



**Mitigation and Resource Protection Program Oversight Committee
Environmental Oversight Committee**

February 4, 2015

**Orange County Transportation Authority
600 S. Main Street, Orange CA**

**10:00 a.m. to 11:30 a.m.
Room 154**

AGENDA

- 1. Welcome**
- 2. Approval of January 7, 2015 Minutes**
- 3. Environmental Mitigation Program Long-term Funding Strategy**
Dan Phu, OCTA
Kirk Avila, OCTA
Monte Ward, OCTA Consultant

At the January EOC meeting, staff presented and discussed the ongoing effort related to the development of a framework to allocated future EMP funds. Since July 2014, a number of meetings related to the guiding principles have been held with a subset (Ad Hoc Working Group) of the EOC to discuss the potential use of the unallocated EMP funds. These included a process to determine if the use of the future funds complies with the M2 Ordinance No. 3; consideration of potential future freeway improvements not currently part of M2; and an evaluation of future funding and financing capacity.

To follow up on the Draft Guiding Principles, additional information has been provided to fully evaluate options for the EMP going forward. Draft scores and the ranking of potential expenditures were presented for discussion. This information will be used to support and craft a set of recommendations for the EOC to consider. Preliminary results of the Ad Hoc Working Group were presented at the January EOC meeting. Most of the remaining EOC members have scored the same potential options for unallocated future funds. These scores have been averaged with the Ad Hoc Working Group's scores and will be presented for discussion.

- 4. NCCP/HCP and DEIR/EIS Update**
Marissa Espino, OCTA

Public release of the draft Conservation Plan and environmental document took place on Friday, Nov. 7. The public review period to gather comments on the NCCP/HCP and DEIR/EIS is 90 days and will conclude on Feb. 6th. Public meetings were held on Thursday, November 20th (OCTA) and Wednesday, December 3rd (Rancho Santa Margarita City Hall). All the materials presented at the Open Houses are available online. Release of Resource

Public Comments: The Agenda descriptions are intended to give notice to members of the public of a general summary of items of business to be transacted or discussed. Members from the public wishing to address the Committee will be recognized by the Chairman at the time the Agenda item is to be considered. A speaker's comments shall be limited to three (3) minutes. Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the OCTA at (714) 560-5725, no less than two (2) business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Management Plans for public review is anticipated during 1st quarter of 2015 to address Preserve specific management needs (including public access).

5. Public Comments

6. Committee Member Reports

7. Next Meeting – TBD

8. Closed Session

Pursuant to Government Code Section 54956.8 to discuss the price and terms of payment for the acquisition of the following real properties.

The negotiator for OCTA is Dan Phu. The negotiators for the real properties are as specified.

<u>Real Property</u>	<u>Geographic Area</u>	<u>Assessor's Parcel Number</u>	<u>Owner's Negotiator</u>	<u>Acreage</u>
Aliso Canyon	Coastal	056-240-66	John Mansour	150
Ferber Ranch	Trabuco	842-011-04, 842-041-04, 842-051-04	Tim Jones	399
Irvine Mesa Corridor	Cleveland Nat'l	105-060-02, 105-060-09, 105-060-19, 105-051-36, 876-011-02, 876-011-03, 876-011-19, 876-011-07, 876-011-08, 876-011-11, 876-011-18, 105-051-18, 876-021-15, 876-021-04, 876-021-05, 105-051-33, 105-051-21, 105-051-57, 105-201-12, 105-201-11	David Meyers	670
St. Michael's Abbey	Cleveland Nat'l Forest	876-034-01, 876-041-01, 105-051-83, 105-051-84, 105-051-85, 105-070-93	Michael Recupero	327.9
Mitchell Properties West	Trabuco	842-081-12	Steven U. Parker	101.7
Saddleback Meadows	Trabuco	856-071-01/09, 856-072-01/51, 856-073-01/58, 856-074-01/45; 856-075-01/57, 856-081-01/11, 856-082-01/44, 856-083-01/46, 856-084-01/37, 856-085-01/41, 856-086-01/37, 856-091-02/11, 856-092-01/42, 856-093-01/25, 856-094-01/34, 856-095-01/62, 856-096-01/57, 856-097-01/34, 856-098-01/37	William Fleissig	222
Sky Ranch	Trabuco	842-021-4, 05, 07, 08 and 842-031-04, 05, 08, 09	TBD	526.9
Takahashi (Baker Square LLC)	Cleveland Nat'l Forest	105-051-12	Carl Reinhart	643
Watson	Trabuco	858-021-10, 11	TBD	98.3

9. Adjournment

Public Comments: The Agenda descriptions are intended to give notice to members of the public of a general summary of items of business to be transacted or discussed. Members from the public wishing to address the Committee will be recognized by the Chairman at the time the Agenda item is to be considered. A speaker's comments shall be limited to three (3) minutes. Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the OCTA at (714) 560-5725, no less than two (2) business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Measure M2 Environmental Oversight Committee

