Action Items

April 9, 2013

To: Taxpayers Oversight Committee

From: Annual Eligibility Review Subcommittee

Subject: Renewed Measure M Annual Eligibility Review Subcommittee Recommendations for the City of Huntington Beach's Fiscal Year 2011-12 Expenditure Report

Overview

The Measure M and Measure M2 ordinances require all local jurisdictions in Orange County to annually satisfy eligibility requirements in order to receive fair share and competitive grant net revenues. The Annual Eligibility Review subcommittee review process for the City of Huntington Beach's fiscal year 2011-12 expenditure report has been completed.

Recommendation

Approve the expenditure report for the City of Huntington Beach and find City of Huntington Beach eligible to receive fair share and competitive grant net revenues for fiscal year 2012-13.

Background

The Board of Directors authorized an amendment to Ordinance No. 2 (Measure M) that finds agencies which qualify as an "Eligible Jurisdiction" under Ordinance No. 3 (Measure M2) to also be an "Eligible Agency" under Ordinance No. 2.

The Taxpayer's Oversight Committee (TOC) is responsible for reviewing local agencies Local Signal Synchronization Plan, Mitigation Fee Program, Expenditure Report, Congestion Management Plan, and Pavement Management Plan (PMP) for compliance with Ordinance No. 3. The Annual Eligibility Review (AER) subcommittee has been designated by the TOC to review the eligibility submittals with support from Orange County Transportation Authority (OCTA) staff. The AER subcommittee members include Tony Rouff (Chair), John Stammen, Dowling Tsai, and Jack Wu.

The eligibility component due this eligibility cycle includes Huntington Beach's expenditure report for fiscal year 2011-12. Local jurisdictions are required to annually submit expenditure reports six months after the close of the fiscal year (December 31st). The Taxpayers' Oversight Committee approved the expenditure reports for all local jurisdictions in Orange County except for the city of Huntington Beach on February 12, 2013. The city of Huntington Beach follows a federal fiscal year (October 1 to September 30), and must submit an expenditure report by March 31st.

Discussion

The City of Huntington Beach submitted the expenditure report for fiscal year 2011-12 by the March 31st deadline. OCTA staff reviewed the expenditure report to ensure consistency and accuracy. The AER subcommittee found Huntington Beach's expenditure report in compliance with the Ordinance and recommend to the TOC for eligibility approval. Upon TOC approval, OCTA staff will present the eligibility findings to the Regional Planning and Highways Committee on June 3, 2013 and to the OCTA Board of Directors on June 10, 2013.

Summary

The Annual Eligibility Review subcommittee reviewed the City of Huntington Beach's expenditure report fiscal year 2011-12 and found the City of Huntington Beach compliant with the Ordinance.

Presentation Items

OCTA

February 11, 2013

To: Members of the Board of Directors

From: Will Kempton, Chief Executive Officer

Subject: Measure M2 Progress Report for October 2012 Through December 2012

Overview

Staff has prepared a Measure M2 progress report for the period of October 2012 through December 2012 for review by the Orange County Transportation Authority Board of Directors. Implementation of Measure M2 continues at a fast pace, and revenue projections continue on a positive trend. This report highlights progress on Measure M2 projects and programs and will be available to the public via the Orange County Transportation Authority website.

Recommendation

Receive and file as an information item.

Background

On November 7, 2006, Orange County voters, by a margin of 69.7 percent approved the renewal of the Measure M Plan (Plan) one half-cent sales tax for transportation improvements. The Plan provides a 30-year revenue stream for a broad range of transportation and environmental improvements, as well as an operating ordinance which defines all the requirements for implementing the Plan. The ordinance designates the Orange County Transportation Authority (OCTA) as responsible for administering the Plan and ensuring OCTA's contract with the voters is followed.

The Measure M2 (M2) transportation ordinance and investment plan, Ordinance No. 3, requires quarterly status reports regarding the major projects detailed in the ordinance be filed with the OCTA Board of Directors (Board). All M2 progress reports are posted online for public review.

Discussion

This quarterly report reflects current activities and progress within the overall M2 Program for the period of October 1, 2012 through December 31, 2012 (Attachment A).

The quarterly report is designed to be easy to navigate and public friendly, reflecting OCTA Strategic Plan transparency goals. The report includes budget and schedule information included in the Capital Action Plan, Local Fair Share and Senior Mobility Program payments made to cities this quarter, as well as total payments from M2 inception to December 2012.

Quarter Highlights

- On October 22, 2012, the OCTA Board selected Alternative 1 (one general purpose lane in each direction) as the locally preferred alternative for the Interstate 405 (I-405) Improvement Project. The draft environmental study to widen the I-405 through the unincorporated area of Rossmoor and the cities of Costa Mesa, Fountain Valley, Garden Grove, Huntington Beach, Los Alamitos, Seal Beach, and Westminster was completed and is now being reviewed by the project development team for selection of the preferred alternative. On December 10, 2012, the Board selected a consultant team to act as the program management consultant and prepare the project for delivery through the design-build process. The I-405 improvements will add mainline capacity and improve the local interchanges along the corridor. The final environmental document is expected to be complete in summer 2013.

- Construction was advertised to add capacity on State Route 91 between State Route 57 and Interstate 5. Construction bids were opened on November 29, 2012, and construction is anticipated to begin in late January or early February 2013. The project will add a new westbound general purpose lane through the cities of Anaheim and Fullerton.

- To improve traffic flow on city streets, OCTA is working with local jurisdictions to synchronize signals and improve roadways. On October 26, 2012, two concurrent calls for projects were issued. One for signal synchronization for a total of $15 million (18 applications were received) and one for the Regional Capacity Program for $35 million (31 applications received). During the months of November and December, funding applications were reviewed against the Board-approved guidelines to determine projects recommended for funding. The final funding recommendations are anticipated to be brought to the Board for approval in early 2013 for the signal program and in the second quarter for the Regional Capacity Program.

- The first Community-Based Transit/Circulators 2013 call for projects was issued on December 4, 2012, for a total of $28 million, with applications due on March 29, 2013. This is a capital program with a required ten percent local match and is intended to develop local bus transit services that complement regional transit services. All projects must be competitively bid and cannot duplicate or compete with existing transit service.

- The two fixed-guideway projects continue to move forward. The City of Anaheim's Anaheim Rapid Connection (ARC) Project Alternative Analysis (AA) Report is now complete and was submitted to the Federal Transit Administration (FTA) in October 2012 for review. Also this quarter, on October 23, 2012 the Anaheim City Council adopted the streetcar alternative as the locally preferred alternative. The ARC Project anticipates the environmental process to be complete in January 2013. The Santa Ana/Garden Grove project AA/environmental impact report (EIR)/environmental assessment (EA) is now complete and was submitted to the FTA in December. Following FTA approval, the draft AA/EIR/EA will be released to the public for comments in the spring of 2013.

- With approval of the M2020 Plan last quarter, implementing actions were directed by the Board. The M2020 Plan implementing actions included directing staff to initiate an amendment process to the M2 Transportation Investment Plan to address the funding shortfall on Project K, develop an M2020 Plan of Finance, and initiate an organizational assessment study to ensure OCTA's success in delivering the M2020 Plan. The amendment to the M2 Transportation Investment Plan was approved unanimously by the Taxpayer Oversight Committee on October 9, 2012. A public hearing on the proposed amendment was conducted on November 9, 2012, and the Board approved the amendment. The M2 Plan of Finance was presented and approved by the Board on November 26, 2012. The organizational assessment study kicked off in November 2012, and data collection and interviews with staff are underway.

- As part of the regularly scheduled M2 Performance Assessment, the consultant team has been working internally and externally to gather information and review OCTA's performance with regard to M2 during the time period of July 1, 2009 through June 30, 2012. The final report is currently being prepared, and staff anticipates presenting the findings next quarter.

Summary

As required by M2 Ordinance No. 3, a quarterly report covering activities from October 2012 through December 2012 is provided to update progress in implementing the M2 Transportation Investment Plan. The above information and the attached details indicate significant progress on the overall M2 Program. To be cost-effective and to facilitate accessibility and transparency of information available to stakeholders and the public, the M2 progress report is presented on the OCTA website. Hard copies are available by mail upon request.

Attachment

A. Measure M2 Progress Report – Second Quarter of Fiscal Year 2012-13 – October 1, 2012 through December 31, 2012

Prepared by:

Tamara Warren
Manager, Program Management Office
(714) 560-5590

Approved by:

Kia Mortazavi
Executive Director, Planning
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ORANGE COUNTY TRANSPORTATION AUTHORITY

To view the entire report with attachments, click here:

Measure M2 Progress Report for October 2012 Through December 2012

OCTA

February 25, 2013

To:	Members of the Board of Directors
From:	Will Kempton, Chief Executive Director Will Kempton
Subject:	Measure M1 Progress Report for the Period of October 2012 Through December 2012 and Closeout Overview

Overview

Staff has prepared a Measure M1 progress report for the fourth quarter of 2012 for review by the Orange County Transportation Authority Board of Directors. The fourth quarter is for the time period of October 1 through December 31, 2012. Measure M1 closeout activities continue to proceed in a number of areas.

Recommendation

Receive and file as an information item.

Background

Local Transportation Ordinance No. 2 (Measure M [M1]) and the Traffic Improvement and Growth Management Plan became effective on April 1, 1991, following approval of a ballot measure in November 1990. Over the 20-year period in which M1 was in effect, the Orange County Transportation Authority (OCTA) received approximately $4 billion in sales tax revenue available for projects described in the M1 Plan. Through effective project management, strategic use of bonding, and acquisition of state and federal funds, OCTA successfully fulfilled its promise to voters. OCTA managed to complete an additional freeway project and has a small remaining balance of funds.

On March 31, 2011, the collection of sales tax revenue under M1 concluded; however, there are still expenditures that remain to complete M1 commitments. In March 2011, the Board of Directors (Board) approved a plan to wrap up M1 activities. The plan addressed use of three types of M1 proceeds: those that had been committed to projects but that remain unspent (planned expenditures); those remaining funds that are over and above any current

M1 obligations (remaining balance); and the interest earned on retained M1 funds until those funds are fully expended.

Discussion

M1 net sales tax revenues continue to be monitored with the final amount still estimated to be approximately $4.076 billion. All M1 projects have an estimated cost at completion; however, actual costs will vary pending closeout of remaining open agreements. The current estimate for unprogrammed M1 revenues stands at $100.2 million. Approximately $12.9 million of this balance is from the freeway program, another $8.3 million is from the streets and roads program, and $79 million is from the transit program.

Per prior Board direction, these remaining balances will be used for Measure M2 (M2) projects that are in the same category and that are related to the original M1 Expenditure Plan. Specifically, the freeway funds will be directed at the Interstate 5 widening project between Avenida Pico and Pacific Coast Highway and/or the State Route 57 widening between Katella Avenue and Lincoln Avenue. The streets and roads funds will be applied to street improvement projects through future OCTA competitive calls for projects and the transit funds will be deposited into the Metrolink long-term operating fund. More details on project activities during the quarter are included in Attachment A.

Use of the funds is tracked similarly to grants to ensure that funds are used only for M1 intended projects. The latest M1 schedule of revenues and expenditures summary report, as of December 31, 2012, is included as Attachment B. The numbers included in this report have additional assumptions based on oversight costs, anticipated project progress, sale of excess property, and potential increases or decreases in scope and schedule. Additionally, the forecast of M1 net tax revenues has been updated to account for future interest earnings on a diminishing fund balance while allowing for ongoing program administration costs, quarterly reporting, annual financial reports, and oversight and audit functions.

As a result, the total net tax revenues available for projects at completion of the program are estimated to be approximately $5.4 million lower as compared to prior forecasts. This reduction in net tax revenues has a cascading effect on the program elements remaining balances which are covered in this report.

Summary

Measure M1 has concluded and fulfilled the promise of congestion relief to the voters. Remaining fund balances are being finalized, and actions for closing out the program continue. The plan is to use the available balances to advance Measure M2 freeway, streets and roads, and rail projects. Further review on the closeout progress will continue to be provided with the Measure M1 quarterly updates.

Attachments

A. Measure M Closeout and Quarterly Update
B. Measure M1 – Schedule of Revenues, Expenditures and Changes in Fund Balance as of December 31, 2012

Prepared by:

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Approved by:

Kia Mortazavi
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ATTACHMENT A

Measure M Closeout and Quarterly Update

Interest Earnings on Funds During Closeout Phase

Measure M (M1) funds continue to earn interest until fully expended; something that will continue to occur over the next couple of years currently estimated to be through 2014. The amount of interest earned will decrease each year as projects are fulfilled and remaining payments are made. Interest earned on the M1 fund balance is M1 revenue and will continue to be managed according to the formula set forth in the M1 Ordinance. The interest earned will be distributed to the four M1 categories on the following ordinance-required percentage basis: freeways – 43 percent, regional streets and roads – 11 percent, local streets and roads – 21 percent, and transit – 25 percent. As stated in the staff report, with the diminishing fund balance and the ongoing requirements for fixed-program administration costs, this has resulted in a reduction in the fund balance for each mode as compared to prior forecasts.

Freeways

On March 14, 2011, the Board of Directors (Board) approved a plan to use the balance of M1 freeway funds for portions of Measure M2's (M2) Project C – widening of Interstate 5 (I-5) between Avenida Pico and Pacific Coast Highway, and Project G – widening of State Route 57 between Katella Avenue and Lincoln Avenue. The Board subsequently deferred immediate use of the funds for M2 projects as a hedge against uncertainty of the state's ability to meet the cash flow needs of the West County Connectors (WCC) Project, which relies on state bonds for construction. In 2011, the state implemented a process to meet the cash flow requirements of bond-funded projects and as such, in 2012, $15 million of the $27.9 million remaining balance was allocated to M2 Project C, as authorized by the Board. The remaining M1 freeway balance of $12.9 million includes anticipated proceeds from the sale of eight excess parcels along the I-5 in the cities of Anaheim and Buena Park, appraised at approximately $11.3 million. Currently, the Orange County Transportation Authority (OCTA) is in negotiations with the City of Buena Park for the sale. No immediate allocation of these funds is anticipated due to the timing for receipt of the right-of-way (ROW) sales proceeds. Other activities during this period include:

I-5 Gateway Project – The California Department of Transportation (Caltrans) continues to work with the I-5 Gateway Project contractor to close out the one remaining construction change order. Caltrans successfully obtained a settlement payment to close out a final ROW claim with a private property owner. Administrative coordination is ongoing with Caltrans, Union Pacific Railroad, various utility companies, and the City of Buena Park to close out the project. Construction activity this quarter is for landscape plant establishment maintenance, which will continue until April 2015.

WCC Project – Funded almost entirely with federal and state funds, the WCC Project has $10 million of M1 funds allocated to the project to cover construction elements not eligible for federal funding. Currently, $9.6 million of this amount has been designated for specific items. The WCC Project constructs direct high-occupancy vehicle (HOV) lane connectors from the State Route 22 (SR-22) to Interstate 405 (I-405) east segment, and from the I-405 to Interstate 605 (I-605) west segment, with a second HOV lane in each direction on the I-405 between the two direct HOV connectors.

The east segment is scheduled to be completed by August 2014. On the west segment, the Seal Beach Boulevard bridge reconstruction is currently in progress, as well as false work on the I-405/I-605 HOV connector. The construction of a soundwall for the College Park West neighborhood is also in progress. The west segment is scheduled to be completed by January 2015.

Streets and Roads

On November 23, 2009, the Board approved the use of M1 streets and roads funds to be used towards a future M2 call for projects. The remaining balance of M1 regional and local streets and roads funds is estimated to be $8.3 million. This remaining balance will be applied towards future streets and roads projects awarded under the Combined Transportation Funding Program (CTFP). An update on streets and roads activities this quarter is included below.

Substantial funding to cities and the County of Orange is provided by the various programs within the M1 local and regional streets and roads programs through OCTA's CTFP. All remaining M1 grant-funded projects are under contract, with target completion planned for June 2014.

Since September 2012, OCTA issued more than $6.7 million in payments towards streets and roads projects throughout the County, and closed out 21 project phases. The current status of the program (as of December 31, 2012) is reflected in the table below. Of the $684.1 million in total project allocations, there is a remaining balance of $55.2 million in outstanding payments to open projects. Staff anticipates completion of the M1 competitive program by March 31, 2014. Pending draw down of the remaining balance, the savings amount will be finalized. Per prior Board direction, any remaining balance will be included through future competitive calls for projects.

Status	Definition	Allocations* (in millions)
Completed	Project work is complete, final report is filed/ approved, and the final payment has been made	$ 521.3
Pending	Project work has been completed and only final report submittal/approval is pending	$ 84.0
Started	Project has begun and the funds have been obligated	$ 78.8
	Total Project Allocations	$ 684.1

* Includes semi-annual review adjustments through September 30, 2012

Transit

The 1990 M1 Transit Program is focused on developing a backbone rail system that includes protection of ROW and commuter train service to Los Angeles and Riverside counties. A key to continued delivery of this objective has been the establishment of the Commuter Urban Rail Endowment (CURE) to fund ongoing operations. The Board has previously taken action to designate remaining M1 Transit Program fund balances for Metrolink operations and for the Metrolink Service Expansion Program (MSEP). The OCTA Comprehensive Business Plan assumes that unspent M1 transit funds will be used for ongoing Metrolink operations.

