies. The survey data demonstrated that in comparing data from calendar years 2020 to 2022, Orange County's PCI was higher at 79 than the statewide average of 65 in 2022 and other nearby counties (Los Angeles, Riverside, and San Diego) which ranged from 67 to 71 in 2022. OCTA's higher PCI indicates that pavement condition was better than others. This is shown in Exhibit 10.

EXHIBIT 10. CHANGE IN PAVEMENT CONDITION INDEX BY COMPARISON COUNTIES, CALENDAR YEARS 2020 AND 2022
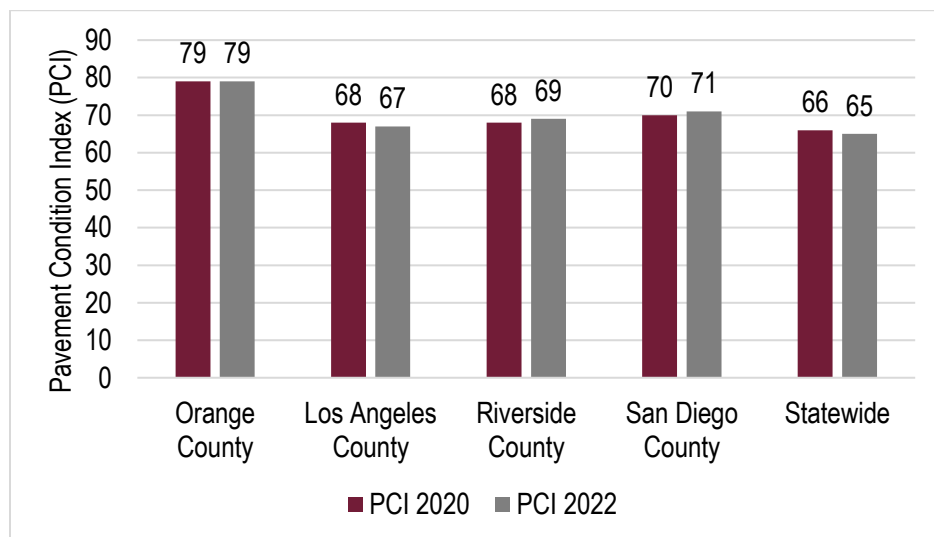
Source: Calendar years 2018, 2020, 2022 California Statewide Local Streets and Roads Needs Assessment
Note: Data through 2024 was not available

Further, as shown in Exhibit 11, overall pavement condition improvements for Orange County have remained steady since calendar year 2018.
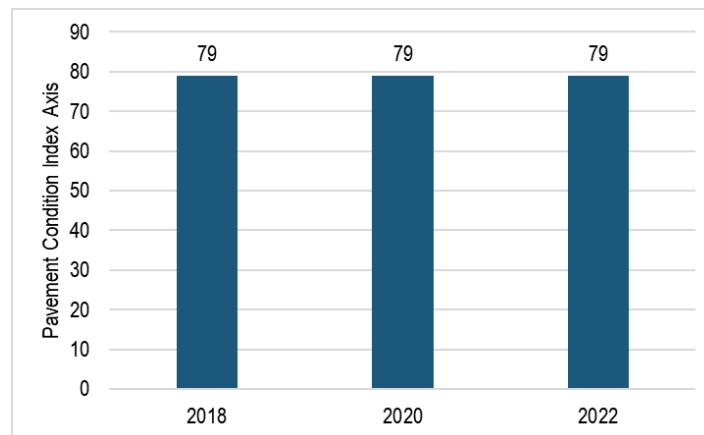
Source: California Statewide Local Streets and Roads Needs Assessment
Note: Data through calendar year 2024 was not available

OCTA Surpasses its Traffic Signal Synchronization Goal and Reported Reduced Delay

Of the M2 funds set aside for street and road improvements, an estimated $453 million was originally projected to be allocated to coordinate traffic signals across local jurisdictional boundaries and through freeway interchanges. This is possible through Project P, the Regional Traffic Signal Synchronization Program, with a goal to synchronize more than 2,000 signals to improve travel time, average speed, and stops. To date, OCTA has met and significantly surpassed this goal. Specifically:

- OCTA reported it has optimized signal timing throughout OC on 3,705 signalized intersections along 954 miles of roadway—an increase of 702 signalized intersections, or more than 19 percent from the 3,003 reported in the prior assessment and more than 85 percent higher than its original M2 goal.

- OCTA reports awarding $184.8 million (including $40.1 million in leveraged external funding) to 137 projects.

- In terms of addressing goals to reduce delay, OCTA reports travel time savings of 13 percent, a 14 percent improvement on average speed, and a 29 percent stop reduction since calendar year 2011. These results meet stated goals to reduce delay and stops by 10-25 percent through the Regional Traffic Signal Synchronization Program.

Study Identified Additional Opportunities to Build Upon Traffic Signal Synchronization Success

As part of a countywide study completed in calendar year 2022, OCTA has worked with local cities, Orange County, and Caltrans to review the Regional Traffic Signal Synchronization Program and identify successes, lessons learned, and enhanced opportunities. In fact, OCTA reported to its Board of Directors that the Regional Traffic Signal Synchronization Program projects have improved travel times, reduced delays and congestion, and increased the number of successive green lights drivers experience in daily commutes.

Staff also identified recommendations to continue to have annual call for projects that balance funds between synchronization efforts and signal improvements. This is partially based on communication from local cities that other crossing corridor projects put in place over the years are beginning to experience conflicting timing demands at certain intersections and competing local priorities. Finally, the study recommended several enhancements to the signal synchronization program such as setting a countywide signal synchronization baseline by retiming 2,500 signals along regionally significant corridors to avoid coordination conflicts and ensure timing is based on updated current traffic volumes—and retiming signals on a regular basis moving forward to minimize conflicts with crossing corridors. As of September 2024, the Board approved selection of a consultant to deliver this work, with the estimated goal of deploying synchronization timing plans throughout 2026 and completing the monitoring phase of the project by 2029

Transit Performance Showed Progress Towards Goals

According to M2, one goal of the half-cent sales tax was to "expand Metrolink rail and connect it to local communities" and "provide transit services, at reduced rates, for seniors and disabled persons." M2 also supports "building a visionary rail transportation system that is safe, clean and convenient, uses and preserves existing rights-of-way, and, over time, provides high-speed connections both inside and outside" of Orange County.

Six projects (R-W) address these goals through OCTA's investment of 25 percent of the M2 revenues for countywide transit program. Further, approximately 5 percent of these funds were dedicated to enhancing senior transportation programs and providing targeted, safe localized bus service. During our review period, the Anaheim Canyon Metrolink Station was completed in January 2023 under Project R, bringing the total number of completed Metrolink station improvement projects to 12 out of 13. Additionally, the Senior Mobility Program, funded through Project U, saw an increase in boardings and total spending, which is further discussed in Chapter 2. Significant increases were also recorded for ridership and passes issued through the Farebox Stabilization Program, as detailed below.

Expand Mobility Choices for Seniors and Persons with Disabilities

Among the three programs within Project U, the Farebox Stabilization Program showed the most significant progress in increasing ridership and passes issued during our review. The Fare Stabilization Program uses M2 revenue to lower the cost of transit for seniors and persons with disabilities by discounting fares. As of June 2024, OCTA has allocated over $55 million and more than 152.6 million program-related boardings have been provided. This represents an increase of $20 million to support an increase of approximately 30.6 million boardings during our review period.

Though the Fare Stabilization Program experienced a significant decline in issued passes during the COVID-19 pandemic, the number of passes issued is steadily increasing since FY 2021. Our review found that from FY 2021 to FY 2024 the number of Fixed Route passes issued increased by 53 percent from nearly 1 million to more than 2.1 million, and the number of ACCESS passes issued increased by 44 percent from roughly 0.4 million to 0.7 million. Overall, the number of Fare Stabilization Program passes issued is steadily increasing towards pre-pandemic levels, implying an increase in the number of riders.
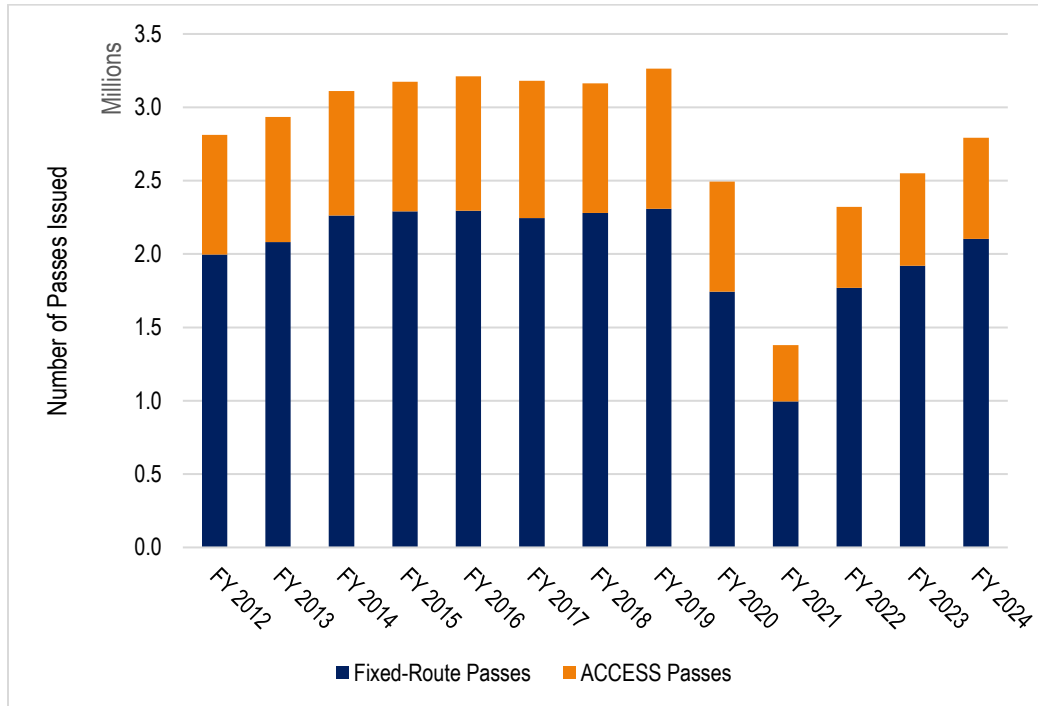
Source: Auditor-generated from OCTA Summary of Fare Stabilization Data Q4 FY 2024

Environmental Mitigation Program Endowment Is On Track to Reach Its Funding Goal

In calendar year 2016, the Board approved a roughly 12-year plan to set aside approximately $2.9 million annually until 2028 or until the fund reaches its $46.2 million endowment goal. The endowment fund is the financial mechanism that was established to support the long-term management and conservation efforts of OCTA's environmental mitigation. As of June 30, 2024, the endowment balance was $28.4 million—over $9 million funds added since June 2021, or a 48 percent increase. The total consists of $23 million from eight principal deposits plus $5.4 million in investment earnings. If funds continue this growth pattern, OCTA will be on track to fulfill its goal, ensuring that funding remains for conversation and land management activities even after transportation projects are completed.

After the endowment is funded, OCTA plans to transfer the management of the Preserves to third-party land management entities and has begun researching organizations that are both interested and capable of taking on this responsibility.

Recommendations

None

Chapter 2: More Than Half the M2 Pledged Program Has Been Delivered Since 2011

Since the passage of M2 in 2006, OCTA delivered more than half of the program's pledged scopes, with 65.4 percent of planned capital project segments completed as of mid-2024. Key accomplishments include major freeway expansions, the completion of critical transit projects, and substantial environmental mitigation efforts. Notably, the largest M2 freeway project, the I-405 improvement, has been completed, significantly reducing risks for delivering the remaining projects. Despite delays and cost increases on some projects due to factors such as utility relocations, archaeological findings, and pandemic-related challenges, OCTA remains financially strong and on track to complete the remaining program commitments. Transit projects, including Metrolink improvements and the OC Streetcar, have faced budgetary and scheduling setbacks but continue to progress. Meanwhile, OCTA continued its commitment to environmental improvements, removing millions of gallons of trash and advancing water quality initiatives.

OCTA's strong project management controls and transparent reporting have further ensured steady progress, although opportunities remain to enhance reporting consistency for greater public transparency. Similarly, while OCTA generally complied with its procurement policies, small improvements can be made to provide better assurance of its competitive solicitation practices and clarify its guiding criteria.

Pledged Scopes Continued to Progress and be Delivered

After the passage of M2, OCTA immediately embarked on a mission to deliver the programs and projects promised to the voters. Overall, 13 years, or 43 percent of the 30-year duration of the M2 program has passed, and 65.4 percent of the planned project segments have been completed.

While the Ordinance itself did not include exact scope of work promises for its slated M2 projects, OCTA provided more detailed scope plans for M2 projects in its 2006 Long-Range Transportation Plan Environmental Impact Report, which was published ahead of the November 2006 passage of M2. Our review of OCTA's reported accomplishments, published reports, and internal project tracking spreadsheets showed that the program is largely being delivered in line with those preliminarily developed scopes.[3]

Exhibit 13 highlights new progress on pledged scopes that occurred during the review period–project scopes that were delivered or progressed significantly during this review period are highlighted in green.

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[3] Minor scope changes occurred on several projects, but program wide there were not many changes when comparing planned scope as of 2024 to the 2006 Long-Range Transportation Plan Environmental Impact Report. For instance, Project I reduced 0.3 miles for each of its three segments. In another example, Project G has a tentative scope reduction from 2.5 miles to 1.3 miles, but this scope is not yet finalized.

EXHIBIT 13. NEW ACCOMPLISHMENTS DURING THE REVIEW PERIOD ACROSS ALL PROGRAM AREAS AS OF JUNE 30, 2024

Project Letter	Project Name	Planned Improvement per the M2 Transportation Investment Plan	Results [1]
Freeway Projects			
C	San Diego Freeway (I-5) Improvements South of the El Toro "Y"	Add new lanes Improve interchanges	• Construction on these 3 segments adding new GPL is currently between 93-95 percent complete
F	Costa Mesa Freeway (SR-55) Improvements	Add new lanes Improve interchanges	• 1 segment adding new GPL/HOVL, 4 miles in both directions In Construction • 1 segment adding new GPL and improving interchanges, 7.5 miles in both directions. In Design
J	Riverside Freeway (SR-91) Improvements from Costa Mesa Freeway (SR-55) to the Orange/Riverside County Line	Add new lanes	• 1 New GPL segment Environmental Phase Underway
K	San Diego Freeway (I-405) Improvements between the I-605 Freeway in Los Alamitos Area and Costa Mesa Freeway (SR-55)	Add new lanes Update interchanges Widen local overcrossings	• GPL/HOV Express Lanes, both directions; 16 miles Project open to traffic and in closeout • 18 bridge replacements complete
N	Freeway Service Patrol	Continuing service through 2041	• 182,526 services to stranded motorists provided in review period
Streets & Roads Projects			
O	Regional Capacity Program	Complete the Orange County Master Plan for Arterial Highways (MPAH), add roughly 1,000 miles of new street lanes Construct BNSF railroad over or underpasses in Northern Orange County	• $67 million awarded in review period under the MPAH local match program
P	Regional Traffic Signal Synchronization Program	Synchronize over 2,000 Signals	• 702 intersections synchronized in review period
Q	Local Fair Share Program	Provide flexible funding to cities to address local transportation needs (e.g. residential streets, safety near schools, etc.)	• $223.4 million in payments provided to local jurisdictions in review period
Transit Projects			
R	High Frequency Metrolink Service	Increase rail service, upgrade stations, add parking capacity, improve safety, and add quiet zones Improve grade crossings and construct over or underpasses at high volume arterial streets that cross Metrolink tracks	• 1 Metrolink grade crossing, safety, and station project completed in the review period

Project Letter	Project Name	Planned Improvement per the M2 Transportation Investment Plan	Results [1]
U	Expand Mobility Choices for Seniors and Persons with Disabilities	3 programs to accomplish mobility goals for seniors and persons with disabilities	• $43.5 million provided during the review period to three programs to expand mobility choices for seniors and persons with disabilities • $12 million provided to support boardings provided under the Senior Mobility Program • $12.5 million allocated to Senior Non-Emergency Medical Transportation Program to support boardings • $19 million allocated to stabilize fares and provide fare discounts to seniors and persons with disabilities
Environmental Cleanup			
X	Clean Up Highway and Street Runoff that Pollutes Beaches	Implement street and highway related water quality improvement programs and projects to meet federal Clean Water Act standards for urban runoff	• 24.5 million gallons of trash estimated to have been removed • $500k in grants disbursed

Source: Generated from M2 Quarterly Report 4th Quarter FY 2024, OC Go website, and OCTA tracking documents.
Note 1: Improvements completed prior to the review period were excluded from this exhibit.
Green text flags key project scopes that were delivered or progressed significantly during this review period.

M2's Biggest Freeway Project was Completed, Significantly Reducing Risk for Delivering the Remaining Program

M2 included 13 freeway projects, which are being built as 30 project segments. To date, 14 segments, or 47 percent, have been completed with the pledged scopes of work and are open to the public.[4] Of the remaining 16 segments, four freeway segments are planned to be environmentally cleared by 2032 and 12 are in-progress and estimated to be complete by 2030.

Of the 14 project freeway segments already open to traffic, one was completed during this assessment period. The I-405: SR-73 to I-605 design-build project has been opened to traffic as of December 2023 and closeout activities are underway as of spring 2024. The I-405 project was the largest project in the M2 program—comprising approximately 19 percent of the program budget. With this project being the highest cost and risk for OCTA, its completion significantly reduced the overall program-wide risk for the remaining M2 program.

The project did face notable cost increases and schedule delays. Since calendar year 2016, the various project delays impacted not only the project delivery schedule, but total project cost. Although OCTA reported that the project would be completed by April of 2023 and cost $1.9 billion in calendar year 2016;

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[4] Although the Transportation Investment Plan contained only general direction on improvements to be made such as "adding new lanes or adding capacity", the underlying guiding document, the Final Program Environmental Impact Report developed for OCTA's Long-Range Transportation Plan in July 2006, that was used as the underlying guiding document to identify improvement options, had specific recommendations on the types of capacity increasing projects.

as of June 30, 2024, OCTA reported total project cost of nearly $2.2 billion, an increase of approximately $260 million from its initial estimate in calendar year 2020, and delivery was pushed to February 28, 2024— nearly a year later. These delays and costs increases were attributed to:

- Archaeological discoveries, first identified in September 2019 and impacted critical construction areas further in late 2021
- Utility relocation challenges, including the discovery of unknown utilities, caused additional delays during the construction phase, particularly in calendar year 2021
- Safety related design changes requested by Caltrans
- Legal disputes with the cities of Long Beach and Seal Beach also contributed to delays in calendar year 2020
- The COVID-19 pandemic, starting in early 2020, exacerbated labor and material shortages, delaying project timelines
- Electronic tolling and traffic management changes

While these delays have substantially affected the overall delivery of this project, most of the delays and cost increases are outside of OCTA's control. However, OCTA may have saved time on the project by opting for the design-build delivery method which allowed for concurrent design and construction, potentially reducing the overall project schedule by up to two years.

Despite these increases, in total, the 14 completed freeway segments were completed at a total cost of nearly $2.9 billion, $252 million less than their combined current budget of nearly $3.2 billion. Additionally, as will be described in later sections, OCTA's financial outlook is strong to deliver the remaining program. As such, no remarkable risk exists because of the challenges I-405 faced.

Transit Projects Made Progress, But Continued to Experience Challenges

All but one pledged transit project have already been open to traffic. Of the 13 projects related to increasing Metrolink rail service (Project R), 12 are complete—with one completed during the review period. The Anaheim Canyon Metrolink Station Improvements project was completed in January 2023. Though overbudget and delayed, the project successfully added a second main track and passenger platform, extended the existing platform and enhanced at-grade crossings for pedestrian access, and installed new station amenities such as benches, shade structures, and ticket vending machines.

