

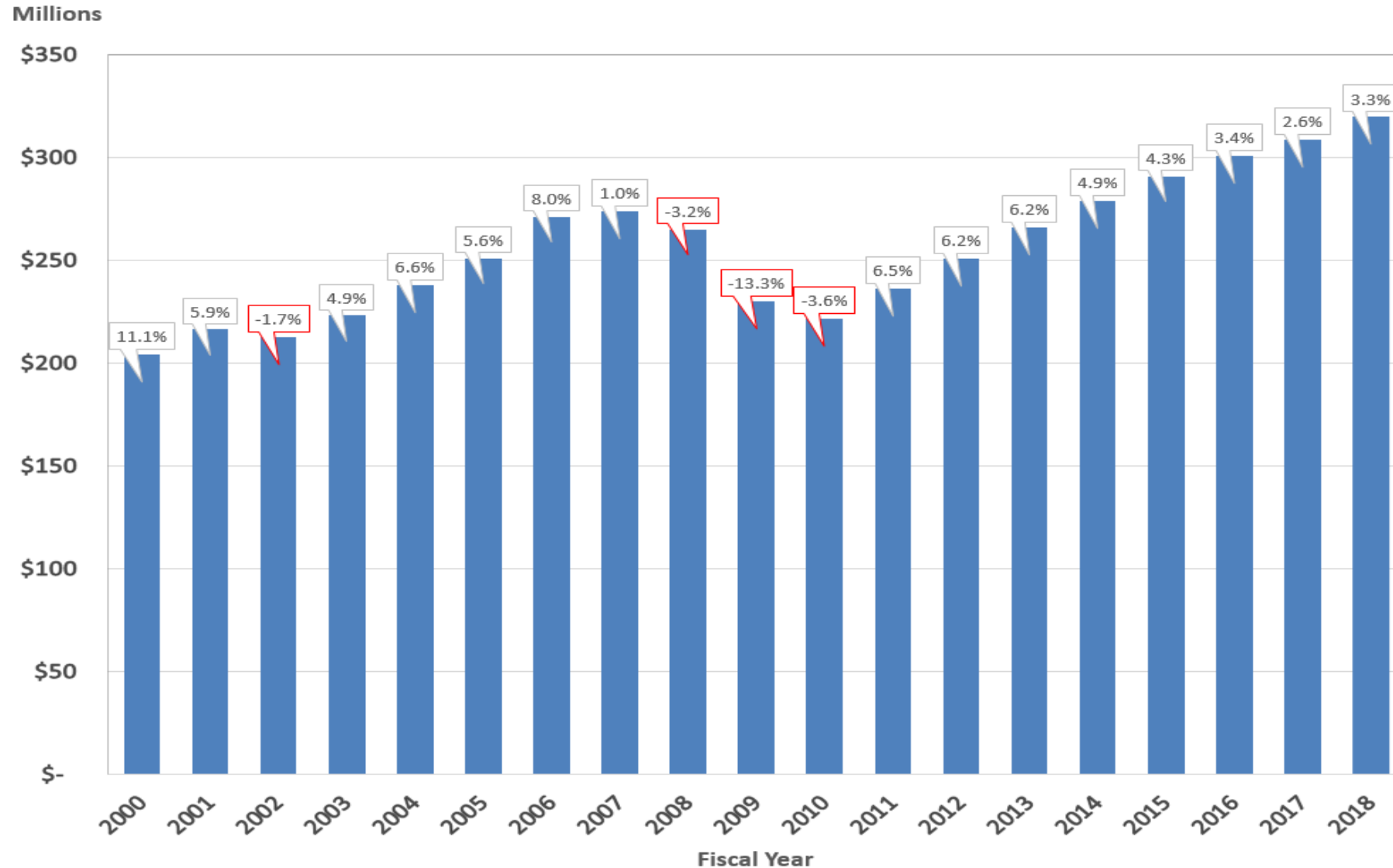
Measure M2 Sales Tax Forecast

Background

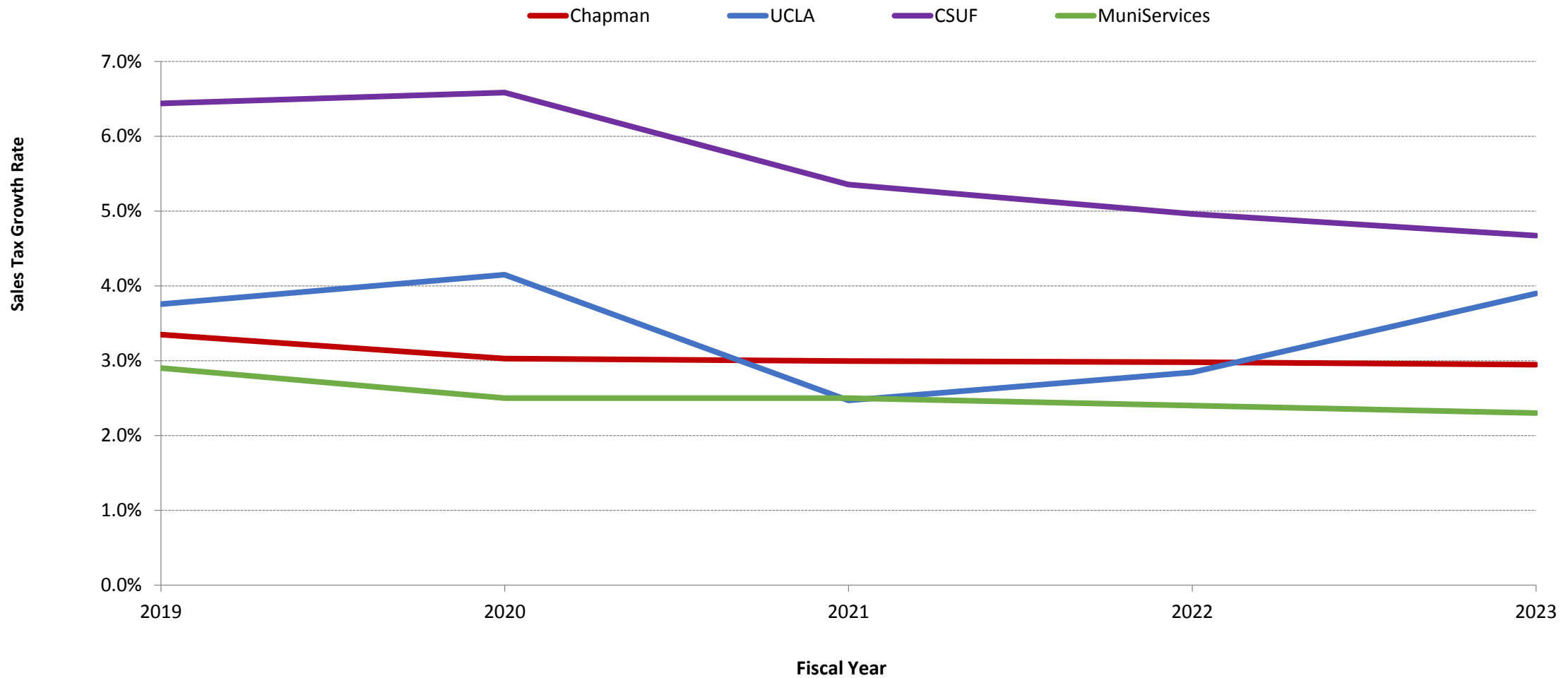
- Methodology uses MuniServices, LLC forecast for the first five years and the three university average for the remaining years
 - MuniServices, LLC forecasts for fiscal years 2019 – 2023
 - Three universities forecasts for fiscal years 2024 - 2041