Consistent with prior Board action on November 25, 2005, the M1 transit category balance will be transferred into the CURE account. The current M1 transit balance is estimated to be $79 million. The balance will remain in M1 while transit projects move forward and final project costs are determined. All projects are anticipated to be completed by March 2014. The Transit Program continues with significant progress in the various programs. These include:

Several parking expansion projects at Metrolink stations are underway to support the MSEP.

The City of Anaheim continues moving forward on the Anaheim Regional Transportation Intermodal Center. A pre-construction meeting was conducted by the City of Anaheim on October 4, 2012. The general contractor, Clark Construction, mobilized to the site and performed abatement work within the existing buildings in preparation of demolition work which is underway. Construction is anticipated to be complete in early 2015.

The City of Fullerton has been the lead agency for the construction of an 814-space design-build parking structure. Construction was completed and the parking structure opened on June 19, 2012. Following the completion of the structure, a project to provide alternate stairs is underway. Construction began in October and is expected to be completed in mid-April 2013.

OCTA is the lead for a parking lot expansion project at the Laguna Niguel/ Mission Viejo (LN/MV) Metrolink Station. In June, 2008, OCTA acquired 1.74 acres of property from Caltrans. This property is adjacent to, and directly south of, the existing parking lot at the LN/MV Metrolink Station. The property will be converted into a surface parking lot that will provide an additional 176 spaces to supplement the 284 spaces at the existing station, for a total of 460 parking spaces. Construction will be completed in summer 2013.

The City of Orange is the lead on a parking expansion project to add a parking structure to an existing surface parking lot located on Lemon Street, between Chapman Avenue and Maple Street. The design phase was on hold but will now resume in January 2013. The design is expected to be completed in late 2014.

City-Initiated Transit Extensions to Metrolink

Project development continued with the two Board-approved Go Local fixed-guideway projects, one in the City of Anaheim and the other in the cities of Santa Ana and Garden Grove. The Anaheim Rapid Connection Project's Alternatives Analysis (AA) Report was completed and submitted to the Federal Transit Administration (FTA) in October for review. Based upon the results of the AA report and input from the community, the Anaheim City Council adopted the streetcar as the locally preferred alternative on October 23, 2012.

The Santa Ana/Garden Grove project team completed the draft AA/environmental assessment (EA)/environmental impact report (EIR), which was submitted to the FTA for review in December 2012. The combined document evaluates the various project alternatives that were studied and carried forward through the environmental review process. Upon approval from the FTA, the draft AA/EA/EIR will be released to the public for comments in spring 2013.

ATTACHMENT B

Schedule 1

Measure M1
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of December 31, 2012

($ in thousands)	Quarter Ended Dec 31, 2012	Year to Date Dec 31, 2012 *(A)*	Period from Inception through Dec 31, 2012 *(B)*
Revenues:			
Sales taxes	$ -	$ -	$ 4,003,972
Other agencies' share of Measure M1 costs:			
Project related	9,586	16,879	569,979
Non-project related	-	-	620
Interest:			
Operating:			
Project related	509	509	1,562
Non-project related	916	1,954	269,029
Bond proceeds	-	-	136,067
Debt service	-	-	82,054
Commercial paper	-	-	6,072
Orange County bankruptcy recovery	-	-	42,268
Capital grants	-	-	156,434
Right-of-way leases	79	176	6,183
Proceeds on sale of assets held for resale	-	-	24,575
Miscellaneous:			
Project related	-	-	26
Non-project related	-	-	776
Total revenues	11,090	19,518	5,299,617
Expenditures:			
Supplies and services:			
State Board of Equalization (SBOE) fees	-	-	56,883
Professional services:			
Project related	649	920	204,682
Non-project related	180	196	35,299
Administration costs:			
Project related	264	538	22,862
Non-project related	726	1,443	95,582
Orange County bankruptcy loss	-	-	78,618
Other:			
Project related	19	37	1,997
Non-project related	1	3	15,958
Payments to local agencies:			
Turnback	-	-	594,009
Other	6,793	10,590	920,304
Capital outlay	1,541	9,928	2,078,043
Debt service:			
Principal payments on long-term debt	-	-	1,003,955
Interest on long-term debt and commercial paper	-	-	561,842
Total expenditures	10,173	23,655	5,670,034
Excess (deficiency) of revenues over (under) expenditures	917	(4,137)	(370,417)
Other financing sources (uses):			
Transfers out:			
Project related	-	-	(383,264)
Non-project related	-	-	(5,116)
Transfers in: project related	-	-	1,829
Bond proceeds	-	-	1,169,999
Advance refunding escrow	-	-	(931)
Payment to refunded bond escrow agent	-	-	(152,930)
Total other financing sources (uses)	-	-	629,587
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	$ 917	$ (4,137)	$ 259,170

Measure M1
Schedule of Calculations of Net Tax Revenues and Net Bond Revenues (Debt Service)
as of December 31, 2012

($ in thousands)	Quarter Ended Dec 31, 2012 (actual)	Year Ended Dec 31, 2012 (actual)	Period from Inception through Dec 31, 2012 (actual)	Period from January 1, 2013 forward (forecast)	Total
		(C.1)	*(D.1)*	*(E.1)*	*(F.1)*
Tax revenues:					
Sales taxes	$ -	$ -	$ 4,003,972	$ -	$ 4,003,972
Other agencies' share of Measure M1 costs	-	-	620	-	620
Operating interest	916	1,954	269,029	3,117	272,146
Orange County bankruptcy recovery	-	-	20,683	-	20,683
Miscellaneous, non-project related	-	-	776	-	776
Total tax revenues	916	1,954	4,295,080	3,117	4,298,197
Administrative expenditures:					
SBOE fees	-	-	56,883	-	56,883
Professional services, non-project related	180	196	26,438	-	26,438
Administration costs, non-project related	726	1,443	95,582	6,845	102,427
Transfers out, non-project related	-	-	5,116	-	5,116
Orange County bankruptcy loss	-	-	29,792	-	29,792
Other, non-project related	1	3	6,858	-	6,858
Total administrative expenditures	907	1,642	220,669	6,845	227,514
Net tax revenues	$ 9	$ 312	$ 4,074,411	$ (3,728)	$ 4,070,683

		(C.2)	*(D.2)*	*(E.2)*	*(F.2)*
Bond revenues:					
Proceeds from issuance of bonds	$ -	$ -	$ 1,169,999	$ -	$ 1,169,999
Interest revenue from bond proceeds	-	-	136,067	-	136,067
Interest revenue from debt service funds	-	-	82,054	-	82,054
Interest revenue from commercial paper	-	-	6,072	-	6,072
Orange County bankruptcy recovery	-	-	21,585	-	21,585
Total bond revenues	-	-	1,415,777	-	1,415,777
Financing expenditures and uses:					
Professional services, non-project related	-	-	8,861	-	8,861
Payment to refunded bond escrow	-	-	153,861	-	153,861
Bond debt principal	-	-	1,003,955	-	1,003,955
Bond debt interest expense	-	-	561,842	-	561,842
Orange County bankruptcy loss	-	-	48,826	-	48,826
Other, non-project related	-	-	9,100	-	9,100
Total financing expenditures and uses	-	-	1,786,445	-	1,786,445
Net bond revenues (debt service)	$ -	$ -	$ (370,668)	$ -	$ (370,668)

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Schedule 3

Measure M1
Schedule of Revenues and Expenditures Summary
as of December 31, 2012

Project Description	Net Tax Revenues Program to date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures Quarter Ended Dec 31, 2012	Reimbursements Quarter Ended Dec 31, 2012	Expenditures through Dec 31, 2012	Reimbursements through Dec 31, 2012	Net Project Cost	Percent of Budget Expended
(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(N)	(O)	(P)	(Q)
($ in thousands)												
Freeways (43%)												
I-5 between I-405 (San Diego Fwy) and I-605 (San Gabriel Fwy)	$ 982,439	$ 981,542	$ 810,010	$ 789,022	$ 192,520	$ 20,988	$ 202	$ 15	$ 875,743	$ 85,681	$ 790,062	97.5%
I-5 between I-5/I-405 Interchange and San Clemente	68,758	68,695	72,862	74,962	(6,267)	(2,100)	-	-	70,294	10,358	59,936	82.3%
I-5/I-405 Interchange	87,269	87,189	72,802	73,075	14,114	(273)	-	-	98,157	25,082	73,075	100.4%
SR-55 (Costa Mesa Fwy) between I-5 and SR-91 (Riverside Fwy)	58,180	58,126	44,511	49,349	8,777	(4,838)	-	-	55,514	6,172	49,342	110.9%
SR-57 (Orange Fwy) between I-5 and Lambert Road	29,090	29,063	24,128	22,758	6,305	1,370	-	-	25,617	2,859	22,758	94.3%
SR-91 (Riverside Fwy) between Riverside Co. line & Los Angeles Co. line	125,615	125,500	116,136	105,389	20,111	10,747	-	-	123,995	18,606	105,389	90.7%
SR-22 (Garden Grove Fwy) between SR-55 and Valley View St.	400,645	400,279	313,297	310,943	89,336	2,354	1,823	1,873	647,947	339,926	308,021	98.3%
Subtotal Projects	1,751,996	1,750,394	1,453,746	1,425,498	324,896	28,248	2,025	1,888	1,897,267	488,684	1,408,583	
Net (Bond Revenue)/Debt Service	-	-	311,917	311,917	(311,917)	-	-	-	311,917	-	311,917	
Total Freeways	$ 1,751,996	$ 1,750,394	$ 1,765,663	$ 1,737,415	$ 12,979	$ 28,248	$ 2,025	$ 1,888	$ 2,209,184	$ 488,684	$ 1,720,500	
%				42.8%							45.1%	
Regional Street and Road Projects (11%)												
Smart Streets	$ 153,664	$ 153,523	$ 151,114	$ 151,114	$ 2,409	$ -	$ 2,144	$ -	$ 156,540	$ 11,939	$ 144,601	95.7%
Regionally Significant Interchanges	89,637	89,555	89,555	89,555	-	-	-	-	73,895	146	73,749	82.4%
Intersection Improvement Program	128,053	127,936	127,936	127,936	-	-	1,336	2,214	109,518	3,720	105,798	82.7%
Traffic Signal Coordination	64,026	63,968	63,968	63,968	-	-	499	604	66,513	3,566	62,947	98.4%
Transportation Systems Management and Transportation Demand Management	12,805	12,794	12,794	12,794	-	-	206	-	9,674	149	9,525	74.4%
Subtotal Projects	448,185	447,776	445,367	445,367	2,409	-	4,185	2,818	416,140	19,520	396,620	
Net (Bond Revenue)/Debt Service	-	-	2,409	2,409	(2,409)	-	-	-	2,409	-	2,409	
Total Regional Street and Road Projects	$ 448,185	$ 447,776	$ 447,776	$ 447,776	$ -	$ -	$ 4,185	$ 2,818	$ 418,549	$ 19,520	$ 399,029	
%				11.0%							10.5%	

Measure M1
Schedule of Revenues and Expenditures Summary
as of December 31, 2012

Project Description	Net Tax Revenues Program to date Actual	Total Net Tax Revenues	Project Budget	Estimate at Completion	Variance Total Net Tax Revenues to Est at Completion	Variance Project Budget to Est at Completion	Expenditures Quarter Ended Dec 31, 2012	Reimbursements Quarter Ended Dec 31, 2012	Expenditures through Dec 31, 2012	Reimbursements through Dec 31, 2012	Net Project Cost	Percent of Budget Expended
(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(N)	(O)	(P)	(Q)
($ in thousands)												
Local Street and Road Projects (21%)												
Master Plan of Arterial Highway Improvements	$ 160,762	$ 160,523	$ 160,523	$ 160,523	$ -	$ -	$ 2,636	$ -	$ 136,341	$ 99	$ 136,242	84.9%
Streets and Roads Maintenance and Road Improvements	594,864	594,320	594,320	594,320	-	-	-	-	594,025	-	594,025	100.0%
Growth Management Area Improvements	100,000	100,000	100,000	100,000	-	-	328	-	94,411	431	93,980	94.0%
Subtotal Projects	855,626	854,843	854,843	854,843	-	-	2,964	-	824,777	530	824,247	
Net (Bond Revenue)/Debt Service	-	-	-	-	-	-	-	-	-	-	-	
Total Local Street and Road Projects	$ 855,626	$ 854,843	$ 854,843	$ 854,843	$ -	$ -	$ 2,964	$ -	$ 824,777	$ 530	$ 824,247	
%				21.1%							21.6%	
Transit Projects (25%)												
Pacific Electric Right-of-Way	$ 19,715	$ 19,697	$ 15,000	$ 14,000	$ 5,697	$ 1,000	$ 45	$ 16	$ 17,353	$ 3,201	$ 14,152	94.3%
Commuter Rail	367,727	367,371	352,075	360,015	7,356	(7,940)	-	-	411,438	60,805	350,633	99.6%
High-Technology Advanced Rail Transit	446,871	446,462	427,872	440,688	5,774	(12,816)	42	5,452	455,501	151,083	304,418	71.1%
Elderly and Handicapped Fare Stabilization	20,000	20,000	20,000	20,000	-	-	-	-	20,000	-	20,000	100.0%
Transitways	164,291	164,140	146,381	126,625	37,515	19,756	5	-	162,685	36,765	125,920	86.0%
Subtotal Projects	1,018,604	1,017,670	961,328	961,328	56,342	-	92	5,468	1,066,977	251,854	815,123	
Net (Bond Revenue)/Debt Service	-	-	56,342	56,342	(56,342)	-	-	-	56,342	-	56,342	
Total Transit Projects	$ 1,018,604	$ 1,017,670	$ 1,017,670	$ 1,017,670	$ -	$ -	$ 92	$ 5,468	$ 1,123,319	$ 251,854	$ 871,465	
%				25.1%							22.8%	
Total Measure M1 Program	$ 4,074,411	$ 4,070,683	$ 4,085,952	$ 4,057,704	$ 12,979	$ 28,248	$ 9,266	$ 10,174	$ 4,575,829	$ 760,588	$ 3,815,241	

OCTA

BOARD COMMITTEE TRANSMITTAL

February 25, 2013

To:	Members of the Board of Directors
From:	WK Wendy Knowles, Clerk of the Board
Subject:	Measure M2 Environmental Cleanup Program – 2013 Tier 2 Water Quality Grant Funding Allocations

Executive Committee meeting of February 4, 2013

Present:	Chairman Winterbottom, Vice Chairman Nelson, and Directors Bates, Eastman, Hennessey, Murray, and Nguyen
Absent:	Director Spitzer

Committee Vote

This item was passed by the Committee Members present.

Committee Recommendations

A. Waive the 70 point minimum score included in the Tier 2 Comprehensive Transportation Funding Programs Guidelines, as requested by the Environmental Cleanup Allocation Committee.

B. Approve eight projects, totaling $12,708,314, for the Measure M2 Environmental Cleanup Program, Project X, Tier 2 Funding Program.

C. Authorize the allocation of funds through the Comprehensive Transportation Funding Program master funding agreement process for projects approved for programming.

D. Direct staff to return with updated Tier 2 funding program guidelines by June 2013.

E. Direct staff to find priority projects in the high-priority areas with a focus on small cities. Include, if necessary, a higher threshold of funding from OCTA to ensure that high-priority projects come forward in high-priority areas.

OCTA

February 4, 2013

To: Executive Committee

From: Will Kempton, Chief Executive Officer

Will Kempton

Subject: Measure M2 Environmental Cleanup Program – 2013 Tier 2 Water Quality Grant Funding Allocations

Overview

The Measure M2 Environmental Cleanup Program, Project X, provides funds to assist jurisdictions with transportation-related water quality improvements. Funds are made available on a countywide competitive basis to mitigate the more visible forms of pollutants (Tier 1), as well as more capital-intensive projects (Tier 2). Funding recommendations for the first cycle of Tier 2-type projects are presented for review and approval.

Recommendations

A. Waive the 70 point minimum score included in the Tier 2 Comprehensive Transportation Funding Programs Guidelines, as requested by the Environmental Cleanup Allocation Committee.

B. Approve eight projects, totaling $12,708,314, for the Measure M2 Environmental Cleanup Program, Project X, Tier 2 Funding Program.

C. Authorize the allocation of funds through the Comprehensive Transportation Funding Program master funding agreement process for projects approved for programming.

D. Direct staff to return with updated Tier 2 funding program guidelines by June 2013.

Background

The Environmental Cleanup Program, Project X (ECP), provides Measure M2 (M2) revenues to improve overall water quality in Orange County from transportation-related pollution. Funding is allocated on a countywide competitive basis. These funds are intended to supplement, not supplant, existing transportation-related water quality programs. Funds are awarded to priority projects that improve water quality in streams, harbors, and other waterways that have a nexus to transportation-related pollution consistent with the Orange County Transportation Authority's (OCTA) M2 Ordinance No. 3.

