



**March 4, 2019**

**To:** Executive Committee  
**From:** Darrell E. Johnson, Chief Executive Officer  
**Subject:** Measure M2 Performance Assessment Report

### **Overview**

On November 7, 2006, Orange County voters approved the Renewed Measure M2 Transportation Ordinance and Investment Plan, now referred to as Measure M2. Ordinance No. 3 implements Measure M2 and requires specific safeguards and requirements that are to be followed. Included is a requirement for a performance assessment to be conducted every three years to evaluate the efficiency, effectiveness, economy, and program results of the Orange County Transportation Authority in delivering Measure M2. The fourth of these performance assessments, covering the period of July 1, 2015 through June 30, 2018, has been completed, and a report on the findings is presented.

### **Recommendation**

Direct staff to implement the action plan outlined in the response to findings and to report back on the implementation progress to the Board of Directors in the Measure M2 quarterly reports.

### **Background**

On November 7, 2006, the voters of Orange County approved the Measure M2 (M2) Transportation Investment Plan (Plan) with a 69.7 percent vote. The Plan provides a revenue stream, from April 1, 2011 through March 31, 2041, to fund a broad range of transportation improvements. The M2 Ordinance specifies specific safeguards and requirements that are to be followed.

Ordinance No. 3 states: "A performance assessment shall be conducted at least once every three years to evaluate the efficiency, effectiveness, economy, and program results of the Authority in satisfying the provisions and requirements of the investment summary of the Plan, the Plan, and the ordinance.

A copy of the performance assessment shall be provided to the Taxpayers Oversight Committee.”

The Orange County Transportation Authority’s (OCTA) general counsel opined, in 2008, that the ordinance became effective the day after the election, November 7, 2006, thus starting the clock on the three-year review period. The first M2 performance assessment was completed in October 2010, covering the period from November 2006 through June 2009. The second M2 performance assessment was completed in March 2013, covering the period from July 1, 2009 through June 30, 2012, and the third M2 performance assessment was completed in May 2016. All three assessments’ conclusions to date were positive overall and included a set of recommendations that were determined to have been addressed in a timely manner.

### ***Discussion***

Consulting services were sought to conduct the fourth performance assessment. Following OCTA’s procurement policies, in July 2018, the contract was awarded to Sjoberg Evenshenk to cover the period from July 1, 2015 through June 30, 2018. The key objectives of the assessment are as follows: evaluate the status of findings from the prior M2 performance assessment and the effectiveness of changes implemented, assess the performance of OCTA on the efficient delivery of M2 projects and programs, and identify and evaluate any potential barriers to success, including opportunities for process improvements. In addition to reviewing the prior assessment findings and OCTA-related actions, five main areas of focus were identified for the assessment:

- Project delivery
- Program management/responsiveness
- Compliance
- Fiscal responsibility
- Transparency and accountability

Work on the fourth performance assessment for fiscal year (FY) 2015-16 through FY 2017-18 has concluded. A copy of the consultant’s report is attached for Board of Directors’ review (Attachment A). The report included a review of the prior assessment findings for the FY 2012-13 through FY 2014-15 period. The prior assessment identified nine findings with recommendations for OCTA to address. The consultant reviewed the nine findings and OCTA’s response to each, and concluded affirmatively that OCTA adequately and actively addressed each recommendation in a timely manner.

Overall, the FY 2015-16 through FY 2017-18 assessment commends OCTA’s commitment to the effective and efficient management and delivery of the M2 Program. The report specifically highlights the following areas as it relates to OCTA’s activities during the three-year period.

### Program Goals Were Met Thus Far

The M2 Ordinance specifies projects and programs to be implemented. The review identified that OCTA's stated purpose and directive is to complete and deliver the projects and programs as identified in the M2 Plan. The review found that OCTA has many accomplishments towards the goals within the seven years of the M2 30-year timeframe. The report further shares that OCTA actively tracks and reports on progress in terms of number of projects completed and dollars spent to date. The review suggests that OCTA might consider reporting the information differently, pointing to the Ordinance's overarching goals.

### Strong M2 Management Existed

The review concludes that OCTA has in place strong program management practices to ensure delivery of the program and safeguarding of the sales tax expenditures.

### M2 Program Areas Showed Significant Progress

Looking at the current status of the program in terms of being in year seven of the 30-year M2 Program, the report concludes that OCTA is either where it should be or has accomplished more than what would be assumed in the seven-year period across all M2 program areas.

### Approaches Ensured Compliance with Ordinance

The consultant found OCTA to be in compliance with all areas and further found that OCTA's adherence to promises made to the voters penetrated through all levels of the organization from the executive team to new hires.

### Good Fiscal Practices were in Place

Managing M2 funds with sound fiscal practices, including efficiently leveraging state and federal dollars, is critical to successful delivery of M2. OCTA was found to employ a careful and conservative approach when planning and programming funds, with sound fiscal practices in place.

### OCTA was Transparent and Accountable

In general, the assessment report finds that OCTA has made significant progress in the implementation of the M2 Program on all plan elements over the last three years. Additionally, the assessment identified strong oversight practices to ensure compliance, sound fiscal practices, and that OCTA is transparent and accountable to the public.

Looking forward, the assessment suggests that while the ordinance does not require it, OCTA may want to consider investing in tracking performance measures. The report shared that measuring performance through target setting and data collection has become part of more recent federal mandates. Requirements related to performance targets and data reporting in areas such as safety, pavement conditions, congestion management, and air quality as it relates to M2 projects may be required in the future.

This type of tracking and data collection can be rather resource intensive to gather and report on, and would likely pose a significant financial burden on the M2 program. The cost of administering the M2 Program is capped at one percent of net revenues which is intended to focus expenditures on transportation improvements rather than administrative efforts. However, to the extent that such data is available as part of project delivery activities, staff will include this information in M2 reporting documents.

As part of the report, Sjoberg Evenshenk has eight recommendations for enhancements related to the execution of the elements outlined in the scope of work. There were no major recommendations that suggest there should be a change in the direction of OCTA's actions.

The attached summary outlines the recommendations, as well as a staff response/action plan (Attachment B). These findings will be addressed during the next calendar year as M2 policies and procedures are updated and implemented.

The Measure M Taxpayers Oversight Committee (TOC) Audit Subcommittee received a presentation on the draft report, and the TOC will be presented with the final report at their April 9, 2019 meeting.

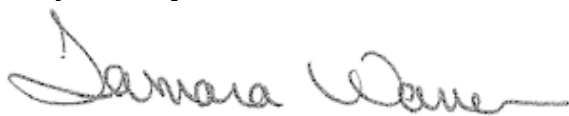
### ***Summary***

The Measure M2 Performance Assessment, as required by Ordinance No. 3, has recently been completed. While there were no significant findings, recommendations for improvements were made. The report, along with a summary of the recommendations and responses/action plan, is presented for Board of Directors' review.

***Attachments***

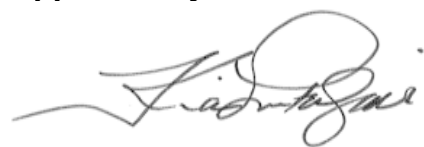
- A. Orange County Transportation Authority, July 1, 2015 to June 30, 2018 M2 Performance Assessment, Final Report
- B. July 2015 – June 2018 M2 Performance Assessment, Recommendations and Action Plan

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