2024 Measure M2 Finance Directors' Workshop

August 7, 2024



Agenda

- Welcome and Introductions
- Expenditure Report Template
- Expenditure Report Review and Submittal Process
- M2 Timely Use of Funds
- Maintenance of Effort Requirement
- Senior Mobility Program Reporting
- Local Agency Reviews
- Sales Tax Revenue Forecast
- Q&A

Expenditure Report Template

Sean Murdock Director, Finance and Administration

Program Descriptions

Program Letter	Description
A-M	Freeway Projects
0	Regional Capacity Program (RCP)
Р	Regional Traffic Signal Synchronization Program (RTSSP)
Q	Local Fair Share (LFS)
R	High Frequency Metrolink Service
S	Transit Extensions to Metrolink
Т	Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems
U	Senior Mobility Program/Senior Non-Emergency Medical Transportation
V	Community Based Transit/Circulators
W	Safe Transit Stops
X	Environmental Cleanup Program (Water Quality)

Schedule 1: Beginning and Ending Balances

Description			Amount	Interest
Bala	nces at Beginning of Fiscal Year			
A-M	Freeway Projects	1		
0	Regional Capacity Program (RCP)	2		
P	Regional Traffic Signal Synchronization Program (RTSSP)	3		
Q	Local Fair Share	4		
R	High Frequency Metrolink Service	5		
S	Transit Extensions to Metrolink	6		
Т	Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems	7		
U	Senior Mobility Program or Senior Non-Emergency Medical Program	8		
٧	Community Based Transit/Circulators	9		
W	Safe Transit Stops	10		
X	Environmental Cleanup Program (Water Quality)	11		
	Other*	12		
	Balances at Beginning of the Fiscal Year (Sum Lines 1 to 12)	13		
	Monies Made Available During Fiscal Year	14		
	Total Monies Available (Sum Lines 13 & 14)	15		
	Expenditures During Fiscal Year	16		
	Balances at End of Fiscal Year			
A-M	Freeway Projects	17		
0	Regional Capacity Program (RCP)	18		
P	Regional Traffic Signal Synchronization Program (RTSSP)	19		
Q	Local Fair Share	20		
R	High Frequency Metrolink Service	21		
S	Transit Extensions to Metrolink	22		
Т	Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems	23		
U	Senior Mobility Program or Senior Non-Emergency Medical Program	24		
٧	Community Based Transit/Circulators	25		
W	Safe Transit Stops	26		
X	Environmental Cleanup Program (Water Quality)	27		
	Other*	28		

Common Reporting Issues

- Beginning programming balances do not tie to last year's ending balances (Rows 1-12)
- Total M2 revenue received does not match what was sent by OCTA (Line 14)
- Unreported interest

Schedule 2: Sources and Uses

	Description	Line No.	Amount	Interest
	Revenues:			
A-M	Freeway Projects	1		
0	Regional Capacity Program (RCP)	2		
P	Regional Traffic Signal Synchronization Program (RTSSP)	3		
Q	Local Fair Share	4		
R	High Frequency Metrolink Service	5		
S	Transit Extensions to Metrolink	6		
Т	Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems	7		
U	Senior Mobility Program or Senior Non-Emergency Medical Program	8		
V	Community Based Transit/Circulators	9		
W	Safe Transit Stops	10		
X	Environmental Cleanup Program (Water Quality)	11		
	Other*	12		
	TOTAL REVENUES: (Sum Lines 1 to 12)	13	\$	\$
	Expenditures:			
A-M	Freeway Projects	14		
0	Regional Capacity Program	15		
P	Regional Traffic Signal Synchronization Program	16		
Q	Local Fair Share	17		
R	High Frequency Metrolink Service	18		
S	Transit Extensions to Metrolink	19		
Т	Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems	20		
U	Senior Mobility Program or Senior Non-Emergency Medical Program	21		
٧	Community Based Transit/Circulators	22		
W	Safe Transit Stops	23		
X	Environmental Cleanup Program (Water Quality)	24		
	Other*	25		
	TOTAL EXPENDITURES: (Sum Lines 14 to 25)	26	\$	\$
	TOTAL BALANCE (Subtract line 26 from 13)	27	\$	\$