The ECP is divided into two programs (Tiers 1 and 2) based on the May 2010 Board of Directors (Board) policy. The Tier 1 Grant Program is designed to mitigate the more visible forms of pollutants, such as litter and debris that collects on roadways and in storm drains prior to being deposited in waterways and the ocean. Tier 1 consists of funding for equipment purchases and upgrades to existing catch basins and related best management practices such as screens, filters, and inserts projects. The Tier 2 Grant Program consists of funding regional, multi-jurisdictional, and capital-intensive projects (Attachment A). Examples include constructed wetlands, detention/infiltration basins, and bioswales, which mitigate pollutants including litter and debris, and also heavy metals, organic chemicals, and sediment. In May 2010, the Board also approved a funding approach for the ECP. The funding plan called for up to $19.5 million in Tier 1 grants on a "pay-as-you-go" basis through fiscal year (FY) 2017-18, and up to $38 million in Tier 2 grants via bonding through FY 2014-15.[1]

OCTA's Environmental Cleanup Allocation Committee ({ECAC} Attachment B) guides the development of calls for projects for the ECP, as well as recommends funding for specific projects based on objective scoring criteria. In 2012, the ECAC endorsed guidelines for the first cycle of the Tier 2 call for projects. In May 2012, the Board approved the Tier 2 guidelines, and staff issued the first Tier 2 call for projects (with up to $13.3 million available in the first year).

Several public outreach efforts were undertaken leading up to and during the first Tier 2 call for projects. These included workshops held both before and during the Tier 2 call for projects, field reviews, and one-on-one meetings with technical support from the OCTA consultant. In addition, applicants were given an opportunity to clarify details related to their proposed projects subsequent to the close of the call.

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[1] A Tier 1 call for projects will be issued in quarter two of 2013.

Discussion

OCTA received 12 applications from ten cities, with a total requested amount of $15,992,876. Review and evaluation of the 12 applications was conducted by OCTA staff and Garry Brown, Vice Chairman of the ECAC.

Each proposal could receive up to 100 points with the potential to earn up to five additional bonus points. Scoring is based on both technical (meeting M2 requirements) and non-technical criteria. The technical scoring criteria (70 percent weighting) is intended to address the intent of the ECP, transportation-related pollution, the urban runoff treatment needed, and the ability of the proposed project to address specific water quality issues. Other scoring criteria (30 percent weighting) include factors such as project readiness, flood protection, and regional benefits of the project.

During the Tier 2 guidelines development, the ECAC recommended funding only for projects receiving a score of 70 points or higher. Hence, the Comprehensive Transportation Funding Program Guidelines included the 70-point minimum threshold. The evaluation process resulted in only two projects receiving a score above 70 points as part of this call for projects. It is important to note that this was the first Tier 2 call for projects, and OCTA had not established a history or benchmark on the types of Tier 2 projects. In addition, the scoring criteria had not been tested against a set of projects. Therefore, after considerable deliberation, the ECAC recommended to waive the minimum scoring requirement.

At the January 10, 2013 meeting, the ECAC endorsed the recommendation to waive the 70-point minimum and fund eight projects, totaling $12.7 million. The eight recommended projects include two projects with scores above 70 points and six projects that received scores below 70 points (Attachment C). The four projects not recommended for funding are listed in Attachment D.

The eight Tier 2 proposals recommended for funding by the ECAC generally include four types of projects, as summarized below:

1) Detention/infiltration basins (two projects): An infiltration basin is essentially a reservoir designed to infiltrate stormwater. Infiltration basins use the natural filtering ability of the soil to remove pollutants in stormwater runoff. Infiltration facilities store runoff until it gradually infiltrates into the soil and eventually into the water table.

2) Bioswales (two projects): Vegetated swales are open, shallow channels with vegetation covering the side slopes and bottom that collect and slowly convey runoff flow to downstream discharge points. The swales are designed to treat runoff through filtering by the vegetation in the channel, filtering through a subsoil matrix, and/or infiltration into the underlying soils. These projects trap pollutants, promote infiltration, and reduce the flow velocity of stormwater runoff.

3) Regional trash/litter debris removal system (two projects): Catch basin inserts are filters placed in a drop inlet to remove sediment and debris and may include oil absorbent pouches to remove floating oils and grease.

4) Runoff diversion (two projects): Diversion projects refer to the capture of discharge and subsequent diversion into sanitary sewer system. This enables pollutants to be transported to an off-site facility for treatment and/or groundwater recharging.

Next Steps

Upon Board approval of recommendations, successful applicants will need to execute a letter agreement under the master funding agreement approved by the OCTA Board in July 2011. Further, if approved, the eight projects that are recommended for funding must secure all necessary third-party agreements and permits prior to award of contract in the programmed year. Staff will continue to monitor and report on project status and project delivery through the Comprehensive Transportation Funding Programs semi-annual review process.

The next Tier 2 call for projects is anticipated for summer 2013, with approximately $25.3 million available. In the interim, staff will continue to work with all local agencies to encourage broader participation. Staff will also gather lessons learned to propose revisions to Tier 2 Guidelines for the next call.

Fiscal Impact

This project is proposed to be included in OCTA's FY 2012-13 Budget, Planning Division, Account 0017-7831-MX001-T6S (M2 funds).

Summary

The Environmental Cleanup Program, Project X, Tier 2 Grant Program Guidelines and first call for projects was approved by the Board of Directors on May 14, 2012. Eight Tier 2 projects, totaling approximately $12.7 million, are presented for review and approval.

Attachments

A. Planning Study – Renewed Measure M Tier 2 Grant Program – Tier 2 Executive Summary
B. Environmental Cleanup Allocation Committee Roster
C. 2012-13 OCTA Environmental Cleanup Program Tier 2 Call for Projects – Funding Recommendations – Funded Projects List
D. 2012-13 OCTA Environmental Cleanup Program Tier 2 Call for Projects – Unfunded Projects List

Prepared by:

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Section Manager
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Approved by:

Kia Mortazavi
Executive Director, Planning
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EXECUTIVE SUMMARY

The Orange County Transportation Authority's (OCTA) Environmental Cleanup Program (ECP) provides a 2% allocation of annual Renewed Measure M (M2) gross revenues to improve transportation-related water quality issues in Orange County. The goal of the ECP is to fund projects on a countywide, competitive basis which assist jurisdictions in meeting the Clean Water Act standards for controlling transportation-related pollution. The M2 ECP funds are designed to supplement, not supplant, existing water quality programs. Proposed projects must demonstrate a direct nexus (connection) to a reduction of ***transportation-related*** pollution.

In May 2010, the Board approved a two-tiered approach to fund the M2 ECP. Specifically, the funding plan called for up to $19.5 million in Tier 1 grants intended to fund purchases and upgrades to existing catch basins with BMPs (such as storm water screens, filters, inserts and other "street-scale" low flow diversion projects) and up to $38 million in Tier 2 grants intended to fund regional, potentially multi-jurisdictional, capital-intensive structural treatment BMP projects.

The Board also approved a planning and research study related to the development of the funding guidelines for the Tier 2 Grant Program. This Tier 2 Grant Program Planning Study (Planning Study) was conducted to identify and categorize the most strategically effective areas (SEAs) for implementation of structural Best Management Practices (BMPs) within the County's eleven watersheds. This Study describes background information and the scoring basis for the watershed-scale technical project evaluation criteria. The Study is intended to be a reference document supporting GIS evaluations within the Tier 2 Grant Program.

PROJECT EVALUATION CRITERIA

All proposals that meet the mandatory prerequisites will be evaluated based on competitive selection criteria. Each proposal will receive a score of up to 100 points, which is based on both technical (M2-required) scoring criteria (70 percent weighting), as well as other scoring (non-required) criteria (30 percent weighting). The specific technical and non-technical scoring metrics and the points awarded for each were developed and approved by the OCTA Environmental Cleanup Allocation Committee (ECAC) through a public process including monthly ECAC meetings and technical subcommittee meetings. The results are summarized in Table ES-1 below.

The technical scoring criteria are intended to address:

- The intent of M2 funds to address transportation-related pollution (transportation nexus, represented as a Transportation Priority Index, or TPI).
- Urban runoff treatment need, evaluated based both on:
  - A land use based water quality needs assessment (WQN-LU), and
  - A Receiving Water (e.g., Waters of the U.S.) based, wet-weather and dry-weather water quality assessment based on wet weather and dry weather monitoring data and 303(d) impairments(WQN-MON), and
- The ability of the proposed project to address catchment specific water quality issues (BMP Water Quality Performance).

Table ES-1. Tier 2 Grant Funding Project Scoring Criteria

Criteria	**Score**
Technical Scoring Criteria (M2 required) (70% of score)	
1. Transportation Priority Index[1]	5
2a. Land Use Based Wet-Weather Water Quality Need[1]	30
2b. Receiving Water Based Water Quality Need (Monitoring Data and 303(d) Impairments)[1]	10
3. BMP Water Quality Performance[2]	25
Non-Technical Scoring Criteria (30% of total score)	
4. Multiple Benefits (Up to 10 points)	10
4a. Downstream Flood Hazard Mitigation	*(5)*
4b. Recreational Benefits	*(5)*
4c. Habitat Benefits	*(5)*
4d. Water Resources Benefits	*(5)*
4.e Other Benefits	*(5)*
5. Project Readines	10
6. Policy: Multi-jurisdictional/Community Support	10
BONUS POINTS	
7. Ability to Leverage Funding	5
TOTAL POSSIBLE POINTS	**105**

[1] Source of this score will be the catchment prioritization (this study)
[2] Source of this score will be project-specific, based on SBPAT BMP Modeling and Analysis Tool

This Planning Study describes tools and methods used as the basis for calculating project scores related to watershed-scale Technical (M2-Required) Scoring Criteria. This includes the TPI, WQN-LU, and WQN-MON scoring criteria. Non-technical (non-M2-required) scoring metrics will be described in OCTA's Funding Guidelines and Scoring Metrics and are not included in this document. The Planning Study does not provide the technical basis for the BMP Water Quality Performance scoring criteria because the Planning Study score is project performance-related and therefore requires information from project applicants for evaluation (design criteria, etc.). In contrast, scores for the TPI, WQN-LU, and the WQN-MON scoring criteria are need-related, and therefore depend on watershed-scale information used to identify geographic regions in high need of water quality treatment.

Strategically Effective Areas Assessment

The Strategically Effective Areas (SEA) Assessment consisted of three separate analyses used to develop geographic priorities: TPI, WQN-LU, and WQN-MON. This assessment directly supports the technical (M2-required) scoring guidelines. All three analyses were conducted at the same drainage-based catchment scale and the results of each analysis were weighted and combined to highlight areas in high need of structural BMP implementation addressing transportation-related pollution in Orange County. Results are presented as maps showing a) catchment scores for each individual analysis; and b) catchment scores weighted and combined based on the weights summarized in Table ES-1. The scores depicted in the cumulative map illustrate SEAs for structural BMP implementation.

To conduct the SEA Assessment, a Geographic Information Systems (GIS) model of Orange County was developed. The model is structured as a geodatabase that contains spatial (i.e., specific location points and mapped areas) and non-spatial data layers pertinent to the SEA assessment including catchment boundaries, transportation networks, land use, soils, drainage, rainfall isohyets, land use-based event mean concentrations (EMCs), 303(d) impaired waterbodies, topography, monitoring stations, monitoring station tributary areas, etc.

Methods

The transportation nexus catchment scores (represented as TPI) were calculated based on current lane-miles per unit area of each catchment. The probability density function (based on percentiles, or quantiles) of the results was then used to break scores into 10 groups of equal number. Each group was then assigned a score of between 1 and 10, dependent upon relative position in the probability density function (i.e., the highest score would represent the top 10 percent of catchment areas).

The WQN-MON catchment scores were calculated in equal parts based on results of Orange County Public Works (OCPW) receiving water monitoring data gathered between summer 2006 and spring 2009 and the number of downstream 303(d) impairments. OCPW receiving water monitoring data was provided specifically for toxicity and water quality and had been synthesized by OCPW in reports submitted to the Regional Water Quality Control Boards, such that each monitoring station had been assigned to a "poor", "fair", "good" or "very good" category. These categories were then used to assign scores to the areas tributary to each monitoring station. These scores were combined with scores developed based on the number of downstream 303(d) impairments and regulatory importance of such impairments (with waterbodies addressed by Total Maximum Daily Loads, or TMDLs, weighted higher than impairments), and normalized in the same manner as the TPI scores.

While the TPI and WQN_MON scoring criteria were calculated through manipulation of spatial and non-spatial data in the ArcGIS environment, a specialized ArcGIS extension called the Structural BMP Prioritization and Analysis Tool (SBPAT) was used to automate calculation of the WQN-LU scores. SBPAT is a GIS-based decision support tool that can be used to identify and prioritize potential structural BMP retrofit projects as well as estimate planning-level costs and potential pollutant concentrations and load reductions resulting from the implementation of the prioritized projects. The methodological basis for the tool can be thought of as a five step approach to strategically identifying and evaluating structural BMP projects for water quality treatment. Only the first step was required for development of this Planning Study and is described herein.

The objective of the task described herein was to identify catchments within the watershed with the highest water quality improvement need. The relative need for retrofitting a catchment within a watershed with structural BMPs is quantified by developing a Catchment Prioritization Index (CPI) and a nodal Catchment Prioritization Index (NCPI). In general, CPI and NCPI are calculated for each catchment based on the sum of weighted individual pollutant loading potential scores (weighted for downstream receiving water impairments and TMDLs). OCTA and the ECAC, through a public process, established the weightings, priorities, and ranking methods, the results of which are reflected in this Planning Study.

To develop the catchment-specific SEA scores, the results of the TPI, WQN-LU, and WQN-MON were weighted based on the scoring weights summarized in Table ES-1.

Watershed-Specific Results

For the initial round of potential Tier 2 Grant Program project evaluations, catchment areas within the County's eleven watersheds were evaluated and compared on a Countywide basis[1]. Results of the SEA assessment clearly indicate that the Coyote Creek and Newport Bay watersheds are high priorities for structural BMP implementation based on the criteria evaluated in calculation of the weighted combination of the TPI, WQN-LU, and WQN-MON. Anaheim Bay watershed also contains a number of high scoring catchments. However, it is not as high as Newport Bay and Coyote Creek watersheds.

In terms of percentiles, with the highest percentiles reflecting highest priorities, Coyote Creek, Newport Bay and Anaheim Bay collectively contain all catchments scoring in the highest (70^{th}, 80^{th}, and 90^{th}) percentiles of SEA scores. In examining WQN-LU (a significant component of the SEA scores) all catchments falling within the highest (70^{th}, 80^{th}, and 90^{th}) percentiles of WQN-LU scores are also within the Coyote Creek, Newport Bay and Anaheim Bay watersheds.

While the TPI and the WQN-MON scores are weighted lower than WQN-LU in calculation of SEA score, they do have an impact on SEAs. This is most evident in the San Juan and Anaheim Bay watersheds where results for the three scoring criteria components of the SEA vary more widely than in the Coyote Creek and Newport Bay watersheds. For example, in the Oso Creek area of the San Juan watershed, SEAs are slightly higher than the WQN-LU scores. In this particular subwatershed, high TPI and number of impairments (a portion of the Monitoring score) scores subtly enhance SEAs.

