
November 16, 2021

2022 Proposed Budget

Finance Contacts

Todd Nikkel
Budget Analyst IV
h.todd.nikkel@rtd-denver.com
(303) 299-2418

Doug MacLeod
Chief Financial Officer
douglas.macleod@rtd-denver.com
(303) 299-3036



Table of Contents

<u>Section</u>	<u>Page</u>
Introduction	3
Perspective	3
Strategic Plan Alignment	4
Fiscal and Budgetary Policies	4
Financial Discussion and Analysis	5
- Revenues	5
- Expenditures	7
- Asset Management Plan	11
Headcount	12
Comparative Cash Flow Information	13
Financial Position and Key Metrics	14





Introduction

The Regional Transportation District's (RTD) 2022 Budget (Budget) represents the expected revenues, expenditures and financial position anticipated for the fiscal year January 1 through December 31, 2022. The RTD Board of Directors appropriates funding by fiscal year which allows RTD to continue its mission to *make lives better through connections*. The expenditures set forth herein align the Budget with RTD's Strategic Plan Priorities within the projected financial constraints.

This Budget demonstrates RTD's financial capacity to address the agency's strategic priorities based on current information. The development of the Budget is a cross-departmental collaborative effort in which the final request to the Board has the concurrence of staff.

Perspective

The impact of the COVID-19 Pandemic had a significant financial impact to RTD beginning in March 2020, the effects of which are expected to continue into the foreseeable future. Initial indications were that annual revenues would decrease by \$250 million (25%) from ridership losses and economic austerity affecting RTD's fare and sales and use tax revenues. In response, RTD implemented immediate measures to reduce expenditures and adjust transit activities which had a profound effect on employees, customers and communities.

During the ensuing months, RTD has revised its financial expectations as a result of improving revenues, federal relief funding and current economic forecasts. Current information indicates that the financial impact of the Pandemic has not been as grave as anticipated, albeit financial constraints are expected to remain.

Prior to the Pandemic much of RTD's focus was to complete expansion projects. During the Pandemic, cost reduction efforts required deferral of significant asset management needs. The effect of these measures has resulted in a substantial backlog of assets combined with service realignment considerations, both of which will require substantial resource commitments. The near-term fiscal periods will require RTD to prioritize the aforementioned in order to maintain a reliable transit system.

This Budget request sets a financial course that is prudent and strategic while providing the foundation for financial sustainability.

The underpinnings of these requested appropriations are to provide a level of service commensurate with available resources that best meets the needs of RTD customers and communities as well as a focus on RTD's fiduciary duty to maintain its assets in a state of good repair. Minimal funding has been identified for expansionary or new projects.



Strategic Plan Alignment

The Budget has been developed to direct resources to the Strategic Plan Priorities:

- Customer Excellence
- Community Value
- Employee Ownership
- Financial Success

Fiscal and Budgetary Policies

Annually, the Board approves the RTD Fiscal Policy for the following fiscal year. Development of the Budget adheres to this Fiscal Policy. The 2022 Budget Policy and COVID-19 Response Policy from within the 2022 Fiscal Policy is summarized below.

Summarized Budget Policies

- RTD shall comply with Colorado Local Government Budget Law
- RTD will align the annual budget with the Strategic Plan Priorities
- The Board will review and approve the RTD Fiscal Policy
- There shall be a budgetary monitoring system that charges expenditures against approved appropriations
- The Budget shall be summarized for adoption purposes
- Budget preparation shall follow Generally Accepted Accounting Principles (GAAP)
- A balanced budget is required in which revenues plus reserves are greater than or equal to expenditures
- Procedures that postpone funding of necessary expenditures, such as preventive maintenance or equipment replacement, will be avoided
- Conservative revenue estimates that are reasonable shall be used
- RTD will monitor the Budget and make adjustments as necessary
- RTD shall prepare a six-year Mid-term Financial Plan (MTFP) forecast