^{*} Please provide a specific description

Common Reporting Issues

- Program revenue does not tie to what was sent by OCTA (Lines 1-11)
- Other revenue or expenditures are not footnoted (Lines 12, 25)
- Unreported interest

Schedule 3: Streets and Roads Detailed Use of Funds

Type of Expenditure	Line Item	MOE	Developer / Impact Fee ⁺	0	0 Interest	P	P Interest	Q	Q Interest	Х	X Interest	Other M2 ²	Other M2 Interest	Other*	TOTAL
Indirect and/or Overhead	1														\$
Construction & Right-of- Way															
New Street Construction	2														\$
Street Reconstruction	3														\$
Signals, Safety Devices, & Street Lights	4														\$
Pedestrian Ways & Bike paths	5														\$
Storm Drains	6														\$
Storm Damage	7														\$
Total Construction ¹	8														\$
Right of Way Acquisition	9														\$
Total Construction & Right-of-Way	10														\$
Maintenance															
Patching	11														\$
Overlay & Sealing	12														\$
Street Lights & Traffic Signals	13														\$
Storm Damage	14														\$
Other Street Purpose Maintenance	15														\$
Total Maintenance ¹	16														\$
Other	17														\$
GRAND TOTALS (Sum Lines 1, 10, 16, 17)	18	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Finance Director Confirmation	19	supporte XIX and and am	fornia State Consed (funded) by a the Streets and aware of these g	local juri Highway	sdictions' disc s Code eligibl	retiona le expe	ry funds (e.g nditures in its	general f "Guidelin	fund). The Ca les Relating t	ilifornia o Gas T	State Contro ax Expenditu	ller also pr ires for Cit	ovides useful ies and Count	information	on Articl

¹ Includes direct charges for staff time

Common Reporting Issues

- MOE expenditures = MOE requirement
- Other expenditures not footnoted

² Other M2 includes A-M, R, S, T, U, V, and W

⁺ Transportation related only

^{*} Please provide a specific description

Schedule 4: Local Fair Share Project List

PROJECT NAME	AMOUNT EXPENDED
	\$ -

Questions?

Contact Information

Victor Velasquez
Department Manager
(714) 560-5592
vvelasquez@octa.net

Sean Murdock Director, Finance and Administration (714) 560-5685 smurdock@octa.net



Expenditure Report Review and Submittal Process

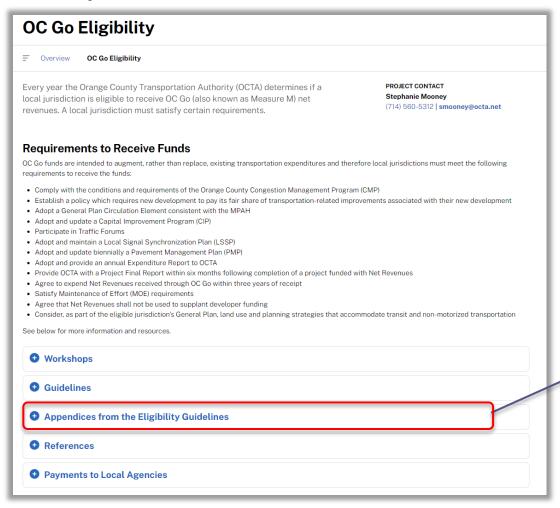
Charvalen Alacar
Section Manager, Measure M2 Local Programs

Review and Submittal Process

- Submit *draft* M2 Expenditure Report to Stephanie Mooney (smooney@octa.net) prior to finalizing staff report for Board of Supervisors/City Council approval
- Submit adopted M2 Expenditure Report and Resolution to Stephanie by December 31, 2024
- Expenditure Reports are self-certified by the local agency and OCTA's cursory review is to check for consistency with M2 disbursements
- Local agencies are responsible for accuracy of reporting & withstanding audit scrutiny

Expenditure Report and Resolution Templates

• Templates can be found at www.octa.net/OCGoEligibility



Appendices from the Eligibility Guidelines Appendix A: Ordinance Appendix C: Congestion Management Program Checklist · Appendix D: Eligibility Checklist Appendix E: Resolutions Appendix F: PMP Submittal Template · Appendix G: Expenditure Report Template • Appendix G: Expenditure Report Template Instructions • Appendix G: Expenditure Report Resolution Appendix H: Arterial Highway Mileage Change Report Appendix I: Maintenance of Effort Certification Form

Questions?