But despite the progress in completing transit capital projects, pandemic impacts to Metrolink services have continued to impact ridership recovery, which impacts farebox revenues and cost recovery. Without additional funding, service changes, or ridership growth, Metrolink's current operations may not be sustainable beyond FY 2038 prompting continued oversight from OCTA and other member agencies. According to OCTA, to address the decrease in revenue and usage of Metrolink they are in the process of rolling out a rail optimization program by the end of fall 2024 that seeks to help balance the cost of operations versus the decreased revenue.

Finally, the OC Streetcar (Project S) is the largest transit capital project in the M2 program. OC Streetcar has made progress during the review period, with the production of eight vehicles completed. But it has encountered ongoing schedule and budget challenges. It is anticipated to be done with construction and

operational by August 2025, a five-year delay from the original estimated construction completion date. In addition to past delays that were attributed to challenges such as unforeseen utility conflicts and conditions, removal of contaminated materials, construction quality control, and an extensive number of change requests, the project was further delayed in April of 2023 due to the discovery of archeological resources and utility and design challenges. At this time, the project is currently expected to cost $595.8 million when completed, an increase of nearly $287 million, or 93 percent, from cost estimates prepared at design completion. This project's goal was to provide traffic congestion relief, a key objective of M2, while connecting parts of Orange County to central population hubs, providing a new transit route currently unserved by Metrolink. In March 2023, OCTA executed an agreement with the State of California for an award of nearly $150 million in Transit and Intercity Rail Capital Program funds which alleviates some of the additional expenses incurred on the project. However, prolonged delays may require increased funding from M2 and other local jurisdictions or partners. Moreover, the continued delays hinder the project's primary purpose of reducing congestion, as it is currently unable to provide the intended benefits while incomplete.

Environmental Stewardship Continues Under M2

The Ordinance sets aside a minimum of five percent of the freeway program M2 revenues to fund the Environmental Mitigation Program (EMP) to mitigate the biological resource impacts of construction activities. Specific EMP activities include land acquisition and management of the OCTA Preserves and the funding of multiple habitat restoration projects throughout the County. When the measure was passed in 2006, the EMP was estimated to receive approximately $243.5 million over the life of M2. This estimation is revised periodically based on fluctuations in sales tax revenue projections, economic conditions, and updates to OCTA's financial forecasts. Most recently, in FY 2023, the estimate was revised to $291.9 million.[5]

Between July 2021 to June 2024, $2.9 million was allocated annually to the EMP for ongoing costs associated with interim land management of the OCTA Preserves and the OCTA habitat restoration projects that are in progress.[6] These land management tasks include the maintenance, biological monitoring and patrol of the Preserves. From program inception through the same period, a total of $51.3 million has been expended.

Two percent of the gross M2 revenue is allocated to the Environmental Cleanup Fund (ECP) for activities that improve water quality of urban runoff associated with transportation-generated pollution. Between July 2021 and June 2024, $9.2 million was allocated to the ECP to award competitive grants to local agency partners in Orange County. These grants are designed to mitigate more visible forms of pollutants, such as litter and debris on roadways and in catch basins.[7,8] In one example of the program at work, funds spent

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[5] The program is overseen by OCTA's Environmental Oversight Committee (EOC) that meets quarterly and is comprised of 12 members, including two OCTA Board representatives, Caltrans, state and federal resource agencies, United States Army Corps of Engineers, non-governmental environmental organizations, the public and a Taxpayer Oversight Committee representative.

[6] According to OCTA, during this period the 2022 Coastal Fire impacted one of the OCTA Preserves. Costs related to the fire were accounted for in the $2.9 million allocation.

[7] Though the review period is July 1, 2021 through June 30, 2024, available payment data spanned from January 1, 2021 through June 30, 2024.

[8] No Tier 2 funds were awarded during this review period.

equated to 24.5 million gallons of trash collected during the review period. Other funds were available previously to address more regional, capital-intensive projects, such as constructing wetlands or creating detention basins to mitigate non-visible pollutants (referred to as Tier 2), but OCTA has expressed that the inventory of shovel ready Tier 2-type projects is limited. Although OCTA released a third Tier 2 call in February 2024 with program recommendations expected in fall 2024, OCTA stated that only four applications were received.

With these funds spent on water quality improvements and land conservation efforts, OCTA continues to meet commitments, as promised in M2.

OCTA Continued to Demonstrate Solid Controls Over Construction Management

Similar to prior reviews, we found that OCTA continued to have a strong framework to monitor and report on capital projects and is following typical project management practices.[9] OCTA uses the same Program Management Procedures (PMP) manual that was in place in past assessments. Through discussions with staff, we found that OCTA continues to use this manual to guide its capital project management practices and processes described aligned with the PMP. We found OCTA's existing policies and procedures include many leading practices, such as cost risk assessments, progress payment reviews, change order negotiations, use of primavera for scheduling, on-going project cost analysis, lessons learned assessments, and more. To further assess OCTA's practices, we compared OCTA's current practices to those implemented by other California Agencies and reported in the California Multi-Agency Capital Improvement Program (CIP) Benchmarking Study.

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[9] Best Practices considered include Project Management Institute's Construction Extension to the Project Management Body of Knowledge Guide, Construction Management Association's Construction Management Standards of Practice, Federal Highway Administration guidance, Caltrans Local Assistance Manual, and the California Multi-Agency CIP Benchmarking Study.

EXHIBIT 14. OCTA'S IMPLEMENTATION OF LEADING PRACTICES

Predesign
✓ Review and develop scope
✓ Evaluate schedule and budget
✓ Review alternative approaches to design and construction

Design
✓ Evaluate budget and schedule against updated construction cost estimate
✓ Complete design and specifications

Bid and Award
✓ Prepare advertisement for bids
✓ Qualify bidders
✓ Evaluate bids and prepare recommendation for award

Construction
✓ Review and negotiate Change Orders
✓ Prepare monthly reports to owner and agencies
✓ Review and approve schedule and schedule updates
✓ Develop and implement a project communications plan
✓ Monitor and control project costs

Closeout
✓ Document and track warranty and guarantee information
✓ File notices (occupancy, completion, etc.)
✓ Check and file as-built documents

Source: Various OCTA Policies and Procedures Manuals as documented in: CAMM Policy Manual, Rails Programs Department –Program Management Procedures Manual, Program Management Procedures Manual, and the most updated 2023 California Multi-Agency CIP Benchmarking Study

Opportunities Exist to Enhance Transparency of Reporting Capital Project Delivery Performance

While OCTA's construction management was robust, some opportunities exist to build upon existing reporting practices to improve transparency. Delivering the M2 capital projects is a major feat, as many roles and responsibilities exist to ensure the project is delivered as promised, within schedule and cost boundaries, and well-coordinated and communicated among stakeholders. OCTA demonstrated great effort in these matters by holding regular project team meetings with both internal and external stakeholders, managing and tracking project schedules, change orders, and status reports, and closely documenting project activity through a variety of project management systems. OCTA kept detailed records of these activities and provided information publicly on its website and through quarterly progress reports.

The main tool used by OCTA to report progress publicly, the M2 Quarterly Progress Report, provided a critical look at program status in an easy-to-understand format.[10] In particular, the report not only highlighted successes, but also pointed out challenges and clearly identified risks and reported issues during the quarter in which the issue occurred. For instance, the Capital Action Plan (CAP) section of the report provided a quick snapshot of cost and schedule baselines to actuals and flagged those projects where schedule milestones were missed and/or projected final costs were expected to exceed the baseline. The reasons for the delays or cost increases for each project were then discussed in the report. If certain criteria were met, budgets and schedules were adjusted to account for such changes.

However, we found that while the M2 Quarterly Progress Reports were transparent in disclosing issues and changes that affected the project during the quarter in which the issue was identified, the subsequent reports after the initial report did not always clearly communicate that a revision had been made to a baseline budget or schedule. This meant that if a reader only saw the latest progress status that had an

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[10] M2 Quarterly Progress Reports are reported to OCTA's Board of Directors and are available on OCTA's website.

adjusted budget or schedule, they would not be able to know that those had been changed unless they had been tracking status on the specific project quarter to quarter.

In looking at a specific example, the I-5 SR-55 to SR-57 project (Project A) had an original project completion date of February 2020 that was reported to the public in FY 2016. Changes in scope, funding sources, and re-advertising construction bids caused delays on the project. As a result of these delays, following allowable internal procedures, OCTA revised the scheduled completion date to April 2021. The project was completed in January of 2021. As shown in Exhibit 15, in 2021 OCTA reported that the project was completed 3-months ahead of schedule in January 2021 and made no mention of the delays that caused the schedule completion date to be changed from February 2020 to January 2021. While the project was completed earlier than the amended schedule, it was completed later than what was initially reported. Without a clear disclosure that the completion schedule had been amended, the status report may unintentionally misrepresent the project outcome.

EXHIBIT 15. COMPARISON OF PROJECT SCHEDULE REPORTING

Source: OCTA Quarterly Progress Reports for Project A (I-5, Between SR-55 and SR-57) for FY 2016 Quarter 1 Report, FY 2019 Quarter 3 Report, and FY 2024 Quarter 4 Report.

It is not uncommon for project budgets and schedules to change, and such changes are permissible. But to improve transparency, it is important that reported project status clearly reflects an accurate picture with context as needed and be presented in an accessible way without requiring the public to do historical research. With the current reporting method, the public would need to individually trace the history of

projects in quarterly updates to see how results compare to original plans. To further enhance transparency, OCTA should consider providing contextual disclosures in its reporting when project cost and schedule status are being reported against an amended plan rather than the original plan. This disclosure can include a note to point readers to where they can understand details on when and why plans were amended in past reporting iterations. This would provide a clearer, more comprehensive picture of project performance and provide a trail for the public to follow to understand reasoning for changes that have occurred.

Procurement Practices and Activities Generally Comply With OCTA Policies, Though Small Improvements Can be Made

With 143 M2 related contracts totaling more than $185.7 million awarded during the three-year assessment period, strong contract administration is critical to ensure that M2 monies are awarded appropriately. We found that OCTA maintained a Contracts Administration and Materials Management (CAMM) Policy Manual to guide its methods for initiating, developing, executing and administering third-party contracts, and generally complied with its policies.

We reviewed three sampled M2 contracts against CAMM rules and found that each procurement generally complied with most of the critical policies and procedures, though some exceptions of noncompliance were identified. Results are shown in Exhibit 16.

EXHIBIT **16.** RESULTS OF PROCUREMENT FILE TESTING FOR COMPLIANCE WITH PROCUREMENT POLICIES

P&P Requirement	Contract Number		
	C02582 Request for Proposals	C32208 Invitation for Bids	C02637 Request for Proposals
Scope of Work Defined	✓	✓	✓
Independent Cost Estimates Performed	✓	✓	✓
Sole Source Justified	N/A	N/A	N/A
Conflict of Interest Forms Signed by Selection Panel	✓	N/A	✓
Consistent, accurate, and complete scoring documentation	X	N/A	X
Final documented score supports awarded contractor	✓	N/A	✓
Evidence of Negotiated Price, where applicable	✓	N/A	✓
Evidence of Sealed Bid, where applicable	N/A	✓	N/A
Properly Approved	✓	✓	✓
Notice to Proceed Issued and Retained	X	✓	X

Key: ✓ = Documentation retained demonstrating procedure was followed

X = Documentation retained does not demonstrate procedure was followed

N/A = Not a requirement for the specific type of procurement tested

For two out of three tested procurements, there were minor inconsistencies in how scoring results were documented. For Contract C02637, the selection panel's scoring summary sheets did not fully reflect the individual panelists' scoring documentation. Specifically, six panelists were responsible for evaluating

proposals from three different contractors. While the scores for two of the contractors were consistent between the individual panelist documentation and the scoring summary sheet, discrepancies were found in the scores for one of the contractors.

For four out of the six panelists, the scores recorded on the summary sheet were lower than those documented in the individual panelists' scoring sheets. The differences are summarized below:

EXHIBIT 17. EVALUATION SCORING DISCREPANCY FOR CONTRACT C02637

Evaluator Number	Scoring Summary Sheet	Individual Panelist Scoring Documentation	Point Difference
2	76	80	4
3	80	82	2
4	78	82	4
5	82	86	4

Source: Auditor-generated based on procurement documentation provided by OCTA

Although these discrepancies did not affect the contractor's overall ranking or the outcome of the selection process, it is important for OCTA to strictly enforce procedural practices in panelist scoring to ensure transparency and accuracy in its procurement practices. All panelist scoring should be accurately recorded, and any changes to scores should be clearly documented and maintained to demonstrate proof of thorough evaluation.

In another example, Contract C02582 had one evaluator that did not complete every section on the evaluation form, and only entered the total score on the final page. CAMM does not describe the nuances of what scoring sections need to be filled out, but individual sections on an evaluation form that exist but remain blank do not provide full assurance that scores were accurately and fairly captured at the time of review. While minor, OCTA should strengthen its scoring procedures to eliminate any room for doubt.

OCTA agreed that human errors and omissions can occur during the evaluation process and has already taken steps to improve these types of challenges. In October 2024, OCTA issued a Request for Proposals (RFP) for a full suite E-Procurement solution that will modernize its procurement process. The system will streamline OCTA's existing processes which currently require multiple in-house applications and manual steps. The goal will be to manage and implement procurement processes electronically in one system including vendor registration, bidding and proposal submission, solicitation postings, evaluation, awards, reporting, and more. One of the RFP tasks requires the vendor to gather and document OCTA requirements to ensure that the system is configured in a way that meets the needs of OCTA processes and policies by describing problems, business cases, and other key information to provide business solutions. As part of this process, OCTA should ensure that the scoring and evaluation is reviewed to build system functions that better capture consistent and accurate data that clearly documents how and why certain vendors were awarded contracts.

Finally, the other instance of noncompliance with CAMM relates to when Notice to Proceed (NTP) documents are required to be issued. In two of the three sampled procurements, OCTA did not issue an NTP to contractors as required by the CAMM manual which states, "CAMM shall have responsibility for

issuing the Notice to Proceed after contract execution" for all contracts that require Board approval. All three sampled procurements did require and receive Board approval, but an NTP was only issued for one contract.

Issuing an NTP is an important standard practice because it formally authorizes the contractor to begin work, ensuring that contractors follow a determined schedule and do not incur and attempt to charge unallowable costs before a designated timeframe. The absence of this notice creates the risk of disputes about schedule and cost. According to OCTA, the intent of the CAMM policy was not to mandate NTPs for all contracts but rather give discretion to project managers to determine if NTPs are needed on a project-specific basis because some contracts use the contract execution date as the allowable notice to start work. For example, long contracts that have phases may need an NTP to curb spending until the most efficient time to start the work. While the rationale provided appears reasonable, the CAMM manual does not state that NTPs are optional, and at the discretion of project managers. To ensure that correct contract initiation procedures are consistently applied and when risk-mitigating requirements like NTPs should be issued, OCTA should add clarifying language in the CAMM manual on what CAMM policies are subject to project manager discretion.

Recommendation

1. To enhance transparency, OCTA should consider providing contextual disclosures in its reporting when project cost and schedule status are being reported against an amended plan rather than the original plan.
2. As part of the development of the new E-procurement solution, OCTA should ensure that the scoring and evaluation processes are reviewed to build system functions that capture consistent and accurate data that clearly documents how and why vendors were awarded contracts.
3. To strengthen compliance with OCTA's contracting and procurement policies, OCTA should add clarifying language in the CAMM manual on what CAMM policies are subject to staff discretion.

Chapter 3: OCTA Demonstrated Strong Program Management

During the period of review, OCTA demonstrated strong program management in overseeing the program, which is critical to ensuring the successful delivery of promised projects. The Project Management Office (PMO) plays a central role, coordinating project delivery, monitoring progress, and maintaining fiscal responsibility. Through close collaboration across divisions, the PMO ensures transparency, effective management, and adherence to the taxpayer safeguards outlined in the Ordinance. OCTA continues to refine its project management practices, ensuring that roles, responsibilities, and reporting systems remain clearly defined and well-coordinated. Additionally, OCTA has made notable improvements based on prior performance assessments, addressing recommendations related to cybersecurity and administrative cost controls. The agency's commitment to continuous improvement, particularly in areas like cybersecurity and financial oversight, ensures it maintains a strong foundation for delivering the M2 program.

The Project Management Office Employs Solid Practices to Oversee M2 Program

After the passage of M2, the OCTA Board created the PMO to oversee the implementation and delivery of the program. While other units in OCTA deliver the individual capital projects outlined in M2, the PMO serves as the central point of advocacy and leads efforts to monitor both project and program level progress, coordinate between units, provide reports, and other duties as needed.

The PMO's goals are to ensure compliance and consistency with the Ordinance, provide sound, effective management of the program, ensure fiscal responsibility and transparency, and implement taxpayer safeguards as outlined in the Ordinance. To further these goals, the PMO Charter details functional responsibilities related to management of the program and importance of public trust as shown in Exhibit 18.

Based on our review of key documents, interviews, and assessment of PMO's knowledge and involvement in the various scope areas of this performance assessment, we found that the PMO has a clear understanding of their roles and responsibilities and continued efforts to enhance and improve its processes to oversee the implementation of the program.

EXHIBIT 18. FUNCTIONAL RESPONSIBILITIES FROM THE PMO CHARTER

PMO Goal	Functional Responsibilities
Compliance & Consistency	1. Ensure projects, programs, and taxpayer safeguards are developed and delivered according to processes and procedures included in the Ordinance.
	2. Coordinate development of delivery plans to ensure delivery of all projects and programs included in M2.
	3. Monitor completion of activities related to implementation of M2.
Management	4. Ensure projects, programs, and taxpayer safeguards are developed and delivered according to processes and procedures included in the Ordinance.
	5. Coordinate M2 program and project management policies and procedures for use by all OCTA divisions.

PMO Goal	Functional Responsibilities
	6. Serve as a clearinghouse for ensuring critical interdivisional Ensure projects, programs, and taxpayer safeguards are developed and delivered according to processes and procedures included in the Ordinance.
Fiscal Responsibility	7. Ensure proper reporting and review of M2 receipts, expenditures, and accounting of M2 proceeds to meet business and agency standards.
	8. Ensure uses of M2 and related external funding follow Ordinance provisions.
Transparency	9. Coordinate and oversee reporting of M2 Program status/information to the Board, general public, and stakeholders.
	10. Ensure consistent and appropriate reporting of information related to M2 project activities.
	11. Provide access to relevant M2-related policy and procedures.
Safeguards	12. Ensure implementation of safeguard measures called for in the Ordinance, including the Taxpayers Oversight Committee, quarterly reports to the Board, annual expenditure reports, Triennial Performance Assessments, Ten-Year Review, annual Local Transportation Authority audit, and reporting from the local jurisdictions.

Source: PMO Charter 2019 Revision

Effective Program Coordination Continued Across OCTA Divisions and Management

With PMO leading as the central and unifying office to oversee implementation of the program, it coordinates with many other divisions within OCTA that are involved with different aspects of project and program delivery. These other divisions also had clearly defined roles and responsibilities, with key functions generally assigned to the same division as prior reviews.[11] Moreover, OCTA also maintained its M2 Program Management Committee, which provided an avenue for executives and managers to collaborate cross-functionally on M2 matters.

During interviews, the PMO and divisions each had a clear understanding of respective roles and responsibilities, such as program oversight, public reporting and outreach, schedule and cost controls, and grants to locals. In Exhibit 19, we provide a table of key functions and responsibilities and the responsible area.

