



DATE: March 28, 2019

TO: Transportation Authority of Marin Board of Commissioners

FROM: Dianne Steinhauser, Executive Director
Li Zhang, Chief Financial Officer

SUBJECT: Review and Accept the FY2019-20 Measure AA Half-Cent Transportation Sales Tax and the Measure B \$10 Vehicle Registration Fee Revenue Estimates and Budget Development Schedule (Action) - Agenda Item No. 9

RECOMMENDATION:

The TAM Board reviews and accepts the FY2019-20 Measure AA Half-Cent Transportation Sales Tax and the Measure B \$10 Vehicle Registration Fee Revenue Estimates and Budget Development Schedule.

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/AA (Measure AA, extension of the Measure A will take effect on April 1, 2019) Half-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 FY2019-20. These revenue estimates will also be used to update the revenue and expenditure elements in the Measure A/AA Half-Cent Transportation Sales Tax and Measure B \$10 Vehicle Registration Fee Strategic Plans, which will guide the FY2019-20 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 FY2019-20 Measure AA Half-Cent Transportation Sales Tax and Measure B \$10 Vehicle Registration Fee revenue estimates by the TAM Board, staff will develop the draft FY2019-20 Annual Budget, present it for review at the April/May COC and Finance and Policy Executive Committee meeting, release for the 30-day public review and comment period at the April/May Board meeting, and request the TAM Board to adopt the final draft at the May/June Board meeting.

DISCUSSION/ANALYSIS:

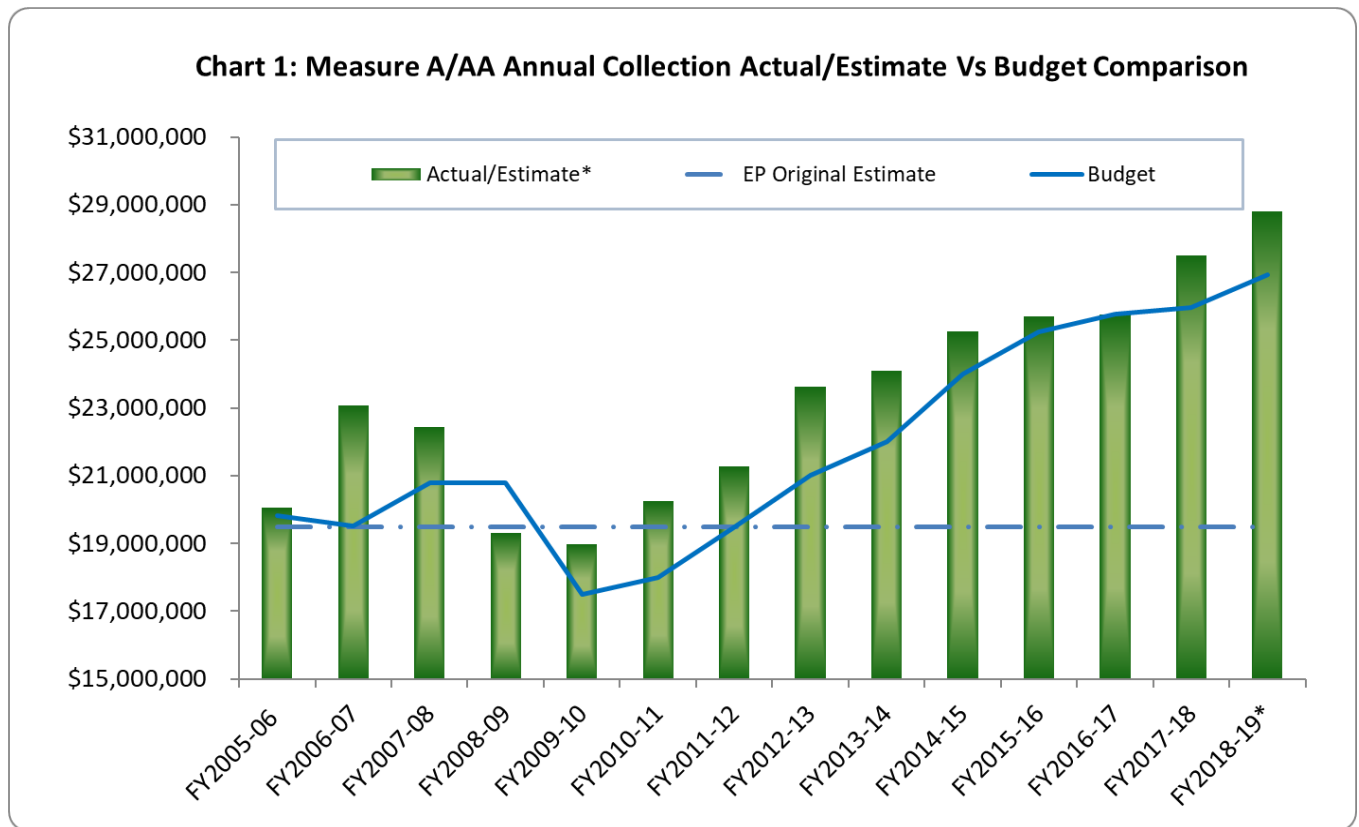
Recommended FY2019-20 Measure AA Revenue Estimate:

Sale tax revenue collection is one of the main indicators of how strong the economy and consumer confidence are. 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 4.8%, as the end of FY2017-18. Staff is expecting another year of growth in FY2018-19, with revenue collection reaching a new record high. TAM's new sales tax analyses

and audit service team, Avenu Insights & Analytics, estimates that TAM's FY2018-19 final revenue collection will be somewhere between \$28.3 and \$28.8 million based on actual collection data available as of January 2019. In this case, final collection will be about \$1.4 to \$1.9 million higher than the budgeted \$26.94 million for the current year.

The TAM Board adopted the most conservative estimate out of the three scenarios presented by staff during the FY2017-18 budget cycle 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. With higher than budgeted revenue in FY2017-18, \$1.55 million of the \$1.88 million reserve fund released was replenished. The expected excess revenue in FY2018-19 will allow the reserve fund to be fully restored to help the agency better prepare for the potential downturn in the next 12 to 24 months, which is predicted by many economists.

Chart 1 below illustrates budgeted Measure A/AA revenues versus actual annual collection between FY2005-06 and FY2018-19. The Chart also shows the flat \$19.5 million, no growth, annual revenue projection that was presented in the original Measure A Expenditure Plan as a comparison.



Attachment 1 is the Five-Year Measure AA Half-Cent Sales Tax Projection provided by Avenu Insights & Analytics based on its analyses and modeling of TAM's taxable sales data, with three scenarios presented: Conservative, Most-Likely and Recession, with the Most-Likely and Recession scenarios for FY2019-20 being the same. On the other hand, the statewide sales tax growth rate released by the California Department of Tax and Fee Administration in January 2019 for FY2019-20 is 3.55%, as shown in Attachment 2.

Base on the analyses from various sources, staff developed the following revenue projection options for the FY2019-20 Measure AA Half-Cent Transportation Sales Tax.

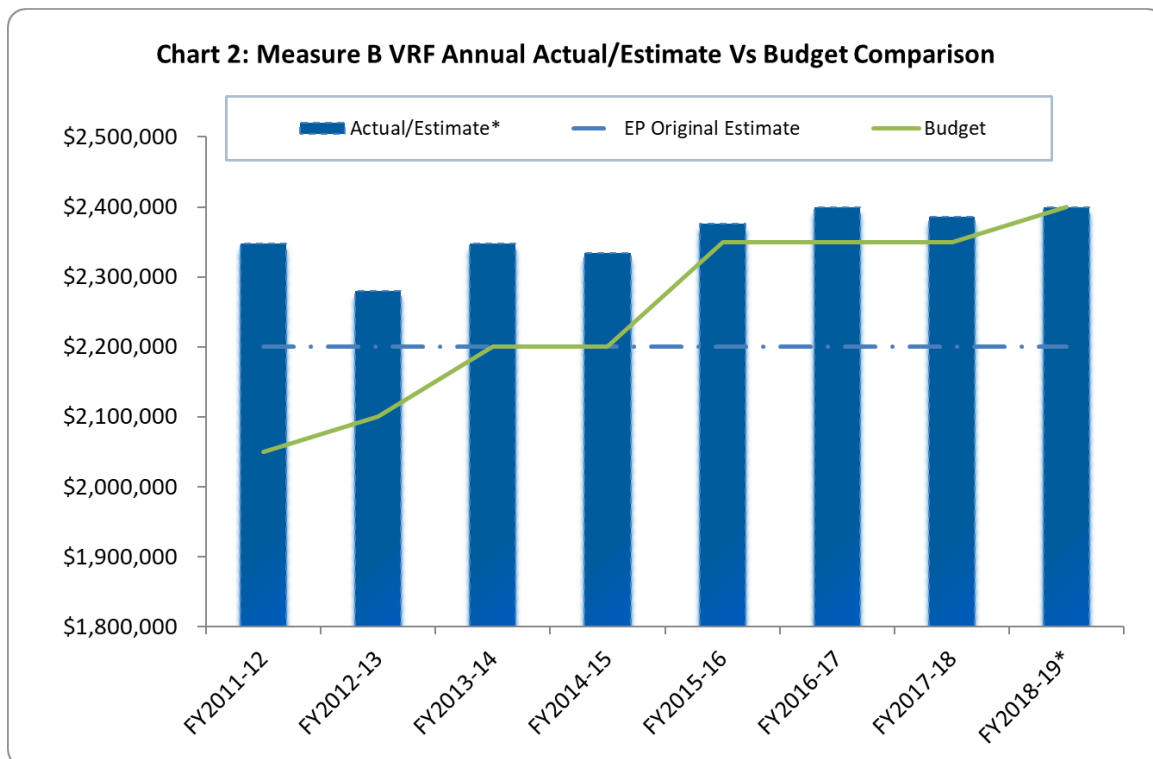
Budget Option	Assumption	In Millions
Option 1: Conservative	Assuming recession late 2019/early 2020	\$27.5 million
Option 2: Moderate	Assuming similar level revenue level as FY2018-19	\$28.3 million
Option 3: Aggressive	Apply BOE's Statewide 3.55% Growth rate to the \$28.3 million expected FY2018-19 revenue level	\$29.3 million