Contact Information

Charvalen Alacar Section Manager, Measure M2 Local Programs (714) 560-5401 <u>calacar@octa.net</u>

Stephanie Mooney
Transportation Funding Analyst
(714) 560-5312
smooney@octa.net



M2 Timely Use of Funds

Charvalen Alacar
Section Manager, Measure M2 Local Programs

Measure M2 (M2) Ordinance No. 3

Time Limits for Use of Net Revenues



Section III.A.10.b.

"Agree that [M2] Net Revenues...shall be expended...within three years of receipt."

"The Authority may grant an **extension** to the three-year limit, but extensions shall not be granted beyond a **total of five years**...

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY ORDINANCE NO. 3

JULY 24, 2006

AMENDED:

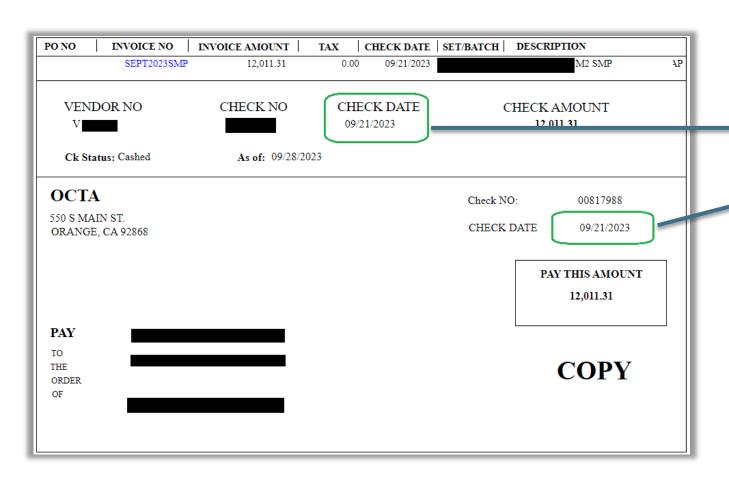
November 9, 2012 November 25, 2013 December 14, 2015 (corrected March 14, 2016) June 22, 2020 May 24, 2021

Orange County Local Transportation Authority 550 South Main Street P.O. Box 14184 Orange, CA 92863-1584 Tel: (714) 560-6282

