




September 24, 2012

To: Members of the Board of Directors 
From: Will Kempton, Chief Executive Officer
Subject: Measure M2 M2020 Plan Implementing Actions

Overview

Building on the completion of the Measure M2 Early Action Plan, the development of an M2020 Plan began in November 2011, and the draft plan was presented to the Board of Directors on August 27, 2012. The Final M2020 Plan was adopted by the Board of Directors on September 10, 2012, and the implementing actions were deferred for two weeks to address Board Members comments. The implementing actions are presented for Board of Directors' consideration.

Recommendations

- A. Direct staff to develop a detailed plan of finance to meet the anticipated cash flow requirements of the M2020 Plan in accordance with the financing policy guidelines on page 12 of the M2020 Plan, and return for review and approval within 90 days.
- B. Direct staff to initiate the process to amend the Measure M2 Transportation Investment Plan related to the Interstate 405 Project K and the State Route 91 Project J, and set a date of November 9, 2012, for a public hearing and Board of Directors action to adopt amendments to the Measure M2 Transportation Investment Plan.

Background

On February 27, 2012, a Measure M2 (M2) Board of Directors (Board) workshop was held. Staff shared that early actions to accelerate programs and projects allowed the Orange County Transportation Authority (OCTA) to respond to the impacts of the economic downturn and resulting decrease in sales tax revenue. Staff further shared that despite the downturn, it is projected that OCTA can deliver M2 as promised with careful management of project costs and leveraging additional state and federal funds. In addition, OCTA could expedite delivery to further capitalize on competitive construction costs and deliver mobility benefits years earlier by getting additional projects shelf ready.

The workshop focused on options for accelerating delivery of the freeway program.

An update on the streets and roads, transit, and environmental program elements of the plan was presented to the Board in June. On August 27, 2012, staff presented the Draft M2020 Plan based on the aforementioned reports and recommended advancement of major M2 projects and programs between now and the year 2020. On September 10, 2012, staff presented the Final M2020 Plan (M2020 Plan) for consideration by the Board. The Board adopted the M2020 Plan and deferred implementing actions for two weeks as discussed below.

Discussion

With the adoption of the M2020 Plan, two actions need to be completed in order to move forward with the plan. These include amending the M2 Transportation Investment Plan and developing a plan of finance to allow for acceleration of the M2 Freeway Program as defined in M2020. The funding assumptions that define the two implementing actions are described below.

M2020 Plan Funding Assumptions

The revenue assumptions with the M2020 Plan are based on the latest M2 revenue forecasts prepared by three local universities and future state and federal funding projections consistent with current trends. The project/program costs are in year-of-expenditure (YOE) dollars. Revenues and expenses are merged into a high-level cash flow model that will be subsequently refined in the upcoming plan of finance. Bond assumptions are also included to address projected negative ending balances by year (compared to a pay-as-you-go scenario). Bond assumptions are constrained to minimum debt coverage ratios, and the appendix of the M2020 Plan includes a more detailed discussion on assumed revenues, costs, and debt service. The M2020 funding assumptions will be kept up-to-date as new revenue and cost information becomes available. Changes will be presented to the Board as stand-alone items or M2 quarterly reports as appropriate.

For M2020 freeway program development, forecasted revenues and costs through 2041 were also tested. This effort was conducted to ensure the complete M2 Freeway Program could be delivered consistent with commitments provided to the voters as part of the M2 approval in November 2006. The funding assumptions in the freeway mode assume \$1.994 billion in total revenue, with costs for the same period totaling \$2.973 billion. This leaves a funding shortfall of close to a billion dollars (\$979 million), with the shortfall

beginning in fiscal year (FY) 2015-16 and continuing through the life of the program. To bridge this funding gap and keep projects on schedule, bonding, as well as an expectation for receipt of external funding to augment the program, will be required. Although the full program (through 2041) is deliverable, the program remains tight, and this is particularly true in the freeway mode.

The 2041 plan relies on the future receipt of \$720 million in state and federal revenues. This assumes \$30 million a year in federal and/or state funds are available from 2018 to 2041 for freeway projects. Even with these assumptions, there will be several points in the program with low year-by-year ending balances. The M2 Freeway Program ending cash balance is estimated to be \$94.75 million in 2041, which is 1.2 percent of the freeway program value. The balance allows OCTA flexibility to respond to economic uncertainties and/or unforeseen M2 project needs. Attachment A provides a summary of the projected M2 Freeway Program revenues, estimated costs, and ending balances by year throughout the life of M2.

With careful management of the projects and use of financial resources, the full scope of the Measure M Program can be delivered as promised.

Implementing Actions

The M2020 Plan has incorporated a sound funding foundation of matching state, federal, and local funds that are likely available including prior one-time sources such as Proposition 1B Corridor Mobility Improvement Account and American Recovery and Reinvestment Act funds, as well as State Transportation Improvement Program funds. Nearly all of the M2 transit, streets and roads, and environmental programs have matching requirements which leverage additional funds to deliver M2.

