

Measure M (M2) Maintenance of Effort (MOE) Process for FY 2019-20 and 2020-21

Frequently Asked Questions (FAQ)

Q1: How has the MOE requirement (including the M2 Ordinance amendment) been communicated to local agencies?

A1: OCTA has engaged with local agencies through the following venues:

- The April 22, 2020 Technical Advisory Committee (TAC) meeting.
- The April 30, 2020 M2 Eligibility Workshop (Workshop).
- Through emails disbursed to workshop attendees on April 30, May 1 and May 11, and also through formal written notifications on May 12, 2020 related to the M2 Eligibility Workshop and the OCTA Board of Director's approval to initiate (and approve) the M2 Ordinance Amendment.
- A brief discussion regarding the proposed M2 ordinance amendment also took place on May 14, 2020, at the Orange County City Managers meeting.
- The M2 ordinance amendment was also presented to the Orange County Council of Governments on May 28, 2020.
- OCTA has also met directly with local agencies as requested and has responded to or discussed individual questions and comments submitted by individual agencies; and
- OCTA again discussed the M2 Ordinance Amendment at the Technical Steering Committee on June 10th and at the TAC on June 24th.
- OCTA also sent out notification that the Ordinance Amendment was formally approved by the Board on June 22, 2020.

Q2: Is supporting budget documentation required for the MOE Certification Form?

A2: If an agency's MOE Certification Form (Form) is based on the MOE benchmark (by dollar value), then it must provide specific budget information in the table and attach supporting budget documentation for each line item listed on the Form.

For fiscal year (FY) 2020-21 only, due to the financial impacts of the coronavirus (COVID-19) pandemic, local agencies have the option to certify to a budget that commits to an MOE target that is based on the percent of the FY 2020-21 MOE benchmark value to FY 2018-19 general fund revenues (GFRs). In this case, the table on the Form does not need to be completed and supporting budget documentation does not need to be attached.

Q3: Will the MOE requirement figure change for FY 2020-21?

A3: The modified MOE requirement and figures were approved by the Orange County Transportation Authority (OCTA) Board in April and May 2020 and will not change again for FY 2020-21.

However, local agencies can either use the MOE benchmark dollar value or the percentage of the FY 2020-21 MOE value to FY 2018-19 GFRs in order to meet the MOE requirement for FY 2020-21.

Q4: Will a local agency be expected to spend sufficient MOE GFRs in FY 2020-21 by June 30, 2021, in order to meet the MOE percent share of FY 2018-19 GFRs, even if the local agency may not know all of its revenues (or what the total GFR amount is in its final Comprehensive Annual Financial Report [CAFR]) until an annual audit has been completed, which likely will not occur until December 2021?

A4: Yes, the local agency is expected to monitor revenues as they come in throughout the year and adjust its use of GFRs for street and roads proposes to either meet the approved FY 2020-21 MOE benchmark dollar value or to spend a proportionate (percent) share of GFRs consistent with the last column of this [table](#), which can also be found on the eligibility [webpage](#).

Q5: Are the MOE requirements for FY 2020-21 vs the percent of GFRs fairly close in totals?

A5: It depends, as these numbers will vary based on each local agencies' specific circumstances, FY 2020-21 MOE benchmarks, and GFRs.

Q6: Where can I find the MOE Certification Form?

A6: The MOE Certification Form can be found on the eligibility [webpage](#) under the "Appendices from the Eligibility Guidelines" dropdown link.

Q7: Are local agencies held to what they certify on their MOE Certification Form?

A7: Local agencies can meet the MOE requirement through the benchmark dollar amount or percentage of GFRs on the Expenditure Report at the end of the fiscal year. Even if a local agency certifies that they are budgeting at the MOE benchmark dollar amount, they can still opt to meet the MOE percentage of GFRs actuals regardless of what was certified to. The Expenditure Report is not tied to the budget certification form since one is the proposed budget, which may change over time, and the other is the report of actual expenditures.

Q8: How were the FY 2020-21 MOE benchmarks calculated?

A8: Per the M2 Ordinance, the MOE benchmark is adjusted every three fiscal years in an amount equal to the percent change for the California Department of Transportation's (Caltrans) published construction cost index (CCI) for the immediately preceding three calendar years, provided that any percent increase in the MOE benchmark shall not exceed the percent increase in the growth rate in the local agencies' GFRs over the same time period.

The FY 2020-21 MOE benchmark adjustment compared growth in the Caltrans' CCI from 2016 to 2019 against the growth in GFRs from FY 2015-16 to FY 2018-19.

Q9: The MOE percentage of GFRs (in the [table](#) referenced above) was calculated using an agency's FY 2018-19 GFRs and FY 2020-21 MOE benchmark. Shouldn't the FY 2018-19 GFRs and FY 2018-19 MOE benchmark have been used for the calculation for consistency?