213669,0

Date of Disbursement

Check Date: Starts the clock



O9/21/2023

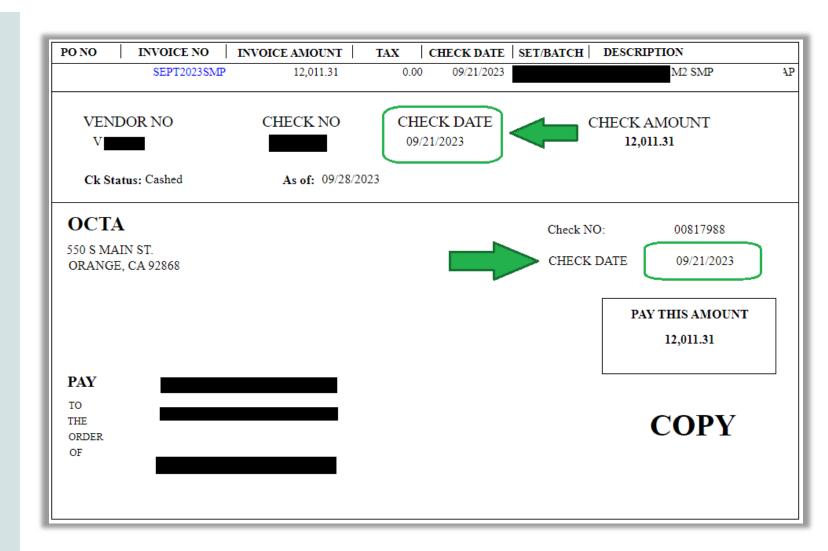
Expenditure Deadline

Actual Deadline

36 months or 3 years
 from Check Date

Check Date: 9/21/2023

Expenditure Deadline: 9/21/2026



Tracking Deadline

Fiscal Year Basis for Tracking Purposes

- 3 fiscal years total
- FY check was issued counts as 1st FY

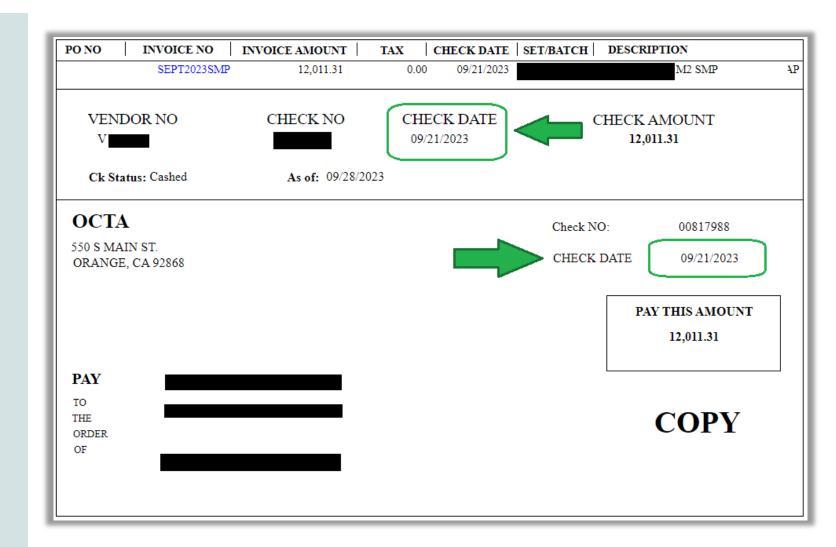
FY of Check Date: FY 2024 Tracking Deadline: 6/30/2026

FY24, FY25, FY26

• 1st FY: 2024

· 2nd FY: 2025

• 3rd FY: 2026



Extension Requests

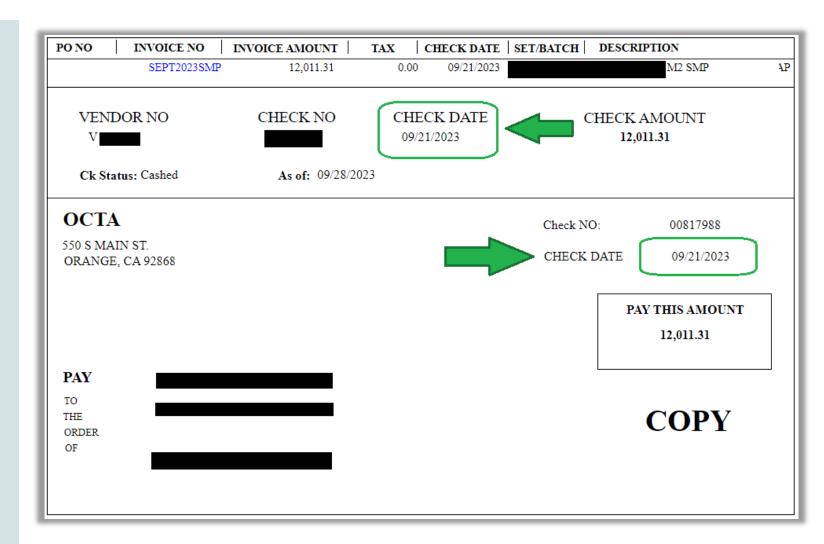
Up to 2 Years

- Submit Requests to Local Programs
- Semi-Annual Review in March

Original Tracking Deadline: FY26 2-year Extension -

• Exp Deadline: 9/21/2028

Tracking Deadline: 6/30/2028



Timely Use of Funds Deadlines

Check Date: 9/21/2023

Expenditure Deadline: 9/21/2026

Expenditure Deadline

(Local Agencies)

