

BOARD OF DIRECTORS REPORT

To: David A. Genova, General Manager and CEO

From: Heather McKillop, CFO/AGM, Finance & Administration

Date: October 2, 2018

Subject: Adoption of the 2019-2040 Long Range Financial Plan

Date: October 3, 2018

GM

Board Meeting Date: October 16, 2018

RECOMMENDED ACTION

It is recommended by the Financial Administration and Audit Committee that the RTD Board of Directors adopts the 2018 Long Range Financial Plan.

This Recommended Action supports the General Manager's Goals for 2018:

Core Goal #3 – Strong Financial Management

Task Goal #1 – Fiscal Sustainability

BACKGROUND

The RTD Long Range Financial Plan serves as an extension of the six-year Mid-term Financial Plan through the regional planning time horizon, which is currently 2040. This plan is submitted to the Denver Regional Council of Governments (DRCOG) for inclusion in the Regional Transportation Plan (RTP), and projects must be included in order to receive federal funding. RTD's lenders also utilize the plan to ensure that RTD has the financial capacity to repay its debt.

DISCUSSION

The Long Range Financial Plan focuses on ensuring that RTD can fund the ongoing operation and maintenance of the Base System and the FasTracks corridors while repaying its debt obligations. Key elements of the plan for the years 2025-2040 include the following:

- Base System Operations and Capital Replacement
 - Continued operating costs based on the final year of the SBP, escalated at the Consumer Price Index (CPI)
 - Annual allowance for major rehabilitation assumed based on 0.5% of installed cost of existing asset inventory, escalated at CPI
 - Additional service for the SH 119 project at its completion
 - Replacement of revenue fleet and other assets based on current asset inventory and replacement schedules, adjusted for major assets purchased in the SBP period
 - Replacement of a maintenance facility in 2025 to meet projected capacity needs
- FasTracks Operations and Capital Maintenance
 - Cost allocations from the Base System based on the final year of the SBP, escalated at the Consumer Price Index (CPI)
 - FasTracks-funded rubber tire service increase based on the final year of the SBP, escalated at the Consumer Price Index (CPI)
 - Eagle operating and maintenance costs derived from the Concession Agreement
 - North Metro operations and maintenance costs for RTD operations, escalated at CPI
 - Annual allowance for major rehabilitation of corridors outside the Eagle Project assumed at 0.3%-0.5% of installed asset value based on age of corridor, escalated at CPI
- Revenue Projections

- Sales and use tax forecasts from the March 2018 Leeds forecasts, adjusted for reinstatement of the sales tax on recreational marijuana
- Farebox revenues forecasts based on the 2019 fare change adopted by the Board in September 2018
- Fare increases tied to the CPI assumed every third year
- Future formula grants forecast based on historic appropriations, escalated at CPI
- Additional fixed guideway grants assumed for FasTracks corridors beginning nine years after corridors enter revenue service
- FasTracks corridor construction
 - Additional projects to meet commitments included in the environmental clearances for federally-funded corridors

Exhibit I shows the projected cash flow for the Base System and FasTracks by 5-6 year increments through the year 2040, including the current projections from the mid-term financial plan. The plan shows positive fund balances on both the base system and FasTracks in every year through 2040.

- No base system funding required to fund FasTracks expenditures; FasTracks is expected to be fully funded from its own revenue streams
- Need to issue COPs to finance selected Base System capital expenditures
 - Bus maintenance facility in 2025
 - Bus purchases in 2028
- No additional COPs issued to finance FasTracks expenditures
- Increase combined Board appropriated and operating reserves on Base System to reach three months' operating expenses by 2029
- Maintain a balance of three months' operating expenses in the combined Board appropriated reserve, operating reserve, and the capital acquisition fund on FasTracks
- Short-term use of FISA to fund FasTracks operations and maintenance in 2027
 - Full balance restored to FISA in 2028

FINANCIAL IMPACT

The recommended Long Range Financial Plan provides RTD with the means to maintain its current system in a state of good repair through 2040. Between 2025 and 2028, RTD would not have the capacity for service expansion or new projects beyond those needed for state of good repair, and the FISA would not be sufficient to fund the unfunded FasTracks corridors.

Beginning in 2029, positive unrestricted fund balances begin to accumulate on both the Base System and FasTracks, in addition to the balance in the FISA. Funding from the FISA and the unrestricted fund balances on FasTracks would be used to fund the remaining unfunded FasTracks corridors, which have not been prioritized.

