



*June 24, 2026*

**To:** Technical Steering Committee

**From:** Orange County Transportation Authority Staff

**Subject:** Measure M2 Comprehensive Transportation Funding Programs – 2027 Call for Projects Issuance and Proposed Guidelines Revisions

### **Overview**

Measure M2 allocates net revenues for the development of various competitive programs which provide funding for transit, environmental cleanup, and local streets and roads projects. Funding for local streets and roads projects is anticipated to be made available, subject to the Orange County Transportation Authority Board of Directors approval, through a 2027 call for projects for the Regional Capacity Program and Regional Traffic Signal Synchronization Program. Staff has updated the Comprehensive Transportation Funding Programs Guidelines and is seeking approval to advance these proposed revisions to the Technical Advisory Committee. The proposed revisions incorporate 2027 call for projects cycle changes, as well as payment process streamlining recommendations to expedite the review and authorization of grant payments, consistent with Board direction from the 2025 Measure M2 Performance Assessment.

### **Recommendation**

Recommend approval and advancement of the revised Comprehensive Transportation Funding Programs Guidelines to the Technical Advisory Committee for formal recommendation to the Board of Directors.

### **Background**

The Comprehensive Transportation Funding Programs (CTFP) serves as the mechanism through which the Orange County Transportation Authority (OCTA) staff administer competitive funding programs such as Project O, the Regional Capacity Program (RCP), and Project P, the Regional Traffic Signal Synchronization Program (RTSSP), within the Measure M2 (M2) program, as well as other competitive transit (Projects S, T, and V) and environmental cleanup (Project X) programs. This item focuses on revisions to the CTFP 2027 Call for Projects (call) for the RCP and the RTSSP programs but also includes

broader changes meant to streamline the payment process and clarify requirements.

The RCP provides M2 Project O funding for improvements to the Orange County Master Plan of Arterial Highways (MPAH). The program also provides funding for intersection improvements and other projects to help improve street operations and reduce congestion. The RTSSP provides M2 Project P funding for multi-jurisdictional, corridor-based signal synchronization throughout Orange County to support efficient operation of existing arterials. These programs allocate funds through a competitive process and target projects that improve traffic flow by considering factors such as degree of congestion relief, cost effectiveness, and project readiness.

The CTFP Guidelines (Guidelines), which are typically updated annually for these programs, identify procedures and requirements that local agencies must satisfy in order to apply for M2 funding, how project applications are evaluated, and what project elements are eligible for reimbursement and under what circumstances. The Guidelines also define how local jurisdictions can seek reimbursement once funds are awarded. The Guidelines were first approved by the OCTA Board of Directors (Board) on March 22, 2010, and were most recently updated for the Environmental Cleanup Program on March 9, 2026.

As OCTA has continued to administer the CTFP, staff previously identified issues related to challenges and timeliness of CTFP grant payments. To further evaluate these issues and develop potential solutions, OCTA initiated a streamlining effort with an independent consultant in spring 2024. These payment-related issues highlighted by staff were also acknowledged through the 2025 M2 Performance Assessment, which reviews the performance of OCTA on the delivery of M2 programs and identifies opportunities for process improvements. In response, the Board directed staff on March 10, 2025, to implement the appropriate recommendations resulting from the streamlining effort.

The proposed revisions were developed based on the consultant's recommendations and in close collaboration with the Technical Steering Committee (TSC). Since February 2026, OCTA has met with the TSC on multiple occasions, including five workshops, to review the recommendations and refine the proposed Guidelines.

***Discussion***

The proposed revisions noted below and further detailed in Attachments A and B, address typical annual changes or programmatic updates, the addition of a roles and responsibilities section, provision of direct references from the M2 ordinance, payment process streamlining, and revisions to clarify eligible project features, definitions, precepts and administrative language to further assist with streamlining and user understanding. Programmatic updates support the 2027 call by updating dates, application instructions, project eligibility language, and selection criteria for the RCP and RTSSP programs. Administrative updates are intended to clarify the payment process, standardize documentation requirements, and provide local jurisdictions with more predictable procedures for initial, progress, and final payments.

The 2027 CTFP Call Updates include the following:

Roles, responsibilities, and inclusion of M2 Ordinance references:

- Add new sections describing OCTA responsibilities, local jurisdiction responsibilities, and TAC/TSC responsibilities to better define the roles of each party in the administration of M2 CTFP funds.
- Add references and excerpts from M2 Ordinance No. 3 to improve transparency regarding the legal and policy basis for program requirements.
- Clarify that OCTA provides guidance and oversight for M2 CTFP funds, reviews payment requests for consistency with program guidelines, verifies local match and eligible phase activities, and coordinates with Finance and Administration to process payments.
- Clarify that local jurisdictions remain responsible for project delivery, approved scope and schedule, supporting documentation, compliance with eligibility requirements, and any costs exceeding the approved grant amount.

Payment process streamlining improvements:

- Revise the reimbursement structure to support a progress payment process and standardize requirements across applicable CTFP programs to help local jurisdictions acquire and submit documentation in a format that is acceptable to OCTA.
- In order to ensure that documentation is checked throughout the life of the project, adjust the up-front initial payment request from 75 percent to 20 percent of the CTFP grant, to encourage the local agencies to submit

progress payments in order to ensure that the required documentation is retained and provided.

