



Regional Transportation Authority

AGENDA MATERIAL

DATE 9/6/22

ITEM NO. RA16

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RTAmobility.com

MEMO

Date: September 1, 2022

From: Charlene Robinson, CART Committee Chair

To: CART Committee

Cc: RTA Board
Farhad Moghimi, RTA Executive Director
Thomas Benavidez, RTA Legal Counsel
Jim DeGrood, RTA Deputy Director

Re: Increased construction costs

I last communicated to you in June that the RTA Board had moved two projects to the RTA Next plan and will identify additional RTA projects for RTA Next and/or funding needs to complete the remaining RTA projects impacted by increased construction costs.

At this time, I understand no further decisions have been made by the RTA Board on this matter.

The following provides some background on the RTA budget and an overview of other funding factors that are being considered:

For a reminder, the ballot-approved budget for the 2006 voter-approved RTA projects was \$1.9 billion. The current tax revenue estimate through June 2026 is \$1.6 billion. To make up the approximate \$300 million difference, the RTA Board directed federal and state transportation funds that come into the region annually be applied from FY 2020 to FY 2026 to fund the voter-approved plan budget. That action addressed lower than anticipated RTA tax revenues to cover the \$300 million gap.

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Also, you are aware that the RTA stops collecting revenue after June 30, 2026, for the current plan, and no more RTA funds will be collected unless the tax is continued under a new voter-approved initiative for a "new" plan.

Prior to 2020, programming RTA revenues below the 2006 ballot amount was sufficient to complete most projects. Since 2017, project cost increases began to trend upward, including significant increases in the last two years.

During the same time, RTA revenue collections improved, and the RTA Board has already committed to make those additional funds available for eligible costs to complete projects.

For the first time in the history of the RTA, and in line with the January 2022 direction from the Board, the RTA provided RTA funding over the ballot amount to address recent spikes in cost increases on three projects.

To date, over \$42 million in funding over the ballot amount has been approved by the RTA Board for three projects needing additional funding due to significant increased costs. In other words, the RTA Board is working to help its members with remaining RTA dollars to deliver all named projects.

This approach is to fund actual cost increases for RTA eligible expenses instead of using an arbitrary inflation factor. The RTA anticipates roughly \$177 million to \$219 million of RTA funds will be available between now and June 2026 to provide supplemental funding for the remaining RTA projects as shown in the attached Funding Needs Analysis.

Another \$150M will be needed, based on current cost estimates, to cover remaining project costs. Pursuant to RTA Board direction, these additional costs may be provided through RTA Next new revenues, unless other local, state or federal funds are identified.

While inflation is always present, the recent spike in construction costs is unprecedented and not directly caused by inflation per se and requires careful consideration by the RTA to ensure compliance with RTA regulations.

As noted above and in my last letter, the RTA Board, consistent with its statutory authority, moved two RTA projects with significant scope changes and need for additional funding to the next RTA plan. This allows the voters to decide if the proposed scope changes from the 2006 voter-approved plan are acceptable, including new costs associated with the scope changes.

The RTA Board supports the scope changes but wants assurance from the voters. The RTA has an obligation to allow voters to weigh in on significant scope changes that are not consistent with the original plan, based on the RTA statutes.

The RTA will continue to assist members on identifying projects that are suited to move to

the next RTA plan. I have confirmed with the RTA staff that the Board is open to input directly from the jurisdictions on which projects to move to RTA Next, with the understanding that all projects moved to the next RTA plan will be included in the first period of the new plan.

If the next plan initiative is unsuccessful, the current plan and tax remain as approved in 2006, and the RTA Board is still committed to support project delivery. Other regional funds may then be used as directed by the Board if new RTA funds are not available.

No single solution has been determined at this time, and discussions to address funding needs continue at the Board level. RTA staff is working through the numbers and looking at possible scenarios that can be considered by the RTA Board for direction at its October meeting.

I will continue to communicate any updates with the CART Committee and anticipate that I might schedule a CART meeting in early November following any Board decisions made at the October meeting.

If you have any question regarding the RTA's approach to supporting RTA project delivery, the RTA staff may be contacted to clarify the statutory required steps and administrative procedures.

