



DATE: March 21, 2022

TO: Transportation Authority of Marin Citizens' Oversight Committee

FROM: Li Zhang, Deputy Executive Director/Chief Financial Officer

SUBJECT: Review the Measure A/AA ½-Cent Transportation Sales Tax and the Measure B \$10 Vehicle Registration Fee Revenue Projections and the FY2022-23 Annual Budget Development Schedule (Discussion), Agenda Item No. 6

RECOMMENDATION

Discussion only. Any input received from the Citizens' Oversight Committee (COC) will be considered and reported to the TAM Board if necessary.

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 ½-Cent Transportation Sales Tax and the Measure B \$10 Vehicle Registration Fee (VRF) revenue levels in March of every year. The approval of the expected upcoming year revenue levels in March allows fund recipients time to build these local funds from TAM into their FY2022-23 budget processes which are taking place now. These revenue estimates will also be used to update the revenue and expenditure elements in the Measure A/AA and Measure B Strategic Plans, which will guide the FY2022-23 programming and allocation process, and the establishment of contract levels for all projects and programs under both measures.

DISCUSSION/ANALYSIS

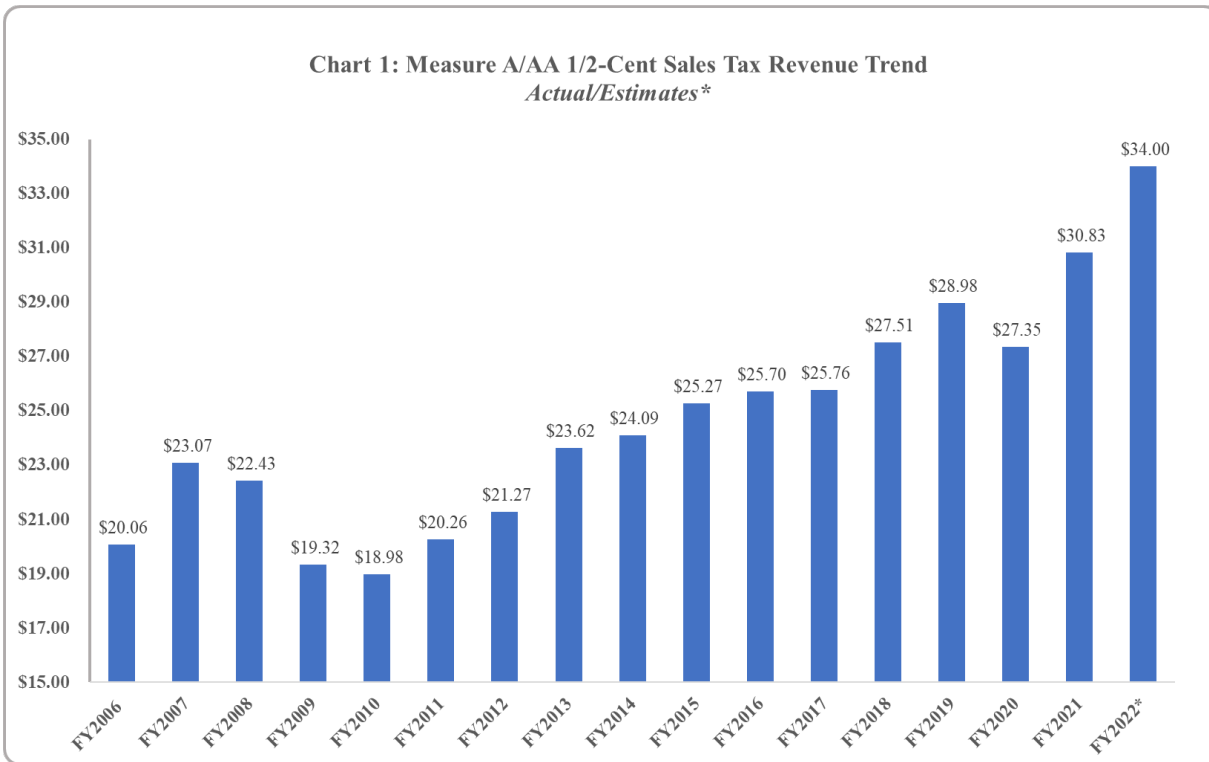
The COVID-19 pandemic has brought unprecedented public health and economic disruptions to the US and globally. The uncertainties caused by the pandemic added extra challenges to TAM's FY2020-21 and FY2021-22 budget processes. However, due to the demographic and economic nature of the County, TAM's most critical funding source, the ½-cent transportation sales tax, while suffered at the beginning of the initial Shelter In Place order, has been benefiting from Marin residents working from home, the strong housing market, and the redirected spending from out of the region/state/country travel to local and online spending in the last 2 years.

On the other hand, while we are finally seeing more encouraging signs of the end of the pandemic, the conflict between Russia and Ukraine is affecting the global economy via the broad impacts of the various financial sanctions, the rising commodity prices, and the worsening of the supply-chain disruptions. In the US, inflation continues to be a serious economic concern. In the US, inflation continues to be a serious economic concern. While most economists believe there is small chance that the US economy will slip back into recession as of now, the intensity and length of the invasion of Ukraine could have major impacts on recovery of the global and US economies.

With all of the challenges going on, staff will monitor the economic condition and the sales tax trend closely and report to the Board timely if major negative impacts on TAM’s financial health are becoming visible.

Measure A/AA Revenue Estimates/Projection:

Chart 1: Measure A/AA 1/2-Cent Sales Tax Revenue Trend below illustrates the actual annual sales tax collection between FY2005-06 and FY2021-22, with the FY2021-22 revenue at the revised \$34 million level (vs. the \$27.5 million conservative estimate adopted in the FY2021-22 Annual Budget) based on the collections of the first 8 months of the year, from July 2021 to February 2022.



Recommended FY2022-23 Budget Level & Future Projection for the Update of the Strategic Plans:

Table 1: FY2022-23 Measure A/AA Revenue Collection Update and 5-Year Projection Scenarios illustrates the projection scenarios staff reviewed and recommends for the upcoming fiscal year and the following 5-year period.

Table 1: FY2022-23 Measure A/AA Revenue Collection Update and 5-Year Projection Scenarios

Year	FY20-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27	FY2027-28
<i>Avenu Insights & Analytics February 2022 Projection</i>								
Annual Revenue	30.83	34.38	36.06	37.61	38.99	40.23	41.32	42.27
% Growth	12.8%	11.5%	4.9%	4.3%	3.7%	3.2%	2.7%	2.3%
<i>California Department of Tax and Fee Administration February 2022 Projection</i>								
Annual Revenue	30.83	34.28	35.57					
% Growth	12.8%	11.2%	3.8%					
<i>Staff Recommendation</i>								
Annual Revenue	30.83	34.00	34.85	35.72	36.61	37.53	38.47	39.43
% Growth	12.8%	10.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

The Avenu Insights & Analytics February 2022 Projection obviously is the most optimistic scenario while the Projection from the California Department of Tax and Fee Administration (CDTFA) February 2022 Projection only covers up to FY2022-23. While it is encouraging to see the very healthy positive revenue growth rate over

the next 5-year period provided by Avenu and CDTFA, TAM’s actual average annual revenue growth rate, from FY2005-06 to FY2019-20, is only at 2.45%, if not taking into account the extreme double-digit pandemic growth in FY2020-21 (actual) and FY2021-22 (estimated). With all the major uncertainties mentioned above, to continue TAM’s prudent and conservative approach and better prepare the agency for a possible slower and more shaky economic recovery, staff recommends setting the FY2022-23 Measure A/AA budget level at \$34.85 million, and the long-term growth rate for the update date of the Measure A/AA Strategic Plan at 2.5% annually for the remainder of the 30-year period.