A9: This was the calculation that was the most consistent with the intent of M2, including the requirement that OCTA adjust the MOE benchmark every three years. The MOE benchmark was established based on data collected and revenues from 1985 to 1990. It did not increase at all during the original Measure M program and this was only the third increase under M2, so the actual percentage of GFRs has gone down over time. With the help of OCTA's Financial Planning and Analysis and Legal Departments, this calculation was determined to be the most consistent with M2 while allowing for relief for local agencies if their GFRs go down due to the impacts of the Coronavirus (COVID-19).

Q10: What if an agency uses the budgeted GFRs for FY 2020-21 to calculate the agency's adjusted MOE, but actual GFRs differ at the end of FY 2020-21?

A10: If the local agency decides to pursue the MOE percentage of GFRs option, the local agency is expected to monitor revenues as they come in throughout the year and adjust their use of GFRs for streets and roads expenditures to spend a proportionate share of GFRs consistent with the last column of this [table](#), which can also be found on the eligibility [webpage](#).

If the agency decides to meet the MOE actual expenditure requirement for FY 2020-21 by expending to the MOE benchmark dollar value, then actual GFRs are not relevant.

Q11: Our agency will not be approving a FY 2020-21 budget until July, but the MOE Certification Form is due with the eligibility submittal package by June 30, 2020. While we are aware that City Council approval is not necessary for the MOE Certification Form, there has yet to be clear direction on possible GFR reductions. Until the budget has been approved, our local agency cannot say for certain which method (i.e. the MOE benchmark dollar value or percentage of GFRs) would be best for the city.

A11: An MOE Certification Form and supporting budget documentation (if applicable, as the percentage basis does not require supporting budget documentation) must be submitted with the eligibility submittal package due on or before June 30, 2020.

Per the M2 Ordinance, the budget certification form for the FY must be submitted to remain eligible to receive Measure M2 net revenues for that FY. However, once the agency's budget has been approved and there is clearer direction on possible GFR reductions, please submit a revised or corrected MOE Certification Form with approved supporting budget documentation by July 31, 2020. Please note, the M2 Expenditure Report is not tied to the MOE Certification Form.

For example, a local agency can certify to meet the MOE benchmark dollar value on their FY 2020-21 MOE Budget Certification Form, but then meet the percentage to GFRs on their FY 2020-21 M2 Expenditure Report.

Q12: To calculate the revised FY 2020-21 MOE Benchmark, what ratio do we start with? And then what do we apply it to? Is it FY 2018-19 streets and roads expenditures divided by FY 2018-19 GFRs or FY 2018-19 MOE benchmark divided by FY 2018-19 GFRs? And then apply that percentage to FY 2020-21 GFRs?

A12: For the FY 2020-21 MOE Certification Form that is due by June 30, 2020, the local agency can do one of two things:

- 1) Certify the existing MOE (dollar value) benchmark
- 2) Certify that for the FY 2020-21 budget, the local agency will budget the percentage of GFRs for MOE expenditures found in the last column of this [table](#), which can also be found on the eligibility [webpage](#).

For the FY 2020-21 Expenditure Report that must be submitted before December 31, 2021, regardless of what methodology the local agency indicated in the MOE Certification Form, the local agency can either:

- 1) Report and provide verification that MOE was spent consistent with the dollar value of the traditional MOE benchmark; or
- 2) Report sufficient expenditures to demonstrate that the agency spent the appropriate proportion of actual GFRs collected in FY 2020-21 (and as it will report in the FY 2020-21 CAFR). Reporting based on the percentage method will require the local agency to monitor GFRs that are received throughout the year to confirm that enough GFR supported streets and roads expenditures are being spent to meet the requirement as the year goes on.

Also, OCTA always advises local agencies to spend more than the minimum required MOE in case an audit determines that certain MOE expenditures may be ineligible. Please note, only streets and roads expenditures are eligible for MOE.

Q13: Was the M2 Ordinance amendment related to the MOE requirement already approved by the Board on May 11, 2020? Or was it solely approved for the purposes of scheduling a future public hearing as referenced in the OCTA Executive Committee's staff report?

A13: On May 11, 2020, the OCTA Board approved an amended MOE Certification Form and also updated the M2 Eligibility Guidelines (which can be found eligibility [webpage](#)). The OCTA Board also directed staff to initiate the process to amend the M2 Ordinance. On June 22, 2020, the Board approved the M2 Ordinance amendment.

Q14: Does OCTA's change to the MOE benchmark apply to the State of California's Senate Bill (SB) 1 MOE requirement?

A14: OCTA's change to the MOE requirement does not change the State of California's SB 1 MOE requirement. This flexibility only applies to the Measure M2 MOE requirement and does not impact SB 1 Local Streets and Roads Maintenance and Rehabilitation Account (RMRA) required MOE commitments.