




June 4, 2018

To: Regional Planning and Highways Committee

From: Darrell E. Johnson, Chief Executive Officer 

Subject: Measure M2 Eligibility Review Recommendations for Fiscal Year 2016-17 Expenditure Reports

Overview

The Measure M2 Ordinance requires all local jurisdictions in Orange County to annually satisfy eligibility requirements to receive Measure M2 net revenues. Fiscal year 2016-17 expenditure reports and resolutions have been submitted by all local jurisdictions. The Orange County Transportation Authority Taxpayer Oversight Committee met and determined that all local jurisdictions are eligible to receive Measure M2 funds. Based upon this determination and the Measure M2 Eligibility Guidelines, the Board of Directors is now requested to find all local jurisdictions eligible to receive Measure M2 revenues for fiscal year 2017-18.

Recommendation

Find all 35 Orange County local jurisdictions eligible to receive Measure M2 revenues for fiscal year 2017-18.

Background

The Measure M2 (M2) Ordinance requires local jurisdictions to meet 13 eligibility requirements (identified below).

- Adoption of Capital Improvement Program;
- Adoption of general plan circulation element consistent with Master Plan of Arterial Highways;
- Compliance with Congestion Management Program;
- Adoption of local signal synchronization plans;
- Fulfilling the maintenance of effort (MOE) requirements;
- Documentation of Developer Impact Fee Program;
- Adoption of pavement management plans;
- Submission of project final reports;
- Expenditure of M2 net revenues within three years;

- Agreement that net revenues shall not be used to supplant developer funding;
- Participation in traffic forums;
- Documentation of transit/non-motorized considerations in local general plans; and
- Adoption of expenditure reports.

All of these eligibility requirements (with the exception of expenditure reports) were reviewed by the Orange County Transportation Authority (OCTA) Board of Directors (Board). Accordingly, all local jurisdictions were deemed to be conditionally eligible for M2 revenues on December 11, 2017, pending the adoption and submittal of fiscal year (FY) 2016-17 expenditure reports.

Expenditure reports are required to be submitted within six months of the close of each local jurisdiction's FY. This allows local jurisdictions time to finalize comprehensive annual financial reports and to prepare final expenditure reports. The M2 Ordinance also requires that local jurisdictions satisfy MOE requirements by maintaining a minimum level of local streets and roads expenditures from local discretionary funds. These MOE expenditures are then reported as a component of the expenditure report process.

The OCTA Taxpayer Oversight Committee (TOC) is responsible for making eligibility findings. However, it typically designates an Annual Eligibility Review (AER) subcommittee to first review and vet expenditure reports.

Discussion

On March 28, 2018, the AER subcommittee convened to review local jurisdictions' M2 expenditure reports and appropriate resolutions. The subcommittee found all 35 local jurisdictions had submitted acceptable expenditure reports that were consistent with M2 requirements and recommended that the TOC find all local jurisdictions eligible to receive M2 funds.

During the review process, the AER subcommittee, and subsequently the TOC, also re-stated prior year concerns with the level of MOE expenditures reported by the City of Rancho Santa Margarita (City) to satisfy the MOE benchmark. The subcommittee asked OCTA staff to communicate a concern to the City on reporting MOE expenditures that are exactly equal to the City's MOE benchmark. If 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 expenditures would potentially be below the required MOE benchmark. OCTA staff will send out a letter to the City (Attachment A) to convey concerns raised by the committee members during the AER subcommittee meeting.

On April 10, 2018, the TOC met and concurred with the AER subcommittee's recommendations, thereby approving all expenditure reports (Attachment B) and also recommending that all 35 local jurisdictions be found eligible to receive M2 revenues for FY 2017-18.

Based upon the TOC's determination, and consistent with the M2 Eligibility Guidelines, the TOC's recommendations are now being advanced to the Board for a final finding that all 35 local jurisdictions are eligible to receive M2 funds for FY 2017-2018.

Summary

All local jurisdictions have submitted FY 2016-17 expenditure reports that are consistent with the M2 Ordinance. On April 10, 2018, the OCTA TOC reviewed and approved all M2 expenditure reports. A Board finding that all local jurisdictions have met M2 eligibility requirements and are eligible to receive M2 revenues for FY 2017-18 is now requested.

Attachments

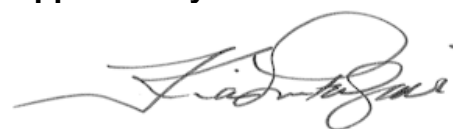
- A. Draft letter from Kia Mortazavi, Orange County Transportation Authority, to Mr. Brenden Dugan, PE, Acting City Engineer, City of Rancho Santa Margarita, dated June 11, 2018, re: Measure M2 Maintenance of Effort Concerns Expressed by the Orange County Transportation Authority's Annual Eligibility Review Subcommittee and Taxpayer Oversight Committee
- B. FY 2017-18 Measure M2 Eligibility Review of FY 2016-17 Expenditure Reports Summary

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