



Board of Directors

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Second Vice Chair – Shelley Cook, District L
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Natalie Menten, District M

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Doug Tisdale, District H
Jeff Walker, District D
Troy Whitmore, District K
Kate Williams, District A

STUDY SESSION

REMOTE MEETING

September 15, 2020 at 5:30 PM

Zoom Meeting: [Link](#)

Meeting ID: 830 0429 8507

Or by Phone: 669-900-9128 Meeting ID: 830 0429 8507

- I. **Call to Order**
- II. **Facing our Financial Reality**
- III. **Other Matters**
- IV. **Adjourn**

The following communication assistance is available for public meetings:

- Language Interpreters
- Sign-language Interpreters
- Assisted listening devices

Please notify RTD of the communication assistance you require at least 48 business hours in advance of a RTD meeting you wish to attend by calling 303.299.2307

THE CHAIR REQUESTS THAT ALL PAGERS AND CELL PHONES BE SILENCED DURING THE BOARD OF DIRECTORS MEETING FOR THE REGIONAL TRANSPORTATION DISTRICT.

BOARD OF DIRECTORS REPORT

To: Paul J. Ballard, Interim General Manager and CEO

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

Date: September 14, 2020

Subject: Facing our Financial Reality

Date: September 14, 2020

GM

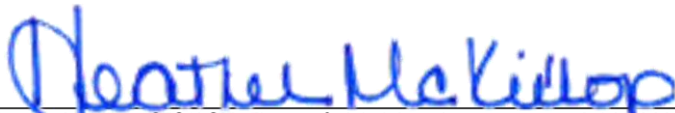
Board Meeting Date: September 15, 2020

ATTACHMENTS:

- Board Study Session 09-15-2020 FINAL (PPTX)

Prepared by:
Heather McKillop, CFO/AGM, Finance & Administration

Approved by:



Heather McKillop, CFO/AGM, Finance & Administration

9/14/2020

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BOARD STUDY SESSION, SEPTEMBER 15, 2020

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Attachment: Board Study Session 09-15-2020 FINAL (4324 : Facing our Financial Reality)



FACING THE FINANCIAL REALITY.



RTD'S MISSION

WHAT WE DO.

We move people.

Our Mission: To meet our constituents' present and future public transit needs by providing safe, clean, reliable, courteous, accessible, and cost-effective service throughout the District



BUS



LIGHT RAIL



COMMUTER RAIL



PARATRANSIT



HONORING OUR MISSION

SERVING OUR CUSTOMERS REMAINS CENTRAL TO ALL WE DO



BUS



LIGHT RAIL



COMMUTER RAIL



PARATRANSIT



TOUGH TIMES. TOUGH DECISIONS.

- Like much of the rest of the world, RTD is facing a new financial reality due to the COVID-19 induced economic slowdown.
- We've already implemented a number of cost saving measures in 2020.
- RTD began the 2021-2026 Mid-Term Financial Plan (MTFP) process anticipating a \$166 million shortfall for 2021 due to reduced sales tax and farebox revenues.
- COVID Fiscal Response Task Force was created to identify cost savings and budget reduction strategies to address the financial impacts of COVID-19.
- Each department AGM submitted a plan to align budget and staffing levels with the much-reduced level of service that will continue in the foreseeable future.



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PRINCIPLES AND PROCESS MOVING FORWARD.

2020.

6

DRAFT COVID-19 BUDGET REDUCTION PRINCIPLES

#1
Keeping riders, employees and the region healthy and safe: We will strive to keep our communities connected and our riders, employees and region healthy and safe.

#2
Service reductions should not be our primary response. We'll be creative: We will take a balanced approach to budget reductions and do so in such a way as to align with our mission. Accordingly, service reductions should be minimized so as to minimize the impact to our customers. We will strive for a well-rounded approach by incorporating reductions in overhead, breaking down silos and engaging partners, and seeking creative approaches to service delivery.

#3
We'll prioritize mobility for people who most depend on transit during the pandemic: We will strive to maximize mobility during the pandemic for those customers who most depend upon our services to access essential jobs and other necessities, while also keeping our communities and activity centers appropriately connected.

#4
We will support and value all of our employees. We acknowledge our frontline employees who directly promote our mission to the public and who have borne the brunt of mandating in the past. We also acknowledge those fulltime employees in the lower wage categories, because a humane work environment is valued by RTD.