**January 7, 2015
Meeting Minutes**

Committee Members Present:

Vice-Chair Melanie Schlotterbeck, Measure M Support Groups
Charles Baker for Sylvia Vega, Caltrans
Dr. David Chapel, Brandman University
Veronica Li, US Army Corps of Engineers
David Mayer, CA Department of Fish and Wildlife
Derek McGregor, Public Member
Dan Silver, Endangered Habitats League
Jonathan Snyder, US Fish and Wildlife Service
John Walsh, California Wildlife Conservation Board

Committee Member(s) Absent:

Lori Donchak, OCTA Board of Directors
Philip La Puma, Measure M2 Taxpayers Oversight Committee

Orange County Transportation Authority Staff Present:

Marissa Espino, Senior Strategic Communications Specialist
Lesley Hill, Planning Department Project Manager
Janice Kadlec, Public Reporter
Dan Phu, Project Development Section Manager
Monte Ward, Measure M Consultant

Guests

Carl Reinhart
Paul Thier

1. Welcome

Vice-Chair Melanie Schlotterbeck called the Environmental Oversight Committee (EOC) meeting to order at 10:00 a.m. She asked Jonathan Snyder to lead the Pledge of Allegiance. Vice-Chair Melanie Schlotterbeck also asked everyone around the table to introduce themselves.

2. Approval of the November 5, 2014 Minutes

Vice-Chair Melanie Schlotterbeck asked if there were any additions or corrections to the November 5, 2014 EOC meeting minutes. A motion was made, seconded, and passed unanimously to approve the November 5, 2014 EOC meeting minutes as presented.

3. Ad-Hoc Working Group Meetings Status Update

Dan Phu gave a brief background report on the status of the Environmental Mitigation Program. The Program has met all obligations for OCTA as far as a Conservation Plan is concerned for property acquisition, funding restoration projects, and setting up the property endowments. He said now a decision needed to be made on what to do with the projected future revenues of approximately \$150 million.

Monte Ward reported on the meetings held by the Ad-Hoc Group related to the guiding principles to discuss the potential use of the unallocated Environmental Mitigation Program funds. He introduced a matrix used by the members of the Ad-Hoc group to score all the possible uses for the funds. Monte Ward said each EOC member will be sent a matrix to complete. He also gave the EOC an outline of the long term funding strategy for the Freeway Mitigation Program. It was based on a timetable and set of actions, a tentative list of things that could be done, and the time they would be done.

Derek McGregor said he applauded the Ad-Hoc Group for the work they have done. He asked who was on the subcommittee. They are:

- Veronica Chan, US Army Corps of Engineers
- Lori Donchak, OCTA Board of Directors
- David Mayer CA Department of Fish and Wildlife
- Melanie Schlotterbeck, Measure M Support Groups
- Dan Silver, Endangered Habitats League
- Jonathan Snyder, US Fish and Wildlife Service
- Monte Ward, Measure M Consultant

Derek McGregor asked if the staff for the Ad-Hoc committee would be Dan Phu and Lesley Hill. Monte Ward said correct.

Derek McGregor asked if any more description was available for the project descriptions in the matrix. Monte Ward said this was just the level of detail they used. There was quite a lot of discussion to get to this level of detail in the descriptions.

Derek McGregor said he did not understand how the two handouts related to each other. Monte Ward said he was missing one piece of the information. The guiding principles were not included in the package. This was an oversight and they would be sent to the EOC members.

Dan Silver said they did not have much trouble as a group reaching a consensus on principles or good ways to spend money. The problem is do they have money to spend. We will in 15 or 20 years, but the initial funds will run out quickly. The good news is there is an endowment and the bad news is there is no money to spend on anything else. He believes the EOC should focus more on timing than the amount of money.

Dan Silver continued and said the Ad-Hoc group also looked at borrowing and were very discouraged with this. They can borrow but the capacity to borrow is very limited. Monte Ward said they can borrow but it would be less than \$10 million. They are constrained by the timing. During the time the endowments are being formed they are constrained to do it only once. Dan Silver said he would be in favor of borrowing \$10 million and this should be discussed more. The question is, is there any way to get the money in the next 10 or 15 years. The only way he can see that being possible is as time goes on they may need less money for the endowments. The endowments are very conservative and assumptions were made on management costs that were very high compared to other endowments. He suggested the agency take a look at the next 10 to 15 years of management and monitoring and see if some things might be put off to when they have more money.

Monte Ward said the framework for that discussion would be in the cash flow tables. He suggested the cash flow tables be added to the package sent to the EOC members and discussed at the next meeting.

