




*April 3, 2017*

**To:** Regional Planning and Highways Committee  
**From:** Darrell Johnson, Chief Executive Officer   
**Subject:** Fiscal Year 2016-17 Measure M2 Annual Eligibility Review

### **Overview**

Measure M2 requires all local jurisdictions in Orange County to satisfy eligibility requirements in order to receive Measure M2 net revenues. Fiscal year 2016-17 eligibility documentation has been reviewed by staff and the Taxpayer Oversight Committee, and is presented for Board of Directors' review and approval.

### **Recommendation**

Approve all local jurisdictions as conditionally eligible for Measure M2 net revenues for fiscal year 2016-17, and direct staff to return with eligibility findings for local jurisdictions pending the adoption and submittal of fiscal year 2015-16 expenditure reports by local agencies.

### **Background**

Local jurisdictions are required to meet eligibility requirements and submit eligibility verification packages to Orange County Transportation Authority (OCTA) staff annually in order to remain eligible to receive Measure M2 (M2) net revenues. There are 13 eligibility requirements local jurisdictions must meet. However, not all of the eligibility requirements require verification each year. The 13 eligibility requirements and submittal schedule are identified in Attachment A.

The Taxpayer Oversight Committee (TOC) is responsible for reviewing five of the 13 eligibility requirements and designating the Annual Eligibility Review (AER) Subcommittee to review the Congestion Management Plan, Mitigation Fee Program, Local Signal Synchronization Plan, Pavement Management Plan (PMP), and expenditure reports. The remaining eight eligibility requirements are reviewed by OCTA staff.

***Discussion***

All 35 local jurisdictions submitted the appropriate eligibility verification documents prior to the June 30<sup>th</sup> deadline. OCTA staff reviewed the submittals to ensure completion and accuracy.

The AER Subcommittee convened on September 20, 2016 and October 20, 2016, to review and discuss the PMPs for 21 local agencies.

The AER Subcommittee members expressed concerns about the downward trend in pavement conditions based on the seven-year projections provided in the current PMPs for the cities of Fullerton and Placentia. AER Subcommittee members noted that it is important to continue to address the condition of pavement on an ongoing basis to avoid further deterioration. The M2 Ordinance requires local jurisdictions to submit PMPs and allows flexibility for local jurisdictions to develop the remedies as appropriate. The AER Subcommittee asked staff to communicate their concerns with the cities of Fullerton and Placentia. OCTA staff will send out letters to the cities of Fullerton and Placentia (Attachments B and C) to express concerns raised by the committee members during the AER Subcommittee meetings.

The AER Subcommittee presented recommendations of eligibility compliance to the TOC on February 14, 2017, for review and approval. The TOC found all local jurisdictions to be in compliance with the M2 Ordinance and recommended conditional eligibility approval for fiscal year (FY) 2016-17, pending the review of expenditure reports (further described below). The eligibility review and findings for FY 2016-17 M2 eligibility are summarized in Attachment D.

The M2 eligibility for FY 2016-17 is conditional, pending the review and approval of expenditure reports for FY 2015-16. All local jurisdictions must adopt an Annual Expenditure Report that tracks financial activity for M2 funds, including interest earned, developer traffic impact fees, and funds expended by the jurisdiction that satisfy maintenance of effort requirements. Upon staff review, the AER Subcommittee, and the TOC, expenditure reports will be presented to the Board of Directors for a final eligibility finding in summer 2017.

***Summary***

All local jurisdictions in Orange County have submitted FY 2016-17 eligibility packages that are consistent with the M2 Ordinance. The TOC has reviewed and approved the appropriate documentation and found that all local jurisdictions conditionally meet the eligibility requirements for FY 2016-17.

**Attachments**

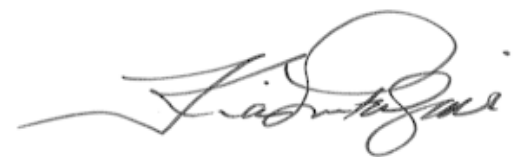
- A. Measure M2 Eligibility Requirements and Submittal Schedule Summary - For Fiscal Year 2016-17
- B. Draft Letter to Mr. Allan Roeder, Interim City Manager - City of Fullerton - Dated April 10, 2017 – Pavement Condition Concerns Expressed by the Annual Eligibility Review Subcommittee
- C. Draft Letter to Mr. Damien Arrula, City Administrator - City of Placentia - Dated April 10, 2017 – Pavement Condition Concerns Expressed by the Annual Eligibility Review Subcommittee
- D. Fiscal Year 2016-17 - Measure M2 Eligibility Review Summary

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