



COMMITTEE TRANSMITTAL

September 26, 2022

To: Members of the Board of Directors

From: Andrea West, Interim Clerk of the Board *Andrea West*

Subject: 2022 Measure M2 Sales Tax Forecast

Finance and Administration Committee Meeting of September 14, 2022

Present: Directors Goodell, Harper, Hennessey, Hernandez, Jones, Muller, and Sarmiento

Absent: None

Committee Vote

Following the discussion, no action was taken on this receive and file information item.

Staff Recommendation

Receive and file as an information item.



September 14, 2022

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: 2022 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 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 Measure M2 (M2) taxable sales 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.

OCTA received final tax receipts for fiscal year (FY) 2021-22 on August 24, 2022, and has prepared the final 2022 M2 sales tax forecast.

Discussion

Orange County's economy continued to emerge strongly in FY 2021-22 from the pandemic. The unemployment rate in Orange County decreased to 2.9 percent in June 2022, compared to 6.9 percent in June 2021. Between June 2021 and June 2022, the total non-farm employment increased by 78,800 jobs, or 4.9 percent. The most substantial increase in Orange County was in the leisure

and hospitality sector adding 37,600 jobs followed by professional and business services sector adding 10,600 jobs.

Orange County continued to make a corresponding strong bounce back in sales tax receipts as well. Final M2 sales tax receipts for FY 2021-22 reached \$425 million, which is the highest amount of M2 sales tax receipts received in any FY. The 2022 M2 sales tax forecast was completed incorporating the final sales tax receipts for FY 2021-22 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 \$15 billion over the 30-year period. This represents a year-over-year increase of \$1.8 billion (13.6 percent) in forecasted sales tax when compared to last year's forecast of \$13.2 billion.

The MuniServices forecast includes the period from FY 2022-23 through FY 2026-27. The average annual sales tax growth rate over that period based on the MuniServices forecast is 4.1 percent. The three-university average annual growth rate for the remaining years (FY 2027-28 through FY 2040-41) is 3.3 percent and the average annual growth rate over the entire forecast period is 3.5 percent.

While the economy continues to improve, there are other variables that must be continuously monitored including other coronavirus variants, gas prices, inflation, interest rates, supply chains, and the Ukraine war impact. Staff will continue to monitor the short- and long-term impacts of these variables on M2 sales tax revenues. 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 2022 with an updated Next 10 Delivery Plan and Comprehensive Business Plan.

Summary

OCTA has finalized the 2022 M2 sales tax forecast. The 2022 M2 sales tax forecast incorporates final sales tax receipts for FY 2021-22 and updated sales tax forecasts from MuniServices, CSUF, Chapman, and UCLA. It is anticipated that total sales tax available to support the M2 Program will be \$15 billion. This represents a year-over-year increase of \$1.8 billion (13.6 percent) in sales tax when compared to last year's forecast of \$13.2 billion. Staff will determine the impacts of the forecast to M2 programs and projects and return to the Board in November 2022 with an updated Next 10 Delivery Plan and Comprehensive Business Plan.

Attachment

- A. Orange County Transportation Authority M2 Sales Tax Revenue Forecast – 2022

Prepared by:



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Approved by:



Andrew Oftelie
Chief Financial Officer,
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Orange County Transportation Authority
M2 Sales Tax Revenue Forecast - 2022
In Nominal Dollars

