



# Orange County Transportation Authority

## **Measure M2 and TDA Forecast Review**

Tom Adams

Director of Sales and Use Tax Audit

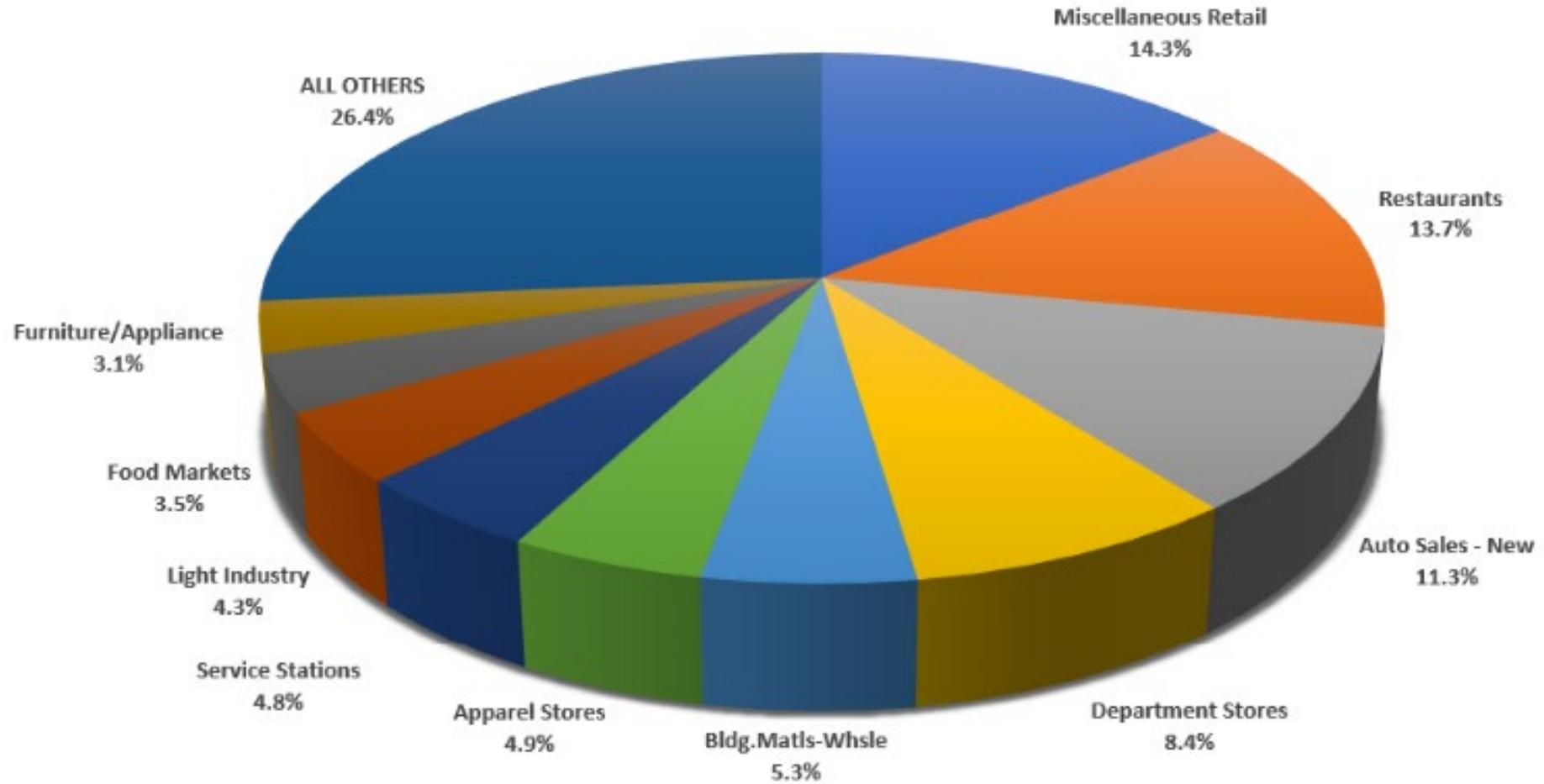
[Thomas.Adams@AvenuInsights.com](mailto:Thomas.Adams@AvenuInsights.com)