#5
Being data-driven and informed by collective wisdom and expertise: We will use a thoughtful, responsible approach to decision-making for the COVID period, while planning for the mid-term financial period and post-pandemic future, by incorporating the best available data, expertise, and wisdom, including through the Re-Imagine project, the accountability committee, and stakeholders.

#6
We'll be actively transparent and seek input: We will take active measures to be transparent and seek input regarding our use of CARES Act money as well as in the decision-making process for measures we adopt to respond to ongoing COVID financial impacts.



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2021 – 2026 Mid-Term Financial Plan

2020.

8

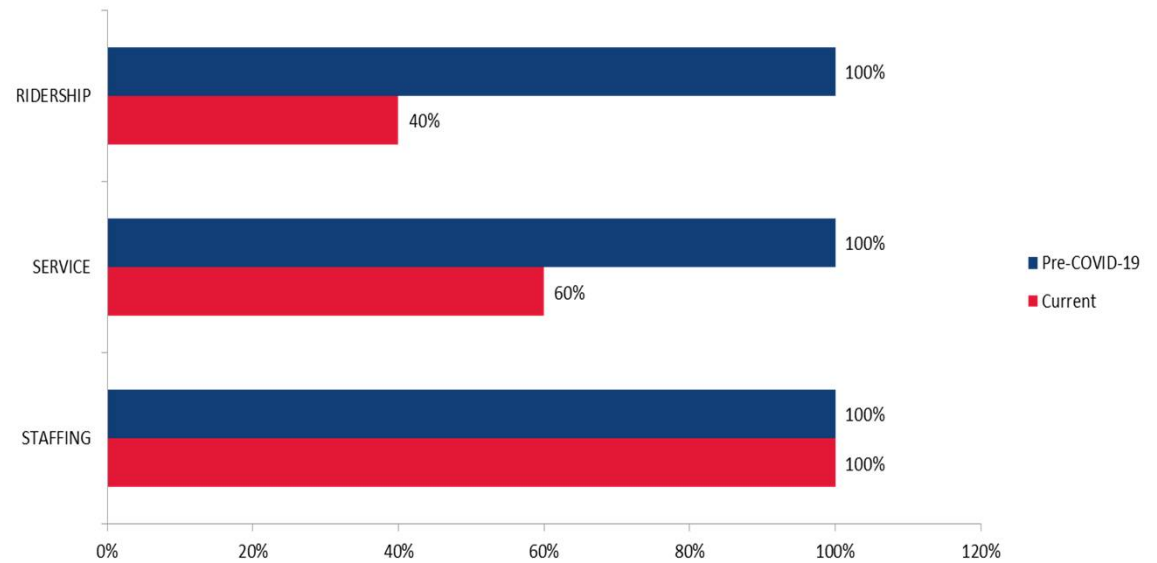
Attachment: Board Study Session 09-15-2020 FINAL (4324 : Facing our Financial Reality)

WHY?

Currently, ridership is at 40% of pre-COVID levels.

Currently RTD is providing service at 60% of pre-COVID-19 levels.

