ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

ORDINANCE NO. 3

JULY 24, 2006

Orange County Local Transportation Authority
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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Ordinance No. 3</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preamble</td>
<td>1</td>
</tr>
<tr>
<td>Section 1. Title</td>
<td>1</td>
</tr>
<tr>
<td>Section 2. Summary</td>
<td>2</td>
</tr>
<tr>
<td>Section 3. Imposition of Retail</td>
<td>2</td>
</tr>
<tr>
<td>Section 4. Purposes</td>
<td>3</td>
</tr>
<tr>
<td>Section 5. Bonding Authority</td>
<td>3</td>
</tr>
<tr>
<td>Section 6. Maintenance of Effort</td>
<td>4</td>
</tr>
<tr>
<td>Section 7. Administration</td>
<td>4</td>
</tr>
<tr>
<td>Section 8. Annual Appropriations</td>
<td>5</td>
</tr>
<tr>
<td>Section 9. Effective and Operative</td>
<td>5</td>
</tr>
<tr>
<td>Section 10. Safeguards of Use of</td>
<td>6</td>
</tr>
<tr>
<td>Section 11. Ten-Year Comprehensive</td>
<td>6</td>
</tr>
<tr>
<td>Section 12. Amendments</td>
<td>7</td>
</tr>
<tr>
<td>Section 13. Request for Election</td>
<td>8</td>
</tr>
<tr>
<td>Section 14. Effect on Ordinance No.</td>
<td>8</td>
</tr>
<tr>
<td>Section 15. Severability</td>
<td></td>
</tr>
</tbody>
</table>

ATTACHMENT A – Renewed Measure M
Transportation Investment Plan .................. A-1

ATTACHMENT B - Allocation of Net Revenues

Section I. Definitions .......................... B-1
Section II. Requirements ................................................................. B-4
Section III. Requirements for Eligible Jurisdictions ......................... B-7

Section IV. Allocation of Net Revenues; General Provisions .............. B-10

Section V. Allocation of Net Revenues; Streets and Roads Programs/Projects ................................................ B-12

Section VI. Allocation of Net Revenues; Transit Programs/Projects ................................................ B-14

Section VII. Allocation of Net Revenues; Environmental Cleanup Projects ................................................ B-17

ATTACHMENT C - Taxpayer Oversight Committee

Section I. Purpose and Organization ............................................. C-1
Section II. Committee Membership ............................................. C-1
Section III. Appointment of Members ......................................... C-2
Section IV. Duties and Responsibilities ....................................... C-4
Ordinance No. 3

Renewed Measure M Transportation Ordinance and Investment Plan

PREAMBLE

A. Pursuant to California Public Utilities Code Section 180050, the Orange County Transportation Authority ("Authority") has been designated as the Orange County Local Transportation Authority by the Orange County Board of Supervisors.

B. There has been adopted a countywide transportation expenditure plan, referred to as the Orange County Transportation Investment Plan, dated July 24, 2006, pursuant to California Public Utilities Code Section 180206 ("Plan"), which will be administered by the Authority.

C. The Plan provides for needed countywide transportation facility and service improvements which will be funded, in part, by a transactions and use tax of one-half of one percent (1/2%).

D. Local Transportation Ordinance Number 2 ("Ordinance No. 2") funds transportation facility and service improvements through a transactions and use tax of one-half of one percent (1/2%) that will be imposed through March 31, 2011.

E. Ordinance No. 3 ("Ordinance") provides for the continuation of the existing Ordinance No. 2 transactions and use tax of one-half of one percent (1/2%) for an additional period of thirty (30) years to fund transportation facility and service improvements.

SECTION 1. TITLE

The Ordinance shall be known and may be cited as the Renewed Measure M Transportation Ordinance and Investment Plan. The word "Ordinance," as used in the Ordinance, shall mean and include Attachment A entitled "Renewed Measure M Transportation Investment Plan," Attachment B entitled "Allocation of Net Revenues," and Attachment C entitled "Taxpayer Oversight Committee," which Attachments A, B and C are attached hereto and incorporated by reference as if fully set forth herein.
SECTION 2. SUMMARY

The Ordinance provides for the implementation of the Orange County Transportation Investment Plan, which will result in countywide transportation improvements for freeways, highways, local streets and roads, bus and rail transit, transportation-related water quality ("Environmental Cleanup"), and transit services for seniors and disabled persons. These needed improvements will be funded by the continuation of the one-half of one percent (1/2%) transaction and use tax for a period of thirty years. The revenues shall be deposited in a special fund and used solely for the identified improvements authorized by the Ordinance.

SECTION 3. IMPOSITION OF RETAIL TRANSACTIONS AND USE TAX

Subject to approval by the electors, the Authority hereby imposes, in the incorporated and unincorporated territories of Orange County ("County"), in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the California Revenue and Taxation Code and Division 19 (commencing with Section 180000) of the California Public Utilities Code, continuance of the existing retail transactions and use tax at the rate of one-half of one percent (1/2%) commencing April 1, 2011, for a period of thirty years. This tax shall be in addition to any other taxes authorized by law, including any existing or future state or local sales tax or transactions and use tax. The imposition, administration and collection of the tax shall be in accordance with all applicable statutes, laws, rules and regulations prescribed and adopted by the State Board of Equalization.

SECTION 4. PURPOSES

All of the gross revenues generated from the transactions and use tax plus any interest or other earnings thereon (collectively, “Revenues”), after the deduction for: (i) amounts payable to the State Board of Equalization for the performance of functions incidental to the administration and operation of the Ordinance, (ii) costs for the administration of the Ordinance as provided herein, (iii) two percent (2%) of the Revenues annually allocated for Environmental Cleanup and (iv) satisfaction of debt service requirements of all bonds issued pursuant to the Ordinance that are not satisfied out of
separate allocations, shall be defined as “Net Revenues” and shall be allocated solely for the transportation purposes described in the Ordinance.

