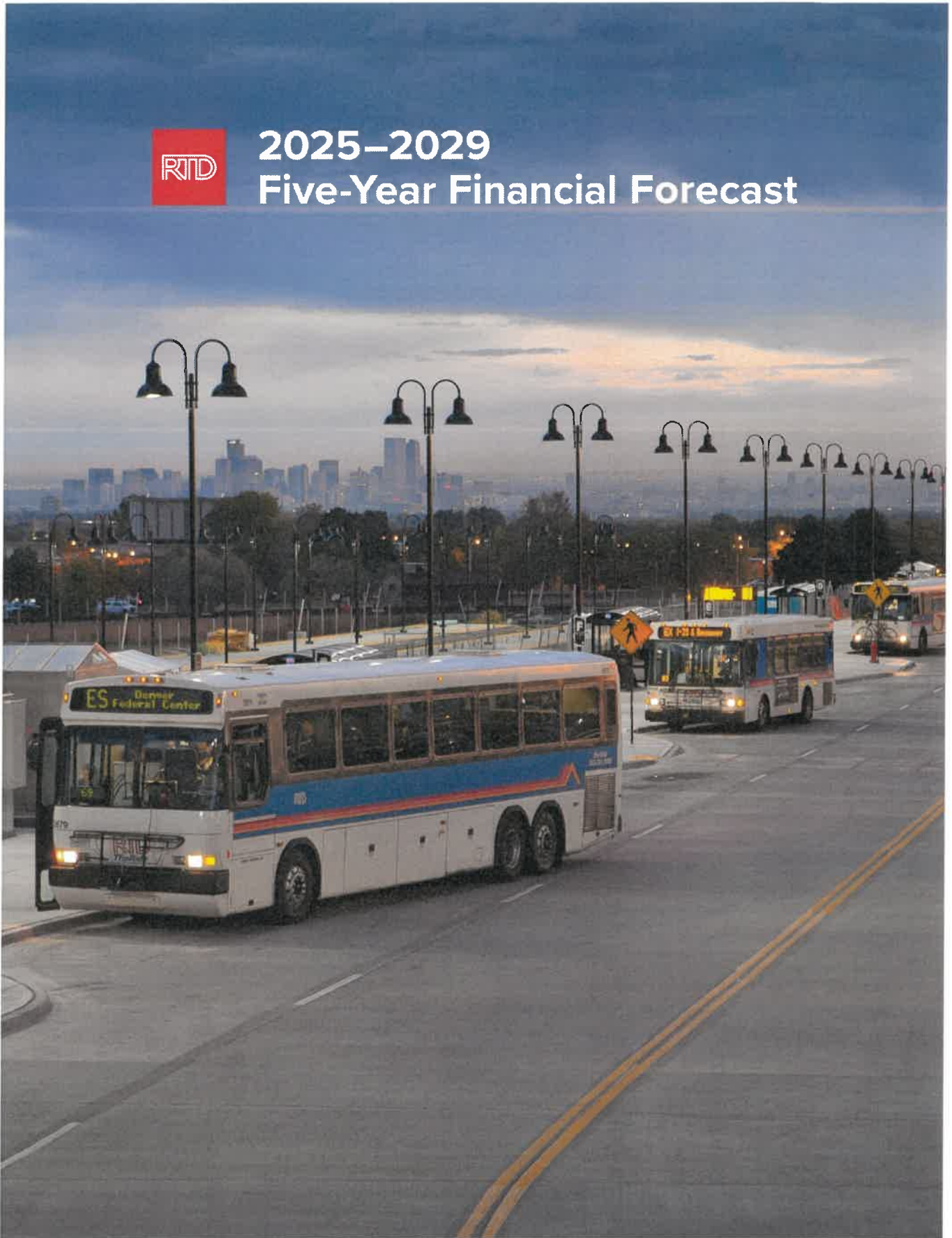




# 2025–2029 Five-Year Financial Forecast





**Updated September 2024**

# 2025-2029 Five-year Financial Forecast

## **Regional Transportation District**

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## 2025-2029 Five-year Financial Forecast

### INTRODUCTION

Each year, or more often, if necessary, the Regional Transportation District prepares a multi-year financial forecast for planning purposes. In previous years, a six-year Mid-term Financial Plan (MTFP) was produced. In 2024, RTD implemented a new financial planning horizon of five years that will be referred to as the Five-year Financial Forecast (FYFF).

The 2025-2029 FYFF represents the expected revenues, expenditures and financial position anticipated for the fiscal years January 1 through December 31. The RTD Board of Directors is requested to approve the annual FYFF, however, it is a forecasting and planning tool and not an appropriation of funding. The forecasted revenues and expenditures from the FYFF are then used as the basis for the scope of the annual proposed budget.

