



*July 6, 2026*

**To:** Regional Transportation Planning Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Measure M2 Eligibility Recommendations for Fiscal Year 2024-25 Expenditure Reports and Maintenance of Effort Benchmark Adjustments

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**Overview**

Measure M2 Ordinance No. 3 requires local jurisdictions to annually satisfy eligibility requirements to receive Measure M2 net revenues. As part of this requirement, local jurisdictions submitted fiscal year 2024-25 expenditure reports to the Orange County Transportation Authority. Separately, maintenance of effort benchmark revisions are required for five jurisdictions, consistent with the Measure M2 Ordinance.

**Recommendations**

- A. Approve 33 of Orange County's 35 local jurisdictions (excluding the cities of Buena Park and Huntington Beach) as eligible to continue receiving Measure M2 net revenues.
- B. Approve adjustments to the Measure M2 maintenance of effort benchmarks for the cities of La Habra, Laguna Beach, Laguna Niguel, Placentia, and Yorba Linda.

**Background**

Local jurisdictions must meet Measure M2 (M2) eligibility requirements as directed by the M2 Ordinance No. 3 (M2 Ordinance) and submit eligibility verification packages to the Orange County Transportation Authority (OCTA) annually to remain eligible to receive M2 net revenues. There are 13 eligibility requirements that local jurisdictions must satisfy to remain eligible; however, not all 13 eligibility components require verification during each eligibility cycle. For reference, a summary of M2 eligibility requirements and their respective due dates are provided in Attachment A.

While OCTA staff reviews and affirms all M2 eligibility components, the M2 Ordinance requires the Taxpayer Oversight Committee (TOC) to review a subset of these components. These include the Congestion Management Plan (CMP), Mitigation Fee Program (MFP), Local Signal Synchronization Plan (LSSP), Pavement Management Plan (PMP), and Expenditure Report. The CMP, MFP, LSSP, and PMP are due by June 30 each year and are typically approved by the OCTA Board of Directors (Board) in February. Expenditure reports must be submitted on or before December 31, six months after the close of the fiscal year (FY). Expenditure reports incorporate all M2-related transportation expenditures and include maintenance of effort (MOE) spending levels. MOE is the amount of discretionary funding (e.g., general fund revenues) that local jurisdictions must spend on streets and roads purposes to ensure that they are not supplanting discretionary transportation spending with M2 revenues. This item addresses the expenditure reports that were due on December 31, 2025.

Per the M2 Ordinance, the TOC is responsible for the receipt and review of local jurisdiction expenditure reports. To assist with this responsibility, the TOC designates an Annual Eligibility Review (AER) Subcommittee to initially receive and review required M2 eligibility submittals, prior to consideration by the TOC. The findings of the AER Subcommittee and the TOC are further discussed below.

One of the eligibility requirements that is reported through the expenditure reports is the MOE expenditures or the amount of general fund or discretionary revenue that was spent on streets and roads. OCTA checks the expenditure level against the Board-established MOE benchmark for each local jurisdiction, as applicable. The MOE benchmark for each local jurisdiction must be adjusted for inflation by OCTA every three years. The latest MOE benchmark adjustments were approved by the Board in April 2026. At the time, it was noted that adjustments may be required pending receipt of final annual comprehensive finance reports (ACFR) from local jurisdictions. Adjustments are recommended based on updated or final submittals from the local jurisdictions.

### ***Discussion***

All 35 local jurisdictions submitted FY 2024-25 expenditure reports and required resolutions consistent with the December 31, 2025, deadline. OCTA staff reviewed all local jurisdictions documents to ensure completion, accuracy, and consistency with M2 Ordinance requirements.

The TOC-designated AER Subcommittee convened to review the FY 2024-25 expenditure reports. Based on the staff and AER Subcommittee's review, the TOC formally confirmed its required review at its June 9, 2026, meeting.

Based on staff and TOC review, OCTA staff recommend that 33 of Orange County's 35 local jurisdictions, excluding the cities of Buena Park and Huntington Beach, be found eligible to continue receiving M2 net revenues. The M2 eligibility review summary for FY 2024-25 expenditure reports is provided in Attachment B.

The cities of Buena Park and Huntington Beach submitted the required documentation to satisfy M2 eligibility submittal requirements this cycle. However, these cities are currently ineligible to receive M2 net revenues due to previous and separate Board actions. The separate Board actions took place on May 28, 2024 and May 14, 2025, and included interagency agreements outlining how the cities can fulfill their eligibility requirements and resume receiving M2 net revenues. Acceptance of the expenditure reports does not change the eligibility status of either city.

#### MOE Benchmark Adjustments

In April 2026, the MOE benchmark for each local jurisdiction was updated and approved by the Board. At the time, the cities of Irvine, La Habra, Laguna Beach, Placentia, and Yorba Linda had not adopted their final FY 2024-25 ACFR. Draft ACFR or general fund revenue trial balance figures were provided and used to calculate estimated MOE benchmarks. Since that time, OCTA has received final FY 2024-25 ACFRs from the cities of Irvine, La Habra, Laguna Beach, Placentia, and Yorba Linda. The MOE benchmark for the City of Irvine is not changing based on the final FY 2024-25 ACFR. However, changes are required for the cities of La Habra, Laguna Beach, Placentia, and Yorba Linda due to information provided in the final FY 2024-25 ACFR for these cities. The recommended MOE benchmark is provided in Attachment C.

Separately, based on information provided by the City of Laguna Niguel (Laguna Niguel), OCTA determined that an adjustment to Laguna Niguel's MOE benchmark was warranted to reflect the exclusion of an eligible one-time revenue that was submitted during staff's review of adjustments prior to the Board's April 2026 approval. Accordingly, the revisions to the MOE benchmark for Laguna Niguel are being included in this report.

The recommended revised MOE benchmarks for the Cities of La Habra, Laguna Beach, Laguna Niguel, Placentia, and Yorba Linda are recommended for Board approval and are provided in Attachment C.

OCTA has communicated with the cities of La Habra, Laguna Beach, Laguna Niguel, Placentia, and Yorba Linda regarding the MOE benchmark changes. With Board approval, these local jurisdictions will be responsible for submitting the MOE certification to the revised MOE benchmark and also for documenting their spending consistent with the revised MOE benchmarks (Attachment C) when they submit their final expenditure reports for FY 2026-27.

***Summary***

In June 2026, the OCTA TOC convened and affirmed receipt and review of the FY 2024-25 M2 expenditure reports for the 33 eligible local jurisdictions. Board approval is recommended to find the 33 local jurisdictions eligible to continue receiving M2 net revenues. In addition, staff recommends approval of the updated MOE benchmark for the cities of La Habra, Laguna Beach, Laguna Niguel, Placentia, and Yorba Linda.

***Attachments***

- A. Measure M2 Eligibility Requirements and Submittal Schedule Summary
- B. Measure M2 Eligibility Review Summary of Fiscal Year 2024-25 Expenditure Reports
- C. Maintenance of Effort Benchmark by Local Jurisdiction – Revised <sup>1</sup>

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