SUBJECT: RTA Revenue Forecast Update

Meeting	Meeting Date	Agenda Category	Agenda Item #
RTA Board	March 23, 2017	Information	4

REQUESTED ACTION/SUGGESTED MOTION

This item is for information. No formal action is requested.

ASSOCIATED OWP WORK ELEMENT/GOAL

- 46 – Regional Transportation Authority Support

SUMMARY

The Regional Transportation Authority (RTA) plan was developed based upon a revenue forecast prepared in 2005 by the Economic and Business Research Center (EBRC) at the University of Arizona's Eller College of Management. The original forecast projected a baseline countywide sales tax revenue estimate of $2.1 billion (deflated, 2006 dollars) to fund the 20-year RTA plan.

The RTA has regularly reviewed its financial forecast with the EBRC, most recently in 2013. The 2013 forecast predicted that the RTA would collect $1.74 billion over the 20-year life of the RTA (nominal dollars). The RTA Board addressed the lower-than-anticipated revenues by scaling back categorical expenditures that did not have ballot identified projects and by committing other regional resources to fully fund the RTA Roadway Element.

The new revenue forecast from EBRC provides revenue estimates for the second half of the RTA plan (FY 2017-2026), as well as an additional 20 years (to 2046) for planning purposes. The estimates include a baseline forecast, as well as optimistic and pessimistic forecasts of economic growth. Estimates for long-term growth are somewhat lowered (3.5% vs. 4%) for the baseline condition from 2013, with the revenue estimate for the 20-year life of the RTA (actual through 2016, baseline forecast from FY 2017-2026) now at $1.6 billion.

In the wake of the great recession of 2008, the Tucson region has recovered at a rate less than the nation and the State of Arizona, in part due to the dependence of the Tucson region on the federal budget (defense, etc.), and in part due to changing regional demographics. Some of these factors illustrate fundamental changes in the local economy.

Changes that most profoundly impact the revenue estimate are associated with a long-term shift in consumption patterns, from goods (taxable) to services (not taxable). As a result, the growth in tax revenues for the RTA generally will be less than the region's growth in disposable income.

A key driver in this shift is the aging of the community over time, yielding a population less likely to consume products, and more likely to consume services (most notably health care).

Notwithstanding these fundamental demographic shifts which have been observed, more favorable trends are emerging. Recent new job announcements, an improving housing market, anticipated increases in federal spending as well as downtown revitalization all suggest improving economic conditions in the short term for the region.

PRIOR BOARD AND/OR COMMITTEE ACTION

- The RTA performs regular reviews of its revenue forecast, on a tri-annual basis. The most recent review was presented to the RTA Board in December 2013.

FINANCIAL CONSIDERATIONS

- While the RTA revenues are less than the amount forecasted in 2013, increased funding in regional HURF allocations (12.6% funds) and federal STP funds are expected to offset the lower revenue projection.
- In December 2016, the RTA Board directed the development of a fiscally constrained 5-year cash flow plan that reflects the updated revenue estimates for the FY 2018-2022 TIP.
- The draft FY 2018-2022 TIP has been completed, and no major project delivery impacts are anticipated as a result of the diminished revenue projections.

TECHNICAL, POLICY, LEGAL OR OTHER CONSIDERATIONS

- None noted.

ATTACHED ADDITIONAL BACKUP INFORMATION

Staff Contact/Phone	Farhad Moghimi, 495-1420 James DeGrood, 495-1481 Corrina Gil, 495-1472