



COMMITTEE TRANSMITTAL

September 27, 2021

To: Members of the Board of Directors

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

Subject: 2021 Measure M2 Sales Tax Forecast

Finance and Administration Committee Meeting of September 22, 2021

Present: Directors Foley, Goodell, Hennessey, Hernandez, and Jones

Absent: Directors Harper and Muller

Committee Vote

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

Staff Recommendation

Receive and file as an information item.



September 22, 2021

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: 2021 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 each 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 (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) 2020-21 in August 2021 and has prepared the final 2021 Measure M2 (M2) sales tax forecast update.

Discussion

The coronavirus (COVID-19) has presented a significant challenge to global and national economies. State and local governments across the United States issued orders for residents to self-quarantine and refrain from non-essential travel to slow the spread of the virus. The stay-at-home orders, the absence of

leisure and business travel into the region, and the closure of the Disneyland Resort, hotels, and other businesses led to significant layoffs in Orange County, especially in the leisure and hospitality sector.

After more than a year of economic downturn due to COVID-19, Orange County's economy is showing signs of emerging from the pandemic. As vaccinations have been made available, employees are starting to return to work and the unemployment rate has decreased to 6.4 percent as of June 2021 as businesses began rehiring. In addition, home prices are surging, travel has increased, and tourist attractions have reopened in phases after being closed for more than a year.

As a result of the improving Orange County economy, final M2 sales tax receipts for FY 2020-21 came in at \$345 million, which is the highest amount of M2 sales tax receipts received in any FY. The 2021 M2 sales tax forecast was completed incorporating the final sales tax receipts for FY 2020-21 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 increase of \$1.6 billion (13.8 percent) in forecasted sales tax when compared to last year's forecast of \$11.6 billion.

The MuniServices forecast includes the period from FY 2021-22 through FY 2025-26. The average annual sales tax growth rate over that period based on the MuniServices forecast is 4.4 percent. The three-university average annual growth rate for the remaining years (FY 2026-27 through FY 2040-41) is three percent and the average annual growth rate over the entire forecast period is 3.4 percent.

While the economy continues to improve, the threat of the delta variant and potential new strains of COVID-19 remain. Staff will continue to monitor the short- and long-term impacts of COVID-19 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 with the impacts over the coming months as the Next 10 Plan is updated.

Summary

OCTA has finalized sales tax receipts for FY 2020-21 and incorporated 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 \$13.2 billion. This represents a year-over-year increase of \$1.6 billion (13.8 percent) in sales tax when compared to last year's forecast of

\$11.6 billion. Staff will determine the impacts of the forecast to M2 programs and projects and return to the Board with those impacts over the coming months as the Next 10 Delivery Plan is updated.

Attachment

- A. Orange County Transportation Authority M2 Sales Tax Revenue Forecast – 2021

Prepared by:



Sam Kaur
Department Manager,
Revenue Administration
(714) 560-5889

Approved by:



Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5649



Orange County Transportation Authority
M2 Sales Tax Revenue Forecast - 2021
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	-	
Short-Term	2022	381,047,413	10.34%	354,645,041	2.69%	371,781,772	7.66%	376,426,247	9.00%	376,426,247	9.00%
	2023	389,298,297	2.17%	365,635,915	3.10%	392,696,031	5.63%	397,129,690	5.50%	397,129,690	5.50%
	2024	409,417,246	5.17%	378,357,437	3.48%	412,311,270	5.00%	408,646,452	2.90%	408,646,452	2.90%
	2025	420,186,224	2.63%	392,632,744	3.77%	430,769,717	4.48%	418,453,966	2.40%	418,453,966	2.40%
	2026	434,861,343	3.49%	407,309,356	3.74%	446,136,555	3.57%	427,659,954	2.20%	427,659,954	2.20%
Long-Term	2027	449,201,060	3.30%	422,516,417	3.73%	458,688,325	2.81%			441,693,637	3.28%
	2028	463,865,859	3.26%	438,293,183	3.73%	467,652,027	1.95%			454,875,018	2.98%
	2029	479,000,221	3.26%	454,659,047	3.73%	476,862,012	1.97%			468,469,820	2.99%
	2030	493,912,701	3.11%	471,642,123	3.74%	487,241,230	2.18%			482,563,204	3.01%
	2031	508,639,420	2.98%	489,210,947	3.73%	498,950,642	2.40%			497,216,853	3.04%
	2032	523,201,019	2.86%	507,328,832	3.70%	511,739,904	2.56%			512,348,116	3.04%
	2033	538,005,139	2.83%	526,014,511	3.68%	525,559,589	2.70%			528,082,680	3.07%
	2034	553,232,381	2.83%	545,281,421	3.66%	540,216,230	2.79%			544,421,371	3.09%
	2035	568,862,105	2.83%	565,143,134	3.64%	555,092,920	2.75%			561,155,930	3.07%
	2036	584,904,631	2.82%	585,613,348	3.62%	570,187,114	2.72%			578,292,615	3.05%
	2037	601,396,080	2.82%	606,705,915	3.60%	585,126,555	2.62%			595,721,190	3.01%
	2038	618,357,092	2.82%	628,434,784	3.58%	600,117,398	2.56%			613,520,756	2.99%
	2039	635,792,826	2.82%	650,814,039	3.56%	615,376,300	2.54%			631,769,828	2.97%
	2040	653,662,002	2.81%	673,866,585	3.54%	630,972,413	2.53%			650,485,054	2.96%
	2041 **	504,019,906	2.81%	523,146,882	3.51%	485,203,587	2.53%			502,257,860	2.95%
Total		\$ 13,287,973,365	3.40%	\$ 13,064,362,061	3.58%	\$ 13,139,791,993	3.20%			\$ 13,168,300,643	3.38%

*Fiscal years 2011 through 2017, 2020 and 2021 represent actual sales tax receipts. Fiscal Year 2018 is based on estimated sales tax revenues from MuniServices, LLC. Fiscal Year 2019 represent actual sales tax receipts plus \$1.58 million additional revenues received for Fiscal Year 2018 above MuniServices Fiscal Year 2018 estimate.

** Fiscal year 2011 includes sales tax receipts for one quarter and fiscal year 2041 represents forecasted sales tax receipts for three quarters.