

SUBJECT: RTA FY 2018 Budget

Meeting	Meeting Date	Agenda Category	Agenda Item #
RTA Board	May 25, 2017	Discussion Action	4

REQUESTED ACTION/SUGGESTED MOTION

Approval of Resolution 2017-011, adopting the RTA Budget for Fiscal Year 2018.

ASSOCIATED OWP WORK ELEMENT/GOAL

Work Element 46, Regional Transportation Authority

SUMMARY

Pursuant to ARS-48-5304.7, the RTA Board is required to adopt an annual budget. This is typically presented to the Board at its last regular meeting prior to the end of the preceding fiscal year.

The proposed FY 2018 budget has been reformatted from prior year budgets to provide more granular reporting and more visibility of the specific projects being funded.

Major assumptions made in the development of the FY 2018 budget include:

- Revenue estimates for Transaction Privilege Taxes (TPT) were based on estimates provided by the Economic Business Research Center (EBRC) at the University of Arizona's Eller College of Management.
- Where multiple regional sources of revenue were committed to a project (12.6%, STP, etc.), the other sources would be expended prior to drawing on RTA funds.
- Cash flow projections were based upon jurisdictional estimates.
- Transit Maintenance of Effort funding and FTA transit funds are budgeted separately from RTA funds.
- A revised budget will be presented to the RTA Board to include the rollover of unexpended FY 2017 funding which may be needed for the continuation of active projects.

The RTA budget for FY 2018 reflects \$80.2 million in TPT revenues, other revenues of \$8.0 million, a beginning fund balance of \$24.8 million, \$106.8 million in expenditures/reimbursements and a closing balance of \$6.2 million.

This budget is consistent with the FY 2018-22 PAG TIP.

PRIOR BOARD AND/OR COMMITTEE ACTION

The RTA Board heard a preliminary report on the updated RTA Revenue model at its March meeting, as well as a report on the proposed FY 2018-22 PAG TIP. The RTA Board also receives updates on revenues and expenditures throughout the year.

FINANCIAL CONSIDERATIONS

Revenue

For FY 2018, staff recommends a budget of \$80,177,000 for Transaction Privilege Tax (TPT) receipts. The FY 2018 TPT budget is based upon the revenue forecast for FY 2018 by the EBRC Revenue Model Update Report performed this spring. This revenue growth estimate is less conservative than recent 2.0 percent budget growth, as there are now signs of positive economic growth not seen since prior to the Great Recession. Interest paid on the RTA fund balance was not included in the budget for FY 2018, due to the modest fund balance anticipated and the poor yields associated with short-term investments.

Miscellaneous revenue, primarily from transit maintenance of effort (MOE) contributions and federal transit grants is now reported outside of the RTA Budget, and these funds are budgeted and reported separately in the TIP. The aggregate amount of these other funds is \$8,011,279. This amount has declined as a result of federal grants (JARC and New Freedoms) which have terminated.

Expenditures

The largest forecast expenditures are in the Roadway Element, which is dominated by several major projects. Roadway projects within the budget which are currently under construction include: Tangerine Road, (RTA #1), Phase 2 of Grant Road (RTA #18), Houghton Road (RTA #32) and Wilmot Road (RTA #33). Projects expected to commence construction in FY 2018 include Downtown Links (RTA #16), Valencia Road, Wilmot to DM Spur (RTA #'s 24, 25 & 36) and the Broadway Blvd., Camino Seco to Houghton project (RTA #29).

Roadway Element expenditures are budgeted for \$41,655,000. As with past budgets, the timing of the start of new projects will influence how much of the budgeted amount will be expended in the fiscal year; additionally, rollover funding is expected to be added in September, after the FY 2017 budget is closed.

The **Safety Element** is budgeted for \$4,173,000 in FY 2018. Projects of note include the Valencia/Kolb intersection, the bus pullout program and the San Xavier Mission Gateway Path.

The **Environmental and Economic Vitality** program projects active project-related expenditures of \$3,974,000. A budget adjustment will be necessary for either the FY 2017 or 2018 budgets for wildlife linkages. The wildlife crossing projects built by ADOT on SR 77 and SR 86 were completed in FY 2016 and were expected to be reimbursed in FY 2016, and not carried in the FY 2017 budget. As of the date of this report, these funds have still not been drawn down. An adjustment in September will address this. The active work in FY 2018 will include off-highway fencing for the SR 77 crossings that still remains to be done, as well as work on the Tangerine Road project. The budget includes funding for a number of bike boulevard and bike lane projects that will be moving from design to construction in FY 2018 as well as ongoing Mainstreet Business Assistance work.

The **Transit Element** budget includes reimbursements to Sun Tran/Sun Van as well as payments to RTA contracted service providers, and is budgeted for \$28,033,693 for FY 2018, and includes expenditures funded by grant and maintenance of effort revenues. The overall transit budget increased 5.9%, due largely to increases in special needs services and a grant for first mile/last mile service in the Rita Ranch area. Fixed-route operations funding levels for most services are increased by 3 percent, after all sources of funding are considered.

Other administrative expenses include the continued assessment imposed by the Arizona State Legislature of \$500,000 for the cost of tax collection, \$775,000 to PAG for the administration of the RTA and \$150,000 for legal fees and miscellaneous expenditures. The total budget for **Administrative Expenses** is \$1,409,000.

Debt Service for the Series 2011 and Series 2014 Bonds is \$27,589,000.

TECHNICAL, POLICY, LEGAL OR OTHER CONSIDERATIONS

Pursuant to ARS-48-5304.7, the RTA Board is required to adopt an annual budget. This is typically presented to the Board at its last regular meeting prior to the end of the preceding fiscal year.

Unexpended funding from the FY 2017 budget will carry forward into the FY 2018 budget. The estimated balance at the beginning of the year is based upon current TPT collections and expenditure rates, extended to July 1. The estimated carry forward from FY 2017 is \$24,798,226. However, this is based upon a revised FY 2017 budget. A revised budget for FY 2018 will be provided to the RTA Board in

September, together with a TIP amendment for project funding and fund balances to be rolled over from FY 2017.

ATTACHED ADDITIONAL BACKUP INFORMATION

A. Resolution 2017-011

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