Summarized COVID-19 Response Policies

- Guidance for expenditure restoration
 - Do not utilize existing FasTracks Internal Savings Account (FISA) balances
 - Limit the use of "rubber tire" service contributions to the FISA
 - Restore deferred projects related to compliance or safety
 - Restore service as human resources and ridership allows

Financial Discussion and Analysis

The financial aspects of a budget consist of three primary categories: revenues, expenditures and reserves. Revenues and expenditures provide the cash inflows and outflows while reserves provide the financial balance to smooth cash flow volatility and supply the financial relief necessary for unforeseen circumstances that inevitably arise.

Revenues

Revenue sources are generally either recurring or finite. RTD's Fiscal Policy establishes that one-time revenues be used for one-time expenditures while recurring revenues provide a sustainable source to fund ongoing needs. Because one-time revenues have a finite term, commitments for recurring expenditures require an alternative source once the one-time revenues are exhausted.

RTD's sources of recurring revenue, in descending order of size, are sales and use taxes, fares, federal operating grants and miscellaneous revenue from advertising, investment income and rent. Historically, RTD has also been the recipient of one-time revenues from federal capital grants, federal COVID-19 relief funding, local contributions and land sales. RTD does not budget or forecast one-time revenues unless certainty exists.

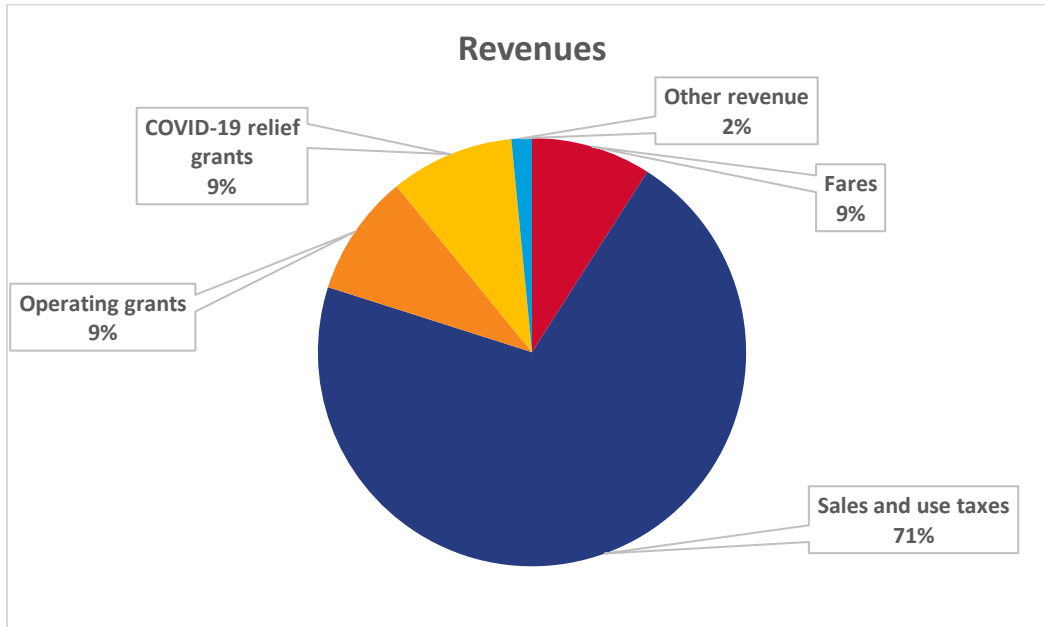
Revenue assumptions for the Budget include the following:

- Gradual, modest ridership growth is expected to increase fare revenue in 2022 to 79% of pre-COVID levels after decreasing to 49% in 2020. Ridership is projected in the Budget to increase from 70% of pre-COVID levels in January 2022 to 85% by the fourth quarter of 2022. This projection is based on an analysis and report from Standard and Poor's which projects a gradual transit ridership recovery although there is an expectation of a permanent 20% nationwide loss of ridership due to remote work and emerging competing transportation options.
- Sales and use tax projections were provided by the University of Colorado Leeds School of Business in September 2021. Moody's economic forecasts assume strong growth resulting from higher personal income and savings growth occurring during the Pandemic. The Budget contemplates a \$130 million increase from 2019 tax receipts. The RTD forecast aligns with the statewide expectations from the Colorado Legislative Council (CLC) and Office of State Budgeting and Planning (OSPB).
- Operating grants from the FTA are a recurring revenue stream to RTD. The grant apportionments are based upon data that RTD submits to the National Transit Database (NTD). The FTA has agreed to apportion amounts based on prior year NTD submissions excluding COVID-19 impacts and RTD expects these 5307 preventive maintenance grants to remain steady year-to-year.
- COVID-19 relief grants are anticipated to provide \$101 million in each of years 2022-2024 as RTD continues to draw down the remaining amounts of the \$774 million relief apportionments. This is one-time funding that replaces tax revenues which, in turn, will be directed towards the asset management backlog.

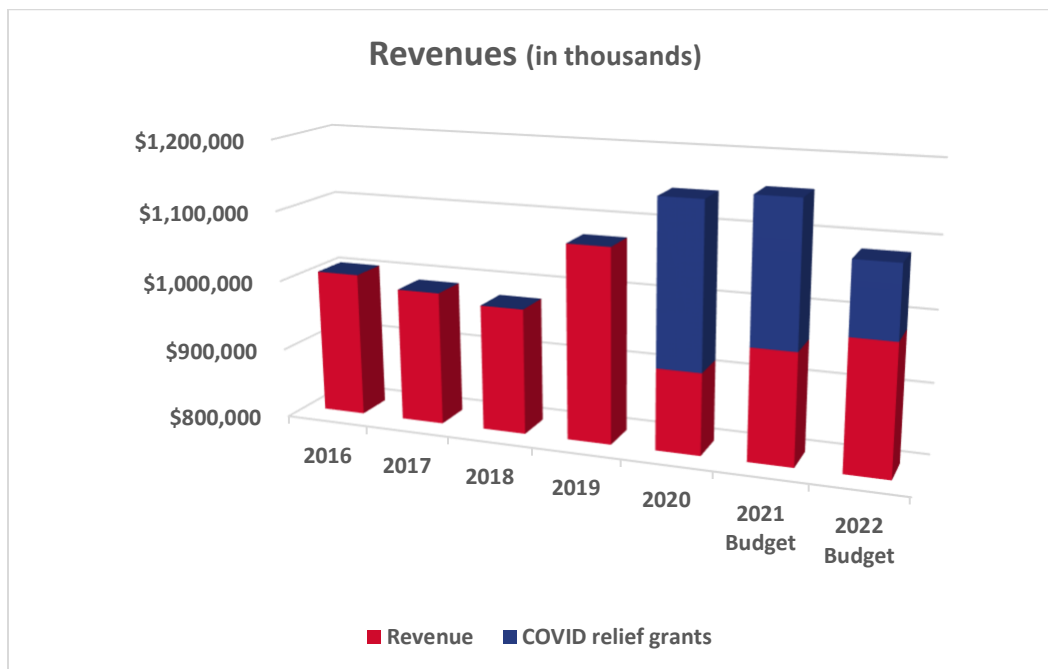


- Other revenue is recurring revenue of \$17 million which consists largely of a federal Build America Bonds (BAB) interest rate subsidy and advertising revenues. No investment income is budgeted due to the extremely low yields currently being paid.

RTD’s 2022 budgeted revenues are depicted below:



RTD’s total revenue trends by year are depicted below:





Expenditures

Expenditures consist of both recurring expenses, such as operating expenses, as well as occasional outlays such as debt service and capital expenditures.