Vice-Chair Melanie Schlotterbeck said they cannot talk about spending until they decide what the priorities are. She asked when would the OCTA Board come into the decision making process. Monte Ward said when the EOC wants to make a decision on the funding strategies it will go first to the Finance and Administration Committee and, from there, to the OCTA Board. He suspected there may be some back and forth between these two and the earliest there would be a conclusion on this would be mid-year or the end of summer 2015. In addition, the Resource Management Plans for the acquired properties will possibly be released in March 2015 and these will have a direct impact on the actual costs for management of the properties going forward.

Dr. David Chapel asked how many other EOC members would be filling out a matrix. Vice-Chair Melanie Schlotterbeck said the rest of the EOC members would be filling out a matrix – approximately five.

Monte Ward said the follow-up would be to distribute a package to all EOC members with instruction to those members who have not filled out a matrix to do this and supply them with the appropriate materials to help. The package will also include the full set of documents that the Ad-Hoc working group had prepared – Financials, Guiding Principles, Scoring Matrix, draft Funding Strategy, and language from the M2 Ordinance.

David Mayer said for clarity, monitoring and management on the preserves is required by the NCCP but he does not disagree with Dan Silver. There have been examples where the costs are exorbitant relative to the needs of the program. Additionally, having some money available for acquisitions that can be used to buy property not required for the NCCP/HCP can be used to leverage federal money.

Public Comment

Carl Reinhart said earlier in the meeting it was said OCTA had only a capacity of \$10 million for this program. He believes OCTA has the potential to borrow a lot more with "Solitary" Financing. It solves a big problem. As a representative of one of the owners, they have been holding back on development of one of the properties because they would like to make a deal with OCTA if they can. If OCTA does not have the money to do a deal with them they understand and they will move forward and the property will fall off the table. OCTA should consider coming to them with an offer of "Solitary" Financing because they will know they have a deal; they will have a long term financial stream and they will drop their development deal.

Monte Ward said the number OCTA is using relates to if they were to go into the market to borrow what they need in terms of coverage and what do they have in the terms of ability to report financing. It does not account for more creative or leveraged ways of using the capacity. It is just a raw number based on what they can go out and borrow for a cash purpose.

Vice-Chair Melanie Schlotterbeck suggested Kirk Avila, OCTA Treasurer, give a cash flow presentation at the next EOC meeting.

4. NCCP/HCP and DEIR/EIS Update

Marissa Espino gave a NCCP/HCP and DEIR/EIS Update. The public release of the draft Conservation Plan and environmental document took place on November 7, 2014 and concludes on February 6, 2015.

Vice-Chair Melanie Schlotterbeck said, at one time, there was talk of releasing the Resource Management Plans (RMP) for Trabuco Canyon properties first. She asked if this is still going to happen. Lesley Hill said yes, they just received the draft baseline surveys for the McPherson Properties. They are currently working on the Ferber property RMP. They will then take the Ferber RMP and utilize it as a template for the remaining Trabuco Canyon properties. They are handling the Hayashi property differently because it is geographically separate and borders Chino Hills State Park.

Vice-Chair Melanie Schlotterbeck asked if the McPherson and Hayashi properties will be released in 2015 or later. Lesley Hill said 2015 is still the target for release of these properties but not as soon as the Trabuco properties. Monte Ward said they still have outstanding discussions about acquisitions. Anything they have in this area will probably not get completed this year, but the template should be set by the end of the year.

5. Public Comment

Paul Thier made the following comments:

- He has no intention in maintaining the road on the Ferber Ranch property that he has an easement on for use by the public.

- He has reviewed the Management and Monitoring Plan, Chapter 7.2.5.6 Land Use Adjacent to the Preserve. He is sure OCTA is aware of the term “inverse condemnation”. OCTA has now taken property that, before the property was purchased, had restrictions on it and OCTA has now added another layer of restrictions on it thus reducing the value of the property. He said if OCTA checks with an attorney this is the definition of “inverse condemnation”. He is not the only one raising this issue. He has spoken to one or two others. He suggested talking to an attorney before implementing this portion of the Plan.

6. Committee Member Reports

Dan Silver said given the funding challenges the EOC is going to be facing, he suggested they start investigating in other sources of funding – particularly State and Federal. He and Vice-Chair Melanie Schlotterbeck are members of a coalition of NCCP/HCP statewide. The purpose of the coalition is to develop state and local funding. He would like to see the EOC get involved with the group and look for other state and federal money.

Vice-Chair Melanie Schlotterbeck asked if any OCTA staff present knew when the OCTA legislative priorities are set up. Monte Ward said there is a legislative committee for OCTA and it would be appropriate if there are ideas or priorities from the EOC to communicate them to this committee. He believed it would be worthwhile to do a workshop type of setting to do a little education. Then they would look at defining opportunities and how they match what OCTA has in terms of a funding stream. This might be a way to go, after the EOC reviews the cash flow presentation. One of the directives within the M2 Ordinance is to use the funds to try to match or leverage with other funds.

