



**September 25, 2024**

**To:** Finance and Administration Committee  
**From:** Darrell E. Johnson, Chief Executive Officer  
**Subject:** 2024 Measure M2 Sales Tax Forecast

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is written over the "From:" line of the header.

**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 each provided updated forecasts and staff have 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 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) 2023-24 in August 2024 and has prepared the 2024 M2 sales tax forecast.

**Discussion**

Total gross M2 sales tax receipts for FY 2023-24 are \$431.4 million, which decreased by 1.8 percent compared to the prior FY. The 2024 M2 sales tax forecast was completed incorporating the final sales tax receipts for FY 2023-24 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 \$14 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 \$14.8 billion.

The MuniServices forecast includes the five-year period from FY 2024-25 through FY 2028-29. The average annual sales tax growth rate over that period based on the MuniServices forecast is 2.7 percent. The three-university average annual growth rate for the remaining years (FY 2029-30 through FY 2040-41) is 3.3 percent and the average annual growth rate over the entire forecast period is 3.2 percent.

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, and Orange County's population growth. Staff will also determine the impacts of the updated M2 sales tax forecast to M2 programs and projects and return to the Board in November 2024 with an updated Next 10 Delivery Plan.

**Summary**

OCTA has finalized sales tax receipts for FY 2023-24 and completed the 2024 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 \$14 billion. This represents a year-over-year decrease of \$0.8 billion in sales tax when compared to last year's forecast of \$14.8 billion. Staff will determine the impacts of the forecast to M2 programs and projects and return to the Board in November 2024 with an updated Next 10 Delivery Plan.

**Attachment**

- A. Orange County Transportation Authority M2 Sales Tax Revenue Forecast – 2024

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