



DATE: March 19, 2018

TO: Transportation Authority of Marin Citizens' Oversight Committee

FROM: Li Zhang, Chief Financial Officer

SUBJECT: Review FY2018-19 Measure A ½ Cent Transportation Sales Tax and Measure B \$10 Vehicle Registration Fee Revenue Estimates and Budget Development Schedule (Information) - Agenda Item No. 6

RECOMMENDATION:

Information Item

BACKGROUND:

Pursuant to Article VI, Section 106.1 of the TAM Administrative Code, no later than its June meeting of each year, the TAM Board shall adopt the annual budget for the following fiscal year. For the annual budget development of TAM and its member agencies, staff develops and the TAM Board adopts the Measure A ½ Cent Transportation Sales Tax and the Measure B \$10 Vehicle Registration Fee revenue levels in March of every year. The approval of the expected revenue levels in March allows fund recipients time to build these local funding dollars into their budget processes for FY2018-19. These revenue estimates will also be used to update the revenue and expenditure elements in the Measure A ½ Cent Transportation Sales Tax and Measure B \$10 Vehicle Registration Fee Strategic Plans, which will guide the FY2018-19 programming and allocation process, and the establishment of contract levels for all projects and programs under both measures.

After the review and approval of the Measure A ½ Cent Transportation Sales Tax and Measure B \$10 Vehicle Registration Fee revenue estimates by the Finance and Policy Executive Committee and TAM Board, staff will develop the draft FY2018-19 Annual Budget, present it for review at the May Finance and Policy Executive Committee meeting, release for the 30-day public review and comments period at the May Board meeting, and request the TAM Board to adopt the final draft at the June Board Meeting.

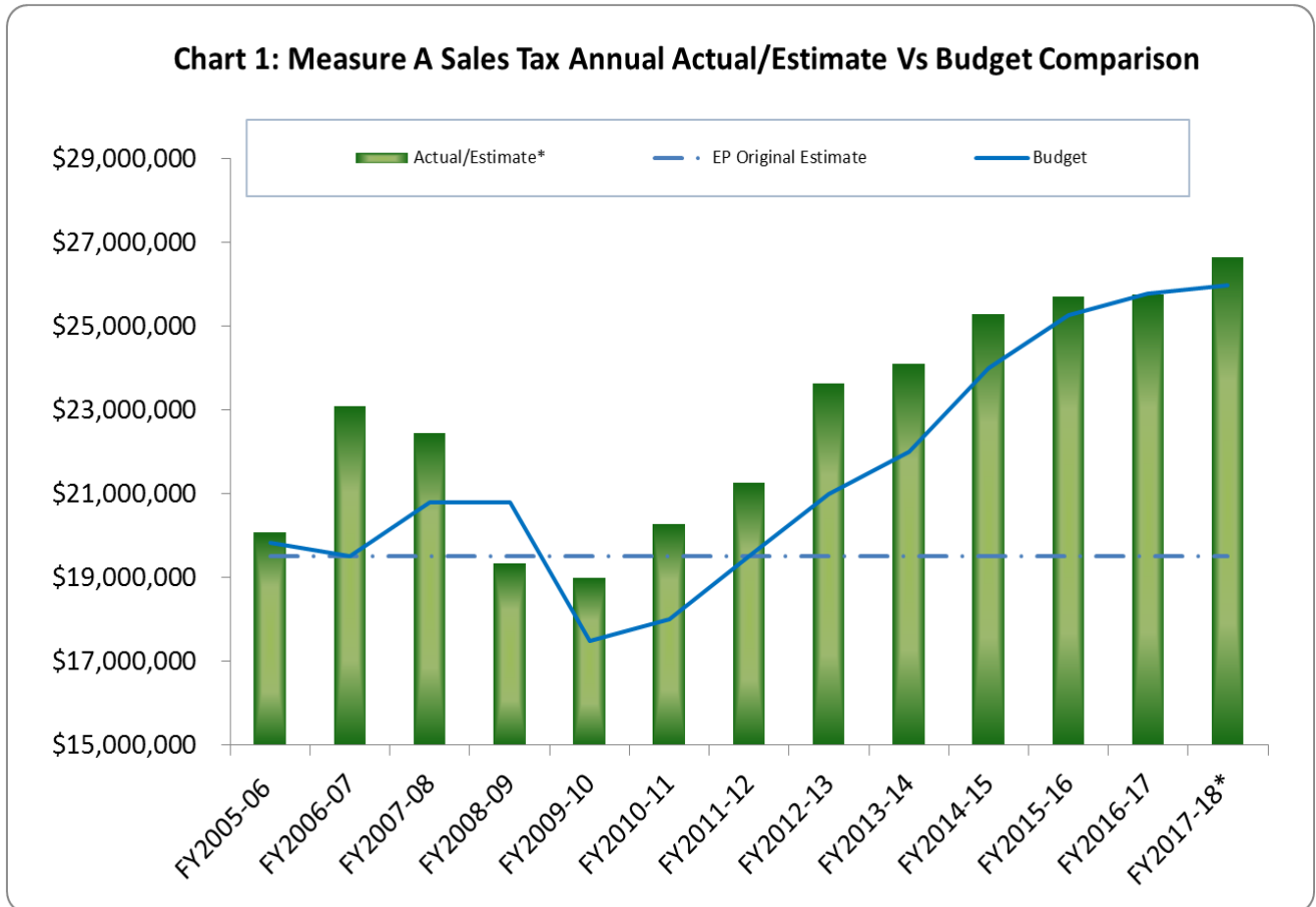
DISCUSSION/ANALYSIS:

Recommended FY2018-19 Measure A Revenue Estimate:

Taxable sales collection is one of the main indicators of the strength of the economy and consumer confidence. TAM's Measure A revenue bottomed at \$18.8 million in FY2009-10 and has been seeing positive growth since then, at an average annual growth rate of 4.7%, as the end of FY2016-17. TAM's revenue analysis team from HdL Companies projects that this positive trend will continue into FY2022-23, but with smaller growth rate, with FY2017-18 at 4.6%, FY2018-19 at 0.3%, FY2019-20 at 2.1%, FY2020-21 at 1.9%, and both FY2021-22 and FY2022-23 at 1.1%. HdL Companies' January 2018 estimates suggested that TAM's FY2017-18 Measure A revenue collection will be at \$26.94 million, which is \$0.98 million higher than the \$25.96 budgeted level for the year. Please note that the Board adopted the most conservative estimate out of

the three scenarios presented by staff last year and directed any excess revenue over the budgeted level to be used to replenish the \$1.88 million reserve fund that was released in December 2016 to help the funding needs of a few critical capital projects. The release of the reserve fund allowed Marin Transit to meet its urgent fund needs and award the contract for the Redwood and Grant Bus Facility in Novato. The TAM Board also directed a small amount of the reserve funds to the TAM Junction Bike Lane Project.

The chart below illustrates budgeted Measure A revenues versus actual annual collection between FY2005-06 and FY2017-18. The Chart also shows the flat \$19.5 million, no growth, annual revenue projection that was presented in the Expenditure Plan as a comparison.



Attachment 1 is the Five-Year Measure A ½ Sales Tax Projection provided by HdL Companies based on its comprehensive technical analyses of the County's taxable sales data. HdL's most recent projections show that sales tax revenue growth rate for Marin from FY2017-18 to FY2018-19 is only 0.3%. HdL also cautioned all its clients that its projections have not reflected any potential significant negative adjustments for a future economic downturn which is anticipated by many economic forecasters. On the other hand, the statewide sales tax growth rate released by Board of Equalization in January 2018 is 3.8%, as shown in Attachment 2.

Base on the projections from various sources, staff developed the following budget options for the FY2018-19 Measure A ½ Cent Transportation Sales Tax.