SECTION 5. BONDING AUTHORITY

“Pay as you go” financing is the preferred method of financing transportation improvements and operations under the Ordinance. However, the Authority may use bond financing as an alternative method if the scope of planned expenditures makes “pay as you go” financing unfeasible. Following approval by the electors of the ballot proposition authorizing imposition of the transactions and use tax and authorizing issuance of bonds payable from the proceeds of the tax, bonds may be issued by the Authority pursuant to Division 19 of the Public Utilities Code, at any time before, on, or after the imposition of taxes, and from time to time, payable from the proceeds of the tax and secured by a pledge of revenues from the proceeds of the tax, in order to finance and refinance improvements authorized by the Ordinance.

SECTION 6. MAINTENANCE OF EFFORT REQUIREMENTS

It is the intent of the Legislature and the Authority that the Net Revenues allocated to a jurisdiction pursuant to the Ordinance for street and road projects shall be used to supplement existing local discretionary funds being used for transportation improvements. Each jurisdiction is hereby required to annually maintain as a minimum no less than the maintenance of effort amount of local discretionary funds required to be expended by the jurisdiction for local street and road purposes pursuant to the current Ordinance No. 2 for Fiscal Year 2010-2011. The maintenance of effort level for each jurisdiction as determined through this process shall be adjusted effective July 1, 2014 and every three fiscal years thereafter in an amount equal to the percentage change for the Construction Cost Index compiled by Caltrans for the immediately preceding three calendar years, providing that any percentage increase in the maintenance of effort level based on this adjustment shall not exceed the percentage increase in the growth rate in the jurisdiction’s general fund revenues over the same time period. The Authority shall not allocate any Net Revenues to any jurisdiction for any fiscal year until that jurisdiction has certified to the Authority that it
has included in its budget for that fiscal year an amount of local discretionary funds for
streets and roads purposes at least equal to the level of its maintenance of effort
requirement. An annual independent audit may be conducted by the Authority to verify that
the maintenance of effort requirements are being met by the jurisdiction. Any Net
Revenues not allocated pursuant to the maintenance of effort requirement shall be
allocated to the remaining eligible jurisdictions according to the formula described in the
Ordinance.

SECTION 7. ADMINISTRATION

The Authority shall allocate Revenues to fund facilities, services and projects as
specified in the Ordinance, and shall administer the Ordinance consistent with the authority
cited. Revenues may be expended by the Authority for salaries, wages, benefits, and
overhead and for those services, including contractual services, necessary to carry out its
responsibilities pursuant to Division 19; however, in no case shall the Revenues expended
for salaries and benefits of Authority administrative staff exceed more than one percent
(1%) of the Revenues in any year. The Authority shall use, to the extent possible, existing
state, regional and local transportation planning and programming data and expertise, and
may, as the law permits, contract with any public agency or private firm for services
necessary to carry out the purposes of the Ordinance. Expenses incurred by the Authority
for administrative staff and for project implementation, including contracting with public
agencies and private firms, shall be identified in the annual report prepared pursuant to
Section 10, subpart 8, of the Ordinance.

SECTION 8. ANNUAL APPROPRIATIONS LIMIT

The annual appropriations limit established pursuant to Article XIII. B. of the
California Constitution and Section 180202 of the Public Utilities Code shall be established
as $1,123 million for the 2006-07 fiscal year. The appropriations limit shall be subject to
adjustment as provided by law. All expenditures of the Revenues are subject to the
appropriations limit of the Authority.

III
SECTION 9. EFFECTIVE AND OPERATIVE DATES

The Ordinance shall be effective on November 8, 2006, if two thirds of the electors
vote on November 7, 2006, to approve the ballot measure authorizing the extension of the
imposition of the existing tax. The continuance of the imposition of the existing tax
authorized by Section 3 of the Ordinance shall be operative on April 1, 2011.

SECTION 10. SAFEGUARDS OF USE OF REVENUES

The following safeguards are hereby established to ensure strict adherence to the
limitations on the use of the Revenues:

1. A transportation special revenue fund (the “Local Transportation
Authority Special Revenue Fund”) shall be established to maintain all Revenues.

2. The County of Orange Auditor-Controller (“Auditor-Controller”), in the
capacity as Chair of the Taxpayer Oversight Committee, shall annually certify whether the
Revenues have been spent in compliance with the Ordinance.

3. Receipt, maintenance and expenditure of Net Revenues shall be
distinguishable in each jurisdiction’s accounting records from other funding sources, and
expenditures of Net Revenues shall be distinguishable by program or project. Interest
earned on Net Revenues allocated pursuant to the Ordinance shall be expended only for
those purposes for which the Net Revenues were allocated.

4. No Net Revenues shall be used by a jurisdiction for other than
transportation purposes authorized by the Ordinance. Any jurisdiction which violates this
provision must fully reimburse the Authority for the Net Revenues misspent and shall be
deemed ineligible to receive Net Revenues for a period of five (5) years.

5. A Taxpayer Oversight Committee (“Committee”) shall be established to
provide an enhanced level of accountability for expenditure of Revenues under the
Ordinance. The Committee will help to ensure that all voter mandates are carried out as
required. The roles and responsibilities of the Committee, the selection process for
Committee members and related administrative procedures shall be carried out as
described in Attachment C.
6. A performance assessment shall be conducted at least once every three years to evaluate the efficiency, effectiveness, economy and program results of the Authority in satisfying the provisions and requirements of the Investment Summary of the Plan, the Plan and the Ordinance. A copy of the performance assessment shall be provided to the Committee.

