



2024 Proposed Budget





Regional Transportation District

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MESSAGE FROM THE GENERAL MANAGER AND CEO

October 2023

I am pleased to introduce RTD's Fiscal Year 2024 budget.

The FY 2024 Budget represents the agency's financial plan for the forthcoming year. In adopting this budget framework in alignment with the 2021-2026 Strategic Plan, the agency demonstrates its ongoing commitment to the Strategic Priorities of Community Value, Customer Excellence, Employee Ownership, and Financial Success. With this commitment also comes a renewed collective focus on three primary initiatives: Back to Basics, People Power, and Welcoming Transit Environment.

- *Back to Basics: RTD strives to enhance the reach and impact of internal communications and to redouble agency efforts to maintain assets in a state of good repair leveraging sound asset management principles*
- *People Power: Recognizing the critical importance of its people, the agency's most important resource, in achieving the agency's mission, RTD seeks to vigorously address impediments to recruitment and retention efforts and to foster a culture of learning and development*
- *Welcoming Transit Environment: RTD seeks to reduce the impacts of criminal behaviors and Code of Conduct violations on agency services and workplaces and, in doing so, to improve community and employee perception of personal and public security on RTD property and vehicles*

Through the efforts of the Finance Team, agency executives, senior managers, and subject matter experts, these three initiatives are reflected throughout the 2024 Proposed Budget and have been interwoven into work plans created by employees throughout the agency. By focusing on these important factors, RTD

can continue to strive to achieve meaningful progress toward established success outcomes.

In keeping with these success outcomes, RTD continues to adapt to accommodate the ever-evolving transit needs of customers and communities throughout the agency's 2,342 square mile footprint.



Debra A. Johnson

In Q1 2024, RTD will implement large-scale changes to the agency's fare structure as contemplated by recommendations culminating from the Systemwide Fare Study and Equity Analysis (Study) conducted in 2022 and 2023. When RTD launched the Study in April 2022, it embarked on the most comprehensive and holistic review of fares the agency had taken in its 50-plus year history. In response to customer feedback regarding the cost and complexity of fares, the Study was predicated upon the overarching goals of creating a fare structure that is **simpler**, more **equitable**, more **affordable**. The fare structure for 2024 and beyond mirrors those laudable goals.

Under the new, simpler fare structure, not only will full-fare paying customers be asked to pay less for fares across the board, existing discounts for eligible individuals will be increased, truly enhancing the overall affordability and accessibility of public transit throughout the Denver metro area.

Moreover, the agency is offering all of its transit services at no cost to those 19 years of age or younger commencing in September 2023 and continuing through August 31, 2024; further, the agency is seeking additional legislative support to continue offering this program for years to come.

As contemplated in the System Optimization Plan approved by the Board in 2022, RTD continues to deploy transit service commensurate with the agency's



People Power and to restore service previously discontinued as a result of impacts on ridership stemming from the COVID-19 pandemic.

All those within RTD's established boundaries, including visitors traveling to the region, have a vested interest in RTD's ongoing success. Even those who have never stepped foot on one of the agency's revenue vehicles reap the rewards of a robust, reliable, accessible transit system by way of benefits that include cleaner air, lower congestion, and dependable mobility options should the need arise. In fulfilling the myriad of needs of customers and communities throughout the region, RTD is truly fulfilling its mission of ***making lives better through connections.***

Of course, none of this would be possible without the efforts of those steadfast employees who work tirelessly to make transit service delivery possible. I acknowledge and appreciate the collaborative efforts of all RTD employees, as well as the efforts of the Board of Directors and the agency's union and contractor partners.

I once again extend my sincere thanks and appreciation for the contributions in the timely preparation of the FY 2024 Budget to Doug MacLeod, Chief Financial Officer; Todd Nikkel, Senior Manager, Budget; Heidi Wagner, Senior Manager, Finance; the Budget Analysts, and the members of the Leadership Team.

And lastly, I would be remiss not to thank the customers, communities, stakeholders, and partners who engage with RTD every day.

On behalf of RTD, I truly appreciate the opportunity to lead this team of dedicated individuals as the agency strives ***to be the trusted leader in mobility, delivering excellence and value to our customers and community.***