EXHIBIT 19. ASSIGNMENT OF KEY M2 FUNCTIONS AND RESPONSIBILITIES

Key Function and Responsibility	PMO	Planning/ Programming	Capital Programs	Project Controls	Local Programs	Finance	Transit Ops	External Affairs
Program Delivery	✓		✓		✓		✓	✓
Compliance with Ordinance	✓	✓	✓		✓	✓		✓
Program Oversight	✓							
Project Oversight & Management			✓		✓			✓

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[11] Minor organizational changes occurred during the review period, but there was no notable impact to coordination of the M2 program.

Key Function and Responsibility	PMO	Planning/ Programming	Capital Programs	Project Controls	Local Programs	Finance	Transit Ops	External Affairs
Schedule & Cost Control	✓	✓	✓	✓	✓			
Schedule & Budget Adherence	✓	✓	✓	✓	✓			
Change Order Management			✓	✓	✓			
Determining Local Jurisdiction Eligibility					✓			
Grants to Local Jurisdictions					✓	✓		
Monitoring Local Projects & Expenditures					✓	✓		
Senior Passes							✓	
Forecasting & Cash Flows	✓	✓				✓		
Revenue Projections	✓	✓				✓		
Revenue Monitoring	✓	✓				✓		
Reporting to Decision Makers	✓	✓	✓		✓	✓		
Reporting to Public	✓	✓	✓		✓	✓		✓

Source: OCTA Organizational Chart and results of assessment interviews.

In addition to this coordination and collaboration between divisions, OCTA also continued to have its M2 Program Management Committee in place with regular formal biweekly meetings to ensure strong communication occurred among key management members. During these meetings, executives and managers openly discussed ideas, challenges, action steps, and other key topics to ensure leaders of different teams could provide subject matter expertise and input on M2 matters.

Moreover, the formal bi-weekly format ensured a regular communication structure was in place to discuss topics such as revenue assumptions, expenditure reports, individual project cost details, project delivery, competitive project applications, and outreach. Formal written agendas and meeting notes were prepared to summarize items discussed, updates provided, action items, and action owners.

Continuous Improvement Was Valued Through Implementation of Prior Assessment Recommendations

With the Ordinance requiring a performance assessment every three years to evaluate the efficiency, effectiveness, and economy of OCTA organization in delivering M2, we found that the OCTA continues to actively address recommendations as necessary on an ongoing basis. Specific to the 2021 performance assessment, OCTA has either completed or efforts are ongoing to address all recommendations, as reflected in Exhibit 20.[12]

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[12] Recommendations from triennial assessments prior to 2021 have all been addressed in past cycles.

EXHIBIT 20. 2021 PERFORMANCE ASSESSMENT RECOMMENDATION STATUS AS OF 2024

No.	Category	Prior Recommendation	Addressed
1.	Program Goals and Delivery	Consider identifying when to begin efforts to engage with potential external caretakers for long-term management of the seven conservation properties in conjunction with the 2015 framework.	**In Progress**
2.	Cyber Security	Consider developing a process for role-based access changes and ensure that program managers and supervisors understand access protocols and expectations. The Information Services (IS) team should continue to work with Human Resources to develop a better notification system for determining when staff access should be altered due to staff role changes.	✓ **Implemented**
3.	Cyber Security	Require contractors with OCTA email addresses and network access to take and pass internal OCTA security training as a contract condition.	✓ **Implemented**
4.	Transparency & Accountability	Consider rephrasing the survey question, or adding an additional question, concerning Orange County residents' awareness of OC Go, such that the question provides an OC Go frame of reference in the context of transportation and infrastructure improvements made possible by OC Go, rather than basing residents' awareness solely off of awareness of OC Go in the context of the voter-approved, half-cent sales tax.	**In Progress**

Source: Auditor-generated from the July 1, 2018 to June 30, 2021 M2 Performance Assessment.

The two recommendations that have been completed relate to cyber security improvements. To address the recommendation related to a process for improvements to cyber security user access, in February 2023, OCTA implemented a new process (effective March 1, 2023) for all hiring managers to require contracted staff to complete cybersecurity training. This new process included an instructional guide which required hiring managers to complete Role Based Access for active directory groups when onboarding a non-OCTA employee (i.e. consultant, contractor, temp, vendor). To ensure that Human Resources is notified of altered staff role changes, OCTA also now monitors role-based access by producing a list of OCTA.net users within each access role and reviews the list for changes. Based on the efforts described, OCTA has completed this recommendation.[13]

The second recommendation related to contractual conditions for external vendors to take and pass cyber security training. Rather than add cybersecurity training as a contractual condition, OCTA opted to require cybersecurity training attestation at the point of onboarding new external staff and annually thereafter to gain access to OCTA resources. Starting March 1, 2023, this requirement was rolled out in conjunction with the role-based access initiatives discussed above. OCTA staff review each attestation for appropriateness. The intent of the recommendation was to implement cybersecurity safeguards of OCTA systems for users external to OCTA. By requiring cybersecurity training prior to granting access, and then reaffirming cybersecurity training each year, OCTA has met the intent behind this recommendation.

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[13] In May 2023, a cybersecurity internal audit that also addressed this issue and recommended that OCTA's annual access reviews of internal users be done more frequently and be expanded to include third-party users. In July 2023, staff responded to the audit findings and agreed to increase the frequency of user access reviews to at least quarterly and address third-party user reviews as part of placing the same requirements on external users. Because the audit was issued in May 2023, just a few months after the onboarding improvements described above were implemented, it is reasonable that similar themed issues had still been flagged as part of the internal audit fieldwork.

The remaining two recommendations related to program goals and delivery and transparency and accountability are still in progress at the time of this review. In response to the recommendation to engage with potential external caretakers for long-term management of the conservation properties, OCTA reported that it has begun to engage with potential caretakers and estimates to fully address the recommendation by 2028. Additionally, OCTA is still in progress of addressing the recommendation related to revisiting the survey question concerning Orange County residents' awareness of OC Go. OCTA is in the process of planning and developing its 2025 Attitudinal Awareness survey and plans to complete this recommendation with the issuance of the survey.

Administrative Costs Increased But Were Limited to Comply With Ordinance and Closely Monitored

The Ordinance has a one percent cap for administrative costs, which provides salaries and benefits to OCTA administrative staff. Should the cap be exceeded, the additional funds can be borrowed from non-M2 sources. In years past, OCTA exceeded the one percent cap and borrowed approximately $5.3 million from the Orange County Unified Transportation Trust. As of March 31, 2024, all funds borrowed, and their associated interest have been repaid in full.

OCTA monitors administrative costs by reviewing the timesheets of administrative staff. Additionally, administrative costs are reviewed each quarter by department heads, and if needed, a process exists to reverse charges if errors are found. Further safeguards include a requirement for Board approval for costs that would exceed the one percent cap.

A review of the annual administrative costs in comparison with the sales tax revenue and interest earned, showed that the one percent cap was maintained for the review period. As shown in Exhibit 21, the five-year trend showed an increase in administrative cost percentage from 0.74 percent in FY 2019, to 0.86 percent in FY 2020 and FY 2021, and rising to one percent for both FY 2022 and FY 2023—still within the one percent cap. OCTA described the increase resulted from two primary factors—the addition of a full-time employee and the need for the Executive Director to spend additional time on M2 due to complicated situations regarding local eligibility determinations.

EXHIBIT 21. ADMINISTRATIVE COST AS PERCENTAGE OF SALES TAX REVENUE, FY 2019 – FY 2023
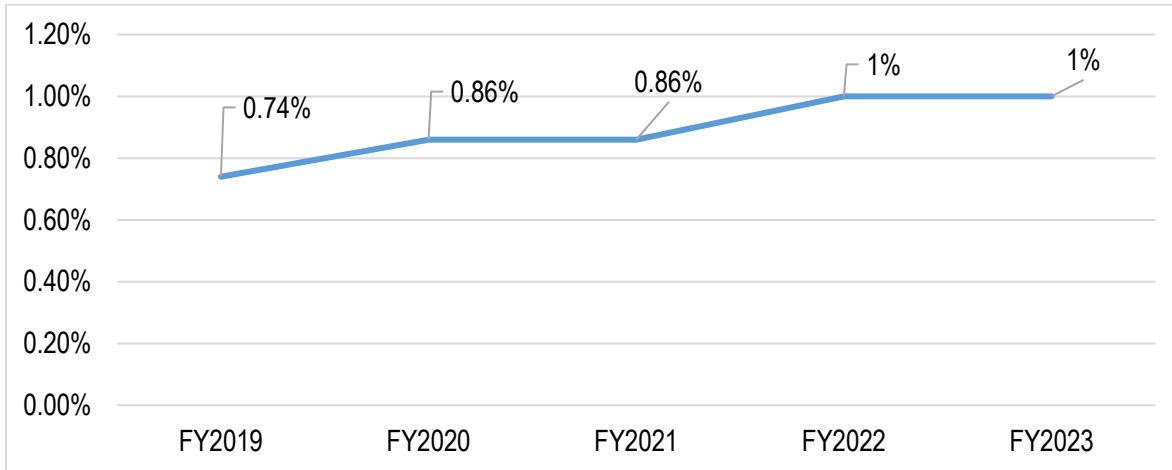
Source: Summary of M2 Administrative Costs from Inception through June 30, 2023 provided by OCTA

We found that OCTA closely monitored administrative costs to ensure compliance with Ordinance requirements and has appropriate safeguards in place to ensure variances are subject to review and approval by the Board.

OCTA Implemented Several Improvements to Its Cybersecurity Operations, Though Opportunities to Strengthen Efforts Continually Exist

Cybersecurity risks continue to grow and evolve continuously as technology advances. In this regard, organizations are never fully protected from all risks. But, to best safeguard its resources, agencies like OCTA should have a cyber security framework that has periodic and continuous monitoring in place, as well as routine assessments of each area of control to ensure that the organization has implemented the necessary controls to safeguard against cybersecurity threats. Our high-level review of OCTA's cybersecurity policies and practices found that OCTA has established an information security framework with many of the necessary controls in place to protect the M2 program from cyber threats.

Based on guidance from cyber security best practices, Exhibit 22 reflects seven key cyber security controls commonly used across the industry.[14] We found that, generally, OCTA has established many of the controls necessary to secure its operations.

EXHIBIT 22. KEY AREAS OF CYBER SECURITY CONTROLS

Seven Key Areas of Cyber Security Controls	OCTA Implementation	Description of Controls in Place
Regular Security Awareness Training for Staff	✓	OCTA has successfully implemented annual cybersecurity training for all staff, including training modules that can be tailored to individual staff needs.

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[14] Cybersecurity best practices are drawn from US Department of Commerce National Institute of Standards and Technology (NIST), US Department of Transportation Cybersecurity Policy, California Office of Information Security (OIS), Information Systems Audit and Control Association (ISACA), and American Institute of Certified Public Accountants (AICPA).

Seven Key Areas of Cyber Security Controls	OCTA Implementation	Description of Controls in Place
Disaster Recovery and Continuity Planning	✓	After the breach in 2016, IS team updated practices and response time. IS staff state that future recovery would only take minutes rather than days due to comprehensive planning.
Utilizing Strong Authentication Practices	✓	OCTA has implemented an Access Control Security Policy that includes strong authorization practices such as conditional access and multi-factor authentication for remote logins.
Configuring and Monitoring Access to Information Systems	✓	In response to recommendations, OCTA implemented a formal system in place to monitor role-based access changes in March 2023.
Implementing Incident Response and Reporting Policy	✓	OCTA's Incident Response Policy provides employees and third parties with effective means to identify, respond, and resolve incidents.
Applying Remote and Wireless Network Access Restrictions	✓	OCTA's control policy specifies that remote access is only allowed with approval from the IS team.
External Partner Management and Oversight	✓	In response to recommendations OCTA implemented an annual cybersecurity training requirement for third-party users to gain access to OCTA systems and a regular review of users' access levels in March 2023.

Source: Auditor-generated based on review of policies, procedures, memos, and other files provided by OCTA

OCTA's Internal Cybersecurity Audit Had Findings Which Have Been Addressed or Are In-Progress

In Spring 2023, OCTA conducted an internal audit of the Information Services Cybersecurity Program using the National Institute of Standards and Technology Cybersecurity Framework (NIST CSF) as criteria. This audit provided additional assessment and assurance over OCTA's processes, program, and related cybersecurity risks during our review period. While some findings identified are not fully resolved, OCTA has made progress in addressing the recommendations for each finding.

Exhibit 23 shows the status of the recommendations at the time of this review.

EXHIBIT 23. STATUS OF RECOMMENDATIONS FROM OCTA'S INTERNAL AUDIT AS OF 2024

Finding Summarized	Status	Status Details
Current asset management processes do not fully enable the Cybersecurity Office to identify, track, and protect all hardware, software, and data assets against cybersecurity threats.	In progress	Drafted asset management program requirements and plans to use asset management module of its help desk system. Estimated to be complete 2025.
Newly discovered vulnerabilities are often not mitigated or documented as "accepted risks" in a timely manner.	In progress	Began developing a reporting system to monitor assets and remediate vulnerabilities. Identified need for a comprehensive vulnerability management program to fully address recommendation. Estimated to be complete in late 2024.

Finding Summarized	Status	Status Details
The Protect and Recover functions of the Cybersecurity program relating to business continuity and disaster recovery can be strengthened.	In progress	Began updating the Continuity of Operations Plan and planned to conduct an exercise to test response plan. Estimated to be complete in late 2024.
The Data Protection and Privacy Program can be strengthened.	In progress	Plans in place to develop data security policies. Estimated to be complete in 2025.
Third-Party Security Management can be strengthened.	Completed	Implemented an annual cybersecurity training requirement for third-party users to gain access to OCTA systems and a regular review of users' access levels. Completed in March 2023.

Source: Auditor-generated based on interviews with staff and review of the 2023 audit

OCTA Continues to Improve Existing Cyber Security Policies and Practices:

In pursuit of continuous improvement and keeping up with best practices, OCTA made several improvements related to its existing Cyber Security control during the current assessment period, including:

➢ **Ongoing Changes to Existing Security Training and Processes.** OCTA's Security Policy specifies that regular physical and cyber security training and awareness are provided to all OCTA employees. More user-friendly and approachable quarterly trainings were added, along with posting "Inside Man" episodes weekly to OCTA's intranet. Between July 1, 2021 and June 30, 2024, all staff successfully completed the General User Annual Refresher Training.

➢ **Successes in Disaster Recovery Process.** In addition to an annual review of OCTA's Incident Response Plan, the policy requires yearly testing. For the exercise conducted in calendar year 2023, OCTA reported that it was able to restore services well ahead of their goal.

➢ **Remote Work Protocols Remained in Effect.** The COVID-19 pandemic presented new challenges for OCTA in terms of access control management. Per OCTA's access control policies, remote access to OCTA computing resources is only permitted by methods that have been approved by the Information Services Department. All users have unique IDs and are granted least privileges – access to only what is necessary for their job functions. Staff also have remote cloud access to Office 365, and both conditional access and multi-factor authentication are utilized for all remote login requests.

➢ **Ongoing Challenges and Solutions.** OCTA cited phishing campaigns as the greatest threat to cyber security at OCTA. Sophisticated protections can mitigate, but not eliminate human error, or a user allowing access. Advancements in artificial intelligence have led to more convincing schemes as the old hallmarks of fraudulent actors, such as poor grammar and misspellings, were less frequent. OCTA conducted quarterly phishing testing.

These improvements to OCTA's cybersecurity framework are indicative to OCTA's proactive approach to managing its cyber security controls and practices.

Recommendations

None

Chapter 4: OCTA Maintains Solid Framework for Ordinance Compliance

OCTA maintained a solid framework to ensure compliance with the Ordinance, using a comprehensive tracking system to monitor all program areas. The PMO developed a detailed compliance matrix that tracks more than 220 requirements from the Ordinance, ensuring that OCTA meets its obligations related to funding, project oversight, and taxpayer safeguards. Local jurisdictions are subject to rigorous eligibility reviews before receiving M2 funds, and OCTA conducts thorough audits and assessments to verify compliance. During the review period, most jurisdictions were found to be compliant, with a few exceptions that resulted in temporary suspensions of funding. OCTA's commitment to transparency and diligent monitoring of program compliance has allowed the agency to allocate over $104 million over the 3-year period in competitive grant funding to local agencies. As the M2 program continues, OCTA's robust compliance framework will play a critical role in ensuring ongoing accountability and the successful delivery of projects.

Robust System Used to Track Compliance with Ordinance

The Ordinance and Transportation Investment Plan detailed provisions for funding, maintenance of effort (MOE), and a TOC among several other requirements. To track compliance with the Ordinance provisions, the PMO developed a comprehensive and detailed matrix involving many owners and experts throughout the organization as coordinated by the PMO.

Matrix Used Was Comprehensive and Effectively Tracked Compliance

To track compliance with the Ordinance and Transportation Investment Plan, OCTA implemented a comprehensive tracking tool entitled M2 Ordinance Tracking Matrix. The Tracking Matrix is utilized to ensure compliance with the Ordinance in all program areas, specifically in compliance categories where Ordinance language specifies "shall" or "must." At the end of each calendar year beginning in October, multiple OCTA divisions update the Tracking Matrix as part of a collaborative effort. Although there are different divisions responsible for tracking compliance with the Ordinance and updating the Tracking Matrix both solely and jointly with other divisions, the Planning Division is responsible for tracking compliance for the majority of the requirements.

Each division has an assigned expert or owner in charge of annually updating the Ordinance requirements compliance status in the Tracking Matrix and providing supporting documentation that is verified by the PMO. OCTA utilizes a SharePoint "Document Center" to house all final M2 material, staff reports, accounting documents, etc. In addition to increased data findability, the document center added additional historical data storage to preserve archived project material. Exhibit 24 shows the type and count of categories of Ordinance requirements. As part of our assessment, we verified that all 222 requirements from the Ordinance were reflected in the Tracking Matrix.

EXHIBIT 24. ORDINANCE MAJOR REQUIREMENT CATEGORIES

	Requirement Categories	Number of Requirements (2021)	Number of Requirements (2024)
1	Administrative and General	24	25
2	Allocation of Net Revenues	9	9
3	All Freeway Projects	17	17
4	Specific Freeway Projects	43	43
5	Eligible Jurisdictions	20	20
6	Specific Streets and Roads Projects	17	17
7	All Transit Projects	3	3
8	Specific Transit Projects	28	28
9	Project X	15	15
10	Safeguards and Audits	14	45
	Total	**190**	**222**

Source: Auditor-generated based on the Ordinance Tracking Matrix for period ending December 31, 2023

As of the period ending December 31, 2023, OCTA indicated that the necessary activities were taken to comply with 175 of the Ordinance's 222 requirements, as shown in Exhibit 25. The remaining 47 requirements are recurring actions that will not close until the end of the measure, are underway, or not yet applicable as they are dependent on events to trigger further action.

EXHIBIT 25. OCTA'S COMPLIANCE STATUS WITH ORDINANCE REQUIREMENTS AS OF 12/31/2023

Compliance Status	Status Description[15]	Total Count
Compliant	"Completed" - Actions taken to establish Ordinance maintenance or monitoring components, such as the establishment of a TOC, or the specific project associated with the item has been completed	45 (Includes 1 "Modified; Completed"
	"Completed to Date" - Actions that must be taken quarterly, annually, or during a set yearly cycle, such as ensuring that MOE levels are adjusted every three years using the Caltrans Construction Cost Index.	130
Compliance Not Yet Required	"Action Plan in Place" - Activities associated with reoccurring items, such as ensuring that M2 revenues utilized for salaries and benefits of Authority administrative staff remain within a one percent per year limit.	6
	"Underway" - These refer to Ordinance Requirements largely linked to construction project completion, such as Item 83: "Have new lanes been added to the San Diego Freeway (I-405) between the SR-55 and the I-5?"	31 (Includes 1 "Modified; Underway")
	"Modified" - Specifically, this refers to Items 48.01 and 48.02, which originally included an interchange area between 4th Street and Newport Blvd on I-5. Due to conflicts between Caltrans and local jurisdictions, this plan needed to be altered to adhere to	2

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[15] The language within the matrix changed since the 2021 assessment where 1) "Done" and "Completed" were merged into "Completed", 2) "Done to date" changed to "Completed to date", and 3) "N/A" became "None to date".