7. Quarterly status reports regarding the major projects detailed in the Plan shall be brought before the Authority in public meetings.

8. Annually the Authority shall publish a report on how all Revenues have been spent and on progress in implementing projects in the Plan, and shall publicly report on the findings.

SECTION 11. TEN-YEAR COMPREHENSIVE PROGRAM REVIEW

At least every ten years the Authority shall conduct a comprehensive review of all projects and programs implemented under the Plan to evaluate the performance of the overall program and may revise the Plan to improve its performance. The review shall include consideration of changes to local, state and federal transportation plans and policies; changes in land use, travel and growth projections; changes in project cost estimates and revenue projections; right-of-way constraints and other project constraints; level of public support for the Plan; and the progress of the Authority and jurisdictions in implementing the Plan. The Authority may amend the Plan based on its comprehensive review, subject to the requirements of Section 12.

SECTION 12. AMENDMENTS

The Authority may amend the Ordinance, including the Plan, to provide for the use of additional federal, state and local funds, to account for unexpected revenues, or to take into consideration unforeseen circumstances. The Authority shall notify the board of supervisors and the city council of each city in the county and provide them with a copy of the proposed amendments, and shall hold a public hearing on proposed amendments prior to adoption, which shall require approval by a vote of not less than two thirds of the Authority Board of Directors. Amendments shall become effective forty five days after
adoption. No amendment to the Plan which eliminates a program or project specified on Page 31 of the Plan shall be adopted unless the Authority Board of Directors adopts a finding that the transportation purpose of the program or project to be eliminated will be satisfied by a different program or project. No amendment to the Plan which changes the funding categories, programs or projects identified on page 31 of the Plan shall be adopted unless the amendment to the Plan is first approved by a vote of not less than two thirds of the Committee. In addition, any proposed change in allocations among the four major funding categories of freeway projects, street and road projects, transit projects and Environmental Cleanup projects identified on page 31 of the Plan, or any proposed change of the Net Revenues allocated pursuant to Section IV C 3 of Attachment B for the Local Fair Share Program portion of the Streets and Roads Projects funding category, shall be approved by a simple majority vote of the electors before going into effect.

SECTION 13. REQUEST FOR ELECTION

Pursuant to California Public Utilities Code Section 180201, the Authority hereby requests that the County of Orange Board of Supervisors call a special election to be conducted by the County of Orange on November 7, 2006, to place the Ordinance before the electors. To avoid any misunderstanding or confusion by Orange County electors, the Authority requests that the Ordinance be identified as “Measure M” on the ballot. The ballot language for the measure shall contain a summary of the projects and programs in the Plan and shall read substantially as follows:

“Measure M,” Orange County Transportation Improvement Plan

Shall the ordinance continuing Measure M, Orange County’s half-cent sales tax for transportation improvements, for an additional 30 years with limited bonding authority to fund the following projects:

* relieve congestion on the I-5, I-405, 22, 55, 57 and 91 freeways;
* fix potholes and resurface streets;
* expand Metrolink rail and connect it to local communities;
* provide transit services, at reduced rates, for seniors and disabled persons;
synchronize traffic lights in every community;
reduce air and water pollution, and protect local beaches by cleaning up oil runoff from roadways;
and establish the following taxpayer protections to ensure the funds are spent as directed by the voters:
require an independent Taxpayer Oversight Committee to review yearly audits to ensure that voter mandates are met;
publish an annual report to the taxpayers on how all funds are spent; and
update the transportation improvement plan every 10 years, with voter approval required for major changes;
be adopted for the purpose of relieving traffic congestion in Orange County?"

SECTION 14. EFFECT ON ORDINANCE NO. 2
The Ordinance is not intended to modify, repeal or alter the provisions of Ordinance No. 2, and shall not be read to supersede Ordinance No. 2. The provisions of the Ordinance shall apply solely to the transactions and use tax adopted herein. If the Ordinance is not approved by the electors of the County, the provisions of Ordinance No. 2 and all powers, duties, and actions taken thereunder shall remain in full force and effect.

SECTION 15. SEVERABILITY
If any section, subsection, part, clause or phrase of the Ordinance is for any reason held invalid, unenforceable or unconstitutional by a court of competent jurisdiction, that holding shall not affect the validity or enforceability of the remaining funds or provisions of the Ordinance, and the Authority declares that it would have passed each part of the

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Ordinance irrespective of the validity of any other part.

APPROVED AND ADOPTED by the Orange County Local Transportation Authority

on the _____ day of ___________________, 2006.

By: _________________________________

Arthur C. Brown, Chairman
Orange County Local Transportation Authority

ATTEST:

By: _________________________________

Wendy Knowles, Clerk of the Board
Orange County Local Transportation Authority
ATTACHMENT B

ALLOCATION OF NET REVENUES

I. DEFINITIONS.

For purposes of the Ordinance the following words shall mean as stated.

A. "Capital Improvement Program": a multi-year-year funding plan to implement capital transportation projects and/or programs, including but not limited to capacity, safety, operations, maintenance, and rehabilitation projects.

B. "Circulation Element": an element of an Eligible Jurisdiction's General Plan depicting planned roadways and related policies, including consistency with the MPAH.

C. "Congestion Management Program": a program established in 1990 (California Government Code 65089), for effective use of transportation funds to alleviate traffic congestion and related impacts through a balanced transportation and land use planning process.

D. "Eligible Jurisdiction": a city in Orange County or the County of Orange, which satisfies the requirements of Section III A.