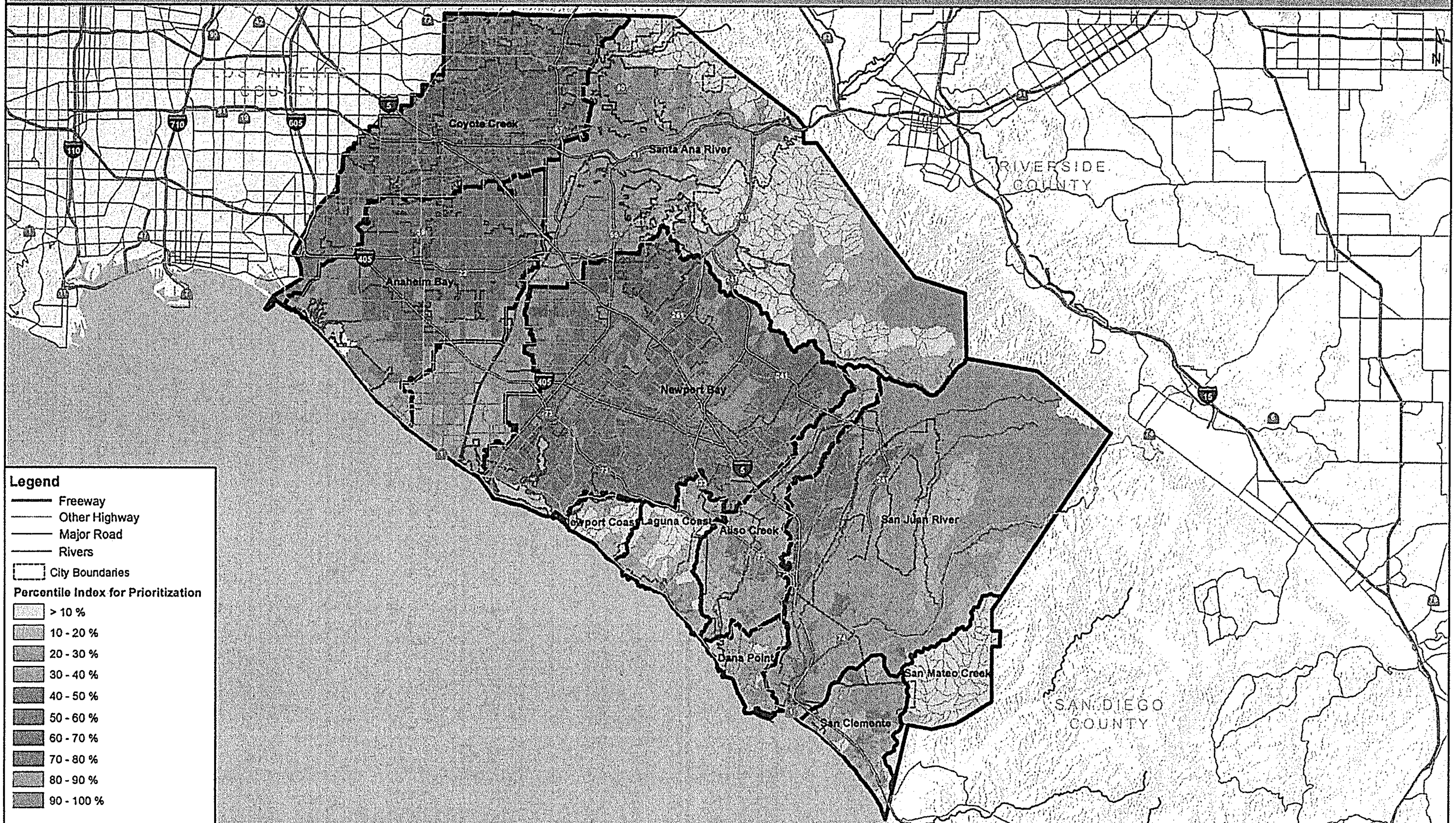
Similarly, in the Anaheim Bay watershed, low WQN-MON scores subtly decrease the relative importance of the catchments within the watershed in terms of SEA. WQN-LU scores are slightly higher throughout the watershed than SEAs. The low number of downstream impairments in this watershed as compared to the other watersheds tends to lower SEAs slightly.

A map illustrating the SEAs in Orange County is provided as Figure ES-1.

[1] It was agreed that should this evaluation indicate a bias, subsequent rounds of project evaluation may consider prioritization within watershed management areas.

Orange County Transportation Authority - Measure M2 Tier 2 Planning Study

Figure ES-1. Strategically Effective Areas for Structural BMP Implementation



April 2012

ATTACHMENT B

OCTA

Environmental Cleanup Allocation Committee
Roster

Chairman Mary Anne Skorpanich
Director
Orange County Watersheds
County of Orange

Vice Chairman Garry Brown
President & Chief Executive Officer
Orange County Coastkeeper

Mark Adelson
Senior Environmental Scientist
Santa Ana Regional Water Quality
Control Board

John Bahorski
City Manager
City of Cypress

Scott Carroll
General Manager
Costa Mesa Sanitary District

Gene Estrada
Senior Civil Engineer
City of Orange

Chad Loflen
Environmental Scientist
Northern Watershed Unit
California Water Quality Control
Board – San Diego Region

Tom Rosales
General Manager
South Orange County Wastewater
Authority

Hector B. Salas
Associate Environmental Planner,
NPDES/ Storm Water Unit
Caltrans

Jean-Daniel Saphores
Associate Professor
UC Irvine

Sat Tamaribuchi
Environmental Consultant

Dennis Wilberg
City Manager
City of Mission Viejo

Dick Wilson
Environmental Services Manager
City of Anaheim

Marwan N. Youssef
Public Works Director/City Engineer
City of Westminster

1/23/2013

ATTACHMENT C

2012-13 OCTA Environmental Cleanup Program Tier 2 Call for Projects Funding Recommendations
Funded Projects List

Rank	Agency	Project Title	Description[1]	Project Category	Programmed Year[2]	Cumulative Funding	Tier 2 Funding	Local Match	Total Project Cost	Score
1	Tustin	Tustin Legacy Detention Basin and Wetlands	~Proposed project will treat stormwater that flows into three water bodies, Peters Canyon Channel, Upper Newport Bay, and Lower Newport Bay. ~Proposed detention basin will use landscaping and its capacity to aid treatment of runoff from nuisance flows and small storms and provide flood flow attenuation.	Detention/infiltration basins	FY 2013-14	$824,688	$824,688	$444,063	$1,268,750	84.5
2	Laguna Niguel	Oso Creek Multi-Use Trails	Design and construct permeable pavements, landscaped infiltration strips, and bioretention BMPs that will replace 2.8 acres of existing impervious roadway pavements within public right-of-way along Forbes Road.	Bioswales	FY 2013-14	$1,707,988	$883,300	$1,409,689	$2,292,989	72.5
3	Newport Beach Carnation	Carnation Ave Litter Removal Project	~Install three continuous deflective separation units within this watershed to remove oil, grease, sediment and trash generated in and around Pacific Coast Highway. ~Continuous defection separator system screens, separates and traps pollutants including the removal of 100 percent of floating pollutants.	Regional trash/litter debris removal systems	FY 2013-14	$2,434,798	$726,810	$311,490	$1,038,300	67.5
4	Irvine	Peters Canyon Wash Water Capture and Reuse Pipeline	~Peters Canyon Wash water capture and reuse pipeline designed to capture and permanently divert discharges of selenium-laden groundwater caused by regional transportation system subsurface infrastructure at four locations. ~Sewer diversion and infiltration/injection.	Runoff diversion	FY 2013-14	$5,707,903	$3,273,105	$2,182,070	$5,455,175[3]	67
5	Anaheim South	Brookhurst Street "South" Widening and Storm Swale Project	Construct 3.4 acres of vegetated swales and permeable pathways.	Bioswales	FY 2012-13	$6,793,603	$1,085,700	$465,300	$1,551,000	63
6	Dana Point	San Juan Creek LO1SO2 Trash Removal & Dry Weather Diversion	~Diversion project to provide for 100 percent elimination of dry weather pollutant loads. ~Remove litter and other debris from diverted flows and enhance habitat in the watershed area upstream of project using arundo removal component. ~Includes arundo removal component to enhance the habitat in the watershed area upstream of the project. ~Trash separation/filter, nuisance water diversion to sanitary sewer.	Regional trash/litter debris removal systems	FY 2013-14	$7,263,839	$470,236	$253,204	$723,440	63
7	Santa Ana	Santa Ana Delhi Channel Diversion Project	Urban discharge diversion facility to capture and divert urban discharge low-flow into the sanitary sewer system to address urban surface water quality.	Runoff diversion	FY 2013-14	$9,836,714	$2,572,875	$1,715,250	$4,288,125	60.5
8	Costa Mesa	Industrial Way Water Quality and Storm Drain Improvement Project	~Install underground detention/infiltration facility within open grass field. ~Construct a parallel storm drain facility within Anaheim Avenue next to existing 30-inch pipeline.	Detention/infiltration basins	FY 2013-14	$12,708,314	$2,871,600	$1,914,400	$4,786,000	57.5

[1]The recommended funded projects may contain features or components that do not have direct water quality benefits. OCTA will fund features/components of projects that have direct water quality benefits. For example, a project may contain street lighting, signage, and fencing, which will not be funded with M2 ECP funds. Components such as storm drain installation, installation of vegatation for bioswales, and inlet/outlet structures would be funded with M2 ECP funds.

[2]All third party agreements and permits must be executed prior to contract award and initial payment

[3]Subsequent to application submittal, the city modified the total project cost

BMP - Best management practice

ATTACHMENT D

2012-13 OCTA Environmental Cleanup Program Tier 2 Call for Projects
Unfunded Projects List

Rank	Agency	Project Title	Description	Project Category	Cumulative Funding	Tier 2 Funding	Local Match	Total Project Cost	Score
9	Anaheim North	Brookhurst Street "North" Widening and Storm Swale Project	Construct two vegetative swales and detention basins with under drains, and a community garden on two acres of remnant right-of-way parcels on the east side of Brookhurst Avenue, between I-5 and SR-91, alongside a complementary street widening project.	Bioswales	#REF!	$2,206,737	$1,471,158	$3,677,895	52.5
10	Huntington Beach	Adams Avenue Frontage Median Retrofit Project – Bio-Retention Swale	Remove ~15,300 square feet of asphalt from the Adams Avenue frontage road medians and provide water quality treatment with the construction of three bio-retention swales and sidewalk.	Bioswales	#REF!	$408,000	$272,000	$680,000	51
11	Aliso Viejo	Dairy Fork Constructed Wetland Project	Construct a wetland to reduce pollutant loads in urban runoff from the Dairy Fork tributary area of Aliso Creek.	Detention/infiltration basins	#REF!	$429,900	$286,600	$716,500	47.5
12	Newport Beach Cameo	Cameo Shores Water Quality Improvement & Litter Removal Project	~Low impact development improvements at 11 intersections within Cameo Shores subdivision to significantly reduce dry weather runoff reaching the Pacific Ocean. ~Remove asphalt pavement and construct porous concrete over a rock reservoir that extends into the parkway. ~Infiltration trench, infiltration basin.	Regional trash/litter debris removal systems	#REF!	$239,925	$102,825	$342,750	35.5

I-5 - Interstate 5
SR-91 - State Route 91

OCTA

February 13, 2013

To: Finance and Administration Committee

From: Will Kempton, Chief Executive Officer

Subject: Measure M2 Fare Stabilization Update

Overview

Measure M2 allocates one percent of net revenues to stabilize fares for seniors and persons with disabilities under Project U. Due to the significant decrease in projected revenue available for Project U as compared to the original projections in 2005, it is anticipated that the one percent allocation will be insufficient to meet projected expenditures over the life of the Measure M2 Program. Staff has been directed to provide an update addressing the potential shortfall in funding.

Recommendation

Direct staff to return in December 2013 with an update on the status of the Project U Fare Stabilization Program.

Background

Since inception in 1991, the Measure M1 (M1) Program transit mode has included funding for the stabilization of senior and disabled passenger fares. The M1 Program allocated $20 million ($1 million per year) to fund the stabilization of senior and disabled passenger fares. Age eligibility for a senior during M1 was consistent with the Federal Transit Administration definition of a senior, which was age 65 or greater. Measure M2 (M2), Project U, continues funding for the stabilization of senior and disabled passenger fares, but applies a more lenient eligibility age, defining a senior as age 60 or greater. Given the increase in the number of seniors eligible to participate in the Fare Stabilization Program and the impact of the recession on funding, forecasts have indicated that revenue will be insufficient to meet the Fare Stabilization Program obligations specified in the ordinance. Per the M2 Project U Funding and Policy Guidelines approved by the Board of Directors (Board) on February 14, 2011, unallocated funds from the Senior Mobility Program (SMP) (also a Project U program) are to be used to help backfill for shortfalls in funding for the Fare Stabilization Program.

On November 23, 2011, staff provided an update to the Finance and Administration (F&A) Committee on the Fare Stabilization Program, and was directed to return to the F&A Committee in the fall of 2012 with an update. Staff anticipated returning to the F&A Committee in December 2012 to provide an update inclusive of the impacts of the fare increase approved by the Board on November 26, 2012; however, the F&A Committee meetings for the months of December 2012 and January 2013 were cancelled.

Discussion

Project U provides one percent of net M2 revenues to provide fare discounts for bus services, specialized ACCESS services, and future rail services for seniors and persons with disabilities. This project, like all M2 projects, has seen a dramatic reduction in revenue as a result of the recession. In fiscal year (FY) 2005-06, it was anticipated that fare stabilization revenue would reach $232 million over the 30-year period of M2. Current estimates now indicate revenue may only reach $146 million over the same period. Despite the large reduction in forecasted revenue, the M2 Ordinance requires the Fare Stabilization Program to fund the same percentage of partial funding as of the effective date of the M2 Ordinance, which was November 8, 2006. This requirement limits Orange County Transportation Authority's (OCTA) flexibility to reduce fare stabilization expenditures commensurate with the reduction in revenue.

On June 12, 2011, OCTA implemented several Board-approved revisions to OCTA's existing fare policies. In order to be consistent with the M2 Ordinance, one of those revisions was the change of age eligibility to age 60 or greater. The change in age eligibility increased the population of eligible senior riders in the county by 42 percent.

On November 23, 2011, staff provided a report to the F&A Committee that anticipated the Fare Stabilization Program would be solvent until FY 2034-35. This forecast was based on data generated from the first quarter of the M2 Fare Stabilization Program. At that time ridership for senior and disabled passengers had increased 9 percent. In addition, the forecast for the amount of unallocated SMP funds available to backfill a shortfall of fare stabilization funds was estimated to average $450,000 per year over the life of the M2 Program based on the number of cities participating at that time.

Staff has updated the Fare Stabilization Program forecast based on data from the first 18 months of the program, and two factors have dramatically changed the long-term financial viability of the program since last year. Data from the first 18 months shows an increase in senior ridership of 28 percent, and that unallocated SMP funds will only average $285,000 per year due to additional cities joining the SMP Program. Based on the forecasts from the first 18 months of the Fare Stabilization Program, staff now anticipates that funding for the Fare Stabilization Program, including unallocated SMP funds, may only be sufficient through FY 2019-20.

Included as part of the M2 Ordinance is a Ten-Year Comprehensive Program Review, the first of which must be completed by November 2016. Staff recommends that an update on the status of the Fare Stabilization Program continue to be provided to the F&A Committee on an annual basis, and that any necessary amendments to the Fare Stabilization Program be considered as part of the Ten-Year Comprehensive Program Review.

Summary

Project U funding for fare stabilization is anticipated to be insufficient to fund the program over the life of M2 and may only be sufficient through FY 2019-20. Finance staff will work with the M2 Program Management Office to identify the options available to address the anticipated shortfall in funding. Staff is recommending that an update on the status of the Fare Stabilization Program continue to be provided to the Finance and Administration Committee on an annual basis, with the next update in December of 2013.

Attachment

None.

Prepared by:

Sean Murdock
Department Manager,
Financial Planning & Analysis
714-560-5685

Approved by:

Kenneth Phipps
Executive Director,
Finance and Administration
714-560-5637

OCTA

March 4, 2013

To: Regional Planning and Highways Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Measure M2 Annual Eligibility Review Subcommittee Recommendations for Fiscal Year 2011-12 Expenditure Reports

Overview

Measure M2 requires all local jurisdictions in Orange County to annually satisfy eligibility requirements in order to receive fair share and competitive grant net revenues. Fiscal year 2011-12 expenditure reports and resolutions have been submitted by the local jurisdictions and reviewed by staff and the Taxpayers Oversight Committee. Fiscal year 2011-12 expenditure reports are presented to the Board of Directors for eligibility determination.

Recommendations

A. Approve fiscal year 2011-12 expenditure reports and find all local jurisdictions eligible to receive fair share and competitive grant net revenues for fiscal year 2012-13.

B. Direct staff to return with an eligibility finding for the City of Huntington Beach pending adoption and submittal of fiscal year 2011-12 expenditure report.

Background

Local jurisdictions are required to satisfy 13 requirements on an annual basis to remain eligible to receive Measure M2 (M2) net revenues. These include:

- Congestion Management Program (CMP)
- Mitigation Fee Program (MFP)
- Circulation Element
- Capital Improvement Program
- Local Signal Synchronization Plan (LSSP)
- Pavement Management Plan (PMP)
- Expenditure report

- Participation in traffic forums
- Maintenance of effort declaration
- Consideration of land-use planning strategies that accommodate transit and non-motorized transportation
- Timely use of local fair share revenues
- No supplanting of funds
- Timely submittal of project final reports

The Taxpayer's Oversight Committee (TOC) is responsible for reviewing the local agencies CMP, MFP, LSSP, PMP, and expenditure report for compliance with M2 Ordinance No. 3. The annual eligibility review (AER) subcommittee has been designated by the TOC to review the eligibility submittals with support from Orange County Transportation Authority (OCTA) staff. The remaining items are reviewed by staff, with OCTA's consultant providing technical review.

Each local jurisdiction must adopt an annual expenditure report to account for M2 funds, developed/traffic impact fees, and funds expended by the local jurisdiction that satisfy maintenance of effort requirements. Local jurisdictions are required to annually submit expenditure reports six months after the close of the fiscal year, typically on December 31st, with the exception of the City of Huntington Beach, which follows a federal fiscal year (October 1 to September 30). Therefore, the City of Huntington Beach will submit an expenditure report by March 31st.