Beyond these known and projected commitments and requirements, there are two steps that must be taken to complete the funding and financing picture for the M2020 Plan.

Step 1: Amendment to the M2 Transportation Investment Plan

Forecasted and already completed project costs within the freeway program have been updated. The new forecast includes latest project cost information prepared during the project development process, final costs on near and already completed projects, as well as accounting for external factors such as the current bidding environment and cost of

materials and resources for future projects. In particular, Project J - State Route 91 (SR-91) has benefited significantly.

With the exception of one project, all of the projects within the Project J line item are either complete or in construction (complete by the end of the year). The remaining project, the SR-91 between State Route 241 (SR-241) and Interstate 15 (I-15), needs to be implemented in concert with the Riverside County Transportation Commission (RCTC). The timing for the ultimate project, according to the 91 Implementation Plan, is in late 2030.

The SR-91 received \$138 million in external funds, realized bid, project cost savings, and cost sharing savings working with RCTC. This has resulted in savings of \$847 million after allowing for the final project. Although freeway project completion costs in a 30-year program will continue to fluctuate, an amendment to the M2 Transportation Investment Plan is recommended to balance the plan of projects.

The most recent cost estimates for Project K - Interstate 405 (I-405) is \$1.2 billion (YOE) with intended design-build method of delivery, or \$1.3 billion (YOE) with traditional design-bid-build delivery method. It is recommended to use the greater amount to ensure either delivery method is fundable. With the high cost of the project, securing contracts sooner rather than later is important to keep the overall cost of the project down. With Project K ready to move forward to the next step in delivery, action is needed at this time to address the needed funding and to reduce the inflation risk.

Requested Amendment

Staff is recommending that \$709 million, a portion of the \$847 million projected savings for Project J, be allocated to Project K. This action will still maintain a balance of M2 funding of over \$139 million to ensure completion of the projects. Staff proposes that the \$139 million stay in the Project J line item at this time.

Revised project costs are reflected for Project J and for Project K (pages 12 and 13 of the M2 Transportation Investment Plan) (Attachment A). In addition, a revised page 31 of the M2 Transportation Investment Plan is included (Attachment B). The project costs reflected in the M2 Transportation Investment Plan are in 2005 dollars (the year the plan was developed). In order to keep the numbers consistent, the actual amendment is shown in 2005 dollars. This translates from \$709 million in nominal dollars to \$572.8 million in 2005 dollars.

The M2 Ordinance allows for such adjustments which are defined in Section 12 of the Orange County Local Transportation Authority Ordinance No. 3. This involves approval by the Taxpayers Oversight Committee and a public review period.

Step 2: Plan of Finance

A plan of finance is needed to ensure that the cash flow requirements from FY 2012-13 through FY 2020-21 for the M2020 Plan are met.

Significant expenditures are anticipated for highway project development, design, right-of-way, and construction and programming of road, transit, and environmental funds. Detailed year-by-year cash flow needs for all of these elements are being compiled and refined, but the aggregate financing needed to deliver the M2020 Plan is currently estimated at \$1.7 billion. The amount and timing of financing needs to be refined to ensure that debt costs are minimized to the extent possible.

It is recommended that a financing plan for the M2020 Plan be prepared and presented to the Finance and Administration Committee and the Board for review and approval. This should be completed within 90 days of final plan adoption by the Board.

The finance plan will consist of the following:

- Best available cost estimates for each M2020 project and program, including annual cash flow estimates;
- Latest cost and revenue estimates to YOE values;
- Refinement of revenue estimates for state, federal, and other non-M2 revenue sources;
- Analysis of financing options, including major risk factors and recommendation of a preferred strategy;
- Updated M2 revenue forecasts/bonding capacity.

The following are the recommended policies to guide the preparation and maintenance of the plan of finance. Additional detail is included in the M2020 Plan.

1. Aggressively seek and utilize first all available local, state, and federal funds and grants.
2. Utilize debt financing subject to the following conditions:
 - Debt financing can be shown to meet the requirements of Section 5 of the Orange County Local Transportation

- Authority Ordinance No. 3, and is the most cost effective option to meet the need.
- Financing costs accrue appropriately to the M2 mode for which borrowing occurs.

It should be noted that the M2020 Plan includes funding to deliver the Measure M commitment of one general purpose lane in each direction (Alternative 1) for Project K. If an alternative other than Alternative 1 is selected as the locally preferred alternative, then a separate funding source and separate plan of finance, for improvements beyond Alternative 1, will be required.

Additionally, in the event that further external funds become available for freeways (i.e. federal, state, or local funds), the freeway projects included in the plan that will be environmentally cleared and, therefore, shelf ready, would be available for additional early delivery. Projects recommended to move forward would be brought before the Board and would be based on readiness, as well as project cost vs. the external funding available. The list of projects is shown in the table below and ranked by project cost. Pending a positive funding outlook, the earliest start timeframe to begin final design is also noted.