Measure B Revenue Estimates/Projection:

Measure B, the \$10 VRF dedicated to transportation projects and programs, was passed by Marin voters in November 2010. Collection of this local revenue source started in April 2011. Chart 2 illustrates the actual revenue collections of Measure B from FY2011-12 to FY2020-21 and the budgeted level for FY2021-22. As noted in *Chart 2: Measure B VRF Actual Revenue Trend*, there is a significant revenue drop from FY2018-19 to FY2019-20, from \$2.43 million to \$2.33 million. The revenue collection in FY2020-21 recovered to \$2.40 million. However, cash disbursement for the first half of FY2021-22 is just above \$1.15 million. The most recent data from the Forecasting Unit of the Department of Motor Vehicle (DMV) shows that the estimated number of vehicles registered in Marin County in 2021 suffered another 3.05% loss from 2020 after the 1.54% drop from 2019 to 2020. Historical registered vehicle data and annual revenue collections are shown in *Table 2: Estimated Annual Marin County Vehicles Registered and Measure B Revenue*.

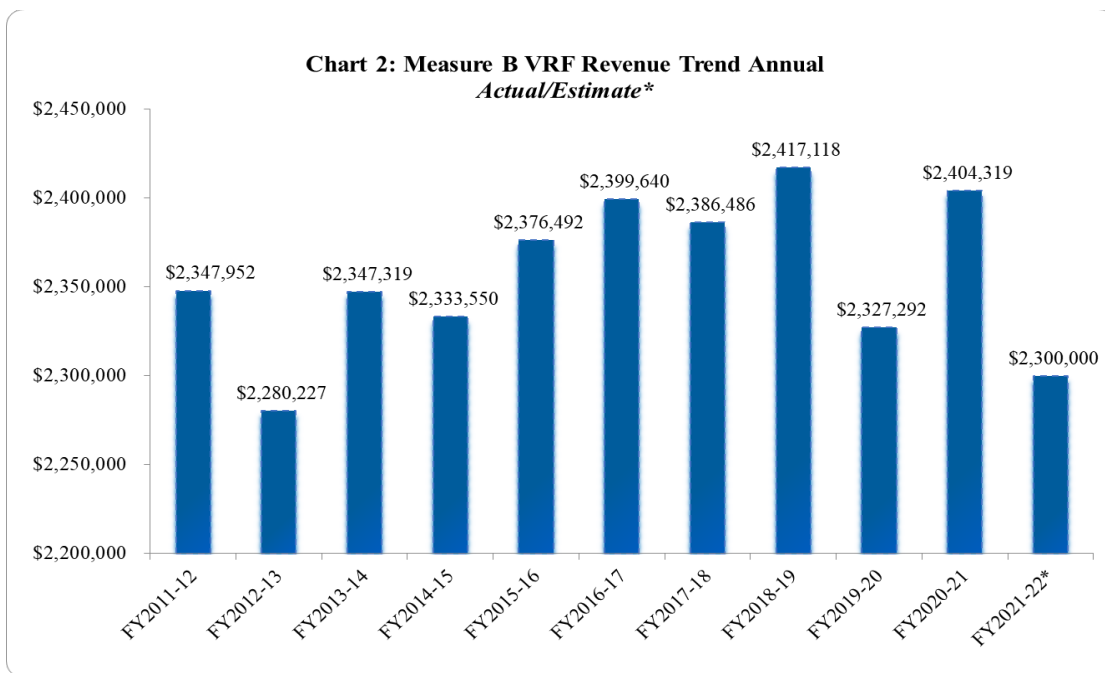


Table 2: Estimated County Marin Fee Paid Vehicle Registration and Measure B Revenue

Calendar Year	Registered Vehicle	Annual # Change	Annual % Change	Annual Revenue ^{1,2}	% Change
2012	235,535	-356	-0.15%	2,244,970	N/A
2013	240,921	5,386	2.29%	2,325,355	3.58%
2014	243,069	2,148	0.89%	2,337,994	0.54%
2015	245,849	2,780	1.14%	2,360,350	0.96%
2016	249,314	3,465	1.41%	2,404,311	1.86%
2017	247,424	-1,890	-0.78%	2,389,790	-0.60%
2018	247,820	396	0.16%	2,393,875	0.17%
2019	249,524	1,704	0.68%	2,414,091	0.84%
2020	243,986	-3,834	-1.54%	2,361,893	-1.34%
2021	241,977	-7,547	-3.05%	2,345,953	-2.82%

Data Source: Department of Motor Vehicles

1. Annual Revenue is calculated using the monthly disbursement from DMV for the calendar year.
2. DMV takes 0.05% of the collection off the top for its administrative support.

Recommended FY2022-23 Budget Level & Projection for the Update of the Strategic Plan:

Since the revenue collection for the first 6 months of FY2021-22 is only slightly above \$1.15 million, and based on the most up to date registered vehicle data for the County, the possible continuing negative impact on vehicle purchases, and the revenue collection trend, staff recommends that the Measure B revenue budget level for FY2022-23 be set at \$2.3 million as well as the revenue level for all future years in the Measure B Strategic Plan.

FY2022-23 Annual Budget Development Schedule:

Below is the development schedule for the FY2022-23 Annual Budget:

<i>March 2022</i>	<i>Review and Acceptance of Measure A/AA & Measure B Revenue Budget Levels/Revenue Projections and FY2022-23 Budget Development Schedule</i>
<i>March-May 2022</i>	<i>Development of Draft FY2022-23 Annual Budget and Work Plans</i>
<i>May 2022</i>	<i>Release of Draft FY2022-23 Annual Budget for Public Comments</i>
<i>June 2022</i>	<i>Public Hearing and Adoption of FY2022-23 Annual Budget</i>

FISCAL CONSIDERATION

The recommended revenue projections will be used to determine the FY2022-23 programming/allocation and expenditure levels for various projects and programs under both the Measure A/AA 1/2-Cent Transportation Sales Tax and Measure B \$10 VRF Expenditure Plans and to update the revenue/programming elements in the respective Strategic Plans.

NEXT STEPS

After the Board’s approval of the FY2022-23 Measure A/AA 1/2-Cent Transportation Sales Tax and Measure B \$10 VRF revenue projections, staff will develop the draft FY2022-23 Annual Budget, present it to the COC, the Administration, Projects & Planning (AP&P) Executive Committee, the Marin Managers’ Association, and staff of various local jurisdictions for review and input in April and May 2022. The final draft budget will be released for the 30-day public review and comment period at the May 2022 TAM Board meeting and presented to the TAM Board for adoption at the June 2022 TAM Board meeting.