Key financial indicators for the Long Range Financial Plan are:

(in millions \$)	2025-2030	2031-2035	2036-2040
Base System			
Unrestricted Period-End Fund Balance	\$3.2	\$503.2	\$915.2
Combined Period-End Balance: Board Appropriated / Capital Replacement / Operating Reserves	\$181.2	\$259.2	\$300.0
COP Proceeds	\$177.3	\$0.0	\$0.0
Base System Funding to FasTracks	\$0.0	\$0.0	\$0.0

FasTracks			
Unrestricted Period-End Fund Balance	\$44.0	\$586.2	\$1,197.7
Combined Period-End Balance: Board Appropriated / Capital Replacement / Operating Reserves	\$71.0	\$77.0	\$88.0
FasTracks Internal Savings Account (FISA) Balance – Period-End	\$285.3	\$416.1	\$558.9
COP Proceeds	\$0.0	\$0.0	\$0.0

ALTERNATIVES

1. It is recommended that the RTD Board of Directors adopts the Long Range Financial Plan.
2. Adoption of the Long Range Financial Plan with changes from the current recommendation. This is not the recommended action.
3. Defer the adoption of Long Range Financial Plan to a later date. This is not the recommendation action.

ATTACHMENTS:

- Exhibit I - 2018 Long Range Plan Cash Flow (PDF)
- Exhibit II - 2018 Long Range Plan Cash Flow Chart (PDF)

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Approved by:

Heather McKillop, CFO/AGM, Finance & Administration

10/3/2018

Exhibit I
Regional Transportation District
Long-Range Financial Plan Summary Cash Flow - Base System
2018-2040 (Rounded Millions)

