OCTA

October 22, 2025

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: 2025 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 that information has been incorporated 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 the total Measure M2 (M2) taxable sales by utilizing MuniServices, LLC (MuniServices) 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 (Chapman), California State University, Fullerton (CSUF), and University of California, Los Angeles (UCLA), for the remaining years of M2.

OCTA received the final M2 sales tax payment for fiscal year (FY) 2024-25 in August 2025 and has prepared the 2025 M2 sales tax forecast.

Discussion

Total gross M2 sales tax receipts for FY 2024-25 were $431.8 million, which increased by 0.1 percent compared to the prior FY. The 2025 M2 sales tax forecast was completed incorporating the final sales tax receipts for FY 2024-25 and the updated sales tax forecasts provided by MuniServices, CSUF, Chapman, and UCLA. The new forecast projects sales tax available to support the M2 Program to be $13.2 billion over the 30-year period. This represents a year-over-year decrease of $0.8 billion in forecasted sales tax when compared to last year's forecast of $14 billion.

The MuniServices forecast includes the five-year period from FY 2025-26 through FY 2029-30. The average annual sales tax growth rate over that period based on the MuniServices forecast is 2.1 percent. While the Board-approved methodology uses the MuniServices forecast for the first five years, OCTA staff conservatively applied zero percent instead of 0.8 percent projected by MuniServices for FY 2025-26 to align with adopted budget assumptions of zero growth. The three-university average annual growth rate for the remaining years (FY 2030-31 through FY 2040-41) is three percent and the average annual growth rate over the entire forecast period is 2.7 percent. The combination of flat growth in FY 2024-25 combined with the short- and long-term forecasts being more conservative than last year have led to the decrease in the M2 sales tax forecast.

Staff will continue to monitor the short- and long-term impacts of several variables on M2 sales tax revenues. These variables include inflation, interest rates, tariffs, and Orange County's population growth. It is not anticipated that the decrease in forecasted sales tax will have an impact on any current M2 freeway projects. In addition, OCTA still anticipates a large reserve balance to be available to mitigate economic uncertainty associated with future M2 freeway projects. The amount of M2 sales tax forecasted to be available to support the streets and roads and transit modes will be impacted with the largest impact to be to Metrolink, which continues to face challenges post-pandemic. Staff will determine the impacts of the updated M2 sales tax forecast to M2 programs and projects and return to the Board in November 2025 with an updated Next 10 Delivery Plan.

Summary

OCTA has finalized sales tax receipts for FY 2024-25 and completed the 2025 M2 sales tax forecast based on updated sales tax forecasts from MuniServices, CSUF, Chapman, and UCLA. It is anticipated that the total sales tax available to support the M2 Program will be $13.2 billion. This represents a year-over-year decrease of $0.8 billion in sales tax when compared to last year's forecast of $14 billion. Staff will determine the impacts of the forecast to M2 programs and projects and return to the Board in November 2025 with an updated Next 10 Delivery Plan.

Attachment

A. Orange County Transportation Authority Measure M2 Sales Tax Revenue Forecast – 2025

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