Monte Ward responded to Paul Thier's comments. He told Paul Thier to make sure his comments were part of the record. Not only at the EOC meeting, but within the Conservation Plan. This way they can respond accordingly.

7. Next Meeting – TBD

The next EOC meeting will be determined at a later date.

8. Closed Session

The EOC adjourned to Closed Session at 11:00 a.m. and ended at 12:00 p.m. with no public report.

Pursuant to Government Code Section 54956.8 the EOC adjourned to discuss the price and terms of payment for the acquisition of the following real properties.

The negotiator for OCTA is Dan Phu. The negotiators for the real properties are as specified.

<u>Real Property</u>	<u>Geographic Area</u>	<u>Assessor's Parcel Number</u>	<u>Owner's Negotiator</u>	<u>Acreage</u>
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Environmental Mitigation Program

Long-Term Funding Strategy Summary

Background

The Orange County Transportation Authority's (OCTA) Environmental Mitigation Program (EMP) provides for allocation of at least five percent of the total Measure M2 (M2) freeway program budget for comprehensive environmental mitigation for impacts resulting from the freeway improvements. The EMP was approved by Orange County voters under the M2 half-cent sales tax for transportation improvements in November 2006.

In August 2007, the OCTA Board of Directors (Board) approved a five-year M2 Early Action Plan, covering the years 2007 to 2012, to advance the implementation of key M2 projects, including the EMP. In November 2009, the Board approved master and planning agreements to establish a process, roles, responsibilities, and commitments for the preparation of a Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP or Plan), along with a Draft Environmental Impact Report/ Environmental Impact Statement. In mid-2010, the Board approved the initiation of the NCCP/HCP planning process. Pursuant to the M2 Ordinance, the EMP was implemented under the master and planning agreements between OCTA, the California Department of Transportation (Caltrans), the California Department of Fish and Wildlife, and United States Fish and Wildlife Service (collectively referred to as resources agencies).

As part of the Early Action Plan, approximately \$80 million was estimated to be available for the EMP. Due to the declining economy, available funding was adjusted to approximately \$55 million. This allocation was to be used for property acquisitions, habitat restoration, land management, and support of the program. Support of the program included the preparation of the Plan and technical consultant support.

The Board also set an allocation goal of 80 percent of funds for acquisition and 20 percent for restoration projects over the life of the EMP. Hence, approximately \$42 million and \$10.5 million was available for acquisitions and restoration, respectively. The remaining \$2.5 million was set aside for technical support. The acquired lands and funded restoration projects are incorporated into the NCCP/HCP as part of OCTA's mitigation commitment.

To date, six properties have been acquired, totaling approximately 1,150 acres. These properties include Hayashi (296 acres), Saddle Creek South (83.7 acres), Ferber Ranch (399 acres), O'Neill Oaks (119 acres), Hafen (47.9 acres), and MacPherson (203.6 acres). These properties have similar habitat types to those potentially impacted by the M2 freeway projects. Expenditures for property acquisitions include long-term land management and maintenance costs. The funding mechanism for long-term land management and maintenance will be established through an endowment. In October 2014, the OCTA Board approved a \$34.5 million target as the framework for the endowment. There remains approximately \$4.5 million from the \$42 million for property acquisitions.

OCTA has funded two rounds of restoration projects (11 projects) totaling approximately \$10 million. The 11 funded restoration projects, encompassing approximately 400 acres, are located in various parts of the County and were prioritized based on their habitat value that off-sets impacts resulting from the M2 freeway projects. See Exhibit 1 for a map of the acquired and funded restoration projects.

Environmental Mitigation Program

Long-Term Funding Strategy Summary

Discussion

On January 7, 2015, staff presented and discussed the ongoing effort related to the development of a framework to allocated future EMP funds. Since July 2014, a number of meetings related to the guiding principles have been held with a subset (Ad Hoc Working Group) of the Environmental Oversight Committee (EOC) to discuss the potential use of the unallocated EMP funds. These included a process to determine if the use of the future funds complies with the M2 Ordinance No. 3 (as amended November 9, 2012 and November 25, 2013); consideration of potential future freeway improvements not currently part of M2; and an evaluation of future funding and financing capacity.

To follow up on the Draft Guiding Principles, additional information has been provided to fully evaluate options for the EMP going forward. Draft scores and the ranking of potential expenditures were presented for discussion. This information will be used to support and craft a set of recommendations for the EOC to consider.

Preliminary results of the Ad Hoc Working Group were presented at the January EOC meeting. Most of the remaining EOC members have scored the same potential options for unallocated future funds. Upon completion of this exercise, all scores will be averaged with the Ad Hoc Working Group's scores. Below is a summary of the materials that have been presented to the Ad Hoc Working Group for discussion:

1. Attachment A: Orange County Local Transportation Authority Ordinance No. 3

- The M2 Ordinance No. 3 outlines the allocation of funds (at least 5% of the Net Revenues allocated for Freeway Projects shall fund Programmatic Mitigation for Freeway Projects); creation of the EOC and its structure; and execution of a Master Agreement with the resources agencies related to the EMP.