FINAL

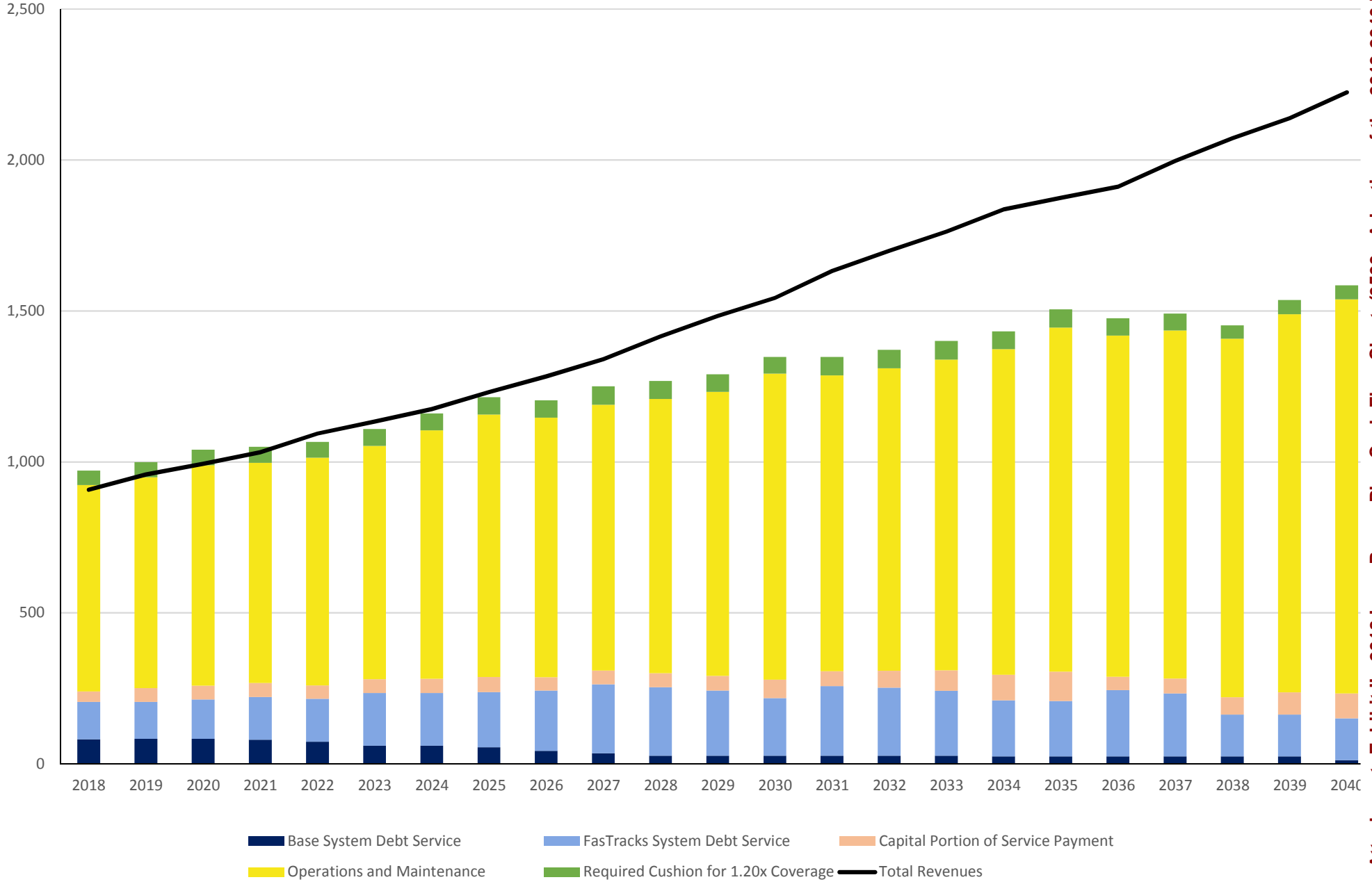
	Forecast 2018	2019-2024	2025-2030	2031-2035	2036-2040	2019-2040 Total
Revenue and Other Sources of Funds						
1 Farebox Revenue	\$ 115.2	\$ 783.6	\$ 934.2	\$ 935.5	\$ 1,084.4	\$ 3,737.7
2 Sales and Use Tax	373.7	2,691.6	3,497.3	3,700.7	4,292.2	14,181.7
3 Grant Revenue	148.5	665.9	679.2	650.4	738.8	2,734.2
4 Local and Third Party Contributions	-	-	-	-	-	-
5 Other Income	10.6	69.6	105.6	146.5	214.7	536.2
6 Bond/COP Proceeds	-	23.1	177.3	-	-	200.3
7 Base System Funding to FasTracks	-	-	-	-	-	-
8 Revenue and Other Sources of Funds	\$ 647.9	\$ 4,233.7	\$ 5,393.4	\$ 5,433.1	\$ 6,330.0	\$ 21,390.2
Operating Expenses Excluding Depreciation						
9 Ongoing Operating Expenses	\$ (549.8)	\$ (3,473.0)	\$ (4,094.2)	\$ (3,949.7)	\$ (4,512.6)	\$ (16,029.5)
10 FT Rubber Tire Service Increase	18.4	121.0	141.1	135.1	153.5	550.7
11 Expense Projects	(7.6)	(59.2)	(151.2)	(144.8)	(164.5)	(519.7)
12 Total Operating Expenses	\$ (539.0)	\$ (3,411.3)	\$ (4,104.3)	\$ (3,959.3)	\$ (4,523.6)	\$ (15,998.4)
13 Capital Expenditures	\$ (81.2)	\$ (349.3)	\$ (987.6)	\$ (764.9)	\$ (1,251.4)	\$ (3,353.2)
14 Debt Service and Lease Payments	\$ (80.8)	\$ (436.2)	\$ (211.4)	\$ (127.9)	\$ (107.8)	\$ (883.2)
15 Base System Funding to FasTracks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16 Change in Net Assets / Income	\$ (53.1)	\$ 37.1	\$ 90.2	\$ 581.0	\$ 447.2	\$ 1,155.5
Use of / (Increase to) Funds						
17 Board Appropriated/Capital Replacement/Operating Reserves	\$ (5.3)	\$ (59.1)	\$ (87.0)	\$ (78.0)	\$ (40.8)	\$ (264.9)
18 TABOR Reserve	(0.5)	(4.5)	(5.5)	(5.3)	(5.7)	(21.0)
19 Prior Year Financing Proceeds	21.7	11.4	-	-	-	11.4
20 Other Restricted Reserves	0.1	2.6	3.6	2.4	11.2	19.7
21 FasTracks Management Reserve	-	-	-	-	-	-
22 FasTracks Internal Savings Account (FISA)	-	-	-	-	-	-
23 Total Funds Change	\$ 16.0	\$ (49.6)	\$ (88.9)	\$ (80.9)	\$ (35.3)	\$ (254.8)
24 Increase / (Decrease) Fund Balance	\$ (37.1)	\$ (12.6)	\$ 1.2	\$ 500.1	\$ 411.9	\$ 900.7
Unrestricted Fund Balance						
25 Beginning Balance	43.1	8.5	1.9	3.2	503.2	8.5
26 Reconciling Items	2.5	6.0	-	-	-	6.0
27 Year-End Balance / (Deficit)	\$ 8.5	\$ 1.9	\$ 3.2	\$ 503.2	\$ 915.2	\$ 915.2
Cumulative Fund Balances at Year-End - Restricted						
28 Board Appropriated/Capital Replacement/Operating Reserves	\$ 35.1	\$ 94.2	\$ 181.2	\$ 259.2	\$ 300.0	\$ 300.0
29 TABOR Reserve	15.0	19.5	25.0	30.3	36.0	36.0
30 Prior Year Financing Proceeds	11.4	-	-	-	-	-
31 Other Restricted Reserves	33.3	30.7	27.1	24.7	13.6	13.6
32 FasTracks Management Reserve	-	-	-	-	-	-
33 FasTracks Internal Savings Account (FISA)	-	-	-	-	-	-

Exhibit I
Regional Transportation District
Long-Range Financial Plan Summary Cash Flow - FasTracks
2018-2040 (Rounded Millions)