RTD's largest expenditure is providing transit-related operations. These costs include compensation, materials and supplies, contracted services, insurance, utilities and other such expenses.

RTD also has a significant debt burden primarily from capital expansion projects as well as obligations issued to finance the purchase of rolling stock.

Furthermore, RTD has ongoing asset management needs that average approximately \$120 million annually. Asset management needs can fluctuate significantly by year when, for example, a single year includes a large purchase such as revenue vehicles.

Expenditure assumptions for the Budget include:

- Salaries and wages assume full staffing to provide 85% service levels (see forthcoming headcount discussion). Financial provisions have been included for collective bargaining and other potential increases such as recommendations from the classification and compensation analysis as well as Pay for Performance initiatives.
- Benefits include the following:
 - A \$2 million increase for represented employee health and welfare benefit increases
 - No increase for non-represented employee health and welfare benefits with Kaiser rates decreasing slightly and CIGNA premium increases covered by higher employee deductions per prior Board direction.
 - Provision has been made for represented employee pension plan contributions, the terms of which are to be negotiated with the Amalgamated Transit Union (ATU) Local 1001. This pension plan is currently 50% funded.
 - An \$8.4 million contribution to the non-represented employee pension plan is included based on the actuarial recommended contribution and unanimous recommendation from the Trustees of the Salaried Employee Pension Plan. The contribution in 2021 was \$6.1 million which was \$2 million lower than actuarial recommendations due to financial constraints. This plan has been closed to new participants since January 1, 2008 and the \$8.4 million contribution covers the additional benefits to be earned in 2022 while also reducing the unfunded liability. This pension plan is currently 78% funded.
 - A 9% contribution to the non-represented employee retirement plan is included. Board policy is to contribute 7-9% of wages each year. In 2021, the Board reduced the contribution from 9% in 2020 to 7% due to financial constraints. The increase to 9% in 2022 raises the contributions by approximately \$1 million. A 9% contribution is in parity with the normal cost of the represented pension plan contribution of 8.7% and non-represented pension plan normal cost contribution of 9%. The retirement plan Trustees unanimously recommend a 9% contribution. Only non-represented employees hired January 1, 2008 and thereafter participate in this retirement plan.