Compliance Status	Status Description[15]	Total Count
	Ordinance requirements regarding collaboration with local jurisdictions.	
	"None to date" - No actions needed as no occurrence of the requirement's trigger, such as jurisdictions misusing M2 revenues.	7 [A]
	"Awaiting Funding Availability" - Item 123 evaluates whether funding was included for improving grade crossings and constructing over underpasses at high volume Metrolink stations.	1
	Total	**222**

Source: Auditor-generated from 2023 Ordinance Compliance Matrix.

Note A: This includes Item 18, which details if any local jurisdiction used net revenues for unallowable purposes and were deemed ineligible for five years. This matrix was updated in December 2023, prior to the May 2024 decision that Buena Park be deemed ineligible for five years as will be described in the following sections.

Tested Requirements were Supported and Aligned with Reported Status

We selected nine, or four percent, of the 222 Ordinance requirements to verify the accuracy and completeness of OCTA's Ordinance tracking process. We located each of the sampled requirements on the Ordinance Tracking Matrix, ensured the corresponding narrative updates were supported with sufficient documentation, and verified OCTA complied with each requirement. Our review concluded that the narrative updates in the Tracking Matrix for all nine Ordinance requirements reviewed accurately conveyed the compliance status and were supported with adequate documentation, including supporting information hyperlinked to the M2 Document Center.

Local Eligibility Requirements Were Rigorous

The Ordinance allocates a certain amount of revenues to local jurisdictions for environmental cleanup, transit, and street and road projects. These revenues are allocated through competitive grant programs, including:

- Environmental Cleanup
- Transit Extensions to Metrolink
- Community Based Transit/Circulators
- Safe Transit Stops
- Regional Capacity Program
- Regional Traffic Signal Synchronization Program

Revenues are also allocated through the Local Fair Share Program, which is a formula-based allocation provided to eligible jurisdictions for use on allowable transportation planning and implementation activities. To receive M2 net revenues through either formula-driven or competitive grant programs, local agencies must annually satisfy eligibility requirements.

According to the Ordinance, the 35 local city and county jurisdictions must satisfy requirements within 13 eligibility categories before receiving M2 funds.

EXHIBIT 26. 13 ELIGIBILITY CATEGORIES
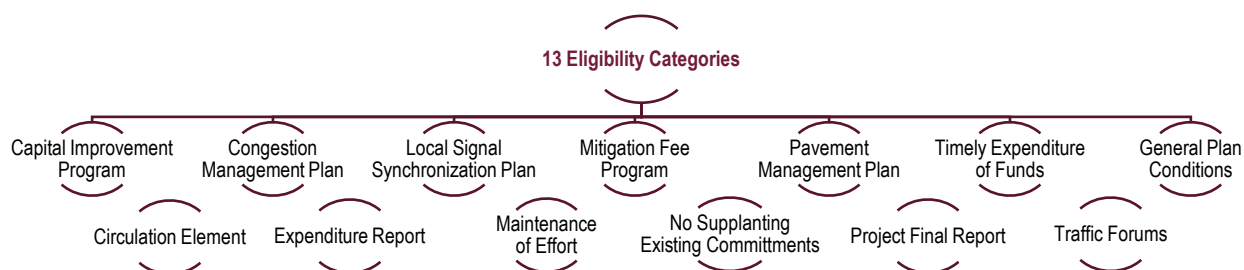
Source: Annual Eligibility Review Checklist

To meet these requirements, local jurisdictions were required to report and provide supporting documentation to demonstrate compliance with nearly 100 pages of Measure M2 Eligibility Guidelines updated each fiscal year—although not all 13 eligibility components require verification each year. Some reporting methods leveraged tools routinely used by local jurisdictions in their public planning processes, while others required specialized OCTA-developed tools. Using a proprietary internal system called OC Fundtracker, local jurisdictions used a series of templates, forms, and report formats to submit required plans, certifications, and checklists to OCTA. Documents were submitted on annual, biennial, or other timeframe as dictated by OCTA policies and feasibility.

The standard due date for each submission is June 30, except for the expenditure report requirement that is due December 31 and project final reports that must be submitted within six months of project completion. Exhibit 27 reflects the FY 2024 submission frequencies and the submittals due date.

EXHIBIT 27. M2 ELIGIBILITY REQUIREMENTS AND SUBMITTAL SCHEDULE SUMMARY, FY 2024

Compliance Category	Frequency	Submittals Due in FY 2023
Capital Improvement Program	Annual	June 30, 2023
Circulation Element/Master Plan of Arterial Highways Consistency	Biennial	June 30, 2023
Congestion Management Program	Biennial	June 30, 2023
Expenditure Report	Annual	December 29, 2023 A
Maintenance of Effort	Annual	June 30, 2023
Local Signal Synchronization Plan	Every Three Years	June 30, 2023
Mitigation Fee Program	Biennial	June 30, 2023
No Supplanting of Developer Fees	Annual	June 30, 2023
Pavement Management Plan	Biennial	June 30, 2023
Timely Submittal of Project Final Reports	Within Six Months of Project Completion	Within Six Months of Project Completion
Timely Use of Net Revenues	Annual	June 30, 2023
Traffic Forum Participation	Annual	June 30, 2023
Transit and Non-Motorized Transportation Land-Use Planning Strategies	Annual	June 30, 2023

Source: FY 2024 M2 Eligibility Guidelines
Note A: Last business day before December 31st

Eligibility Reviews were Extensive; Three Cities Deemed Ineligible, with One Barred for 5 Years from Receiving Revenues for the First Time

Overall, we found OCTA conducted extensive formal eligibility determinations of local jurisdictions with technical due diligence protocols performed on an annual basis that questioned, discussed, collaborated, and documented reasonableness and adherence to M2 goals.

Using the M2 Eligibility Guidelines and the Comprehensive Transportation Funding Program Guidelines that specify the verification methods to be utilized, OCTA staff conducts extensive reviews of data submitted by the 35 local city and county jurisdictions to verify eligibility with all M2 eligibility requirements. Additionally, the TOC, as required by the Ordinance, reviews five eligibility requirements: Congestion Management Program, Mitigation Fee Programs, Local Signal Synchronization Plans, Pavement Management Plans, and Expenditure Reports. OCTA also routinely conducts an audit of financial records and eligibility materials. If a jurisdiction fails to meet eligibility compliance requirements the Board may take action to suspend M2 funds.

In FY 2022, all local jurisdictions were deemed eligible to receive M2 funds. In the two following years, several jurisdictions were deemed ineligible. In FY 2023, the City of Cypress failed to meet Maintenance of Effort (MOE) requirements. In May 2023, the Board instructed OCTA to suspend M2 revenues until Cypress demonstrated compliance with eligibility requirements. Subsequently, in May 2024, the Board determined that Cypress took appropriate steps to regain eligibility and instructed OCTA to reinitiate payments.

In addition, in May 2024, the cities of Buena Park and Orange were deemed to be ineligible. Orange did not meet the MOE requirement, and Buena Park was found to have unsupportable charges. As a result, the Board directed OCTA staff to suspend payments until the cities could demonstrate compliance with M2 eligibility requirements.

Further, Buena Park was deemed ineligible to receive revenues for 5 years and required to reimburse OCTA for revenues pursuant to Section 10.4 of the Ordinance, which states "No Net Revenues shall be used by a jurisdiction for other than transportation purposes authorized by the Ordinance. Any jurisdiction which violates this provision must fully reimburse the Authority for the Net Revenues misspent and shall be deemed ineligible to receive Net Revenues for a period of five (5) years." In a May 2024 memo to the Executive Committee, the OCTA Chief Executive Officer reported that for FY 2023, OCTA's independent auditors found that Buena Park could not sufficiently support its indirect M2 Local Fair Share expenditures in the amount of $387,576. While there have been cases in the past of jurisdictions lacking reasonable methodology for indirect costs, those were related to the MOE requirement rather than M2 revenues like Local Fair Share. This was the first time when actual M2 revenues provided to a local jurisdiction were disallowed.[16] OCTA stated that there was no precedent to address this. OCTA staff stated that all past incidents of ineligibility were discovered through audits like this—which demonstrates a working control. As of October 2024, OCTA staff reported that the OCTA has received reimbursement from Buena Park for the ineligible expenditures.

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[16] According to OCTA staff, generally ineligibility findings are not common, with only a few incidents in the last six years.

To assess the eligibility review processes undertaken by OCTA for FY 2023, we selected two of the 35 local city and county jurisdictions reviewed—the cities of La Habra and Seal Beach. As reflected in Exhibit 28, our review of underlying documentation found that each required eligibility compliance category was reviewed, eligibility guidelines were followed, and focused questions were asked and resolved by the local jurisdictions. Specifically, we found that the reviews conducted were well-documented and OCTA staff developed verification checklists to streamline the review processes and ensure consistency of review.

EXHIBIT 28. ELIGIBILITY SUBMITTALS REVIEWED FOR LA HABRA AND SEAL BEACH, FY 2023

Compliance Category	La Habra	Seal Beach
Capital Improvement Program	✓	✓
Circulation Element/Master Plan of Arterial Highways Consistency	NA[17]	NA
Congestion Management Program	NA	NA
Expenditure Report	✓	✓
Local Signal Synchronization Plan	NA	NA
Maintenance of Effort	✓	✓
Mitigation Fee Program (MFP)	NA	NA
No Supplanting of Developer Fees	✓	✓
Pavement Management Plan (PMP)	N/A[18]	✓
Timely Submittal of Project Final Reports	✓	✓
Timely Use of Net Revenues	✓	✓
Traffic Forum Participation	✓	✓
Transit and Non-Motorized Transportation Land-Use Planning Strategies	✓	✓

Source: Auditor-generated based on the FY 2023 M2 Annual Eligibility Review documents

Amendments to Eligibility Requirements Due to COVID-19 Pandemic Are No Longer In Effect

During the review period, OCTA had two Ordinance Amendments in effect related to MOE requirements in response to the pandemic: 1) a June 2020 amendment to temporarily change the MOE requirements for FY 2020 and FY 2021 to assist local jurisdictions, and 2) a May 2021 amendment to extend the temporary changes through FY 2022.

The FY 2024 Measure M2 Eligibility Guidelines (Effective April 10, 2023) stated that the COVID-19 modification is no longer available and that local jurisdictions are required to meet the pre-pandemic MOE requirements.

Total Grant Award Amounts Increased During Assessment Period

Once deemed eligible, local jurisdictions can apply to receive M2 funds through OCTA's Comprehensive Transportation Funding Programs, which is a collection of competitive grant programs offered to local agencies for streets and roads, transit, and environmental activities through Projects O, P, S, T, V, W, and X. Exhibit 29 reflects the grant amounts awarded July 1, 2021 through June 30, 2024 for 83 grant awards totaling more than $104.3 million.

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[17] Circulation Element/ MPAH Consistency, Congestion Management Plan, Local Signal Synchronization Plan, and Mitigation Fee Program were not required during this eligibility cycle for FY 2023.
[18] 14 local jurisdictions update their PMP on odd-numbered fiscal years

EXHIBIT 29. COMPETITIVE GRANT FUNDING AWARDED JULY 1, 2021 THROUGH JUNE 30, 2024

M2 Project	Description	Amounts Awarded 7/1/18 through 6/30/21	Amounts Awarded 7/1/21 through 6/30/24
O	Regional Capacity Program	$44,403,521	$62,420,980
P	Reginal Traffic Signal Synchronization	$28,221,429	$32,716,405
S	Transit Connections to Metrolink	$0	$0
T	Transit Metrolink Stations/High-Speed Rail	$0	$0
V	Transit Circulators (Community-Based)	$10,107,596	$0
W	Safe Transit Stops	$1,902,300	$0
X	Environmental Cleanup Tier 1	$7,305,597	$9,191,724
X	Environmental Cleanup Tier 2	$0	$0
Total Awarded		**$91,940,443**	**$104,329,109**

Source: Ordinance and OCTA M2 Allocation spreadsheet

During the current assessment period, awarded grants were isolated to the Regional Capacity Program (Project O), Regional Traffic Signal Synchronization (Project P), and Tier 1 Environmental Cleanup (Project X)—with the award amount for Project O increasing over 40 percent since the last three-year period.

Grant Evaluation and Award Process Was Well-Documented

We found that OCTA's process for evaluating grant applications, awarding grants, and monitoring use was well-documented and clear to facilitate a fair project selection process and subsequent grant monitoring.

Local jurisdictions must submit application packages that require a variety of documents that demonstrate that the project seeking funds meets OCTA's requirements, depending on the project call. For instance, the 2023 CTFP call for Project P (Regional Traffic Signal Synchronization) required applicants to submit packages by October 20, 2022, with a completed online application and supporting documents such as funding needs by phase and year, environmental clearances and permits, supporting technical information, and other applicable information needed to evaluate whether the project is in line with M2 goals. The instructions to applicants include checklists that explain what documents are needed, what activities and expenditures are eligible and not eligible, and how applicants will specifically be scored during the competitive process.

OCTA also has a process to evaluate those applications for consistency, accuracy, and concurrence, and scores applications for funding recommendations to the Board. Finally, the CTFP application guidelines also explain what jurisdictions must comply with as a condition of receiving grants—including a set time period in which funds must be used, and agreeing to semi-annual reviews in which agencies must be prepared to give project updates, disclose changes, and other pertinent news that may impact whether grant funds will be provided to agencies.

These processes and guidelines appeared clear and well-documented to facilitate a fair project selection process and subsequent grant monitoring. To test the processes at work, we selected six grant award packages across the review period totaling $22.9 million or 22 percent of the total grant award allocation to see if grant packages had key required documentation needed for OCTA to effectively screen, award grants, monitor grants, and pay reimbursements to grantees. We found that all six sampled grant awards had required documentation needed. However, we were unable to test whether the payment process for grant funding disbursement was appropriate and efficiently because the sampled grants did not have any payments submitted during the review period.

Exhibit 30 shows the dollar amount of grant awards tested out of total grant awards for the review period.

EXHIBIT 30. AMOUNTS TESTED OUT OF TOTAL GRANT AMOUNTS AWARDED

M2 Project	Description	Amounts Awarded 7/1/21 through 6/30/24	Amounts Tested
O	Regional Capacity Program (RCP)	$62,420,980	$18,191,159
P	Reginal Traffic Signal Synchronization	$32,716,405	$4,171,643
S	Transit Connections to Metrolink	$0	$0
T	Transit Metrolink Stations/High-Speed Rail	$0	$0
V	Transit Circulators (Community-Based)	$0	$0
W	Safe Transit Stops	$0	$0
X	Environmental Cleanup Tier 1	$9,191,724	$500,000
X	Environmental Cleanup Tier 2	$0	$0
Total Awarded		**$104,329,109**	**$22,862,802**

Source: M2 Grant Allocations for July 1, 2021 to June 30, 2024

Grant Payments Process Needs Improvement, and OCTA Is Taking Steps to Make Changes

Despite being unable to test the timeliness of sampled payments, through interviews and process walk-throughs with OCTA staff, we found that OCTA has had challenges in paying grantees timely though it had a well-established process for awarding and monitoring grant administration.

In fact, review of grant payment requests and payout information provided by OCTA showed that out of 353 payment requests submitted over a six-year period [19] from FY 2019 to FY 2024, 51 requests remain unpaid as of October 2024, or 14 percent of requests made.[20] We were unable to review data to determine how long specific payment requests were pending payment due to the limited time available for this review. Staff indicated that it has often taken greater than 60 days to pay an invoice due to a variety of reasons.

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[19] The period extends beyond the 3-year review period because invoices may be paid outside the same FY that payment requests were submitted. As such, payments made in each FY may relate to payment requests initiated in other years

[20] According to OCTA, 33 requests totaling $16.6 million were submitted during the first half of 2024.

As shown in Exhibit 31, 51 outstanding requests related to $33.4 million—or 24 percent of the total dollar amount of payment requests in that period. When narrowing it down to activity during the three-year review period between FY 2022 to FY 2024, the variance between payments requested and paid out was even greater. Because payment requests submitted before FY 2022 could have been paid during this window, the number and amounts of paid requests should be greater than those submitted if all payment requests were paid out timely.

EXHIBIT 31. GRANT PAYMENT REQUESTS SUBMITTED AND PAID, FY 2019 – FY 2024

	Submitted	Paid	Unpaid as of October 2024	% Unpaid
Payment Requests	353	302	**51**	14%
Payment request dollar amount	$140,892,974	$107,471,368 A	**$33,421,606**	24%

Source: Grant payment data provided by OCTA (unaudited)
Note A: Payment requests paid are from FY 2019 to FY 2025 to reflect requests
made in FY 2019 to FY 2024 that were eventually paid by FY 2025.

EXHIBIT 32. GRANT PAYMENT REQUESTS SUBMITTED AND PAID DURING REVIEW PERIOD, FY 2022 – FY 2024

	Submitted	Paid	Unpaid as of October 2024	% Unpaid
Payment Requests	164	104	60	37%
Payment request dollar amount	$61,299,828	$28,572,330	$32,727,498	53%

Source: Grant payment data provided by OCTA (unaudited)
Note: Percentages are not provided because payments made include requests made before FY 2022

For the grants awarded during the review period (Projects O, P, X), agencies could request up to 75 to 90 percent of funds paid be paid up front [21], and the remaining 10 to 25 percent would be paid out when the project is completed, the agency has submitted the required back-up documentation, and final report is accepted by OCTA. According to OCTA, the late payments were related to the remaining 10 to 25 percent of the grant which may be due to cities. Because the majority of the grant funding is provided up front, these final payments did not impede delivery of actual work. Rather, lack of timely payment may impact local agencies' finances as they wait for final payment.

According to OCTA and interviewed stakeholders, there are several reported causes for the delayed payments.

1) **Staff Turnover at OCTA:** As a control, OCTA segregated duties so that the staff member scoring, evaluating, and recommending projects is not the same staff member issuing and approving payment. But when both temporary and permanent staffing vacancies occurred in both roles while payment requests came in on a rolling basis, OCTA began falling behind on issuing payments timely. Challenges were exacerbated as grant programs, awards, and payment requests increased, and projects grew in complexity. In addition, OCTA questioned whether staffing levels were sufficient to meet workload demands.

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[21] The first payment of up to 75 percent of the contract award or programmed amount is released when the grantee provides documentation showing that the project funds have been encumbered.

2) **Insufficient Support from Grantees:** Local jurisdictions may not provide accurate or sufficient documentation supporting reimbursement requests, requiring time consuming back-and-forth between OCTA and cities. According to OCTA, out of the 164 payment requests submitted between FY 2022 through FY 2024 as shown in Exhibit 32, 46 requests totaling $32.9 million lacked adequate supporting documentation such as incomplete project scopes of work or erroneous data that needed correction. OCTA, as the steward of M2 funds, needs adequate backup to any reimbursement requests and cannot issue payment until that occurs. Conversely, some cities have anecdotally reported that it was not always clear how to comply and additional tools were needed to help, despite the existing CTFP guidelines, forms, offers to meet 1:1, and annual workshops provided by OCTA.

3) **Staff Turnover in Cities:** Both OCTA staff and stakeholders described turnover also commonly occurring on the cities' side which may in part explain grantees' struggles to provide adequate payment support, or not being able to respond to OCTA's inquiries to resolve questions.

4) **No Reimbursement Submission Time Boundaries:** The CTFP guidelines do not detail when cities are required to submit reimbursement requests. The effect is that OCTA does not know when those requests will come, such that workloads for processing those payments are unpredictable.