Sincerely,

Debra A. Johnson
General Manager and CEO



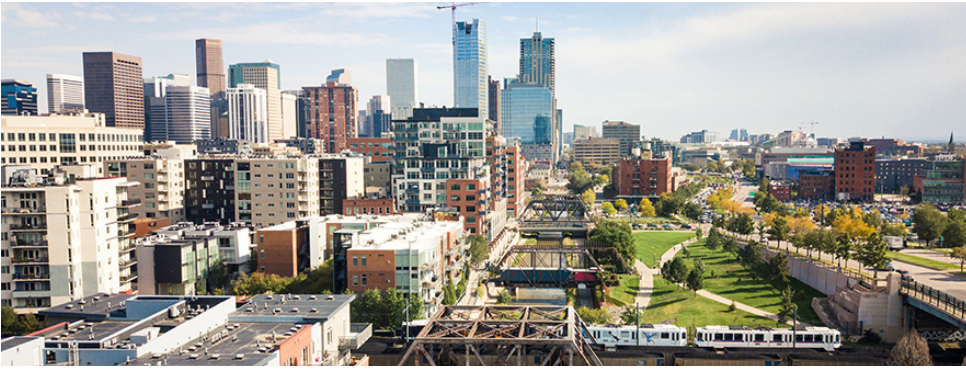
INTRODUCTION

The Regional Transportation District's 2024 Proposed Budget (Budget) represents the expected revenues, expenditures and financial position anticipated for the fiscal year January 1 through December 31, 2024. The RTD Board of Directors appropriates funding by fiscal year that allows the agency to continue its mission to *make lives better through connections*. The expenditures set forth herein align the Budget with RTD's Strategic Plan Priorities and prioritized objectives within the projected financial constraints.

This Budget demonstrates RTD's financial capacity to address, based on current information, the agency's strategic priorities in the near term. The development of the Budget is a cross-departmental collaborative effort; hence the proposed budget for the Board's consideration is a collective staff recommendation.

For FY2024, the operating expense budget is \$856.2M and new capital is \$32.4M for a total budget of \$888.6M. Carry forward of capital and expenses will be included in the final proposed budget.





PERSPECTIVE

The 2024 Proposed Budget focuses on the Strategic Priorities of the Board-approved 2021-2026 Strategic Plan. As a result, funding appropriations are aligned in a manner to direct efforts towards achieving the desired success outcomes as measured by specific metrics.

The 2024 Proposed Budget operating expenses have been developed in accordance with the System Optimization Plan (SOP) approved by the Board. Other significant expenditures for debt service and capital expenditures are also included in this proposed budget which have been developed utilizing RTD's debt service schedules, capital needs identified through the Transit Asset Management (TAM) Plan as well as capital projects previously approved by the Board for appropriation that have not been fully completed (capital carryforward). The TAM Plan continues to be evaluated, adjusted, and prioritized to address the agency's needs to maintain assets in a state of good repair.

While RTD's current financial position is strong and funding capacity is available to fund initiatives and programs within the Strategic Priorities and Initiatives, it is expected that the agency will continue to be challenged with accessing adequate non-financial resources as a result of the difficult labor market environment, supply chain issues and high inflation.

Economic conditions indicate that retail spending is slowing and decreasing due to higher personal debt levels, inflation and discontinuance of federal government transfer payments that occurred for

economic incentives during the COVID-19 emergency. Furthermore, the RTD 0.6% sales tax will be subject to Taxpayer Bill of Rights (TABOR) revenue growth limitations beginning in 2025. While economic conditions in the Denver metro area remain better than national averages as a result of low unemployment, strong personal income growth and a diverse business base, the agency is heavily reliant on sales and use taxes, which can be adversely affected by changes in personal spending behaviors.

Although challenging circumstances exist in the economy, the agency expects to continue to benefit from favorable short-term investment rates and low long-term interest rates for borrowing. Historical experience during economic slowdowns have also contributed to more favorable labor market conditions to improve hiring and retention. Finally, the agency is well positioned with strong reserves to weather negative impacts to sales and use taxes.

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

The agency will continue to uphold its responsibility of good stewardship of taxpayer dollars while striving to provide Community Value, Customer Excellence, Employee Ownership, and Financial Success. The 2024 Proposed Budget seeks to align expenditures with the Strategic Priorities and Initiatives while maintaining a conservative approach to revenue assumptions.



STRATEGIC PLAN ALIGNMENT

The Budget has been developed to direct resources to RTD's **Strategic Plan Priorities**.



Community Value

RTD strives to be a strong community partner, providing value to customers as well as to the broader Denver metro region while sustaining planet Earth



Employee Ownership

RTD seeks to attract and retain a highly skilled and engaged workforce



Customer Excellence

RTD strives to consistently deliver high-quality customer service



Financial Success

RTD takes very seriously the management of all financial resources

The Budget has been further refined to focus on three **Prioritized Initiatives**.

Back to Basics

RTD strives to enhance the reach and impact of internal communications and to redouble agency efforts to maintain assets in a state of good repair leveraging sound asset management principles

People Power

Recognizing the critical importance of its people, the agency's most important resource, in achieving the agency's mission, RTD seeks to vigorously address impediments to recruitment and retention efforts and to foster a culture of learning and development

Welcoming Transit Environment

RTD seeks to reduce the impacts of criminal behaviors and Code of Conduct violations on agency services and workplaces and, in doing so, to improve community and employee perception of personal and public security on RTD property and vehicles



FISCAL AND BUDGETARY POLICIES

Annually, the Board considers the RTD Fiscal Policy for the following fiscal year. Development of the Budget adheres to this Fiscal Policy. Staff will present the 2024 Fiscal Policy for Board consideration during the October 2023 Finance and Planning Committee. The 2024 Budget Policy, which is derived from the 2024 Fiscal Policy, is summarized as follows:

Summarized Budget Policies

- RTD shall comply with Colorado Local Government Budget Law
- The Board will review and adopt 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 adjust as necessary
- RTD shall prepare a six-year Mid-term Financial Plan (MTFP) forecast
- Budgets shall support the goals and objectives of RTD