M2 Freeway Projects Cleared Through Environmental	Early Start Design	Cost (2011 \$ M)
B - Interstate 5 (I-5) Widening (State Route 55 [SR-55] to I-405)	Q4, 2015	424.8
L - I-405 Widening (SR-55 to I-5)	Q4, 2015	322.9
I - SR-91 Widening (State Route 57 [SR-57] to SR-55)	Q4, 2015	307.2
J - SR-91 Widening (SR-241 to I-15)	TBD	124.0
G - SR-57 Northbound (NB) Widening (Lambert Road to County Line)	Q4, 2015	82.4
F - SR-55 Widening (I-5 to State Route 22)	Q3, 2016	70.5
D - I-5/EI Toro Road Interchange Improvements	Q4, 2015	60.1
M - Interstate 605/Katella Avenue Interchange Improvements	Q2, 2016	22.2
G - SR-57 NB Widening (Orangewood Avenue to Katella Avenue)	Q1, 2016	14.7
TOTAL		\$1,428.8

To address a Board Member question raised at the September 10, 2012 meeting regarding Project S – Transit Extensions to Metrolink, staff proposes to include language in the plan of finance. The proposed language will address the concern that if federal New Starts funding is not available, OCTA will look to other state and federal sources to backfill. For example, the plan could include up to \$80 million in future Congestion Mitigation and Air Quality funds to be used in advance of New Starts grants. In addition, staff is working with the cities of Santa Ana/Garden Grove and Anaheim to further refine annual cash flow requirements which could result in additional M2 project funding being available. This updated information will be presented in the plan of finance.

Next Steps

The M2020 Plan has been developed to capitalize on projects and programs that can be advanced, providing mobility sooner to Orange County residents. To implement the M2020 Plan, an amendment to the M2 Transportation Investment Plan is needed.

The process and timing for amending the M2 Transportation Investment Plan is shown below:

Actions	Date
OCTA Board adopted the M2020 Plan	September 10, 2012
OCTA Board considers approval implementing actions for M2020; includes initiating an amendment and setting a public hearing date	September 24, 2012
Proposed amendment sent to local agencies for public review prior to public hearing	September 25, 2012
Taxpayers Oversight Committee hears amendment proposal	September 27, 2012
Taxpayers Oversight Committee considers/acts on amendment (requires two-thirds vote)	October 9, 2012
Public hearing on amendment and roll call vote by Board (requires two-thirds vote)	November 9, 2012
Adopted amendment transmitted to local agencies	November 10, 2012
Amendment effective 45 days following adoption	January 24, 2013

Subsequent to Taxpayers Oversight Committee approval and adoption by the Board, the M2020 Plan-recommended M2 Transportation Investment Plan amendment will be distributed to local jurisdictions and key stakeholders. A draft letter to local jurisdictions is included as Attachment D. The plan of finance for the M2020 Plan will be presented to the Board for review and consideration within 90 days.

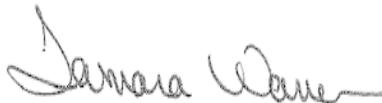
Summary

The M2020 Plan, adopted by the Board on September 10, 2012, will expedite freeway program delivery, provide flexibility to address project funding needs, and coordinate Metrolink services with through services to San Diego. The plan needs two implementing actions in order to move forward. An amendment is needed to the M2 Transportation Investment Plan, and a plan of finance needs to be developed. These are presented for Board consideration.

Attachments

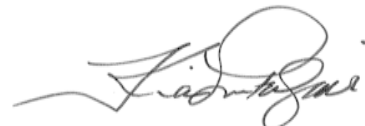
- A. Projected M2 Freeway Program Revenues, Estimated Costs, and Ending Balances
- B. Revised Project J and Project K Descriptions (Pages 12 – 13)
- C. Revised M2 Transportation Investment Plan (Page 31)
- D. Draft Notification Letter for Proposed Measure M2 Transportation Investment Plan Amendment, dated September 25, 2012

Prepared by:



Tamara Warren
Manager, Program Management Office
(714) 560-5590

Approved by:

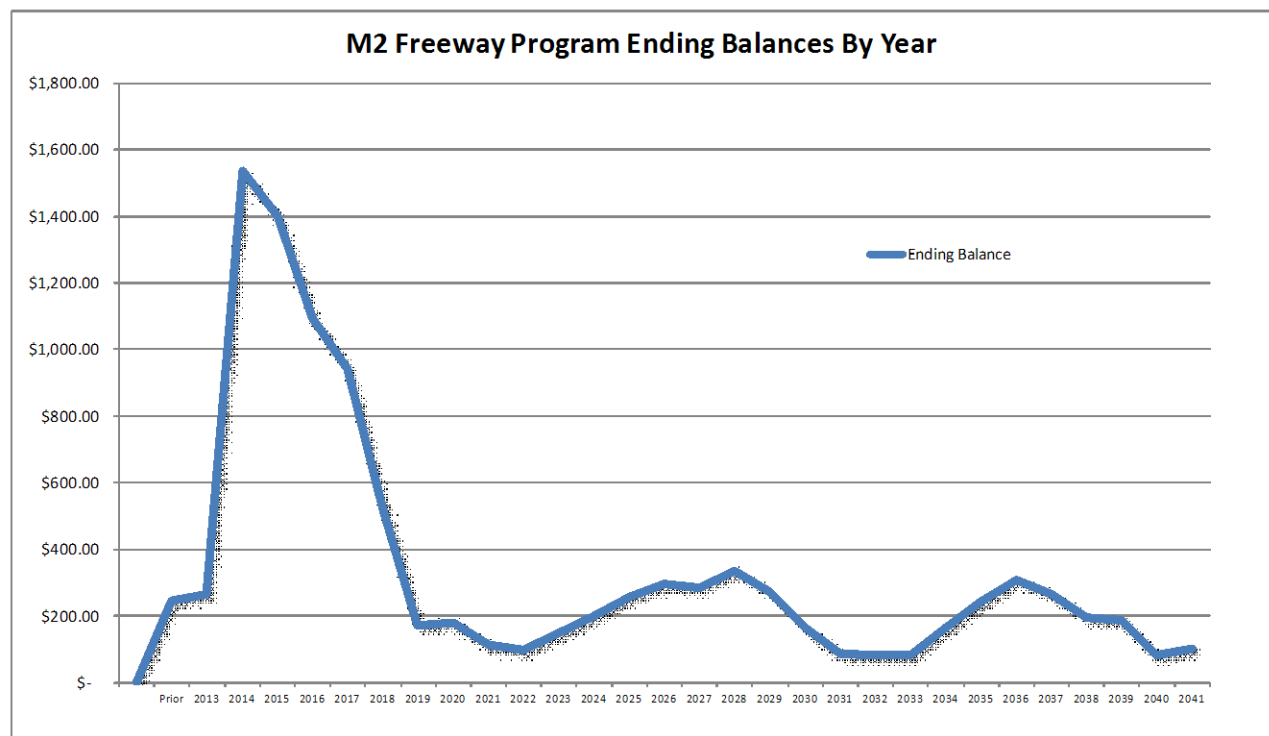


Kia Mortazavi
Executive Director, Planning
(714) 560-5741

Projected M2 Freeway Program Revenues, Estimated Costs, and Ending Balances

(Millions of Dollars; Year of Expenditure)

M2 Freeway Project	M2 Projected Revenue <u>A</u>	Programmed Other Revenue <u>B</u>	Estimated Costs (YOE) <u>C</u>	Project Revenues - Costs <u>D = A + B - C</u>
Project A (I-5, SR-55 to SR-57)	\$ 581.76	\$ 46.36	\$46.35	581.76
Project B (I-5, SR-55 to "Y")	\$ 371.58		\$728.12	(356.54)
Project C (I-5, South of "Y")	\$ 776.09	208.04	\$818.06	166.07
Project D (I-5 interchanges)	\$ 319.35	86.21	\$225.35	180.21
Project E (SR-22 access improvements)	\$ 148.53	25.60	25.60	148.53
Project F (SR-55 improvements)	\$ 453.03		\$423.39	29.64
Project G (SR-57 improvements)	\$ 320.21	106.30	\$356.51	70.01
Project H (SR-91, I-5 to SR-57)	\$ 173.29	34.95	\$72.77	135.47
Project I (SR-91, SR-57 to SR-55)	\$ 515.54	27.93	\$600.69	(57.22)
Project J (SR-91, SR-55 to OC/RC line)	\$ 1,144.95	137.62	\$435.50	847.07
Project K (I-405, I-605 to SR-55)	\$ 618.89		\$1,327.62	(708.73)
Project L (I-405, SR-55 to I-5)	\$ 395.72		\$784.34	(388.62)
Project M (I-605 access improvements)	\$ 24.76		\$50.06	(25.30)
Project N (Freeway Service Patrol)	\$ 185.67		185.67	-
Mitigation Program @ 5%	317.34		317.34	-
Subtotal M2 Revenues and Costs:	\$ 6,346.70	\$ 673.01	\$ 6,397.37	\$ 622.35
Projected Bond Interest Costs:			\$ 1,247.60	
Column D: Current Projected Balance:	\$ 6,346.70	\$ 673.01	\$ 7,644.97	\$ (625.25)
Additional Revenue to Delivery Program:		\$ 720.00		
Column D: 2041 Projected Balance:	\$ 6,346.70	\$ 1,393.01	\$ 7,644.97	\$ 94.75

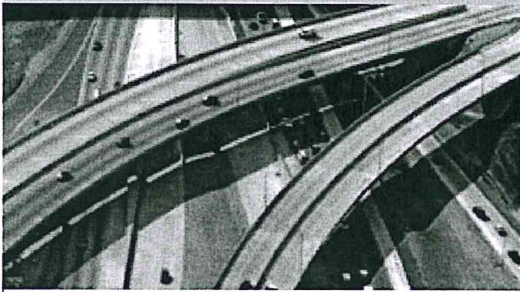


Projected revenue by project at 95% of line item estimates to account for mitigation program at 5% of freeway program revenue.

