

REGIONAL TRANSPORTATION DISTRICT 2014 FISCAL POLICY STATEMENT

REVENUE POLICIES

1. Staff will plan fare adjustments every 3 years in the mid and long-term budgets to adjust for inflation. The Board of Directors may consider potential fare adjustments annually at the time of the development of the Strategic Budget Plan (SBP). As part of this process, staff will review potential fare increases to establish a fare structure with due consideration for:
 - consistency and equity throughout RTD;
 - ease of use and simplicity;
 - maintaining or increasing ridership and fare revenues;
 - acceptability and marketability of fare structure to customers and the general public; and
 - verification and enforceability of fare payment compliance.
2. Fare policies will take into account the special needs of transit dependent, elderly, youth, student, handicapped, and commuter patrons.
3. RTD will avoid dependence on temporary revenues to fund ongoing services. One-time revenues will be used for one-time expenditures.
4. RTD will continuously explore additional sources of revenue to help balance the budget.
5. When appropriate the Board will actively pursue legislation that would help ensure the continued accomplishment of RTD's goals and mission statement. The Board will support efforts to ensure that legislative intent is realized in allocation of state financial resources to public transit. The Board will actively oppose legislation that would limit or diminish revenue.
6. Staff will identify on an annual basis excess property and equipment, and will make an ongoing attempt to sell such excess property and equipment to enhance cash flow.

INVESTMENT POLICIES

1. RTD will review its investment policy annually with the Board to ensure consistency with the following objectives (in order of priority):
 - safety of invested funds;
 - maintenance of sufficient liquidity to meet cash flow needs; and
 - attainment of the maximum yield possible consistent with the first two objectives
2. RTD will review its investment performance on a quarterly basis with the Board.

EXPENDITURE POLICIES

1. RTD will endeavor to achieve service levels that will make the transit system easier to use, improve travel times, and be more effective.
2. RTD will continue to look for and implement the most cost-effective and reliable methods of delivering transportation services.
3. RTD will maintain all assets at a level that protects capital investment and minimizes future maintenance and replacement costs.
4. RTD maintains a risk management program which will provide protection against loss and mitigate exposure to liability.
5. A safety program will be maintained to minimize RTD's exposure to liability and thereby reduce the number of claims against RTD.
6. RTD will develop service changes that are needed to respond to budget shortfalls using the system-wide and route-specific productivity measures that have been approved by the Board.

CAPITAL IMPROVEMENT POLICIES

1. RTD will prepare and update annually a six-year Strategic Budget Plan (SBP) including projected capital construction and improvements, service levels and operating costs, and revenues to fund the capital and operating programs. Capital projects to be included in the SBP will be evaluated using the following criteria:
 - total project cost (design and construction) and schedule for completion;
 - source of funding;
 - operating and maintenance costs for the remainder of the SBP period;
 - benefits and contributions to RTD and the community, including but not limited to the effect on future operating and maintenance costs, economy, service, and ridership;
 - consideration of alternatives (joint development, etc.); consequences of not funding; andRTD mission statement elements.
2. Priority will be given to replacement of existing assets before consideration of new assets except as allowed for in the FasTracks financial plan (see 7.).
3. RTD will use the first year capital program from the adopted SBP as the basis for the capital program to be included in the annual budget.
4. After completion of design of a capital project, cost estimates will be revised. If the cost estimates exceed Delegation of Authority limits, the project will be brought to the Board for reconsideration.
5. Facilities will be designed using current technology and allow for future technological changes in order to be efficient and cost-effective and to protect the public welfare.
6. RTD shall allow for multi-year capital projects to be carried forward in accordance with the carry-forward resolution adopted by the Board.
7. RTD will prepare an annual update of the FasTracks financial plan incorporating the actual costs incurred and the most recent available projections of capital improvement costs, service levels, and operating costs and revenues to fund the FasTracks capital and operating programs.

