



October 25, 2017

To: Finance and Administration Committee
From: Darrell Johnson, Chief Executive Officer
Subject: Measure M2 Sales Tax Forecast

Overview

The Orange County Transportation Authority contracts with MuniServices, LLC, and three universities to forecast Measure M2 taxable sales. MuniServices, LLC, and the three universities have provided updated forecasts, and staff has incorporated the new information into the annual update for the long-range forecast of Measure M2 taxable sales.

Recommendation

Receive and file as an information item.

Background

On March 28, 2016, the Orange County Transportation Authority (OCTA) Board of Directors (Board) directed staff to forecast taxable sales in Orange County by utilizing MuniServices, LLC, forecasted taxable sales growth rates for the first five years of the forecast period, and average growth rates based on forecasted taxable sales from three universities; Chapman University, University of California, Los Angeles, and California State University, Fullerton, for the remaining years.

Due to the significant decrease in forecasted taxable sales based on the updated forecasts received from the four entities, staff provided a preliminary update for the Measure M2 (M2) sales tax forecast to the Board at the September 11, 2017 meeting. At that time staff, reported that forecasted sales tax for the Measure M Program was estimated to decrease from \$14.2 billion to \$13.5 billion based on the updated forecasts. However, staff was waiting to receive the last M2 sales tax receipt for fiscal year (FY) 2016 in order to finalize the forecast. The final M2 sales tax payment was received in September, and the M2 sales tax forecast has been finalized.

Discussion

At the September 11, 2017, Board meeting staff had estimated the ending M2 sales tax receipts for FY 2016. M2 sales tax had grown by 2.3 percent through the first three quarters of the year, and that growth rate was assumed for the final quarter of the year. On September 22, 2017, the final sales tax payment for FY 2016 was received and increased the growth rate for the year to 2.6 percent. Based on the amount of the final sales tax payment, the total FY 2016 M2 sales tax receipts increased from the September estimate of \$308 million to the final amount of \$309 million. Despite the additional \$1 million of sales tax revenue received in FY 2016, the forecasted amount of sales tax to support the M2 Program remains at \$13.5 billion as reported to the Board in September.

Summary

OCTA has finalized the M2 sales tax receipts for FY 2016 with sales tax growing at 2.6 percent for a total of \$309 million for the year. Despite a slight increase in sales tax receipts in the fourth quarter of FY 2016, the forecasted sales tax available to support the M2 Program remains at \$13.5 billion as reported to the Board in September.

Attachment

- A. Orange County Transportation Authority M2 Sales Tax Revenue Forecast
- 2017

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