June 2012 revenue estimate.

Assumes \$30 million per year (additional external revenue) from 2018 to 2041 (\$720 million).

Project E was completed as part of the SR-22 widening project.



Freeway Projects

Riverside Freeway (SR-91)

Project **J**

Riverside Freeway (SR-91) Improvements from Costa Mesa Freeway (SR-55) to the Orange/ Riverside County Line

Description:

This project adds capacity on SR-91 beginning at SR-55 and extending to I-15 in Riverside County.

The first priority will be to improve the segment of SR-91 east of SR-241. The goal is to provide up to four new lanes of capacity between SR-241 and Riverside County Line by making best use of available freeway property, adding reversible lanes, building elevated sections and improving connections to SR-241. These projects would be constructed in conjunction with similar coordinated improvements in Riverside County extending to I-15 and provide a continuous set of improvements between SR-241 and I-15. The portion of improvements in Riverside County will be paid for from other sources. Specific improvements will be subject to approved plans developed in cooperation with local jurisdictions and affected communities.

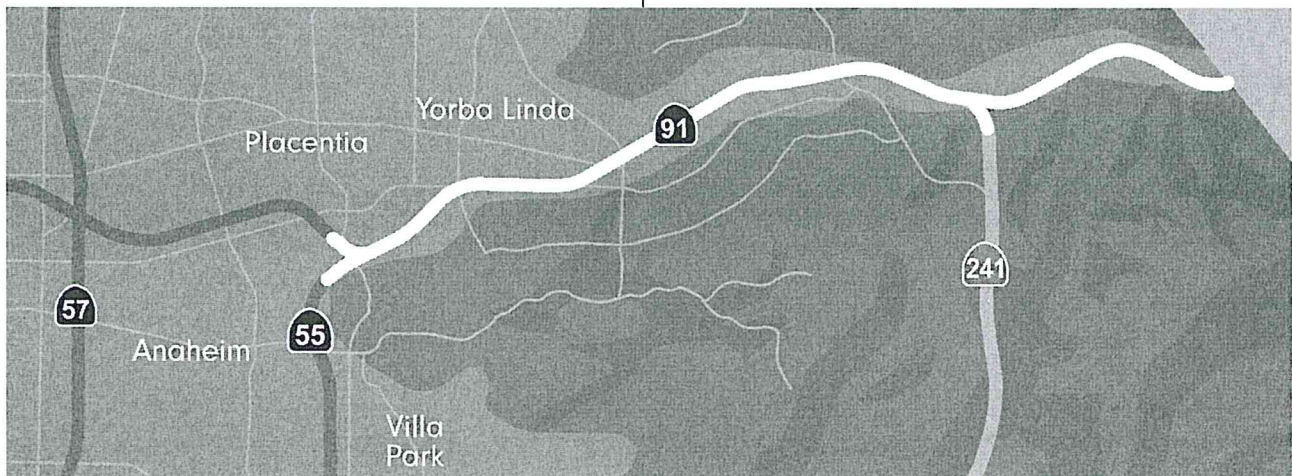
This project also includes improvements to the segment of SR-91 between SR-241 and SR-55. The concept is to generally add one new lane in each direction and improve the interchanges.

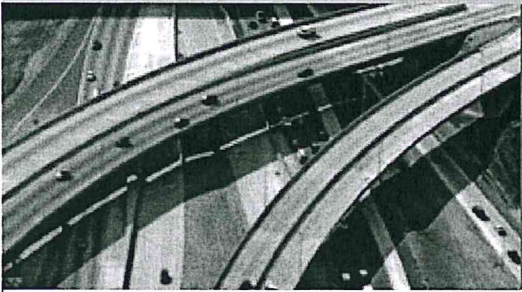
Today, this freeway carries about 314,000 vehicles every day. This volume is expected to increase by 36 percent, bringing it up to 426,000 vehicles by 2030.

Cost:

The estimated cost for these improvements to the SR-91 is ~~\$925.0~~ million.

