



CITY OF

NEWPORT BEACH

City Council Staff Report

June 8, 2021
Agenda Item No. 5

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Resolution No. 2021-48: Annual Measure M2 Eligibility Submittal

ABSTRACT:

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

RECOMMENDATION:

- 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 (CIP);
- c) Adopt Resolution No. 2021-48, *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 material to OCTA to satisfy the FY 2021-22 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 April of 2021 and the City’s apportionment is approximately \$1.87 million in FY 2021-22 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, 2021:

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 2021-22 Measure M2 Eligibility Guidelines.

The budgets shown on the Measure M2 Seven-Year CIP for Fiscal Years 2021-2022 to 2027-2028 are estimated based on anticipated spending and historic needs. Actual budgets for these years have not yet been established. The PMP outlines the processes in place for the planning, preventative maintenance, and repair of the City’s roadways. An updated PMP report (Attachment C) is required to be submitted to OCTA on a biennial basis. This updated pavement system assessment was completed in January of 2021 and the results show that the City’s overall weighted Pavement Condition Index (PCI) for the pavement network is 81, 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 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 percent. The MFP assesses traffic impacts of new development and requires new development to pay a fair share of necessary transportation improvements attributable to new development. These Fair Share Fees are adjusted annually based on the Consumer Price Index (Attachment D.)

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 2021-22 MOE benchmark for the City of Newport Beach was established at \$12,547,102. The MOE benchmark was most recently adjusted in 2020. It is adjusted every three years.

This benchmark was established prior to the COVID-19 pandemic. Given the economic impacts of the pandemic, OCTA has established an alternative method for local agencies to meet the MOE requirement.

The alternative option is to maintain an MOE level based on a fixed percentage of the FY 2018-19 general fund revenues. This fixed percentage is set at 5.46% for the City. Staff has prepared the calculations for this year's certification based on the proposed budget and the City will meet or exceed the required MOE expenditures. Thus, staff does not anticipate a need to elect for the alternative option.

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, 2021, submission deadline.

FISCAL IMPACT:

Submittal of the eligibility documentation ensures that the City will continue to receive its Fair Share portion of the one-half cent, countywide transportation sales tax, commonly known as Measure M2, 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 our roadway maintenance program.

Estimated Measure M2 Local Fair Share Program Funding

FY2021-22	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27	6 Year Estimate
\$ 1,867,223	\$ 1,924,105	\$ 1,986,013	\$ 2,038,321	\$ 2,113,335	\$ 2,173,255	\$ 12,102,252

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. 2021-48
Attachment C – Pavement Management Plan
Attachment D – Mitigation Fee Program – Fair Share Fee Schedule