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:

- Fare revenue has been adjusted downward to \$64 million in anticipation of impacts from implementing initiatives culminating from the Systemwide Fare Study and Equity Analysis. These impacts are expected to result in the fare recovery ratio (fare revenue vs. operating expenses) to only be approximately 5%. The decrease in fare rates, simplification of fares, zero fares for youth and increase of the LiVE Program discounts are the primary factors related to decreased fares. However, the overall financial impact to the agency is relatively small, with fares having previously decreased as a percentage of total revenues during the COVID-19 pandemic.
- Sales and use tax projections were provided by the University of Colorado Leeds School of Business (CU Leeds) in August 2023. The CU Leeds forecast model predicts that tax collections will be lower in 2024 by a modest amount compared to the March 2023 forecast. The lower forecast for 2024 resulted from a slowdown in year-over-year growth in actual tax collections during 2023. Significant tax growth in the preceding three years combined with federal COVID-19 grant relief funding has resulted in strong growth in reserves and significantly higher investment returns. The RTD forecast aligns with the statewide expectations from the Colorado Legislative Council (CLC) and Office of State Budgeting and Planning (OSPB).
- Operating grants of \$211.4 million are anticipated in 2024. The Bipartisan Infrastructure Law (BIL) increased the annual FTA preventive maintenance formula grants to RTD by approximately 30%. Additionally, the federal COVID-19 relief grants, which were fully drawn in May 2023, resulted in a delay in drawing preventive maintenance grant funding due to additional expenditures needed. Therefore, the agency intends to accelerate drawing of these apportionments in the coming fiscal year. The grant apportionments are based upon financial and statistical data that RTD submits to the National Transit Database (NTD).
- COVID-19 relief grants were fully drawn in 2023. This additional grant funding combined with strong sales and use taxes has contributed to an unprecedented balance of over \$1 billion in cash and investments as

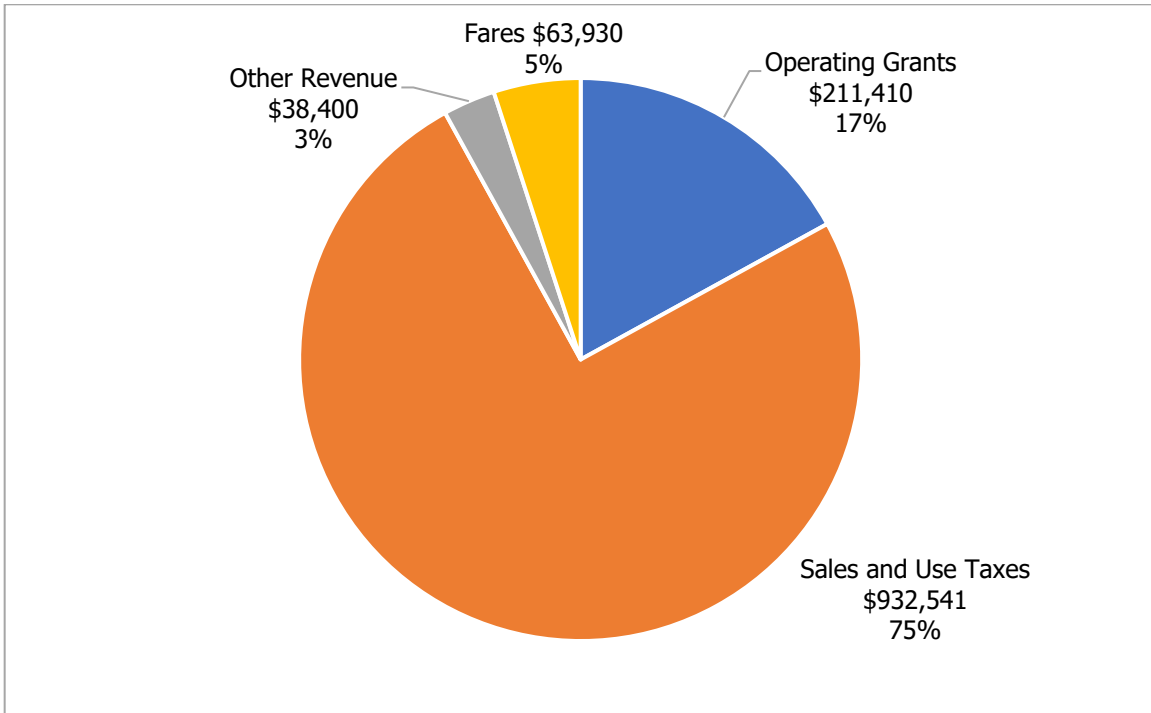


well as substantial reserves, which, along with higher interest rates, will generate additional investment income in 2024. These significant cash and investment balances are earmarked for state of good repair needs and maintaining fund balances in accordance with the RTD Fiscal Policy.

