



COMMITTEE TRANSMITTAL

October 28, 2019

To: Members of the Board of Directors
From: Laurena Weinert, Clerk of the Board
Subject: 2019 Measure M2 Sales Tax Forecast

Finance and Administration Committee Meeting of October 23, 2019

Present: Directors Do, Hennessey, Hernandez, Jones, R. Murphy, and Steel
Absent: Director Wagner

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.



October 23, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer 

Subject: 2019 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 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, 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, University of California, Los Angeles, and California State University, Fullerton, for the remaining years. In addition, OCTA received final tax receipts for fiscal year (FY) 2018-19 in September 2019.

Discussion

OCTA received updated taxable sales forecasts from MuniServices, LLC, (MuniServices) and the three universities for the 2019 Measure M2 (M2) sales tax revenue forecast. The MuniServices forecast includes five fiscal years from FY 2020 through FY 2024. The average annual taxable sales growth rate over that period based on MuniServices forecast is 3.2 percent. The three-university average annual growth rate for the remaining years (FY 2025 through FY 2041) is 3.7 percent. The average annual growth rate over the entire forecast period is

3.6 percent. Based on the updated taxable sales forecasts, it is anticipated that total taxable sales available to support the M2 Program will be \$13.4 billion over the 30-year period. The forecasted amount of sales tax of \$13.4 billion represents a \$0.3 billion (2.2 percent) increase in forecasted taxable sales compared to the FY 2018 forecast.

The increase is based on a combination of factors, including California Department of Tax and Fee Administration’s implementation of AB 147 (Chapter 5, Statutes of 2019). AB 147 provides important direction in state law for the implementation of the United States Supreme Court’s *South Dakota v. Wayfair, Inc.* decision in California. AB 147 defines “engaged in business” in California as conducting at least \$500,000 in sales statewide. Under the bill, businesses outside Orange County meeting this new definition must begin collecting M2 revenues on sales in Orange County. The bill requires that businesses register with the CDFTA by October 1, 2019.

Summary

OCTA has received updated taxable sales forecasts from MuniServices and the three universities. Based on the implementation of the new sales tax collection law, it is anticipated that total taxable sales available for the M2 Program will be \$13.4 billion. This represents a year-over-year increase of \$0.3 billion (2.2 percent) in forecasted taxable sales when compared to last year’s forecast.

Attachment

- A. Orange County Transportation Authority M2 Sales Tax Revenue Forecast - 2019

Prepared by:



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Approved by:



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Orange County Transportation Authority
M2 Sales Tax Revenue Forecast - 2019
In Nominal Dollars

Fiscal Year	Actual Growth	Chapman		UCLA		CSUF		MuniServices		Board Approved Forecast	
		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
2011 **	6.50%	61,756,868	-	61,756,868	-	61,756,868	-	61,756,868	-	61,756,868	-
2012	6.20%	250,892,931	-	250,892,931	-	250,892,931	-	250,892,931	-	250,892,931	-
2013	6.17%	266,384,076	-	266,384,076	-	266,384,076	-	266,384,076	-	266,384,076	-
2014	4.96%	279,599,946	-	279,599,946	-	279,599,946	-	279,599,946	-	279,599,946	-
2015	4.30%	291,615,675	-	291,615,675	-	291,615,675	-	291,615,675	-	291,615,675	-
2016	3.20%	300,944,523	-	300,944,523	-	300,944,523	-	300,944,523	-	300,944,523	-
2017	2.60%	308,768,664	-	308,768,664	-	308,768,664	-	308,768,664	-	308,768,664	-
2018	4.12%	321,480,529	-	321,480,529	-	321,480,529	-	321,480,529	-	321,480,529	-
2019	3.38%	332,358,188	-	332,358,188	-	332,358,188	-	332,358,188	-	332,358,188	-
2020		341,982,420	2.90%	353,876,468	6.47%	345,876,552	4.07%	346,649,590	4.30%	346,649,590	4.30%
2021		352,417,518	3.05%	360,120,984	1.76%	362,772,435	4.88%	354,969,180	2.40%	354,969,180	2.40%
2022		363,066,528	3.02%	368,616,783	2.36%	379,934,677	4.73%	363,843,409	2.50%	363,843,409	2.50%
2023		374,052,414	3.03%	383,454,033	4.03%	395,438,124	4.08%	376,214,085	3.40%	376,214,085	3.40%
2024		385,288,963	3.00%	397,142,045	3.57%	408,417,755	3.28%	389,005,364	3.40%	389,005,364	3.40%
2025		396,787,773	2.98%	411,895,802	3.71%	422,388,098	3.42%			402,127,873	3.37%
2026		408,730,015	3.01%	427,041,017	3.68%	439,004,767	3.93%			416,364,091	3.54%
2027		421,251,055	3.06%	442,801,066	3.69%	458,350,970	4.41%			431,853,886	3.72%
2028		434,044,442	3.04%	459,117,946	3.68%	479,597,080	4.64%			448,202,806	3.79%
2029		447,017,661	2.99%	476,046,697	3.69%	502,897,178	4.86%			465,435,327	3.84%
2030		460,414,056	3.00%	493,595,114	3.69%	528,387,855	5.07%			483,667,801	3.92%
2031		474,211,939	3.00%	511,792,358	3.69%	553,282,826	4.71%			502,039,135	3.80%
2032		488,423,341	3.00%	530,659,651	3.69%	579,112,615	4.67%			521,035,994	3.78%
2033		503,060,656	3.00%	550,222,841	3.69%	605,722,735	4.59%			540,624,189	3.76%
2034		518,136,649	3.00%	570,507,089	3.69%	632,979,828	4.50%			560,777,459	3.73%
2035		533,664,468	3.00%	591,539,182	3.69%	660,756,182	4.39%			581,473,154	3.69%
2036		549,657,654	3.00%	613,346,629	3.69%	689,864,042	4.41%			602,965,674	3.70%
2037		566,130,156	3.00%	635,958,017	3.69%	719,322,609	4.27%			624,981,205	3.65%
2038		583,096,338	3.00%	659,402,988	3.69%	750,061,461	4.27%			647,807,049	3.65%
2039		600,570,997	3.00%	683,712,271	3.69%	781,610,990	4.21%			671,321,780	3.63%
2040		618,569,373	3.00%	708,917,734	3.69%	814,805,498	4.25%			695,781,102	3.64%
2041 **		477,830,372	3.00%	551,289,303	3.69%	636,820,816	4.21%			540,781,379	3.63%
Total		\$ 12,712,206,188	3.00%	\$ 13,594,857,417	3.68%	\$ 14,561,206,492	4.36%	\$ 4,244,483,028	3.20%	\$ 13,381,722,934	3.58%

*Fiscal years 2011 through 2017 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.