August 2024 Update

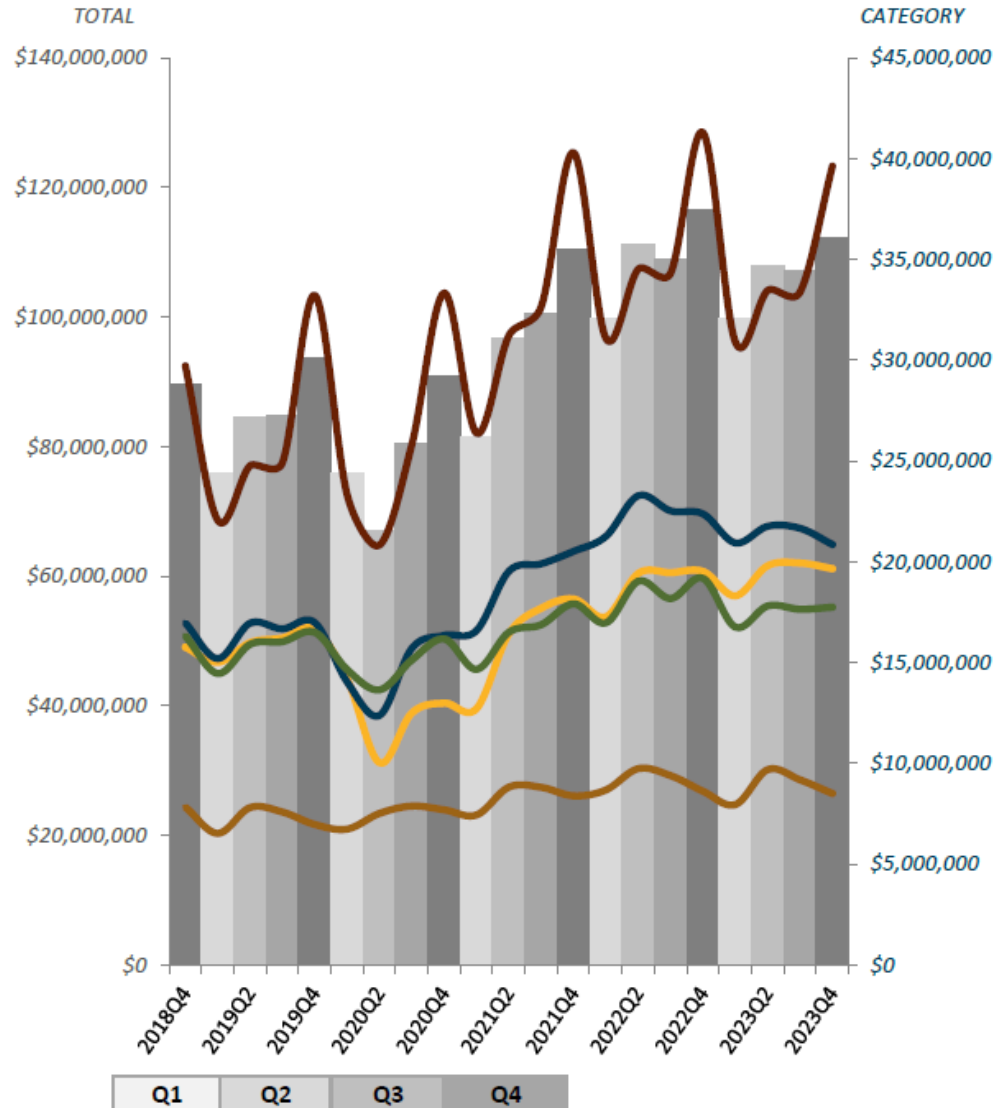
# Agenda

- Top Segments, Quarterly Performance, & Top 25 Businesses
- Employment Compared to Sales Tax per Capita
- Ten Year Historic Growth Rates
- Recent Economic Issues and Sales Tax Trends
- Focus on 2022 and 2023
- Forecast Assumptions and Caveats
- Sales Tax Revenue Projections for M2 and TDA