E. "Encumbrance": the execution of a contract or other action to be funded by Net Revenues.

F. "Environmental Cleanup": street, highway, freeway and transit related water quality improvement programs and projects as described in the Plan.

G. "Environmental Cleanup Revenues": Two percent (2%) of the Revenues allocated annually plus interest and other earnings on the allocated revenues, which shall be maintained in a separate account.

H. "Expenditure Report": a detailed financial report to account for receipt, interest earned and use of Measure M and other funds consistent with requirements of the Ordinance.

I. "Freeway Project": the planning, design, construction, improvement,
operation or maintenance necessary for, incidental to, or convenient for a state or interstate freeway.

J. "Local Fair Share Program": a formula-based allocation to Eligible Jurisdictions for Street and Road Projects as described in the Plan.

K. "Local Traffic Signal Synchronization Plan": identification of traffic signal synchronization street routes and traffic signals within a jurisdiction.

L. "Master Plan of Arterial Highways (MPAH)": a countywide transportation plan administered by the Authority defining the ultimate number of through lanes for arterial streets, and designating the traffic signal synchronization street routes in Orange County.

M. "Net Revenues": The remaining Revenues after the deduction for: (i) amounts payable to the State Board of Equalization for the performance of functions incidental to the administration and operation of the Ordinance, (ii) costs for the administration of the Ordinance, (iii) two percent (2%) of the Revenues annually allocated for Environmental Cleanup, and (iv) satisfaction of debt service requirements of all bonds issued pursuant to the Ordinance that are not satisfied out of separate allocations.

N. "Pavement Management Plan": a plan to manage the preservation, rehabilitation, and maintenance of paved roads by analyzing pavement life cycles, assessing overall system performance and costs, and determining alternative strategies and costs necessary to improve paved roads.

O. "Permit Streamlining": commitments by state and federal agencies to reduce project delays associated with permitting of freeway projects through development of a comprehensive conservation strategy early in the planning process and the permitting of multiple projects with a single comprehensive conservation strategy.

P. "Programmatic Mitigation": permanent protection of areas of high ecological value, and associated restoration, management and monitoring, to comprehensively compensate for numerous, smaller impacts associated with individual transportation projects. Continued function of existing mitigation features, such as wildlife
passages, is not included.

Q. "Project Final Report": certification of completion of a project funded with Net Revenues, description of work performed, and accounting of Net Revenues expended and interest earned on Net Revenues allocated for the project.

R. "Regional Capacity Program": capital improvement projects to increase roadway capacity and improve roadway operation as described in the Plan.

S. "Regional Traffic Signal Synchronization Program": competitive capital and operations funding for the coordination of traffic signals across jurisdictional boundaries as included in the Traffic Signal Synchronization Master Plan and as described in the Plan.

T. "Revenues": All gross revenues generated from the transactions and use tax of one-half of one percent (1/2%) plus any interest or other earnings thereon.

U. "State Board of Equalization": agency of the State of California responsible for the administration of sales and use taxes.

V. "Street and Road Project": the planning, design, construction, improvement, operation or maintenance necessary for, incidental to, or convenient for a street or road, or for any transportation purpose, including, but not limited to, purposes authorized by Article XIX of the California Constitution.

W. "Traffic Forums": a group of Eligible Jurisdictions working together to facilitate the planning of traffic signal synchronization among the respective jurisdictions.

X. "Traffic Signal Synchronization Master Plan": an element of the MPAH to promote smooth traffic flow through synchronization of traffic signals along designated street routes in the County.

Y. "Transit": the transportation of passengers by bus, rail, fixed guideway or other vehicle.

Z. "Transit Project": the planning, design, construction, improvement, equipment, operation or maintenance necessary for, or incidental to, or convenient for transit facilities or transit services.

AA. "Watershed Management Areas": areas to be established by the
County of Orange, in cooperation with local jurisdictions, or by another public entity with appropriate legal authority, for the management of water run-off related to existing or new transportation projects.

II. REQUIREMENTS.

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

A. Freeway Projects

1. The Authority shall make every effort to maximize state and federal funding for Freeway Projects. No Net Revenues shall be allocated in any year to any Freeway 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 Net Revenues.

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

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

4. Freeway Projects will be built largely within existing rights of way using the latest highway design and safety requirements. However, to the greatest 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")

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B-5
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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B-6
III. REQUIREMENTS FOR ELIGIBLE JURISDICTIONS.

A. In order to be eligible to receive Net Revenues, a jurisdiction shall satisfy and continue to satisfy the following requirements.

1. Congestion Management Program. Comply with the conditions and requirements of the Orange County Congestion Management Program (CMP) pursuant to the provisions of Government Code Section 65089.

2. Mitigation Fee Program. Assess traffic impacts of new development and require new development to pay a fair share of necessary transportation improvements attributable to the new development.

3. Circulation Element. Adopt and maintain a Circulation Element of the jurisdiction’s General Plan consistent with the MPAH.

4. Capital Improvement Program. Adopt and update biennially a six-year Capital Improvement Program (CIP). The CIP shall include all capital transportation projects, including projects funded by Net Revenues, and shall include transportation projects required to demonstrate compliance with signal synchronization and pavement management requirements.

5. Traffic Forums.

Participate in Traffic Forums to facilitate the planning of traffic signal synchronization programs and projects. Eligible Jurisdictions and Caltrans, in participation with the County of Orange and the Orange County Division of League of Cities, will establish the boundaries for Traffic Forums. The following will be considered when establishing boundaries:

a. Regional traffic routes and traffic patterns;

b. Inter-jurisdictional coordination efforts; and

c. Total number of Traffic Forums.