2. Attachment B: M2 Freeway Mitigation Fund (5%) Ending Cash Balance

- The top graph shows the ending cash balance for the EMP through 2041. These balances take into account the transfer of funds to the endowment fund from fiscal year (FY) 2016 through FY 2027 and the transfer of annual mitigation costs to the endowment fund in FY 2028. Each line represents a different scenario which includes no additional debt (pay as you go) and potential debt issuances in the FYs listed (can only occur in one of the listed years). The bottom graph shows the same information, except it is at a finer scale at the vertical axis with the available funds.

3. Attachment C: Guiding Principles

- Sets the framework that outlines the established, inclusive process with the appropriate stakeholders while meeting M2 obligations for future EMP revenues.

4. Attachment D: Outline of Long-Term Funding Strategy for Freeway Mitigation Program

- This attachment captures the major milestones and associated timeframes for the EMP. A brief explanation for each item is presented below:
 - i. Completion of Plan commitments for acquisition and restoration: this commitment satisfies the permitting process with the resources agencies. The Plan off-sets anticipated freeway project impacts to state and federally listed threatened and endangered species.

Environmental Mitigation Program

Long-Term Funding Strategy Summary

- ii. Endowment establishment and funding per Board direction: as part of the Plan commitment, a funding mechanism is required to ensure that acquired properties are integrated into the Plan and are maintained at a level that protects the habitat and species in perpetuity. In October 2014, the OCTA Board approved a \$34.5 million target as the framework for the endowment. The next steps will involve development of appropriate investment parameters, reporting, and accounting standards. This process will be vetted through the EOC and the Finance and Administration Committee with approval from the Board.
- iii. Completion of negotiations with Army Corps of Engineers and State Water Resources Control Board and allocate funding to meet regulatory permit requirements: this is a parallel but equally important process to the Plan development that is necessary for potential impacts to waterways.
- iv. Provide credits to Caltrans for M2 project specific mitigations funded by them prior to NCCP/HCP commitment, as well as project specific impacts that could not feasibly be covered by the Plan: this process is part of the Plan requirements whereby mitigation committed prior to Plan approval needs to be reported.
- v. Allocation of all remaining Freeway Mitigation funds according to the EOC recommended funding principles, to be approved by the Board: this sets the framework for allocation of future revenues for the EMP in accordance to the M2 Ordinance.
- vi. Creation of a mitigation bank to cover mitigation needs for reasonably anticipated state highway improvements in Orange County that are similar in scope and impacts to the M2 freeway projects: this process sets the framework to off-set environmental impacts for future highway projects that are not currently part of the M2 freeway program.
- vii. Consider the strategic value of advancing funds through borrowing if acquisition or other time sensitive mitigation opportunities arise: if OCTA should decide that bonding against future revenues is an appropriate approach, this option would provide funds needed to off-set project impacts.

5. Attachment E: Heat Map

- The vertical axis shows the options related to the use and potential use of EMP funds. These include the existing approach (current mitigation), a broader definition which could be the result of environmental issues that were not prevalent at the time M2 was approved, and redirection of the EMP funds for different purposes. The horizontal axis shows: consistency with M2 Ordinance (M2 Consistency), Freeway Benefit, and Environmental Benefit. There are four scoring options (3=Yes/High, 2=Maybe/Med, 1=Unlikely/Low, 0=No/None).
- An Ad Hoc Working Group, consisting of a sub-set of the EOC, scored the various options against potential consistency or fit within each of the horizontal categories. The Ad Hoc Working Group also requested that OCTA staff complete the same exercise since staff has a working knowledge of the EMP.
- A heat map of the preliminary results of the Ad Hoc Working Group was presented at the January 7, 2015 EOC meeting.
- The remaining EOC members are being requested to score the options.
- Upon completion of this exercise, all scores will be averaged with the Ad Hoc members' scores.



ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

ORDINANCE NO. 3

JULY 24, 2006

AMENDED:

November 9, 2012
November 25, 2013

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

1 County of Orange, in cooperation with local jurisdictions, or by another public entity with
2 appropriate legal authority, for the management of water run-off related to existing or new
3 transportation projects.

4 II. REQUIREMENTS.

5 The Authority may allocate Net Revenues to the State of California, an Eligible
6 Jurisdiction, or the Authority for any project, program or purpose as authorized by the
7 Ordinance, and the allocation of Net Revenues by the Authority shall be subject to the
8 following requirements:

9 A. Freeway Projects

10 1. The Authority shall make every effort to maximize state and
11 federal funding for Freeway Projects. No Net Revenues shall be allocated in any year to
12 any Freeway Project if the Authority has made findings at a public meeting that the state or
13 the federal government has reduced any allocations of state funds or federal funds to the
14 Authority as the result of the addition of any Net Revenues.