FINAL

	Forecast 2018	2019-2024	2025-2030	2031-2035	2036-2040	2019-2040 Total
Revenue and Other Sources of Funds						
1 Fare Revenue	\$ 31.6	\$ 316.0	\$ 472.1	\$ 548.2	\$ 657.4	\$ 1,993.6
2 Sales and Use Tax	249.1	1,794.5	2,331.5	2,467.1	2,861.5	9,454.6
3 Grant Revenue	268.6	17.6	213.4	252.7	287.1	770.8
4 Local and Third Party Contributions	133.9	17.4	-	-	-	17.4
5 Other Income	19.0	127.4	131.5	170.7	282.3	711.9
6 Bond Proceeds	-	-	-	-	-	-
7 Base System Funding to FasTracks	-	-	-	-	-	-
8 Revenue and Other Sources of Funds	\$ 702.2	\$ 2,272.8	\$ 3,148.5	\$ 3,438.8	\$ 4,088.1	\$ 12,948.2
Operating Expenses Excluding Depreciation						
9 Corridor Operating Expenses	\$ (103.1)	\$ (931.4)	\$ (1,182.7)	\$ (1,093.0)	\$ (1,303.6)	\$ (4,510.6)
10 FT Rubber Tire Service Increase	(18.4)	(121.0)	(141.1)	(135.1)	(153.5)	(550.7)
11 FT Expense Projects	(23.5)	(45.4)	(44.8)	(42.9)	(48.8)	(181.9)
12 Total Operating Expenses	\$ (145.0)	\$ (1,097.7)	\$ (1,368.6)	\$ (1,271.0)	\$ (1,505.8)	\$ (5,243.2)
Capital Expenditures						
13 Initial Expenditures	\$ (511.9)	\$ (105.2)	\$ (33.3)	\$ -	\$ -	\$ (138.5)
14 Post-Opening Capital Expenditures	-	(27.9)	(83.6)	(91.1)	(674.2)	(876.8)
15 Total Capital Expenditures	\$ (511.9)	\$ (133.1)	\$ (116.9)	\$ (91.1)	\$ (674.2)	\$ (1,015.3)
16 Debt Service and Lease Payments	\$ (158.6)	\$ (1,160.3)	\$ (1,540.2)	\$ (1,394.7)	\$ (1,151.0)	\$ (5,246.2)
17 Change in Net Assets / Income	\$ (113.2)	\$ (118.3)	\$ 122.8	\$ 682.0	\$ 757.1	\$ 1,443.5
Use of / (Increase to) Funds						
18 Board Appropriated/Capital Replacement/Operating Reserves	\$ 0.7	\$ (19.0)	\$ (19.0)	\$ (6.0)	\$ (11.0)	\$ (55.0)
19 TABOR Reserve	1.7	(3.5)	(4.1)	(4.0)	(4.0)	(15.6)
20 Prior Year Financing Proceeds	195.3	14.2	-	-	-	14.2
21 Other Restricted Reserves	8.4	6.5	0.8	1.1	12.2	20.6
22 FasTracks Management Reserve	-	-	-	-	-	-
23 FasTracks Internal Savings Account (FISA)	(22.1)	(108.1)	(105.7)	(130.8)	(142.8)	(487.4)
24 Total Funds Change	\$ 184.0	\$ (110.0)	\$ (127.9)	\$ (139.7)	\$ (145.6)	\$ (523.2)
25 Increase / (Decrease) Fund Balance	\$ 70.8	\$ (228.3)	\$ (5.1)	\$ 542.2	\$ 611.5	\$ 920.3
Unrestricted Fund Balance						
26 Beginning Balance	206.6	277.4	49.1	44.0	586.2	277.4
27 Year-End Balance / (Deficit)	\$ 277.4	\$ 49.1	\$ 44.0	\$ 586.2	\$ 1,197.7	\$ 1,197.7
Cumulative Fund Balances at Year-End - Restricted						
28 Board Appropriated/Capital Replacement/Operating Reserves	\$ 33.0	\$ 52.0	\$ 71.0	\$ 77.0	\$ 88.0	\$ 88.0
29 TABOR Reserve	9.0	12.5	16.5	20.5	24.6	24.6
30 Prior Year Financing Proceeds	14.2	-	-	-	-	-
31 Other Restricted Reserves	90.9	84.5	83.6	82.5	70.3	70.3
32 FasTracks Management Reserve	15.9	15.9	15.9	15.9	15.9	15.9
33 FasTracks Internal Savings Account (FISA)	71.5	179.6	285.3	416.1	558.9	558.9

Long Range Financial Plan Cash Flow - 2018-2040 (millions of dollars)



Attachment: Exhibit II - 2018 Long Range Plan Cash Flow Chart (3593 : Adoption of the 2019-2040 Long