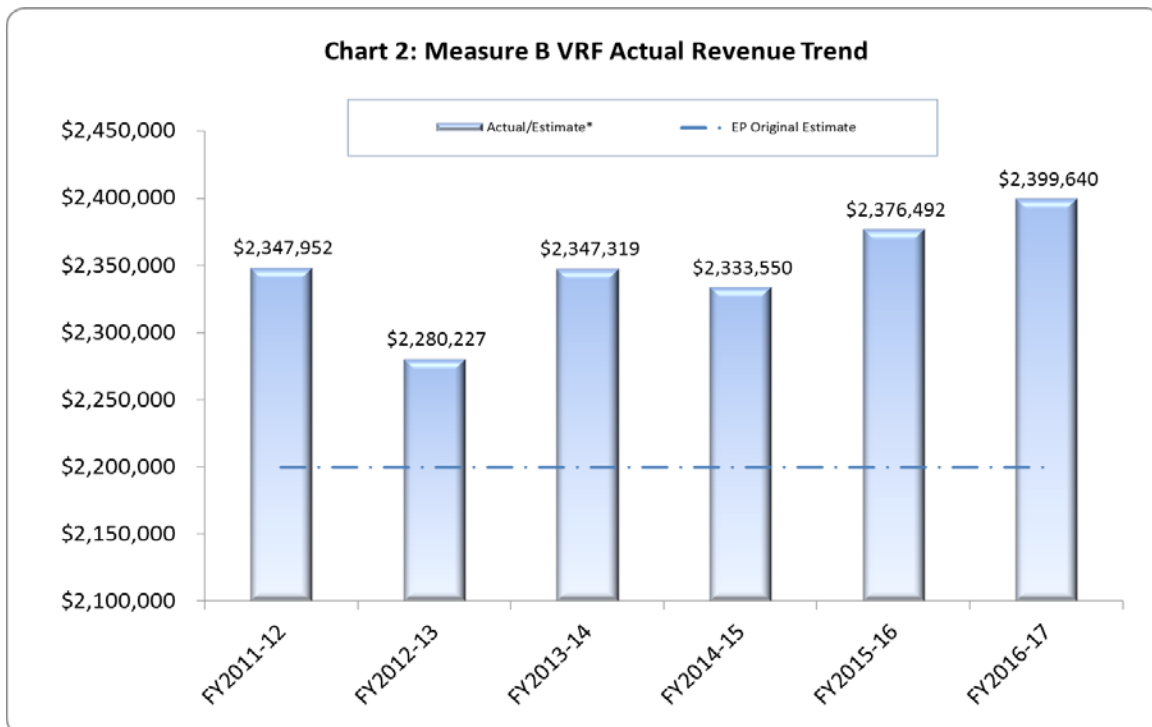
Budget Option	Assumption	In Millions
Option 1: Conservative	Keep at the FY2017-18 HdL estimated revenue level	\$ 26.94
Option 2: Moderate	Use HdL's FY2018-19 Estimate	\$ 27.01
Option 3: Aggressive	Apply BOE's Statewide 3.8% Growth rate to the updated FY2017-18 revenue level	\$ 27.96

To continue TAM's prudent and conservative approach and also to timely restore the reduced reserve level, staff recommends that Option 1, the conservative level at \$26.94 million, to be approved for the development of the FY018-19 TAM Annual Budget. Any excess revenue coming in above the recommended budget level will be used to replenish the reserve fund released, until the \$1.88 million is fully restored.

Any excess revenue after the fully replenishment of the reserve fund will then be made available to project/program sponsors in the following year as prior year carryover funds. Staff will also actively monitor the sales tax revenue trend and any potential economic downturn timely with support from HdL and update the Board if any negative adjustments are necessary.

Recommended FY2018-19 Measure B Revenue Estimate:

Measure B, the \$10 Vehicle Registration Fee revenue dedicated to transportation projects and programs, was passed by Marin voters in November 2010. Collection of this new local revenue source started in May 2011. Chart 2 illustrates the revenue collection of Measure B VRF from FY2011-12 to FY2016-17 with comparison to the flat \$2.2 million projection in the original expenditure plan. As for the current fiscal year, total Measure B cash disbursement for the eight-month period, as of February 2018, is \$1.82 million, higher than the \$1.63 million for the same period of last year.