15 2. All Freeway Projects funded with Net Revenues, including
16 project development and overall project management, shall be a joint responsibility of
17 Caltrans, the Authority, and the affected jurisdiction(s). All major approval actions,
18 including the project concept, the project location, and any subsequent change in project
19 scope shall be jointly agreed upon by Caltrans, the Authority, and the project sponsors, and
20 where appropriate, by the Federal Highway Administration and/or the California
21 Transportation Commission.

22 3. Prior to the allocation of Net Revenues for a Freeway Project,
23 the Authority shall obtain written assurances from the appropriate state agency that after
24 the Freeway Project is constructed to at least minimum acceptable state standards, the
25 state shall be responsible for the maintenance and operation of such Freeway Project.

26 4. Freeway Projects will be built largely within existing rights of
27 way using the latest highway design and safety requirements. However, to the greatest
28 extent possible within the available budget, Freeway Projects shall be implemented using

Context Sensitive Design, as described in the nationally recognized Federal Highway Administration (FHWA) Principles of Context Sensitive Design Standards. Freeway Projects will be planned, designed and constructed using a flexible community-responsive and collaborative approach to balance aesthetic, historic and environmental values with transportation safety, mobility, maintenance and performance goals. Context Sensitive Design features include: parkway-style designs; environmentally friendly, locally native landscaping; sound reduction; improved wildlife passage and aesthetic treatments, designs and themes that are in harmony with the surrounding communities.

5. At least five percent (5%) of the Net Revenues allocated for Freeway Projects shall fund Programmatic Mitigation for Freeway Projects. These funds shall be derived by pooling funds from the mitigation budgets of individual Freeway Projects, and shall only be allocated subject to the following:

a. Development of a Master Environmental Mitigation and Resource Protection Plan and Agreement (Master Agreement) between the Authority and state and federal resource agencies that includes:

(i) commitments by the Authority to provide for programmatic environmental mitigation of the Freeway Projects,

(ii) commitments by state and federal resource agencies to reduce project delays associated with permitting and streamline the permit process for Freeway Projects,

(iii) an accounting process for mitigation obligations and credits that will document net environmental benefit from regional, programmatic mitigation in exchange for net benefit in the delivery of transportation improvements through streamlined and timely approvals and permitting, and

(iv) a description of the specific mitigation actions and expenditures to be undertaken and a phasing, implementation and maintenance plan.

(v) appointment by the Authority of a Mitigation and Resource Protection Program Oversight Committee ("Environmental Oversight

Committee”) to make recommendations to the Authority on the allocation of the Net Revenues for programmatic mitigation, and to monitor implementation of the Master Agreement. The Environmental Oversight Committee shall consist of no more than twelve members and be comprised of representatives of the Authority, Caltrans, state and federal resource agencies, non-governmental environmental organizations, the public and the Taxpayers Oversight Committee.

b. A Master Agreement shall be developed as soon as practicable following the approval of the ballot proposition by the electors. It is the intent of the Authority and state and federal resource agencies to develop a Master Agreement prior to the implementation of Freeway Projects.

c. Expenditures of Net Revenues made subject to a Master Agreement shall be considered a Freeway Project and may be funded from the proceeds of bonds issued subject to Section 5 of the Ordinance.