		Chapman		UCLA		CSUF		MuniServices		Board-Approved Forecast	
Fiscal Year	Actual Growth	Gross Sales Tax*	Growth Rate	Gross Sales Tax	Growth Rate	Gross Sales Tax	Growth Rate	Gross Sales Tax	Growth Rate	Gross Sales Tax	Blended Growth Rate
Actuals	2011 **	61,756,868	-	61,756,868	-	61,756,868	-	61,756,868	-	61,756,868	-
	2012	250,892,931	-	250,892,931	-	250,892,931	-	250,892,931	-	250,892,931	-
	2013	266,384,076	-	266,384,076	-	266,384,076	-	266,384,076	-	266,384,076	-
	2014	279,599,946	-	279,599,946	-	279,599,946	-	279,599,946	-	279,599,946	-
	2015	291,615,675	-	291,615,675	-	291,615,675	-	291,615,675	-	291,615,675	-
	2016	300,944,523	-	300,944,523	-	300,944,523	-	300,944,523	-	300,944,523	-
	2017	308,768,664	-	308,768,664	-	308,768,664	-	308,768,664	-	308,768,664	-
	2018	321,480,529	-	321,480,529	-	321,480,529	-	321,480,529	-	321,480,529	-
	2019	332,358,188	-	332,358,188	-	332,358,188	-	332,358,188	-	332,358,188	-
	2020	317,963,821	-	317,963,821	-	317,963,821	-	317,963,821	-	317,963,821	-
2021	345,345,181	-	345,345,181	-	345,345,181	-	345,345,181	-	345,345,181	-	
2022	424,896,566	-	424,896,566	-	424,896,566	-	424,896,566	-	424,896,566	-	
Short-Term	2023	458,706,371	7.96%	439,070,719	3.34%	447,250,819	5.26%	453,364,636	6.70%	453,364,636	6.70%
	2024	472,264,497	2.96%	457,916,636	4.29%	468,128,187	4.67%	468,779,034	3.40%	468,779,034	3.40%
	2025	495,152,140	4.85%	474,553,537	3.63%	486,131,202	3.85%	487,530,195	4.00%	487,530,195	4.00%
	2026	513,148,228	3.63%	491,204,718	3.51%	501,703,485	3.20%	504,106,222	3.40%	504,106,222	3.40%
	2027	535,130,146	4.28%	507,884,724	3.40%	514,785,231	2.61%	518,725,302	2.90%	518,725,302	2.90%
Long-Term	2028	553,694,808	3.47%	525,389,854	3.45%	526,862,466	2.35%			534,739,964	3.09%
	2029	576,169,827	4.06%	543,787,532	3.50%	539,368,640	2.37%			552,447,924	3.31%
	2030	597,607,606	3.72%	562,900,204	3.51%	552,282,789	2.39%			570,181,097	3.21%
	2031	620,034,229	3.75%	582,727,083	3.52%	565,756,540	2.44%			588,644,802	3.24%
	2032	646,010,695	4.19%	603,142,712	3.50%	580,187,113	2.55%			608,744,379	3.41%
	2033	670,980,854	3.87%	624,426,738	3.53%	595,322,081	2.61%			629,041,490	3.33%
	2034	696,689,658	3.83%	646,628,928	3.56%	611,016,038	2.64%			650,058,500	3.34%
	2035	723,819,025	3.89%	669,398,452	3.52%	626,808,141	2.58%			671,726,834	3.33%
	2036	751,335,535	3.80%	692,786,248	3.49%	642,700,105	2.54%			693,738,887	3.28%
	2037	779,542,659	3.75%	716,807,359	3.47%	658,464,038	2.45%			716,110,463	3.22%
	2038	809,067,762	3.79%	741,472,444	3.44%	674,144,451	2.38%			739,049,431	3.20%
	2039	839,594,694	3.77%	766,877,911	3.43%	689,879,836	2.33%			762,535,386	3.18%
	2040	871,542,475	3.81%	792,726,177	3.37%	705,814,310	2.31%			786,645,418	3.16%
2041 **	678,765,204	3.84%	614,096,318	3.29%	541,400,023	2.27%			608,478,164	3.13%	
Total		\$ 15,791,263,381	4.06%	\$ 14,955,805,263	3.51%	\$ 14,430,012,464	2.83%			\$ 15,046,655,095	3.29%

*Fiscal years 2011 through 2017, 2020 through 2022 represent actual sales tax receipts.
 ** Fiscal year 2011 includes sales tax receipts for one quarter and fiscal year 2041 represents forecasted sales tax receipts for three quarters.
 Chapman - Chapman University
 UCLA - University of California, Los Angeles
 CSUF - California State University, Fullerton
 MuniServices - MuniServices, LLC