# Top 10 Segments



# Quarterly Performance



## TOTAL Calendar Year Quarters

2023Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$112,266,613	-3.8%	-\$4,386,417	-2.1%	-\$9,343,297

## GENERAL RETAIL

2023Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$39,629,323	-4.0%	-\$1,654,642	-2.7%	-\$3,829,178
% of 2023Q4 Total:		35.3%		

## FOOD PRODUCTS

2023Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$19,660,786	0.7%	\$140,635	2.7%	\$2,037,792
% of Total:		17.5%		

## TRANSPORTATION

2023Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$20,861,769	-6.8%	-\$1,513,834	-4.7%	-\$4,232,964
% of Total:		18.6%		

## CONSTRUCTION

2023Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$8,507,822	-1.3%	-\$110,338	-3.0%	-\$1,090,049
% of Total:		7.6%		

## BUSINESS TO BUSINESS

2023Q4	QoQ %Δ	QoQ \$Δ	YoY %Δ	YoY \$Δ
\$17,749,018	-7.5%	-\$1,433,929	-4.6%	-\$3,408,801
% of Total:		15.8%		

QoQ = 23Q4 / 22Q4

YoY = YE 23Q4 / YE 22Q4



# Top 25 Sales Tax Generators (generate 25% of sales tax)

**7-Eleven Food Stores**

**Amazon.com**

**Amazon.com (Third Party Sellers/Wayfair)**

**Apple Stores**

**Arco AM/PM Mini Marts**

**Best Buys Stores**

**Carmax Auto Superstores**

**Chevron Service Stations**

**Costco Wholesale**

**CVS/Pharmacy**

**Dept. of Motors Vehicles (3<sup>rd</sup> party sales)**

**Disneyland**

**EBay**

**Fletcher Jones Motorcars**

**Ganahl Lumber Company**

**Home Depot**

**McDonald's Restaurants**

**Nordstrom Department Store**

**Ralph's Grocery Company**

**Ross Stores**

**Shell Service Stations**

**Target Stores**

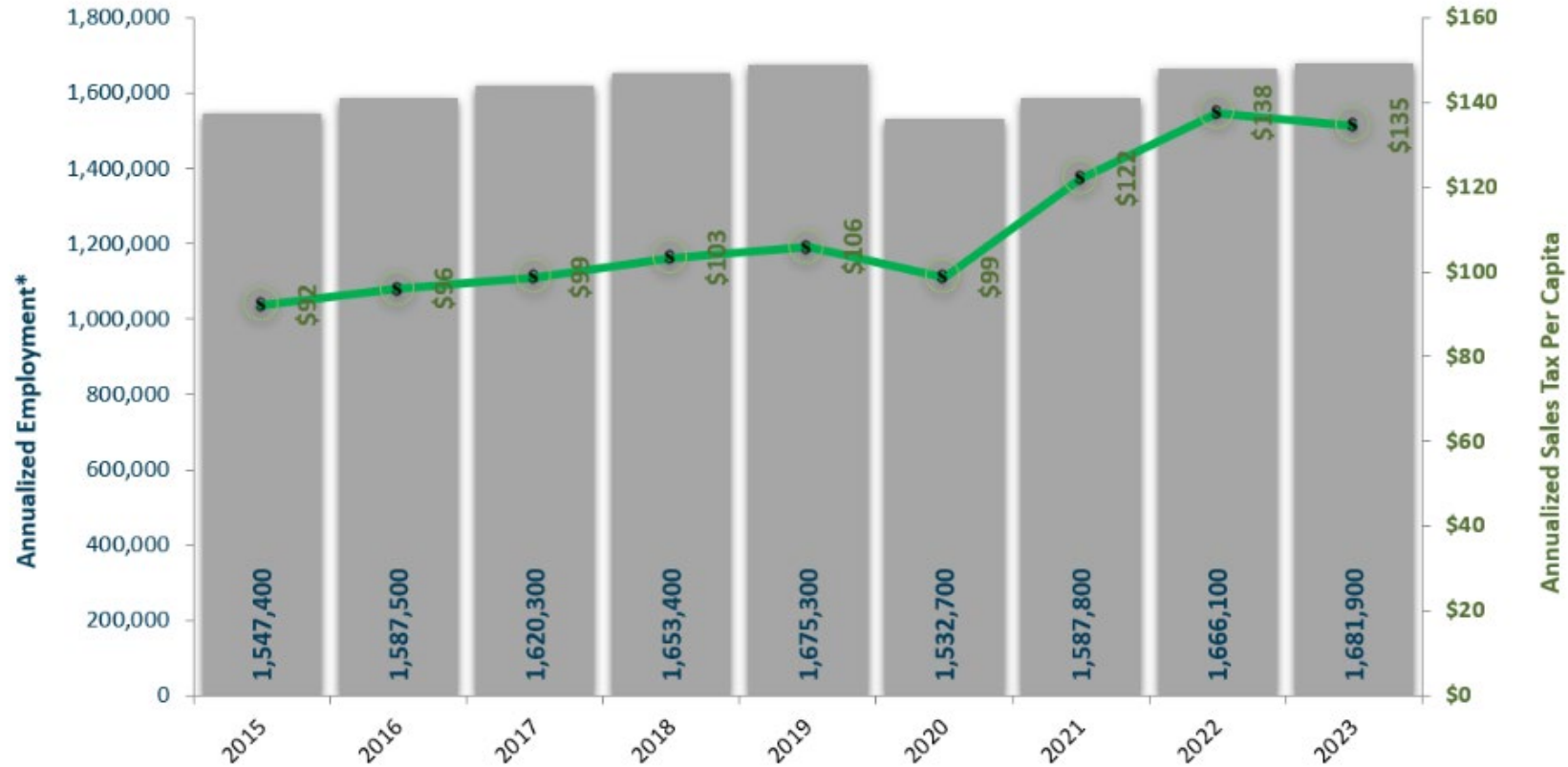
**Tesla**

**Union 76 Service Stations**

**Walmart Stores**

# Employment Compared to Sales Tax Per Capita

Estimated Annualized Employment and Gross Sales Tax Per Capita by Benchmark Year



Correlation Coefficient: 0.68

Calendar Years