Discussion

With the exception of the City of Huntington Beach, all expenditure reports and resolutions were received by the December 31, 2012 deadline and are summarized in Attachment A. OCTA staff reviewed the expenditure reports to ensure compliance with Ordinance No. 3. The AER subcommittee convened on January 24, 2013 to review and discuss the expenditure reports. The AER subcommittee recommended revisions to the current template to separate the agency staff time charged directly to construction and maintenance. OCTA staff will return to the Board of Directors and present any resulting modifications to the expenditure report template to be implemented as part of future submittals. The AER subcommittee presented recommendations of eligibility compliance to the TOC on February 12, 2013.

Summary

All local jurisdictions in Orange County have submitted fiscal year 2011-12 expenditure reports that are consistent with the Measure M2 Ordinance. The Taxpayers Oversight Committee reviewed and approved the Measure M2 expenditure reports. All local jurisdictions have met the eligibility requirements for fiscal year 2012-13, except for the City of Huntington Beach. The City of Huntington Beach's expenditure report will be part of future eligibility items.

Attachment

A. Fiscal Year 2011-12 Expenditure Report Summary

Prepared By:

May Hout

May Hout
Associate Transportation Funding Analyst
(714) 560-5905

Approved By:

Kia Mortazavi
Executive Director, Planning
(714) 560-5741

ATTACHMENT A

Fiscal Year 2011-12 Expenditure Report Summary

Agency	Expenditure Report Received by 12/31/12	Resolution Received by 12/31/12	MOE Reported	Expenditure Report Found Compliant by TOC Subcommittee
Aliso Viejo	Yes	Yes	Yes	Yes
Anaheim	Yes	Yes	Yes	Yes
Brea	Yes	Yes	Yes	Yes
Buena Park	Yes	Yes	Yes	Yes
Costa Mesa	Yes	Yes	Yes	Yes
County of Orange	Yes	Yes	N/A	Yes
Cypress	Yes	Yes	Yes	Yes
Dana Point	Yes	Yes	Yes	Yes
Fountain Valley	Yes	Yes	Yes	Yes
Fullerton	Yes	Yes	Yes	Yes
Garden Grove	Yes	Yes	Yes	Yes
Huntington Beach	N/A	N/A	N/A	N/A
Irvine	Yes	Yes	Yes	Yes
La Habra	Yes	Yes	Yes	Yes
La Palma	Yes	Yes	Yes	Yes
Laguna Beach	Yes	Yes	Yes	Yes
Laguna Hills	Yes	Yes	Yes	Yes
Laguna Niguel	Yes	Yes	Yes	Yes
Laguna Woods	Yes	Yes	Yes	Yes
Lake Forest	Yes	Yes	Yes	Yes
Los Alamitos	Yes	Yes	Yes	Yes
Mission Viejo	Yes	Yes	Yes	Yes
Newport Beach	Yes	Yes	Yes	Yes
Orange	Yes	Yes	Yes	Yes
Placentia	Yes	Yes	Yes	Yes
Rancho Santa Margarita	Yes	Yes	Yes	Yes
San Clemente	Yes	Yes	Yes	Yes
San Juan Capistrano	Yes	Yes	Yes	Yes
Santa Ana	Yes	Yes	Yes	Yes
Seal Beach	Yes	Yes	Yes	Yes
Stanton	Yes	Yes	Yes	Yes
Tustin	Yes	Yes	Yes	Yes
Villa Park	Yes	Yes	Yes	Yes
Westminster	Yes	Yes	Yes	Yes
Yorba Linda	Yes	Yes	Yes	Yes

MOE - Maintenance of effort
TOC - Taxpayers Oversight Committee

OCTA

March 11, 2013

To:	Members of the Board of Directors
From:	Darrell Johnson, Chief Executive Officer
Subject:	Measure M2 Environmental Cleanup Allocation Program – Funding Program Guidelines Revisions and Tier 1 Grant Program Call for Projects

Overview

The Measure M2 Environmental Cleanup Program, Project X, provides funds to help meet federal Clean Water Act standards for controlling transportation-related pollution. In February 2011, the Board of Directors approved the inclusion of the Environmental Cleanup Program to the Comprehensive Transportation Funding Program. The guidelines have been updated to reflect lessons learned from last year's call for projects. Staff is seeking approval of the guidelines and authorization to release the next Tier 1 call for projects.

Recommendations

A. Approve the revised Environmental Cleanup Program Tier 1 Comprehensive Transportation Funding Programs Guidelines.

B. Authorize staff to issue the fiscal year 2013-14 call for projects for the Tier 1 Grant Program, totaling approximately $2.8 million.

Background

The Environmental Cleanup Program, Project X (ECP), provides for the allocation of two percent of annual gross Measure M2 (M2) revenues to improve overall water quality in Orange County from transportation-related pollution. Funding is allocated on a countywide competitive basis to assist jurisdictions in controlling transportation-related pollution. These funds are intended to supplement, not supplant, existing transportation-related water quality programs. Funds are awarded to priority projects that improve water quality in streams, harbors, and other waterways that have a nexus to transportation-related pollution consistent with Orange County Transportation Authority's (OCTA) Ordinance No. 3.

In May 2010, the Board of Directors (Board) approved a two-tiered approach to fund the M2 ECP. Specifically, the funding plan called for up to $19.5 million in Tier 1 grants on a "pay-as-you-go" basis through fiscal year (FY) 2017-18, and up to $38 million in Tier 2 grants via bonding through FY 2014-15. The Tier 1 Grant Program consists of funding for equipment purchases and upgrades to existing storm drains and related best management practices. The Tier 2 Grant Program consists generally of funding for regional, potentially multi-jurisdictional, capital-intensive projects.

The prior Tier 1 call for projects was finalized on August 6, 2012, with the approval of $2,764,244 of funding. Specifically, the Board approved funding allocations for 33 projects based on the scoring criteria. To date, the past two Tier 1 calls for projects have resulted in funding 66 projects totaling approximately $5.6 million.

Discussion

Staff has taken into consideration the experience from the FY 2012-13 Tier 1 call for projects and evaluation process. Consequently, the Environmental Cleanup Allocation Committee (ECAC) is recommending that the ECP Tier 1 Comprehensive Transportation Funding Program Guidelines (Guidelines) be revised to improve the process (Attachment A). On February 14, 2013, the ECAC endorsed the approval of the revisions to the Tier 1 Guidelines. Some of the changes to the Guidelines include:

- Adding a ten-year maximum when using operation and maintenance as in-kind match.
- Including a 15 percent cap for construction management and project management as eligible expenditures.
- Adding definitions for ineligible expenditures.
- Increasing the cap to $200,000 per Tier 1 project (to allow for larger projects), but maintaining the $500,000 cap per agency.

Staff is recommending authorization to issue the FY 2013-14 ECP Tier 1 Grant Program call for projects for approximately $2.8 million. The evaluation approach remains similar to the previous call for projects, with each proposal having the potential to receive a maximum of 100 points.

Next Steps

With Board approval, staff will initiate the Tier 1 call for projects, anticipated to occur between March 18, 2013 and May 17, 2013. During this period, staff will also hold workshops for funding applicants to assist in the application process and be available to assist applicants with any inquiries during the call for projects. Applications are due on May 17, 2013, and staff will return with funding recommendations to the Board by late summer 2013.

Staff will also return to the Board in the near future for approval of the Tier 2 Guidelines and authorization to issue the Tier 2 call for projects, anticipated in summer 2013.

Fiscal Impact

This project was approved in OCTA's FY 2012-13 Budget, Planning Division, Account 0017-7831-MX001-T6S, and is funded with M2 funds.

Summary

OCTA staff is recommending approval of the revised Tier 1 Comprehensive Transportation Funding Program Guidelines and authorization to issue the fiscal year 2013-14 call for projects for the Tier 1 Grant Program, totaling approximately $2.8 million.

Attachment

A. Draft Comprehensive Transportation Funding Programs Guidelines

Prepared by:

Alison Army
Senior Transportation Analyst
(714) 560-5537

Approved by:

Kia Mortazavi
Executive Director, Planning
(714) 560-5741

ORANGE COUNTY TRANSPORTATION AUTHORITY

To view the entire report with attachments, click here:

Measure M2 Environmental Cleanup Allocation Program – Funding Program Guidelines Revisions and Tier 1 Grant Program Call for Projects

OCTA

March 11, 2013

To: Members of the Board of Directors

From: Darrell Johnson, Chief Executive Officer

Subject: Measure M Taxpayers Oversight Committee Annual Public Hearing Results and Compliance Findings

Overview

Measure M, Orange County's one-half cent sales tax for transportation, passed in 1990 and renewed in 2006, calls for an oversight committee to serve as a watchdog over the program. As required by the Measure M Ordinance, the Taxpayers Oversight Committee conducted the 22nd Annual Public Hearing on February 12, 2013. The Taxpayers Oversight Committee found the Orange County Local Transportation Authority has acted in accordance with Measure M Ordinances No. 2 and No. 3 during 2012.

Recommendation

Receive and file as an information item.

Background

The Measure M Taxpayers Oversight Committee (TOC) is required by the Measure M (M1) Ordinances. The TOC is an independent committee representing all five supervisorial districts in Orange County. The TOC is responsible for ensuring the transportation projects in M1 are implemented according to the expenditure plan approved by the voters in 1990 and the investment plan in 2006. The TOC meets bimonthly to review progress on the implementation of M1.

Annually, the TOC is required to hold a public hearing to hear comments from citizens regarding M1 as part of its oversight effort to determine whether the Orange County Transportation Authority (OCTA), acting as the Orange County Local Transportation Authority (OCLTA), is proceeding in accordance with the M1 Countywide Traffic Improvement and Growth Management Plan, dated May 22, 1989, and the Measure M2 (M2) Transportation Ordinance and Investment Plan, dated July 24, 2006.

The results of the hearing and the findings of the TOC are transmitted to the OCTA Board of Directors annually. The TOC has consistently found OCTA in compliance for the past 21 years.

Discussion

The 22nd Measure M Annual Public Hearing took place on February 12, 2013. The hearing was publicized through news releases and public notices, and posted on OCTA's social media sites. Five members of the public attended the public hearing. Two people addressed the TOC regarding Project K (Interstate 405 Improvements) alternatives, and one person spoke about improving the signal synchronization program.

Following the public hearing and review of the annual financial audit of OCLTA and all other information the committee members have been provided to date, the TOC made the determination at its February 12, 2013 meeting that during 2012, OCTA has proceeded in accordance with the M1 Countywide Traffic Improvement and Growth Management Plan and the M2 Transportation Ordinance and Investment Plan. Jan Grimes, Chair of the TOC, prepared an official letter stating the TOC's findings (Attachment A).

In addition, in accordance with M1 Ordinance No. 2, Section 12, Paragraph B.3, Chair Grimes certified that the expenditures from the trust fund, through the fiscal year ending June 30, 2012, have been spent on specific transportation identified in the M1 Expenditure Plan. Also, in accordance with M2 Ordinance No. 3, Section 10, Paragraph 3, Chair Grimes certified that the revenues, through fiscal year ending June 30, 2012, have been spent in compliance with the Ordinance.

Summary

Subsequent to bimonthly meetings and the Measure M Annual Public Hearing on February 12, 2013, the Measure M TOC has determined that OCTA is proceeding in accordance with the M1 Countywide Traffic Improvement and Growth Management Plan and the M2 Transportation Ordinance and Investment Plan.

Attachment

A. 22nd Annual Measure M Public Hearing Memo, dated February 12, 2013, from Taxpayers Oversight Committee

Prepared by:

Alice T. Rogan
Strategic Communications Manager
714-560-5577

Approved by:

Ellen S. Burton
Executive Director, External Affairs
714-560-5923

Measure M Taxpayers Oversight Committee

February 12, 2013

To: Gregory T. Winterbottom, Chairman
Board of Directors
Orange County Transportation Authority

From: Taxpayers Oversight Committee

Subject: 22nd Annual Measure M Public Hearing

In accordance with both Policy Resolution No. 1 "Citizens Oversight Committee," and Attachment C "Taxpayers Oversight Committee," the Taxpayers Oversight Committee (TOC) is required to conduct an annual public hearing to determine whether the Orange County Transportation Authority (Authority) is proceeding in accordance with the Measure M (M1) Countywide Traffic Improvement and Growth Management Plan, dated May 22, 1989 and the Renewed Measure M (M2) Transportation Ordinance and Investment Plan dated July 24, 2006.

The TOC conducted the annual public hearing on February 12, 2013. No items were presented at the hearing to indicate that the Authority was not proceeding in accordance with the M1 and the M2 Plans during 2012.

Based upon the above-mentioned hearing, 2011/12 Local Transportation Authority (LTA) financial audit results and all other information the TOC has to date, the TOC hereby finds the Authority is proceeding in accordance with both the M1 and the M2 Plans.

Also, in accordance with Ordinance No. 2, Section 12, Paragraph B.3, I certify that the expenditures from the trust fund, through fiscal year ending June 30, 2012, have been spent on specific transportation purposes identified in the M1 Expenditure Plan. In addition, in accordance with Ordinance No. 3, Section 10, Paragraph 2, I certify that the M2 revenues, through fiscal year ending June 30, 2012, have been spent in compliance with the M2 Transportation Ordinance and Investment Plan.

Sincerely,

Jan Grimes

Jan Grimes, Chair
Measure M Taxpayers Oversight Committee
Orange County Interim Auditor-Controller

OCTA

BOARD COMMITTEE TRANSMITTAL

March 25, 2013

To:	Members of the Board of Directors
From:	WK Wendy Knowles, Clerk of the Board
Subject:	Performance Audit of Measure M2 Environmental Mitigation Program

Finance and Administration Committee Meeting of March 13, 2013

Present:	Directors Hennessey, Jones, Lalloway, Moorlach, Pulido, and Ury
Absent:	Directors Bates and Spitzer

Committee Vote

This item was passed by the Members present.

Committee Recommendation

Receive and file Orange County Transportation Authority Measure M2 Environmental Mitigation Program Performance Audit.

Orange County Transportation Authority
550 South Main Street / P.O. Box 14184 / Orange / California 92863-1584 / (714) 560-OCTA (6282)

March 13, 2013

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Subject: Performance Audit of the Measure M2 Environmental Mitigation Program

Overview

A performance audit of the Measure M2 Environmental Mitigation Program has been completed by Sjoberg Evashenk Consulting, Inc. Overall, Sjoberg Evashenk Consulting, Inc. found the Environmental Mitigation Program to be well-run, consistent, deliberative, and compliant with relevant laws, rules, ordinances, policies, and procedures.

Recommendation

Receive and file Orange County Transportation Authority Measure M2 Environmental Mitigation Program Performance Audit.

Background

Measure M2 and Environmental Mitigation Program

Measure M2 (M2) established an Environmental Mitigation Program (EMP) that provides for the allocation of at least five percent of net freeway program revenues for environmental mitigation of the thirteen M2 freeway improvement projects. The M2 freeway project impacts are addressed through a consolidated plan, rather than a piecemeal project-by-project effort. In exchange, the state and federal resources agencies, consisting of the California Department of Fish and Wildlife and the United States Fish and Wildlife Service, agreed to fast-track the permitting process and entered into a master agreement for the M2 freeway projects.

The EMP is spearheaded by the Environmental Oversight Committee, which is made up of Orange County Transportation Authority (OCTA) Board members and representatives from the California Department of Transportation, the resource agencies, environmental groups, and the public.

Performance Audit of Environmental Mitigation Program

The Fiscal Year 2012-13 Internal Audit Plan included a review of the EMP. The Internal Audit Department contracted with Sjoberg Evashenk Consulting, Inc. (Sjoberg Evashenk) to conduct the performance audit of the M2 EMP. The objective was to review the controls and processes for procurement, property appraisal and acquisition, and property maintenance, and to review compliance with the M2 Ordinance and related policies and procedures.

Discussion

Overall, Sjoberg Evashenk found the EMP program to be well-run, consistent, deliberative, and compliant with relevant laws, rules, ordinances, policies, and procedures.

Sjoberg Evashenk found that early efforts to accomplish several mitigation objectives created a well-structured and collaborative EMP. It also found that EMP revenues appear adequate to fund mitigation activities. Further, the EMP processes related to conservation needs-assessment, property acquisition, and restoration appeared consistent, vetted, and well-documented. It was also noted that organized and complete records of all program activity and transactions are maintained.

Sjoberg Evashenk did note a departure from standard OCTA competitive procurement practices in the first round of appraisals. This issue was corrected, and the second round of appraisals used a new on-call bench that was established through a competitive process.

Summary

A performance audit of the M2 EMP program has been completed by Sjoberg Evashenk. Sjoberg Evashenk found that the EMP program is well-run, consistent, deliberative, and compliant with relevant laws, rules, ordinances, policies, and procedures.

