



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
November 1, 2022

TOPIC: Request for Escalation Adjustments by the Orange County Transportation Authority to the Measure M2 Allocations for Regional Capacity Program Projects

AGENDA TITLE

Resolutions Authorizing Requests for Escalation Adjustments by the Orange County Transportation Authority to the Measure M2 Allocations for the Bristol Street and Warner Avenue Street Improvement Projects

RECOMMENDED ACTION

Adopt resolutions of the City Council authorizing Requests for Escalation Adjustments by the Orange County Transportation Authority to the Measure M2 Allocations for the Bristol Street and Warner Avenue Street Improvement Projects.

DISCUSSION

The City of Santa Ana's Public Works Agency participated in the 2020 Call for Projects under the Measure M2 Regional Capacity Program (RCP) and received M2 allocations (Measure M2 Competitive ACE funds) in the amounts of \$3,273,573 and \$7,501,206 from Orange County Transportation Authority (OCTA) to fund the Bristol Street Improvements from Civic Center Drive to Washington Avenue and the Bristol Street Improvements from Warner Avenue to Saint Andrew Place. In addition, the City received a M2 allocation in the amount of \$7,494,000 from OCTA to fund the Warner Avenue Improvements from Oak to Standard Avenue. Both funding allocations required a minimum 25% commitment in matching funds, in which many of these funds were previously budgeted in prior fiscal years, and any new match required will be budgeted in upcoming Capital Improvement Program (CIP) cycles.

Over the course of the design of these projects, the City of Santa Ana has experienced increased construction costs due to material supply and labor inflation. Material cost and demand has seen dramatic increases that have been unprecedented. Many of the recent construction bids that are being received are double the amount of the engineer's estimate and overall budget for the advertised City project.

The City has also experienced increased right-of-way costs due to real estate inflation. The COVID-19 pandemic and various new state and federal guidelines developed during this challenging time contributed to a lot of uncertainties. Low interest rates, high cost of

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rent, and working remotely has helped intensify housing market demand, which has escalated market values of over 25 percent in Orange County, and plummeted housing inventory for sale and lease. These circumstances compounded have made it extremely difficult to deliver and construct certain projects for the community.

OCTA recently approved a temporary policy change for eligible RCP projects that were impacted by the extraordinary cost increases of inflation. This temporary policy for inflation which would allow local agencies to request adjustments to eligible right-of-way and construction allocations consistent with the Engineering News Record Construction Cost Index, based on the actual 20-city average, for fiscal years 2020-21, 2021-22, and 2022-23.

The OCTA temporary policy change requires agencies to request authorization and approve a Resolution (Exhibits 1 and 2) from their governing bodies to apply for each escalation adjustment to the original M2 allocations.

ENVIRONMENTAL IMPACT

There is no environmental impact associated with this action.

FISCAL IMPACT

If the Recommended Action is approved, the City will be authorized to request escalation adjustments in the amounts below:

RECOMMENDED PROJECTS	ORIGINAL GRANT AWARD (03217663)	ORIGINAL MATCH	UPDATED GRANT AWARD (03217663)	NEW CITY MATCH FUNDS
Bristol St. Improvements from Civic Center Dr. to Washington Ave.	\$3,273,573	\$1,091,191	\$3,964,790	\$230,406
Bristol St. Improvements from Warner Ave. to St. Andrew Pl.	\$7,501,206	\$2,500,402	\$9,085,091	\$527,962
Warner Ave. Improvements from Oak St. to Grand Ave.	\$7,494,000	\$2,498,000	\$9,076,364	\$527,455
Total:	\$18,268,779	\$6,089,593	\$22,126,245	\$1,285,823

If approved by the OCTA Board of Directors, the above adjustments would result in revised M2 allocations with updated City match requirements needed for completion of the projects. Any additional City match requirements will be budgeted via State/Local funds in future Capital Improvement Program cycles – to align with Escalation adjustment consideration and award.

EXHIBIT(S)

1. Resolution – Bristol Street Improvements Project Request for Escalation Adjustment
2. Resolution – Warner Avenue Improvements Project Request for Escalation Adjustment

Submitted By: Nabil Saba, P.E., Executive Director – Public Works Agency

Approved By: Kristine Ridge, City Manager