

SUBJECT: RTA Financial Update

Meeting	Meeting Date	Agenda Category	Agenda Item #
RTA Board	May 25, 2017	Consent Information	3.j

REQUESTED ACTION/SUGGESTED MOTION

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

ASSOCIATED OWP WORK ELEMENT/GOAL

Work Element 1646, Regional Transportation Authority.

SUMMARY

The RTA fund balance was \$84,549,684 on March 31, 2017, (unaudited, reconciled), declining \$42.0 million from the beginning of the fiscal year.

RTA excise tax collections in the first seven months of FY 17 have been improving since a disappointing beginning of the year with poor revenue months alternating with favorable months through December; since then revenues have been consistently favorable. The RTA collected \$6,128,274 in April (February sales), up 0.89% from the prior year.

The FY 17 to-date revenue growth has improved to 1.22%, below the budgeted revenue growth of 2.00% forecast in the annual budget.

The RTA fund balance is expected to fall considerably between now and the end of the fiscal year, as the Grant Road Phase 2 construction project commences, Tangerine Road construction continues, and final billings for the Kolb connection, Silverbell Road and Sunset Road projects are received, ADOT draws down its SR 77 Wildlife crossing funds and bond coupons mature.

Updated Revenue Forecast

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. The prior (2013) updated 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 the 2013 update), 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

This is a standing report on the activities and financial status of the RTA. The Draft RTA Revenue Update was presented to the RTA Board at its March 2017 meeting.

TECHNICAL, POLICY, LEGAL OR OTHER CONSIDERATIONS

RTA staff is reviewing a possible modification to its investment policy, with the potential of establishing a minimum cash balance in its demand deposit account and a reserve amount based upon the prior year TPT collections.

Staff is also looking at the possibility of refunding its callable Series 2011 bonds bearing interest rates which exceed 4 percent. This could enable the RTA to both save on interest expense and fund the reserve amount contemplated above.