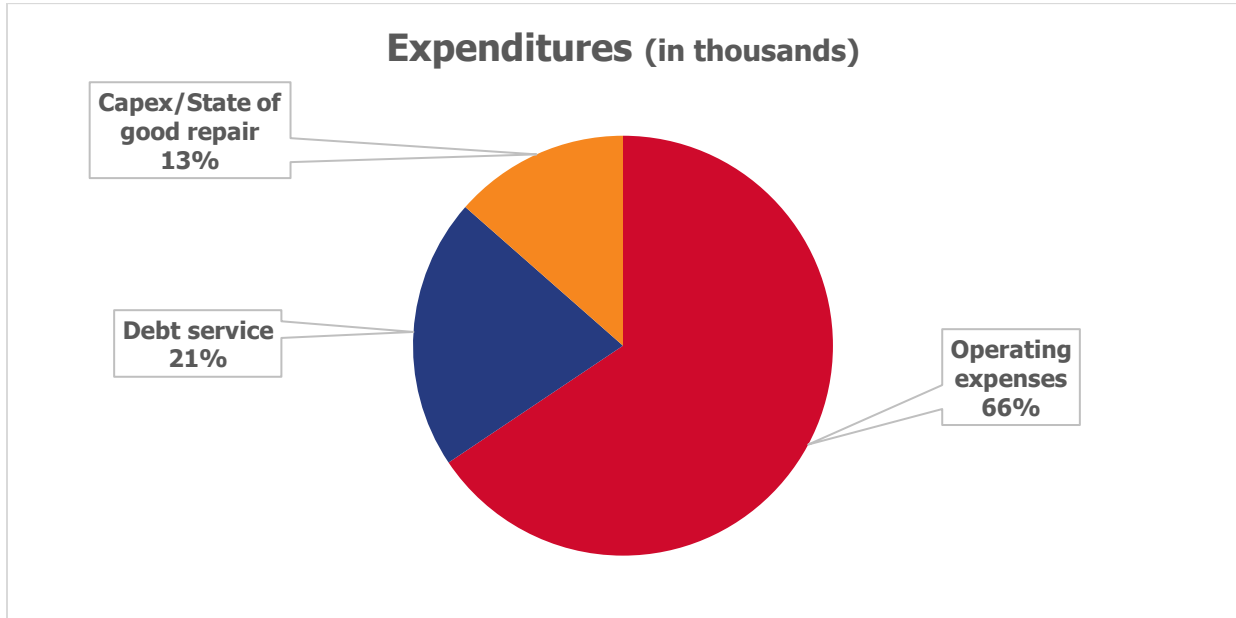


- Materials and supplies consist of consumable items such as fuel, fluids and parts. Diesel fuel purchases have been contracted at \$2.30 per gallon giving budget certainty. Fuel and vehicle parts needs are expected to increase \$5 million (10%) in 2022 due to restoration of service.
- Services consist of contracted specialty IT and legal needs as well as security. Additionally, these expenses contain inflationary increases as well as carry-forward of 2021 projects not yet completed resulting in a \$19.9 million increase in 2022. No new services have been included. \$200,000 has been budgeted for a zero-emission fleet consultant.
- Insurance costs have decreased over past years due to effective claims management despite the state increase in government liability caps. The 2022 budgeted costs include the appropriation of 15 months of premiums costs for railroad liability insurance for commuter rail in order to establish a calendar year policy term that previously expired in September 2021. Insurance costs will remain relatively flat vs. prior years despite the additional costs associated with opening the N Line.
- Other expenses primarily contain expenditures for utilities and purchased transportation and, to a lesser degree, various minor business expenses.
 - Utilities include projected amounts for traction power commensurate with planned rail service levels
 - Purchased transportation includes contractual increases and are aligned with expected revenue service hours
 - Cybersecurity needs have been addressed with a \$3.7 million budget
 - RTD website replacement has been budgeted at \$1 million to create adaptation to a digital platform as well as to restructure, modernize and facilitate improved transparency
 - Travel budgets have been eliminated from departmental budgets with a \$250,000 placeholder available if travel restrictions are lifted. Expenses for each Director have been budgeted at \$3,000 per individual to allow for local travel
 - Funding employee development training has been budgeted at \$300,000
 - Funding for an on-call contract of \$1 million is included to address specialty consulting engagements, if necessary
 - A budget of \$250,000 is available for employee engagement to be used for outreach and recognition programs. All other discretionary spending will continue to be limited.
- Debt service represents a significant portion of RTD's annual expenditures. Debt service consists of principal and interest payments on bonds, certificates of participation (COPs) and lease-purchase agreements. Debt service payments for 2022 will total \$235.2 million. The Base System bond payments will expire in 2024, at which point, the Base System will be subject to the Taxpayer Bill of Rights (TABOR) restrictions. The debt service has been structured such that the Base System will subsidize FasTracks in 2025 and beyond. RTD's outstanding debt is \$3.2 billion as of October 2021.

