



July 1, 2019

To: Regional Planning and Highways Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Measure M2 Eligibility Review Recommendations for
Fiscal Year 2017-18 Expenditure Reports

Overview

The Measure M2 Ordinance requires that all Orange County local agencies annually satisfy eligibility requirements in order to receive net Measure M2 revenues. As part of this requirement, fiscal year 2017-18 expenditure reports and resolutions were submitted by all local agencies. In May, the cities of Santa Ana and Stanton were deemed ineligible by the Board of Directors, and their expenditure reports were subsequently excluded from further review. In June, the Orange County Transportation Authority Taxpayer Oversight Committee reviewed and affirmed that all currently conditionally eligible local agencies' (excluding the cities of Santa Ana and Stanton) expenditure reports were consistent with Measure M2 requirements. Based upon this determination, Board of Directors approval is now requested to find all currently conditionally eligible local agencies eligible to receive net Measure M2 revenues for fiscal year 2018-19.

Recommendation

Find all conditionally eligible local agencies (excluding the cities of Santa Ana and Stanton) eligible to receive net Measure M2 revenues for fiscal year 2018-19.

Background

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

- Adoption of a Capital Improvement Program;
- Adoption of general plan circulation element consistent with the Master Plan of Arterial Highways;
- Compliance with the Congestion Management Program;
- Adoption of local signal synchronization plans;
- Fulfilling maintenance of effort (MOE) requirements;

- Documentation of Developer Impact Fee Programs;
- Adoption of Pavement Management Plans;
- Timely submission of project final reports;
- Timely expenditure of M2 net revenues;
- Confirmation that net revenues shall not be used to supplant developer funding commitments;
- Participation in traffic forums;
- Documentation of transit/non-motorized considerations in local general plans; and
- Submittal of expenditure reports and adopted resolutions.

All required eligibility components were reviewed by the Orange County Transportation Authority (OCTA) Board of Directors (Board), and all 35 local agencies were deemed to be conditionally eligible to receive net M2 revenues for fiscal year (FY) 2018-19 on December 10, 2018. The remaining component that was required to determine final eligibility was local agencies' submittal of FY 2017-18 expenditure reports and adopted resolutions.

Expenditure reports and adopted resolutions are required to be submitted within six months of the close of each 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 also reported as a component of the expenditure report process.

Per the M2 Ordinance, the OCTA Taxpayer Oversight Committee (TOC) is responsible for receiving and reviewing eligibility materials, which takes place prior to Board action. However, it should be noted that expenditure reports from the cities of Santa Ana and Stanton were not included in this review as these cities were found ineligible to receive net M2 revenues by the Board on May 13, 2019, due to failure to comply with the MOE eligibility requirement.

Discussion

On May 14, 2019, the Annual Eligibility Review (AER) Subcommittee of the TOC reviewed all remaining conditionally eligible local agencies' M2 expenditure report submittals and affirmed that the documents were consistent with M2 requirements. The AER Subcommittee also requested that staff issue a letter communicating its appreciation to the City of Rancho Santa Margarita (City) for heeding its direction from the previous year and increasing its MOE expenditure reporting above the minimum benchmark. OCTA staff will send out a letter to the City (Attachment A) to acknowledge the City for taking this step, upon Board approval of this staff report.

On June 11, 2019, the TOC reviewed and concurred with the AER Subcommittee's affirmation that all currently conditionally eligible local agencies' M2 expenditure reports and adopted resolutions are consistent with M2 requirements. The TOC's recommendations (Attachment B) are now being advanced to the Board for a final finding that the 33 currently conditionally eligible local agencies (excluding the cities of Santa Ana and Stanton) be deemed eligible to receive net M2 revenues for FY 2018-2019.

Summary

On June 11, 2019, the OCTA TOC convened and found that 33 of Orange County's 35 local agencies had submitted acceptable expenditure reports. A Board finding that all currently conditionally eligible local agencies have met M2 eligibility requirements and are now eligible to receive net M2 revenues for FY 2018-19 is requested. Note, the cities of Santa Ana and Stanton were deemed ineligible through prior Board action.

Attachments

- A. Draft letter to Mr. Brenden Dugan, PE, Public Works Director/City Engineer, City of Rancho Santa Margarita, from Kia Mortazavi, Orange County Transportation Authority, dated July 8, 2019, Measure M2 Maintenance of Effort Follow-Up from the Orange County Transportation Authority's Annual Eligibility Review Subcommittee and Taxpayer Oversight Committee
- B. FY 2018-19 Measure M2 Eligibility Review of FY 2017-18 Expenditure Reports Summary

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