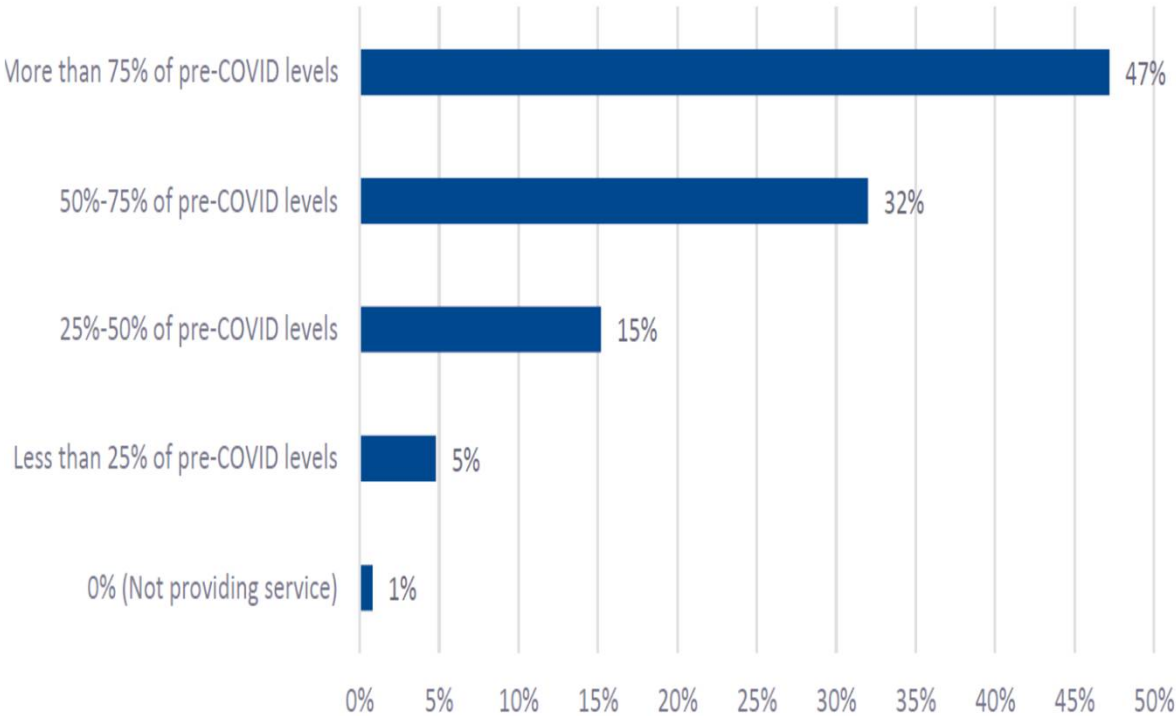
Currently, staffing levels have remained at 100% of pre-COVID-19 levels.



APTA SURVEY

Current Service Levels Compared to Previous Levels

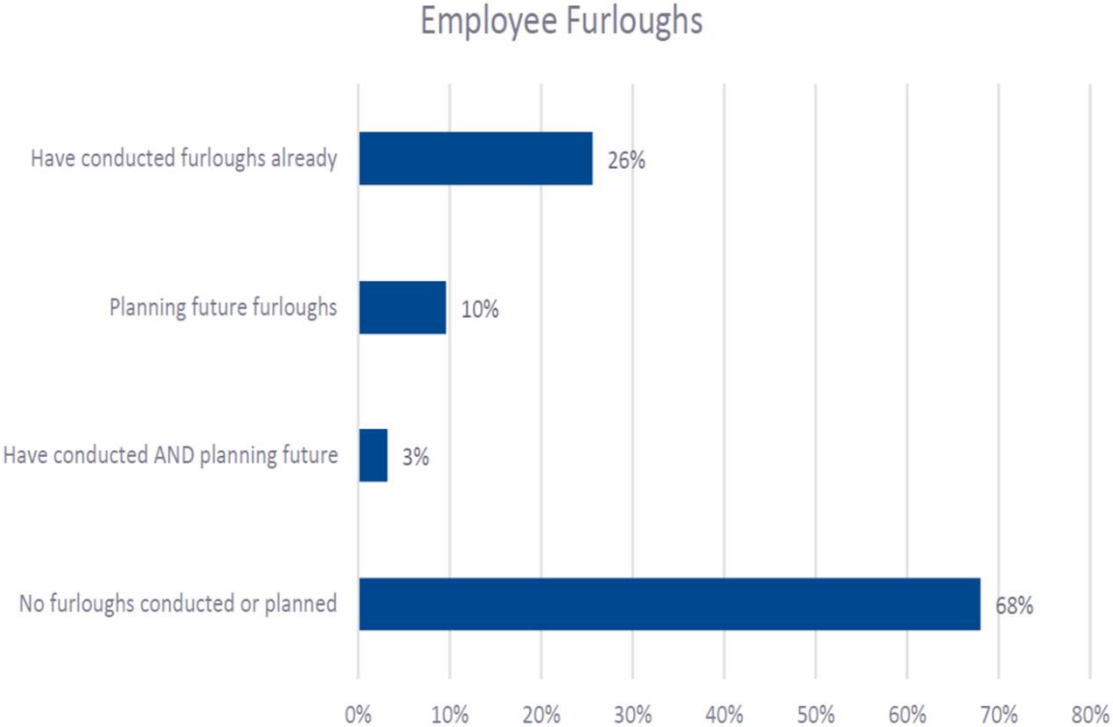
Fifty-three (53%) of transit agencies surveyed were offering less than 75% of their pre-COVID-19 service levels.*