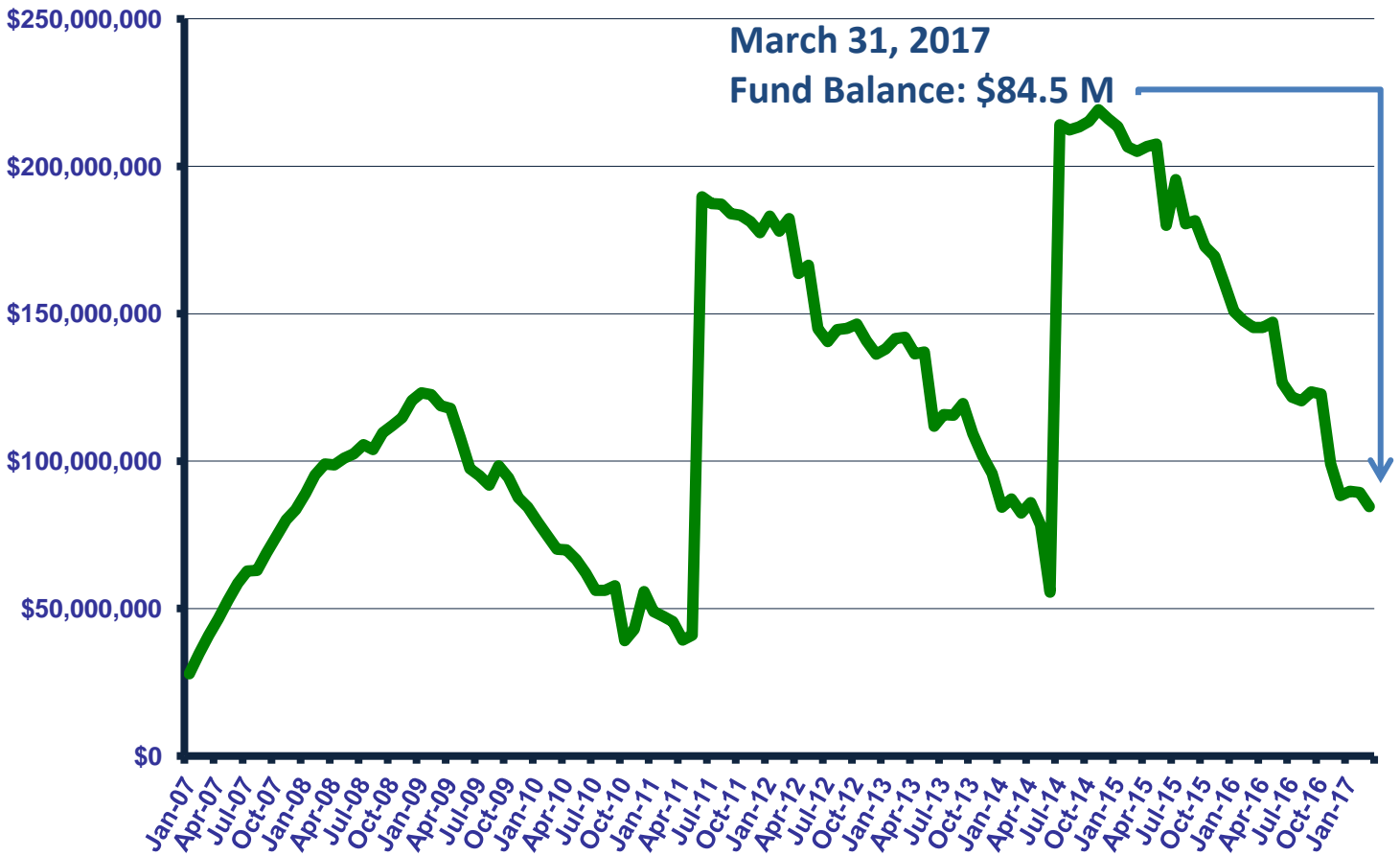
ATTACHED ADDITIONAL BACKUP INFORMATION

- A. FTA Fund Balance Graph.
- B. RTA Monthly Transaction Privilege Tax (TPT) Receipts.

- C. RTA Year-over-Year Monthly Revenue Trends.
- D. Final EBRC RTA Revenue Forecast

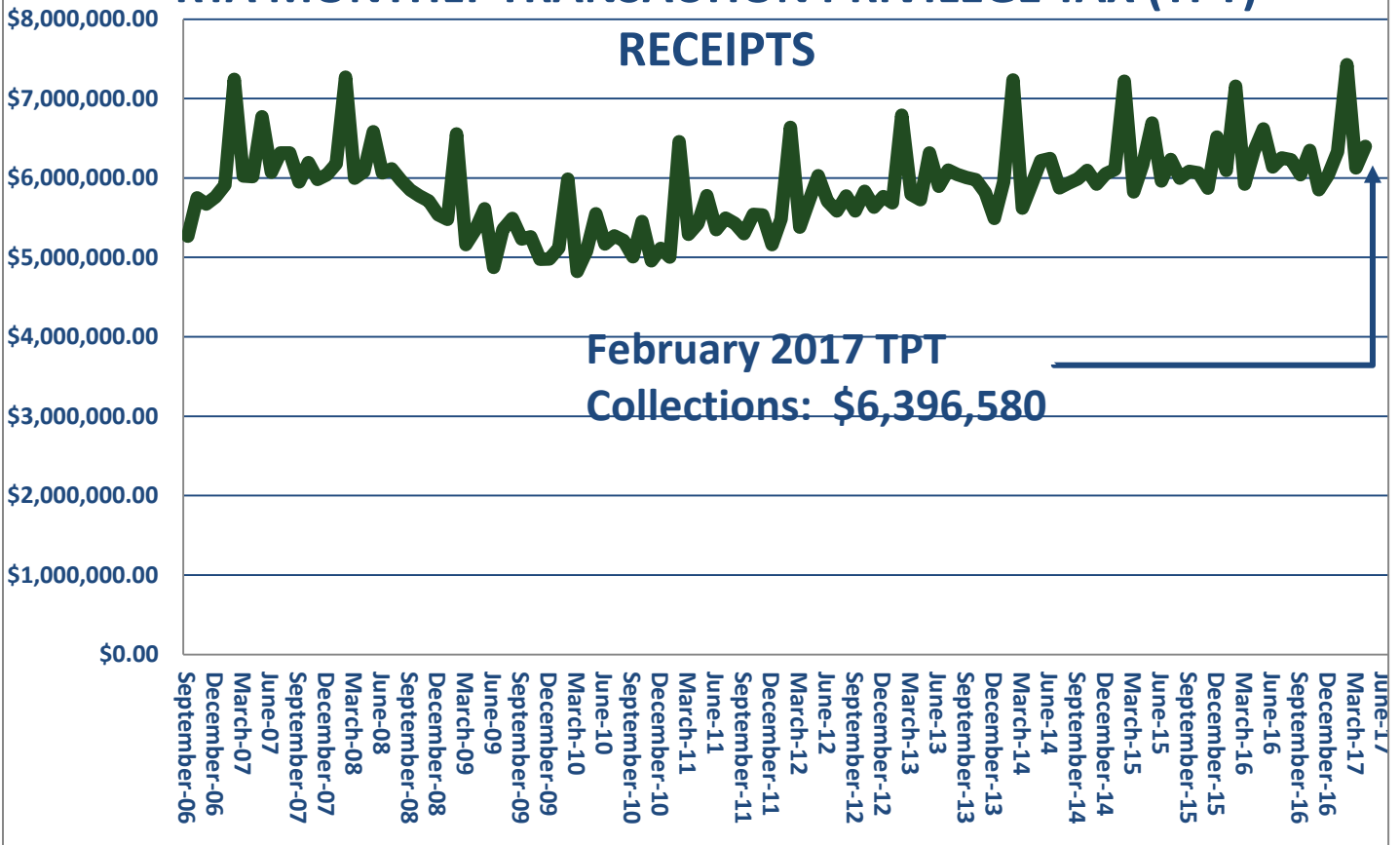
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RTA Fund Balance



RTA MONTHLY TRANSACTION PRIVILEGE TAX (TPT)

RECEIPTS



Monthly Revenue Trends (YoY)