ATTACHMENTS

Attachment: Staff PowerPoint Presentation

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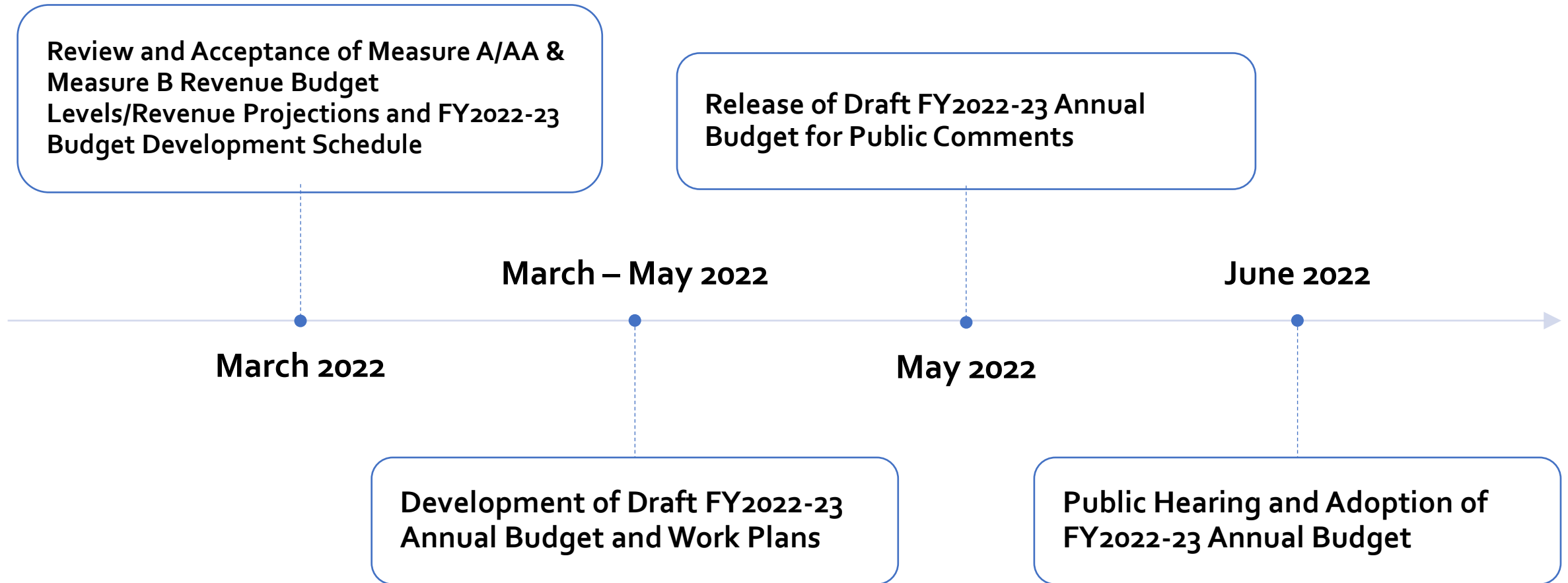
Item 6 - Attachment

FY2022-23 Annual Budget Development Schedule & Measure A/AA and B Revenue Projections

TAM Citizens' Oversight Committee

March 21, 2022

FY2022-23 Budget Timeline and Process



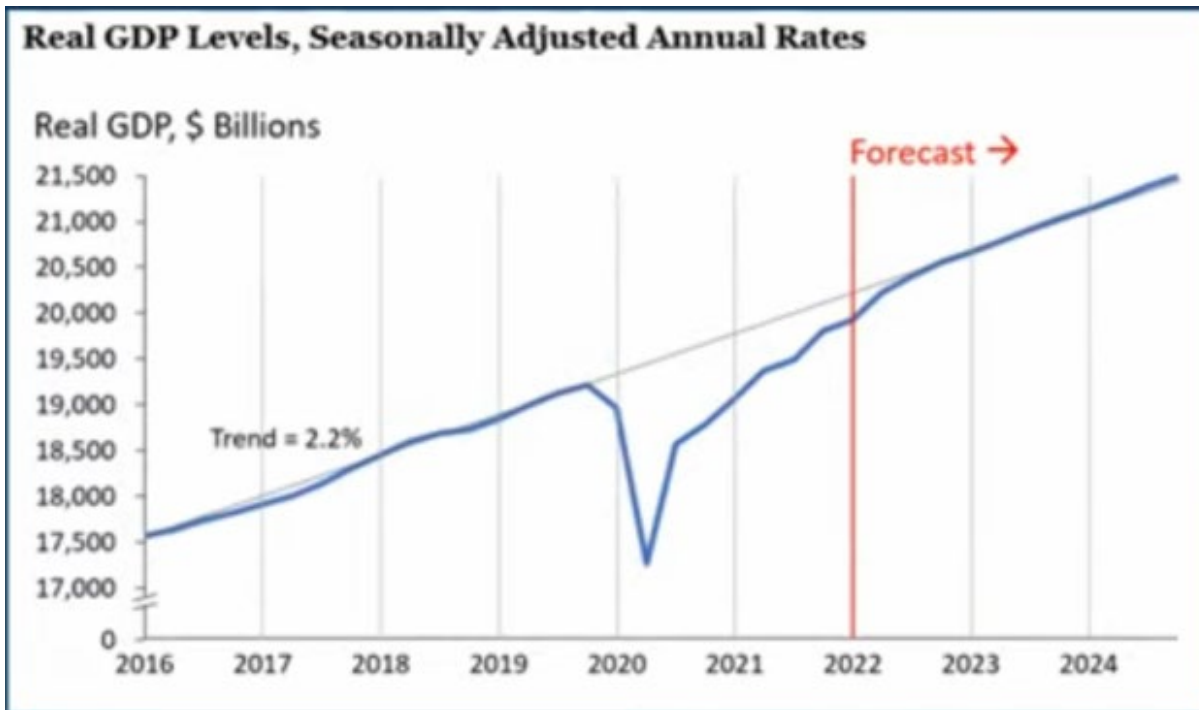
Current US Economic Conditions – *Overview*

- The US economic recovery is continuing – production and employment both have recovered from the pandemic recession
- California will continue to benefit from the high-tech industry and the housing market
- Pandemic-associated economic risks are getting under control, but many major tourist destinations will delay recovery in hospitality and retail until workers and international tourists return
- Inflation and current Russia-Ukraine war pose substantial risks for the US and global economic recovery
- Challenges with inflation and surging commodity prices, could hurt GDP growth