B. Transit Projects

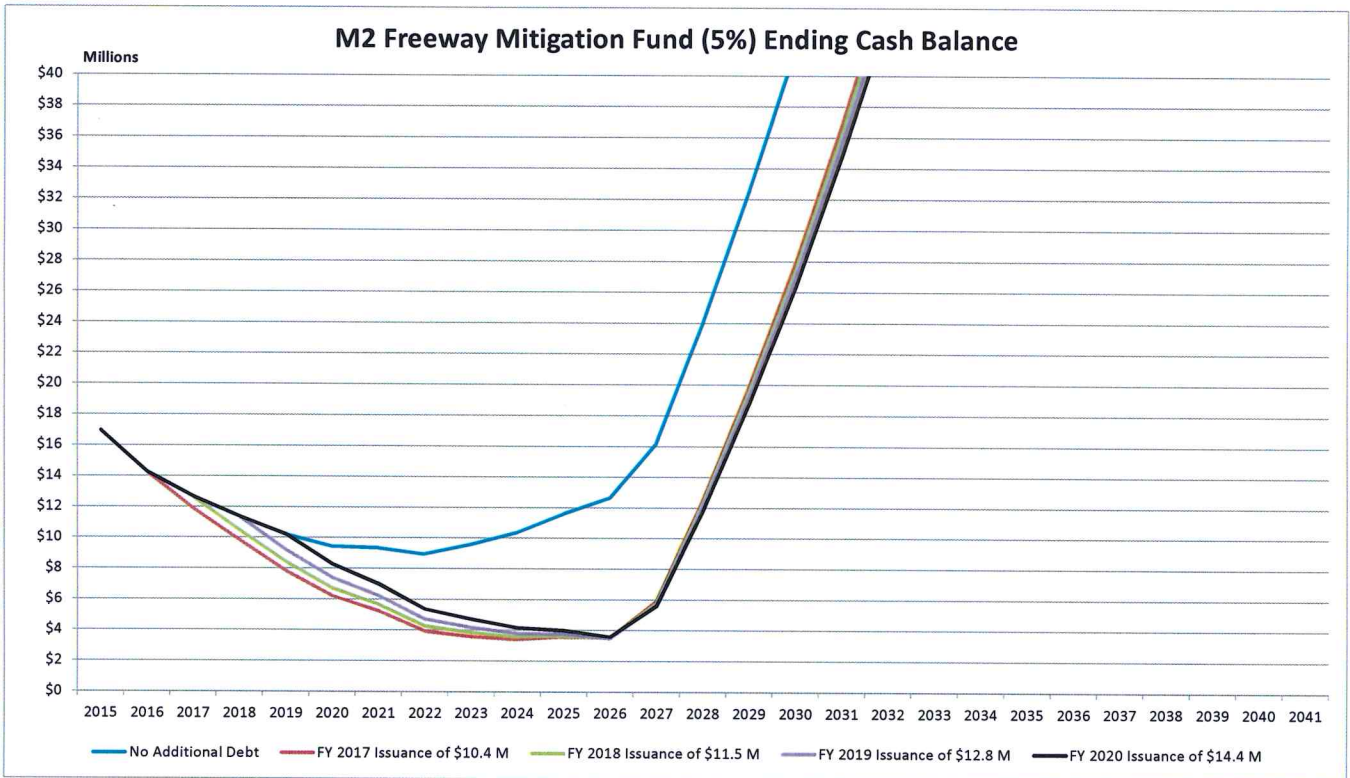
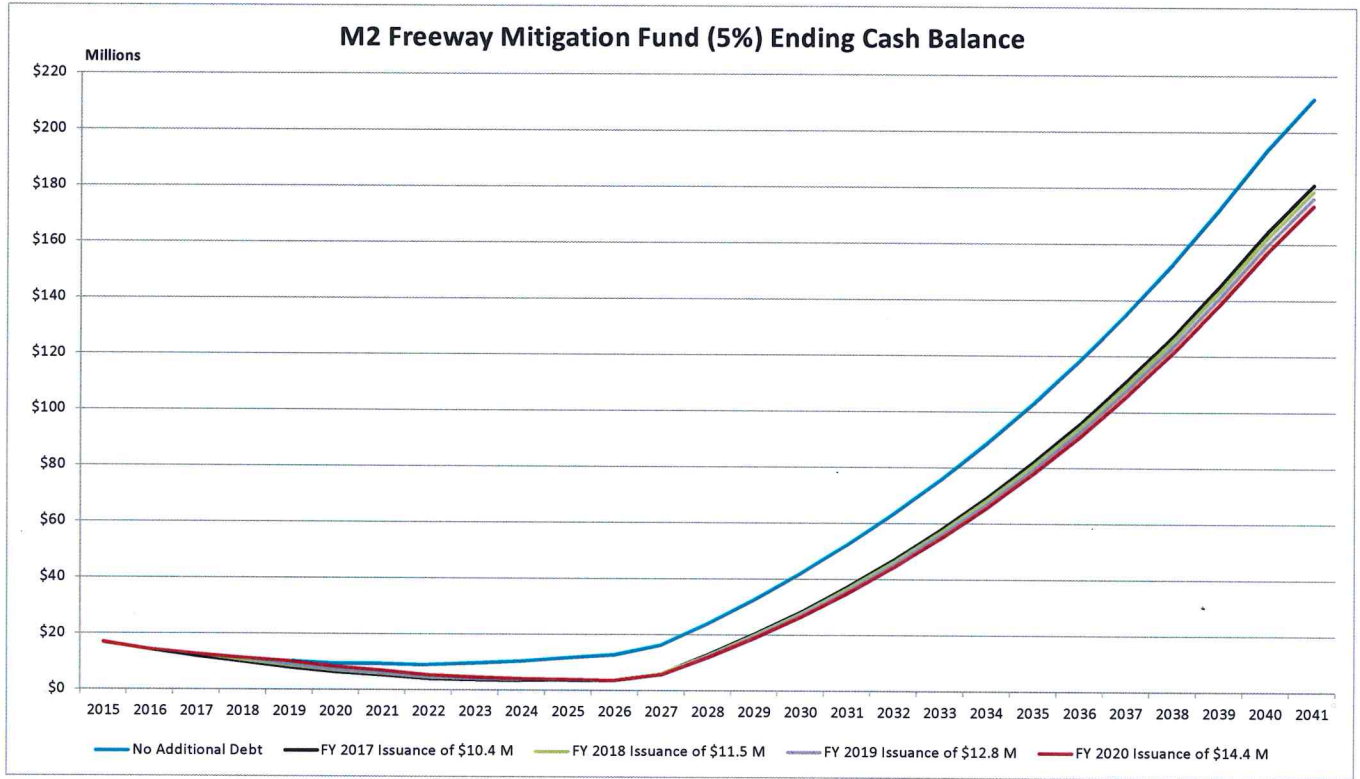
1. The Authority shall make every effort to maximize state and federal funding for Transit Projects. No Net Revenues shall be allocated in any year for any Transit Project if the Authority has made findings at a public meeting that the state or the federal government has reduced any allocations of state funds or federal funds to the Authority as the result of the addition of any Revenues.

