



COMMITTEE TRANSMITTAL

**October 9, 2023**

**To:** Members of the Board of Directors  
**From:** Andrea West, Clerk of the Board *Andrea West*  
**Subject:** 2023 Measure M2 Sales Tax Forecast

Finance and Administration Committee Meeting of September 27, 2023

**Present:** Directors Do, Federico, Harper, Hennessey, Jones, and Sarmiento  
**Absent:** Director Goodell

**Committee Vote**

This item was passed by the Members present.


**Committee Recommendation**

Receive and file as an information item.



**September 27, 2023**

**To:** Finance and Administration Committee  
**From:** Darrell E. Johnson, Chief Executive Officer  
**Subject:** 2023 Measure M2 Sales Tax Forecast

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is written over the "From:" line and extends into the "Subject:" line.

**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 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.

OCTA received the final M2 sales tax payment for fiscal year (FY) 2022-23 in August 2023 and has prepared the 2023 M2 sales tax forecast.

**Discussion**

M2 sales tax receipts for FY 2022-23 increased by 3.35 percent compared to the prior FY. Total M2 sales tax receipts for FY 2022-23 are \$439 million, which is the highest amount of M2 sales tax receipts received in any FY. The 2023 M2 sales tax forecast was completed incorporating the final sales tax receipts for FY 2022-23 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 \$14.8 billion over the 30-year period. This represents a year-over-year decrease of \$0.2 billion in forecasted sales tax when compared to last year's forecast of \$15 billion.

The MuniServices forecast includes the period from FY 2023-24 through FY 2027-28. The average annual sales tax growth rate over that period based on the MuniServices forecast is 3.4 percent. The three-university average annual growth rate for the remaining years (FY 2028-29 through FY 2040-41) is 3.3 percent and the average annual growth rate over the entire forecast period is also 3.3 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, Orange County's population growth, and the likelihood of a mild recession. 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 2023 with an updated Next 10 Plan.

**Summary**

OCTA has finalized sales tax receipts for FY 2022-23 and completed the 2023 M2 sales tax forecast based on 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 \$14.8 billion. This represents a year-over-year decrease of \$0.2 billion in sales tax when compared to last year's forecast of \$15 billion. Staff will determine the impacts of the forecast to M2 programs and projects and return to the Board in November 2023 with an updated Next 10 Delivery Plan.

**Attachment**

- A. Orange County Transportation Authority M2 Sales Tax Revenue Forecast – 2023

**Prepared by:**



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**Approved by:**



Andrew Oftelie  
Chief Financial Officer,  
Finance and Administration  
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**Orange County Transportation Authority**  
**M2 Sales Tax Revenue Forecast - 2023**  
*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	-	
2023	439,123,114	-	439,123,114	-	439,123,114	-	439,123,114	-	439,123,114	-	
Short-Term	2024	441,182,120	0.5%	441,354,741	0.5%	452,183,424	3.0%	449,505,318	2.4%	449,505,318	2.4%
	2025	467,525,892	6.0%	449,486,718	1.8%	467,689,392	3.4%	467,135,217	3.9%	467,135,217	3.9%
	2026	481,894,927	3.1%	466,356,629	3.8%	485,811,771	3.9%	485,874,110	4.0%	485,874,110	4.0%
	2027	500,085,447	3.8%	487,228,593	4.5%	502,846,624	3.5%	503,519,498	3.6%	503,519,498	3.6%
	2028	519,605,238	3.9%	508,362,997	4.3%	519,211,647	3.3%	520,083,522	3.3%	520,083,522	3.3%
Long-Term	2029	540,217,001	4.0%	530,111,358	4.3%	534,767,534	3.0%			539,571,030	3.7%
	2030	562,130,189	4.1%	551,656,833	4.1%	548,683,670	2.6%			558,857,052	3.6%
	2031	582,402,744	3.6%	573,100,500	3.9%	561,846,866	2.4%			577,285,494	3.3%
	2032	604,355,344	3.8%	594,846,438	3.8%	575,442,395	2.4%			596,496,681	3.3%
	2033	627,381,085	3.8%	616,957,036	3.7%	589,952,973	2.5%			616,476,600	3.3%
	2034	650,896,815	3.7%	639,302,060	3.6%	605,565,167	2.6%			637,059,510	3.3%
	2035	674,732,654	3.7%	662,111,745	3.6%	621,352,680	2.6%			657,948,637	3.3%
	2036	700,946,384	3.9%	685,325,640	3.5%	637,297,318	2.6%			679,786,414	3.3%
	2037	726,328,167	3.6%	709,041,450	3.5%	653,199,581	2.5%			701,487,136	3.2%
	2038	751,566,399	3.5%	733,346,994	3.4%	668,894,059	2.4%			723,245,915	3.1%
	2039	780,684,764	3.9%	757,976,308	3.4%	684,409,758	2.3%			746,275,131	3.2%
	2040	806,753,992	3.3%	782,877,943	3.3%	700,300,676	2.3%			768,530,047	3.0%
	2041 *	627,361,631	3.7%	606,152,293	3.2%	537,149,243	2.3%			594,054,512	3.1%
<b>Total</b>		<b>\$ 14,987,180,874</b>	<b>3.6%</b>	<b>\$ 14,736,726,356</b>	<b>3.5%</b>	<b>\$ 14,287,734,859</b>	<b>2.8%</b>			<b>\$ 14,764,321,908</b>	<b>3.3%</b>

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