The Gross Domestic Product (GDP) – *the Good & not so Good*

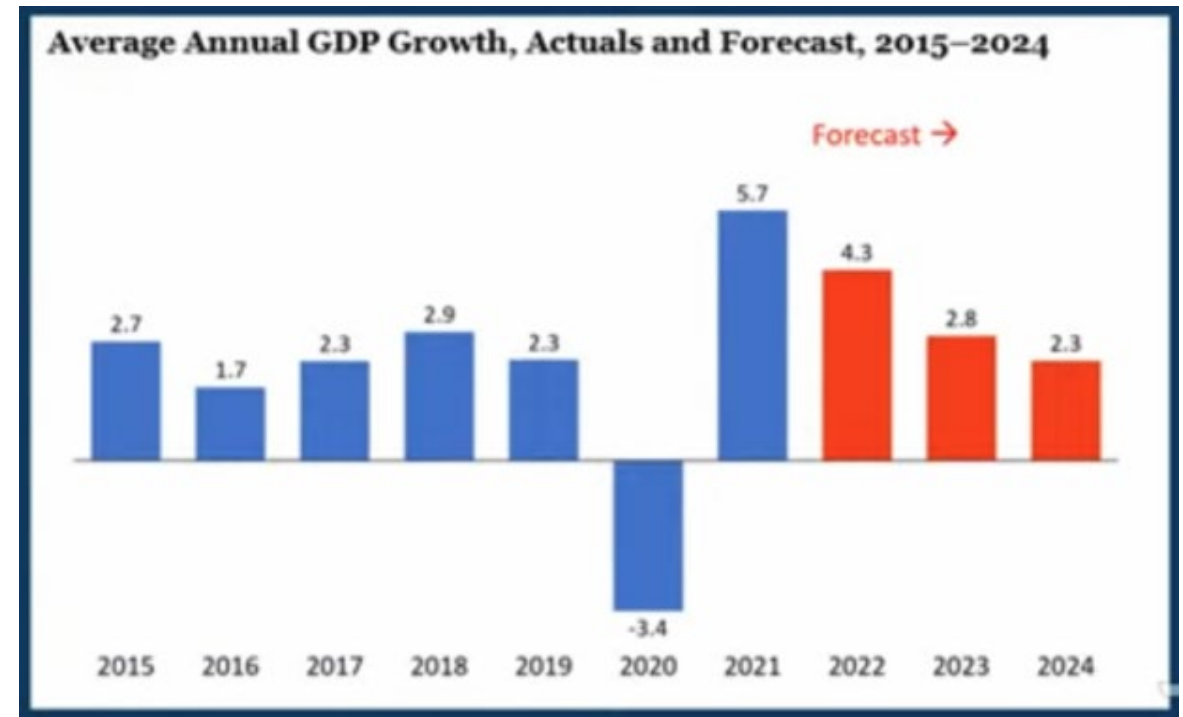
The Good:

Surpassed the pre-pandemic peak of real GDP by the second quarter of 2021 and expected to return to trend by the third quarter of 2022



The not so Good:

Chance of significant slowdown of economic recovery

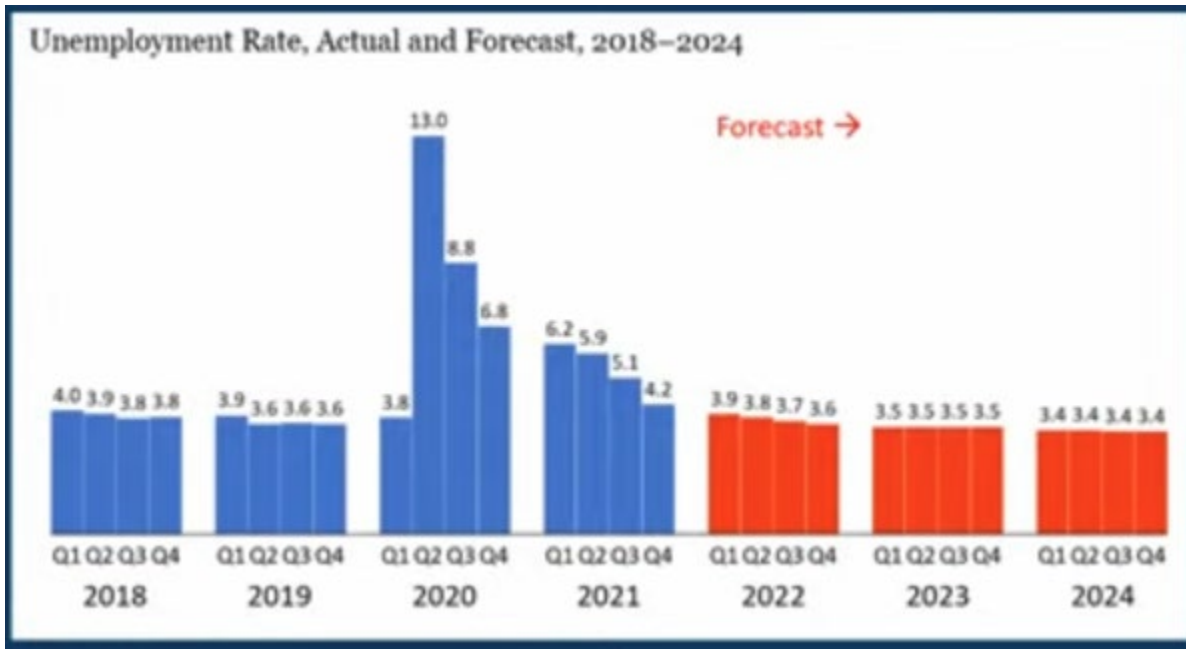


UCLA March 2022 Economic Outlook

The Labor Market – *the Good & not so Good*

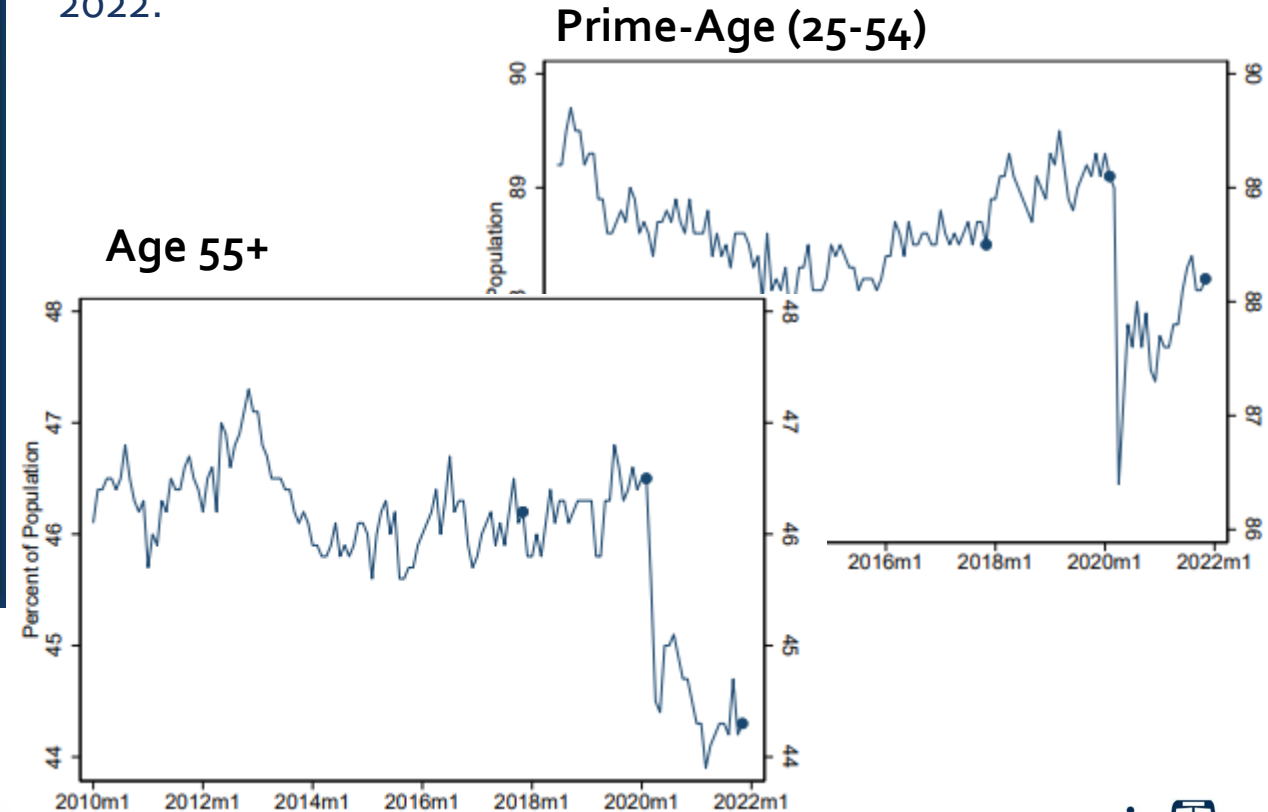
The Good:

Back to pre-pandemic unemployment rates



The not so Good:

Prime-age population (25-54) almost back to pre-pandemic employment level while older workforce is behind: Charts show the Prime-Age Men and 55+ Men labor participation rate for the same month from 2010 to 2022.

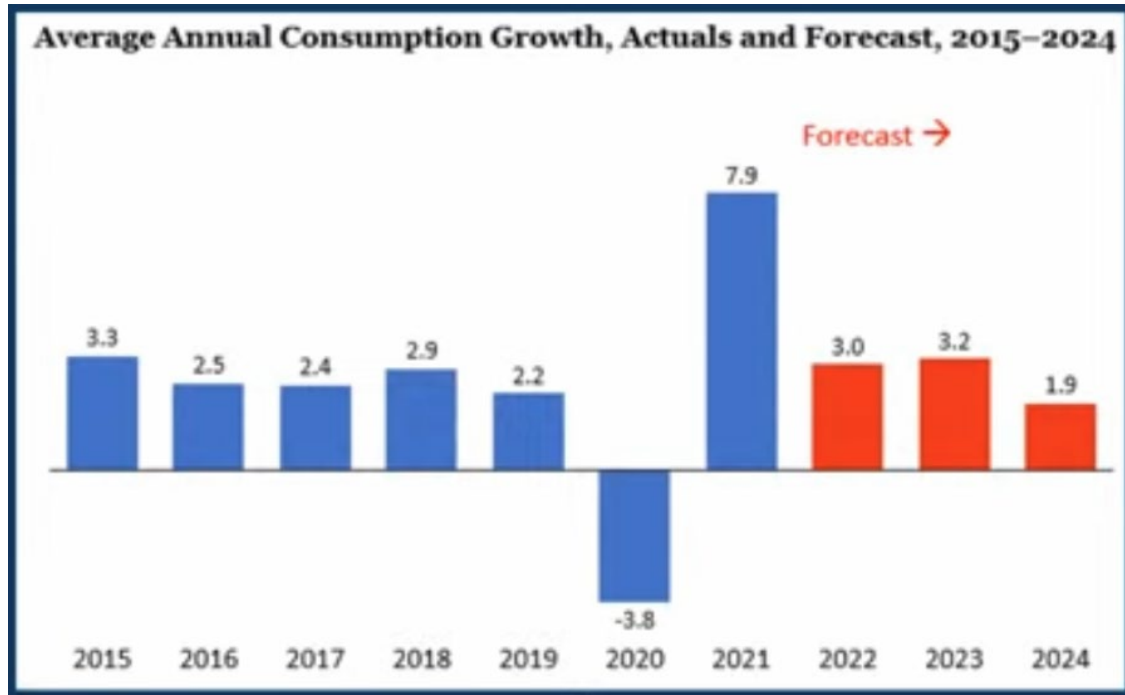


UCLA March 2022 Economic Outlook & Federal Reserve Bank of Boston

The Consumer – *the Good & not so Good*

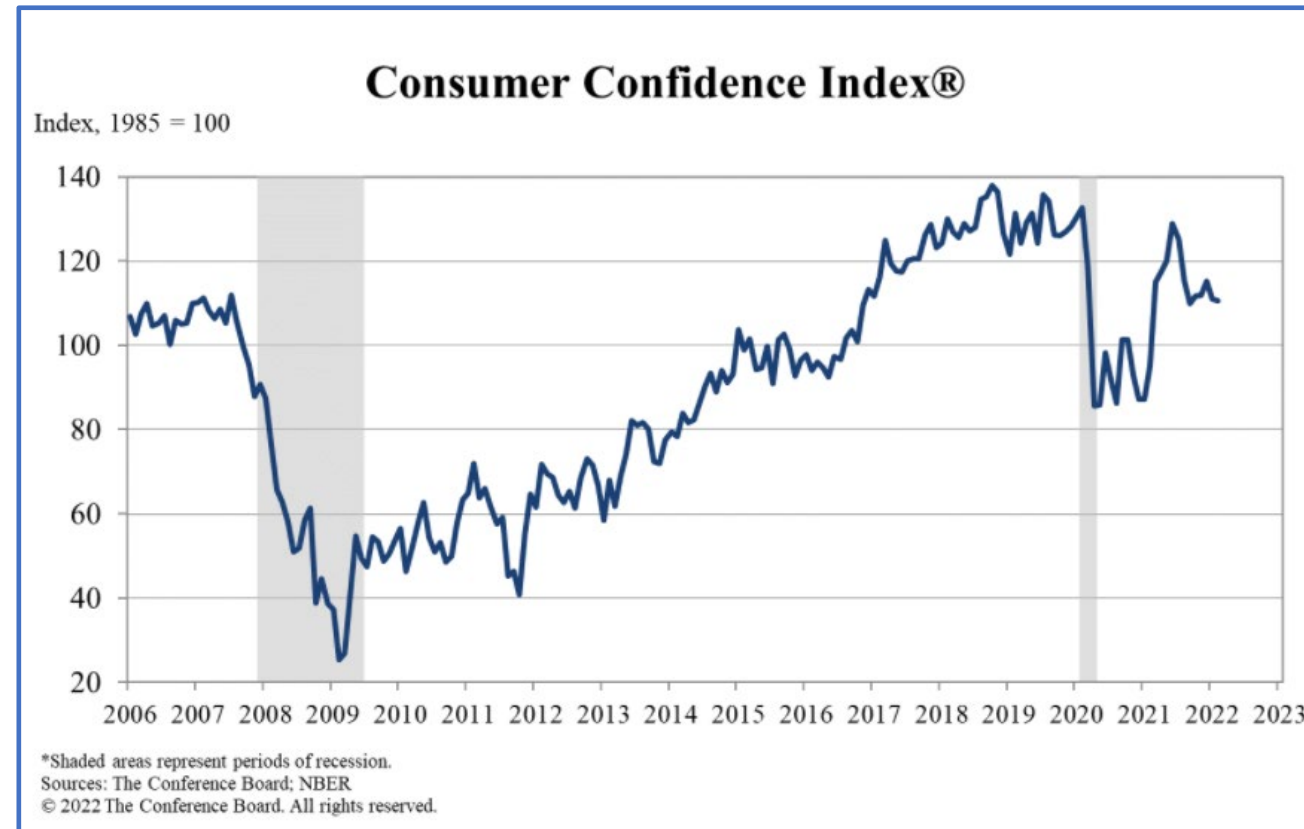
The Good:

Strong consumption growth with the recovery of service consumption and continued strong consumption



The not so Good:

Consumers are pessimistic even though they keep spending: Consumer Confidence Index at 110.5 as of February (1985=100), down from 111.1 in January

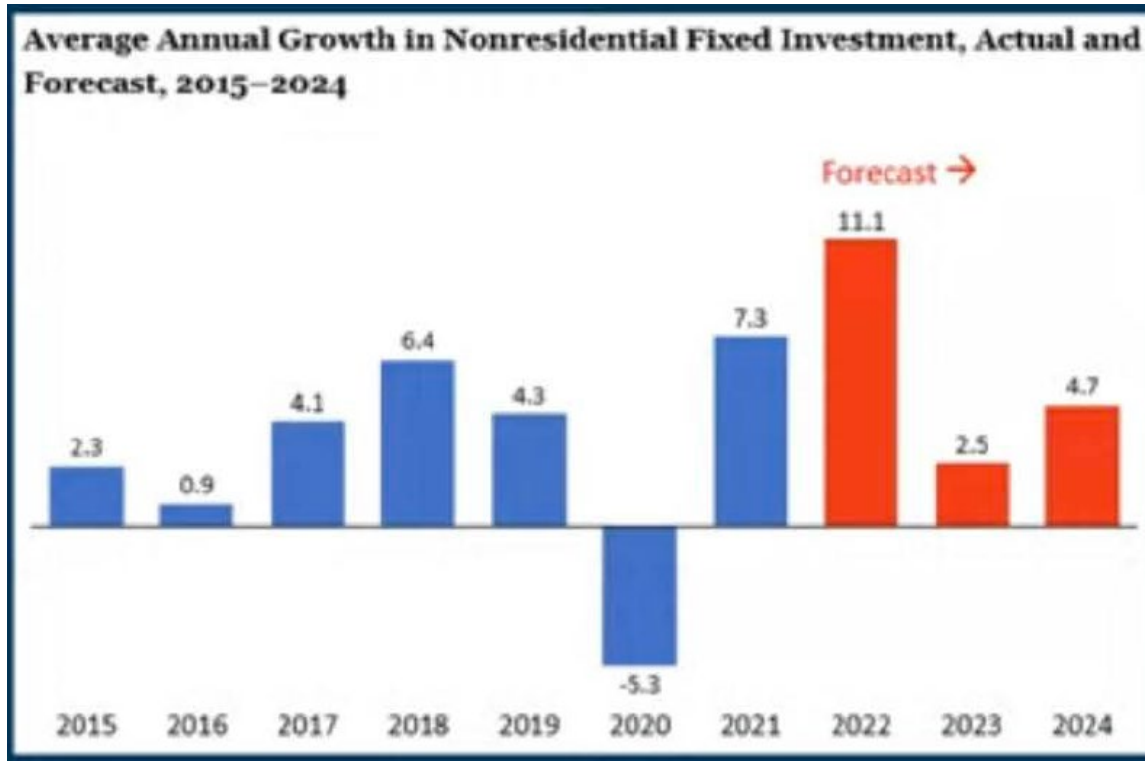


UCLA March 2022 Economic Outlook & The Conference Board

The Businesses – *the Good & not so Good*

The Good:

Businesses are flush with cash and investing faster to expand supply



UCLA March 2022 Economic Outlook & Bureau of Labor Statistics

The not so Good:

Business will continue to face major operational and financial challenges due to supply chain disruption

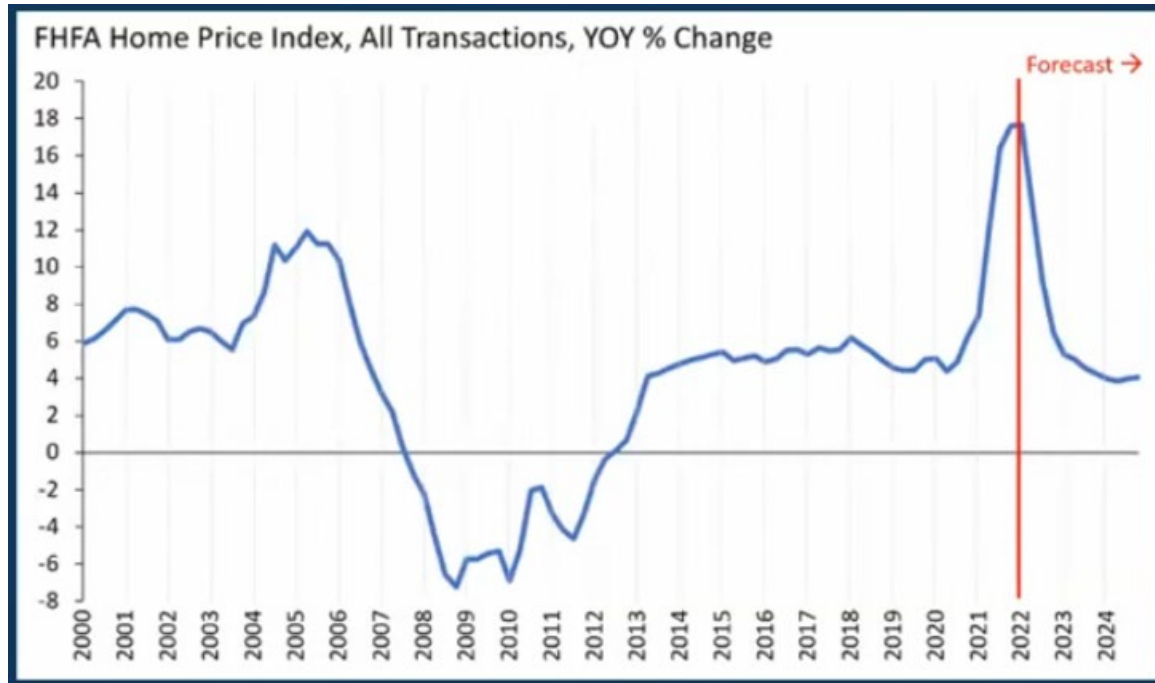
Rising labor costs due to labor shortages, especially in the struggling leisure and hospitality sector



The Housing Market – *the Good & not so Good*

The Good:

Continued strong housing market and home price appreciation



The not so Good:

Housing affordability has been dropping, especially for first time buyers.