6. Local Traffic Signal Synchronization Plan. Adopt and maintain a Local Traffic Signal Synchronization Plan which shall identify traffic signal synchronization street routes and traffic signals; include a three-year plan showing costs, available funding
and phasing of capital, operations and maintenance of the street routes and traffic signals; and include information on how the street routes and traffic signals may be synchronized with traffic signals on the street routes in adjoining jurisdictions. The Local Traffic Signal Synchronization Plan shall be consistent with the Traffic Signal Synchronization Master Plan.

7. Pavement Management Plan. Adopt and update biennially a Pavement Management Plan, and issue, using a common format approved by the Authority, a report every two years regarding the status of road pavement conditions and implementation of the Pavement Management Plan.

   a. Authority, in consultation with the Eligible Jurisdictions, shall define a countywide management method to inventory, analyze and evaluate road pavement conditions, and a common method to measure improvement of road pavement conditions.

   b. The Pavement Management Plan shall be based on: either the Authority's countywide pavement management method or a comparable management method approved by the Authority, and the Authority's method to measure improvement of road pavement conditions.

   c. The Pavement Management Plan shall include:

      (i) Current status of pavement on roads;

      (ii) A six-year plan for road maintenance and rehabilitation, including projects and funding;

      (iii) The projected road pavement conditions resulting from the maintenance and rehabilitation plan; and

      (iv) Alternative strategies and costs necessary to improve road pavement conditions.

8. Expenditure Report. Adopt an annual Expenditure Report to account for Net Revenues, developer/traffic impact fees, and funds expended by the Eligible Jurisdiction which satisfy the Maintenance of Effort requirements. The Expenditure
Report shall be submitted by the end of six (6) months following the end of the jurisdiction’s fiscal year and include the following:

a. All Net Revenue fund balances and interest earned.

b. Expenditures identified by type (i.e., capital, operations, administration, etc.), and program or project.

9. Project Final Report. Provide Authority with a Project Final Report within six months following completion of a project funded with Net Revenues.

10. Time Limits for Use of Net Revenues.

a. Agree that Net Revenues for Regional Capacity Program projects and Regional Traffic Signal Synchronization Program projects shall be expended or encumbered no later than the end of the fiscal year for which the Net Revenues are programmed. A request for extension of the encumbrance deadline for no more than twenty-four months may be submitted to the Authority no less than ninety days prior to the deadline. The Authority may approve one or more requests for extension of the encumbrance deadline.

b. Agree that Net Revenues allocated for any program or project, other than a Regional Capacity Program project or a Regional Traffic Signal Synchronization Program project, shall be expended or encumbered within three years of receipt. The Authority may grant an extension to the three-year limit, but extensions shall not be granted beyond a total of five years from the date of the initial funding allocation.

c. In the event the time limits for use of Net Revenues are not satisfied then any retained Net Revenues that were allocated to an Eligible Jurisdiction and interest earned thereon shall be returned to the Authority and these Net Revenues and interest earned thereon shall be available for allocation to any project within the same source program.

11. Maintenance of Effort. Annual certification that the Maintenance of Effort requirements of Section 6 of the Ordinance have been satisfied.

12. No Supplanting of Funds. Agree that Net Revenues shall not be
used to supplant developer funding which has been or will be committed for any transportation project.

13. Consider, as part of the Eligible Jurisdiction’s General Plan, land use planning strategies that accommodate transit and non-motorized transportation.

B. Determination of Non-Eligibility

A determination of non-eligibility of a jurisdiction shall be made only after a hearing has been conducted and a determination has been made by the Authority’s Board of Directors that the jurisdiction is not an Eligible Jurisdiction as provided hereinabove.

IV. ALLOCATION OF NET REVENUES; GENERAL PROVISIONS.

A. Subject to the provisions of the Ordinance, including Section II above, use of the Revenues shall be as follows:

1. First, the Authority shall pay the State Board of Equalization for the services and functions;

2. Second, the Authority shall pay the administration expenses of the Authority;

3. Third, the Authority shall satisfy the annual allocation requirement of two percent (2%) of Revenues for Environmental Cleanup; and

4. Fourth, the Authority shall satisfy the debt service requirements of all bonds issued pursuant to the Ordinance that are not satisfied out of separate allocations.

B. After providing for the use of Revenues described in Section A above, and subject to the averaging provisions of Section D below, the Authority shall allocate the Net Revenues as follows:

1. Forty-three percent (43%) for Freeway Projects;

2. Thirty-two percent (32%) for Street and Road Projects; and

3. Twenty-five percent (25%) for Transit Projects.

C. The allocation of thirty-two percent (32%) of the Net Revenues for
Street and Road Projects pursuant to Section B 2 above shall be made as follows:

1. Ten percent (10%) of the Net Revenues shall be allocated for Regional Capacity Program projects;

2. Four percent (4%) of the Net Revenues shall be allocated for Regional Traffic Signal Synchronization Program projects; and

3. Eighteen percent (18%) of the Net Revenues shall be allocated for Local Fair Share Program projects.

D. In any given year, except for the allocations for Local Fair Share Program projects, the Authority may allocate Net Revenues on a different percentage basis than required by Sections B and C above in order to meet short-term needs and to maximize efforts to capture state, federal, or private transportation dollars, provided the percentage allocations set forth in Sections B and C above shall be achieved during the duration of the Ordinance.

E. The Authority shall allocate Net Revenues for programs and projects as necessary to meet contractual, program or project obligations, and the Authority may withhold allocations until needed to meet contractual, program or project obligations, except that Net Revenues allocated for the Local Fair Share Program pursuant to Section C above shall be paid to Eligible Jurisdictions within sixty days of receipt by the Authority.