Attachment

A. Orange County Transportation Authority Measure M2 Environmental Mitigation Program Performance Audit

Prepared by:

Serena K. Ng

Serena Ng
Principal Internal Auditor
714-560-5938

Approved by:

Janet Sutter
Executive Director, Internal Audit
714-560-5591

ATTACHMENT A

Orange County Transportation Authority

Measure M2 Environmental Mitigation Program Performance Audit

February 2013

SJOBERG EVASHENK
CONSULTING, INC

455 Capitol Mall•Suite 700•Sacramento, California•95814 •Tel 916.443.1300•Fax 916.443.135

Table of Contents

Executive Summary

In 2006, Orange County residents voted to extend an existing half-cent sales tax for an additional thirty years to fund transportation, transit, and environmental programs through the *Measure M2* Ordinance. Sjoberg Evashenk Consulting, working on behalf of the Orange County Transportation Authority (OCTA), completed a performance audit of the *Measure M2* Environmental Mitigation Program. The primary objective of this performance audit was to review the controls and processes for identifying, appraising, procuring, acquiring, and managing property related to environmental mitigation features of *Measure M2,* and to review compliance with the Ordinance and related OCTA policies and procedures.

Although only a few years have transpired since the adoption of the 30-year *Measure M2* extension, OCTA and its partners have already realized many accomplishments intended in the Environmental Mitigation Program (EMP). Overall, we found that the EMP is a well-run program designed and implemented to comprehensively mitigate the effects of construction associated with the 13 *Measure M2* freeway improvement projects by providing for habitat protection and resource preservation through conservation land acquisition, restoration, and management efforts. The EMP employs several best practices, including the execution of mitigation agreements with federal and state wildlife agencies to streamline freeway improvement permitting processes; establishing an active Environmental Oversight Committee (EOC) that effectively brings multiple stakeholders with diverse interests together to work collaboratively on environmental concerns in the region; utilization of science-based processes to evaluate and prioritize conservation lands; and achieving early acquisition of several important conservation lands through its Early Action Plan (EAP).

Our review found that early efforts to accomplish several mitigation objectives created a well-structured and collaborative EMP. For instance, an EAP was implemented to "jump start" funding of transportation improvement projects and EMP activities that resulted in the timely acquisition of conservation lands. Also, the implementation of the EOC facilitated collaboration between representatives from the OCTA, state and federal wildlife agencies, and several environmental organizations to develop and adopt a master environmental mitigation agreement and Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP). This plan, now in the final development stages, effectively drives coordinated efforts for mitigating the adverse effects of transportation projects on sensitive species and habitats while streamlining freeway improvement project review and permitting processes.

Further, we found that EMP revenues appear more than adequate to fund the required mitigation activities. Specifically, 2012 updated program revenue estimates suggest that approximately \$317 million would be available for environmental mitigation efforts over the course of the 30-year program. In 2007, the OCTA's Board of Directors (Board) approved an initial allocation totaling \$55 million for property acquisition and restoration activities. Through October 2012, approximately \$27.5 million in EMP expenditures have been funded through *Measure M2*—the vast majority (93 percent) of these expenditures associated with property acquisition costs. As such, only a fraction of the \$317 million has been spent; yet, according to OCTA, current analyses suggest that the property acquisition and restoration efforts procured under the initial allocation is anticipated to be sufficient to meet all of the mitigation requirements.

Should the 2012 revenue projections come to fruition; hundreds of millions of dollars will remain earmarked for allocation for EMP. Although all costs of long-term property management have not yet been determined it is likely that a significant portion of the remaining balance for the EMP could be made available for other purposes. The Board will be tasked to determine how future allocations of sales tax revenues should be spent. According to OCTA staff and EOC members we spoke with, recommendations will be made to the Board for allocating future EMP sales tax revenues to assure proper funding of on-going land management and monitoring costs that will result from OCTA's responsibility to manage the acquired and restored lands in perpetuity consistent with a resource plan approved by the wildlife agencies.

Furthermore, our review found that the EMP processes related to conservation needs-assessment, property acquisition, and restoration appear consistent, vetted, and well documented. Specifically, OCTA staff and wildlife agencies developed a science-based needs-assessment and conservation inventory and corresponding system to consistently evaluate and prioritize potential conservation opportunities and lands based on biological criteria. We noted, however, a departure from normal OCTA practices in the first-round appraisal of lands for purchase under the EMP. Specifically, due to the lack of specific expertise, the EMP did not utilize OCTA's on-call list of appraisal companies and the resulting efforts to obtain the services of appraisers with conservation land expertise did not strictly follow OCTA's required competitive processes. However, we found that appraisals and second reviews were conducted on each of the properties by appraisal firms required to adhere to professional standards, the properties were valued utilizing consistent and reasonable methodologies, and the appraisal reviews appeared reasonable and complied with professional standards. During the second-round of appraisals, EMP used an updated on-call list that included appraisal companies with conservation expertise; this updated on-call list was established through a competitive process.

Lastly, we noted that the EMP maintains organized and complete records of all program activity and transactions. These well-kept files include detailed records of all evaluation and prioritization analyses as well as separate binders for each acquired property with information such as negotiation and offer processes, property deeds, title and escrow documents, purchase and sales agreements, expenditure support, appraisal documents, property management contracts, property photographs, and important correspondence.

Overall, we found the EMP program to be well run, consistent, deliberative, and compliant with relevant laws, rules, ordinances, policies, and procedures.

Objectives, Scope, and Methodology

Sjoberg Evashenk Consulting was hired by the Orange County Transportation Authority (OCTA) to conduct a performance audit of the *Measure M2 (M2)* Environmental Mitigation Program (EMP). The primary objective of this performance audit was to review the controls and processes for procurement, property appraisal and acquisition, and property maintenance, and to review compliance with the M2 Ordinance and related policies and procedures.

The OCTA set forth the following specific tasks and activities to be included in the performance audit:

1. Review the M2 Ordinance, the Master Environmental Mitigation and Resource Protection Plan and Agreement, and service contracts related to the environmental program. Provide a brief overview of program objectives and operations.
2. Interview the Chairman of the Finance and Administration Committee regarding program intent and approach.
3. Interview personnel responsible for program execution and oversight and evaluate procedures and controls in place for administration of the program and for ensuring compliance with the M2 Ordinance. Test as appropriate to determine controls are operating as intended.
4. Review procedures for procurement, property appraisal and acquisition, and property maintenance to determine they are consistent with the M2 Ordinance, Board-approved processes, and applicable OCTA policies and procedures.
5. Examine consultant contracts to ensure adequate safeguards are in place to avoid/identify conflicts of interest and that services were procured in compliance with OCTA policies and procedures.
6. Review scope of work provided for appraisal services and contract task orders issued for specific appraisals to ensure consultants were required to comply with appropriate standards and practices.
7. For a sample of 3 acquisitions: a. Review the appraisal and identify whether the documentation indicates that it was conducted in accordance with required standards and practices. b. Review the secondary, "review appraisal" and its findings. c. Review negotiation documentation and final price negotiated and determine compliance with Board-approved processes and limits.
8. Select a sample of expenditures from the general ledger detail and test to ensure expenditures are properly supported and in compliance with the M2 Ordinance and OCTA policies and procedures.

To meet the audit objectives, we performed the following procedures:

- ✓ Reviewed various key documents, including: M2 Ordinance, Master Environmental Mitigation and Resource Protection Plan and Agreement, EMP Memorandum of Agreement between OCTA and wildlife agencies, Natural Community Conservation Plan

(NCCP) and Habitat Conservation Plan (HCP), EMP status reports and discussion memos to decision makers, OCTA Board decisions, and other program guidance.

- ✓ Reviewed M2 provisions, Board processes, and policies, procedures, guidance, handbooks, manuals or other documents providing guidance for conducting the various activities of the EMP as well as for real property procurement, analysis, appraisal, and acquisition.
- ✓ Reviewed regional conservation plans and stakeholder involvement in developing plans, needs-assessments, and conservation land inventory.
- ✓ Analyzed guidance associated with evaluating and prioritizing conservation properties and projects.
- ✓ Analyzed financial data, including budgeted allocations and actual program expenditures related to acquisitions, restoration, management, and administration activities.
- ✓ Interviewed OCTA EMP program management and staff involved in the EMP as well as pertinent stakeholders including the Environmental Oversight Committee (EOC) Group Chairperson, EOC wildlife representative, and Chairman of the Finance and Administration Committee.
- ✓ Reviewed negotiation documentation and final price negotiated, determined compliance with Board-approved processes and limits, and compared actual land acquisitions acres and costs against estimated mitigation requirements.
- ✓ Reviewed three land acquisition appraisals and appraisal reviews to ensure they were conducted in accordance with required standards and practices.
- ✓ Examined appraisal consultant contracts to ensure adequate safeguards are in place to avoid/identify conflicts of interest and that services were procured in compliance with OCTA policies and procedures.
- ✓ Reviewed scope of work provided for appraisal services and contract task orders issued for specific appraisals to ensure consultants were required to comply with appropriate standards and practices.
- ✓ Tested a sample of expenditures from the general ledger detail to ensure expenditures are properly supported and in compliance with the M2 Ordinance and OCTA policies and procedures.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

To continue Orange County's investment in regional transportation improvement projects, in November 2006 voters approved an extension of the one-half cent sales tax increment for an additional 30 years to 2041. When *Measure M2* (*M2*) was passed in 2006, an estimated $11.3 billion in total net revenues[1] was projected to be collected over the 30-year life of the program and was to be allocated as follows for regional transportation improvements and upgrades:

- Freeways— 43 percent, or $4.9 billion
- Streets and Roads— 32 percent, or $3.6 billion
- Public Transit— 25 percent, or $2.8 billion

In addition to the regional transportation improvements, *M2* also includes provisions to protect, preserve, and restore native habitats disturbed by the construction of 13 planned freeway projects. To accomplish this environmental mitigation requirement, *M2* requires that at least five percent of the net sales tax revenue allocated for freeway improvement projects be used to establish a comprehensive Environmental Mitigation Plan (EMP) that will secure the necessary permits from resource agencies to begin construction of the freeway projects in exchange for establishing a long-term management framework for conserving and restoring natural communities and habitats. The Orange County Transportation Authority (OCTA) Board of Directors (Board) is responsible for overseeing the successful implementation of an EMP that aligns the region's mitigation needs with available conservation opportunities; OCTA staff within the Planning Division are responsible for administering the EMP program. An EMP requires considerable cooperation and coordination among many stakeholders, including OCTA, California Department of Transportation (Caltrans), U.S. Fish and Wildlife Service, and the California Department of Fish and Game[2].

With an estimated $317 million (based on 2012 estimates) in *M2* funding projected to be available over the next 30 years to support its environmental mitigation requirements, we found that early EMP efforts created a well-structured and adequately funded program where EMP activities, including needs-assessment, property acquisition, and restoration processes appear consistent, vetted, and well documented.

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[1] Revenues net of environmental cleanup (water quality), taxpayer safeguards and audits, and administrative costs.
[2] California Department of Fish and Game changed its name to the California Department of Fish and Wildlife in January 2013.

Audit Results

Early EMP Efforts Appear to Have Created a Well-Structured and Collaborative Program

We found that OCTA has successfully created a well-structured and collaborative program based on the accomplishment of several early mitigation objectives. Specifically, the OCTA:

- Developed an Early Action Plan (EAP);
- Established an Environmental Oversight Committee (EOC);
- Implemented Master Agreements with Caltrans and the state and federal wildlife agencies; and
- Drafted a Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP).

Early Action Plan (EAP)

In August 2007, the Board approved a five-year EAP to guide the implementation of *M2* and to "jump start" transportation improvement projects and EMP activities prior to the collection of the sales tax increment set to begin in April 2011. The EAP covered years 2007 through 2012 and included nine objectives related to starting construction of freeway projects, awarding funding for local traffic and transit projects, and completing a Master Agreement between OCTA and resource agencies detailing environmental mitigation freeway improvements, project permitting commitments, and mitigation funding. To fund the activities prior to the collection of *M2* revenue, the OCTA relied on its commercial paper program, which are short-term, low-interest loans in order to maintain cash flow for projects. As the 5-year EAP neared completion, OCTA began holding workshops in early 2012 to develop the M2020 Plan to outline projects and programs to be delivered through year 2020.

Environmental Oversight Committee

In October 2007, the Board established an Environmental Oversight Committee (EOC) to provide recommendations to the Board regarding the allocation of revenues for mitigation and to monitor the implementation of the Master Agreement between OCTA, the wildlife agencies, and Caltrans. The 12 member committee includes representatives from the OCTA Board, OCTA Taxpayers Oversight Committee, Caltrans, state and federal wildlife agencies, U.S. Army Corps of Engineers, and several organizations representing various environmental disciplines and interests. Currently, the EOC reports directly to the Board's Executive Committee.

The EOC provides advice on the development and implementation of mitigation of freeway projects, including the following key items:

- Inventory and assessment of freeway impacts and mitigation opportunities,
- Review and input on funding opportunities, including M2 financing, matching funds, and grant funding, and
- Review and monitor implementation of the Master Agreement, including acquisitions, management, operations, and maintenance activities.

Master Environmental Mitigation Agreement

Prior to the allocation of any net sales tax revenues for mitigation of freeway projects, *M2* requires the development of a Master Environmental Mitigation and Resource Protection Plan and Agreement (Master Agreement) between OCTA, Caltrans, and the U.S. Fish and Wildlife Service (USFWS) and the California Department of Fish and Game[3] (DFG), collectively the "Wildlife Agencies." The purpose of the Master Agreement was to design an EMP framework in which to build a comprehensive, rather than piecemeal, mitigation plan to provide habitat protection, wildlife corridors, and resource preservation in exchange for streamlined project review and permitting processes. *M2* required that the Master Agreement include the following key elements:

- Commitments by OCTA to provide for programmatic mitigation of freeway projects,
- Commitments by state and federal resource agencies to reduce project delays associated with permitting and streamline the permit process for freeway projects,
- Accounting process for mitigation obligations and credits that will document net environmental benefit from regional, programmatic mitigation, and
- Description of the specific mitigation actions and expenditures to be undertaken and a phasing, implementation and maintenance plan.

To comply with *M2* requirements and achieve the EAP's EMP-related objectives, the EOC created a Master Agreement Working Group in February 2008 to begin developing recommendations for a Master Agreement that would establish the necessary framework to build a successful EMP. Through the efforts of the Master Agreement Working Group, the following key actions and activities were identified as necessary to be included in the Master Agreement:

- Defining the roles, responsibilities, and commitments of the agencies to mitigate the adverse effects as a result of construction of freeway improvement projects,
- Coordinating various agencies' biological mitigation efforts through comprehensive mitigation activities (including land acquisition and restoration) for a collection of improvement projects rather than costly and inefficient project-by-project review and permitting processes,
- Identifying covered improvement projects and activities as well as preliminary conservation objectives and a preliminary list of impacted natural communities and species,
- Ensuring funding of mitigation activities is consistent with *M2*,
- Providing an accounting process to document the net environmental benefits from the plan in exchange for efficient project review and streamlined permit approval,
- Providing regulatory assurances for permitting projects that meet conservation plan criteria and providing clear expectations and regulatory predictability for the agencies carrying out covered mitigation activities, and

[3] California Department of Fish and Game changed its name to the California Department of Fish and Wildlife in January 2013.

• Developing long-term habitat management and monitoring plans.

Additionally, the Master Agreement Working Group determined that the basis for the EMP framework should be a combined state NCCP and federal HCP, which is a regional conservation strategy to fully mitigate adverse effects to sensitive species and habitat through comprehensive and coordinated efforts. In July 2009, the EOC endorsed approval of the Master Agreement, which included a Memorandum of Agreement (MOA) and a Planning Agreement. The Board subsequently approved the agreements in November 2009[4].

Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP)

In order to apply for permits from the wildlife agencies for the 13 freeway improvement projects, OCTA was required to prepare a NCCP/HCP. While still in draft form during audit fieldwork, OCTA's NCCP/HCP is designed to be a 40-year plan to estimate long-range potential environmental impacts of development activities and provide for comprehensive conservation and management of threatened or endangered species and lands. The purpose of the NCCP/HCP is to:

> *"... offset project-related impacts on threatened and endangered species and their habitat in a manner that protects and enhances ecological diversity and function in Orange County, and enhances the integrity and connectivity of the existing protected lands in Orange County."*

Upon execution of the Master Agreement, OCTA sought proposals from firms experienced in developing conservation plans and entered into a two-year agreement in June 2010 with a consultant to develop the NCCP/HCP for a fixed price of approximately $1.5 million[5]. The scope of work included:

- Public Involvement and Outreach—providing regular communication through EOC meetings, holding public workshops, assisting with science advisor workshops, and maintaining project website.
- Biological Resources and Wetlands Data Inventory—identifying and inventorying biological, physiographic, ownership/land use/conservation status, and aerial imagery data layers related to biological resources and wetlands. Developing conservation program goals and compiling and updating endangered species/habitat lists and profiles.
- Conservation Strategies Development—defining conservation strategy elements, developing habitat credit assignment and acquisition/restoration prioritization tools, developing science-based monitoring and management plan, and preparing a conservation strategy plan.
- Assessment of Impacts and Level of Take—developing a complete list and full description of covered activities, which is primarily the construction of *M2* freeway projects, identifying and assessing impacts associated with the covered activities, and evaluating the

[4] The agreements were fully executed in January 2010.

