APRIL 12, 2018 **AGENDA ITEM # 8**

MEASURE A REVENUE FORECAST

Action Requested: Receive and file

Presenter: Timothy Jones, Accounting/Finance Manager

Recommendation

Receive and file the Measure A Revenue Forecast.

Discussion

On December 6, 2017, staff presented to your Board an updated revenue forecast (dated August 2017) developed in conjunction with our financial consulting team. At that time, there were questions about the updated forecast and the amount of time that had passed since a long-term forecast had last been publicly presented. Based on comments from the Board, staff committed to providing regular updates on the Authority's revenue forecast. Staff plan on presenting an updated forecast annually, prior to presenting the Authority's proposed budget, which will be presented in May each year. The new revenue forecast will be the basis for our budget in fiscal year 2019.

In our December 2017 presentation, total sales tax revenue for the program (2009-2039) was forecasted to be $4.629 billion. This represented an average growth rate of 3.76% over the life of the program. The March 2018 forecast shows an increase of roughly $80 million over the life of the program - $4.708 billion and a 3.83% average growth rate. There are no negative growth rates that may occur during a recession because they are factored into the analysis – smoothing out the trend over the long-term. The red text in the attachment represents updated amounts.

The driving force for the overall forecasted revenue increase is stronger than expected growth rates for fiscal years 2017, 2018 and 2019. The blue-shaded data below is from our previous forecast and the green-shaded data is from our current forecast.

	FY 2016/17	FY 2017/18	FY 2018/19
August 2017			
Revenue	$116,579,000	$120,659,000	$125,655,000
Growth Rate	5.30%	3.50%	4.14%
March 2018			
Revenue	$116,877,996	$122,962,000	$129,372,000
Growth Rate	5.57%	5.21%	5.21%

Using the March 2018 data as the starting point for our long-term forecast the impact on our forecast over time amounts to about $80 million. Although the long-term growth rates by fiscal year vary between the August 2017 and March 2018 forecasts, the differences are immaterial. The current forecast for sales tax is trending well with the voter approved expenditure plan - $4.71 billion and $4.74 billion respectively.

The sales tax revenue increases over the short-term can be attributable to the decrease in corporate tax rates, boosting investment spending in the County. Additionally, personal tax cuts will leave households with more spendable income, some of which will be spent locally. Furthermore, unemployment continues to decrease and population increase which increases taxable sales and therefore sales tax revenue.

The Sacramento Countywide Transportation Mitigation Fee Program (SCTMFP) also generates revenue. This revenue stream is highly volatile as our analysis shows. Actual revenue through June 30, 2017 varied by fiscal year from $2.334 million to $7.848 million and growth rates from -24% to 80%. In our last forecast we used a conservative 3% growth rate over the remainder of the program and will continue to do so because of the program's volatility. However, we updated the current year revenue, fiscal year 2018, to $7 million from $6 million used in our last forecast. We based the updated amount on receiving about $3.5 million for the 6-month remitting period ending December 31, 2017. This had a net impact of $1 million on the program total since we left the remaining fiscal year amounts the same as our last forecast. The current forecast for SCTMFP revenue is trending well below the voter approved expenditure plan - $216 million and $488 million respectively.

Attachment