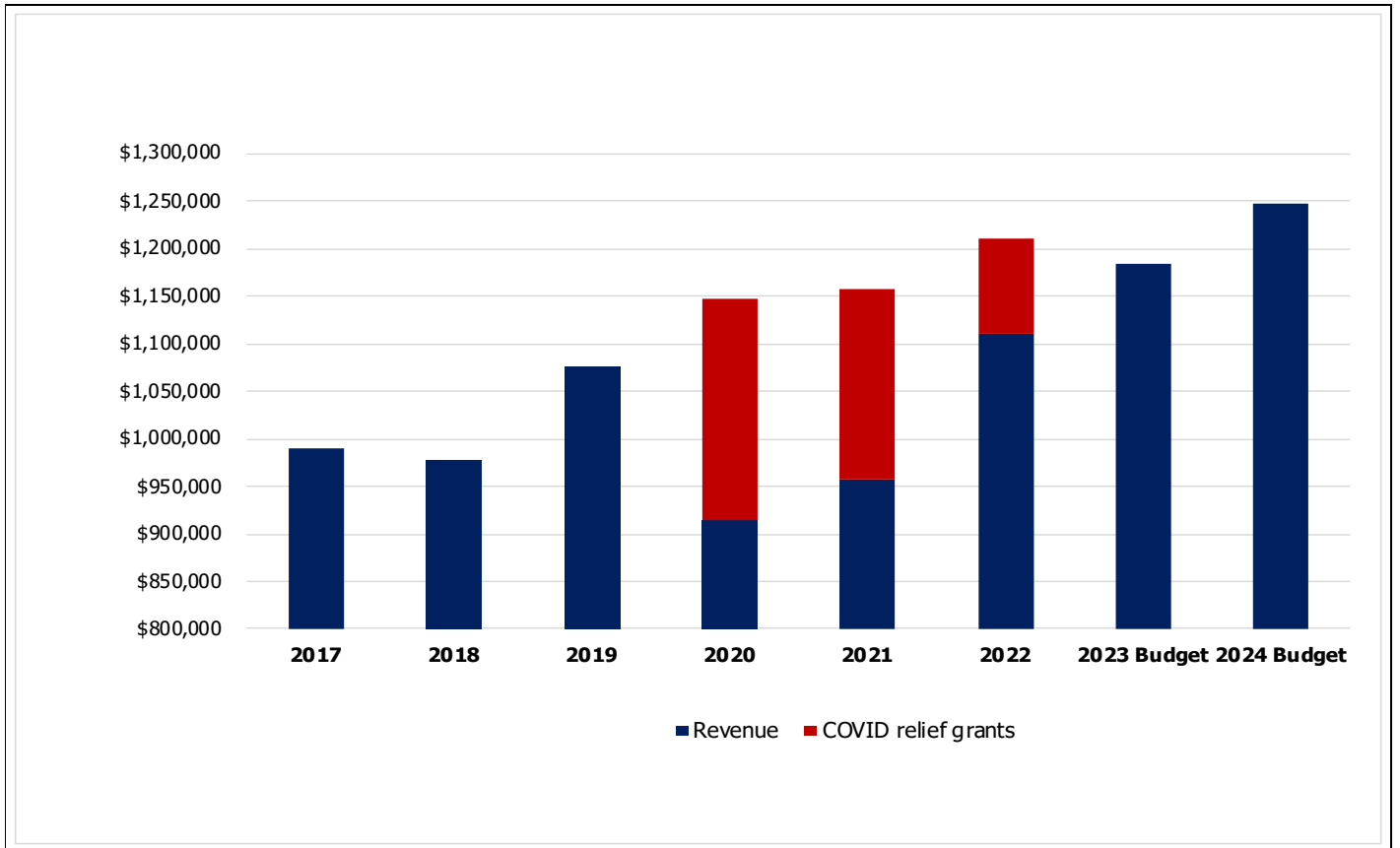
- Other revenue includes recurring revenue of \$38.4 million which consists primarily of a federal Build America Bonds (BAB) interest rate subsidy and advertising revenues.



2024 Budgeted Revenue



Revenue Trends by Year



Expenditures

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

RTD's largest expenditures are 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. RTD completed two refinancings in 2023 to realize interest savings and reduce the debt burden. As interest rates have risen recently, RTD does not anticipate performing additional refinancings in 2024.

RTD has ongoing asset management needs that are informed by the TAM Plan and requests for new initiatives. Asset management needs can fluctuate significantly by year when, for example, a single year includes a large purchase such as fleet replacements. There are no significant fleet replacements contemplated in 2024, however, design and pricing are being developed for certain rail component renewals and replacements as some portions of track are reaching the 30-year mark. Because these repair and replacement activities are still being planned for 2024, only relatively small amounts have been requested for appropriation with the intent of staff to return to the Board with additional appropriation requests at a later time, once the project scope is completed. Staff intends to continue to fund capital needs with cash on hand in the Capital Replacement Reserve. However, analyses will continue to be performed to ensure that the most financially advantageous asset management funding mechanisms are pursued, given that investment return rates currently exceed borrowing rates.

Operating expenses include an average of 5.1% increases due to inflationary pressures and supply chain constraints remain a concern, particularly with certain materials. RTD has taken steps to accelerate certain large purchases and also to allow for additional lead times in order to lock-in prices.