\$352.2





Freeway Projects

San Diego Freeway (I-405)

Project **K**

San Diego Freeway (I-405) Improvements between the I-605 Freeway in Los Alamitos area and Costa Mesa Freeway (SR-55)

Description:

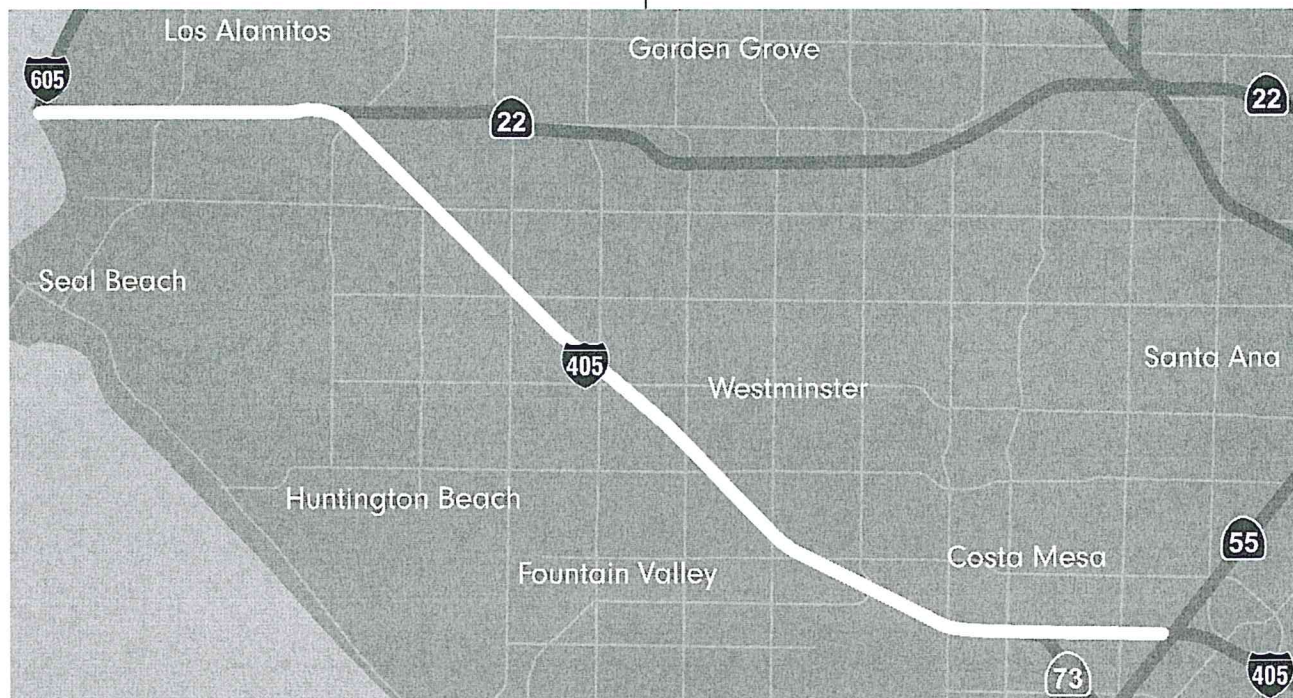
Add new lanes to the San Diego Freeway between I-605 and SR-55, generally within the existing right-of-way. The project will make best use of available freeway property, update interchanges and widen all local overcrossings according to city and regional master plans. The improvements will be coordinated with other planned I-405 improvements in the I-405/SR-22/I-605 interchange area to the north and I-405/SR-73 improvements to the south. The improvements will adhere to recommendations of the Interstate 405 Major Investment Study

(as adopted by the Orange County Transportation Authority Board of Directors on October 14, 2005) and will be developed in cooperation with local jurisdictions and affected communities.

Today, I-405 carries about 430,000 vehicles daily. The volume is expected to increase by nearly 23 percent, bringing it up to 528,000 vehicles daily by 2030. The project will increase freeway capacity and reduce congestion. Near-term regional plans also include the improvements to the I-405/SR-73 interchange as well as a new carpool interchange at Bear Street using federal and state funds.

Cost:

The estimated cost for these improvements to the I-405 is ~~\$500.0~~ million.
\$1,072.8





Measure M Investment Summary

LOCATION		PROJECTS	COSTS 2005 estimates in millions	
Freeway Projects (in millions)			\$4,871.1	
I-5	Santa Ana Freeway Interchange Improvements	A	\$470.0	
I-5	Santa Ana/San Diego Freeway Improvements	B C D	1,185.2	
SR-22	Garden Grove Freeway Access Improvements	E	120.0	
SR-55	Costa Mesa Freeway Improvements	F	366.0	
SR-57	Orange Freeway Improvements	G	258.7	
SR-91	Riverside Freeway Improvements	H I J	1,481.5	908.7
I-405	San Diego Freeway Improvements	K L	819.7	1,392.5
I-605	Freeway Access Improvements	M	20.0	
All	Freeway Service Patrol	N	150.0	
Streets & Roads Projects (in millions)			\$3,625.0	
Regional Capacity Program		O	\$1,132.8	
Regional Traffic Signal Synchronization Program		P	453.1	
Local Fair Share Program		Q	2,039.1	
Transit Projects (in millions)			\$2,832.0	
High Frequency Metrolink Service		R	\$1,014.1	
Transit Extensions to Metrolink		S	1,000.0	
Metrolink Gateways		T	226.6	
Expand Mobility Choices for Seniors and Persons with Disabilities		U	339.8	
Community Based Transit/Circulators		V	226.5	
Safe Transit Stops		W	25.0	
Environmental Cleanup (in millions)			\$237.2	
Clean Up Highway and Street Runoff that Pollutes Beaches		X	\$237.2	
Taxpayer Safeguards and Audits (in millions)			\$296.6	
Collect Sales Taxes (State charges required by law)			\$178.0	
Oversight and Annual Audits			118.6	
Total (2005 dollars in millions)			\$11,861.9	