2. Prior to the allocation of Net Revenues for a Transit Project, the Authority shall obtain a written agreement from the appropriate jurisdiction that the Transit Project will be constructed, operated and maintained to minimum standards acceptable to the Authority.

C. Street and Road Projects

Prior to the allocation of Net Revenues for any Street and Road Project, the Authority, in cooperation with affected agencies, shall determine the entity(ies) to be responsible for the maintenance and operation thereof.

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Environmental Mitigation Program Guiding Principles

The Environmental Oversight Committee (EOC) oversees and makes recommendations related to the Environmental Mitigation Program (EMP) to the Orange County Transportation Authority (OCTA) Board. The EMP provides comprehensive mitigation for the Renewed Measure M (M2) freeway projects. The following guiding principles outline the EMP priorities going forward:

Responsibly Meet M2 Obligations

- Fully fund the long-term non-wasting endowment for the Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP or Plan) through a strategic schedule, investment, and financing plan.
- Comply with wildlife agency requirements to ensure that mitigation obligations are met within the Plan.
- Comply with other regulatory requirements to ensure that freeway project mitigation obligations are met.
- Ensure the EMP meets the minimum 5% mitigation obligation as outlined in the M2 Ordinance No. 3.

Maintain an Inclusive Process

- Acquisition, restoration, and management expenditures shall continue to be comprehensive, innovative, and ecosystem based while providing a net environmental benefit in exchange for net benefit in the delivery of the transportation improvements.
- Future expenditures (calls for projects) for the EMP shall offer opportunities to submit new properties for acquisition, restoration and management consideration.
- Selection of acquisition, restoration and management sites shall continue to use the established scientific, open, and transparent evaluation process.
- All deliberations and decisions shall be accompanied by robust public outreach and participation.

Allocate Remaining Revenues

- Over the life of the EMP, adhere to the existing board policy of 80% acquisition and 20% restoration expenditures, both inclusive of management costs.
- Due to limited funds, if a single applicant will receive a cumulative total of more than 20% of restoration funds allocated to date, a review of restoration needs is triggered. Any such award must demonstrate an attempt to meet priority EMP needs elsewhere but without success.
- Consider the benefits of advancing remaining EMP dollars for early expenditure to allow for strategic acquisition and restoration projects.
- Consider creating additional mitigation capacity for future state highway improvements in Orange County that are similar in nature to existing M2 freeway projects and which use the appropriate planning, permitting, and environmental processes.

Outline of Long-Term Funding Strategy for Freeway Mitigation Program

Activity or Action	Timetable
i. Complete the remaining Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP or Plan) commitments for acquisition and restoration.	2015-2025 (2016 for acquisition; up to 10 years for restoration project completion)
ii. Establish and fund the mitigation endowment as directed by the Orange County Transportation Authority Board of Directors (Board).	2015-2016 to establish 2016-2027 to fund endowment
iii. Complete negotiations with Army Corps of Engineers and State Water Resources Control Board and allocate funding to meet regulatory permit requirements.	2015 to complete negotiations 2016-2041 to fund required mitigation
iv. Provide credits to Caltrans for M2 project specific mitigations funded by them prior to NCCP/HCP commitment, as well as project specific impacts that could not feasibly be covered by the Plan.	2015-2016 to credit 2016-2041 for any uncovered impacts
v. Allocate all remaining Freeway Mitigation funds according to the Environmental Oversight Committee recommended funding principles, to be approved by the Board.	2015-2027 limited allocation opportunities 2028-2041 allocate remaining funds
vi. Create a pool of credits/bank to cover mitigation needs for reasonably anticipated state highway improvements in Orange County that are similar in scope and impacts to M2 freeway projects.	2016 identify potential eligible capital projects and mechanism for pooling credits 2017-2018 estimate project impacts 2018-2020 identify and acquire suitable mitigation sites
vii. Consider the strategic value of advancing funds through borrowing if acquisition or other time sensitive mitigation opportunities arise.	2016-2025 limited borrowing capacity 2026-2041 best opportunities

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*Components of OCTA 2014 Long Range Transportation Plan