Expenditure assumptions for the Budget include:

- Salaries and wages assume full staffing to provide service levels in accordance with the System Optimization Plan (SOP). While it is anticipated that continued high employment and a competitive job market will prolong RTD's ability to attract and maintain full staffing levels, funding has been made available in these appropriations. In addition, the Collective Bargaining Agreement (CBA) includes wage increases that have been included with provisions for incentive pay for represented employees until such time that adequate staffing levels are achieved. The compensation increases in 2024 shown below are primarily driven by annual increases and the addition of sworn RTD police officers, which the latter increase is partially offset by the decrease in contracted security services included in Outside Services
- Benefits include the following:
 - A 2% increase for represented employee health and welfare benefit premiums. Larger prior year premium increases resulting from many large claims, particularly those from claimants with COVID-19 related complications, have subsided



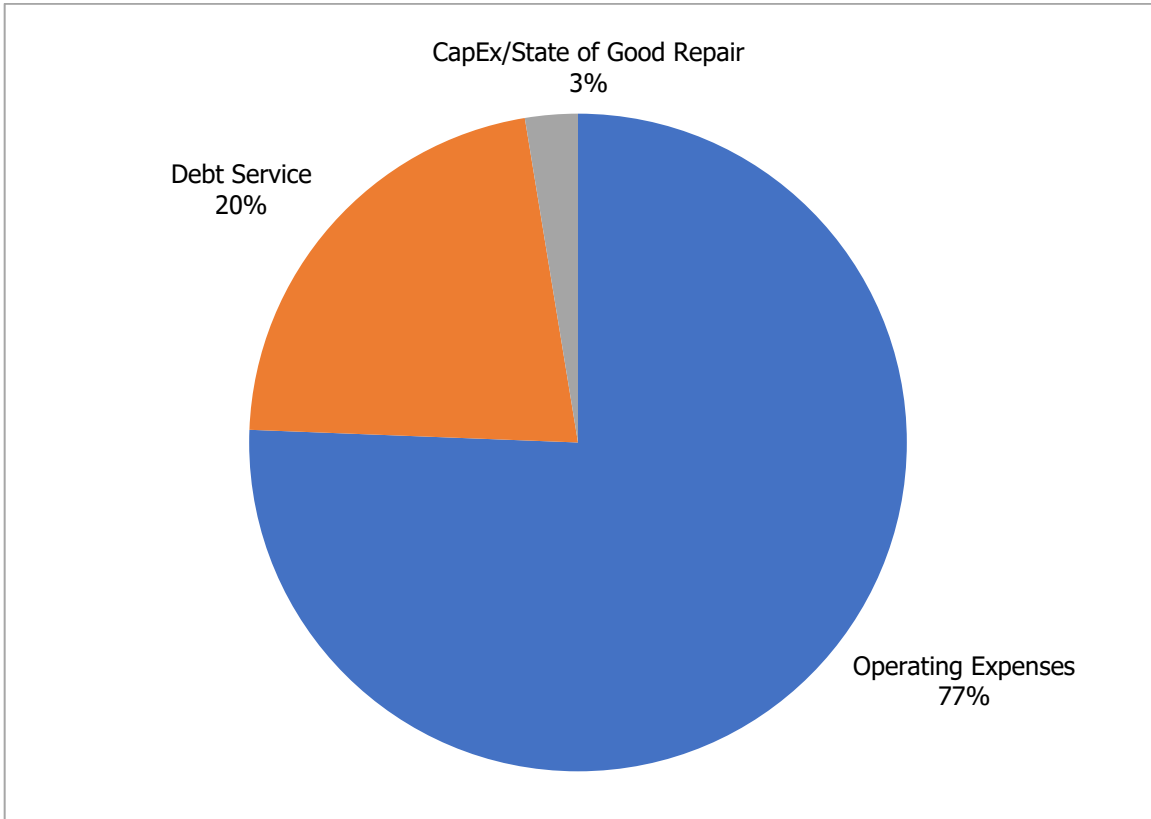
- A 10% increase for non-represented employee health benefits in 2024. In 2023, RTD improved the pricing of the CIGNA plan to provide an affordable alternative to the Kaiser Permanente plan as an enhancement to employee satisfaction. Shifts in participation between these two plans occurred, which necessitated the 2024 increases
 - Dental and vision plans for employees remain largely unchanged for 2024, with certain guaranteed pricing having been completed in 2023
 - Retirement plans for represented employees in 2024 include the same 2023 RTD contribution, of 15% of wages to the defined benefit pension plan employee contributions remaining at 5% per the CBA. This plan was closed to new entrants on January 1, 2023. In addition, provisions have been included to fund the new defined contribution plan at 9% with up to a 5% match for new employees having commenced January 1, 2023. The defined benefit pension plan is 76% funded. As the number of active employees in the defined benefit pension plan continues to decline due to retirements, future years may require a shift from a percentage of active wages to a fixed annual amount based on actuarial recommended contributions in order to maintain an adequate funding level
 - The non-represented employee defined benefit pension plan is funded with a \$15 million contribution in 2024, which is the same amount contributed in 2023. The actuarially recommended contribution in 2024 is \$11 million, and the additional \$4 million is recommended by the Trustees due to the availability of cash and the notion that funds contributed to this plan earn a higher rate of return that RTD can achieve under the restrictions of the Investment Policy. The additional contributions in 2024 reduce the long-term financial risk to RTD of future inadequate funding. This plan is 79% funded and currently has 140 active participants. This plan has been closed to new employees since January 1, 2008, and funding requirements will tail off over the next several years
 - The non-represented employee defined contribution plan assumes RTD funding of 9% of wages, which is the same amount contributed in 2022. Board policy is to contribute 7-9% of wages each year. Only non-represented employees hired January 1, 2008, and thereafter participate in this retirement plan. In October 2023, a recommendation to the Board was made to change the five-year cliff vesting to 20% vesting for each full year of employment up to 100% at the end of the fifth year to bring the vesting in this plan into parity with the represented defined contribution plan
 - RTD will continue to offer the 457(b) retirement plan to all employees. This is a voluntary plan for which only employee contributions, and no RTD contributions, may be made, up to Internal Revenue Service annual limits. RTD will continue to fund the administrative costs
- Materials and supplies consist of consumable items such as fuel, fluids, and parts. Diesel fuel purchases are typically contracted at a locked price for a certain number of gallons. RTD is currently assessing a diesel fuel contract for 2024 but has not yet locked pricing. Contracting fuel purchases provides budget certainty, particularly in the volatile fuel pricing environment. Diesel and gasoline expenses typically account for 2% of operating expenses and the increases



