



Memorandum

AGENDA ITEM 5

DATE: 09.04.21

TO: Expenditure Plan Advisory Committee

FROM: Cynthia Fong, Deputy Director for Finance & Administration and
Anna LaForte, Deputy Director for Policy and Programming

SUBJECT: Sales Tax Revenue Projections

This memorandum provides some background on how we estimated sales tax revenues for the new expenditure plan period. We have assumed voter approval of a new 30-year expenditure plan at the June 2022 election. This means the New Expenditure Plan period would cover October 1, 2022, through September 30, 2052. Forecasting revenues 30 years into the future is always a difficult task. This has been made more challenging by the economic impacts from the COVID-19 pandemic, which has hit San Francisco's sales tax particularly hard. Attachment 1 shows annual sales tax revenues for the past three decades during which the Transportation Authority has administered the half-cent transportation sales tax. The graphic also shows past economic declines and the duration of the recovery period for reference.

We approached development of the sales tax forecasts with the intent of leaning more towards being conservative rather than overly optimistic. To assist with development of our revenue forecasts, we contracted with MuniServices, our economic consultants. The sales tax projections take into consideration several factors including but not limited to employment, disposable income, tourism and visitor expenditures, and inflation.

For purposes of the New Expenditure Plan, we have developed two forecasts for sales tax revenues - a conservative forecast and an optimistic forecast, as shown in Attachment 2. We include the forecast in both Year of Expenditure dollars (YOE \$s) and in 2020 dollars. To calculate the later, we applied a 3% inflation to de-escalate to 2020 dollars. The actual average Consumer Price Index or CPI increase from 2003 to 2020 in the Bay Area has been 2.49%.

In both the conservative and optimistic forecast, the near-term projections for Fiscal Years 2022/23 - 2025/26 are identical and reflect a recovery from the COVID-19 recession with a return to pre-COVID revenue levels (~\$116 million) in Fiscal Year 2023/24.



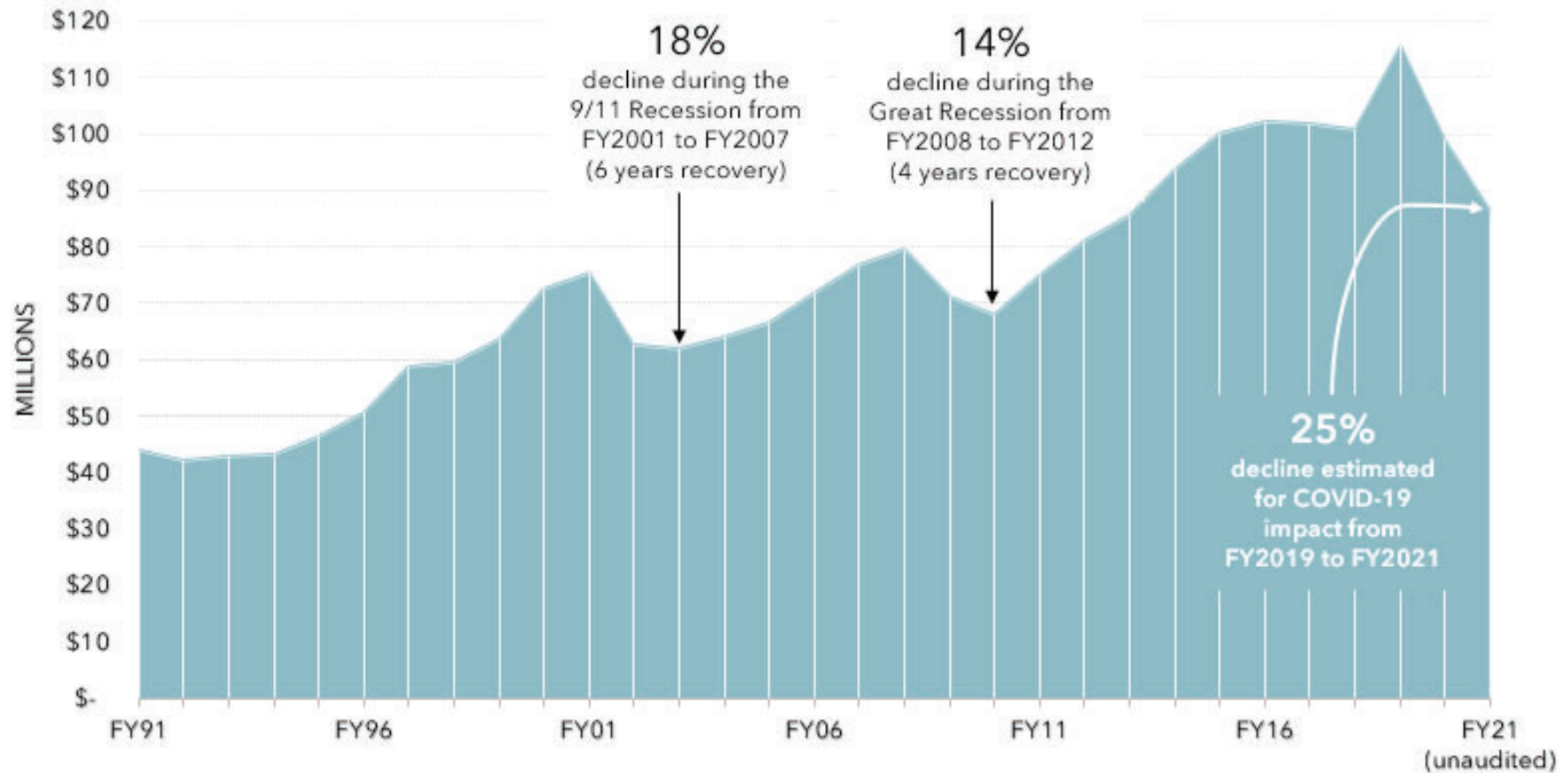
The forecasts differ in the long term for Fiscal Years 2026/27 - 2050/51. The **conservative forecast** is based on MuniService forecasts for growth at 1.8% based on assumptions for post-pandemic taxable sales tax growth for different sectors of the San Francisco economy (i.e. Retail, Food, Transportation, Construction, and Business-to-Business). Applying that growth rate to the \$130.89 million (YOE \$s) base value in 2026, we obtained sales tax revenue of \$4.864 billion (YOE \$s) or **\$2.938 billion (2020 \$s) over the 30-year period.**