[5] The agreement had subsequently been amended to extend the scope of work (additional biological field study work) as well as the price (additional $128,000) and term (through October 2013).

necessary level of take required related to the covered activities, and identifying necessary measures to mitigate and protect impacted communities and species.

- Economic Analysis of Conservation Funding Mechanism—estimating anticipated costs of the conservation plan and ensuring appropriate assumptions are used to develop costs to implement the plan, conduct management and monitoring activities, and acquire conservation land.
- Alternatives to Take Considered and Rejected—identifying alternatives to take of covered species, including a no project/no action alternative.
- Implementation Approach and Structure—describing the "who" and "how" of the plan, such as which existing or new organization will implement the conservation measures, the role of OCTA, stakeholders, and the public, and procedures to select properties for acquisition and/or restoration.

One of the key drivers for the EMP is the early implementation of the plans developed within the OCTA's NCCP/HCP. We found that the development of OCTA's NCCP/HCP appears to be consistent with the scope of work reflected in the agreement between OCTA and the consultant. Specifically, the draft plan describes how specific conservation actions undertaken by OCTA to acquire preserves, fund restoration projects, and implement avoidance and minimization measures will achieve a level of conservation that exceeds the required mitigation and results in a contribution to recovery of impacted species. Throughout the development of the plan many public presentations and meetings have included stakeholders and ensured communication of the progress and purpose of the NCCP/HCP.

Even though the NCCP/HCP is still in administrative draft form, OCTA appears to have accomplished the vast majority of conservation mitigation requirements through recent property acquisition and restoration activities. Acquisition and restoration activities completed prior to the approval of the NCCP/HCP (allowable per the EAP and executed Master Agreement) will be incorporated into the NCCP/HCP. For example, Table 1 reflects the September 2012 draft NCCP/HCP identification of natural communities land targets compared to OCTA acquisition and restoration activities to-date.

Table 1. Natural Communities Land Targets (in acres) Compared to Acquisition and Restoration Activities

Natural Communities (acres)	**Plan Conservation Targets**	**Conservation Activities**		**Net Conservation**
		Preserve Acquisitions	Restoration Projects	
Chaparral	29.6	304.1	4.3	278.8
Coniferous Forest	0.0	0.0	0.0	0.0
Grassland	360.7	69.2	101.9	-189.6
Riparian	34.5	9.3	137.7	112.5
Scrub	59.0	189.6	123.0	253.6
Water	0.1	0.0	1.0	1.0
Wet Meadows/Marsh	0.0	0.0	5.0	5.0
Woodland	11.9	313.4	28.1	329.6
Totals	**495.6**	**885.5**	**401.0**	**790.9**

Source: Orange County Transportation Authority (OCTA) M2 Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP) Draft Report – September 2012

As illustrated in Table 1, the conservation of all natural communities types are substantially above their targets except for grasslands. According to OCTA, future acquisition and restoration efforts will focus on grasslands.

Once the NCCP/HCP is approved, OCTA will request permits from the wildlife agencies that will authorize impacts ("take") to all covered species associated with a collection of activities and projects in exchange for execution of the approved conservation strategy to compensate for those impacts—all impacts and conservation activities must be in compliance with the NCCP/HCP. Additionally, the approved NCCP/HCP will provide OCTA assurances from the wildlife agencies that no further commitments of funds, land, or water will be required to address impacts on covered species beyond what is described in the NCCP/HCP. A draft NCCP/HCP is anticipated to be released for a 60-day public comment period in early 2013 and approved later in the year. Future EMP expenditures will focus on completing the remaining NCCP/HCP requirements and long-term property management of conserved and restored properties.

EMP Revenues Appear Adequate to Fund Required Mitigation Activities

M2 requires that at least five percent of the revenue allocated for freeway projects be utilized to mitigate the environmental impacts of the freeway improvements through acquisition, restoration and management of conservation land. When voters passed *M2* in 2006, projections indicated that $4.9 billion in sales tax revenue would be available for regional freeway improvement projects, of which five percent, or $243.6 million, would be allocated for environmental mitigation. In 2012, sales tax revenue estimates, largely based on forecasts prepared by three local universities[6], were revised in nominal dollars to reflect that $317 million would be available for environmental mitigation efforts over the course of the 30-year program.

As part of the 2007 EAP, the Board approved a total of $55 million for property acquisition and restoration activities, as follows:

- Property Acquisitions (including land management)—$42,000,000[7]
- Restoration—$10,500,000
- NCCP/HCP and Other Planning—$2,500,000

In July 2009, the Board adopted a policy to establish a goal of 80 percent of allocated funds to be utilized for property acquisition and 20 percent to be used for restoration activities over the life of the program. Our review finds that the initial program budget closely adheres to the allocation goal as approximately 76.4 percent of budgeted funds were allocated to acquisition activities. Since the Board's 80/20 goal does not consider other costs such as NCCP/HCP and other planning expenses, removing these other costs from the total allocation reveals that the acquisition/restoration allocation ratio is 80 percent acquisition to 20 percent restoration.

Under provisions of *M2*, prior to allocating funds for freeway mitigation, a Master Agreement must be executed between OCTA, Caltrans, and the wildlife agencies and the EOC be appointed to make recommendations for the allocation of mitigation funds and to monitor the implementation of the Master Agreement. As described earlier, the EOC was appointed by the Board in October 2007 and the Master Agreement was executed by all parties in January 2010. Apart from approximately $50,000 in expenses to establish the Master Agreement, the EMP first began utilizing approved funding in August 2010—well after the required Master Agreement was executed.

Since *M2* sales tax revenues were not available until April 2011, funding of early environmental mitigation activities relied largely on revenue anticipation bonds, tax-exempt commercial paper loans, and a grant from the federal wildlife agency. As of October 31, 2012, of the $55 million budget, OCTA has expended $28,570,351, as follows:

- Property Acquisitions—$25,847,028
- Restoration—$1,345,609
- NCCP/HCP and Other Planning—1,377,714

Of the $28,570,351 in EMP expenditures, $1,032,272 was paid for through a federal wildlife agency grant—resulting in $27,538,079 expenditures paid for with *M2* funding. Additionally, we found that EMP actual expenditures are reasonably consistent with the Board's 80/20 allocation goal between acquisition and restoration activities given the early focus on program acquisition activities.

[6] University of California, Los Angeles, California State University, Fullerton, and Chapman University.

[7] $35 million for property acquisition related costs and $7 million for long-term property management costs related to acquired properties.

Overall, as of the end of October 2012, the EMP has expended about 52 percent of the $55 million allocation with the remaining approximate $26 million to be utilized for additional property acquisitions, restoration activities, and land management services associated with the acquired and restored properties. As mentioned earlier, 2012 revenue estimates suggest that $317 million would be available for environmental mitigation efforts over the course of the program; should these projections come to fruition, hundreds of millions of dollars will remain to be allocated. Because current analyses suggest that the property acquisition and restoration efforts procured under the initial allocation is anticipated to be sufficient to meet all of the mitigation requirements associated with the planned freeway improvement projects, the Board will be tasked to determine how future allocations of sales tax revenues should be spent. According to OCTA staff and EOC members we spoke with, recommendations will be made to the Board to allocate future EMP sales tax revenues for on-going land management and monitoring costs that will result from OCTA's responsibility to manage the acquired and restored lands in perpetuity consistent with a resource plan approved by the wildlife agencies.

EMP Conservation Needs-Assessment, Property Acquisition, and Restoration Processes Appear Consistent, Vetted, and Well Documented

The EMP developed a science-based needs-assessment and conservation inventory and corresponding system to evaluate and prioritize the identified potential conservation opportunities and lands based on biological criteria. Additionally, the EMP's acquisition and restoration processes appear consistent, vetted, and well documented across conservation properties.

<u>Regional Conservation Inventory and Assessment</u>

Since the EAP authorized the OCTA to "jump start" mitigation efforts, the EOC established the Impact and Mitigation Working Group in February 2008. This working group was charged with prioritizing the acquisition and restoration of potential conservation lands based on the potential impacts and environmental needs associated with the planned freeway improvement projects.

In early 2008, the EOC began drafting property acquisition, restoration, and management criteria to provide guidance in the evaluation and prioritization of resource value of potential conservation properties the EMP could acquire and/or restore. The criteria were developed based on biological mitigation potential and included the input of the EOC, OCTA, Caltrans, and wildlife agencies. For example, the property acquisition criteria included key elements such as:

- Aligns with impacted habitats,
- Conserves sensitive habitats,
- Considers property acreage (generally larger is better),
- Contains target species,
- Enhances natural land connectivity,
- Includes a cooperative landowner, and
- Includes support from the community.

The criteria also includes constraint considerations, such as:

- Cost,
- Neighboring land uses,
- Habitat fragmentation, and
- Hazardous conditions.

In September 2008, the Board approved the property acquisition, restoration, and management criteria.

At the same time the criteria to prioritize land acquisition and restoration activities was being developed, the Impact and Mitigation Working Group also began building an inventory of potential conservation lands that the EMP could acquire and/or restore. Their efforts included conducting a conservation assessment, utilizing conservation targets identified by local environmental organizations, and obtaining property nominations from property owners, environmental stakeholders, and other interested organizations.

In May 2009, the Conservation Biology Institute (CBI) was hired to conduct a conservation assessment of Orange County using science-based conservation principles and GIS mapping techniques to assist in prioritizing land acquisitions. The total contracted price including amendments, for this assessment was $70,175. Specifically, the objectives of the assessment were to:

- Map the distribution of conservation values in Orange County;
- Identify areas where biological resources can be maintained over the long-term;
- Identify properties or groups of properties that support key conservation values; and
- Provide unbiased science-based tools for decision-making on conservation priorities.

The filtering process included focusing on natural lands with high conservation value in Orange County where linkages and buffers could be established. The assessment was to assist decision-makers in prioritizing conservation land for potential acquisition and restoration until a comprehensive NCCP/HCP was developed. The conservation assessment report was finalized in December 2009 and, according to the OCTA, the results of the assessment are being incorporated into the NCCP/HCP process, which was still in draft form during audit fieldwork.

The Impact and Mitigation Working Group also utilized information provided by the Green Vision Project to assist in building an inventory of possible conservation habitat sites. The Green Vision Project is a group of environmental organizations joined together forming a consolidated approach "to promote, protect, and enhance the harbors, beaches, parks, trails, open spaces, natural preserves, and historic sites in Orange County." As part of the Green Vision Project, the group identified potential conservation lands for acquisition or restoration through mapping conservation target lands that were culturally significant. These efforts to identify potential conservation lands included consideration of a multitude of factors such whether the lands could mitigate certain endangered or threatened species and rare habitat types.

To increase the inventory of potential conservation sites and allow for public participation, the EOC directed OCTA staff to perform public outreach efforts to increase public awareness of the mitigation program and educate potential property owners on the EMP acquisition and restoration criteria and process. On December 17, 2008, OCTA sent out information packets to property managers, owners, local jurisdictions, and other interested parties and organizations describing the program (fact sheet and timeline) and OCTA's interest in seeking property nominations and proposals from the public. For instance, the OCTA held a public workshop on April 15, 2009 where the public was invited to provide presentations on property nominations—14 presentations were given.

As a result of the EOC's efforts to develop an inventory of potential conservation sites, over 100 sites were submitted by landowners, conservation groups, and local agencies for possible acquisition and/or restoration under the EMP. In the summer of 2009, the property acquisition and restoration criteria was converted into a set of evaluation matrices that a conservation site evaluation team (consisting of OCTA EMP staff, Caltrans, and wildlife agencies) used to independently score and prioritize each of the potential conservation properties identified. Through this process, 78 potential conservation sites were placed into one of four property acquisition priority groupings, with Groups 1 and 2 considered by the wildlife agencies to be the highest priority groups:

- Group 1—High quality habitat, heterogeneous habitat, very good connectivity/contiguity opportunities, larger sized properties, aligns with impacted habitats, and contains covered species. 19 sites.
- Group 2—Good quality habitat, homogeneous habitat, good connectivity/contiguity opportunities, medium sized properties, and contains some covered species. 10 sites.
- Group 3—Lower quality habitat, lower connectivity/contiguity opportunities, smaller properties, and highly disturbed. 26 sites.
- Group 4—Typically very small habitat, highly disturbed, and some do not align with freeway habitats. 23 sites.

One of the key aspects of the EMP is the requirement that a property owner be a willing seller as the eminent domain process is not allowed—in other words, participation in the EMP is purely voluntary. As such, since some of the properties were submitted by a third party, OCTA staff sent letters to the property owners in January 2011 to confirm interest in participating in the acquisition and restoration property evaluation process. When OCTA did not receive a written response from the land owners expressing their desire to participate in the program as a willing seller, it was assumed the property owner was not interested and the associated properties were removed from further evaluation and consideration. As a result, nine Group 1 and 2 property owners were removed from consideration leaving 20 high priority properties (fourteen Group 1 and six Group 2) to continue in the acquisition evaluation process.

In 2011, the Board authorized staff to seek and accept applications for additional candidate properties to add to the inventory for possible acquisition for the EMP. As a result, OCTA received 36 additional applications that went through a similar evaluation and prioritization process.

Conservation Property Acquisition, Land Management, and Habitat Restoration Activities

While the EMP does not include formal policies and procedures, we found that program staff developed a number of documents and guidelines to assist the EMP in executing its activities and responsibilities that include such areas as acquisition and restoration evaluation criteria and property acquisition and restoration plans and guidelines. In addition to the previously described acquisition and restoration evaluation criteria, in July 2010, EMP staff and OCTA legal staff prepared a draft property acquisition plan to define the steps needed to complete the acquisition of properties. The property acquisition plan outlined the following tasks:

- Appraisal processes, including sending letters of interest to property owners, conducting appraisals and appraisal reviews, obtaining wildlife agency assurances, and prioritizing the acquisition of properties.
- Negotiation and acquisition processes, including staffing the negotiation team, communicating key decisions with oversight committees and the Board, acquiring properties, and identifying long-term property managers.

In September 2010, draft restoration guidelines were developed describing funding parameters, mitigation requirements, restoration performance criteria, maintenance and monitoring plans, and status reporting. These guidelines were updated in May 2012 to revise funding amounts and clarify the responsibilities of restoration project stakeholders. As the processes described below represent, we found that the EMP appeared to adhere to the acquisition and restoration plans and guidelines.

Appraisal Processes Appear Reasonable

Between March and May 2010, the Board authorized staff to appraise all fourteen properties in Group 1, the highest priority group, for funding consideration and potential purchase. The appraisal process began in June 2010 and efforts included environmental site assessments, title reports, valuations, and appraisal reviews. Overall, while we found that the processes to obtain the services of appraisers with conservation land expertise did not follow required competitive processes, we did find that the required appraisals and appraisal reviews conducted appeared reasonable and complied with professional standards. Additionally, appraisal companies with the required expertise have since been added to OCTA's on-call list through competitive procurement processes.

Although the *M2* EMP is not federally funded and does not involve eminent domain processes, OCTA legal counsel advised the EOC to adopt a property acquisition policy requiring compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act) to ensure consistency across property acquisition processes, including appraisals, negotiations, and acquisitions. The Uniform Act requires that the public properties be appraised before an acquiring agency begins negotiations to acquire it and that the amount of the approved appraisal be the basis of the offer of just compensation.

Because OCTA wanted to keep EMP property acquisition and appraisal processes separate from one another to avoid conflicting interests, the EMP program relied on OCTA's Real Estate and Right-of-Way (ROW) administration within the Capital Programs Division to handle all aspects of the EMP property appraisal processes. The ROW administration maintains a list of pre-approved firms to provide on-call right-of-way services, including appraisal services, to support the OCTA's responsibilities related to acquisition, management, and disposal of real property on highway projects. After reviewing the expertise of the firms on the pre-approved on-call list, the ROW administration determined that additional specialized expertise beyond what was available via the on-call list was required—specifically related to experience appraising conservation land. According to EMP program staff, it reached out to conservation authorities, including the Wildlife Conservation Board, to obtain referrals for specialized appraisers with conservation land and open space experience. As a result, the names of three appraisal companies were forwarded to the ROW administration for purposes of procuring the specialized appraisal services.

OCTA procurement policies and procedures require competitive bidding processes to be utilized when procuring professional services over $50,000. However, the ROW administration did not utilize competitive procurement processes—instead it solicited bids and qualifications from recommended specialty appraisers. It selected one of the companies to provide the specialized appraisal services even though the total anticipated fees would exceed the procurement amounts –in particular, the specialized appraisal company's typical fixed fees for conservation appraisals ranged from $5,000 to $25,000 each; with 14 properties slated to be appraised at that time, the appraisal services could have been as much as $350,000. Because OCTA determined it could not contract directly with the specialized appraisal company due to the lack of competitive procurement processes, the ROW administration arranged to have the specialized appraisal company subcontract to a prime contractor appraisal firm already on ROW administration's pre-approved on-call list. The prime contractor's agreement with OCTA to be on the pre-approved list to provide on-call services was established in March 2010 and allowed for total fees under the agreement not to exceed $1 million. The prime contractor's agreement was increased by $350,000 later in 2010, and the scope of work was amended to include appraisal services. At the same time, the prime contractor requested approval from OCTA to add the specialized appraisal firm to its contract with OCTA.