DRAFT

September 25, 2012

The Honorable Name
Mayor of
Address
City, State ZIP

RE: Proposed Measure M2 Transportation Investment Plan Amendment

Dear Mayor Name:

On September 10, 2012, the Orange County Local Transportation Authority Board of Directors (Board) approved the Measure M2 (M2) M2020 Plan, and on September 24, 2012, the Board directed staff to proceed with the necessary actions to implement its provisions. This includes initiating the process to amend the Measure M2 Transportation Investment Plan to balance the plan of projects in the freeway mode. The M2020 Plan sets a course for advancement of major M2 projects and programs between now and the year 2020. The Final M2020 Plan and staff report is available on the Orange County Transportation Authority's (OCTA) website, www.octa.net/M2020.

With the cost of the M2 Interstate I-405 (I-405) project (Project K) at \$1.3 billion in year-of-expenditure (YOE) dollars, securing contracts sooner, rather than later is important to keep the overall cost of the project down. With Project K ready to move forward to the next step in delivery, action is needed at this time to address this funding need and to reduce the inflation risk.

To address the \$709 million need in YOE dollars for Project K and as a result of capturing additional external funds and project cost savings on State Route 91 (SR-91) (Project J), staff is recommending that \$709 million, a portion of the \$847 million in savings currently allocated to Project J, be allocated to Project K. This action will still maintain a balance of M2 funding of over \$139 million for future SR-91 improvements beyond funding needed for projects identified.

In support of the proposed amendment, revised project costs are reflected for Project J and for Project K (pages 12 and 13 of the M2 Transportation Investment Plan) (attached). In addition, a revised page 31 of the M2 Transportation Investment Plan is included (attached). The project costs reflected in the M2 Transportation Investment Plan are in 2005 dollars (the year the plan was developed). In order to keep the numbers consistent, the actual amendment is shown in 2005 dollars. This translates from \$709 in nominal dollars to \$572.8 in 2005 dollars.

The M2 Ordinance allows for such adjustments which are defined in Section 12 of the Orange County Local Transportation Authority Ordinance No.3. This involves approval by the Taxpayers Oversight Committee (TOC) and a public review period.

It should be noted that the M2020 Plan includes funding to deliver the Measure M commitment of one general purpose lane in each direction (Alternative 1) for Project K (I-405). This project is still under environmental review, and the ultimate selection of a locally preferred alternative by the California Department of Transportation (Caltrans) is expected in early 2013. If an alternative other than Alternative 1 is selected as the locally preferred alternative, then a separate funding source and separate plan of finance, for improvements beyond Alternative 1, will be required.

This amendment will allow OCTA to accelerate the Measure M Freeway Program as defined in the M2020 Plan. The M2020 Plan is focused on capturing savings as a result of securing contracts sooner, and delivering improvements and mobility as early as possible. This is important to keeping the overall cost of the program down.

In accordance with the M2 Ordinance, the amendments will be brought before the Measure M TOC prior to the public hearing. The public hearing has been set for November 9, 2012. If adopted by the TOC and the Board, the amendment will take effect on January 24, 2013.

Measure M has been a critical element of Orange County's efforts to fund a broad range of needed transportation projects. Through our partnerships with the cities, the County of Orange, Caltrans, and other agencies, OCTA has been successful in keeping our commitments made to the voters. Your continued support and active involvement in the delivery of the Measure M Program is appreciated.

Should your agency have any comments or questions on these amendments, please contact Tami Warren, Measure M2 Program Manager, Program Management Oversight, at (714) 560-5590.

Sincerely,

Paul G. Glaab
OCTA Chairman

PGG:tw
Enclosures

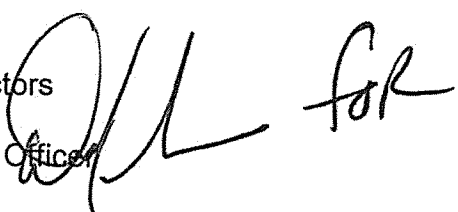
c: OCTA Board of Directors
Executive Staff
City Councils
City Managers
Ryan Chamberlain, Caltrans District 12 Director
TOC Members



MEMORANDUM

September 21, 2012

To: Members of the Board of Directors

From: Will Kempton, Chief Executive Officer 

Subject: **M2020 Board of Directors and Public Speaker Questions**

On September 10, 2012, the Board of Directors (Board) adopted the M2020 Plan and deferred a decision on the recommended implementing actions until September 24, 2012. During the M2020 Plan presentation, several questions and comments were made by Board Members, as well as members of the public. Responses to questions are provided below.