3 calendar years from date of disbursement

FY of Check Date: FY 2023-24

Tracking Deadline: 6/30/2026

• FY24, FY25, <u>FY26</u>

Tracking Process (OCTA)

3 fiscal years
FY of disbursement
counts as the first
fiscal year

Original Tracking Deadline: FY26

2-year Extension -

New Exp Deadline: 7/15/2028

New Tracking Deadline: 6/30/2028

Extension Requests

(Semi-Annual Review)

Up to 2 years **Submit Requests:**Semi-Annual Review
in March

March Semi-Annual Review

- Review Fact Sheets (Attachment C) for information about LFS and SMP expenditure deadlines and extension request process
- Fact Sheets are updated and distributed during the March semi-annual review



ATTACHMENT C

Local Fair Share Funds Fact Sheet

March 2025 Semi-Annual Review

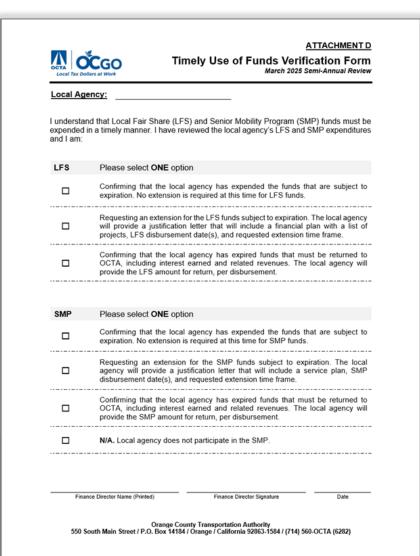
	LOCAL FAIR SHARE FUNDS (LFS) INFORMATION
Expenditure Deadline Requirement:	Local agencies are required to expend LFS funds within 36 months from the disbursement date. For review purposes, the Orange County Transportation Authority (OCTA) tracks expenditures based on the fiscal year ¹ (FY) of receipt plus two additional FYs. For example, March 2023 disbursements are FY 2022-23 funds and should be expended by the end of FY 2024-25 (June 30, 2025). This tracking method aligns with M2 Eligibility expenditure reports, which are reported on a FY basis.
Allowable Extension:	Local agencies may request an extension of up to two additional years. No more than a total of five years from the disbursement date will be allowed.
	Since OCTA tracks expenditures on a FY basis, the agency would have to provide documentation of the LFS disbursement date in order for that date to be used for the deadline.
Expenditure Deadline Verification Process:	Agencies are required to complete and submit a Timely Use of Funds Verification Form during the March semi-annual review (SAR) process. The agency must indicate whether an extension is required. This form must be submitted whether or not an extension is required.
Expiring LFS Funds Consequence:	If the funds are not expended by the expiration date or an extension has not been requested, the agency must return expired funds, including interest earned and related revenues, to OCTA. These funds shall be returned for redistribution within the same source program.
OCTA Contact:	Stephanie Mooney
Email Address:	smooney@octa.net

If an extension is required, the local agency is required to submit the items outlined in the checklist below:

\sqcap	Notify OCTA when an extension is necessary	
_		
	Letter addressed to OCTA requesting an extension	Letter must include justification for the request, original disbursement date(s), the requested extension time frame and should be addressed to:
		Charvalen Alacar Section Manager, Measure M2 Local Programs

Timely Use of Funds Verification Form

- No extension needed.
- ☐ Funds extension requested.
 - ✓ Service Plan (For SMP)
 - ✓ Financial Plan (for LFS)
 - ✓ Disbursement Date(s)
 - ✓ Extension Time Frame
- Return funds to OCTA.
 - ✓ Amount to Return, per disbursement
 - ✓ Interest Earned
 - ✓ Return of M2 Formula Funds Form



M2 Eligibility Website

www.octa.net/OCGoEligibility

- Projected SMP Funding Allocations (5 years)
- Projected LFS Funding Allocations (5 years)
- Other M2 Workshop Presentations
- Payments to Local Agencies (formerly M2 Report)

Questions?