* APTA, July 2020 Survey

APTA SURVEY

As a result of increased costs and decreased revenues, almost 1/3 of agencies have furloughed employees or are planning on future furloughs.*



* APTA, July 2020 Survey

FUNDING SOURCES TO ADDRESS SHORTFALL

September 1st Study Session Guidance

- First consider reductions in Administrative costs (Overhead)
- Okay to utilize reserves but limit use
- Okay to utilize future FISA rubber tire service contributions
- Okay to utilize future contributions from Credit Risk Premium (CRP) and project savings to offset FasTracks shortfalls.
- Should not utilize existing FISA balances, except possibly for SH 119 BRT
- Don't reduce service levels below what we are currently offering

COST REDUCTION/ELIMINATION RECOMMENDATIONS (2021)

- Business Travel
- Temporary Employees
- Professional Dues
- Publications and Subscriptions
- Employee Referral and Signing Bonus (except those already earned)
- Elimination of Professional Development Funds (except job required)
- Suspend Leadership Academy
- Suspend MAX Program

PAYROLL/BENEFITS-RELATED REDUCTIONS (2021)

- No Pay Increases for Salaried Employees
- Tiered Furloughs for Salaried Employees in 2021
 - \$0 - \$60,000 – No Furlough Days
 - \$60,001 - \$120,000 – 6 Furlough Days
 - \$120,001 - \$180,000 – 12 Furlough Days
 - \$180,001+ – 18 Furlough Days
- No Increases in the Contribution to the Salaried Defined Benefit (DB) Pension Plan
- Temporary Reduction in the Contribution for the Salaried Defined Contribution (DC) plan from 9% to 7%
- Elimination of Salaried Vacation/Sick/PTO Buyback
- Elimination of Overtime and Extra Shift Pay (except OT required in the runboard)

PAYROLL/BENEFITS-RELATED REDUCTIONS/ELIMINATIONS

- Adjustments to staffing levels to “right size” the organization to align staffing with the anticipated continuation of operating service at the 60% level.
 - Elimination of some positions and consolidation of other positions
 - Reduce the number of positions by about 25-30 percent
 - Reductions include both vacant and filled positions for represented and salaried staff
 - This equates to approximately 550 (reduced from prior 635) part-time and fulltime filled positions for both represented and salaried staff
 - These figures may change as we continue to conduct more detailed analysis

Solving for Original Shortfall (\$166 m in 2021)

	2021	2022	2023	2024	2025	2026	Totals
Base							
Shortfall 09-01-2020	\$ 83,214	\$ 106,462	\$ 72,466	\$ 60,605	\$ 97,399	\$ 20,913	\$ 441,059
Administrative Personnel Related Savings	\$ 18,936	\$ 19,435	\$ 19,937	\$ 20,456	\$ 20,978	\$ 21,512	\$ 121,253
Less: One-Time Personnel Costs	\$ (13,297)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (13,297)
Other Administrative Reductions	\$ 6,298	\$ 6,464	\$ 6,631	\$ 6,803	\$ 6,977	\$ 7,155	\$ 40,328
Annual Contribution to Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FISA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Service	\$ 76,737	\$ 78,757	\$ 80,793	\$ 82,895	\$ 85,013	\$ 87,177	\$ 491,372
Project Deferment	\$ -	\$ 7,451	\$ -	\$ -	\$ 58,279	\$ -	\$ 65,730
Subtotal Savings	\$ 88,674	\$ 112,107	\$ 107,360	\$ 110,154	\$ 171,248	\$ 115,845	\$ 705,387
Available to fund additional Base shortfalls, add to reserves, fund projects, add service, or supplement FT	\$ 5,460	\$ 5,645	\$ 34,894	\$ 49,549	\$ 73,849	\$ 94,932	\$ 264,329
Shortfall less Savings	\$ -	\$ 0	\$ (0)	\$ 0	\$ (0)	\$ 0	\$ 1
FasTracks							
Shortfall 09-01-2020	\$ 82,498	\$ 61,810	\$ 72,979	\$ 81,686	\$ 88,961	\$ 20,038	\$ 407,972
Administrative Personnel Related Savings	\$ 4,293	\$ 4,406	\$ 4,520	\$ 4,637	\$ 4,756	\$ 4,877	\$ 27,490
Less: One-Time Personnel Costs	\$ (1,444)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,444)
Other Administrative Reductions	\$ 1,563	\$ 1,604	\$ 1,646	\$ 1,688	\$ 1,732	\$ 1,776	\$ 10,008
Reserves	\$ 56,732	\$ 42,191	\$ 42,308	\$ 10,000	\$ -	\$ -	\$ 151,231
FISA	\$ 17,658	\$ 9,816	\$ 20,614	\$ 21,192	\$ 21,776	\$ 9,186	\$ 100,242
Service	\$ 3,696	\$ 3,793	\$ 3,891	\$ 3,993	\$ 4,095	\$ 4,199	\$ 23,667
Subtotal Savings	\$ 82,498	\$ 61,810	\$ 72,979	\$ 41,510	\$ 32,358	\$ 20,038	\$ 311,194
Shortfall less Savings	\$ -	\$ (0)	\$ 0	\$ 40,176	\$ 56,603	\$ 0	\$ 96,778
Total Shortfall 09-01-2020	\$ 165,712	\$ 168,272	\$ 145,445	\$ 142,291	\$ 186,360	\$ 40,951	\$ 849,031

