

LTA Sales Tax Forecast Methodology

Background

- Chapman University Forecast
 - Since inception of Measure M (M1) in 1991
- Three University Forecast
 - Since development of Measure M2 (M2)
 - Average of three forecasts
 - Chapman University (Chapman)
 - University of California, Los Angeles (UCLA)
 - California State University, Fullerton (CSUF)

Concerns With Current Methodology

- Forecast performance has varied
- Not accurate during the 3 years of the recession
- Very accurate for the first 3 years after the recession
- Sales tax receipts underperforming forecasted rates since FY 2014

Evaluated Options

- Received forecasts from two additional sources, which were Beacon Economics and MuniServices
- Beacon Economics
 - Generally consistent with Chapman though less optimistic in short term and more optimistic in long-term

Fiscal Year	Chapman	UCLA	CSUF	Beacon
2016 - 2021	5.3%	4.7%	6.1%	5.0%
2022 - 2041	4.3%	4.3%	4.3%	4.5%
2016 - 2041	4.5%	4.3%	4.7%	4.6%
M2 Program Revenue *	\$15.8	\$15.2	\$16.4	\$15.8

* M2 Program revenue in billions from 2011 - 2041

Evaluated Options (cont.)

- MuniServices provided OCTA with an LTA forecast in the fall of 2012
- Forecast has been accurate

Fiscal Year	Forecast Rate	Actual Rate	Variance
2013	7.1%	6.2%	-0.9%
2014	4.7%	4.8%	0.1%
2015	4.3%	4.3%	0.0%
2016 *	3.5%	3.3%	-0.2%
2017	3.2%		
2018	3.0%		

* Represents fiscal year-to-date actuals through September 2015

MuniServices Performance

- MuniServices fall of 2012 LTA forecast has been more accurate than others
- Fall of 2015 LTA forecast is more optimistic than fall of 2012
 - Forecast FY 2016 growth of 4.1%
 - Receipts of 3.3% through September 2015
 - Chapman most conservative university at 5.7%

Recommended Changes to LTA Methodology

- For LTA sales tax forecasting, use MuniServices, LLC forecast for the first 5 years and the three university average for the remaining years
- Implement the change in methodology with the development of the fiscal year 2016-17 OCTA budget
- OCTA Board of Directors approved the changes in methodology at the March 28th meeting

Next Steps

- Change in methodology will result in reduction in forecasted M2 Program revenue
 - Estimated program sales tax revenue will decrease from \$15.8 BN to \$15.0 BN
- Staff has been directed to update the M2020 Plan and Comprehensive Business Plan