The table below illustrates the history of the number of registered fee-paid vehicles in Marin County. As you can see from Table 1, the number of registered vehicles in Marin County has been decreasing from 2008 to 2012 but had a 2.29% increase from 2012 to 2013, 0.89% increase from 2013 to 2014, 1.14% increase from 2014 to 2015, and 1.41% increase from 2015 to 2016, bring the total registered vehicle in the County to 249,314 as of December 31, 2016. However, as observed from prior years, revenue collected was always less than what is suggested by the number of registered vehicles in the County, probably due to delinquent payments and other reasons. Budgeted Measure B revenue for the current year is \$2.35 million. Staff believes that actual revenue will be close to the \$2.40 million collected in FY2016-17 and recommends setting the budget level for FY2018-19 at \$2.40 million.

DMV Estimated Marin County Fee Paid Vehicle Registration
Year 2000 -2016

Year	Registered Vehicle	Annual # Change	Annual % Change
2000	232,450	N/A	N/A
2001	235,679	3,229	1.39%
2002	239,689	4,010	1.70%
2003	232,712	-6,977	-2.91%
2004	243,499	10,787	4.64%
2005	238,045	-5,454	-2.24%
2006	242,478	4,433	1.86%
2007	242,953	475	0.20%
2008	241,308	-1,645	-0.68%
2009	240,466	-842	-0.35%
2010	240,345	-121	-0.05%
2011	235,891	-4,454	-1.85%
2012	235,535	-356	-0.15%
2013	240,921	5,386	2.29%
2014	243,069	2,148	0.89%
2015	245,849	2,780	1.14%
2016	249,314	3,465	1.41%

Data Source: DMV Forecasting Unit

Recommended FY2018-19 Budget Development Schedule:

The table below illustrates the proposed schedule for the FY2018-19 budget development process.

Table 2: TAM FY2018-19 Budget Development Schedule

Activity	Time Frame
TAM Executive Committee and Board Review and Approve the Measure A and Measure B Revenue Estimates and budget development schedule for FY2018-19 Annual Budget Development	March 2018
Revise/Refine Draft Budget and Present to TAM Executive Committee and Board and release for 30 day comment period	May 2018
<i>Present to Marin Manager's Association and COC</i>	
<i>Release for public comments and set public hearing in May</i>	
Conduct Public Hearing and Present Proposed Budget to TAM Board	June 28, 2018
<i>Conduct public hearing at the meeting</i>	
<i>Adopt the budget as a regular agenda item</i>	
Finalize Budget and Input into the MIP Financial System	July 15, 2018
<i>Incorporate additional changes/comments from Board adoption</i>	
<i>Input the final budget into the Financial System</i>	

FISCAL CONSIDERATION:

The recommended revenue estimates will be used to determine the FY2018-19 programming/allocation and contract levels for various projects and programs under both the Measure A ½ Cent Transportation Sales Tax and Measure B \$10 Vehicle Registration Fee revenue measures.

NEXT STEPS:

After the review and approval of the Measure A ½ Cent Transportation Sales Tax and Measure B \$10 Vehicle Registration Fee revenue estimates by the Finance and Policy Executive Committee and TAM Board, staff will develop the draft FY2018-19 Annual Budget, present it for review at the May Finance and Policy Executive Committee meeting, and release it for public review and comments at the May Board Meeting.

ATTACHMENTS:

- Attachment 1: Marin County Five-Year Sales Tax Projection – HdL Companies
- Attachment 2: Board of Equalization Estimated Statewide Taxable Sales Growth