- Require semi-annual progress payment requests for incurred and paid costs, with continued documentation even after reimbursement reaches 90 percent of the grant amount, to support timely monitoring and closeout.
- Clarify retention requirements, including that ten percent of the grant will not be released until the final payment process is complete to encourage timely submittals of the final report and reimbursement request.
- Revise documentation requirements that are more appropriately reviewed at the initial payment or first progress payment stage, such as certain contract award, PS&E certification, local agency force, utility relocation, and related support documents. This will help local jurisdictions know from the outset and before they initiate procurement, if there are any items in the project scope that are ineligible or are limited. This makes the process more transparent for the local agencies from the outset.
- In order to avoid confusion, clarifies the final CTFP payment process, including the Final CTFP Expenditure Report which is differentiated from the “Final Expenditure Report” that is required through the M2 Ordinance for continued eligibility.
- Standardize sections for project cost changes, including how OCTA will review eligible change orders or added items when the contract price is lower than the programmed amount and the changes remain consistent with the approved scope. This is to improve transparency for the local jurisdiction.

#### Definitions, precepts, and administrative clarifications

- To improve transparency, clarify eligible and ineligible items under the RCP, including clarification for gap closures, environmental mitigation, sound walls, aesthetic improvements, pavement restoration needed to return a funded project area to pre-construction conditions, and general street maintenance activities that are not eligible for reimbursement.
- Clarify local match requirements, including that local match must be provided as a monetary contribution unless otherwise expressly permitted through the M2 Ordinance. This is consistent with M2 requirements to leverage external and local funds, whenever possible.
- Describes the information that is required for an “approved invoice” or acceptable invoice, such as including an invoice number, project reference, date or date range, description of services or items, and authorization by the local jurisdiction.
- Add a definition for “betterment” to reinforce that M2 will only support very limited enhancements that are not directly tied to the goal of the program.

- Update the term “construction support” to “construction engineering” to align with Caltrans terminology and industry standards, while preserving appropriate references to design carried out during construction.
- Clarify micro-purchase documentation and allow local jurisdictions to provide supporting documentation when their established threshold differs from the CTFP default threshold of \$5,000.
- Add a definition for “project final report” and emphasize the 180-day reporting requirement associated with M2 eligibility.
- Add a precept stating that local jurisdictions shall not use M2 net revenues to supplant developer funding that has been or will be committed for transportation projects.
- Clarify that OCTA will not increase approved grant amounts to cover cost overruns and that ineligible expenditures cannot be counted toward local match.
- Add an M2 acknowledgement precept to promote consistent public recognition of voter-approved M2 funding in communications, signage, presentations, and other public-facing materials, where applicable.
- Create a formal appeal process to provide local jurisdictions with a defined procedure to request reconsideration of OCTA determinations related to CTFP payments.

For a more detailed summary, see Attachment A, which provides a table of the 216 proposed changes, as well as Attachment B, which provides a red-lined version of all proposed Guidelines changes. It should also be noted that for simplicity, proposed changes that were deemed to be non-substantive (i.e., wording/grammatical, clarifications) are generally not identified in Attachment A.

The recommended revisions respond to recommendations from the independent consultant review of the CTFP payment. The consultant recommendations generally focused on improving consistency, reducing ambiguity, and ensuring that local jurisdictions understand the required documentation before incurring costs or submitting reimbursement requests.

In response, staff added clearer definitions, examples, resource references, and payment process requirements; moved certain documentation checks earlier in the process; clarified roles and responsibilities; and strengthened closeout and final reporting procedures. The revisions are intended to improve accountability while reducing avoidable delays in payment processing. Staff also went beyond the consultant recommendations and worked directly with the TSC on a comprehensive joint review of the Guidelines to make improvements where possible.

In order to ensure coordination and input from the TSC and also from the TAC next month for the development of these guidelines, staff developed and has adhered to the following schedule:

<b>Committee</b>	<b>Topic/Guidelines Section</b>	<b>Date</b>
TAC – Regular Meeting	Guidelines revisions approach and schedule	February 25
TSC – Review Session #1	Definitions, Precepts, Chapters 3, 4, and 6	March 11
TSC – Review Session #2	Chapter 2	March 25
TSC – Review Session #3	Chapter 7	April 8
TAC – Regular Meeting	Guidelines Revisions Update	April 22
TSC – Review Session #4	Chapter 8	May 13
TSC – Review Session #5	Chapters 9, 10	May 27
TSC – Special Meeting	Draft 2027 Guidelines	June 24
TAC – Regular Meeting	Draft 2027 Guidelines	July 22

#### Next Steps

If the recommended changes in this report are approved by the TSC, they will be advanced to the TAC next month for further consideration. With TAC approval, the recommended modifications will then be presented to the Regional Transportation Planning (RTP) Committee and Board for approval as part of staff's request to initiate the 2027 RCP and RTSSP call. The call timeline is anticipated to proceed as follows:

- Board authorization to issue call: September 14, 2026
- Application submittal deadline: November 19, 2026
- TSC/TAC Review: March/April 2027
- Committee/Board approval: May/June 2027

Next steps, which are separate from the adoption of the guidelines but are currently being planned, is to review the CTFP Guidelines associated forms with the TSC to continue to make improvements to this process.

***Summary***

The CTFP Guidelines serve as the mechanism OCTA uses to administer various M2 competitive funding programs. In anticipation of the 2027 RCP and RTSSP call for projects, staff has prepared proposed modifications that combine call-cycle updates with broader administrative revisions resulting from the independent consultant review of the CTFP payment process and also consistent with Board direction from the M2 triennial performance assessment. The proposed revisions clarify program requirements, improve payment and closeout procedures, define responsibilities, and provide local jurisdictions with more consistent and accessible guidance. If approved by the TSC, these proposed updates will be submitted to the TAC and subsequently to the RTP Committee and the Board for review and final approval.

***Attachments***

- A. 2027 CTFP Guidelines (Projects O and P) – Proposed Changes List
- B. Comprehensive Transportation Funding Programs, Guidelines Excerpt, Proposed Revisions