F. The Authority may exchange Net Revenues from a Plan funding category for federal, state or other local funds allocated to any public agency within or outside the area of jurisdiction to maximize the effectiveness of the Plan. The Authority and the exchanging public agency must use the exchanged funds for the same program or project authorized for the use of the funds prior to the exchange. Such federal, state or local funds received by the Authority shall be allocated by the Authority to the same Plan funding category that was the source of the exchanged Net Revenues, provided, however, in no event shall an exchange reduce the Net Revenues allocated for Programmatic Mitigation of Freeway Projects.

G. If additional funds become available for a specific project or program
described in the Plan, the Authority may allocate the Net Revenues replaced by the receipt
of those additional funds, in the following order of priority: first, to Plan projects and
programs which provide congestion relief in the geographic region which received the
additional funds; second, to other projects and programs within the affected geographic
region which may be placed in the Plan through an amendment to the Ordinance; and third,
to all other Plan projects and programs.

H. Upon review and acceptance of the Project Final Report, the Authority
shall allocate the balance of Net Revenues for the project, less the interest earned on the
Net Revenues allocated for the project.

V. ALLOCATION OF NET REVENUES; STREETS AND ROADS PROGRAMS/PROJECTS

A. Regional Capacity Program.

1. Matching Funds. An Eligible Jurisdiction shall contribute local
matching funds equal to fifty percent (50%) of the project or program cost. This local match
requirement may be reduced as follows:

a. A local match reduction of ten percent (10%) of the
eligible cost if the Eligible Jurisdiction implements, maintains and operates in conformance
with the Traffic Signal Synchronization Master Plan.

b. A local match reduction of ten percent (10%) of the
eligible cost if the Eligible Jurisdiction either:

(i) has measurable improvement of paved road
conditions during the previous reporting period as determined pursuant to the Authority’s
method of measuring improvement of road pavement conditions, or

(ii) has road pavement conditions during the previous
reporting period which are within the highest twenty percent of the scale for road pavement
conditions as determined pursuant to the Authority’s method of measuring improvement of
road pavement conditions.

c. A local match reduction of five percent (5%) of the
eligible cost if the Eligible Jurisdiction does not use any Net Revenues as part of the funds for the local match.

2. Allocations shall be determined pursuant to a countywide competitive procedure adopted by the Authority. Eligible Jurisdictions shall be consulted by the Authority in establishing criteria for determining priority for allocations.

B. Regional Traffic Signal Synchronization Program.

1. Traffic Signal Synchronization Master Plan.

The Authority shall adopt and maintain a Traffic Signal Synchronization Master Plan, which shall be a part of the Master Plan of Arterial Highways. The Traffic Signal Synchronization Master Plan shall include traffic signal synchronization street routes and traffic signals within and across jurisdictional boundaries, and the means of implementing, operating and maintaining the programs and projects, including necessary governance and legal arrangements.

2. Allocations.

a. Allocations shall be determined pursuant to a countywide competitive procedure adopted by the Authority. Eligible Jurisdictions shall be consulted by the Authority in establishing criteria for determining priority for allocations.

b. The Authority shall give priority to programs and projects which include two or more jurisdictions.

c. The Authority shall encourage the State to participate in the Regional Traffic Signal Synchronization Program and Authority shall give priority to use of transportation funds as match for the State’s discretionary funds used for implementing the Regional Traffic Signal Synchronization Program.

3. An Eligible Jurisdiction shall contribute matching local funds equal to twenty percent (20%) of the project or program cost. The requirement for matching local funds may be satisfied all or in part with in-kind services provided by the Eligible Jurisdiction for the program or project, including salaries and benefits for employees of the Eligible Jurisdiction who perform work on the project or programs.
4. An Eligible Jurisdiction shall issue a report once every three years regarding the status and performance of its traffic signal synchronization activities.

5. Not less than once every three years an Eligible Jurisdiction shall review and revise, as may be necessary, the timing of traffic signals included as part of the Traffic Signal Synchronization Master Plan.

6. An Eligible Jurisdiction withdrawing from a signal synchronization project shall be required to return Net Revenues allocated for the project.

C. Local Fair Share Program.

The allocation of eighteen percent (18%) of the Net Revenues for Local Fair Share Program projects shall be made to Eligible Jurisdictions in amounts determined as follows:

1. Fifty percent (50%) divided between Eligible Jurisdictions based on the ratio of each Eligible Jurisdiction’s population for the immediately preceding calendar year to the total County population (including incorporated and unincorporated areas) for the immediately preceding calendar year, both as determined by the State Department of Finance;

2. Twenty-five percent (25%) divided between Eligible Jurisdictions based on the ratio of each Eligible Jurisdiction’s existing Master Plan of Arterial Highways ("MPAH") centerline miles to the total existing MPAH centerline miles within the County as determined annually by the Authority; and

3. Twenty-five percent (25%) divided between Eligible Jurisdictions based on the ratio of each Eligible Jurisdiction’s total taxable sales to the total taxable sales of the County for the immediately preceding calendar year as determined by the State Board of Equalization.

VI. ALLOCATION OF NET REVENUES; TRANSIT PROGRAMS/PROJECTS.

A. Transit Extensions to Metrolink.

1. The Authority may provide technical assistance, transportation planning and engineering resources for an Eligible Jurisdiction to assist in designing Transit
Extensions to Metrolink projects to provide effective and user-friendly connections to Metrolink services and bus transit systems.

2. To be eligible to receive Net Revenues for Transit Extension to Metrolink projects, an Eligible Jurisdiction must execute a written agreement with the Authority regarding the respective roles and responsibilities pertaining to construction, ownership, operation and maintenance of the Transit Extension to Metrolink project.