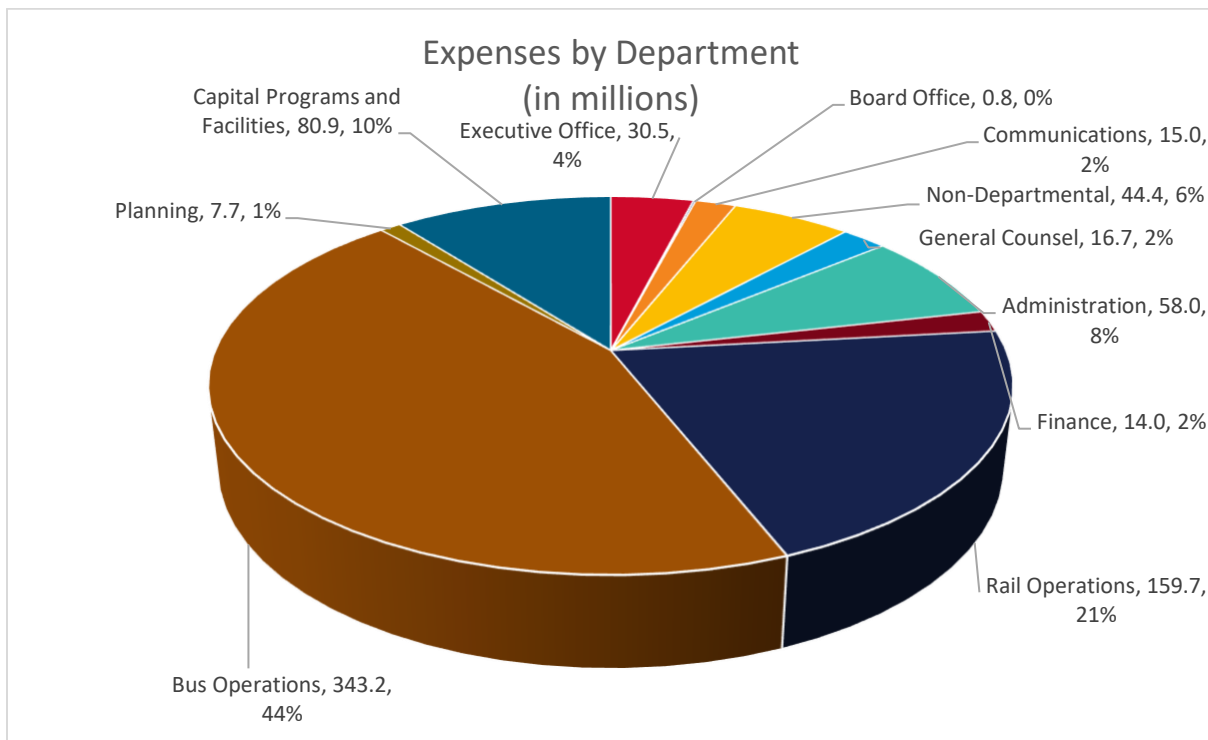




RTD's 2022 budgeted expenditures by category are depicted below:

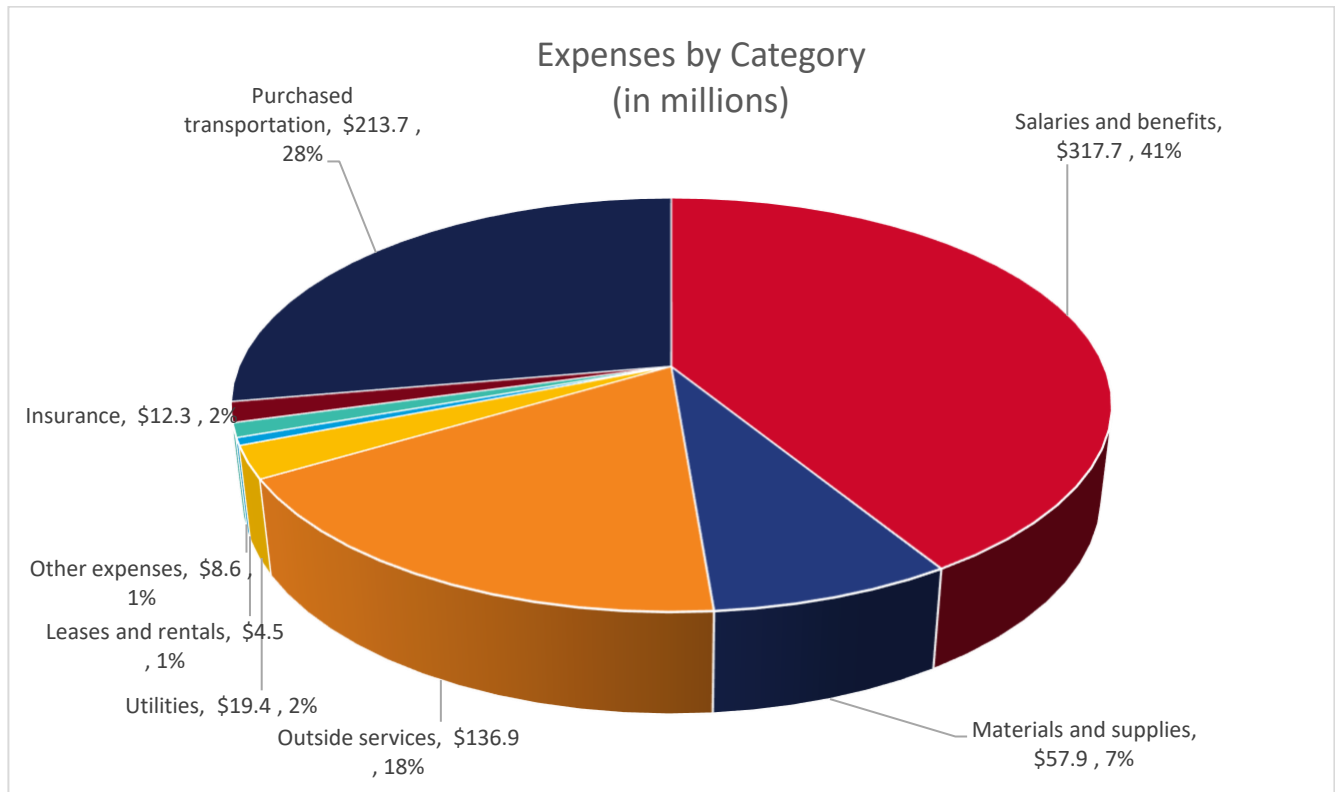


RTD's 2022 budgeted operating expenses by department are depicted below:





RTD's 2022 budgeted operating expenses by category are depicted below:





Asset Management Plan

RTD’s 2022 asset management plan expenditures (capital and expense) are shown below:

Department/ Division	Description	Location	(in thousands)
Bus	Transit Buses - 40 ft	Districtwide	\$ 65,709
Bus	Transit Buses - 30 ft	Districtwide	16,545
Bus	Access-a-Ride and FlexRide Cutaways	Districtwide	24,050
Facilities	Hoist Replacement	East Metro	1,500
Facilities	Roof Repair	Blake St	198
Facilities	Roll Up Door Replacement	East Metro	82
Facilities	HVAC Replacement	Navajo	33
Facilities	Shop Equipment Replacement - Vacuum	East Metro	109
IT	Network Equipment Replacement	Districtwide	3,014
IT	Telecom Equipment Replacement	Districtwide	184
IT	Server Equipment Replacement	Districtwide	6,484
	Software Architecture Development (SAD)		
IT	Equipment Replacement	Districtwide	5,956
Light Rail	Rail Replacements	Central Corridor	2,500
Public Facilities	LRT Bridge	Central Corridor	60
Public Facilities	Parking Structure Repair	US36 & Sheridan	300
Public Facilities	Parking Structure Repair	Lincoln Station	330
Public Facilities	High Block Replacement	Districtwide	1,300
Public Facilities	Viaduct	20th St HOV	50
Public Facilities	Driver Relief Station Repairs	Districtwide	120
Public Facilities	Parking Structure Repair	Nine Mile Station	800
	Parking Structure Preventative		
Public Facilities	Maintenance Program	Districtwide	2,350
SCADA	Uninterrupted Power Supply	Mariposa	150
SCADA	SCADA Equipment Replacement	Districtwide	1,689
Security	Camera Replacements	Districtwide	1,980
Support Fleet	Unleaded Vehicles	Districtwide	3,517
Support Fleet	Diesel Vehicles	Districtwide	888
Support Fleet	Standby Vehicles	Districtwide	335
Treasury	Ticket Vending Machine Replacement	Districtwide	5,300
Treasury	Platform Validator Head Replacement	Districtwide	100
Treasury	10 Ride Vending Machine Replacement	Districtwide	87
Treasury	Stamp Validator Replacements	Districtwide	595
Treasury	State Highway 119	Districtwide	5,130
	Inflation adjustment	Districtwide	1,798
Total			\$ 153,242





