

**Metro**

January 29, 2009

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE
CHIEF EXECUTIVE OFFICER

FROM: TERRY MATSUMOTO
CHIEF FINANCIAL SERVICES OFFICER
AND TREASURER

SUBJECT: FY10 SALES TAX REVENUES FORECAST

ISSUE

At the January meeting, the Board requested the methodology used to forecast the sales tax revenues presented in the Business Planning Parameters as the assumption for building the FY10 budget.

DISCUSSION

The forecast for Prop A and Prop C for FY10 is \$1,298.5 million. This forecast is based on a combination of the UCLA forecast, Muni Services (a financial services firm that we use to monitor sales tax revenues and provide forecasting information), current year actual activity, and management discretion.

The last full year of sales tax receipts was FY08. The actual receipts for FY08 were \$1,366.9 million combined for Prop A and C. The UCLA forecast received in December forecasted a 5% decline from FY08 through FY09. This represents \$102.5 million less receipts in FY09 than we currently have in the FY09 budget.

The December UCLA forecast for FY10 indicated a positive growth of 1.97%; however, we elected to be conservative and forecasted no growth in sales taxes between FY09 and FY10. We used the same methodology for TDA revenues.

The forecast for Measure R for FY10 is \$380.3 million. This amount is 58.5% of the amount that we expect to receive for Prop A and C. This is based on the actual receipts for Prop C in 1990, during its first full year of implementation.

NEXT STEPS

Continue to report on the FY09 sales tax receipts as part of the Quarterly Financial Report and revise the FY10 forecast if the economy continues to worsen.