




June 6, 2022

To: Regional Planning and Highways Committee

From: Darrell E. Johnson, Chief Executive Officer 

Subject: Measure M2 Eligibility Review Recommendations for Fiscal Year 2020-21 Expenditure Reports

Overview

The Measure M2 Ordinance requires that all Orange County local jurisdictions annually satisfy specific eligibility requirements to receive Measure M2 net revenues. As part of this requirement, fiscal year 2020-21 expenditure reports and resolutions were submitted by the local jurisdictions. In April 2022, the Taxpayer Oversight Committee affirmed that all expenditure reports were received and reviewed, consistent with the Measure M2 Ordinance requirement. Board of Directors' approval is requested to find all Orange County local jurisdictions eligible to continue receiving Measure M2 net revenues.

Recommendation

Approve all 35 Orange County local jurisdictions as eligible to continue receiving Measure M2 net revenues.

Background

Local jurisdictions are required to meet Measure M2 (M2) eligibility requirements and submit eligibility verification packages to the Orange County Transportation Authority (OCTA) annually to remain eligible to receive M2 net revenues. There are 13 eligibility requirements, which local jurisdictions must satisfy. However, not all 13 eligibility components require verification each eligibility cycle. For reference, a summary of M2 eligibility requirements and their respective due dates is provided in Attachment A.

While OCTA staff reviews and confirms all M2 eligibility requirements, the M2 Ordinance specifies that the Taxpayer Oversight Committee (TOC) also review five of these requirements. These include the Congestion Management Program (CMP), Mitigation Fee Program (MFP), Local Signal Synchronization Plan (LSSP), Pavement Management Plan (PMP), and expenditure reports.

The CMPs, MFPs, LSSPs, and PMPs are due on June 30 each year and are typically approved by the OCTA Board of Directors (Board) in December. Expenditure reports are due on December 31 each year, six months after the close of the fiscal year (FY), and are typically approved by the Board in June. Expenditure reports incorporate all M2 and related transportation expenditures including maintenance of effort (MOE) spending levels. MOE is the amount of discretionary funding (e.g., general fund revenues) that local jurisdictions must spend on streets and roads purposes to ensure that they are not replacing discretionary transportation spending with M2 revenues¹.

Per the M2 Ordinance, the TOC is responsible for the receipt and review of expenditure reports. To assist with this responsibility, the TOC has designated an Annual Eligibility Review (AER) Subcommittee to initially receive and review required M2 eligibility submittals prior to consideration by the full TOC. The TOC review and affirmation process is now complete, and a summary is provided below.

Discussion

As of the December 31, 2021 deadline, all local jurisdictions submitted their FY 2020-21 expenditure reports. Staff carried out a technical review of all 35 Orange County local jurisdictions' reports. A brief summary of the results from the review are provided in Attachment B. It should be noted that while all local jurisdictions met the MOE requirement, this cycle three local jurisdictions satisfied the MOE requirement through the modified benchmark approach approved by the Board in response to the financial impacts of the coronavirus pandemic. All local jurisdictions will be required to return to the traditional benchmark requirement for FY 2022-23 and beyond.

The FY 2020-21 expenditure reports were presented at the March 31, 2022 AER Subcommittee meeting, which was conducted virtually. AER Subcommittee members affirmed receipt and review of FY 2020-21 expenditure reports for all 35 Orange County local jurisdictions. On April 12, 2022, the TOC meeting, which convened in person, received the AER Subcommittee's report on these materials and affirmed receipt and review of FY 2020-21 expenditure reports, consistent with the M2 Ordinance requirement.

As the TOC has now completed its review, consistent with M2 Ordinance requirements, staff is recommending that the Board approve all 35 Orange County local jurisdictions as eligible to continue receiving net M2 revenues.

¹ It should be noted that due to the financial impacts of the coronavirus pandemic, the MOE requirement was modified by the OCTA Board for this eligibility review cycle to provide flexibility with satisfying the MOE benchmark requirement. Local jurisdictions could meet either 1) the traditional MOE benchmark dollar amount; or 2) an MOE target based on the percentage of the MOE benchmark value of general fund revenues.

If the Board approves the recommendation identified in this report, this action will conclude the FY 2020-21 M2 eligibility process and will result in all Orange County local jurisdictions being deemed eligible to continue receiving M2 net revenues.

Summary

In April 2022, the Orange County Transportation Authority Taxpayers Oversight Committee convened and affirmed that it had received and reviewed the required fiscal year 2020-21 Measure M2 expenditure reports for all 35 Orange County local jurisdictions. Given this review, Board of Directors' approval is requested to find all 35 of Orange County's local jurisdictions eligible to continue receiving Measure M2 net revenues.

Attachments

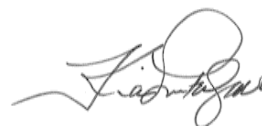
- A. Measure M2 Eligibility Requirements and Submittal Schedule Summary, Fiscal Year 2020-21
- B. Measure M2 Eligibility Review Summary of FY 2020-21 Expenditure Reports

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