Headcount

The following table includes the budgeted headcounts. Comparable data from prior years is not available due to reductions in force, attrition and change in service levels. New and vacant positions contained herein only include those that directly contribute to RTD’s core mission, transit service delivery. Contracted service providers employ approximately 1,300 individuals not reflected below.

Department	Headcount		
	Represented Employees	Non-Represented Employees	Total
Administration	32	209	241
Board Office	-	4	4
Capital Programs	144	111	255
Communications	52	66	118
Executive Office	-	61	61
Finance	44	66	110
General Counsel	-	24	24
Operations	1,869	436	2,305
Planning	-	13	13
Total	2,141	990	3,131





Comparative Cash Flow Information

	2021 Amended Budget	2022 Budget	Change	% Change
1 Fares	\$ 68,186	\$ 98,180	\$ 29,994	44.0%
2 Sales and use taxes	683,002	768,368	85,366	12.5%
3 Grant revenue and other income	197,204	116,436	(80,768)	-41.0%
4 COVID-19 relief grants	203,368	101,412	(101,956)	-50.1%
5 Total revenue	1,151,760	1,084,396	(67,364)	-5.8%
6 Salaries and benefits	284,180	317,702	33,522	11.8%
7 Materials and supplies	52,486	57,932	5,446	10.4%
8 Outside services	116,992	136,885	19,893	17.0%
9 Utilities	18,380	19,425	1,045	5.7%
10 Leases and rentals	4,554	4,496	(58)	-1.3%
11 Other expenses	7,362	8,576	1,214	16.5%
12 Insurance	15,300	12,270	(3,030)	-19.8%
13 Purchased transportation	192,062	213,746	21,684	11.3%
14 Total operating expenses	691,316	771,032	79,716	11.5%
15 Debt service	262,132	235,168	(26,964)	-10.3%
16 Capital expenditures	30,247	146,934	116,687	385.8%
17 Total non-operating expenditures	292,379	382,102	89,723	30.7%
18 Contribution to reserves	-	185,000	185,000	0.0%
19 Net Cash Flow	\$ 168,065	\$ (253,738)	\$ (421,803)	-251.0%





Financial Position and Key Metrics

	Reserves			
	2021 Amended Budget	2022 Requested Budget	Change	% Change
Board appropriated fund	\$ 39,115	\$ 39,115	\$ -	0.0%
Capital replacement fund	12,915	197,915	185,000	1432.4%
Unrestricted fund	185,327	187,184	1,857	1.0%
<i>Months of operating expenses</i>	3.2	3.0	(0.2)	-6.1%
Total reserves	\$ 237,360	\$ 424,217	\$ 186,857	78.7%

	Debt Service Coverage Ratio (target 1.2X)			
	2021 Amended Budget	2022 Requested Budget	Change	% Change
Revenues	\$ 1,151,760	\$ 1,084,396	\$ (67,364)	-5.8%
Less operating expenses	691,316	771,032	79,716	11.5%
Available	460,444	313,364	(147,080)	-31.9%
Debt service	262,132	235,168	(26,964)	-10.3%
Debt service coverage ratio	1.8	1.3	(0.4)	-24.1%

