




April 3, 2017

To: Regional Planning and Highways Committee

From: Darrell Johnson, Chief Executive Officer 

Subject: Fiscal Year 2017-18 Measure M2 Maintenance of Effort Adjustment and Updates to the Eligibility and Local Signal Synchronization Plan Guidelines

Overview

The Measure M2 Ordinance includes eligibility requirements that local agencies must satisfy in order to receive Measure M2 net revenues, which include a periodic adjustment to the maintenance of effort benchmark. Local agencies are also required to periodically update a local signal synchronization plan. Updates to the Measure M2 Eligibility Guidelines, including the maintenance of effort benchmark adjustment and the Local Signal Synchronization Plan Guidelines, are presented for the Board of Directors' review and approval.

Recommendations

- A. Approve the maintenance of effort benchmark adjustments for the fiscal year 2017-18 eligibility cycle.
- B. Approve the fiscal year 2017-18 Measure M2 Eligibility Guidelines.
- C. Approve the Local Signal Synchronization Plan Guidelines.

Background

The Measure M2 (M2) Ordinance requires local jurisdictions to satisfy the maintenance of effort (MOE) requirements by maintaining a minimum level of local streets and roads expenditures from local agencies' discretionary funds consistent with the provisions of enabling statutes. The M2 Ordinance provided a process to review the MOE and adjust the benchmark every three years beginning in 2011. The first MOE benchmark adjustment was approved by the Board of Directors (Board) on April 14, 2014 and became effective July 1, 2014. The second MOE benchmark adjustment for the upcoming eligibility cycle is being presented, along with revisions to the M2 Eligibility Guidelines.

The M2 Eligibility Guidelines establish eligibility requirements for local jurisdictions to ensure that all local agencies are in compliance to receive M2 funds as required by the M2 Ordinance.

The M2 Ordinance requires local agencies to develop and regularly update a Local Signal Synchronization Plan (LSSP) on a triennial basis. This plan needs to be consistent with the Regional Traffic Signal Synchronization Master Plan. As part of the next eligibility cycle, local agencies will need to update local plans by June 30, 2017. Minor administrative adjustments to the LSSP Guidelines are being recommended for clarification purposes.

Discussion

MOE Adjustment

The M2 Ordinance requires the Orange County Transportation Authority (OCTA) to adjust the MOE benchmark every three years and defines the methodology for the adjustments. This MOE benchmark adjustment is based on the percentage of growth in the California Department of Transportation construction cost index (CCI) between calendar year 2013 and 2016. The M2 Ordinance includes a provision that if the general fund revenues (GFR) growth for the jurisdiction is less than the CCI growth, the GFR growth value will be used for escalating the existing MOE benchmark. If there is negative or zero growth in the GFR, the local jurisdiction's current MOE benchmark will remain unchanged.

In order to determine GFR growth, each local jurisdiction provided excerpts from their 2016 Comprehensive Annual Financial Reports (CAFR). The cities of Huntington Beach and Placentia have not released nor adopted final CAFRs, but provided a draft CAFR or GFR general ledger to calculate an estimated benchmark. Adjustments may be required upon each city's final adoption of its CAFR and will be presented to the Board by June 2017, if required. A comparison of the growth in GFR and CCI has determined the appropriate MOE adjustment for each local jurisdiction and is included in Attachment A.

Between 2013 and 2016, local agencies GFR have grown by 17 percent on average. During the same period, the published CCI has grown by approximately 45 percent. As such, the MOE adjustments will be based on GFR growth. The exact amount varies for each jurisdiction and depends on data specific to that agency. The fiscal year (FY) 2015-16 MOE actual expenditures reported in Attachment A indicate that the majority of the local agencies' expenditures are above the required MOE benchmark.

M2 Eligibility Guidelines

The M2 FY 2017-18 eligibility cycle will start immediately following Board approval of the updated M2 Eligibility Guidelines. The guidelines assist local agencies in submitting a compliant eligibility package. The administrative changes and clarifications proposed to the guidelines incorporate comments and feedback received from local agencies and OCTA staff during the FY 2016-17 eligibility review cycle.

Administrative changes to the M2 Eligibility Guidelines include providing an updated webpage link to the eligibility website, and clarifying language and requirements. There have also been updates to the tables and the exhibits to be consistent with the eligibility requirements discussed in Chapter 2, which include details on each eligibility requirement. A summary of the substantial modifications is provided in Attachment B.

The proposed revisions will clarify and streamline the eligibility process and also make it easier for local agencies to follow the guidelines and adhere to the eligibility requirements. The revised M2 Eligibility Guidelines are included as Attachment C.

LSSP Guidelines

The LSSP Guidelines outline the procedures necessary for local agencies to adopt and update an LSSP in accordance with the M2 Ordinance. Local agencies are obligated to triennially update their respective LSSP in order to continue receiving M2 funds, including both M2 Fair Share and Competitive Program funding. Minor modifications to the preparation guidelines are included in Attachment D.

Summary

The MOE benchmarks for each local jurisdiction have been provided for the upcoming eligibility cycle for FY 2017-18. Modifications to the M2 Eligibility Guidelines and to the LSSP Guidelines are also provided to assist local jurisdictions with upcoming submittals.

Attachments

- A. MOE Benchmark by Local Jurisdiction
- B. Substantial Revisions to the Measure M2 Eligibility Guidelines
- C. Redlined - FY 2017-18 Measure M2 Eligibility Guidelines
- D. Redlined - Guidelines for the Preparation of Local Signal Synchronization Plans 2017

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