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# **NEWPORT BEACH**

## **City Council Staff Report**

June 10, 2025  
Agenda Item No. 5

**TO:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

**FROM:** David A. Webb, Public Works Director - 949-644-3311,  
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**TITLE:** Resolution No. 2025-26: Annual Measure M2 Eligibility Submittal

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### **ABSTRACT:**

The City of Newport Beach must annually submit certain required documents to maintain eligibility to receive Measure M2 Fair Share and Competitive funding from the Orange County Transportation Authority (OCTA). The submittal documentation this year requires approval of an updated Measure M2 Seven -Year Capital Improvement Program (CIP) and a City Council resolution regarding the status and update of the Circulation Element/ Master Plan of Arterial Highways (MPAH) Consistency, Mitigation Fee Program (MFP), and a Pavement Management Plan (PMP).

### **RECOMMENDATIONS:**

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly;
- b) Adopt the Measure M2 Seven-Year Capital Improvement Program;
- c) Adopt Resolution No. 2025-26, *A Resolution of the City Council of the City of Newport Beach, California, Concerning the Status and Update of the Circulation Element, Mitigation Fee Program and Pavement Management Plan for the Measure M2 Program*; and
- d) Direct staff to submit all necessary materials to the Orange County Transportation Authority to satisfy the FY 2025-26 Measure M2 annual eligibility requirements.

### **DISCUSSION:**

On November 7, 2006, Orange County voters approved Ordinance No. 3, the Renewed Measure M (M2) multi-billion-dollar program extension of the original Measure M. M2 authorized the imposition of a one-half cent retail transaction and use tax for a period of 30 years, starting in 2011.

Current M2 legislation provides local agencies with 18% of the sales tax revenue collected under a program called " Fair Share." The distribution to each local agency is based on a formula using population, miles of existing arterial highways located within each jurisdiction, and taxable sales. A forecast of Local Fair Share Funds was released by OCTA in March 2025 and the City' s apportionment is approximately \$2.6 million in FY 2025-26 for local street projects under the Fair Share Program.

To maintain eligibility for Measure M2 funds, the City must satisfy the following requirements by June 30, 2025:

1. Adopt a Measure M2 Seven-Year CIP that includes all projects to be funded partially or fully by Measure M2 dollars (Attachment A);
2. Adopt a resolution concerning the status and update of the Circulation Element/ MPAH Consistency, MFP, and PMP for the Measure M2 Program (Attachment B); and
3. Submit all other required documentation required by OCTA Fiscal Year 2025-26 Measure M2 Eligibility Guidelines.

The budgets shown on the Measure M2 Seven-Year CIP for Fiscal Years 2025-2026 to 2031-2032 are estimated based on anticipated spending and historic needs. The budget for Fiscal Year 2025-2026 is included in the proposed Capital Improvement Program budget for City Council adoption on June 10, 2025. Actual budgets for future years have not yet been established.

The City's Circulation Element is considered consistent with the County MPAH with the OCTA staff's understanding that the City is currently in the process of updating its Master Plan of Streets and Highways (NBMPSH) within its Circulation Element. The updating of the NBMPSH has been taking longer than anticipated as the City first needed to update the Housing Element to incorporate recent State-mandated housing requirements, which has been a challenging and lengthy process. Additionally, staff is currently working with OCTA to review and process a request by the City of Costa Mesa to downgrade 19<sup>th</sup> Street and remove planned arterials within the Randall Reserve (former Banning Ranch). OCTA and City staff have agreed the City's effort to update the NBMPSH should run in parallel with the Randall Preserve MPAH Network Study that OCTA is currently leading.

The MFP assesses traffic impacts of new development and requires new development to pay a fair share of the related, necessary transportation improvements. These Fair Share Fees are adjusted annually based on the Consumer Price Index (Attachment C). The PMP outlines the processes in place for the planning, preventative maintenance, and repair of the City's roadways. An updated PMP report (Attachment D) must be submitted to OCTA on a biennial basis. This updated pavement system assessment was completed in March 2025 and the results show that the City's overall weighted Pavement Condition Index (PCI) for the pavement network is 82, which is in the " Good" category. This report also verified that the City' s overall pavement condition meets or exceeds the City Council's goal of maintaining a citywide PCI of 80 or higher. Additionally, as a result of maintaining a network PCI of 80 or higher, the City remains eligible for a local agency match reduction of 10%.

A standard item included in the City's annual eligibility documentation is a Maintenance of Effort (MOE) Certification. This required certification is meant to ensure that the local jurisdiction maintains a minimum level of local street and road expenditures and that the M2 funds are used to supplement, rather than replace, local funds. The City has complied with this and all other eligibility requirements since the inception of the Measure M2 program.

The FY 2025-26 MOE benchmark for the City of Newport Beach was established at \$14,292,404. The MOE benchmark was most recently adjusted in 2023 and is adjusted every three years. Historically, the City exceeds the benchmark by a considerable amount. Last year's MOE expenditure totaled \$22.4 million.

Upon the City Council's approval of the recommended actions, a complete submittal of the City's eligibility packet will be transmitted to OCTA by the June 30, 2025, submission deadline.

### **FISCAL IMPACT:**

Submittal of the eligibility documentation ensures that the City will continue to receive its Fair Share portion of the Measure M2 funds, as well as allow the City to participate in receiving additional funds through the Measure M2 Competitive Grant funding programs. This amounts to several million dollars in roadway-related funding each year and is a key part of the City's roadway maintenance program. Annually, OCTA prepares a 7-year funding estimate (see table below). Year-over-year increases are projected around 3%.

Estimated Measure M2 Local Fair Share Program Funding

FY2025-26	FY2026-27	FY2027-28	FY2028-29	FY2029-30	FY2030-31	FY2031-32	7 Year Estimate
\$2,633,331	\$2,701,329	\$2,743,146	\$2,785,720	\$2,859,412	\$2,975,770	\$3,093,549	\$19,792,257

### **ENVIRONMENTAL REVIEW:**

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

### **NOTICING:**

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

### **ATTACHMENTS:**

Attachment A – Measure M2 Seven -Year Capital Improvement Program  
Attachment B – Resolution No. 2025-26  
Attachment C – Mitigation Fee Program - Fair Share Fee Schedule  
Attachment D – Pavement Management Plan