To remedy this issue, OCTA hired a consultant in February 2024 to conduct an invoice and payment process review for CTFP and map out current processes, identify bottlenecks, and develop recommendations for improvement by June 2025. As of June 2024 (the end of this review period), the consultant was still in the process of mapping the process.

To ensure underlying bottlenecks in the process are identified and corrected to provide timely grant payments, OCTA should move forward with the consultant to develop a plan to identify process improvements and ensure implementation of forthcoming consultant recommendations. As part of this plan, OCTA can consider revising its CTFP guidelines to incorporate timelines for payment submissions to help OCTA plan its workload and cashflow, and developing a plan to address the backlog of payments with specific timelines and targets.

Recommendations

4. Develop a plan to address backlog and timeliness of payments, which may include implementing the recommendations provided by the payment process consultant, as appropriate; consideration of more frequent and consistent timelines within the process; and assuring appropriate staffing levels and resources are available to better organize and expedite review of payments and payment authorization.

Chapter 5: Fiscal Practices Were Conservative, Yielding a Steady Path for Remaining Program

OCTA has taken a strategic and conservative approach to managing M2 funds to support its long-term transportation commitments for Orange County. Despite economic uncertainties, including the Great Recession of 2008-2009 and the COVID-19 pandemic, sales tax revenue forecasts have generally aligned with actual collections, reflecting OCTA's responsiveness to economic fluctuations. In addition, OCTA's effective use of external funding sources has also amplified M2's impact, leveraging an additional 53 cents in state, federal, and local funds for every M2 dollar. Through careful investment practices that prioritize safety and liquidity, OCTA has achieved returns above market averages, maximizing its resources while adhering to Board policy limits. The agency's prudent debt management has allowed it to rely minimally on bond financing, maintaining high debt coverage ratios that exceed requirements and positioning OCTA to fund projects without issuing additional bonds. OCTA's conservative budgeting and forecasting practices have enabled it to consistently maintain a substantial reserve to mitigate risks. With a projected ending balance of over $711 million and a robust reserve for economic uncertainties, OCTA is well-prepared to fulfill its M2 commitments through 2041, delivering on its promises to the public even amidst a shifting economic landscape.

Sales Tax Revenues were Generally Aligned with Forecasts, with Noted Variances

Over the five-year period from FY 2019 to FY 2023, OCTA demonstrated a high level of accuracy in its sales tax revenue forecasts, despite significant economic disruptions. As shown in Exhibit 33, OCTA's Board-approved forecasts overestimated revenues by an average of only four percent across this period, meaning that actual revenue exceeded projections by a modest margin. This alignment underscores OCTA's ability to adapt its forecasting approach in response to economic conditions.

Each year within the review period shows specific variances that highlight OCTA's responsiveness to changing economic conditions, particularly during the COVID-19 pandemic:

- **FY 2020**: The pandemic's onset led to a revenue shortfall, with actual revenues falling six percent below forecasts. Given the unprecedented nature of the crisis, this moderate variance was within a reasonable range and reflected the unpredictability of early pandemic impacts.
- **FY 2021 and FY 2022**: During the early stages of economic recovery, OCTA adjusted its forecasts conservatively, resulting in actual revenues exceeding forecasts by approximately 13 percent in FY 2021 and FY 2022. These adjustments reflect OCTA's cautious approach during a period of economic rebound, allowing for a margin of safety in its budgeting.
- **FY 2023**: As the economic environment stabilized, OCTA's forecast slightly overestimated revenue by 3 percent. This small variance indicates that OCTA's projections were largely aligned with actuals, capturing the continued recovery with a high degree of accuracy.

EXHIBIT 33. BOARD APPROVED SALES TAX FORECAST TO ACTUALS, FY 2019 – FY 2023 ($ IN MILLIONS)

Fiscal Year	Board Forecast [1]	Actuals	% Variance
2019 [A]	$330.80	$332.36	0.5%
2020 [A]	$339.07	$317.96	-6.2%
2021	$304.89	$345.35	13.3%
2022	$376.43	$424.90	12.9%
2023	$453.36	$439.12	-3.1%
Grand Total	$1804.56	$1859.69	3.1%
		5-Year Average	3.4%

Source: Source: Annual OCTA Sales Tax Forecast presented to the Board of Directors from 2018 to 2023

Note 1: The Board Forecasts represent the prior year's forecast against the actuals received in the following fiscal year. For instance, for 2022, the Board Approved Forecast was made in FY 2021. The actuals were reported in FY 2022.

Note A: Though outside our review period, these years are reported to show trends before and after the pandemic. 2024 data was not yet available at the time of this review.

Overall, OCTA's Board-approved sales tax forecasts were closely aligned with actual revenues received, with slight variations that reflect prudent adjustments in response to market conditions. By taking a conservative approach to forecasting during uncertain times, OCTA effectively managed its revenue expectations, ensuring it could continue supporting M2 commitments without over-relying on optimistic revenue projections. This conservative, data-driven approach has positioned OCTA to maintain financial stability and respond effectively to economic fluctuations.

OCTA's Strategic Use of External Funding Amplifies the Impact of Every M2 Dollar

Since the passage of M2 in 2006, OCTA has faced several economic challenges, including the Great Recession and the COVID-19 pandemic. These events impacted sales tax revenues, which are a primary funding source for M2 projects. Despite these obstacles, OCTA's conservative financial planning—including cautious revenue forecasts and setting aside funds for economic uncertainties—has allowed it to maintain steady progress on M2 commitments. OCTA's strategy has also resulted in a projected ending balance of over $711 million by FY 2041, providing a strong financial buffer for future needs.

OCTA Leveraged Over Half of Every Dollar in M2 Funds to Maximize Project Funding

From FY 2011 and FY 2023, OCTA collected approximately $3.9 billion in M2 sales tax revenue and an additional approximately $2.1 billion from federal, state, and other local sources as shown in Exhibit 34.[22] This external funding resulted in a leverage ratio of 1:0.53, meaning that for every dollar raised through M2, OCTA secured an additional 53 cents in external funding. This effective leveraging helps OCTA stretch each dollar further, maximizing the impact of M2 for Orange County residents.

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[22] Cashflow data provided by OCTA was completed through June 2023 with data through 2024 provided as estimates.

EXHIBIT 34. M2 PROGRAM TOTAL ACTUAL REVENUES BY FUNDING SOURCE, FY 2011 – FY 2023 ($ IN MILLIONS)

Funding Source	Revenues	Percent of Total
Gross Sales Tax Revenue	$ 3,941.1	56%
Bond Proceeds	$ 669.8	10%
Other Revenues (Fed, State, & Local)	$ 2,105.7	30%
Commercial Paper	$ 100.0	2%
Interest on Bond Proceeds	$ 95.2	1%
Operating Interest	$ 77.5	1%
Total	**$ 6,989.3**	**100%**

Source: FY 2022 to FY 2024 M2 Comprehensive Business Plan Cashflow Summaries

For the freeway program specifically—the largest component of M2—OCTA achieved an even higher leverage ratio of 1:0.62, securing an additional 62 cents for every M2 dollar. This strong external funding support for freeway projects has helped OCTA make significant progress on capital improvements while keeping its reliance on sales tax revenue manageable.

EXHIBIT 35. M2 FREEWAY PROGRAM ACTUAL REVENUES COLLECTED BY SOURCE FOR FY 2011 -FY 2023 ($ IN MILLIONS)
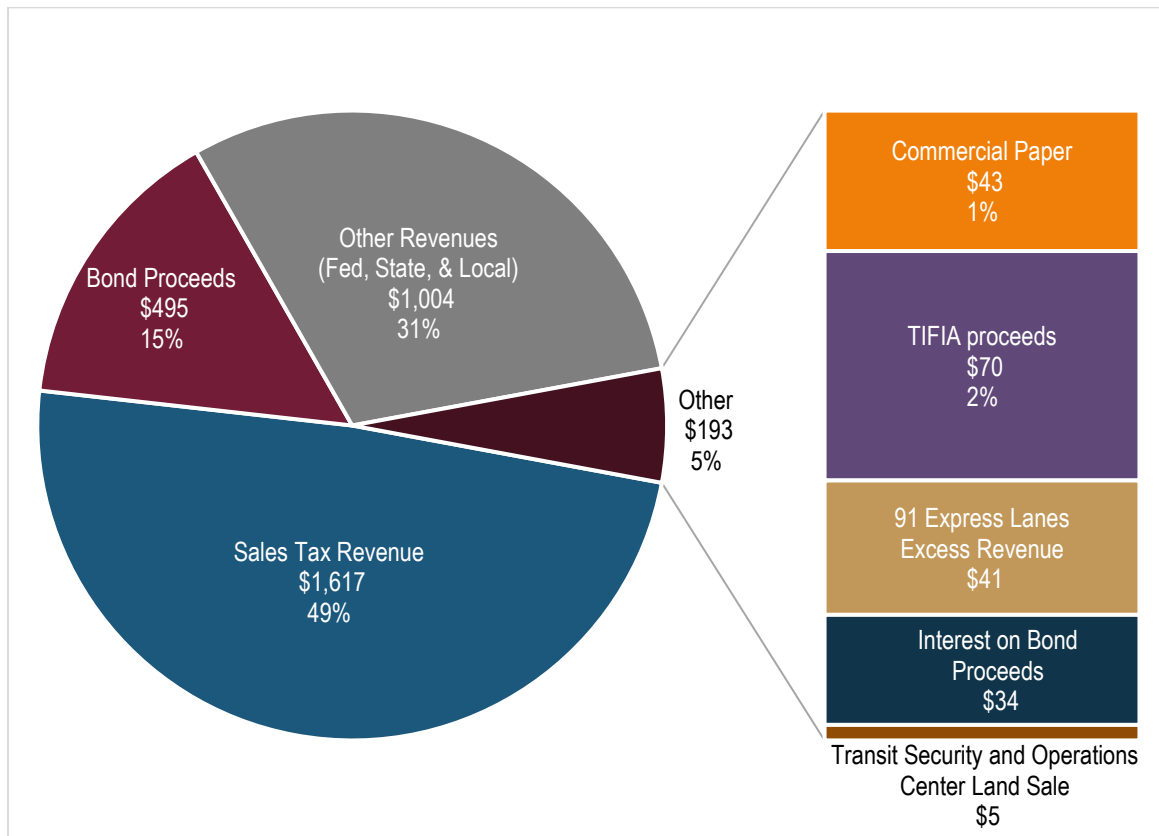
Source: FY 2022 to FY 2024 M2 Comprehensive Business Plan Cashflow Summaries

Key Sources of External Funding

Most of the future external funding expected was anticipated from the following state and federal formula funds, block grants, and project-specific awards—all historically stable funding sources with amounts that can reasonably be estimated and programmed for projects in the near term:

➢ **State Transportation Improvement Program (STIP):** A biennial five-year plan for state transportation funds, managed by the California Transportation Commission. These funds can be used for state highway improvements, intercity rail, and regional highway and transit improvements.

➢ **Surface Transportation Block Grant Program (STBG):** Provides flexible federal funding for projects to preserve and improve highways, bridge and tunnel projects on any public road, pedestrian and bicycle infrastructure, and transit capital projects, including intercity bus terminals. Program funding is made available through the State transportation agencies.

➢ **Congestion Mitigation and Air Quality Improvement Program (CMAQ):** Flexible federal funding source for transportation projects and programs to help reduce congestion and improve air quality in compliance with the Clean Air Act.

➢ **Senate Bill 1, The Road Repair and Accountability Act of 2017 (SB-1):** A California legislative package that invests $5.4 billion annually in California's transportation infrastructure, with funds allocated to both state and local projects.

EXHIBIT 36. PROJECTED FUNDING SOURCES FOR FREEWAY PROJECTS A-M, FY 2011 – FY 2041 (AS OF JULY 2024)
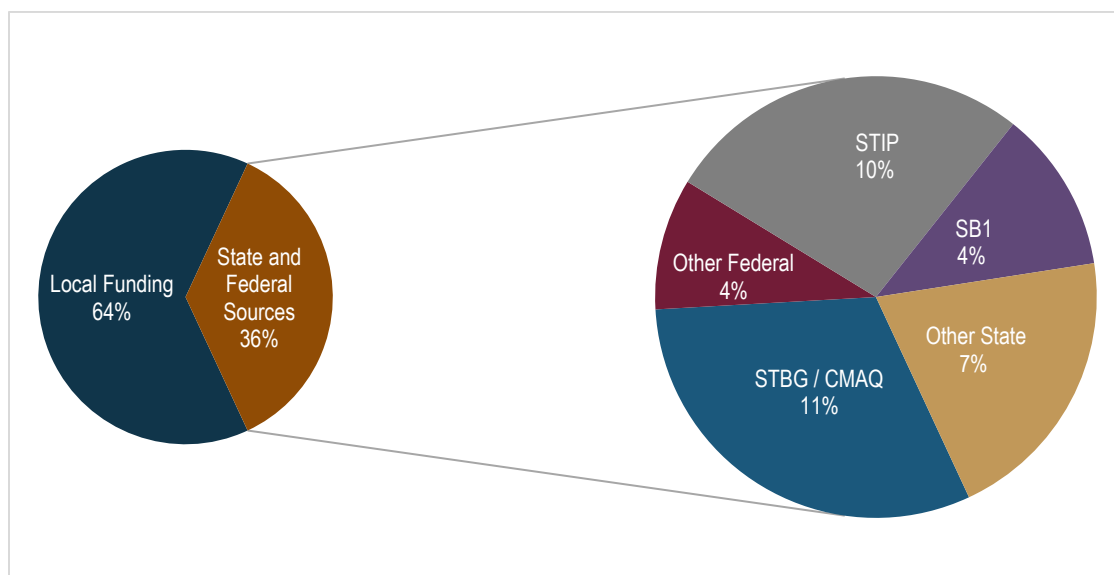
Source: July 2024 Capital Funding Program Report.

As shown in Exhibit 36, over the life of the M2, OCTA expects about one-third of freeway project funding to come from state and federal programs, with STBG, CMAQ, and STIP being the largest contributors.

Adjusted Revenue Projections Reflect Reduced Need for External Funding

OCTA's FY 2024 revenue projections for the remainder of M2 estimated $10.8 billion in sales tax revenue and $1.6 billion in additional external funding, resulting in a lower leverage ratio of 1:0.14 for future years, or 14 cents for every M2 dollar. This shift reflects both the increased sales tax projections and a reduced need for external funds as many capital projects near completion. Additionally, recent changes in state and federal funding priorities, which now favor projects that reduce road congestion and greenhouse gas emissions, have also impacted OCTA's assumptions about future funding availability for freeway projects.

These adjusted projections allow OCTA to plan for the future more conservatively while still ending each fiscal year from FY 2024 to FY 2041 with a positive balance of at least $650 million. OCTA's financial forecasts indicate that the M2 program remains well-positioned to fulfill its commitments through 2041, even with anticipated reductions in external funding.

OCTA's ability to leverage external funds has amplified the impact of M2 revenues, allowing OCTA to deliver on its promises to taxpayers despite economic challenges and shifting funding priorities. By strategically aligning M2 funds with external sources and maintaining a conservative approach to forecasting and spending, OCTA remains on track to complete the M2 program successfully and maintain a healthy financial position.

OCTA Maintains Robust Reserves to Guard Against Economic Uncertainty in the Freeway Program

To safeguard the Freeway Program against potential financial challenges, OCTA built a dedicated reserve for economic uncertainties into its cash flow projections. This reserve, known as the "Freeway Program Economic Uncertainties" (FPEU) line item, was added in 2018 as part of the Next 10 Plan update. The purpose of this contingency fund is to cover unforeseen increases in construction or other program costs, ensuring that OCTA can continue delivering M2 projects without disruption.

As shown in Exhibit 37, OCTA's approach to this reserve involves using projected revenue surpluses to create a stable ending cash balance for the Freeway Program. This reserve has allowed OCTA to maintain a relatively steady ending balance, even as revenue projections have fluctuated over time.

EXHIBIT 37. PROJECTED FREEWAY PROGRAM ECONOMIC UNCERTAINTY AND FREEWAY ENDING BALANCES, FY 2019 TO FY 2024

Freeway Program ($$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Projected Total FPEU	$1,130.6	$1,860.0	$969.0	$1,650.7	$2,553.1	$2,400.0
2041 Projected Ending Cash Balance	$100.6	$92.0	$40	$126.9	$128.9	$136.5

Source: Generated from OCTA Finance's Annual Cashflow data.

Before the COVID-19 pandemic, in FY 2019 and FY 2020, the Freeway Program's ending balances ranged from between $92 million and $100 million, as shown in Exhibit 37. However, in FY 2021, the pandemic caused significant economic uncertainty, leading OCTA to reduce the FPEU reserve and ending balances

by about half. As the economy rebounded, M2 sales tax revenue collections increased allowing OCTA to restore the FPEU reserve, bringing the projected ending balance to over $136 million by FY 2024.

Looking forward, based on OCTA projections, the Freeway Program could face unforeseen cost increases of up to $2 billion by the end of the M2 program in 2041 and still retain a positive balance. This resilience is particularly important given OCTA's experience weathering two major economic disruptions—the Great Recession and the COVID-19 pandemic—since the program's inception. Given the possibility of further economic challenges in the remaining 17 years of the program, OCTA's conservative financial planning and robust reserve position OCTA well to manage future uncertainties.

Overall, OCTA's proactive strategy for maintaining a reserve line item for economic uncertainties provides a strong financial foundation, helping to ensure that the Freeway Program can continue without interruption, even in the face of potential financial risks.

OCTA's Conservative Debt Management Policy Supports Long-Term Financial Stability

OCTA has a conservative approach to debt management that supports the organization's ability to fund major transportation projects for Orange County while minimizing financial risk. The OCTA Board of Directors adopted a comprehensive debt management policy in 2010, which was updated in 2019, establishing guidelines for when and how OCTA can issue debt. The policy's main objectives are to keep borrowing costs low, maintain high credit ratings, minimize exposure to financial risk, and ensure transparency with investors. In addition, the policy details the process for appointing professional service contractors who help OCTA facilitate bond issuance and management of bond sales, and for disclosing material information after the sale of debt.

The Board's policy emphasizes a "pay-as-you-go" approach to financing, meaning that OCTA prefers to fund projects directly with available funds whenever possible. However, the policy allows OCTA to issue bonds if project costs are too high to cover with current funds alone. For instance, in recent years, OCTA issued bonds to support capital projects such as the addition of general purpose lanes on the I-405 freeway.

Bond Issuance Plans Shifted During Recent Years, But Debt Financing Approach Remained Sound

As shown in Exhibit 38, bond proceeds accounted for $669.8 million, or nearly 10 percent, of the total M2 funding from 2011 to mid-2023—a decrease from the previous two-year period as no new bonds were issued.[23]

EXHIBIT 38. BOND PROCEEDS AS A PERCENTAGE OF TOTAL M2 FUNDING ($ IN MILLIONS)

Funding Source	2011 to June 30, 2021	2011 to June 30, 2023
Gross Sales Tax Revenue	$3,077.1	$3,941.1
Local, State, & Federal Funding	$1,752.2	$2,105.7
Bond Proceeds	$669.8	$669.8

[23] Cashflow data provided by OCTA was completed through June 2023 with data through 2024 provided as estimates.

Funding Source	2011 to June 30, 2021	2011 to June 30, 2023
Interest on Bonds Proceeds	$83.6	$95.2
Operating Interest	$89.9	$77.5
Total	**$5,671.6**	**$6,889.4**
Bond Proceeds as a percent of Total Funding	**11.8 percent**	**9.7 percent**

Source: FY 2022 to FY 2024 OCTA M2 Cashflow Projections

OCTA's current financial plan, the Next 10 Plan, was first adopted in 2016 and is reviewed and updated annually to reflect changes in sales tax revenue projections and funding needs. Despite early concerns due to the COVID-19 pandemic, which temporarily reduced sales tax revenue, strong post-pandemic revenue growth allowed OCTA to eliminate plans for additional bond issuances through 2041.