FUND BALANCE POLICIES

1. RTD will strive to maintain a fund balance in the Base System and in the FasTracks operating budget, to provide for unanticipated expenditures of a nonrecurring nature or to meet unexpected increases in costs. This unrestricted fund balance will be comprised of a Board appropriated fund, a capital replacement fund and an undesignated working capital fund as described below. For the Base System, the total of these three funds should be maintained at an amount approximately equal to three months of Base System operating expenses excluding depreciation. For FasTracks, the total of these three funds should be maintained at an amount approximately equal to two months of FasTracks operating expenses excluding depreciation. RTD will consider and pursue resources that will be directed to fund balance replenishment. For example, RTD may define the revenue sources that would typically be looked to for replenishment of fund balance to include non-recurring revenues and budget surpluses. Year-end surpluses are an especially appropriate source for replenishing fund balance.

RTD will replenish fund balances as soon as economic conditions allow.

2. In accordance with the adopted budget, RTD will designate a Board appropriated fund balance on an annual basis. Use of the fund balance will be minimized and occur only in specific circumstances such as severe economic downturns. With Board approval, these funds may be used to avoid cash flow interruptions, reduce the need for short-term borrowing, and assist in maintaining an investment-grade bond rating. The source of replenishment of this fund will be identified and will take place in a prompt manner.
3. In accordance with the adopted budget, RTD will designate a capital replacement fund on an annual basis. With Board approval, these funds will be used for scheduled major vehicle replacements and other capital purchases. The source of replenishment of this fund will be identified and will take place in a prompt manner.
4. RTD will designate excess and undesignated working capital that may accrue at each year-end to be placed in an unrestricted fund to be used to respond to unanticipated events.
5. RTD will maintain an emergency (TABOR) reserve equal to three percent of non-Federal revenues, as specified by Article X, Section 20 of the Colorado Constitution.
6. The Board shall establish three reserves for future construction under the FasTracks plan:



- The FasTracks Contingency Reserve will be appropriated at a level of \$30 million each year. These funds will be available to fund adjustments to the FasTracks construction schedule, relating to logistics or cost savings opportunities that might arise after the annual budget is adopted, and will not be used to fund the (non-FasTracks) Base System capital or operating activity.
- The FasTracks Internal Savings Account (FISA) will be used to provide funding for future FasTracks projects that are currently unfunded. Expenditures from the FISA will be subject to Board approval with the staff recommended project goals identified in the Risk Allocation Matrix (RAM). Funding of the FISA will be provided from the sources identified in the Board approved RAM and other sources approved by the Board.
- All other FasTracks funds which have not been appropriated, or otherwise designated as reserved, in the current budget year will be maintained in a reserve for future FasTracks capital and operating expenditures and will not be used to fund the (non-FasTracks) Base System expenditures.

DEBT POLICIES

1. Capital projects funded through the issuance of bonds, Certificates of Participation (COPs) or other financial obligations shall be financed for a period not to exceed the expected useful life of the asset.
2. Effective communication with credit rating agencies will be maintained, and a policy of full disclosure on every financial report and official statement will be followed.
3. Before long-term debt is issued, the impact of debt service on total annual expenditures will be analyzed.
4. Debt financing will not be issued to support current operating expenditures.

It is the intent of RTD to maintain a high quality investment-grade credit rating. The benefit of maintaining RTD's credit ratings at the highest reasonably attainable level in light of current economic conditions and availability of capital funding is to receive lower interest rates and lower debt insurance premiums than would be possible with lower credit ratings. RTD's current ratings are listed below:

Classification	Senior Bonds	FasTracks Bonds	Certificates of
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	(0.6%)	(0.4%)	Participation
Standard and Poor's	AAA	AA +	A-
Moody's Investors Service	Aa3	Aa2	Aa3
Fitch Ratings	AA	AA	A +

5. RTD will maintain a minimum gross sales tax revenue bond coverage ratio for the Base System (annual non-FasTracks sales and use tax revenue to annual sales and use tax debt service for senior non-FasTracks debt) of four times for debt backed by the 0.6% sales and use tax. RTD will maintain a minimum gross sales tax revenue bond coverage ratio for FasTracks (annual FasTracks sales and use tax revenue to annual FasTracks sales and use tax debt service) of two times for debt backed by the 0.4% FasTracks sales and use tax.
6. RTD will maintain a minimum net revenue coverage ratio (all annual revenues remaining after operating and maintenance expenses, net of passthrough grants, to annual debt service requirements net of excess appropriations required for variable rate debt) of 1.2 times total debt.