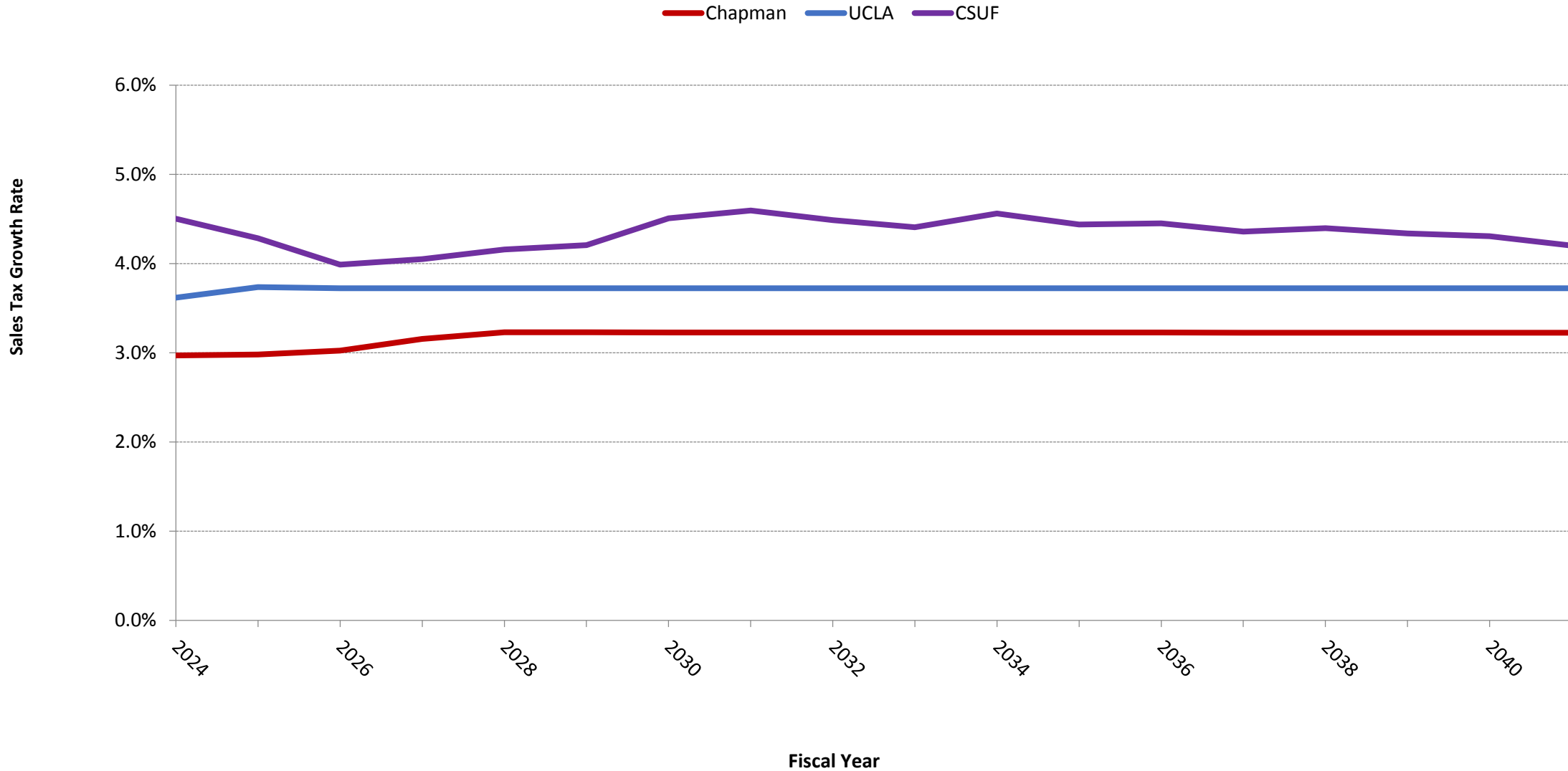
Historical Measure M Sales Tax Revenues



Short Term Growth Rate Forecasts



Long Term Growth Rate Forecasts



Results of Updated Forecasts

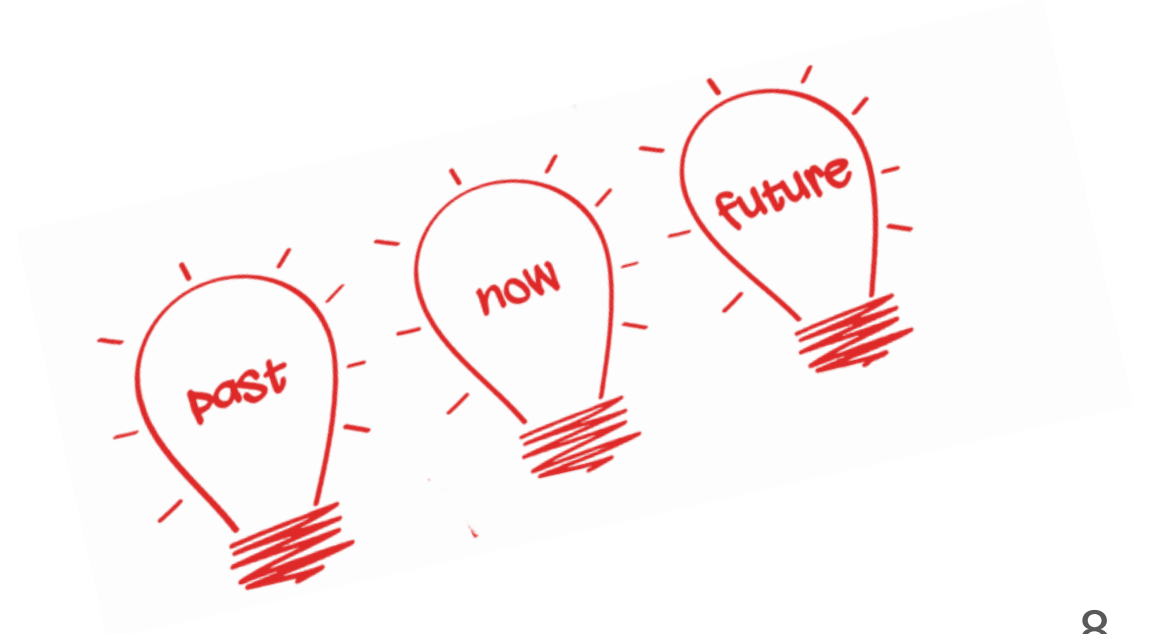
- Sales tax for the M2 Program is forecasted to be \$13.1 billion
- Represents a decrease of \$400 million compared to last year's forecasts of \$13.5 billion
- MuniServices average annual short term growth rate decreased by 0.7%
- Average universities growth rates also decreased

Reasons for anticipated decline in short-term

- Lower growth in general retail as online sales grow
- Growth in new auto sales to taper off
- New construction to taper off
- IT infrastructure spending to decline from trend toward cloud and software applications

Reasons for anticipated decline in long-term

- Lower inflation
- Lower payroll job growth
- Lower population growth
- Higher migration outside of Orange County



Next Steps

- Incorporate forecast into OCTA's planning documents
 - Comprehensive Business Plan
 - Next 10 Update
- Determine impacts of forecast to M2 programs and projects
- Return to the Board with options to address the decrease in projected sales tax revenue