Exhibit 39 illustrates that cash balances are projected to remain healthy. For example, OCTA anticipates ending FY 2024 with over $595 million in cash, with further growth expected in subsequent years. This cash reserve provides a buffer against future uncertainties and reduces the need for additional debt.

EXHIBIT 39. ENDING CASH BALANCE FORECASTS FOR 2024 – 2041 FROM FY 2022, FY 2023, AND FY 2024 PROJECTIONS ($ IN MILLIONS)
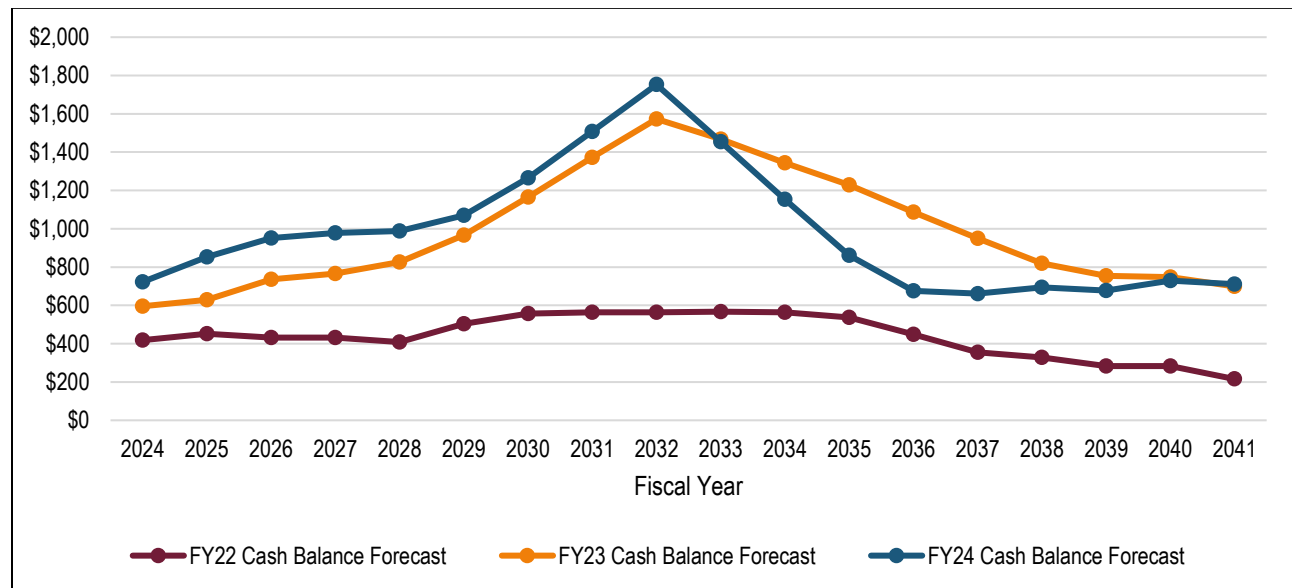
Source: OCTA Cashflow Forecasts

Projected Debt Service Coverage Met Board Requirements and Appeared Sufficient to Meet Future Repayment Obligations

OCTA's debt management policy requires a minimum debt coverage ratio of 1.3x, meaning that sales tax revenue should be at least 1.3 times the annual debt payment. In recent years, OCTA has maintained debt coverage ratios well above this minimum, with ratios of 5.98x in FY 2021, 7.53x in FY 2022, and 6.37x in FY 2023. These high ratios reflect OCTA's conservative debt levels relative to its revenue base, providing ample capacity for debt service.

Between 2024 and 2041, OCTA's projected debt service payments are expected to remain stable, averaging around $49.6 million annually. The debt coverage ratio is projected to grow significantly, reaching a peak of 15.7x near the end of the M2 program. Most debt service costs are related to the freeway program, with a forecasted coverage ratio starting at 4.9x in 2024 and increasing to 10x by 2041.

OCTA's Use of Debt is Conservative and Inline with Peers

As shown in Exhibit 40, OCTA's use of debt is relatively conservative compared to neighboring transportation agencies in Riverside, Los Angeles, and San Bernardino counties. OCTA's debt coverage ratios are in line with or higher than those of most neighboring agencies, indicating a strong financial position and conservative debt use.

EXHIBIT 40. OCTA DEBT SECURED BY SALES TAX REVENUE COMPARED TO NEIGHBORING COUNTIES

Agency	Measures / Propositions	Program Duration	July 1, 2022 – June 30, 2023			Outstanding Debt as of June 30, 2023
			Sales Tax Revenue	Debt Service	Debt Coverage Ratio	
Riverside County Transportation Commission	Measure A	14th year of 30-year program	$287 million	$70 million	4.1x	$716 million
Los Angeles County Metropolitan Transportation Authority	Proposition A	41st year	$833 million	$131 million	6.4x	$5,162 million
	Proposition C	33rd year	$889 million	$234 million	3.8x	
	Measure R	14th year of 30-year program	$944 million	$228 million	4.1x	
San Bernardino County Transportation Authority	Measure I	14th year of 30-year program	$257 million	$13 million	19.4x	$172 million
Orange County Transportation Authority	Measure M2	13th year of 30-year program	$349 million	$55 million	6.4x	$590 million

Source: Annual Comprehensive Financial Reports for FY 2023

OCTA's conservative debt policy and prudent financial planning have positioned the agency to manage its long-term financial obligations while maintaining flexibility. High debt coverage ratios, robust cash reserves, and sound financial policies ensure OCTA can meet its commitments without over-relying on debt. While no additional bond issuances are anticipated, OCTA has the capacity to issue debt in the future if needed to support the completion of M2 projects.

Investment Practices Provide Strong Returns While Prioritizing Safety and Liquidity

To ensure it has the funds needed to complete M2 projects as planned, OCTA invests available funds with a focus on both safety and earning returns. These investments are guided by a Board-adopted policy, which is reviewed annually and aims to achieve returns at or above the market average while managing risk.

The investment policy prioritizes four main objectives:

1. Safety of Principal – to avoid or minimize losses
2. Liquidity – to have simple and timely access to funds
3. Total Return – investment gains equivalent to the market average

4. Diversification – reduce risk from economic impacts affecting any one sector

OCTA's investment portfolio includes a range of instruments, such as U.S. Treasury obligations, federal agency bonds, municipal debt, and corporate securities. As shown in Exhibit 41, the allocation of funds across these instruments is consistent with policy limits, which cap the percentage of funds that can be invested in each type of security. For example, as of June 30, 2024, U.S. Treasury obligations represented the largest share of the portfolio at 40 percent, with other assets like corporate securities and municipal debt making up smaller portions.

EXHIBIT 41. OCTA INVESTMENT PORTFOLIO, AS OF JUNE 30, 2024

Investment Instruments	Dollar Amount Invested	Percent of Portfolio	Investment Policy Maximum
U.S Treasury Obligations	$891,434,724	40.0 percent	100 percent
Federal Agencies & U.S. Government Sponsored-Entities	$300,819,155	13.5 percent	100 percent
Municipal Debt	$26,777,996	1.2 percent	30 percent
Commercial Paper	$48,959,979	2.2 percent	40 percent
Negotiable Certificates of Deposit	$45,250,000	2.0 percent	30 percent
Medium Term Maturity Corporate Securities	$468,625,197	21.0 percent	30 percent
Money Market & Mutual Funds	$136,077,656	6.1 percent	20 percent
Mortgage and Asset-backed Securities	$283,732,891	12.7 percent	20 percent
Supranationals	$16,773,390	0.8 percent	20 percent
Local Agency Investment Fund	$6,955,075	0.3 percent	$75 Million
Orange County Investment Pool	$756,206	0.0 percent	10 percent
Bank Deposits	$250,000	0.0 percent	5 percent
Total (including instruments not shown)	**$2,226,412,270**	**99.80%**	

Source: Values derived from OCTA's Investment and Debt Programs Report – June 2024

OCTA's portfolio is divided into three main areas to meet various cash flow needs:

1. Liquid Portfolio - for immediate cash needs
2. Short-term Portfolio – for project funding
3. Bond Proceeds Portfolio – holds a 2021 Bond Anticipation Note

The short-term portfolio is managed by four external investment firms—MetLife Investment Management, Chandler Asset Management, Payden and Rygel Investment, and Public Financial Management —who aim to achieve returns that match or exceed four nationally-recognized performance benchmarks. As shown in Exhibit 42, OCTA's external managers consistently achieved rates of return above these benchmarks over the review period, demonstrating the portfolio's strong performance.

EXHIBIT 42. OCTA SHORT-TERM INVESTMENT PORTFOLIO PERFORMANCE AGAINST 12 MONTH BENCHMARKS

	MetLife	PFM	Chandler	Payden & Rygel
Benchmark	Assets Under Mgmt. 12 Months Return	Assets Under Mgmt. 12 Months Return	Assets Under Mgmt. 12 Months Return	Assets Under Mgmt. 12 Months Return
June 2023				
TSY 0.13 percent	$493.3 Million 1.01 percent	$495.1 Million 1.02 percent	$497.9 Million 1.06 percent	$495.0 Million 1.36 percent

| Benchmark	MetLife	PFM	Chandler	Payden & Rygel
Gov/Corp 0.32 percent	Assets Under Mgmt. 12 Months Return	Assets Under Mgmt. 12 Months Return	Assets Under Mgmt. 12 Months Return	Assets Under Mgmt. 12 Months Return
June 2022				
TSY -3.30 percent Gov/Corp -3.36 percent	$492.8 Million -2.99 percent	$495.2 Million -3.27 percent	$491.9 Million -3.19 percent	$496.3 Million -2.52 percent
June 2021				
TSY 0.07 percent Gov/Corp 0.27 percent	$408.0 Million 0.81 percent	$409.7 Million 0.43 percent	$404.1 Million 0.30 percent	$413.1 Million 0.50 percent

Source: Orange County Transportation Authority Investment and Debt Programs Report; June 2021, June 2022, and June 2023.

OCTA also prepares monthly reports for the Finance and Administration Committee, outlining the portfolio's current holdings, performance relative to benchmarks, and compliance with policy limits. Overall, OCTA's investment strategy remains aligned with Board policy, balancing the need for safety, liquidity, and returns to support its long-term project goals.

Sales Tax Revenue Growth Has Not Kept Pace with Construction Cost Increases

Since 2013, the cost of construction, as measured by Caltrans' Construction Cost Index (CCI), has grown faster than OCTA's sales tax revenues, creating a potential for funding challenges for the M2 program. When construction costs rise faster than revenue, OCTA faces potential obstacles in meeting its commitment to deliver M2 projects by fiscal year 2041. Although CCI continues to increase at pace far greater than sales tax revenue growth, as shown in Exhibit 43, as discussed earlier, OCTA's strategic and conservative approach to fiscal management of M2 funds has enabled it to continuing its progress towards fulfilling M2 promises.

EXHIBIT 43. SALES TAX AND CONSTRUCTION COST GROWTH RATES, CALENDAR YEARS 2012-2022
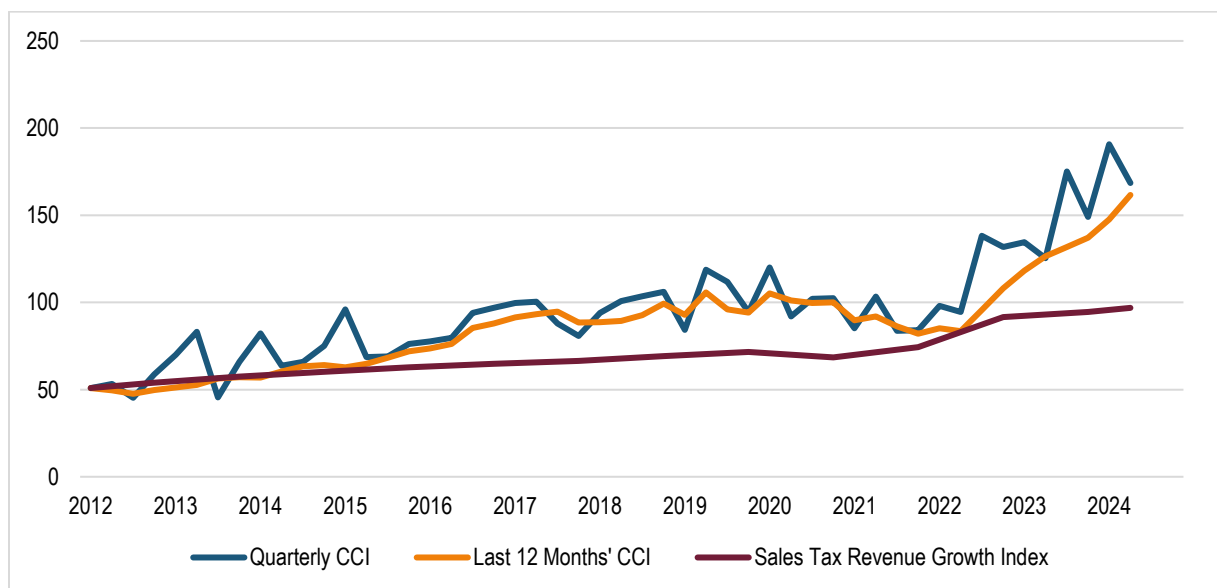
Source: Caltrans Price Index for Selected Highway Construction Items June 30, 2024 and OCTA M2 Sales Tax Revenue Forecast 2023

To help manage these financial uncertainties, OCTA worked with the Orange County Business Council to conduct a market forecast and risk analysis focused on potential cost drivers affecting the M2 program. The initial report was presented to OCTA's Executive Committee in September 2017, and OCTA has since incorporated this analysis and annual updates into its annual cash flow projections.

As part of the analysis, the Orange County Business Council developed an Infrastructure Construction Cost Pressure (ICCP) Index which tracks short-term cost pressures based on trends in building permits, unemployment rates, material costs, labor costs, and broader economic conditions. This index, updated every six months, provides a range of possible cost fluctuations to help OCTA plan for various financial scenarios.

According to Orange County Business Council's updates in September 2021 and 2022, OCTA was expected to face high inflation in construction costs during those years, with the ICCP Index indicating a potential cost increase of 11 to 40 percent. However, the September 2023 update projected a slower rate of cost growth—estimated at 2 to 6 percent for 2023 and 2024, and further slowing to 1 to 2 percent in 2025 and 2026. These projections suggest that by 2024, inflation in construction costs may stabilize, with only minor increases expected in the following years.

Despite the inflationary risks, OCTA's sales tax revenue forecasts indicate that sufficient funding should be available to complete the remaining M2 projects.

Actual Costs Are Consistently Less Than Projected

OCTA typically overestimates its annual spending projections across its primary programs—Freeway, Streets & Roads, and Transit—as part of a conservative financial management approach to ensure funding is available if all projects progress as planned. This strategy helps OCTA ensure it has sufficient funds available to cover unexpected costs, if they arise. Each year, OCTA's Financial Planning and Analysis team gathers estimated spending data from project managers in these programs to create cash flow projections. When comparing projected costs at the beginning of each fiscal year with actual expenditures at the end, projections often exceed the actual amounts spent.

As shown in Exhibit 44, across all three program areas, annual projected expenditure consistently exceeds actual expenditures each year. For example, in FY 2023, OCTA anticipated spending $569 million in Freeway program expenses. However, actual spending for the year was only $434 million—$135 million less than budgeted, or 24 percent less. As part of our review, we assessed whether the underspending impacted the delivery of projects and found that a variety of factors impacted project spending and delivery. For instance, as discussed in Chapter 4 of this report, OCTA has been delayed in processing $33.4 million in grant payments for invoices submitted between FY 2019 and FY 2024. According to OCTA, the variances identified are in part a result of their intentional conservative approach to budget up to the maximum amount possible to spend, knowing that the budgeted amount may not be fully expended. The other reason is due to project delays that impacted project spending. As discussed in Chapter 2 of this report, there were unforeseen conditions that impacted both transit and freeway projects. For instance, the OC Streetcar project, which is the largest transit capital project, experienced significant delays due to

unforeseen utility conflicts and conditions, contaminated materials, discovery of archeological resources, and utility relocation—all of which impacted project spending and progress.

EXHIBIT 44. PROJECTED V. ACTUAL ANNUAL EXPENSES, BY PROGRAM AND FISCAL YEAR (IN MILLIONS) [1]

| | | Program | | | All Programs |
		Freeway	Streets & Roads	Transit	
FY 2019	Projected	$292.0	$167.4	$151.6	$611.1
	Actual	$216.0	$63.9	$94.4	$374.3
	Variance	$76.0	$103.5	$57.2	$236.7
	% Variance	26%	62%	38%	39%
FY 2020	Projected	$442.3	$157.7	$159.2	$759.3
	Actual	$327.6	$100.4	$126.0	$554.1
	Variance	$114.6	$57.3	$33.2	$205.2
	% Variance	26%	36%	21%	27%
FY 2021	Projected	$461.2	$126.1	$230.8	$818.1
	Actual	$423.2	$138.7	-$19.5 [A]	$542.5
	Variance	$37.9	-$12.6	$250.3	$275.6
	% Variance	8%	-10%	108%	34%
FY 2022	Projected	$533.7	$112.3	$166.2	$812.2
	Actual	$384.9	$92.9	$103.0	$580.7
	Variance	$148.8	$19.4	$63.2	$231.4
	% Variance	28%	17%	38%	28%
FY 2023	Projected	$569.1	$121.1	$230.8	$921.0
	Actual	$433.8	$94.9	$87.8	$616.6
	Variance	$135.3	$26.2	$142.9	$304.4
	% Variance	24%	22%	62%	33%

Source: Generated from OCTA Finance's Annual Cashflow data

Note 1: This exhibit does not include the "Freeway Program Economic Uncertainties" (FPEU) contingency expense

Note A: According to OCTA, this negative figure reflects an adjustment made to split out revenues and expenses for Project R that did not impact the beginning balance for the subsequent fiscal year.

In addition to annual projections, OCTA also makes long-term forecasts for the M2 program, which spans from 2011 to 2041. Recent projections for total M2 program costs have increased. In FY 2021, OCTA projected $6.7 billion in Freeway program expenses over the life of M2; by FY 2024, this estimate had risen to over $8.2 billion. Similarly, the projection for total M2 program costs rose from $14.7 billion in FY 2021 to $18.1 billion in FY 2024. Projected revenue increases of $3.2 billion over the same period (FY 2021 to FY 2024) are expected to help offset these higher cost estimates.

This cautious budgeting approach allows OCTA to maintain flexibility and ensure financial stability, even as costs and revenue estimates fluctuate over time.

Chapter 6: OCTA is Transparent and Accountable to the Public

OCTA has demonstrated a strong commitment to transparency and accountability through various public engagement initiatives. Within OCTA, the People and Community Engagement (PACE) Division plays a central role in promoting these values, ensuring that the public is well-informed about OCTA's projects and services. Through outreach campaigns, social media engagement, and multilingual marketing, OCTA provides accessible information to Orange County's diverse communities. The agency also leads public awareness efforts on major capital projects, such as the OC Streetcar, and consistently gathers feedback to improve public relations. While public perception of OCTA has slightly improved, awareness of M2 has remained steady despite extensive outreach. Furthermore, the TOC continues to fulfill its responsibilities, ensuring that M2 revenues are spent in compliance with the Ordinance, further reinforcing OCTA's dedication to accountability.