BUDGET POLICIES

1. RTD shall comply with all requirements of the Colorado Local Government Budget Law.
2. The budget will be prepared on a program/project basis.
3. As part of the budget development process, the Board will review the current goals, objectives, and performance indicators for use in preparing the budget for the following year. The Board will adopt the final performance indicators before the adoption of the annual budget.
4. The Board will review the adopted fiscal policies annually and consider any changes that may be necessary.
5. There shall be a budgetary monitoring system that charges expenditures against approved budget appropriations.

6. The budget shall be summarized for adoption purposes. The actual level of adoption shall be determined by the Board.
7. The budget shall be prepared using Generally Accepted Accounting Principles with the following exceptions:
 - inclusion of capital outlays and debt principal payments as expenditures;
 - inclusion of asset sale proceeds and debt issuance proceeds
 - exclusion of gains and losses on disposition of property and equipment
8. The budget document shall be submitted to the Government Finance Officers Association annually for consideration for the Distinguished Budget Presentation Award, which evaluates the document as a communications device, financial plan, operations guide, and policy document.
9. Quarterly performance reports will be presented to the Board of Directors to assess RTD's performance on the adopted performance indicators.
10. A balanced budget in which beginning reserves plus total anticipated revenues is greater than or equal to expenditures will be prepared.
11. Budgetary procedures that fund current expenditures at the expense of future needs, such as postponing preventive maintenance expenditures or replacement of equipment, will be avoided.
12. RTD will provide conservative revenue estimates that take into consideration recent experience and reflect reasonable future growth.
13. RTD will monitor revenue sources regularly and amend the budget, as necessary, to reflect the most current information available. RTD will also change the level of expenditures, as needed, to maintain a balanced budget.
14. RTD will project revenues for at least six years and will update the projections annually as part of the Strategic Budget Plan (SBP). Each existing and potential revenue source will be reexamined annually.
15. As part of the SBP, RTD also will prepare a six-year operating expenditure plan that includes projections of annual service growth plus allowances for operating costs of new capital assets.
16. A budget will be prepared that contains essential programs and projects needed to support the goals and objectives of RTD, responds to citizen demand, and reflects administrative evaluation of current needs.

ACCOUNTING AND FINANCIAL REPORTING POLICIES

1. The accounting system will maintain records on a basis consistent with Generally Accepted Accounting Principles for local governments.
2. The accounts of RTD will be reported using the accrual basis of accounting. Revenues will be recognized when earned and expenses will be recognized when incurred.
3. RTD will establish and maintain a high standard of accounting practices to conform with uniform financial reporting in Colorado.
4. An independent firm of certified public accountants will perform an annual financial and grant compliance audit and will issue an opinion that will be incorporated into the Comprehensive Annual Financial Report.
5. RTD will submit the Comprehensive Annual Financial Report to the Government Finance Officers Association for consideration for the Certificate of Excellence in Financial Reporting.
6. The accounting system will record investment activity.
7. Internal control policies will be developed and maintained to include procedures that separate control of assets from accounting for those assets.
8. RTD will identify and account for all revenues, expenditures, assets and liabilities related to the FasTracks capital and operating program separately from the Base System operations.
9. A monthly financial status report shall be submitted to the Board.

GRANT POLICIES

1. All potential grants shall be carefully examined for matching requirements (both dollar and level-of-effort matches).

2. Intergovernmental assistance shall be used to finance only those capital improvements that are consistent with the capital improvement plan and RTD priorities and in which operating and maintenance costs have been included in operating budget forecasts.
3. RTD will program its federal grant funds to minimize the time between appropriation and drawdown of federal funds.
4. RTD will use all eligible Section 5307 formula federal grant funds for capital maintenance projects to minimize the time between appropriation and drawdown of federal funds.