Forecasted revenues and expenditures are developed in the FYFF using the most current information available at the time of report preparation. As such, forecasted amounts will change over time. If assumptions change materially, staff will revise the FYFF for presentation to the Board, as necessary.

The expenditures set forth herein align with RTD's Strategic Plan Priorities and are developed in support of executing the Comprehensive Operational Analysis (COA). In order to maintain fiscal sustainability, financial forecasts must consider balancing with expenditures not exceeding revenues over the long term. *Financial Success* also must consider maintaining adequate fund balances, adhering to the Board-approved Fiscal Policy and being good stewards of taxpayer funds.

The development of the 2025-2029 FYFF was a cross-departmental collaborative effort; hence the proposed 2025-2029 FYFF for the Board's consideration is a collective staff recommendation, centered on a *One RTD* approach.

### ASSUMPTIONS

#### Consolidated

- Fare revenue is projected to continue to account for approximately 5% of revenue. Modest annual ridership increases of 2% will contribute to fare revenue increases and the impact of Zero Fare for Youth is included in each year.
- Sales and use tax projections provided in March 2024 by the University of Colorado Leeds School of Business are included. Prior forecasts assumed a 1.4% annual growth cap for the Base System as an assumption for the impact of TABOR revenue growth limits. This prior assumption has been replaced with a more thorough and complete TABOR revenue calculation which assumes TABOR refunds of \$2.4 million in 2027 and \$3.7 million in 2029. It is important to note that this assumption does not assume an economic slowdown and is more optimistic than the experience of other TABOR impacted governments that are routinely subject to TABOR refunds of 7-10% of applicable revenues.
- Operating expense inflation increases have been incorporated at an average annual rate of 5.1% over the five-year period. Inflation assumptions are applied at differing rates by category such as wages,



benefits and materials while also applying known contractual increases such as with contracted services. The basis for operating expenditure forecasts is the System Optimization Plan (SOP), which is the Agency's COA.

- Asset management expenditures are included that maintain assets in a state of good repair using information from the Transit Asset Management (TAM) Plan. It should be noted that the TAM is not fully populated or mature from an asset condition assessment standpoint and staff continues to improve the information continued therein. Further, the TAM Plan includes occasional large outlays for asset replacements such as revenue vehicle purchases, some of which are planned to occur beyond the FYFF planning horizon. The Fiscal Policy includes the intention of RTD to continue to cash fund purchases, however, it may be necessary to finance some large purchases in the future with Certificates of Participation (COPs), a form of lease-purchase financing, to spread the costs over multiple years for efficient cash flow purposes and maintenance of fund balances. It is also important to recognize that RTD recently began to realize the financial impacts of large repairs and replacements as certain transit system elements reached a 30-year age. This trend will continue as more of the transit system continues to age and approaches useful life benchmarks.
- Reserves are projected to continue to meet the Fiscal Policy requirements for the Operating and TABOR reserves. Due to TAM repair and replacement activities, the Capital Replacement and Unrestricted Reserves will diminish over the five-year period, as expected. The FasTracks Internal Savings Account (FISA) is projected to continue to be funded according to the Fiscal Policy.

#### Base System

- Revenue growth is primarily attributable to increases in tax collections and small ridership increases driving fares. Revenue increases are tempered by a modest impact from assumed Taxpayer's Bill of Rights (TABOR) revenue growth limitations as well as decreasing investment income as interest rates are expected to decrease. Grant revenue includes a pass-through grant in 2024 and then reduces and is assumed to be flat due to no assumption of future new capital grant funding opportunities
- Operating expense annual increases approximate 4% for inflationary and contractual increase assumptions. Capital expenditures are in accordance with the TAM Plan while debt service will continue to decrease with reductions in remaining obligations and the Fiscal Policy directive to target cash funding of purchases
- Capital expenditures are significantly higher in 2024 and 2027 due to the inclusion of funding for rail reconstruction work and bus purchases, respectively
- While net sources and uses project a deficit in each year, this line item includes funding contributions to reserves to maintain Fiscal Policy requirements and continue with cash funding of TAM needs rather than funding through more costly financing mechanisms
- The Unrestricted Fund balance will decrease due to funding of the TAM Plan needs while the Capital Replacement Fund increases to set aside funding for future year TAM needs with additional investments for vehicle replacements and other asset renewals and repairs after 2029. A transfer to FasTracks of \$26.6 million will be necessary in 2029.