The **optimistic forecast** is based on an applied actual average historic sales tax growth rate of 2.4% for the period of Fiscal Years 1991/92 to 2020/21. Applying that growth rate to the \$130.89 million base value in 2026, we obtained sales tax revenue of \$5.285 billion (YOE \$s) **\$3.151 billion over the 30-year period.** The difference between the two forecasts is about \$213 million (2020 \$s).

Attachments:

- 1 - Historical Sales Tax Revenue
- 2 - Sales Tax Revenue Forecast in Year of Expenditure \$'s

Historical Sales Tax Revenue (Year-to-Year)



**Attachment 2.
Sales Tax Revenue Forecast**

September 6, 2021

Fiscal Year	Conservative (Priority 1 Funding Level)			Optimistic (Priority 2 Funding Level)			Notes
	Revenue Forecast in YOE dollars ^a	Nominal % change	Revenue Forecast in 2020 dollars ^b	Revenue Forecast in YOE dollars ^a	Nominal % change	Revenue Forecast in 2020 dollars ^b	
FY2018/19	\$ 115,670,918	12.0%		\$ 115,670,918	12.0%		FY 2018/19 through September 30, 2022 (first quarter of FY 2022/23) shown for reference only. FY 2022/23 is split across two rows assuming a June 2022 election.
FY2019/20	\$ 99,268,709	-14.2%		\$ 99,268,709	-14.2%		
FY2020/21	\$ 86,530,445	-12.8%		\$ 86,530,445	-12.8%		
FY2021/22	\$ 92,879,800	7.3%		\$ 92,879,800	7.3%		
FY2022/23	\$ 27,055,500			\$ 27,055,500			
FY2022/23 ^c	\$ 81,166,500	16.5%	\$ 76,507,211	\$ 81,166,500	16.5%	\$ 76,507,211	^c Partial year, October 1, 2022 - June 30, 2023 based on June 2022 election.
FY2023/24	\$ 117,299,000	8.4%	\$ 107,345,202	\$ 117,299,000	8.4%	\$ 107,345,202	In both forecasts, FYs 2022/23 - 2025/26 assume higher nominal growth reflecting recovery from the Starting in FY 2026/27, the conservative forecast uses a 1.8% nominal growth rate, while the optimistic forecast uses a 2.4% growth rate, which is based on the average historic sales tax nominal growth rates, including the COVID-19 pandemic recession and other fluctuations in the economy since the Transportation Authority began administering the sales tax in 1990.
FY2024/25	\$ 125,051,000	6.6%	\$ 111,106,194	\$ 125,051,000	6.6%	\$ 111,106,194	
FY2025/26	\$ 130,890,000	4.7%	\$ 112,906,864	\$ 130,890,000	4.7%	\$ 112,906,864	
FY2026/27	\$ 133,221,645	1.8%	\$ 111,571,031	\$ 134,044,449	2.4%	\$ 112,260,116	
FY2027/28	\$ 135,594,826	1.8%	\$ 110,251,002	\$ 137,274,920	2.4%	\$ 111,617,072	
FY2028/29	\$ 138,010,282	1.8%	\$ 108,946,591	\$ 140,583,246	2.4%	\$ 110,977,712	
FY2029/30	\$ 140,468,767	1.8%	\$ 107,657,613	\$ 143,971,302	2.4%	\$ 110,342,015	
FY2030/31	\$ 142,971,046	1.8%	\$ 106,383,885	\$ 147,441,010	2.4%	\$ 109,709,959	