Contact Information

Charvalen Alacar Section Manager, Measure M2 Local Programs (714) 560-5401 <u>calacar@octa.net</u>

Stephanie Mooney
Transportation Funding Analyst
(714) 560-5312
smooney@octa.net



Maintenance of Effort (MOE) Requirement

Charvalen Alacar
Section Manager, Measure M2 Local Programs

MOE Overview

- Local jurisdictions must maintain a minimum level of expenditures for local streets and roads purposes using local discretionary funds.
- MOE benchmark is adjusted every 3 years, per the M2 Ordinance.
- Most recent adjustment was approved in April 2023
 - Final revisions approved in July 2023.
- Next MOE benchmark adjustment in 2026

MOE Overview

- Always report more expenditures than is required
- If reporting indirect costs to MOE cost allocation plan is required
- Cost allocation plan must be reasonable and no more than 3-5 years old
- Cost must be consistent with Article XIX of the California Constitution

Questions?

Contact Information

Charvalen Alacar Section Manager, Measure M2 Local Programs (714) 560-5401 calacar@octa.net

Stephanie Mooney
Transportation Funding Analyst
(714) 560-5312
smooney@octa.net



Senior Mobility Program Reporting

Martin Browne Community Transportation Coordinator, Senior

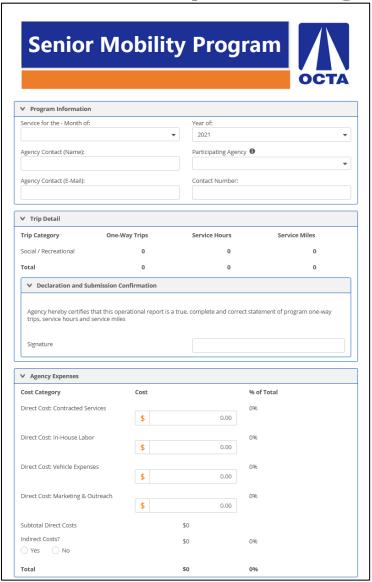
Senior Mobility Program (SMP)

- Measure M2 provides funding for transportation programs to meet the growing needs of seniors.
- 32 cities participate.
- Funding based on city's population of 60 years and older and sales tax revenue.
- Each city designs a program that best suits the needs of the seniors in their community.
- Since inception, more than \$37.2 million has been distributed to the cities and over 2.9 million boardings have been provided to get seniors to their destinations.

Monthly Reporting Process

- SMP reporting is submitted online at: www.octa.net/smpform
- The Finance Director or designee signs the form and submits electronically
- The financial reports continue to be due 60 days after the end of the reporting quarter.
- Allowed to charge up to 10% for indirect expenses which includes:
 - Rent
 - Utilities
- Making changes to your original submittal are acceptable.

Reporting Form



Above Total Expenses Paid By	Cost	% of To	otal
OCTA Contribution	\$0	096	
Agency Contribution	\$0	096	
Total	\$0	0%	
✓ Agency Contribution			
Above Agency Contribution Source	tes Cost		% of Total
General Fund			096
	\$	0.00	
General Donations			0%
	\$	0.00	
Transportation Fees or Rider Fees			0%
	\$	0.00	
Title IIIB Funds			0%
	\$	0.00	
Other			0%
	\$	0.00	
Other			0%
	\$	0.00	
Other			0%
	\$	0.00	
Total		\$0	0%
✓ Save as Draft			
Do you want to save this as draft?	*		
Yes No			
 Declaration and Submission C 	onfirmation		
Agency hereby certifies that this fin	ancial report is a true, complete	and correct statement of	program costs, revenues, and
agency contribution data.			
Signature			

Common FY23 Site Visit Findings

Senior Mobility Program

- Reporting errors or late submission of reports
- Overstating contractor expenses Applies to Yellow Cab invoices
- Failure to verify participant eligibility (age) on the SMP application
- Lack of competitive procurement of service provider
- Failure to use the OC Go logo on city issued marketing materials
- Some cities with large positive balances are not spending down their SMP funds

Program Sustainability

- There is a 26% increase in the number of trips provided in FY24.
- With the increase in the number of trips provided, be mindful of your funding and sustainability of your program, especially if you operate taxicab services throughout OC.
- Contract cost increases, be mindful if you are seeking new contracts in FY25.