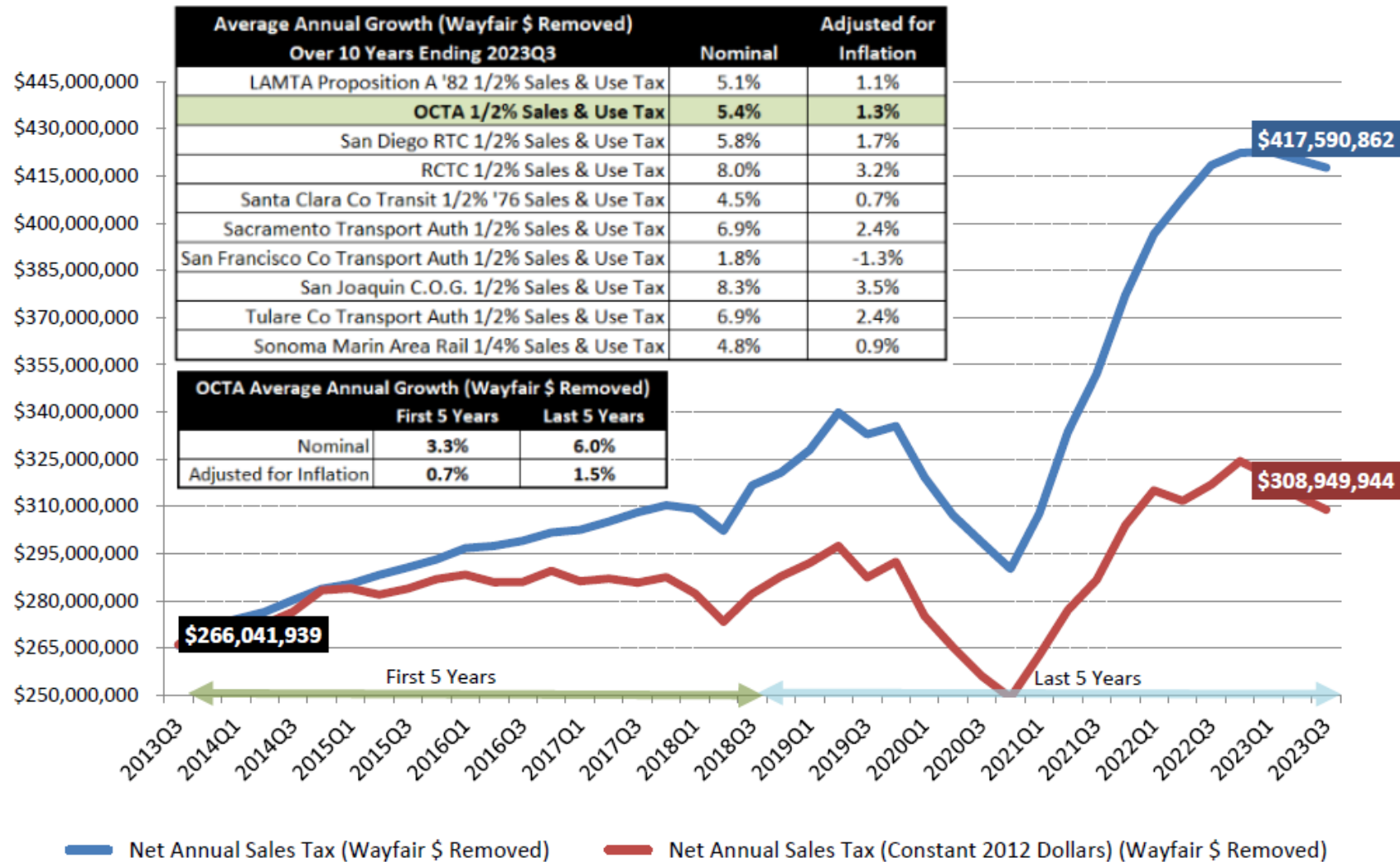
Measure M2 ½ Sales and Use Tax



# Ten Year Historic Growth Rates

## NET ANNUAL SALES & USE TAX FOR OCTA 1/2%

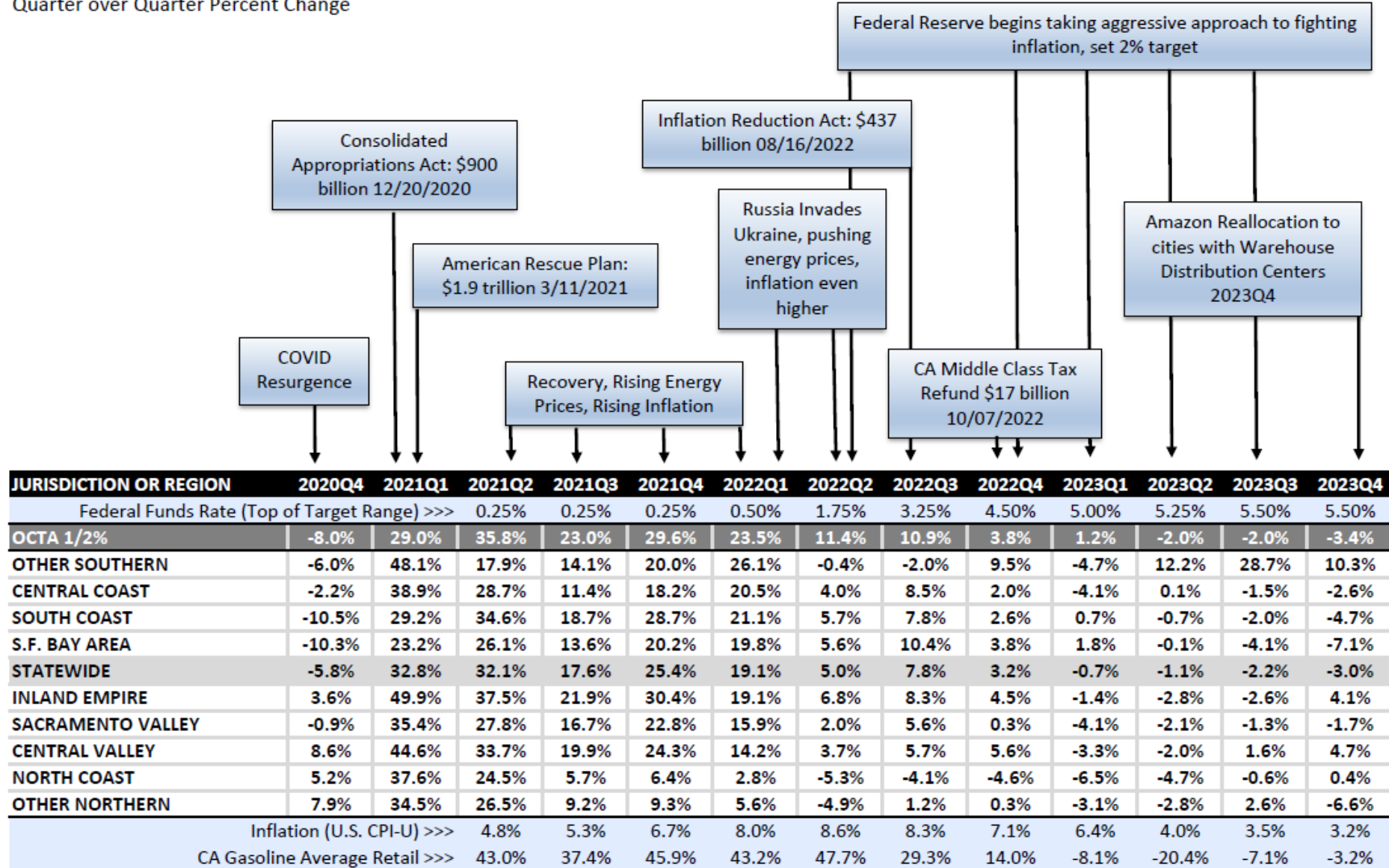
Adjusted for Inflation (Wayfair \$ Removed)



# Recent Economic Issues & Trends

## California Taxable Sales

Quarter over Quarter Percent Change





# Focus on 2022 and 2023

	YE 2019	YE 2020	YE 2021		YE 2022	YE 2023			
<b>Local Businesses</b>	\$338,396,921	\$312,759,385	\$386,079,835		\$432,286,290	\$421,960,941	-\$10,325,350	-2.4%	
<b>General Retail</b>	\$104,973,826	\$103,309,094	\$130,575,271		\$141,218,576	\$137,389,398	-\$3,829,178	-2.7%	Taxable to Non-Taxable
<b>Food Products</b>	\$63,880,522	\$49,721,339	\$65,000,434		\$75,684,277	\$77,722,069	\$2,037,792	2.7%	
Restaurants	46,911,723	32,935,831	46,386,461		55,345,421	57,767,171	\$2,421,749		
<b>Transportation</b>	\$65,821,399	\$58,493,375	\$76,551,662		\$89,459,578	\$85,226,614	-\$4,232,964	-4.7%	Price Differentials
Auto Sales - New	32,138,379	31,321,910	41,546,927		48,911,286	47,863,173	-\$1,048,113		
Service Stations	19,427,279	13,173,192	18,652,332		23,191,334	20,228,038	-\$2,963,296		
<b>Construction</b>	\$28,898,279	\$29,843,359	\$33,472,070		\$36,436,183	\$35,346,134	-\$1,090,049	-3.0%	Economy Slowing
<b>Business To Business</b>	\$62,909,519	\$59,604,383	\$65,974,586		\$73,377,793	\$69,968,992	-\$3,408,801	-4.6%	

# Forecast Assumptions

- Reduced likelihood for recession in 2024 and 2025 (from previous forecast).
- Most significant pandemic disruptions such supply chain issues, significant inflation, consumer switch to non-taxable goods, etc. now in rear view mirror.
- Avenu forecast assumes a 'new normal' starting in FY 24/25
- Federal Reserve interest rate will remain 'higher for longer' but not projected to increase.
- Inflation will stay at roughly ~ 2% to 3% levels for 2024 & 2025.