OCTA Uses Various Initiatives to Promote Transparency and Accountability

OCTA has implemented several initiatives to ensure compliance with the Ordinance. Multiple divisions, particularly the PACE Division, collaborate to promote transparency and keep the public informed and involved. The PACE Division manages and directs OCTA's external affairs, including promotion, outreach, marketing, and customer engagement for all projects, programs, and services. It also oversees all customer-facing public outreach efforts. Within the division there are two departments, Public Outreach, and Marketing and Customer Engagement, that are primarily focused on ensuring public engagement and transparency:

➢ **Public Outreach** handles public communications in support of all phases of capital project development, planning, and construction for OCTA's projects, programs, and services. It implements public involvement programs to inform stakeholders and advance transportation projects. Public Outreach works with stakeholders to ensure that the planning and environmental review process reflects a wide range of positions, opinions, and concerns. Staff in the department also assist other departments and divisions to communicate effectively to the diverse stakeholder audiences and customers of OCTA's projects, programs, and services.

➢ **Marketing and Customer Engagement** is responsible for OCTA's promotion and customer relations activities. It gathers feedback for OCTA bus, local rail, and ACCESS paratransit services, and oversees the customer information center, which assists with trip planning and general transit information. The department collects feedback through customer roundtables and the Accessible Transit Advisory Committee.

In addition, the Director of Marketing and Public Outreach is responsible for overseeing public outreach, diverse communities' outreach, and marketing activities in support of all phases of capital project

development, planning, and construction to support OCTA's projects, programs, and services. The Director also oversees the coordination of OCTA's public committees.[24]

Collectively, the various roles and responsibilities of the PACE Division work together, and with other OCTA divisions, to advance transparency and accountability of OCTA's operations and capital projects.

OCTA Continues to Use a Variety of Communication and Outreach Methods to Advance Transparency, and in Many Cases, is Ahead of Peers

When compared against other transportation and transit agencies, OCTA employed the most communication and outreach methods.[25] In addition, when comparing the various methods used by comparable agencies, OCTA's communication and outreach methods were generally more consistent across mediums, with OCTA frequently utilizing social media, consistent logos, hashtags, and themes. Though not comprehensive of all of OCTA's communication and outreach methods, Exhibit 45 highlights many of OCTA's outreach practices and compares them against other transportation and transit agencies.

EXHIBIT 45. COMPARISON OF OCTA'S VARIOUS COMMUNICATION AND OUTREACH METHODS AGAINST COMPARABLE ENTITIES

Types of Communication and Outreach Methods	OCTA	SANDAG	SFCTA	MAG	RTA	PAG
Consistent Logo	✓	✓	✓	✓	X	✓
Website	✓	✓	✓	✓	✓	✓
Mobile Friendly Website	✓	X	✓	✓	✓	✓
Website—Interactive for real-time detours	✓	✓	✓	✓	X	X
Website- Projects Map	✓	✓	✓	✓	X	X
Website links to Social Media	✓	✓	✓	✓	✓	✓
Social Media—General	✓	✓	✓	✓	✓	✓
Facebook	✓	✓	✓	✓	✓	✓
Twitter	✓	✓	✓	✓	✓	✓
Instagram	✓	✓	✓	✓	✓	✓
LinkedIn	✓	✓	✓	✓	✓	✓
YouTube	✓	✓	✓	✓	✓	✓
Social Media—Project Specific	✓	✓	X	X	X	X
Email blasts/Newsletter to subscribers	✓	✓	✓	✓	✓	✓
Mobile Apps for real time traffic and detours	✓	X	✓	X	✓	X
Press Release	✓	✓	✓	✓	✓	✓
Newsletter	✓	✓	✓	✓	✓	✓
Direct Mail	✓	X	X	X	X	X

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[24] According to OCTA, after the review period, the position no longer is in place. The departments are now overseen by department directors who report directly to the PACE Executive Director.

[25] Entities include San Diego Association Of Governments, San Francisco County Transportation Authority, Maricopa Association of Governments, Riverside Transit Agency, and Pima Association of Governments

| Types of Communication and Outreach Methods	OCTA	SANDAG	SFCTA	MAG	RTA	PAG
Neighborhood Door Hangers	✓	X	X	X	X	X
Open Meetings	✓	✓	✓	✓	✓	✓
Meetings Audio/Video Posted Online	✓	✓	✓	✓	✓	✓

Source: Auditor-generated table based on visits to each transportation and transit agency website, social media pages and internet searches done in September 2024.

Among the many practices utilized by OCTA during our period of review, a few stood out due to their successful implementation:

✓ **Multilingual Marketing and Outreach**: OCTA has advanced its efforts to reach stakeholders and make information more accessible to the public, including non-English speakers. As of 2023, roughly 45 percent of the Orange County population spoke a language other than English, primarily Spanish. To reach a wider audience, OCTA offers multilingual marketing and outreach materials in English, Spanish, and Vietnamese. In addition, OCTA has a contract with an outreach consultant that provides translation services via text and phone.

✓ **OCTA Geofencing for Capital Projects.** OCTA continued its outreach efforts through the use of geofencing. Geofencing is a service that triggers an action when a device enters a pre-set geographic location.

Public Outreach and Use of Social Media Networks. OCTA continued its virtual engagement practices with website updates, social media posts, and a combination of in-person and virtual meetings. Further, over the years, OCTA has grown its social media followers and provides regular updates on both OCTA initiatives and project-specific updates. As shown in Exhibit 46, across social media platforms and accounts, OCTA's followers have continually grown over the years.

EXHIBIT 46. OCTA SOCIAL MEDIA FOLLOWERS
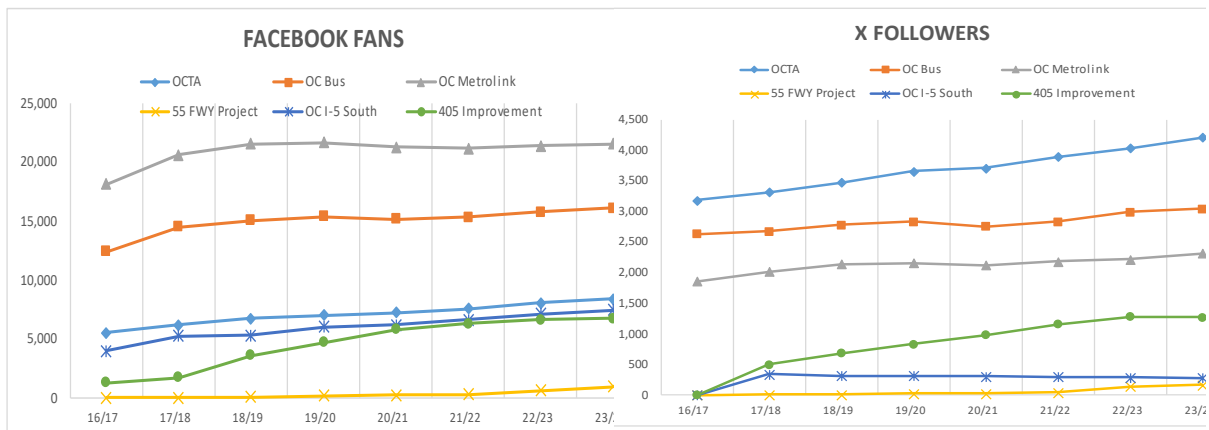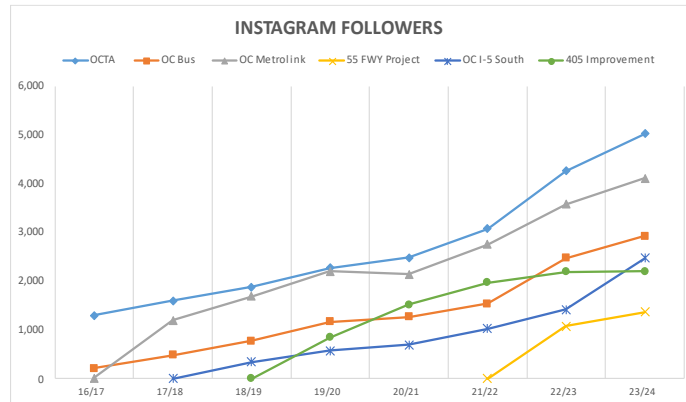
Source: OCTA Social Media Follower Data provide by OCTA as of July 29, 2024

✓ **OCTA Has Employed Various Methods to Ensure Information Regarding OCTA Projects Is Distributed Throughout the Community.** OCTA has employed various methods to ensure resources and information are equitably distributed throughout the community and project information is accessible to the community. As shown in Exhibits 47 and 48, OCTA provides the public with information through a variety of mechanisms, such as construction alerts, project status updates, city council presentations, door-to-door outreach, ads, geofencing, etc. In addition, to help ensure the public was aware of its capital projects, OCTA issued 10 professional service contracts totaling more than $12 million for M2 capital project public outreach.

EXHIBIT 47. EXAMPLES OF OCTA PUBLIC OUTREACH FOR M2 PROJECTS

Source: Example documents provided by OCTA

EXHIBIT 48. EXAMPLES OF OCTA PUBLIC OUTREACH EFFORTS FOR OC STREETCAR

Source: Example documents provided by OCTA

Public Perception of OCTA Slightly Improved, Though Awareness of M2 Has Not Materially Changed

OCTA contracted with True North Research to conduct a survey "to provide OCTA with an objective, statistically reliable assessment of Orange County voters' awareness, perceptions, opinions, and priorities as they pertain to OCTA and the many projects, programs, and services provided by the Authority under

the M2 investment Plan. More specifically, the study was designed to measure and track perceptions of OCTA and the agency's role in implementing safe, equitable, and efficient transportation solutions, explore how the public prioritizes among key transportation projects, programs, and capital investments that are part of the Investment Plan, and gather feedback on important issues and policy decisions that OCTA faces in an environment characterized by declining revenues, increasing costs, shifting demand, and emerging technologies."

Public Perception of OCTA Has Slightly Improved

Since 2011, OCTA has conducted surveys roughly every three years intended to gauge overall public awareness and perceptions of OCTA, as well as understand Orange County residents' travel behavior, use of transportation systems, primary source of information, and demographic factors. The survey, conducted by True North Research, was developed with a slightly different focus than prior attitudinal awareness surveys, with a focus on a representative sample of Orange County likely voters rather than adults as the Investment Plan was driven by the priorities and preferences of likely voters at the time. Overall, the survey found that OCTA continued to garner a generally positive public perception with survey participants familiar with OCTA. However, as discussed in the following sections, the percentage of survey respondents that had heard of Measure M— Orange County's voter-approved half cent transportation sales tax— remained relatively consistent between the 2018 and 2024 surveys, despite OCTA's public outreach efforts.

Public Awareness and Opinion Survey Results Continued to be Notably Positive, with More than Half of All Respondents Having a Favorable Opinion of OCTA

Public awareness and opinion of OCTA has continued to be notably positive for OCTA, with roughly nine out of every ten respondents aware of OCTA, as shown by Exhibit 49. Overall, there has been a slight increase in residents' awareness of OCTA since 2004, with the highest level of awareness reported in 2024 at 88.7 percent of respondents reporting they were aware of OCTA prior to the survey.

EXHIBIT 49. NUMBER OF SURVEY RESPONDENTS AWARE OF OCTA, BY STUDY YEAR
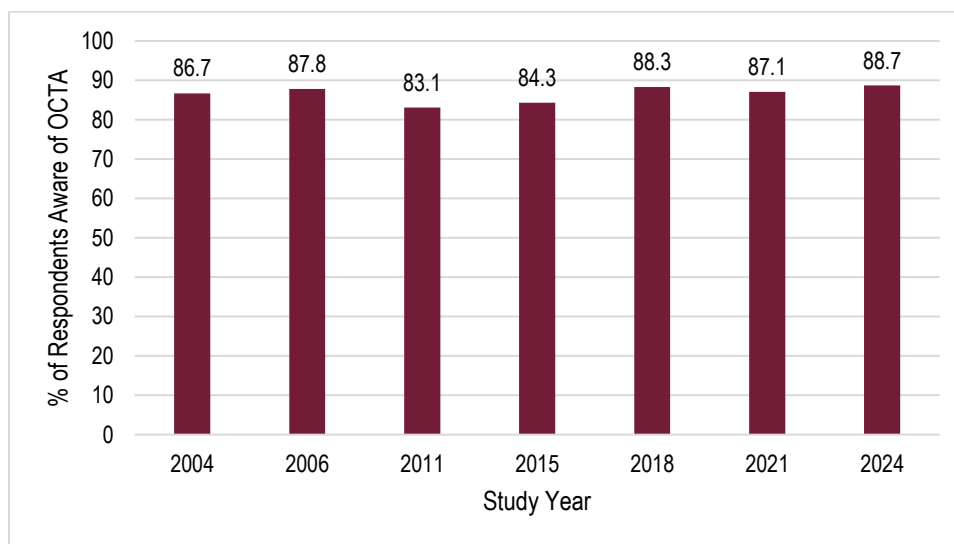
Source: M2 Comprehensive Review – Quantitative Survey – Summary Report July 2024, Figure 14

Further, residents' overall opinion of OCTA improved, with 59.4 percent of survey participants giving OCTA a favorable rating—a 6.2 percent point increase from 2021—with another 21 percent of respondents preferring not to answer. When looking only at the percentage of respondents that had an opinion of OCTA, positive opinions were more than three times greater than negative opinions as illustrated below in Exhibit 50.

EXHIBIT 50. OPINION OF OCTA, BY STUDY YEAR
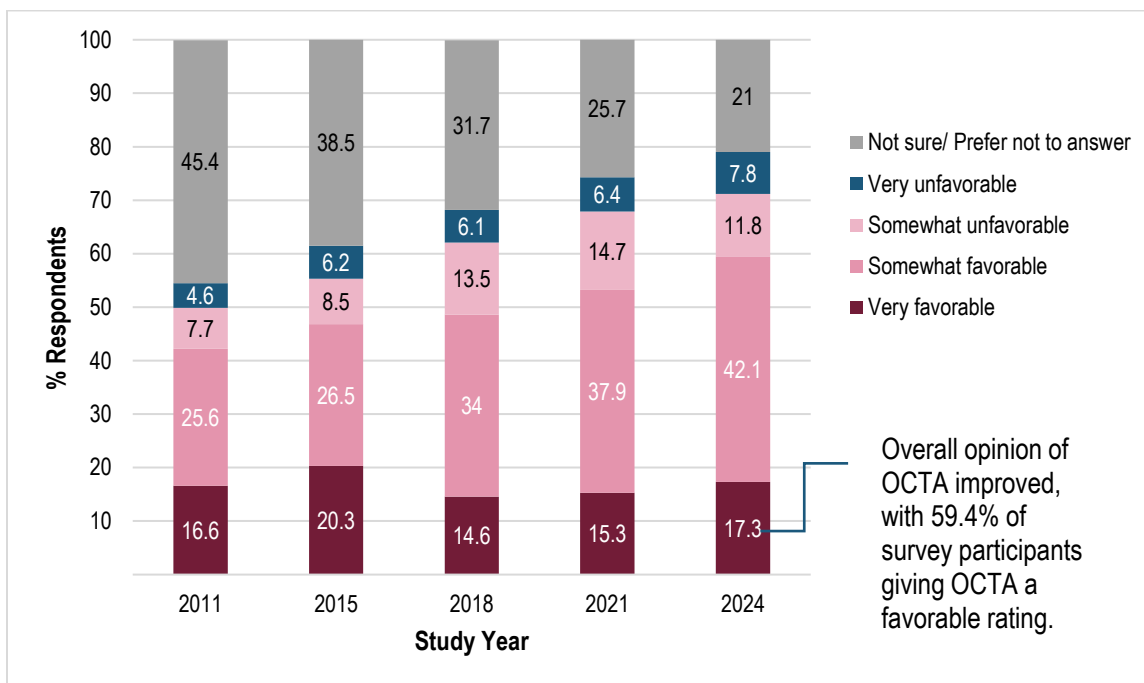
Source: M2 Comprehensive Review – Quantitative Survey – Summary Report July 2024, Figure 19

Public Awareness of Measure M Remained Relatively Consistent, Despite OCTA Public Outreach Efforts

As part of OCTA's survey efforts, OCTA assessed the public's awareness of M2, among other items. The 2024 survey revealed that there was a slight increase in the percentage of respondents reporting they were aware of the measure from 2011 to 2024, with 32.6 percent of respondents reporting they aware of M2 prior to taking the survey, compared to 31.7 percent reporting awareness in 2011, little change despite increased social media outreach and OCTA's public outreach efforts.

EXHIBIT 51. SURVEY RESPONDENTS' AWARENESS OF MEASURE M, BY STUDY YEAR
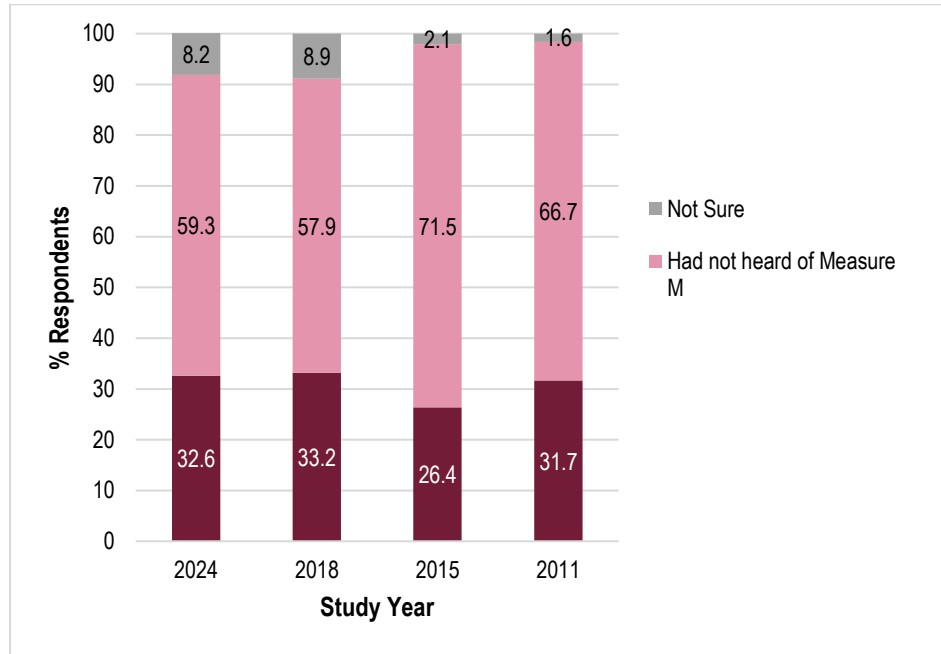
Source: M2 Comprehensive Review – Quantitative Survey – Summary Report July 2024, Figure 25

Improving Public Transportation and Reducing Traffic Congestion Were Two of the Pressing Issues Facing Orange County Among One out of Every Ten Residents

Among Orange County residents' rankings of top changes to improve Orange County, the M2 Comprehensive Review – Quantitative Survey – Summary Report July 2024 identified improved public transportation and traffic congestion as residents' first and fourth areas to improve, along with addressing homelessness and providing affordable housing. As discussed in prior assessments, traffic has continued to be one of residents' highest priority issues since 2011.

EXHIBIT 52. SURVEY RESPONDENTS' CHANGES TO IMPROVE ORANGE COUNTY

Category	% Respondents
Improve public transportation	14.5
Address homelessness	14.3
Provide affordable housing	11
Reduce traffic congestion	10.4
Not sure/ Cannot think of anything specific	9.3
No changes needed/ Everything is okay	8.8
Reduce cost of living	7.1
Improve public safety	6
Limit growth, development	5.7
Improve infrastructure, streets, roads	5.1
Address rent control issues	4.4
Reduce taxes, fees	3.5
Make cities more walkable	2.3
Provide more, safer bike lanes, sidewalks	2.1
Beautify cities, cleanliness, landscapping	2.1
Improve transportation system (general)	1.7
Reduce, eliminate toll roads fees	1.6

Source: M2 Comprehensive Review – Quantitative Survey – Summary Report July 2024, Figure 5

The Taxpayer Oversight Committee Continues to Generally Function as Envisioned in the Ordinance, Though OCTA Identified Some Room for Clarification in the Ordinance

According to the Ordinance, the TOC was formed as a safeguard to ensure taxpayer revenues were spent in accordance with the Ordinance and Transportation Investment Plan. The TOC was charged with annually reviewing and certifying whether expenditures complied with the Ordinance and independently and discretionarily performed ongoing monitoring and reviews to ensure M2 was implemented as approved by voters. Our assessment found that the TOC has continued to fulfill its responsibilities.

