

**Plan Bay Area: Key Action/Decision  
Establish Financial Forecasts**

<b>Action/Decision</b>	<b>Establish Financial Forecasts</b>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>• To provide an estimate of revenue that will be available from local, regional, state and federal sources for transportation purposes over the 25-year horizon of the Plan.</li> <li>• The Plan must reflect realistic assumptions about revenues that will likely be available during the timeframe of the plan. The plan is said to be “financially constrained” by the estimated available revenue.</li> </ul>
<b>Key Activities</b>	<ul style="list-style-type: none"> <li>▪ MTC staff analyzes factors that guide revenue forecasts, including historical trends for population, sales taxes, fuel prices and fuel consumption.</li> <li>▪ More than 50 transportation revenue sources are projected for the RTP/SCS; some are more significant in terms of their contribution to overall revenue.</li> <li>• MTC staff analyzes forecasts of local revenues from local governments, sales tax authorities and transit operators.</li> <li>• MTC staff prepares draft forecasts by March 2011; MTC updates the forecasts between 2011 and 2013 as needed based on economic and legislative activity.</li> <li>• The forecasts are finalized in 2013 to establish the financial capacity of Plan Bay Area, prior to its adoption.</li> </ul>
<b>General Assumptions Used to Establish Financial Forecasts</b>	<p>The timeframe and inflation assumptions are as follows:</p> <ul style="list-style-type: none"> <li>• <u>Time Frame</u> – The time horizon for Plan Bay Area will be fiscal year 2013 through fiscal year 2040 (28 years).</li> <li>• <u>Inflation Rate</u> – For Plan Bay Area, staff consulted the federal Office of Management and Budget, which projects a long-term inflation rate of 1.8 percent. Staff believes this to be on the low side for the Bay Area. A 10-year historical average of the Bay Area’s Consumer Price Index (CPI) yields an annual growth rate of 2.6 percent. As of February 2011, staff is recommending using a 2.2 percent inflation rate — which is the average of the Bay Area’s historical average and the OMB’s long-term rate.</li> </ul>
<b>Scheduled Opportunities for Public Involvement</b>	<ul style="list-style-type: none"> <li>▪ MTC staff will complete draft long-range revenue projections by March 2011. Assumptions for use in estimating the long-range revenues were reviewed in February 2011 by the Partnership Board, the Partnership Technical Advisory Committee (PTAC), the SCS Regional Advisory Working Group and MTC’s Policy Advisory Council.</li> <li>▪ The financial forecasts will be reviewed by the MTC Planning Committee in April 2011.</li> <li>▪ The draft projections may be used to guide further development of the Plan; however, financial projections will not be finalized until shortly before the adoption of the Plan in FY 2013, in order to allow for updates to revenue estimates based on legislative or economic changes.</li> </ul>
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