RTA shortfall grows to $364 million, new projections show

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A new economic forecast is forcing Regional Transportation Authority planners to begin to rethink their long-term plans.

Just months after RTA officials confirmed they were staring down an estimated $300 million deficit, a new report prepared by the University of Arizona's Eller College of Management said the figure is closer to $364 million, potentially putting even more projects in jeopardy.

The report revises a 2006 projection, used to sell the transportation plan to voters, that showed the half-cent-per-dollar sales tax would generate $2.1 billion over the 20-year life of the transportation plan.

The updated forecast predicts revenues of $1.736 billion.

The 17 percent decrease in projected revenues is consistent with the decline in revenue the RTA has already taken in sales taxes, wrote the executive director for the RTA, **Farhad Moghimi**.

Despite the "lackluster" economic projections, Moghimi said it's too early to make any decisions related to projects.

Predicting how much tax revenue will go into RTA coffers, he said, becomes more of educated guess when talking about fiscal cycles more than a decade away.

He suggested statistical modeling in this scenario is, at best, right about 65 percent of the time.

Moghimi said the next step for the RTA will be a comprehensive review of its programs and expenditures rather than axing any projects.

"Considering the long-term nature of the revenue projections, we do not have to make any decisions in haste," he said.

In a two-page memo to RTA board members, Moghimi hinted at some cost savings for future projects.

"Construction cost savings, coupled with the decrease in the right-of-way acquisition costs, suggests that the expenditures between 2013 and 2026 may well be somewhat less than our previous expenditure forecast," Moghimi said.

RTA Chairman **Steve Christy** isn't surprised by the revenue forecast prepared by the Economic and Business Research Center at the UA's Eller College of Management.

"We anticipated that the 2008 recession would impact RTA revenues, and we now know the reality, which shows that we were not far off in our own calculations," Christy said.

The agency has been value-engineering projects since 2011, which Christy calls "proactive" in light of the recent recession.

Those efforts, he said, have led to significant cost savings on construction bids.

Total program expenses are $221.7 million below the current budget, which Moghimi partially attributes to less-than-expected construction costs.

Another reason, however, is the delay in some major projects.

The RTA has completed 540 projects since it started working on area streets eight years ago.

A new round of bond funding is expected next year, officials said.

In May 2011, the RTA approved $150 million in bonds, the first of several bond financing options originally scheduled as part of the RTA plan development.

“We had always anticipated the need to bond to manage our cash flow. During the remaining life of the RTA plan, we expect to seek bonds at least two more times,” Christy said.

The less-than-expected revenue projections will be discussed next week, when the RTA’s board meets on Thursday.