The Ordinance stipulates several key responsibilities for the TOC:

1. Vote on M2 Transportation Investment Plan amendments;
2. Hold annual public meeting to determine whether OCTA is proceeding in accordance with the Plan;
3. Update procedural, rules, regulations to operate, as necessary;
4. Annually certify whether M2 revenues have been spent in compliance with the Plan;

5. Determine local agency eligibility by reviewing Congestion Management Program, Mitigation Fee Program, Expenditure Reports, Local Signal Synchronization Plans, and Pavement Management Plans;

6. Receive and review the triennial performance assessment.

Based on our review of TOC meeting minutes, the TOC generally met on a quarterly basis and fulfilled their responsibilities as established in its procedures and as required by the Ordinance, as summarized in Exhibit 53. Moreover, the TOC formed two subcommittees to help fulfill responsibilities—an Audit Subcommittee and an Annual Eligibility Review Subcommittee. Meeting minutes demonstrated a general commitment from both TOC and OCTA to follow set procedures and operate in an open and transparent environment where issues were brought to light and discussed as necessary.

EXHIBIT 53. COMPARISON OF OCTA WEBSITE ACCESSIBILITY AGAINST COMPARABLE ENTITIES

	TOC List of Responsibilities	Frequency of TOC Responsibility	Responsibility Fulfilled for Review Period
1	Approve by 2/3 vote any funding changes to plan	Ongoing as needed	✓
2	Hold annual public hearings	Annually	✓
3	Update procedural, rules, regulations necessary to operate	Initial and ongoing as needed	✓
4	Review five (5) of the twelve local eligibility requirements	As determined by each category	✓
5	Chair shall certify annually that revenues are spent in compliance to the plan	Annually	✓
6	Receive and review triennial performance assessments	Every three (3) years	✓

Source: OCTA TOC Meeting Agendas and Minutes, and other publicly available documents on OCTA's website

The Taxpayer Oversight Committee Requested an Annual Compliance Audit, Prompting an Opportunity to Clarify Ordinance Language

As discussed earlier, the TOC is charged with annually reviewing and certifying whether expenditures complied with the Ordinance and the TOC Chair is required to certify annually that revenues are spent in compliance with the plan. For the first time, the current TOC Chair requested, through the TOC, for OCTA to hire an external audit firm to conduct an independent audit of OCTA's compliance with the Ordinance and assess the internal control over compliance, prior to the Chair certifying that revenues were spent in compliance with the plan. The TOC voted to request that OCTA provide for a "Limited M2 Compliance Audit" for FY 2022-23, which would consist of an audit of OCTA's compliance with the Ordinance, excluding testing at the local jurisdiction level. The TOC also voted to request OCTA provide a "Measure M2 Compliance Audit" for FY 2023-24 and annually thereafter, which would include testing at the local jurisdiction level.

While the Ordinance language is unclear and does not explicitly state such an audit is required, OCTA requested Board approval to fulfill the TOC request. The Board approved the audit for FY 2022-23 and FY 2023-24. The Board did not want to commit to annual audits at the time and requested that future audits be reevaluated after the FY 2023-24 audit to evaluate any unintended consequences and impacts to local

jurisdictions with the additional work. The FY 2022-23 compliance audit report was issued in March 2024 in order for the Chair to certify whether M2 revenues have been spent in compliance with the plan by June 2024. The contracted auditor did not identify any deficiencies in internal control over compliance that it considered to be material weaknesses and found that OCTA complied, in all material respects, with the Ordinance requirements for the year ended June 30, 2023.

In November 2023, OCTA prepared a staff report to the Executive Committee to propose an amendment to the Ordinance to address inconsistencies in interpretation of TOC responsibilities. Namely, the amendment sought to clarify that the intent of the Ordinance language was to empower the TOC as an entire body rather than leave compliance determinations to a single member. With consultation from OCTA's legal counsel, staff recommended that the language in the Ordinance be modified to eliminate ambiguity. This amendment was intended to be considered by the Executive Committee and voted on in January 2024 but has been indefinitely deferred.

Recommendation

None

Appendix A: Universe of M2 Projects

Definitions		
Budget	**Revised Budget**	The most up to date budget for the project. OCTA refers to this as the "Current Baseline Cost".
	Estimated/Actual Costs	The most up to date estimate of what the project will cost at completion. If the project is complete, this reflects the actual final cost of the project. OCTA refers to this as the "Forecast at Completion Cost".
Schedule	**Scheduled Completion**	The most up to date planned schedule for when project construction will be completed. OCTA refers to this as the "Completion Date Current Baseline". An Asterisk (*) indicates that the completion schedule was revised.
	Completion Status	For completed projects, this reflects the actual final completion date. For projects that are in progress, this reflects the latest estimate of when the project will be completed. OCTA refers to this as the "Actual/Forecast Schedule".

Legend	
Red text	In the Cost Percent Variance Column, this indicates that project **costs** exceeded the revised budget by more than 20%. In the Completion Status column, this indicates that the project **schedule** completion is estimated to be delayed 1 year or more. In the Project Scope column, this indicates a **scope** change occurred, comparing the 2006 Long-Range Transportation Plan and Program Environmental Impact Report to the current scope of the projects. This report was developed at the time M2 was passed and the scope identified for each of these projects is more defined in this document.
Orange text	In the Completion Status Column, this indicates that the project **schedule** completion is estimated to be delayed 6-12 months.

EXHIBIT 54. STATUS OF M2 PROJECTS, AS OF JUNE 30, 2024 (IN MILLIONS)

Project Letters	Project Title	M2 Budget (2005 $)	Segments	Revised Budget	Estimated/ Actual Costs	Cost % Variance	Scheduled Completion	Completion Status	Project Scope
A	Santa Ana Freeway (I-5) Improvements between Costa Mesa Freeway (SR-55) and "Orange Crush" Area (SR-57)	$470.0	I-5: SR-55 to SR-57	$38.1	$38.9	2%	Apr-21*	Jan-21	Add HOVL; 3 miles; both directions
B	Santa Ana Freeway (I-5) Improvements from the Costa Mesa Freeway (SR-55) to El Toro "Y" Area	$300.2	I-405 to SR-55	$9.6	$8.4	-12%	Not applicable	Jan-20	Environmental review only, broken into following 2 project segments.
			I-405 to Yale Avenue	$230.5	$230.5	0%	Sep-29*	Sep-29	Add General Purpose Lane both directions; 4.5 miles
			Yale Avenue to SR-55	$200.4	$258.2	29%	Sep-29*	May-29	Add General Purpose Lane both directions; 4.5 miles
C	San Diego Freeway (I-5) Improvements South of the El Toro "Y"	$627.0	I-5: SR-73 to Oso Pkwy	$151.9	$229.4	51%	Apr-25*	Jan-25	Add General Purpose Lane, both directions; reconstruction Avery Parkway Interchange, 2.2 miles
			I-5: Oso Pkwy to Alica Pkwy	$196.2	$230.3	17%	Nov-23*	Sep-24	Add General Purpose Lane; both directions; reconstruction La Paz Road Interchange. 2.6 miles
			I-5: Alicia Pkwy to El Toro Rd	$133.6	$203.6	52%	Oct-24*	Dec-24	Add General Purpose Lane, extend HOVL; both directions; 1.7 miles
			I-5: SR-73 to El Toro Rd Landscape	Project not yet started	$12.4	To be determined	To be determined	Mar-27	Replace landscape, both directions; 6.5 miles
			I-5: Pico to Vista Hermosa	$113.0	$83.6	-26%	Aug-18*	Aug-18	Add HOVL, both directions; 0.7 miles
			I-5: Vista Hermoso to PCH	$75.6	$75.3	0%	Mar-17*	Jul-17	Add HOVL, both directions; 2.5 miles

Project Letters	Project Title	M2 Budget (2005 $)	Segments	Revised Budget	Estimated/ Actual Costs	Cost % Variance	Scheduled Completion	Completion Status	Project Scope
			I-5: PCH to San Juan Creek Rd	$70.7	$74.3	5%	Sep-16*	Jul-18	Add HOVL, both directions; 2.5 miles
D	Santa Ana Freeway/San Diego Freeway (I-5) Local Interchange Upgrades	$258.0	I-5/El Toro Road Interchange	$11.5	$11.5	0%	Apr-26	Apr-26	Reconstruct interchange. Overall Project length approximately 1 mile.
			I-5/Ortega Highway Interchange	$91.0	$79.8	-12%	Sep-15*	Jan-16	Reconstruct interchange
E	Garden Grove Freeway (SR-22) Access Improvements	$120.0	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Improvements at 3 interchanges along SR-22 completed in 2008 as "bonus project" paid for by M1
F	Costa Mesa Freeway (SR-55) Improvements	$366.0	SR-55: I-405 to I-5	$410.9	$505.7	23%	Feb-27*	Feb-27	Add General Purpose Lane, HOVL, both directions; 4 miles
			SR-55: I-5 to SR-91	$131.3	$131.3	0%	Oct-29*	Oct-29	Add lanes, both directions; 7.5 miles
G	Orange Freeway (SR-57) Improvements	$258.7	SR-57: Northbound Orangewood to Katella	$71.8	$114.9	60%	Jun-28*	Jun-28	Add General Purpose Lane, Northbound; Approx. 1 mile
			SR-57: Katella to Lincoln	$78.7	$38.0	-52%	Sep-14*	Apr-15	Add General Purpose Lane, Northbound; 2.8 miles
			SR-57: Orangethorpe to Yorba Linda	$80.3	$52.3	-35%	May-14*	Nov-14	Add General Purpose Lane, Northbound, widen existing lanes to standard widths; 2.4 miles
			SR-57: Yorba Linda to Lambert	$79.3	$54.1	-32%	Sep-14	May-14	Add General Purpose Lane, Northbound, widen existing lanes to standard widths; 2.5 miles

Project Letters	Project Title	M2 Budget (2005 $)	Segments	Revised Budget	Estimated/ Actual Costs	Cost % Variance	Scheduled Completion	Completion Status	Project Scope
			SR-57: Lambert to Tonner Canyon	$0.0	To be determined	To be determined	To be determined	To be determined	Add General Purpose Lane; Northbound, Approx. 2 miles
H	Riverside Freeway (SR-91) Improvements from the Santa Ana Freeway (I-5) to the Orange Freeway (SR-57)	$140.0	SR-91: WB I-5 to SR-57	$78.1	$59.2	-24%	Apr-16*	Jun-16	Add General Purpose Lane, Westbound; 4.5 miles
I	Riverside Freeway (SR-91) Improvements from Orange Freeway (SR-57) to the Costa Mesa Freeway (SR-55) Interchange Area	$416.5	SR-91: Tustin Avenue to SR-55 Interchange	$49.9	$42.5	-15%	Jul-16*	Jul-16	Add AUXL, Westbound; 2 miles
			SR-91, SR-55 to Lakeview Avenue (Segment 1)	$108.6	$134.0	23%	Sep-27	Jul-28	Westbound operational improvements (approximately 2.2 miles)
			SR-91, La Palma Avenue to SR-55 (Segment 2)	$208.4	$208.4	0%	Mar-28*	Jan-30	Additional eastbound General Purpose Lane (approximately 2.7 miles)
			SR-91, Acacia Street to La Palma Ave (Segment 3)	$116.2	$207.0	78%	Sep-28*	Jun-29	Westbound operational improvements (approximately 1.8 miles)
J	Riverside Freeway (SR-91) Improvements from Costa Mesa Freeway (SR-55) to the Orange/Riverside County Line	$352.0	SR-91: SR-241 to SR-71	$104.5	$57.8	-45%	Nov-10*	Jan-11	Add General Purpose Lane, Eastbound, widen existing lanes to standard widths; 6 miles
			SR-91: SR-55 to SR-241/East of Weir Canyon	$128.4	$79.7	-38%	Dec-12*	Mar-13	Add General Purpose Lane, both directions, widen existing lanes to standard widths; 6 miles
			SR-91: SR-241 to Riverside County Line	To be determined	To be determined	To be determined	To be determined	To be determined	Add General Purpose Lane

Project Letters	Project Title	M2 Budget (2005 $)	Segments	Revised Budget	Estimated/ Actual Costs	Cost % Variance	Scheduled Completion	Completion Status	Project Scope
K	San Diego Freeway (I-405) Improvements between the I-605 Freeway in Los Alamitos Area and Costa Mesa Freeway (SR-55)	$1,072.8	I-405: SR-73 to I-605 Design-Build	$1,620.0	$1,620.0	0%	Feb-24*	Feb-24	Add General Purpose Lane, both directions; Approximately 16 miles
L	San Diego Freeway (I-405) Improvements between Costa Mesa Freeway (SR-55) and Santa Ana Freeway (I-5)	$319.7	I-405: I-5 to SR-55	To be determined	To be determined	To be determined	To be determined	To be determined	Widen freeway both directions; Alternative proposal: General Purpose Lane, one direction. Approximately 8.5 miles
M	I-605 Freeway Access Improvements	$20.0	I-605/Katella Ave. IC	$29.0	$49.7	71%	Nov-25*	Oct-26	Modify interchange ramps and lane configurations; Approximately 0.5 miles
N	Freeway Service Patrol	$150.0	not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	M2 funded program to assist stranded motorists on the freeway network.
	Sub-Total Freeway	**$4,870.9**		**$5,157.5**	**$5,430.8**	**5%**			
O	Regional Capacity Program	$1,132.8	Raymond Ave. Undercrossing	$77.2	$126.2	64%	Aug-18*	May-18	Add rail undercrossing
			State College Blvd. Undercrossing	$73.7	$99.6	35%	May-18*	Mar-18	Add rail undercrossing
			Placentia Ave. Undercrossing	$78.2	$64.5	-17%	Nov-14*	Dec-14	Add rail undercrossing
			Kraemer Blvd. Undercrossing	$70.4	$63.8	-9%	Oct-14*	Dec-14	Add rail undercrossing
			Orangethorpe Ave. Overcrossing	$117.4	$105.9	-10%	Sep-16*	Oct-16	Add rail overcrossing
			Tustin Ave./Rose Dr. Overcrossing	$103.0	$96.7	-6%	May-16*	Oct-16	Add rail overcrossing
			Lakeview Ave. Overcrossing	$70.2	$110.7	58%	Mar-17*	Jun-17	Add rail overcrossing and connector road.

Project Letters	Project Title	M2 Budget (2005 $)	Segments	Revised Budget	Estimated/ Actual Costs	Cost % Variance	Scheduled Completion	Completion Status	Project Scope
			Orange County Master Plan for Arterial Highways (MPAH)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Awarded to local jurisdictions via competitive grants; requires local match.
P	Regional Traffic Signal Synchronization Program	$453.1	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Provides funding and assistance to implement multi-agency signal synchronization. Been funded.
Q	Local Fair Share Program	$2,039.1	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Awarded on a formula basis to all locals on a bi-monthly basis.
	Sub-Total Streets & Roads	**$3,625.0**		**$590.1**	**$667.4**	**13%**			
			Sand Canyon Grade Separation	$55.6	$61.9	11%	May-14*	Jan-16	Creating a grade separated crossing.
			Rail-Highway Grade Crossing Safety Enhancement	$94.4	$90.4	-4%	Dec-11*	Dec-11	50 at-grade rail-highway crossings with focus on safety improvements (new medians, new gate arms, upgrading traffic signals, new pedestrian swing gates, etc.)
R	High Frequency Metrolink Service	$1,129.8	17th Street Grade Separation – LOSSAN (Environmental Only)	$3.2	$2.5	-23%	Jun-16*	Nov-17	Construct highway-rail grade separation in City of Santa Ana
			Laguna Niguel/San Juan Capistrano Passing Siding	$25.3	$33.2	31%	Feb-21*	Nov-20	Construct 1.8 miles of new passing siding track adjacent to existing main track
			Laguna Niguel/Mission Viejo Station Surface Parking Lot	$4.3	$4.1	-5%	Oct-13*	Oct-13	Construct parking lot
			Laguna Niguel/Mission Viejo Station ADA Ramps	$3.6	$5.2	45%	Apr-17*	Sep-17	Upgrade station facilities to be ADA compliant

Project Letters	Project Title	M2 Budget (2005 $)	Segments	Revised Budget	Estimated/ Actual Costs	Cost % Variance	Scheduled Completion	Completion Status	Project Scope
			Placentia Metrolink Station & Parking Structure	$34.8	$40.1	15%	Aug-27	Aug-27	Construct additional station including parking structure, bus stop, and passenger loading zone
			Anaheim Canyon Station	$27.9	$34.3	23%	Jan-23*	Jan-23	Construct 3400 linear ft of second station tracks, new second platform and upgrade parking lot to be ADA compliant.
			Orange Station Parking Improvements	$33.2	$30.9	-7%	Feb-19*	Feb-19	Construct additional parking structure
			Tustin Station Parking Expansion	$17.6	$15.4	-13%	Sep-11	Sep-11	Construct additional parking structure
			Fullerton Station Parking Expansion	$42.0	$29.8	-29%	Apr-12*	Jun-12	Construct additional parking structure
			Fullerton Transportation Center Elevator Upgrades	$3.5	$4.2	21%	Mar-17*	May-19	Modify pedestrian bridge, add elevators
			San Clemente Beach Trail Safety Enhancements	$6.0	$5.0	-17%	Jan-14*	Mar-14	Enhancing safety features at pedestrian crossings.
S	Transit Extension to Metrolink	$1,000.0	OC Streetcar	$595.8	$595.8	0%	Aug-25*	Aug-25	Construct 4.15-mile streetcar line connecting the SRTC to Downtown Santa Ana
			Bus and Station Van Extension Projects	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Projects intended to increase frequency of service to connect to Metrolink.
T	Convert Metrolink Station(s) to Regional Gateway that Connect Orange County with High-Speed Rail System	$57.9	Anaheim Regional Transportation Center (ARTIC)	$227.4	$232.2	2%	Nov-14*	Dec-14	Construct multi-modal transit center serving existing rail and bus and future CA high-speed train
U	Expand Mobility Choices to Seniors and	$392.8	Senior Mobility Program	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Projects intended to expand transportation services for seniors.

Project Letters	Project Title	M2 Budget (2005 $)	Segments	Revised Budget	Estimated/ Actual Costs	Cost % Variance	Scheduled Completion	Completion Status	Project Scope
	Persons with Disabilities		Senior Non-Emergency Medical Transportation Program	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Projects intended to supplement existing non-emergency medical transportation to seniors.
			Fare Stabilization Program	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Program intended to stabilize fares and provide fare discounts to seniors and persons with disabilities.
V	Community Based Transit/Circulators	$226.5	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	This program provides funding for local jurisdictions to develop local bus transit services that complement regional bus and rail services to meet needs in areas not adequately served by regional transit.
W	Safe Transit Stops	$25.0	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Provides funding for passenger amenities at the 100 busiest transit stops across Orange County.
	Sub-Total Transit	**$2,832.0**		**$1,174.6**	**$1,185.0**	**1%**			
X	Environmental Cleanup	$237.2	Tier 1	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Implements street and highway-related water quality improvement programs and projects that assist agencies countywide with federal Clean Water Act standards for urban runoff.
			Tier 2	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	
	Total	**$11,565.1**		**$6,922.2**	**$7,283.2**	**5%**			