First time buyer index dropped below 100 in Q3 and Q4 of 2022 (preliminary data for Q4, 2022)

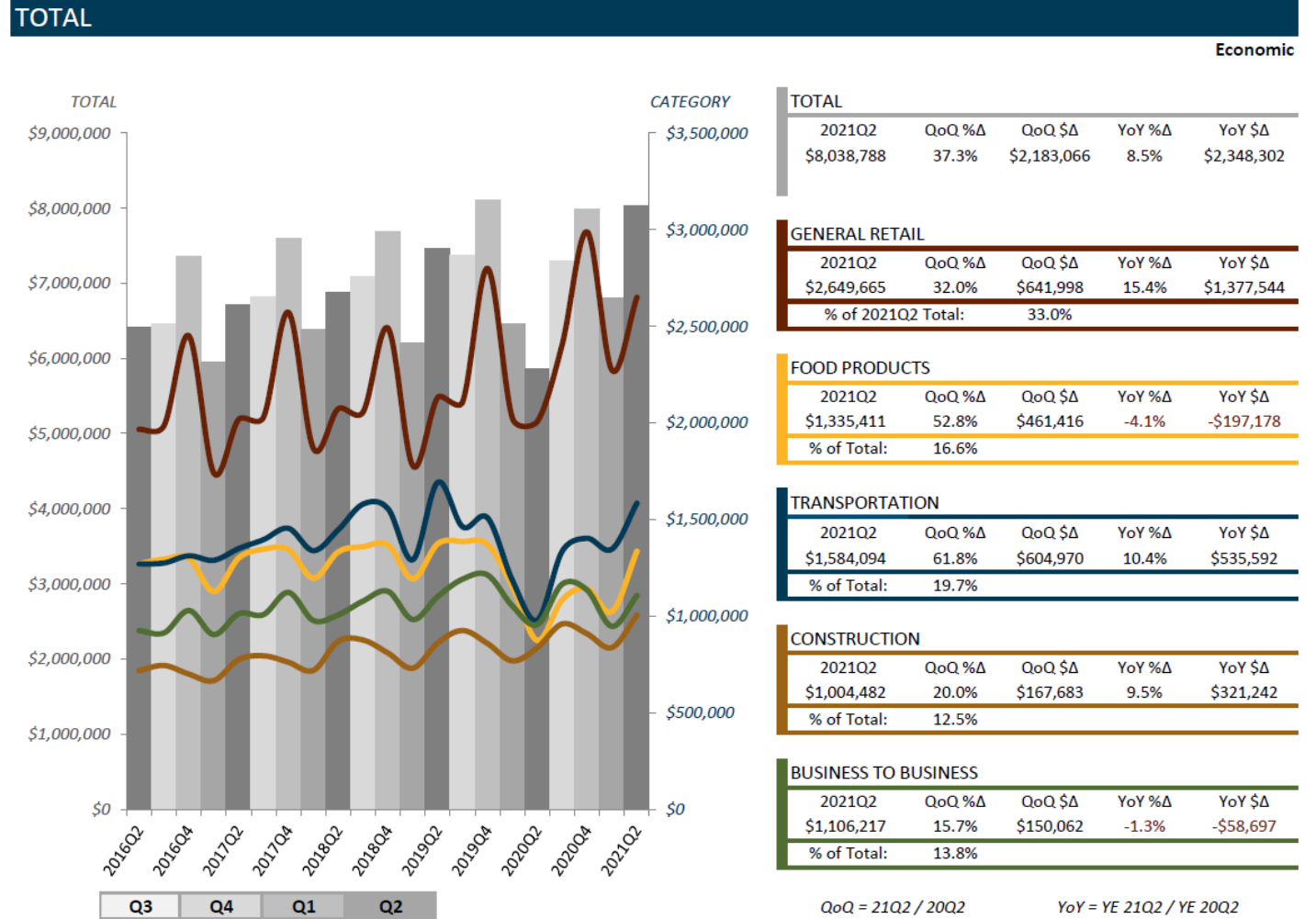
Year	Starter Home Price	Qualifying First-time Median Income	First-Time Buyer Index	Composite Index
2019	\$ 233,400	\$ 49,824	105.4	159.7
2020	\$ 255,200	\$ 49,008	112.7	171
2021	\$ 300,400	\$ 56,544	102.5	155.7
2021 By quarter				
Q 1	\$ 270,500	\$ 50,400	118.08	180.4
Q 2	\$ 30,400	\$ 57,504	100.1	151.9
Q 3	\$ 308,600	\$ 57,456	99.4	151
Q 4	\$ 307,400	\$ 58,752	97.5	148.1