# Forecast Caveats

- Economic conditions continue to have greater than usual levels of uncertainty. Greater uncertainty translates to greater potential variance for the forecast in upcoming years.
- Some of the areas of uncertainty include:
  - When will we achieve 'new normal' & what will it look like?
  - How long/how much will inflation impact the economy?
  - How will Fed interest rate adjustments (+ or -) affect economy?
  - How will gas prices adjust over the next several years?
  - How likely is a recession? What trigger? How big? How long?

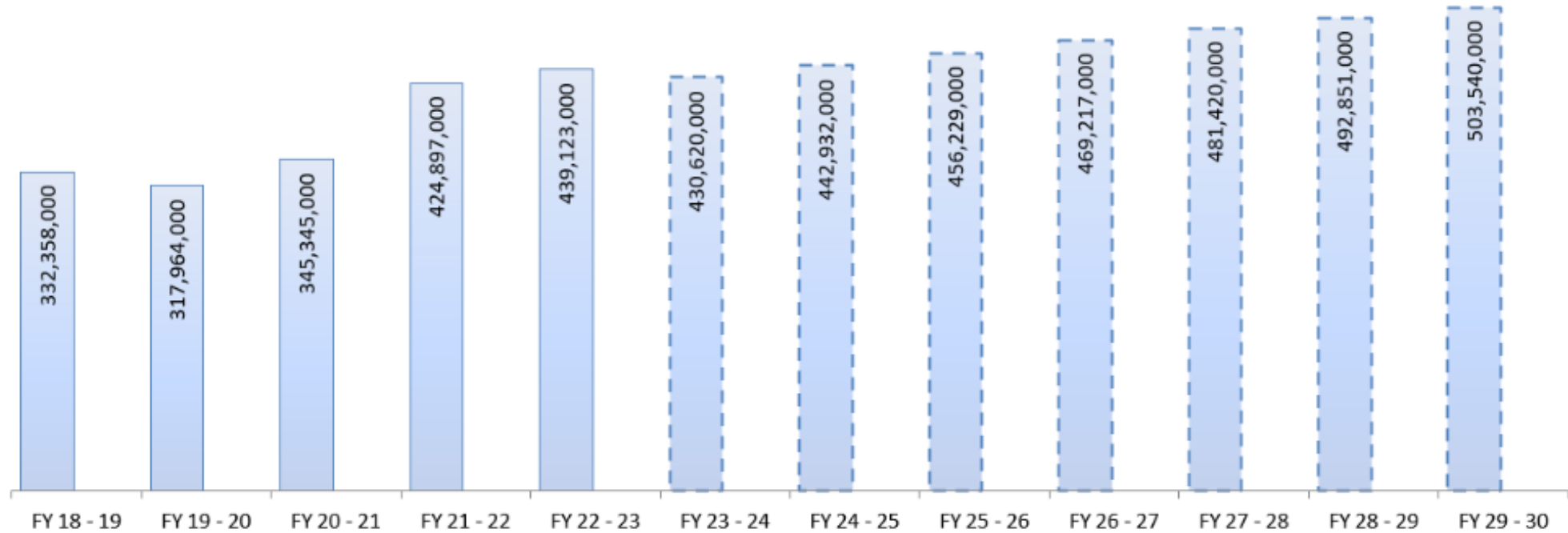
# Measure M2 (1/2%) Forecast Projections