BASE

- Administrative Reductions 2021 - 2026
- Funds are available in 2021 -2026 for additional base shortfalls, reserves, projects, add service, or supplement FasTracks
- Service remains at reduced levels through 2026
- Following projects are deferred
 - Burnham Yard (\$7.5 million)
 - Maintenance Facility (\$58.3 million)
- Following projects would move forward i
 - 2021 - Electric buses and infrastructure (\$16.1 million)
 - 2023 - SH 119, BRT (\$33.3 million)

FasTracks

- Administrative Reductions 2021-2026
- Use of reserves (1 month remaining) 2021-2026
- Use of future FISA contributions in 2021-2026
- Opening 2020 FISA balance remains unused
- Service remains at reduced levels through 2026
- **Still shortfall of \$96.8 million between 2024-2026**

Attachment: Board Study Session 09-15-2020 FINAL (4324 : Facing our Financial Reality)

ADJUSTMENTS TO BUDGET SHORTFALL

Changes Since September 1, 2020 Workshop

- Fare Revenues
 - Had previously been estimated at 80% of original forecast
 - Now have July & August Actuals and lowering forecast to 60% in 2021
 - Adds \$30 million to the 2021 shortfall, adds total of \$307 million to the 2021-2026 shortfall
- 2020 Amended Budget Changes
 - Since we are reconciling against the cash flows presented to the Board in March 2020, we had not accounted for the increases and decreases in expenditures related to that Board action
 - Overall reduction in shortfall in 2021 by \$1.8 million, total reduction of \$11.8 million between 2021-2026
- Rubber Tire Service
 - In the March 2020 cash flows, we omitted the rubber tire service
 - § These are not the funds that go to the FISA
 - Added \$19.8 million to the 2021 shortfall, adds total of \$127.1 million to the 2021-2026 shortfall
- Adjustments bring total shortfall for 2021 to \$215 million