FasTracks

- Revenue growth is primarily attributable to increases in tax collections and small ridership increases driving fares. Fare revenue from the A Line is expected to continue drive overall RTD fares with a relatively larger proportion attributable to FasTracks. TABOR revenue growth impacts are smaller than the Base System due to TABOR exemption of the 0.4% tax through 2050. Decreasing investment income is expected as interest rates are anticipated to decrease, and investible balances decrease
- Operating expenses have increases in 2025 and 2029 due to variations in annual payments under the commuter rail concessionaire agreement that were included for scheduled periodic repair and maintenance activities. Debt service increases due to the intentional issuance of debt with repayment occurring and growing then subsiding in relation to the Base System decrease in debt service as planned due to consolidated cash flow needs and the ability of the Base System to be allowed to provide funding to FasTracks, as approved by voters
- Fund balances will decrease due to the net cash outflows primarily driven by FasTracks' debt service requirements. The unrestricted reserve is projected to be exhausted by the end of the forecast period to avoid debt financing while the FISA is assumed to grow according to the 2013 FISA funding plan. This FISA funding plan uses contributions to fund the temporary increases in the commuter rail concessionaire agreement during 2025-2027 for scheduled periodic maintenance of the RTD owned assets operated and maintained by the concessionaire. Because of these reserve funding structures, funding of \$26.6m from the Base system will be necessary in 2029.





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through connections.**

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September 26, 2024

# Five-Year Financial Forecast

## 2025 – 2029

**Doug MacLeod**  
Chief Financial Officer

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Senior Manager, Budget

# Outline

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**Background**



**Assumptions**



**Cash Flow Forecasts**



**Next Steps**



# Background



# Background

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- Five-year forecast
- Strategic financial planning – *Financial Success*
- Establishes 2025 Budget baseline
- Not an appropriation





# Assumptions

# Assumptions

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- Modest fare revenue increases
- TABOR refund provision
- Sales and use taxes – March 2024 CU Leeds Forecast
- Apportioned grants only
  - No SB24-230 oil and gas fees
- Declining investment yields and balances



# Assumptions (cont'd)

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- Comprehensive Operational Analysis (COA)
- Capital Expenditures
  - Asset maintenance – still maturing information
  - Cash funding
- Fund balances maintained
  - Fiscal Policy adherence





# Cash Flow Forecasts

## Cash Flows: Base System (\$ in thousands)

	Projected 2024	2025	2026	2027	2028	2029
1 Fares	\$ 36,315	\$ 37,165	\$ 37,686	\$ 38,213	\$ 38,748	\$ 39,291
2 TABOR Refund	-	-	-	(1,544)	-	(2,319)
3 Sales and use taxes	495,707	558,348	581,253	603,686	624,517	656,687
4 Grants and contributions	310,666	160,650	163,980	172,940	177,933	173,500
5 Investment income	44,240	30,000	20,000	15,000	10,000	10,000
6 Other income	8,400	8,400	8,400	8,400	8,400	8,400
7 Total Revenue	895,328	794,563	811,319	836,695	859,598	885,559
8 Operating expenses	644,319	646,017	664,874	691,732	721,712	748,765
9 Expense projects	-	20,699	31,118	33,573	38,976	41,189
10 To/(From) Capital Reserve	-	76,000	37,000	-	37,000	-
11 To/(From) Operating Reserve	-	21,833	7,494	6,861	7,646	8,261
12 To/(From) FISA Reserve	-	-	-	-	-	-
13 Transfer to FasTracks	-	-	-	-	-	26,576
14 Capital expenditures	185,460	35,704	52,081	207,168	50,323	51,737
15 Debt service	46,062	41,027	32,529	21,443	7,080	7,081
16 Total Expenditures	875,841	841,280	825,096	960,777	862,737	883,609
17 Net sources and uses	19,487	(46,717)	(13,777)	(124,082)	(3,139)	1,950
18 Operating reserve	143,619	165,452	172,945	179,806	187,452	195,713
19 Capital replacement reserve	185,000	261,000	298,000	298,000	335,000	335,000
20 FISA reserve	-	-	-	-	-	-
21 Unrestricted reserve	188,525	141,809	128,032	3,952	814	4,107
22 Total available reserves	517,144	568,261	598,977	481,758	523,266	534,820



