



**MAY 11, 2017**

**AGENDA ITEM # 8**

**REVISED 2016/17 AND 2017/18 MEASURE A SALES TAX REVENUE FORECASTS**

Action Requested: Receive and file

Key Staff: Timothy Jones, Accounting/Finance Manager

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**Recommendation**

Receive and file the Revised 2016/17 and 2017/18 Measure A Sales Tax Revenue Forecasts.

**Background**

Historically, Authority staff have developed the annual revenue forecast. Although our internal methods used to forecast revenue served us well, this year staff to worked with consultants having expertise in retail sales tax revenue forecasts and the local economy to develop our revenue forecasts.

In June 2016, the Board approved the Authority's 2016/17 budget which included forecasted revenue of \$114,061,318. In April 2017, Authority staff presented updated revenue and expenditure forecasts for the current fiscal year and forecasts for fiscal year 2017/18. Using our internal methods, we forecasted total revenue of \$115,512,344 for fiscal year 2016/17 and \$118,977,714 for fiscal year 2017/18. These amounts were a placeholder in our proposed budget while we worked with our consultants to develop more accurate forecasts using proven methods. We will continue to refine this information as we near the end of the current fiscal year.

**Discussion**

We met with our consultants on April 28 to discuss the revenue forecasts. They walked Authority staff through a detailed packet that included the factors they used to develop our revenue forecasts. According to our consultants, the same methods are used by their firm to perform revenue forecasts for the Los Angeles County Metropolitan Transportation Authority, Orange County Transportation Authority, and Bay Area Rapid Transit.

The consultants' presentation included data related to categories such as general retail, food products, transportation, construction, business to business and miscellaneous (e.g. health and government). Recent data show that sales tax revenue related to transportation and the miscellaneous categories are the leading indicators driving our sales tax growth. Using this data, our consultants offered three scenarios for our revenue forecasts – conservative, most-likely, and optimistic. The following revenue forecasts represent the most-likely scenario.

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	<b>FY 2015/16</b>	<b>FY 2016/17</b>	<b>FY 2017/18</b>
<b>Approved Budget</b>	\$110,728,905	\$114,061,318	
<b>Actual</b>	\$110,707,633		
<b>Forecast</b>		<b>\$116,579,000*</b>	<b>\$121,062,000</b>

\* Forecasted total developed by our consultant – eight months actual and four months projected revenue

Authority staff worked with our consultants throughout the forecasting process to ensure we fully understood the work performed. After the draft revenue forecasts were presented, we started an internal review and discussion process that led to multiple revisions to the draft. We believe the final forecasts above are fully supported and seem reasonable.

As shown in the table above, the revenue forecast for 2016/17 is higher than the amount included in our approved budget. Using the forecasted amount for fiscal year 2016/17, revenue will increase by 5.3 percent. Using the forecasted amounts for fiscal years 2016/17 and 2017/18, revenue is expected to increase by 3.8 percent, or an average of 4.55 percent over this two-year period.

We will continue working with our consultant to develop long-range forecasts which we hope to present to the Board in our August meeting. At the same time, we hope to have updated cash-flow and debt capacity analyses, as well as an updated capital allocation plan. With this information, the Board and Authority staff can work together to decide how best to proceed.