Solving for Additional Shortfall

	2021	2022	2023	2024	2025	2026	Totals
Base							
Available to fund additional Base shortfalls, add to reserves, fund projects, add service, or supplement FT	\$ 5,460	\$ 5,645	\$ 34,894	\$ 49,549	\$ 73,849	\$ 94,932	\$ 264,329
Decrease in Forecasted Fare Revenue	\$ 30,050	\$ 38,293	\$ 28,961	\$ 29,799	\$ 39,343	\$ 11,552	\$ 177,998
Cost Changes - 2020 Amended Budget	\$ 5,981	\$ 6,138	\$ 6,297	\$ 6,461	\$ 6,626	\$ 6,795	\$ 38,298
Additional Shortfall	\$ 36,031	\$ 44,431	\$ 35,258	\$ 36,260	\$ 45,969	\$ 18,347	\$ 216,296
Annual Contribution to Reserves	\$ 3,000	\$ 3,000	\$ 364	\$ -	\$ 3,000	\$ -	\$ 9,364
Reserves	\$ 27,571	\$ 25,569	\$ -	\$ -	\$ 400	\$ -	\$ 53,540
FISA	\$ -	\$ 10,218	\$ -	\$ -	\$ -	\$ -	\$ 10,218
Subtotal Savings	\$ 30,571	\$ 38,787	\$ 364	\$ -	\$ 3,400	\$ -	\$ 73,122
Base Funds Utilitized	\$ 5,460	\$ 5,645	\$ 34,894	\$ 36,260	\$ 42,569	\$ 18,347	\$ 143,175
Shortfall less Savings	\$ -	\$ -	\$ -	\$ 13,289	\$ 31,280	\$ 76,585	\$ 121,154
FasTracks							
Decrease in Forecasted Fare Revenue	\$ 2,118	\$ 15,293	\$ 24,543	\$ 25,287	\$ 32,310	\$ 29,540	\$ 129,091
FasTracks Plan Bus Service	\$ 19,843	\$ 20,365	\$ 20,892	\$ 21,435	\$ 21,983	\$ 22,543	\$ 127,061
Cost Changes - 2020 Amended Budget	\$ (7,830)	\$ (8,036)	\$ (8,244)	\$ (8,458)	\$ (8,674)	\$ (8,895)	\$ (50,138)
Additional Shortfall	\$ 14,131	\$ 27,622	\$ 37,191	\$ 38,264	\$ 45,619	\$ 43,187	\$ 206,014
Reserves	\$ 14,131	\$ 27,622	\$ 37,191	\$ -	\$ -	\$ -	\$ 78,944
FISA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,182	\$ 13,182
Subtotal Savings	\$ 14,131	\$ 27,622	\$ 37,191	\$ -	\$ -	\$ 13,182	\$ 92,126
Shortfall less Savings	\$ 0	\$ 0	\$ (0)	\$ 38,264	\$ 45,619	\$ 30,005	\$ 113,888
Total Additional Shortfall 09-11-2020	\$ 50,162	\$ 72,054	\$ 72,449	\$ 74,524	\$ 91,588	\$ 61,534	\$ 422,311

BASE

- Use of reserves (5 weeks in 2021 growing to 6 weeks in 2026)
- Use of future FISA contributions in 2022
- Utilized savings to fund shortfalls in 2021-2026
- **Available balance in 2024-2026 of \$121.1 million to fund reserves, projects, add service, or supplement FasTracks**

FasTracks

- Use of reserves (1 month remaining) 2021-2026
- Use of future FISA contributions in 2026
- Existing 2020 FISA balance stays the same
- **Still shortfall of \$113.8 million for a total of \$210.6 million from 2024-2026 (\$96.8 + 113.8)**

FasTracks Revised Shortfall - \$210.6 million (2024-2026)

Funding Options

- Utilize projected future contributions (non-rubber tire)to FISA (Estimated at \$64.1 million)
 - Near-Term
 - § FT Program Wide Costs - \$5 million
 - § I-225 Project Savings - \$5 million
 - § DUS Project Savings - \$3.2 million
 - § West Corridor Parking Garages - \$1.4 million
 - § FasTracks Contingency - \$1.5 million
 - § **Total Estimated at \$16.1 million**
 - Timeline TBD
 - § Project savings from North Metro - \$20 million
 - § Credit Risk Premium - \$14 million
 - § Refinancing Eagle Private Activity Bonds - \$14 million
 - § **Total Estimated at \$48 million**
- \$121.1 million available between 2024 – 2026 from Base
- \$119.6 million is available from FISA existing balance

NEXT STEPS

- September 15 – Board Study Session – Budget/Staffing Reductions
- September 22 – FA&A Committee – Mid-Term Financial Plan
- September 22 – Operations Committee – January Runboard
- September 29 – Board of Directors Meeting – Adoption of Mid-Term Financial Plan
- October 13 – Study Session – 2021 Draft Budget
- October 15 – Posting of draft 2021 Budget
- October 20 – FA&A Committee – 2021 Draft Budget
- October 20 – Operations Committee – Approval of January Runboard
- October 27 – Board Meeting – Adoption of January Runboard
- November 10 – FA&A Committee Meeting – Approval of 2021 Budget
- November 17 – Board Meeting – Adoption of 2021 Budget



QUESTIONS?