To continue TAM's prudent and conservative approach and better prepare the agency for the next recession, staff recommends that Option 1, the conservative level at \$27.5 million, to be approved for the development of the FY2019-20 TAM Annual Budget.

Please note after full replenishment of the reserve fund, any additional excess funds in FY2018-19 will then be made available to project/program sponsors in FY2019-20 as part of the prior year carryover funds. Staff will also actively monitor the sales tax revenue trend and any potential economic downturn timely with and update the Board if any negative adjustments are necessary during FY2019-20.

Recommended FY2019-20 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 actual revenue collection of Measure B VRF from FY2011-12 to FY2017-18, and the budgeted amount for FY2018-19, with comparison to the flat \$2.2 million projection in the original expenditure plan.



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, and decreased by 0.76% in 2017. This brings the total registered

vehicles in the County to 247,424 as of December 31, 2017. As observed from prior years, revenue collected was always less than what is suggested by the number of registered vehicles in the County, due to delinquent payments and other reasons. Budgeted Measure B revenue for the current year is \$2.4 million and actual collection for FY2017-18 is \$2.39 million. Staff believes that actual revenue will be close to the \$2.40 million budgeted and recommends setting the budget level for FY2019-20 at \$2.40 million as well.

Table 1: DMV Estimated Marin County Fee Paid Vehicle Registration
Year 2000 -2017

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%
2017	247,424	-1,890	-0.76%

Data Source: DMV Forecasting Unit

FY2019-20 Budget Development Schedule:

Below is the budget development schedule for the FY2019-20 budget development process:

February 5, 2019	Budget Kick-off Meeting
February - March 2019	Staff Budget Work at Project/Program Level
March 2019	Review and Acceptance of Measure AA/B Revenue Levels
April/May 2019	Review and Release of Draft Budget for Comments
May/June	Public Hearing and Adoption of Final Budget

FISCAL CONSIDERATION:

The recommended revenue estimates will be used to determine the FY2019-20 programming/allocation and contract levels for various projects and programs under both the Measure A/Measure AA Half-Cent Transportation Sales Tax and Measure B \$10 Vehicle Registration Fee revenue measures.

NEXT STEPS:

After the review and approval of the Measure AA Half-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 FY2019-20 Annual Budget, present it for review at the April/May Finance and Policy Executive Committee meeting, and release it for public review and comments at the April/May Board meeting. Staff will also distribute the adopted revenue levels to our member jurisdictions who receive funding as well as Marin Transit and Golden Gate Transit for their budget development uses.