Funding Needs Analysis

RTA Ballot #	TIP ID	RTA Roadway Project	Current Cost Estimate. (RTA, August, 2022)	2022-2026 TIP Funding	Funding Need	Notes
1	86.06	Tangerine Road, I-10 to La Canada; Stage 2A, I-10 to Dove Mountain	\$31,905,000	\$28,707,000	\$3,198,000	Stages 2A and 2B seperated
1	86.06	Tangerine Road, I-10 to La Canada; Stage 2B, I-10 to Dove Mountain	\$28,525,000	\$12,007,000	\$16,518,000	Stages 2A and 2B seperated
5	56.06	Silverbell Road, Grant to Ina; Stage 2, Goret to Camino del Cerro	\$43,865,000	\$40,860,000	\$3,005,000	Stage 2 consumes all remaining RTA funding. 100% plans estimate
5	56.06	Silverbell Road, Grant to Ina; Stage 3, Camino del Cerro to Ina	\$0	\$0	\$0	Deferred to RTA Next for Scope change and additional funding.
8	10.18	Sunset, Silveroan to River; Stage 2, I-10 to River (scope has been modified to provide a grade separation at RR tracks)	\$39,421,000	\$39,421,000	\$0	IGA with ADOT; RTA funds invoiced and paid
13	82.06	1st Avenue, Orange Grove to Ina	\$0	\$6,556,000	-\$6,556,000	Deferred to RTA Next for Scope change and additional funding.
14	81.06	1st Avenue, River to Grant	\$83,400,000	\$74,200,000	\$9,200,000	Assumes 4-Lane preferred section, pending approval.
15	84.06	UPRR Underpass at Grant Road	\$22,665,000	\$31,975,000	-\$9,310,000	30% design estimate in April 2022. Estimate in line with latest team forecast.
18	55.06	Grant, Oracle to Swan; Stages 3 and 4, from Palo Verde to Venice	\$52,777,000	\$47,000,000	\$5,777,000	\$47.3 M estimate in April, 2022. Project ready to bid
18	55.06	Grant, Oracle to Swan; Stages 5 and 6, from Park to Palo Verde	\$88,954,000	\$14,446,000	\$74,508,000	30% plans (Sept 2021) estimate of \$68.75M. Current estimate.
19	131.00	22nd, I-10 to Tucson; Stage 2, Kino to Tucson	\$155,700,000	\$95,454,000	\$60,246,000	Latest team estimates reflected. CMAR contractor working on VE recommendations.
19	131.00	22nd, I-10 to Tucson; Stage 3, I-10 to Kino	\$78,277,000	\$0	\$78,277,000	Latest RTA estimate.
20	87.06	Aviation, Palo Verde to I-10 (R/W)	\$19,600,000	\$19,600,000	\$0	Scope to match budget
22	38.13	Irvington, Santa Cruz River to East of I-19; Sidewalk, Bike lanes, Access, Safety and I/S Mods	\$9,800,000	\$9,800,000	\$0	Scope to match budget
23	60.06	Valencia, I-19 to Alvernon; Access, Safety and I/S Mods	\$9,800,000	\$9,800,000	\$0	Scope to match budget
25	59.06	Valencia, Kolb to Houghton	\$37,175,000	\$25,596,000	\$11,579,000	90% plan estimate of \$37.88M from April, 2022. RTA estimate includes recent project team information.
30	32.00	22nd, Camino Seco to Houghton	\$29,926,000	\$9,066,000	\$20,860,000	Latest RTA estimate.
31	38.00	Harrison, Golf Links to Irvington	\$9,609,000	\$6,158,000	\$3,451,000	Latest RTA estimate.
32	16.15	Houghton, I-10 to Tanque Verde; Stage 7, from Irvington to 22nd.	\$60,380,000	\$35,128,000	\$25,252,000	Latest RTA estimate. Includes 6-lane roadway north of Golf Links which is beyond the voter approved scope; Tucson agreed to fund the increases associated with the additional lanes
32	23.20	Houghton, I-10 to Tanque Verde; Stage 8, from Broadway to Tanque Verde	\$55,337,000	\$7,326,000	\$48,011,000	Latest RTA estimate. Original Scope for project, though an alternate 3-lane cross section north of Speedway would significantly reduce costs.
Current Construction Downtown Links			\$17,500,000	\$0	\$17,500,000	\$7 Million recommended in June RTA Board meeting. Large growth in Railroad and Shoring Package
Totals			\$874,616,000	\$513,100,000	\$361,516,000	

Estimated utility reimbursements
@5% of cost

-\$43,730,800

Adjusted Total

\$317,785,200

up from \$293M, after deferral of Stage 3 of RTA #5 and RTA #13

Should RTA Board Elect to apply Unprogrammed funds to the Current Project Funding Gap:

Available Revenue, Baseline Est. **\$176,850,000**
Revised Gap **\$140,935,200**

Other Funds Needed

Available Revenue, Optimistic **\$218,760,000**
Revised Gap **\$99,025,200**

Other Funds Needed