Questions?

Contact Information

Martin Browne Community Transportation Coordinator, Senior (714) 560-5431 mbrowne@octa.net



Local Agency Reviews

Janet Sutter Executive Director of Internal Audit

Review Findings-Examples

Local Fair Share

- Ineligible or unsupported MOE and/or LFS expenditures
- Reporting errors
- Failure to allocate interest
- LFS expenditures for projects not listed in the CIP
- Allocation of overhead and/or indirect costs without sufficient support
- Allocation of indirect costs based on an aged plan (> 5 years)
- Misclassified expenditures (direct vs. indirect)

MOE Expenditures

Eligibility

- Guidelines Relating to Gas Tax Expenditures for Cities and Counties, March 2019 at State Controller's Website: https://www.sco.ca.gov/Files-AUD/gas tax guidelines31219.pdf
- Examples of ineligible expenditures: hazardous waste dump fees, NPDES permit fees, public parking lot materials/machine maintenance, crossing guard services, park maintenance and supplies, indirect and/or overhead costs not supported by a documented, current plan (< 5 years old) representing a reasonable methodology.
- MOE expenditures must represent actual expenditures, not budgeted amounts or deposits to sinking funds.
- Recommend: Perform a self-review of MOE expenditures and reconcile amounts to Expenditure Report before finalizing. Ensure a documented, reasonable methodology is on file to support any allocations of indirect costs.

Direct vs. Indirect Costs

- **Direct Cost** = Expenditures incurred solely and specifically for a street or road purpose or project. Should be charged to a specific cost or object code. Examples include payments for services, salary costs of employees directly participating in street and road projects, etc.
- Indirect/Overhead Costs = Costs incurred that benefit more than one cost center or object code and are not readily assignable. These costs should be distributed to benefitted cost centers or object codes on bases that produce equitable results considering the benefits derived. Examples include allocating IT overhead costs based on the number of computers assigned to a cost center, allocating supervision labor costs based on direct costs by employees, allocating AP costs based on invoices paid by cost center or object code, allocating procurement costs based on the number of contracts procured, etc.

LFS Expenditures

- LFS expenditures = street and road expenditures and other transportation purposes.
- Ensure a documented, reasonable methodology is on file to support any allocations of indirect costs. Allocation of budgeted amounts or deposits to sinking funds are not allowable.
- Recommend: Agencies should implement a review process to ensure costs charged to LFS are eligible and supported.
- Penalty for misspent funds = Return of misspent funds and ineligibility to receive M2 funds for a period of 5 years.

Review Findings - Examples

Senior Mobility Program

- Reporting errors or late submission of monthly reports
- Failure to meet match requirement
- Failure to record match expenditures (third party service provider)
- Failure to verify participant eligibility (age)
- Failure to allocate interest to the fund
- Lack of competitive procurement of service provider
- Administrative charges to the SMP > 10 percent

Agencies Selected by Audit Subcommittee of Taxpayer Oversight Committee for Review - 2024:

Local Fair Share:

Garden Grove, Huntington Beach, Laguna Hills, La Habra, Mission Viejo, San Clemente, Seal Beach, Westminster, County of Orange

Senior Mobility Program

Buena Park, Laguna Niguel, Laguna Woods, Mission Viejo, San Juan Capistrano

Questions?

Contact Information

Janet Sutter Executive Director, Internal Audit (714) 560-5591 jsutter@octa.net



Sales Tax Revenue Forecast

Sean Murdock Director, Finance & Administration

Sales Tax Forecast

Conservative sales tax estimate for the M2 Program is forecasted to be \$14.0 billion

Represents a decrease of \$0.8 billion compared to last year's forecast of \$14.8 billion

➤ Based on estimated annual M2 sales tax receipts of \$430M for FY 2024

➤ Based on updated sales tax forecasts from MuniServices, UCLA, Cal State Fullerton, and Chapman University

Questions?

Contact Information

Sean Murdock Director, Finance and Administration (714) 560-5685 smurdock@octa.net