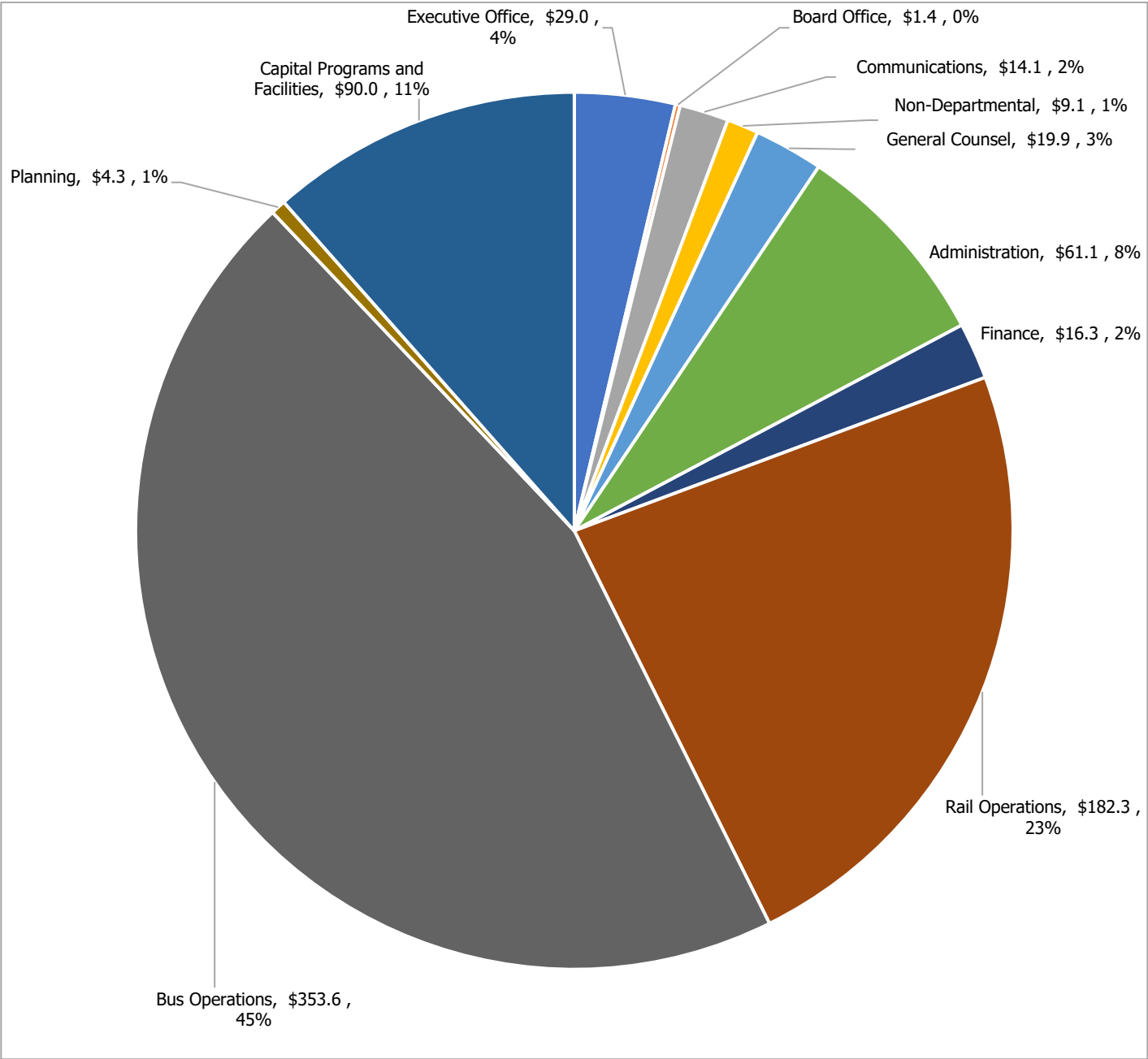
- Services consist of contracted specialty IT and legal needs as well as security. Additionally, these expenses contain inflationary increases which are offset by reductions resulting in a \$32.7 million decrease in 2024. The majority of the decrease is due efforts to budget more accurately for execution based on personnel constraints as well as a reduction in contracted security needs, which are offset by the increase in the sworn police force
- Insurance costs are expected to increase modestly due to premium increases and certain enhancements to coverages to manage financial risks to the agency. Insurance costs have been relatively flat over an extended period due to effective claims management
- 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 and in alignment with 2023 usage, with a slight increase due to current rates
 - Purchased transportation includes contractual increases and are aligned with expected revenue service hours. The contractual increases in 2024 reflect fixed-route bus and paratransit contract amendments as well as a larger service availability payment to the Eagle P3 concessionaire for single year asset maintenance need contemplated in the Concessionaire Agreement
 - Travel and training budgets have been maintained at the same levels as 2023, with the intent to contribute to employee learning and development and transportation-related industry participation
 - Funding for an on-call contract 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 2024 will total \$223.3 million, down from \$225.8 million in 2023 as a result of refinancings for interest savings. The Base System bond payments will expire in 2024, at which point, the Base System will be subject to TABOR restrictions.