The arrangement did not result in additional cost to OCTA as the subcontractor's rate was based on the predetermined conservation appraisal estimates and was passed through to OCTA without an up-charge applied by the prime contractor. Nonetheless, OCTA could be viewed as circumventing the required competitive processes in an effort to expedite and simplify the EMP acquisition process. Competitively procuring appraisal services would have required OCTA to develop and publish a request for proposal, evaluate proposals, and select a contractor amongst the submitted proposals. ROW administration has since conducted a competitive procurement process to ensure the appropriate conservation appraisal expertise is represented on OCTA's pre-approved on-call list of appraisers going forward. As such, the current appraisal bench includes three companies with expertise in open-space/mitigation, which was utilized for a subsequent round of appraisals in 2012.

We reviewed the appraisal processes for three properties acquired by the EMP and found that the required appraisals were conducted on each of the properties by appraisal companies that must adhere to professional standards and the properties were valued utilizing consistent and reasonable methodologies. Specifically, to assess whether the appraisal reports indicate that fair market value was established using practices conducted in accordance with standards and practices, we compared the appraisal reports of the three selected properties against the Uniform Standards of Professional Appraiser Practice (USPAP) Standard rules 1 and 2. We found that each of the three appraisal reports reasonably comply with the standards. Additionally, the three corresponding appraisal review reports also concluded that the appraisals met USPAP minimum standards and were complete, supported with adequate data, utilized appropriate methods, and appeared reasonable. Further, we noted that each of the appraisals were conducted utilizing consistent methodologies and assumptions. For example, the fair market value of each property was established utilizing the sales comparison approach to land valuation, each property was valued in the middle to lower range of the comparable sales prices per acre, and each property's final valuation included a negative adjustment due to changes in market conditions since the comparable properties were sold.

In addition to obtaining initial public lands appraisals for the targeted properties, the EMP appraisal processes included obtaining second appraisals or appraisal review services to ensure that property appraisals are accurate and consistent, abide by applicable state and federal laws, and conform to industry standards. We found that governing regulations and organizations, such as the USPAP, do not have specific provisions requiring second appraisals. Also, we found that other comparable public agency policies are vague as to when second appraisals are required. For example, the Caltrans property appraisal policies, which are followed by other environmental mitigation programs in California, allow dual reporting under the following circumstances:

- There is a serious question as to the highest and best use.
- Market data is inconclusive because of its scarcity and/or absence of established patterns and value conclusions must, therefore, be based primarily on opinion.
- There are substantial improvements not compatible with the highest and best use of the land. In other words, there is a high degree of economic obsolescence.
- A significant portion of the appraised value is severance damages or there is a substantial question regarding damages or benefits.
- The value of the land is primarily on a development-analysis approach, or there is reliance on a specific plan of proposed development.

While it is not clear when a second appraisal is needed, the USPAP specifically requires all appraisals to be reviewed. Additionally, good business practices would indicate that the same firms contracted to provide appraisal services to OCTA should not also be contracted to provide appraisal review services. While separate firms conducted the EMP property appraisals and appraisal reviews, ROW administration arranged to have the appraisal firm conducting the specialized EMP appraisals subcontract its services through an appraisal firm that was already contracted to perform the appraisal review services associated with the 2010 appraisals; thus, both the EMP property appraisals and appraisal reviews were procured under the same contract. Specifically, the prime contractor performed the appraisal reviews of the appraisals conducted by its subcontractor. During a subsequent round of appraisals in 2012, appraisals and appraisal reviews were procured separately with different firms. EMP program staff indicated that they will continue to use separate procurements for future acquisitions.

Our review of appraisal reviews performed on the appraisals of three properties acquired through the EMP found that the appraisal reviews appeared reasonable and complied with professional standards. Specifically, to assess whether the appraisal reviews were conducted in accordance with standards and practices, we compared the appraisal reviews of the three selected properties against the USPAP Standard rules 3. We found that each of the three appraisal reviews reasonably comply with the standards.

OCTA Applied Reasonable Steps to Negotiate and Acquire EMP Properties

We found that EMP staff employed transparent and reasonable steps to negotiate and acquire EMP properties. For example, EMP staff worked with the wildlife agencies to prioritize properties to acquire, sought the Board's approval to negotiate and execute purchase agreements on the highest priority properties, and utilized consistent and fair negotiation processes with the assistance of legal counsel.

Once the appraisals were completed and valuations established, the EMP program needed to determine how to maximize the available funding and align property acquisitions with sites that offer the highest biological resource value and mitigation credit. To prioritize which of the appraised properties to begin negotiation and acquisition processes, the wildlife agencies and OCTA staff utilized the appraisal information to divide the fourteen Group 1 properties into three priority tiers: Tier 1 (3 properties); Tier 2 (6 properties); and Tier 3 (5 properties).

On November 3, 2010, OCTA staff provided the EOC with the appraised values of all Group 1 properties and recommended Tier 1 properties for acquisition. As a result, the EOC directed staff to begin the negotiation and offer processes on Tier 1 properties and to keep Tier 2 and 3 as contingency properties. As a result of these efforts, 5 properties were acquired for approximately $24.9 million dollars.

On November 22, 2010, the Board allocated $42 million to begin purchasing conservation properties. Concurrently, the Board authorized OCTA's Chief Executive Officer to negotiate and execute purchase agreements with any of the Group 1 property owners. According to OCTA staff, $7 million of the $42 million allocation was set aside to establish endowments for long-term property management of the acquired properties, leaving approximately $35 million of the allocation for property acquisition related expenses, such as land costs, taxes, title, and appraisals. Because the allocated funding for property acquisition was much larger than the total appraised value of Tier 1 properties, OCTA was also able to include several Tier 2 properties in the offer and negotiation phase of the process.

In the fall of 2010, the EMP property acquisition negotiation team was assembled and included the OCTA EMP Section Manager, OCTA Legal Counsel, an EMP Consultant, and an Environmental Engineering Consultant. The EMP follows USPAP in its property acquisition processes, and these rules require fair and consistent treatment of property owners regarding negotiation proceedings. To comply, the EMP required that the negotiation team disclose the appraised value of the property to the property owners and provide an initial purchase offer of 85 percent of the appraised value of the property to each property owner—OCTA complied with this requirement as reflected on Table 2 although the ultimate purchase price was higher in some instances as a result of negotiation processes. The difference between the appraised value and initial purchase offer accounts for estimated long-term habitat management and monitoring expenses associated with the properties. No offer or purchase amount exceeded the appraised value.

The first step of the acquisition process begins when the negotiation team prepares a purchase agreement with the offer price and terms and conditions. After OCTA legal counsel reviews the purchase agreement, the negotiation team sets up a meeting with the property owner to provide the agreement and offer in person. If the buyer does not agree to the initial offer, the buyer may provide the negotiation team with a counter offer—all negotiations are handled via formal letters between OCTA and the property owners. Once the buyer accepts the offer and signs the purchase agreement, OCTA legal counsel conducts a final review and approves the purchase agreement. Upon the legal counsel sign off, the OCTA CEO reviews and approves the agreement. OCTA's Real Estate and Right-of-Way Administration (within the Capital Programs Division) is responsible for conducting the title and escrow processes related to the sale. The final step involves EMP staff creating a payment request (including title and escrow fees) that is signed by the CEO (or designee) and submitted to Accounts Payable Section (within the Finance and Administration Division), and a payment by wire transfer is sent to the title company.

During the negotiation processes, the wildlife agencies provided the OCTA with "assurance letters" for each of the Group 1 properties that were appraised. These assurance letters provided a guarantee that the wildlife agencies would consider the individually appraised conservation properties as appropriate for partial mitigation of impacts resulting from the construction and operation of the *M2* freeway improvement projects. Without these assurances, the acquisition of the proposed properties could not proceed.

By December 2011, the following five Group 1 properties, totaling nearly 950 acres of conservation land, were purchased for the EMP, as reflected on Table 2.

Table 2. Conservation Lands Purchased by the EMP through December 2011

Property	Number of Acres Appraised	Appraised Value	Initial Offer (85% of Appraised Value)	Number of Acres Purchased	Purchase Price[8]
Ferber Ranch	444	$15,510,000	$13,183,500	399	$12,760,576
Hafen	49	$1,960,000	$1,666,000	48	$1,705,075
Hayashi	298	$2,980,000	$2,533,000	296	$2,960,000
O'Neill Oaks	119	$4,770,000	$4,054,500	119	$4,290,408
Saddle Creek South	84	$3,300,000	$2,805,000	84	$3,178,662
Total	**994**	**$28,520,000**	**$24,242,000**	**946**	**$24,894,721**

After, including $952,307 in related acquisition costs (such as appraisals, taxes, title fees, and start-up and interim property management costs) to the total purchase price of $24,894,721, the total cost of the five acquired properties was $25,847,028. The purchases were also allowed under provisions of a federal Fish and Wildlife grant— thus, the total acquisition costs paid for with the *M2* funds could be reduced by $1,032,271. Therefore, $24,814,757 in *M2* funds were utilized for property acquisition as of October 31, 2012. As a result, of the $35 million allocated for property acquisition related costs, just over $10 million remained available at that point for future property acquisitions and related acquisition costs. According to OCTA staff, negotiations are currently underway for additional property acquisitions and contracts are being established for long-term property management services.

Little Habitat Restoration Activity Has Occurred Thus Far as Early EMP Focus is on Land Acquisition Efforts

In addition to acquiring and maintaining conservation properties, another important required component of the EMP is the mitigation of environmental impacts through regional habitat restoration efforts. As guided by the NCCP/HCP, wildlife agencies, and Army Corps of Engineers, the EMP's habitat restoration processes examine habitat resources throughout the Orange County region to identify conservation and mitigation measures that will protect habitat and species. Through these efforts, the EMP receives mitigation credits and streamlined permit approval.

Over the past few years, parallel with its acquisitions work, the EOC sought potential restoration projects through request for proposals and a restoration evaluation team utilized the same type of evaluation and scoring processes as was used with property acquisition evaluations to evaluate

[8] Purchase price is sometimes lower than initial offer because OCTA ultimately purchased fewer acres than were appraised.

and prioritize/group the restoration proposals based on biological merits. As mentioned previously, habitat restoration processes account for approximately 20 percent of the EMP's budgeted activities—approximately $10.5 million of the initial $55 million EMP allocation was set aside for these restoration activities. Through two rounds of grant funding, as of the end of October 2012, nearly $10.1 million in grants had been approved related to 11 habitat restoration projects throughout Orange County, as reflected on Table 3.

Table 3. EMP Restoration Activity Through October 2012

Restoration Project	Agency	Acres	Fiscal Year	Grant Amount	Expended through 10/31/2012
Big Bend	Laguna Canyon Foundation	3.7	2009-10	$87,500	$17,502
2C Ranch/Trabuco Creek	City of San Juan Capistrano	53.0	2009-10	$1,500,000	$298,853
Fairview Park	City of Costa Mesa	23.0	2009-10	$2,000,000	$342,000
Bee Flat Canyon and Aqua Chinon	Irvine Ranch Conservancy	94.9	2009-10	$1,450,000	$275,390
UCI Ecological Preserve	University of California, Irvine	8.5	2009-10	$325,000	$185,423
Aliso Creek	City of Laguna Niguel	55.0	2011-12	$1,105,000	$0
Chino Hills State Park	City of Brea	15.0	2011-12	$193,000	$0
Harriett Weider Regional Park	City of Huntington Beach	7.7	2011-12	$475,000	$0
Lower Silverado Canyon	City of Irvine	44.0	2011-12	$1,399,580	$0
North Coal Canyon	City of Yorba Linda	5.5	2011-12	$247,500	$0
West Loma	City of Irvine	80.0	2011-12	$1,296,000	$0
Total		**390.3**		**$10,078,580**	**$1,119,168**

In May 2012, approximately $400,000 of the restoration allocation remained to be approved for future restoration projects and the Board approved another call for restoration projects with a focus on watersheds affected by early action M2 freeway projects. According to the EMP Section Manager, the Program is working closely with the Army Corps of Engineers on existing restoration projects to determine mitigation needs before proceeding with another call for projects. They anticipate issuing another call for projects by mid-2013.

As of the end of October 2012, just over $1.3 million of EMP funding had been spent on restoration activities, including $1.1 million in expenditures related to the five 2009-2010 restoration projects. Another $226,441 was charged by the Army Corps of Engineers for their staff time providing technical assistance to the EMP regarding restoration activities associated with Section 214 of the Water Resources Development Act of 2000 that included a number of activities like participating at public meetings, making jurisdictional determinations, and providing permit application reviews.

OCTA Still Needs to Finalize its Role in Conservation Land Management Processes

Land management processes are part and parcel of conservation land acquisition processes. As part of the responsibility to acquire public lands to set aside to meet environmental impacts—the OCTA must manage and oversee those lands in perpetuity. In the past, this type of land management was not an OCTA role. As a result, OCTA has undertaken a number of activities to ensure acquired land is appropriately maintained and overseen. Currently, once conservation properties are acquired, the EMP establishes land management contracts to ensure the environmental integrity of the acquired land that entail such actions as installing fencing and signage as well as removing debris and invasive vegetation. As mentioned earlier, the EMP estimated that land management expenses for acquired and restored conservation lands would cost approximately $7 million over the life of the program—these costs were developed by OCTA's contracted conservation land subject matter experts and based on factors such as fencing, weed management, site inspections and patrolling, habitat and water management, operations, and reporting.

For the first five conservation properties acquired, contracts have been established with several entities, including the California Department of Parks and Recreation, to provide initial start-up and interim land management services. The EMP is currently working to establish contracts with entities such as a public agency, conservancy, or a non-profit organizations for long-term habitat management and monitoring services associated with the acquired conservation properties. Currently, the OCTA owns all five acquired properties. According to the EMP Section Manager, OCTA plans to transfer ownership to other entities for long-term management and is currently in the process of determining which entities the properties will be transferred to, such as regional governmental entities or local non-profit environmental organizations. Although no official determination has been made by the OCTA board, it is expected that for the long-term, these acquired lands will ultimately be turned over to local agencies.

EMP Transactions Appear Adequately Documented and Expenditures Appropriately Approved

Overall, we found that the EMP maintains complete and consistent records of all EMP transactions, including details of documentation of all decisions related to prioritization of properties and negotiation and offer processes. We also found that staff maintain separate binders for each acquired property that include property deeds, title and escrow documents, purchase and sales agreements, expenditure support, appraisal documents, property management contracts, property photographs, and important correspondence.

We selected ten EMP expenditures, including seven contractor invoices and three property acquisitions, for review to determine whether sound and appropriate expenditure controls were in place to prevent unauthorized payments and if those processes were consistently followed and whether approved invoices complied with contract terms.

We found that the seven contractor invoices included a number of services such as appraisals, environmental site assessments, NCCP/HCP preparation, EMP support services (strategic management), and property management. These invoices ranged in cost from $2,700 to over $100,000. We found that the contractor invoice payment approval processes OCTA followed included:

1. Project Managers review invoices and recommend approval.
2. Invoices recommended for approval are submitted to either Department Managers (up to $250,000) or Division Directors (above $250,000) for review and approval.
3. Approved invoices are submitted to the Accounts Payable Section for payment processing.

Further, for the three property acquisitions that involved EMP conservation properties ranging in cost from nearly $3 million to more than $12 million, we noted that all were appropriately supported, reasonable, and authorized. We found that the property acquisition payment approval processes followed included:

1. Purchase agreements are prepared by OCTA EMP staff and consultants.
2. OCTA Legal Counsel reviews purchase agreements.
3. Property owners sign purchase agreements.
4. OCTA Legal Counsel reviews, approves, and signs purchase agreements.
5. OCTA Executive Director of Planning reviews purchase agreement and recommends approval.
6. OCTA CEO reviews, approves, and signs purchase agreements.
7. OCTA Right-of-Way Division administers title and escrow processes.
8. EMP Program Manager prepares capital programs payment requests.
9. OCTA Executive Director of Planning and OCTA CEO (or Deputy CEO) review and approve capital program payment requests.
10. Approved capital program payment requests are submitted to the Accounts Payable Section for payment processing via wire transfer.

Our review of the 10 expenditures found that all expenditures appeared to have sufficient documentation, including invoice review checklists, contractor invoices, description and date of services provided, signed purchase agreements, and approved capital program payment requests. Also, we found that all expenditures complied with stated approval processes, as documentation included evidence of appropriate review and approval signatures and expenditures appeared to comply with approved contract amounts and terms.