ATTACHMENTS:

Attachment 1: Marin County Sales Tax Projection (*FY2019-20 to FY2024-25*)– Avenu Insights & Analytics
Attachment 2: Board of Equalization Estimated Statewide Taxable Sales Growth

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Marin Co Transport Auth 1/2% Sales & Use Tax Forecast by Category

Accrual through August Clean-up

Voter Approved	FY 17 - 18	FY 18 - 19	FY 19 - 20	FY 20 - 21	FY 21 - 22	FY 22 - 23	FY 23 - 24	FY 24 - 25
General Retail	8,556,443	9,108,945	8,968,604	9,128,802	9,287,866	9,446,930	9,605,994	9,765,058
% Change	4.9%	6.5%	-1.5%	1.8%	1.7%	1.7%	1.7%	1.7%
Food Products	5,768,082	6,224,366	6,229,814	6,438,194	6,652,419	6,866,645	7,080,870	7,295,095
% Change	4.9%	7.9%	0.1%	3.3%	3.3%	3.2%	3.1%	3.0%
Transportation	5,330,692	5,950,042	5,784,827	5,935,677	6,097,272	6,258,867	6,420,462	6,582,058
% Change	4.9%	11.6%	-2.8%	2.6%	2.7%	2.7%	2.6%	2.5%
Construction	3,007,057	3,009,645	2,820,862	2,876,784	2,939,895	3,003,006	3,066,117	3,129,228
% Change	4.9%	0.1%	-6.3%	2.0%	2.2%	2.1%	2.1%	2.1%
Business To Business	3,991,184	4,338,413	4,180,183	4,295,774	4,420,096	4,544,418	4,668,740	4,793,062
% Change	4.9%	8.7%	-3.6%	2.8%	2.9%	2.8%	2.7%	2.7%
Miscellaneous	683,422	436,821	399,506	399,506	399,506	399,506	399,506	399,506
% Change	4.9%	-36.1%	-8.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross	27,336,880	29,068,232	28,383,797	29,074,738	29,797,055	30,519,372	31,241,690	31,964,007
% Change	4.9%	6.3%	-2.4%	2.4%	2.5%	2.4%	2.4%	2.3%

Administration	(293,427)	(253,973)	(247,993)	(254,030)	(260,341)	(266,651)	(272,962)	(279,273)
Conservative		\$28,382,000	\$27,685,600	\$28,330,800	\$29,005,100	\$29,677,900	\$30,349,400	\$31,019,400
Most-Likely	\$27,043,453	\$28,814,259	\$28,135,804	\$28,820,708	\$29,536,714	\$30,252,721	\$30,968,727	\$31,684,734
% Change	5.0%	6.5%	-2.4%	2.4%	2.5%	2.4%	2.4%	2.3%
Optimistic		\$29,246,500	\$28,586,000	\$29,310,700	\$30,068,400	\$30,827,500	\$31,588,100	\$32,350,100
Recession Scenario		\$28,814,259	\$28,135,804	\$27,054,740	\$26,586,953	\$27,231,453	\$27,875,954	\$28,520,455
% Change from Prior Fiscal Year				-3.8%	-1.7%	2.4%	2.4%	2.3%
Fiscal Year to Fiscal Year Change				(\$1,081,064)	(\$467,787)	\$644,500	\$644,501	\$644,501
Difference between Recession and Most-Likely Scenarios				(\$1,765,968)	(\$2,949,762)	(\$3,021,268)	(\$3,092,773)	(\$3,164,279)

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STATE OF CALIFORNIA

CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION
 RESEARCH AND STATISTICS
 450 N STREET, SACRAMENTO, CA 95814
 PO BOX 942879, SACRAMENTO, CA 94279-67[MIC] 67
 1-916-445-0840 • FAX 1-916-445-7119
www.cdtfa.ca.gov

GAVIN NEWSOM
 Governor

MARYBEL BATJER
 Secretary, Government Operations Agency

NICOLAS MADUROS
 Director

January 17, 2019

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 2018 through the second quarter of calendar year 2020:

<u>Sales Period</u>	Year to Year Change In Taxable Sales	Allocations Received by Local Jurisdictions
Jan. - Mar. 2018	4.4 (estimated)	Mar. June 2018
Apr. - June 2018	5.0 (est.)	June Sept. 2018
July - Sept. 2018	5.9 (est.)	Sept. Dec 2018
Oct. - Dec. 2018	5.4 (est.)	Dec. 2018- Mar. 2019
Jan. - Mar. 2019	5.1 (est.)	Mar. - June 2019
Apr. - June 2019	5.3 (est.)	June Sept. 2019
July Sept. 2019	4.6 (est.)	Sept. - Dec. 2019
Oct. - Dec. 2019	3.9 (est.)	Dec. 2019 - Mar. 2020
Jan. - Mar. 2020	3.2 (est.)	Mar. - June 2020
Apr. - June 2020	2.5 (est.)	June - Sept. 2020

The California Department of Department of Finance made these growth estimates in conjunction with its preparation of the *2019-20 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,

/s/ Genti Droboniku

Genti Droboniku, Manager
 Research and Statistics Section

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