



September 27, 2023

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: 2023 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 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

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