UCLA March 2022 Economic Outlook & National Association of Realtors

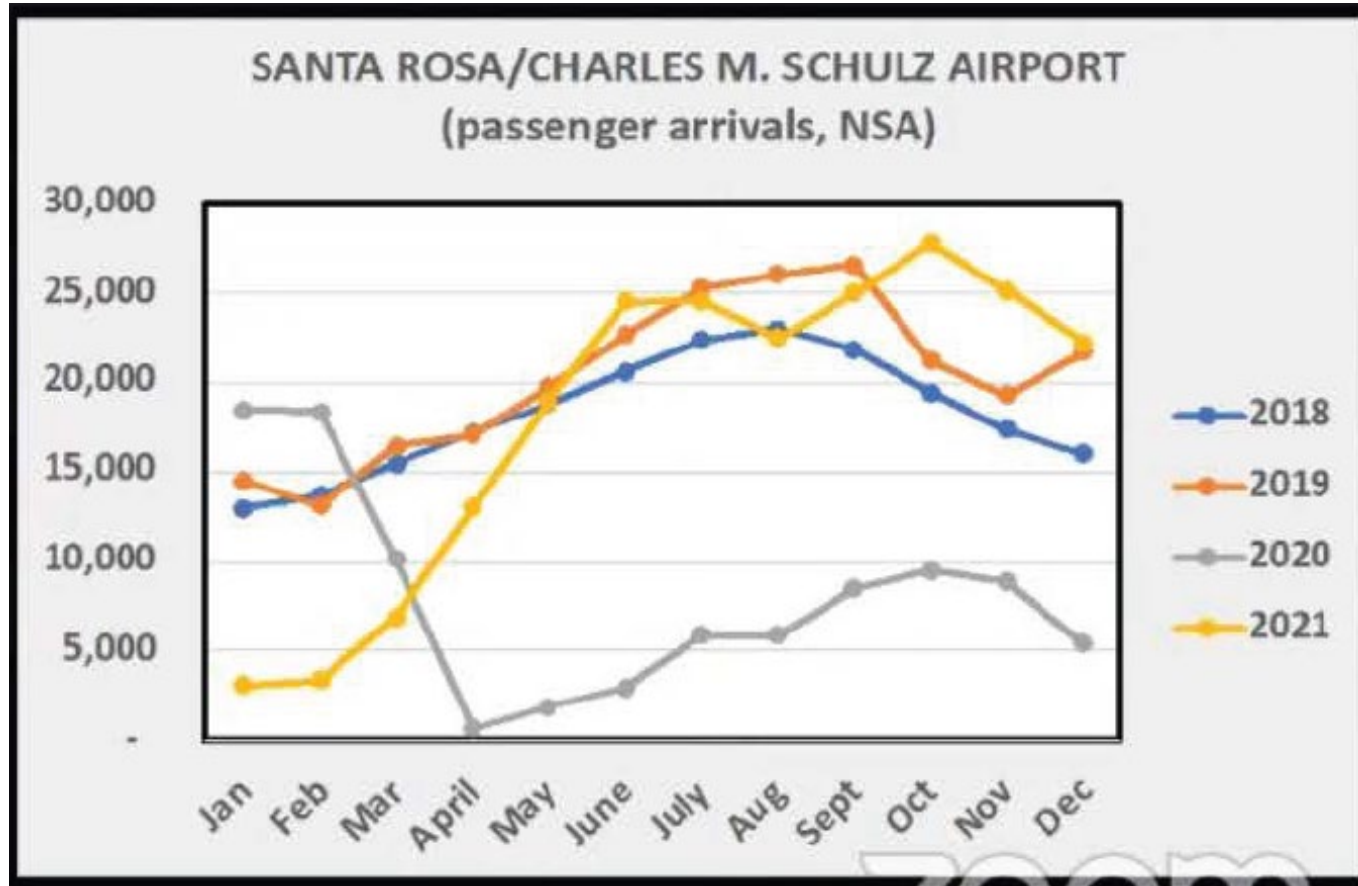
What's Going On at Home

- Marin's simple taxable sales base helps the County weather this unique recession relatively better than some other counties
- Due to the county's demographic and income level, majority of County's residents are not suffering significant financial difficulties during this unique recession; though wide disparities exist
- Sales tax has been strong and will continue so until most Marin workers return to office and pick up regional and international travel
- Strong housing market will continue to help with retail sales
- Auto supply challenges are slowing down vehicle replacement

TRANSPORTATION AUTHORITY OF MARIN: Sales Tax Performance Analysis by Quarter



What's Going On at Home

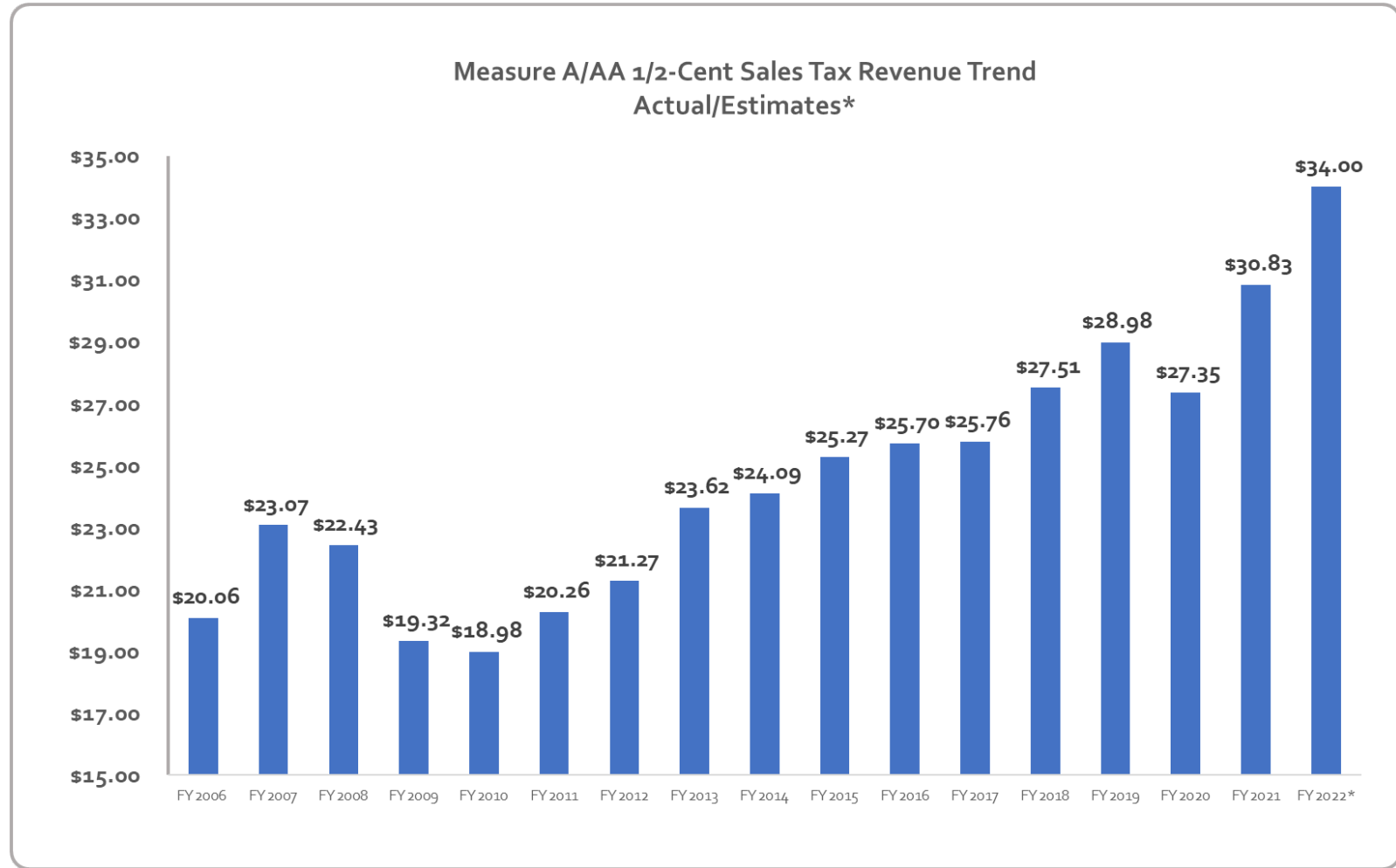


While Counties like San Francisco and Los Angeles are still suffering from the loss of international travel, Marin and the other North Bay Countries are benefiting from the strong recovery of the domestic travel.

UCLA March 2022 Economic Outlook

Recommended Measure A/AA Revenue Projections

- Revised FY2021-22 Revenue Level \$34 M vs. \$27.5 M original level
- FY2022-23 Budget Level: \$34.85 M
- Long-term growth rate for the Strategic Plan: 2.5% annually



Recommended Measure B Revenue Projections

Estimated County Marin Fee Paid Vehicle Registration and Annual Measure B Revenue

- Maintain FY2021-22 Budget Level: \$2.3M
- FY2022-23 Budget Level: \$2.3M
- Long-term level for the Strategic Plan: \$2.3M

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Q & A