




May 1, 2017

To: Regional Planning and Highways Committee

From: Darrell Johnson, Chief Executive Officer 

Subject: Measure M2 Eligibility Review Recommendations for Fiscal Year 2015-16 Expenditure Reports and City of San Juan Capistrano's Maintenance of Effort Benchmark

Overview

Measure M2 requires all local agencies in Orange County to annually satisfy eligibility requirements in order to receive Measure M2 net revenues. Fiscal year 2015-16 expenditure reports and resolutions have been submitted by the local agencies, and reviewed and approved by the Taxpayer Oversight Committee. Recommendations are presented to the Board of Directors for eligibility determination. 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. The Board of Directors approved the maintenance of effort benchmark adjustments on April 10, 2017. A correction to the City of San Juan Capistrano's maintenance of effort benchmark is also being presented to the Board of Directors for approval.

Recommendations

- A. Approve fiscal year 2015-16 expenditure reports and find 35 local agencies eligible to receive Measure M2 revenues for fiscal year 2016-17.
- B. Approve the City of San Juan Capistrano's maintenance of effort benchmark adjustment for the fiscal year 2017-18 eligibility cycle.

Background

The Measure M2 (M2) Ordinance requires local jurisdictions to meet 13 eligibility requirements, including the adoption of an annual expenditure report that accounts for M2 net revenues, developer/traffic impact fees, and funds expended that satisfy maintenance of effort (MOE) requirements.

Local agencies are required to annually submit expenditure reports within six months of the close of each local agency's fiscal year (FY). This allows the local agencies time to prepare certified annual financial reports and to develop the M2 Expenditure Report. The Taxpayer Oversight Committee (TOC) reviews specific eligibility requirements and designates the Annual Eligibility Review (AER) Subcommittee to review eligibility components, including local agencies' expenditure reports.

The M2 Ordinance also requires that local jurisdictions satisfy the 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 second MOE benchmark adjustment for the upcoming eligibility cycle was approved by the Board of Directors (Board) on April 10, 2017.

Discussion

Expenditure Reports

The AER Subcommittee convened on March 29, 2017, to review the expenditure reports and resolutions. The M2 Ordinance requires local jurisdictions to satisfy the MOE requirements by maintaining a minimum level of local streets and roads expenditures from local agencies' discretionary funds and report the actual MOE expenditures in the M2 expenditure reports.

The AER Subcommittee asked Orange County Transportation Authority (OCTA) staff to communicate the subcommittees' concerns to the City of Rancho Santa Margarita (City) on reporting MOE expenditures that are exactly equal to the City's MOE benchmark. In the event that any MOE expenditures are deemed ineligible through a future audit, the City may jeopardize their eligibility status and risk being ineligible to receive M2 funds since the expenditures would be below the required benchmark. OCTA staff will send out a letter to the City (Attachments B) to express concerns raised by the committee members during the AER Subcommittee meeting.

The AER Subcommittee found that all agencies submitted acceptable expenditure reports consistent with the eligibility requirements, as summarized in Attachment A. On April 11, 2017, the AER Subcommittee recommended to the TOC that the County of Orange and all cities be found eligible.

The TOC approved the expenditure reports for 35 local jurisdictions and is recommending that all 35 local jurisdictions be approved as eligible to receive M2 net revenues for FY 2016-17. All other eligibility requirements were previously met and approved by the Board on April 10, 2017. The expenditure report is the last requirement to be satisfied for the final FY 2016-17 eligibility determination.

MOE

There was a reporting error for the City of San Juan Capistrano's (City's) MOE benchmark adjustment calculation that was presented to the Board on April 10, 2017. The MOE benchmark adjustment for the City should be corrected to \$422,472 instead of \$435,004, based on information received from the City. The correction to the City's MOE benchmark is reflected in Attachment C.

Summary

All local agencies have submitted FY 2015-16 expenditure reports that are consistent with the M2 Ordinance. The TOC reviewed and approved the M2 expenditure reports. Board approval is required to confirm that these local agencies have met the eligibility requirements for FY 2016-17 and approve the correction to the City's MOE benchmark.

Attachments

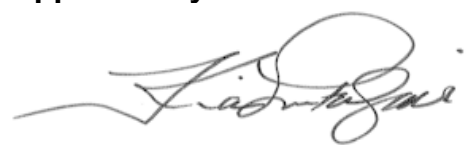
- A. FY 2016-17 Measure M2 Eligibility Review of FY 2015-16 Expenditure Reports Summary
- B. Draft Letter to Mr. E. (Max) Maximous, Public Works Director, City of Rancho Santa Margarita, from Kia Mortazavi, Executive Director, Planning, Orange County Transportation Authority, Dated May 8, 2017
- C. MOE Benchmark by Local Jurisdiction - Revised

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