3. Allocations of Net Revenues shall be determined pursuant to a countywide competitive procedure adopted by the Authority. This procedure shall include an evaluation process and methodology applied equally to all candidate Transit Extension to Metrolink projects. Eligible Jurisdictions shall be consulted by the Authority in the development of the evaluation process and methodology.

B. Metrolink Gateways.

1. The Authority may provide technical assistance, transportation planning and engineering resources for an Eligible Jurisdiction to assist in designing Regional Transit Gateway facilities to provide for effective and user-friendly connections to the Metrolink system and other transit services.

2. To be eligible to receive Net Revenues for Regional Gateway projects, an Eligible Jurisdiction must execute a written agreement with the Authority regarding the respective roles and responsibilities pertaining to construction, ownership, operation and maintenance of the Regional Gateway facility.

3. Allocations of Net Revenues shall be determined pursuant to a countywide competitive procedure adopted by the Authority. This procedure shall include an evaluation process and methodology applied equally to all candidate Regional Gateway projects. Eligible Jurisdictions shall be consulted by the Authority in the development of the evaluation process and methodology.

C. Mobility Choices for Seniors and Persons with Disabilities.

1. An Eligible Jurisdiction may contract with another entity to perform all or part of a Mobility Choices for Seniors and Persons with Disabilities project.
2. A senior is a person age sixty years or older.

3. Allocations.
   
   a. One percent (1%) of the Net Revenues shall be allocated to the County to augment existing senior non-emergency medical transportation services funded with Tobacco Settlement funds as of the effective date of the Ordinance. The County shall continue to fund these services in an annual amount equal to the same percentage of the total annual Tobacco Settlement funds received by the County. The Net Revenues shall be annually allocated to the County in an amount no less than the Tobacco Settlement funds annually expended by the County for these services and no greater than one percent of net revenues plus any accrued interest.

   b. One percent (1%) of the Net Revenues shall be allocated to continue and expand the existing Senior Mobility Program provided by the Authority. The allocations shall be determined pursuant to criteria and requirements for the Senior Mobility Program adopted by the Authority.

   c. One percent (1%) of the Net Revenues shall be allocated to partially fund bus and ACCESS fares for seniors and persons with disabilities in an amount equal to the percentage of partial funding of fares for seniors and persons with disabilities as of the effective date of the Ordinance, and to partially fund train and other transit service fares for seniors and persons with disabilities in amounts as determined by the Authority.

   d. In the event any Net Revenues to be allocated for seniors and persons with disabilities pursuant to the requirements of subsections a, b and c above remain after the requirements are satisfied then the remaining Net Revenues shall be allocated for other transit programs or projects for seniors and persons with disabilities as determined by the Authority.

D. Community Based Transit/Circulators.

1. The Authority may provide technical assistance, transportation planning, procurement and operations resources for an Eligible Jurisdiction to assist in
designing Community Based Transit/Circulators projects to provide effective and user-friendly transit connections to countywide bus transit and Metrolink services.

2. To be eligible to receive Net Revenues for Community Based Transit/Circulators projects, an Eligible Jurisdiction must execute a written agreement with the Authority regarding the respective roles and responsibilities pertaining to construction, ownership, operation and maintenance of the Community Based Transit/Circulators project.

3. Allocations of Net Revenues shall be determined pursuant to a countywide competitive procedure adopted by the Authority. This procedure shall include an evaluation process and methodology applied equally to all candidate Community Based Transit/Circulator projects. Eligible Jurisdictions shall be consulted by the Authority in the development of the evaluation process and methodology.

4. An Eligible Jurisdiction may contract with another entity to perform all or part of a Community Based Transit/Circulators project.

VII. ALLOCATION OF NET REVENUES; ENVIRONMENTAL CLEANUP PROGRAMS/PROJECTS.

A. An Eligible Jurisdiction may contract with any other public entity to perform all or any part of an Environmental Cleanup project.

B. Allocation Committee.

1. The Allocation Committee shall not include any elected public officer and shall include the following twelve (12) voting members:

   (i) one (1) representative of the County of Orange;

   (ii) five (5) representatives of cities, subject to the requirement for one (1) representative for the cities in each supervisorial district;

   (iii) one (1) representative of the California Department of Transportation;

   (iv) two (2) representatives of water or wastewater public entities;

   (v) one (1) representative of the development industry;
(vi) one (1) representative of the scientific or academic community;

(vii) one (1) representative of private or non-profit organizations involved in environmental and water quality protection/enforcement matters;

In addition, one (1) representative of the Santa Ana Regional Water Quality Control Board and one (1) representative of the San Diego Regional Water Quality Control Board shall be non-voting members of the Allocation Committee.

2. The Allocation Committee shall recommend to the Authority for adoption by the Authority the following:

   a. A competitive grant process for the allocation of Environmental Cleanup Revenues, including the highest priority to capital improvement projects included in a Watershed Management Area. The process shall give priority to cost-effective projects and programs that offer opportunities to leverage other funds for maximum benefit.

   b. A process requiring that Environmental Cleanup Revenues allocated for projects and programs shall supplement and not supplant funding from other sources for transportation related water quality projects and programs.

   c. Allocation of Environmental Cleanup Revenues for proposed projects and programs.

   d. An annual reporting procedure and a method to assess the water quality benefits provided by completed projects and programs.
ATTACHMENT C
TAXPAYER OVERSIGHT COMMITTEE

I. PURPOSE AND ORGANIZATION. A Taxpayer Oversight Committee ("Committee") is hereby established for the purpose of overseeing compliance with the Ordinance as specified in Section IV hereof. The Committee shall be organized and convened before any Revenues are collected or spent pursuant to the Ordinance.

II. COMMITTEE MEMBERSHIP. The Committee shall be governed by eleven members ("Member"). The composition of the Committee membership shall be subject to the following provisions.