1. How can the M2020 Plan be amended?

The M2020 Plan sets the course for the next eight years. Although the plan is set, there are opportunities for adjustments as needed. Adjustments would need to ensure the integrity of the plan is maintained and that changes would not jeopardize the Orange County Transportation Authority's (OCTA) ability to deliver the entire Measure M2 (M2) Plan to the voters as promised. A good example is the Early Action Plan (EAP). The EAP was adopted by the Board in 2007. In 2010, the plan was amended to include additional projects as a result of receiving additional revenue. If additional revenue were to become available or in the event of a significant downturn in revenue, then an amendment or adjustment to the M2020 Plan would likely be made at that time.

2. Can M2 cost savings pay for the incremental cost of Interstate 405 Alternative 2?

The M2 Investment Plan includes Project K (Alternative 1) which would provide for one general purpose (GP) lane in each direction. Alternative 2 would provide for two GP lanes in each direction and is above the M2 commitment made to the voters. If the Board decided to pursue Alternative 2, it would require amending the M2 Transportation Investment Plan to include two lanes, and shifting M2 or other state/federal funds from other projects. Adding the incremental cost of Alternative 2 to the M2020 plan would consume the entire amount of projected freeway program balance. This would severely limit the ability of the OCTA Board to consider advancing other M2 freeway projects in the future. In addition, OCTA would

have no flexibility to respond to downward changes in revenue that may occur in the future. For example, M1 freeway program balance dropped by \$142.5 million between 2007 and 2012 (from a forecasted \$172.5 million in 2007 to \$30 million in 2012).

In developing the M2020 Plan, OCTA has used conservative revenue and cost assumptions, consistent with past practice in delivery of M1. At the same time, OCTA has taken an ambitious approach towards project delivery to capitalize on favorable construction and bond markets. M2 is the primary funding during the M2020 period. A conservative amount of new external funds are assumed in the M2020 period due to continuing flux in state and federal transportation funding legislation. As such, availability of any additional M2 funding capacity in the M2020 period is critical to the success of the overall plan.

3. How will future inflation impact the M2020 Plan?

The M2020 Plan includes assumptions for project cost escalations, as well as growth in revenues. The M2020 Plan accelerates projects to capitalize on the current low bid climate and the low cost of debt. While sales tax revenues and expenses have trended toward similar levels of inflation in the past, recent experience in cost spikes for structural steel, pavement materials, and other construction items underscore the need to carefully manage costs, expedite projects to the extent possible, and lock-in low debt costs. As part of the existing M2 quarterly reports, the Board will be kept updated on the progress of the plan, any major shifts in assumptions, and the need for adjustments.

4. Can more M2 funding be made available for Project S – Transit Extensions to Metrolink?

The M2020 Plan assumes up to \$575 million in M2 and external funding (including \$58 million in local match funds) for both projects. A plan of finance for the M2020 Plan will be developed and brought to the Board for approval in the coming months. Staff proposes to include language in this plan that will address the concern that if federal New Starts funding is not available, OCTA will look to other state and federal sources to backfill. For example, the plan could include up to \$80 million in future Congestion Mitigation and Air Quality funds to be used in advance of New Starts grants. In addition, staff is working with the cities of Santa Ana/Garden Grove and Anaheim to further refine annual cash flow requirements which could result in additional M2 project funding being available.

5. Can bus rapid transit (BRT) service be funded with M2 Project S funds?

Yes. BRT is an eligible expense under Project S, which provides competitive funding for local jurisdictions to broaden reach of the rail system. To date, OCTA has approved two fixed guideway projects for study and ultimate implementation through a competitive call for projects. Additionally, through another competitive call for projects, OCTA received proposals and awarded funds for the implementation of rubber tire projects. Early in the planning process, BRT was considered by local jurisdictions during Step One of the Go Local Program. However, this type of service was not pursued by local jurisdictions. While local agencies did not propose BRT as part of the latest round of rubber tire call for projects, there may be future opportunities to consider BRT contingent on local agencies' interest and funding availability.

6. Can M2 Project U funds be used to offset or minimize the impacts of fare increases on low income communities?

No. M2, Project U was passed by the voters to specifically expand mobility choices for seniors and persons with disabilities. The plan did not include funds to offset or minimize the impacts of fare increases on low income communities.

7. What's included in the M2020 Plan for the freeway mitigation program?

The intent of the plan is to continue moving forward with the environmental mitigation program as planned. Future expenditures will be discussed and brought through the Environmental Oversight Committee (EOC) to ensure interested parties are represented. The M2020 Plan envisions executing the Natural Community Conservation Plan/ Habitat Conservation Plan implementing agreement, completing the resource management plans, and establishing and maintaining long-term endowment accounts for acquisition properties. Once these actions are in place, the remaining needs and funding available will be known and through the EOC, recommendations for the next steps will be determined.

If you have any questions, please contact Kia Mortazavi, Executive Director, Planning, at (714) 560-5741.

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