MARIN COUNTY MEASURE A

EXTENDED TRANSACTIONS AND USE TAX BUDGET ESTIMATE

Industry Group	FY 2016-17	FY 2017-18		FY 2018-19		FY 2019-20		FY 2020-21		FY 2021-22		FY 2022-23	
	Actuals	Projection	%	Projection	%	Projection	%	Projection	%	Projection	%	Projection	%
Autos & Transportation	4,606,032	4,721,147	2.5%	4,765,547	0.9%	4,860,847	2.0%	4,958,047	2.0%	4,958,047	0.0%	4,958,047	0.0%
Building & Construction	2,752,005	2,856,322	3.8%	2,956,022	3.5%	3,074,222	4.0%	3,197,222	4.0%	3,293,122	3.0%	3,391,922	3.0%
Business & Industry	4,321,506	4,565,621	5.6%	4,592,421	0.6%	4,615,421	0.5%	4,638,521	0.5%	4,661,721	0.5%	4,685,021	0.5%
Food & Drugs	1,995,284	2,046,231	2.6%	2,087,231	2.0%	2,139,431	2.5%	2,192,931	2.5%	2,236,831	2.0%	2,281,531	2.0%
Fuel & Service Stations	1,676,085	1,827,985	9.1%	1,925,385	5.3%	1,944,685	1.0%	1,973,885	1.5%	2,003,485	1.5%	2,023,485	1.0%
General Consumer Goods	7,128,961	7,248,854	1.7%	7,228,454	-0.3%	7,373,054	2.0%	7,520,554	2.0%	7,520,554	0.0%	7,520,554	0.0%
Restaurants & Hotels	3,369,238	3,455,520	2.6%	3,572,020	3.4%	3,679,220	3.0%	3,789,620	3.0%	3,903,320	3.0%	4,020,420	3.0%
Transfers & Unidentified	331,360	73,481	-77.8%	73,481	0.0%	73,481	0.0%	73,481	0.0%	73,481	0.0%	73,481	0.0%
Total	26,180,471	26,795,163	2.3%	27,200,563	1.5%	27,760,363	2.1%	28,344,263	2.1%	28,650,563	1.1%	28,954,463	1.1%
Administration Cost	(308,010)	(306,263)		(312,806)		(319,244)		(325,959)		(329,481)		(332,976)	
Total	25,872,461	26,488,900	2.4%	26,887,756	1.5%	27,441,119	2.1%	28,018,304	2.1%	28,321,081	1.1%	28,621,487	1.1%
60-Day Accrual Adjustment	(116,700)	450,000		127,000		132,400		69,600		68,900		69,700	
With 60-Day Accrual	25,755,761	26,938,900	4.6%	27,014,756	0.3%	27,573,519	2.1%	28,087,904	1.9%	28,389,981	1.1%	28,691,187	1.1%

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STATE OF CALIFORNIA

CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

450 N STREET, SACRAMENTO, CA
 PO BOX 942879, SACRAMENTO, CA 94279-00[MIC]:67
 1-916-445-0840 • FAX 1-916-445-7119
www.cdtfa.ca.gov

EDMUND G. BROWN JR.
 Governor

MARYBEL BATJER
 Secretary, Government Operations Agency

NICOLAS MADUROS
 Director

January 17, 2018

TO: CITY AND COUNTY FINANCE OFFICIALS

Continuing the practice of past years, we are sending you recently estimated statewide growth rates to assist in your coming budget preparations.

The table below shows preliminary or estimated statewide changes in taxable sales for the first quarter of calendar year 2017 through the second quarter of calendar year 2019:

<u>Sales Period</u>	<u>Year to Year Change In Taxable Sales</u>	<u>Allocations Received by Local Jurisdictions</u>
Jan. - Mar. 2017	3.6 (prelim.)	Mar. - June 2017
Apr. - June 2017	5.4 (prelim.)	June - Sept. 2017
July - Sept. 2017	4.9 (prelim.)	Sept. - Dec. 2017
Oct. - Dec. 2017	5.2 (est.)	Dec. 2017- Mar. 2018
Jan. - Mar. 2018	5.0 (est.)	Mar. - June 2018
Apr. - June 2018	4.8 (est.)	June - Sept. 2018
July - Sept. 2018	5.0 (est.)	Sept. - Dec. 2018
Oct. - Dec. 2018	3.5 (est.)	Dec. 2018 - Mar. 2019
Jan. - Mar. 2019	3.2 (est.)	Mar. - June 2019
Apr. - June 2019	3.6 (est.)	June - Sept. 2019

The California Department of Department of Finance made these growth estimates in conjunction with its preparation of the *2018-19 Governor's Budget*.

This letter is also available on our website at:

http://www.boe.ca.gov/legdiv/research_letters_memos.htm

If you would like this letter to be sent to you electronically, please provide your email address to us at: research@cdtfa.ca.gov

Sincerely,

Mark Durham, Chief
 Research and Statistics Section

MD:jf