A. Geographic Balance. The membership of the Committee shall be geographically balanced at all times as follows:

1. There shall be two Members appointed from each of the County's supervisorial districts (individually, "District"); and

2. The Auditor-Controller shall be a Member and chairman ("Chair") of the Committee.

B. Member Term. Each Member, except the Auditor-Controller and as provided in Section III B 2 below, shall be appointed for a term of three years; provided, however, that any Member appointed to replace a Member who has resigned or been removed shall serve only the balance of such Member's unexpired term, and no person shall serve as a Member for a period in excess of six consecutive years.

C. Resignation. Any Member may, at any time, resign from the Committee upon written notice delivered to the Auditor-Controller. Acceptance of any public office, the filing of an intent to seek public office, including a filing under California Government Code Section 85200, or change of residence to outside the District shall constitute a Member's automatic resignation.

D. Removal. Any Member who has three consecutive unexcused absences from meetings of the Committee shall be removed as a Member. An absence
from a Committee meeting shall be considered unexcused unless, prior to or after such absence (i) the Member submits to each of the other Members a written request to excuse such absence, which request shall state the reason for such absence and any special circumstances existing with respect to such absence; and (ii) a majority of the other Members agree to excuse such absence.

E. Reappointment. Any former Member may be reappointed.

III. APPOINTMENT OF MEMBERS.

A. Membership Recommendation Panel.

1. The Authority shall contract with the Orange County Grand Jurors' Association for the formation of a committee membership recommendation panel ("Panel") to perform the duties set forth in this subsection III A. If the Orange County Grand Jurors' Association refuses or fails to act in such capacity, the Authority shall contract with another independent organization selected by the Authority for the formation of the Panel.

2. The Panel shall have five members who shall screen and recommend potential candidates for Committee membership.

3. The Panel shall solicit, collect and review applications from potential candidates for membership on the Committee. No currently elected or appointed officer of any public entity will be eligible to serve as a Member, except the Auditor-Controller. A Member shall reside within the District the Member is appointed to represent. Subject to the foregoing restrictions, the Panel shall evaluate each potential candidate on the basis of the following criteria:

   a. Commitment and ability to participate in Committee meetings;

   b. Demonstrated interest and history of participation in community activities, with special emphasis on transportation-related activities; and

   c. Lack of conflicts of interest with respect to the allocation of Revenues.

4. For initial membership on the Committee, the Panel shall
recommend to the Authority at least five candidates from each of the two Districts that are
represented by one member on the Ordinance No. 2, Citizens Oversight Committee
("COC") as of the date the Authority appoints the initial Members. Thereafter, the Panel
shall recommend to the Authority at least five candidates for filing each vacancy on the
Committee.

B. Initial Members.

1. The COC members, as of the date the Authority appoints the
initial Members of the Committee, shall be appointed as initial Members of the Committee.
These Members shall each serve until each of their respective terms as a member of the
COC expires.

2. Two additional initial Members shall be appointed. The
Authority shall place the names of the candidates recommended by the Panel on equally-
sized cards which shall be deposited randomly in a container. In public session, the
Chairman of the Authority will draw a sufficient number of names from said container to
allocate Committee membership in accordance with the membership requirements and
restrictions set forth in Section II hereof. The first person whose name is drawn shall be
appointed to serve a term of three years. Thereafter, the person whose name is drawn
who is not from the same District as the first person whose name is drawn shall be
appointed to serve a term of two years.

C. Member Vacancy. A member vacancy, however caused, shall be
filled by the Authority. A Member shall be appointed on or about July 1 to replace a
Member whose term has expired. A Member may be appointed at any time as necessary
to replace a Member who has resigned or been removed. The Authority shall place the
names of the candidates recommended by the Panel for the appointment on equally-sized
cards which shall be deposited randomly in a container. In a public session, the Chairman
of the Authority will draw one name from said container for each vacancy on the
Committee. The person whose name is so drawn shall be appointed by the Authority to fill
the vacancy.
IV. DUTIES AND RESPONSIBILITIES. The Committee is hereby charged with the following duties and responsibilities:

A. The initial Members shall convene to adopt such procedural rules and regulations as are necessary to govern the conduct of Committee meetings, including, but not limited to, those governing the calling, noticing and location of Committee meetings, as well as Committee quorum requirements and voting procedures. The Committee may select its own officers, including, but not limited to, a Committee co-chair who will be the primary spokesperson for the Committee.

B. The Committee shall approve, by a vote of not less than two thirds of all Committee members, any amendment to the Plan proposed by the Authority which changes the funding categories, programs or projects identified on page 31 of the Plan.

C. The Committee shall receive and review the following documents submitted by each Eligible Jurisdiction:

1. Congestion Management Program;
2. Mitigation Fee Program;
3. Expenditure Report;
4. Local Traffic Signal Synchronization Plan; and

D. The Committee shall review yearly audits and hold an annual public hearing to determine whether the Authority is proceeding in accordance with the Plan. The Chair shall annually certify whether the Revenues have been spent in compliance with the Plan. In addition, the Committee may issue reports, from time to time, on the progress of the transportation projects described in the Plan.

E. The Committee shall receive and review the performance assessment conducted by the Authority at least once every three years to review the performance of the Authority in carrying out the purposes of the Ordinance.

F. Except as otherwise provided by the Ordinance, the Committee may contract, through the Authority, for independent analysis or examination of issues within the
Committee's purview or for other assistance as it determines to be necessary.

G. The Committee may submit a written request to the Authority to explain any perceived deviations from the Plan. The Authority's Chair must respond to such request, in writing, within sixty days after receipt of the same.