## OCTA 1/2% Sales & Use Tax Forecast Summary

Accrual through August Clean-up

Gross Cash Projection

Voter Approved	FY 22 - 23	FY 23 - 24	FY 24 - 25	FY 25 - 26	FY 26 - 27	FY 27 - 28	FY 28 - 29	FY 29 - 30
Cash Projection	439,123,000	430,620,000	442,932,000	456,229,000	469,217,000	481,420,000	492,851,000	503,540,000
Percent Change	3.3%	-1.9%	2.9%	3.0%	2.8%	2.6%	2.4%	2.2%



# TDA (LTF) 1/4% Forecast Projection

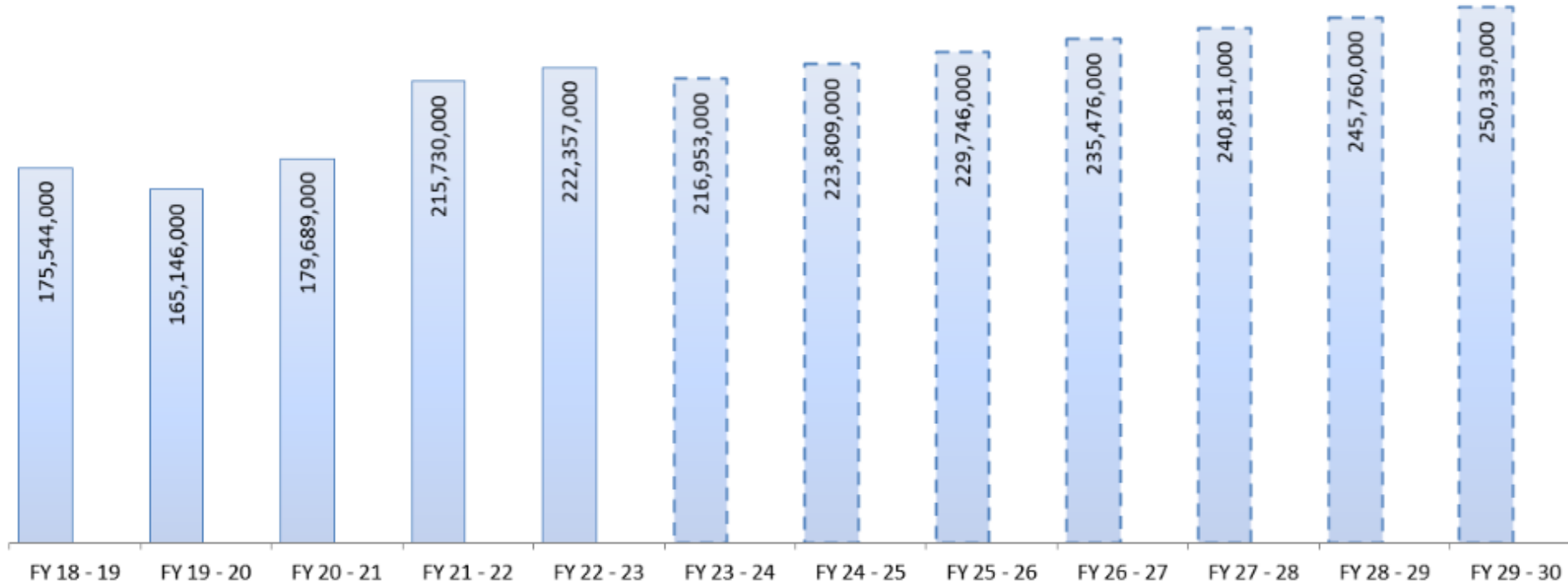
## Orange Co TDA (OC LTF 1/4%) Sales & Use Tax Forecast Summary

Accrual through August Clean-up

Gross Cash Projection

County Transportation	FY 22 - 23	FY 23 - 24	FY 24 - 25	FY 25 - 26	FY 26 - 27	FY 27 - 28	FY 28 - 29	FY 29 - 30
Cash Projection	222,357,000	216,953,000	223,809,000	229,746,000	235,476,000	240,811,000	245,760,000	250,339,000
Percent Change	3.1%	-2.4%	3.2%	2.7%	2.5%	2.3%	2.1%	1.9%

Includes Amazon Reallocation One-Time Reversed 1,117,935



# QUESTIONS?