FY2031/32	\$ 145,517,900	1.8%	\$ 105,125,227	\$ 150,994,339	2.4%	\$ 109,081,523	
FY2032/33	\$ 148,110,124	1.8%	\$ 103,881,461	\$ 154,633,302	2.4%	\$ 108,456,687	
FY2033/34	\$ 150,748,525	1.8%	\$ 102,652,410	\$ 158,359,965	2.4%	\$ 107,835,430	
FY2034/35	\$ 153,433,925	1.8%	\$ 101,437,900	\$ 162,176,440	2.4%	\$ 107,217,732	
FY2035/36	\$ 156,167,163	1.8%	\$ 100,237,760	\$ 166,084,892	2.4%	\$ 106,603,572	
FY2036/37	\$ 158,949,090	1.8%	\$ 99,051,818	\$ 170,087,538	2.4%	\$ 105,992,931	
FY2037/38	\$ 161,780,574	1.8%	\$ 97,879,908	\$ 174,186,648	2.4%	\$ 105,385,787	
FY2038/39	\$ 164,662,497	1.8%	\$ 96,721,863	\$ 178,384,546	2.4%	\$ 104,782,120	
FY2039/40	\$ 167,595,758	1.8%	\$ 95,577,519	\$ 182,683,614	2.4%	\$ 104,181,912	
FY2040/41	\$ 170,581,272	1.8%	\$ 94,446,714	\$ 187,086,289	2.4%	\$ 103,585,142	
FY2041/42	\$ 173,619,969	1.8%	\$ 93,329,289	\$ 191,595,068	2.4%	\$ 102,991,790	
FY2042/43	\$ 176,712,796	1.8%	\$ 92,225,083	\$ 196,212,509	2.4%	\$ 102,401,837	
FY2043/44	\$ 179,860,719	1.8%	\$ 91,133,942	\$ 200,941,231	2.4%	\$ 101,815,264	
FY2044/45	\$ 183,064,718	1.8%	\$ 90,055,711	\$ 205,783,915	2.4%	\$ 101,232,050	
FY2045/46	\$ 186,325,792	1.8%	\$ 88,990,236	\$ 210,743,307	2.4%	\$ 100,652,177	
FY2046/47	\$ 189,644,958	1.8%	\$ 87,937,367	\$ 215,822,221	2.4%	\$ 100,075,626	
FY2047/48	\$ 193,023,251	1.8%	\$ 86,896,955	\$ 221,023,536	2.4%	\$ 99,502,377	
FY2048/49	\$ 196,461,724	1.8%	\$ 85,868,853	\$ 226,350,203	2.4%	\$ 98,932,412	
FY2049/50	\$ 199,961,450	1.8%	\$ 84,852,914	\$ 231,805,243	2.4%	\$ 98,365,712	
FY2050/51	\$ 203,523,519	1.8%	\$ 83,848,995	\$ 237,391,750	2.4%	\$ 97,802,258	
FY2051/52	\$ 207,149,041	1.8%	\$ 82,856,954	\$ 243,112,891	2.4%	\$ 97,242,031	

**Attachment 2.
Sales Tax Revenue Forecast**

September 6, 2021

FY2052/53^d	\$ 52,709,787	1.8%	\$ 20,469,162	\$ 62,242,978	2.4%	\$ 24,171,253	^d Partial year, July 1, 2052 - September 30, 2052.
TOTAL 30-YR^e	\$ 4,864,277,621		\$ 2,938,153,634	\$ 5,285,423,851		\$ 3,151,079,967	October 1, 2022 - September 30, 2052

^a YOE stands for Year of Expenditure.

^b Uses 3% inflation to de-escalate to 2020\$. Actual average CPI increase 2003 to 2020 in the Bay Area has been 2.49%.

^c Assuming a June 2022 election, FY 2022/23 estimate only includes revenues from October 1, 2022 (operative date of new measure) to June 30, 2023.

^d Assuming a June 2022 election, FY 2052/53 estimate only includes revenues from July 1, 2052 to September 30, 2052 (end date of new measure).

^e Total revenues for the New Expenditure Plan cover the 30-year period between October 1, 2022 through September 30, 2052.