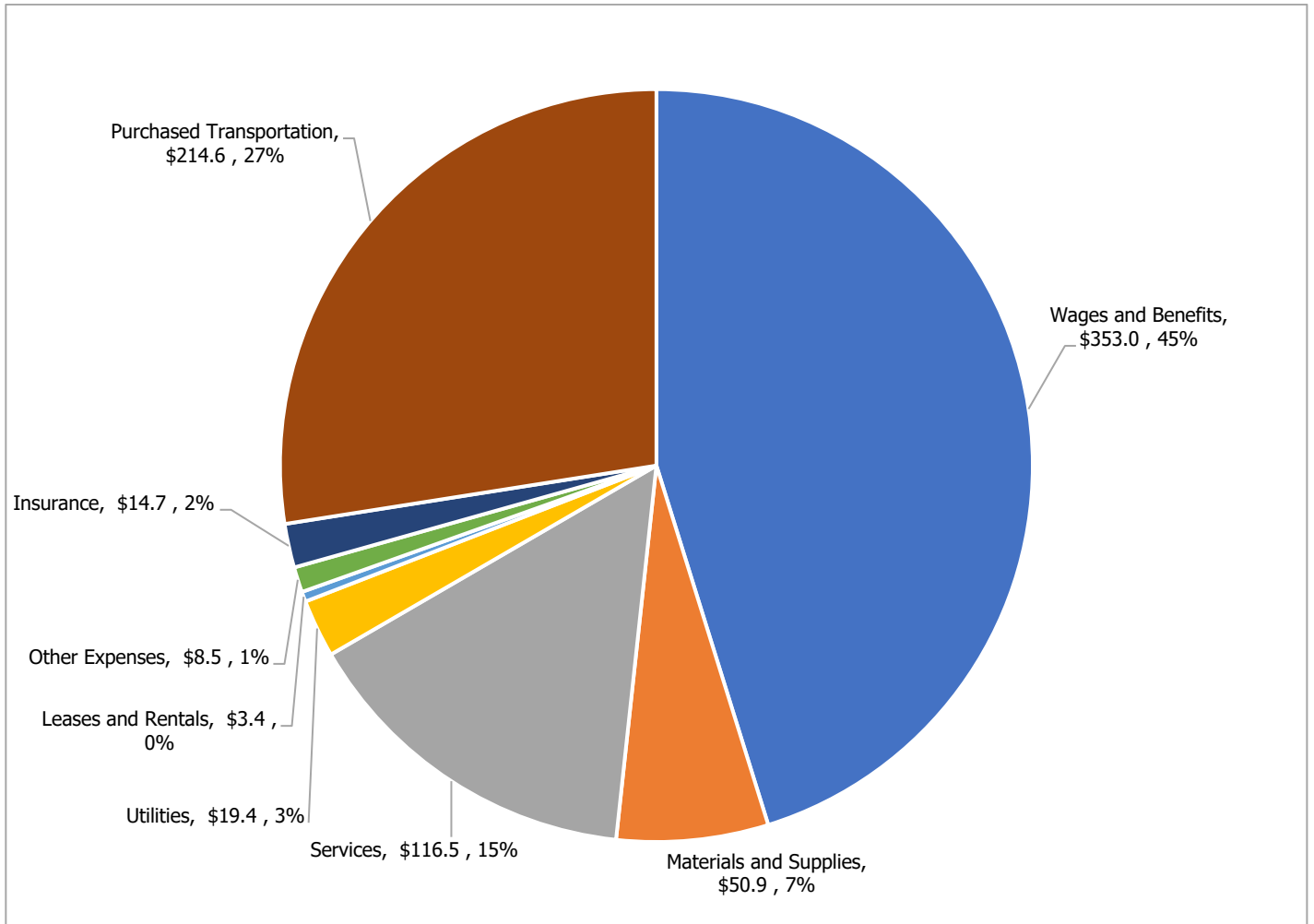
**2024 Budgeted Expenditures by Category
(in thousands)**



