



CITY OF

NEWPORT BEACH

City Council Staff Report

November 18, 2025
Agenda Item No. 4

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Resolution No. 2025-79: Approval of Measure M2 Expenditure Report

ABSTRACT:

Measure M2 requires local jurisdictions to submit an annual accounting of M2 revenues and expenditures to the Orange County Transportation Authority (OCTA) by December 31st each year. Prior to submitting the accounting to OCTA, the M2 Expenditure Report must be adopted by City Council through a resolution.

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; and
- b) Adopt Resolution 2025-79, *A Resolution of the City Council of the City of Newport Beach, California, Concerning the Measure M2 Expenditure Report for the City Of Newport Beach for Fiscal Year 2024-25.*

DISCUSSION:

In 1990, Orange County voters approved Measure M, a 20-year program for local transportation improvements funded by a half-cent sales tax and entrusted the newly created OCTA to administer Measure M funds. Measure M was designed to fund transportation improvement projects in three major areas – freeways, streets and roads, and transit. The first Measure M program ended on March 31, 2011.

On November 7, 2006, Orange County voters renewed Measure M, and Measure M2 (M2) was passed to keep the transportation improvements continuing for another 30 years until 2041. With the passage of M2, local agencies must continue to demonstrate eligibility. One new requirement emphasizes financial accountability and requires each local agency to submit an expenditure report to OCTA each year. Specifically, Ordinance No. 3 of the Local Transportation Authority requires the following:

“Local jurisdictions must adopt and provide an annual expenditure report to OCTA to account for M2 funds, developer/traffic impact fees, and funds expended by the jurisdiction to satisfy maintenance of effort requirements. The report is required within six months of each jurisdiction’s fiscal year end. The report will include all M2 net revenue, fund balances and interest earned, and will identify expenditures by activity type and funding source.”

M2 funds eligibility requires the City to maintain a minimum level of local streets and roads expenditures using discretionary funds, known as the maintenance of effort (MOE). The City’s MOE requirement for Fiscal Year 2024-25 was approximately \$14.3 million. Approximately \$23.2 million in eligible MOE expenditures were incurred during FY 2024-25, as reflected in the exhibit included in Attachment A.

In FY 2024-25, the City received approximately \$3.0 million of M2 funds and expended approximately \$5.2 million of M2 funds, decreasing the balance of unexpended M2 funds compared to the beginning of the fiscal year. Unexpended M2 funds remaining at the end of fiscal year 2024-25 will be expended in future fiscal years.

FISCAL IMPACT:

If the Measure M2 Expenditure Report is not filed with OCTA, then OCTA could potentially suspend or delay M2 funding to the City. Filing the report provides the City with additional resources to fund transportation capital improvement projects that would otherwise need to be funded by the City’s General Fund.

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).

ATTACHMENT:

Attachment A - Resolution 2025-79