## Cash Flows: FasTracks (\$ in thousands)

	Projected 2024	2025	2026	2027	2028	2029
1 Fares	\$ 19,286	\$ 20,000	\$ 20,927	\$ 21,346	\$ 21,963	\$ 22,600
2 TABOR Refund	-	-	-	(862)	-	(1,334)
3 Sales and use taxes	330,472	372,232	387,502	403,894	418,780	437,071
4 Grants and contributions	-	-	-	-	-	-
5 Investment income	11,803	6,000	5,000	2,000	1,000	1,000
6 Other income	-	-	-	-	-	-
7 Total Revenue	361,561	398,232	413,429	426,378	441,743	459,337
8 Operating expenses	192,121	243,080	211,027	214,576	226,078	242,326
9 Expense projects	-	4,129	2,548	6,690	1,671	1,177
10 To/(From) Capital Reserve	-	-	-	-	-	-
11 To/(From) Operating Reserve	-	-	-	-	-	-
12 To/(From) FISA Reserve	23,806	-	(69)	6,279	40,057	24,028
13 Transfer from Base	-	-	-	-	-	(26,576)
14 Capital expenditures	-	-	-	-	-	-
15 Debt service	177,222	188,400	219,268	256,366	256,977	254,864
16 Total Expenditures	393,149	435,609	432,774	483,911	524,783	495,819
17 Net sources and uses	(31,588)	(37,377)	(19,345)	(57,533)	(83,040)	(36,482)
18 Operating reserve	52,850	52,850	52,850	52,850	52,850	52,850
19 Capital replacement reserve	-	-	-	-	-	-
20 FISA reserve	190,099	190,099	190,030	196,309	236,366	260,394
21 Unrestricted reserve	233,775	196,398	177,053	119,522	36,482	-
22 Total available reserves	476,724	439,347	420,002	362,469	279,429	242,947



## Cash Flows: Total (\$ in thousands)

	Projected 2024	2025	2026	2027	2028	2029
1 Fares	\$ 55,601	\$ 57,165	\$ 58,613	\$ 59,559	\$ 60,711	\$ 61,891
2 TABOR Refund	-	-	-	(2,406)	-	(3,653)
3 Sales and use taxes	826,179	930,580	968,755	1,007,580	1,043,297	1,093,758
4 Grants and contributions	310,666	160,650	163,980	172,940	177,933	173,500
5 Investment income	56,043	36,000	25,000	17,000	11,000	11,000
6 Other income	8,400	8,400	8,400	8,400	8,400	8,400
7 Total Revenue	1,256,889	1,192,795	1,224,748	1,263,073	1,301,341	1,344,896
8 Operating expenses	836,440	889,097	875,901	906,308	947,790	991,091
9 Expense projects	-	24,828	33,666	40,263	40,647	42,366
10 To/(From) Capital Reserve	-	76,000	37,000	-	37,000	-
11 To/(From) Operating Reserve	-	21,833	7,494	6,861	7,646	8,261
12 To/(From) FISA Reserve	23,806	-	(69)	6,279	40,057	24,028
13 Transfer Base to FasTracks	-	-	-	-	-	-
14 Capital expenditures	185,460	35,704	52,081	207,168	50,323	51,737
15 Debt service	223,284	229,427	251,797	277,809	264,057	261,945
16 Total Expenditures	1,268,990	1,276,889	1,257,870	1,444,688	1,387,520	1,379,428
17 Net sources and uses	(12,101)	(84,094)	(33,122)	(181,615)	(86,179)	(34,532)
18 Operating reserve	196,469	218,302	225,795	232,656	240,302	248,563
19 Capital replacement reserve	185,000	261,000	298,000	298,000	335,000	335,000
20 FISA reserve	190,099	190,099	190,030	196,309	236,366	260,394
21 Unrestricted reserve	422,300	338,207	305,085	123,474	37,296	4,107
22 Total available reserves	993,868	1,007,608	1,018,910	850,439	848,964	848,064
Net revenue coverage		1.32	1.39	1.28	1.34	1.35



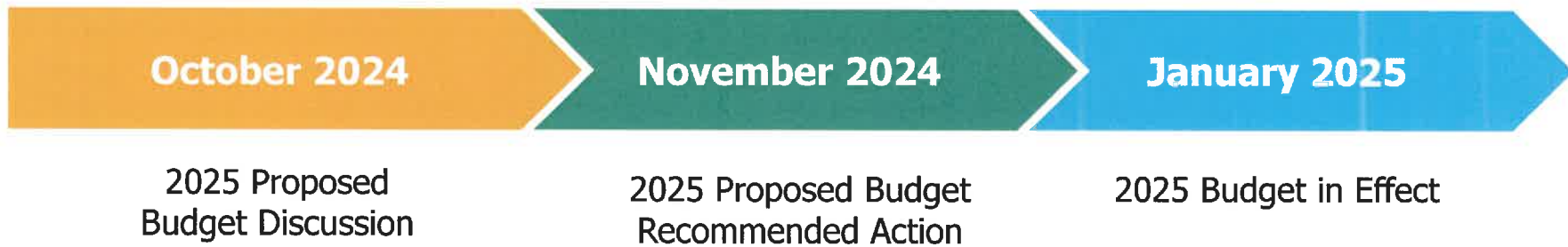




# Next Steps

# Next Steps

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**Thank you.**

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