2024 Operating Expenses by Department (in millions)



2024 Operating Expenses by Category (in millions)



2024 Transit Asset Management Plan Expenditures

Department/Division	Description	Location	(in thousands)
Bus	Transit Buses - 40 ft	District-wide	12,283
Bus	Transit Buses - 30 ft	District-wide	6,766
Bus	Wheel Hoist	Platte Division	520
Facilities	Hoist Replacement	District Shops – Operations Center	4,000
Facilities	HVAC Replacement	Elati Light Rail Division	1,126
Facilities	Roof Repair	Blake Street Office	198
Facilities	Roll Up Door Replacement	East Metro Division	82
Facilities	Roof Repair	Mariposa	399
Information Technology	Network	District-wide	2,275
Information Technology	Telecom	District-wide	208
Information Technology	Server	District-wide	6,678
Information Technology	Software Architecture Development	District-wide	1,803
Intelligent Transport Systems	Digital Video Recorder Replacement	District-wide	1,384
Intelligent Transport Systems	Mobile Data Terminal Replacement	District-wide	1,827
Light Rail Infrastructure	Rail Replacements - Central Corridor	Central Rail Line	1,000
Light Rail Infrastructure	Grade Crossing Replacement	Central Platte Valley Rail Line	800
Light Rail Vehicles	DC Propulsion Replacement	District-wide	2,300
Public Facilities	Parking Structure Repair - US36 & Sheridan	Park-n-Ride	240
Public Facilities	Parking Structure Repair - Lincoln Station	Park-n-Ride	265
Public Facilities	Parking Structure Repair - Nine Mile Station	Park-n-Ride	650
Public Facilities	Bridge Repair - Toll Creek Fire Damage	I-225 Rail Line (R)	150
Public Facilities	Bridge Repair - I25 & Arapahoe	Southeast Rail Line	470
Public Facilities	Bridge Repair - I25 & Dry Creek	Southeast Rail Line	600
Public Facilities	Parking Structure PM Program	District-wide	2,350
SCADA	SCADA Equipment	District-wide	1,443
Security	Camera Replacements	District-wide	880
Support Fleet	Unleaded Vehicles	District-wide	2,334
Support Fleet	Diesel Vehicles	District-wide	875
Support Fleet	Standby Vehicles	District-wide	335
Treasury	Pass Vending Machine	District-wide	100
Treasury	Stamp Validator Replacements	District-wide	486
Treasury	Currency Counter Replacement	District-wide	80
			54,905



POSITIONS

The following table includes the budgeted positions. 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, which are not reflected below.

Department	Represented	Non-Represented	Total
Administration	31	201	232
Board Office	-	4	4
Capital Programs	151	97	248
Communications	52	67	119
Executive Office	-	4	4
Transit Police	-	162	162
Finance	43	70	113
Human Resources	3	57	60
General Counsel	-	22	22
Operations	1,984	493	2,477
Planning	-	13	13
Total	2,264	1,190	3,454



COMPARATIVE CASH FLOW INFORMATION

	2023 Amended Budget	2024 Requested Budget	Change	% Change
1 Fares	\$ 74,882	\$ 63,930	\$ (10,952)	-14.6%
2 Sales and use taxes	888,096	932,541	44,445	5.0%
3 Grant revenue and other income	221,244	249,810	28,566	12.9%
4 COVID-19 relief grants	-	-	-	0.0%
5 Total revenue	1,184,222	1,246,281	62,059	5.2%
6 Salaries and benefits	351,612	368,212	16,600	4.7%
7 Materials and supplies	60,680	59,063	(1,617)	-2.7%
8 Outside services	162,436	129,754	(32,682)	-20.1%
9 Utilities	21,229	21,941	712	3.4%
10 Leases and rentals	3,366	5,239	1,873	55.6%
11 Other expenses	10,173	(4,355)	(14,528)	-142.8%
12 Insurance	14,700	15,200	500	3.4%
13 Purchased transportation	231,533	261,111	29,578	12.8%
14 Total operating expenses	855,729	856,165	436	0.1%
15 Debt service	225,760	223,284	(2,476)	-1.1%
16 Capital expenditures	57,603	32,367	(25,236)	-43.8%
17 Total non-operating expenditures	283,363	255,651	(27,712)	-9.8%
18 Contribution to reserves	-	(11,513)	(11,513)	0.0%
19 Net Cash Flow	<u>\$ 45,130</u>	<u>\$ 145,978</u>	<u>\$ 100,848</u>	<u>223.5%</u>

