



**The Transit Paradox
and RTD's bigger
Financial Conundrum**

August 12, 2011

Agenda

- **The Fundamental Principle**
- **By The Numbers**
- **What We're Doing About It**

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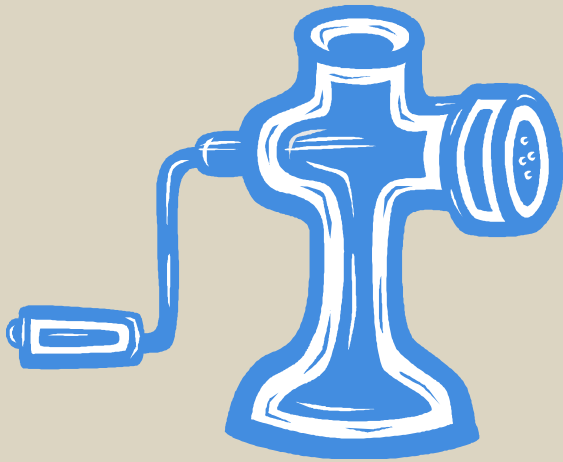
Transit Inputs and Output



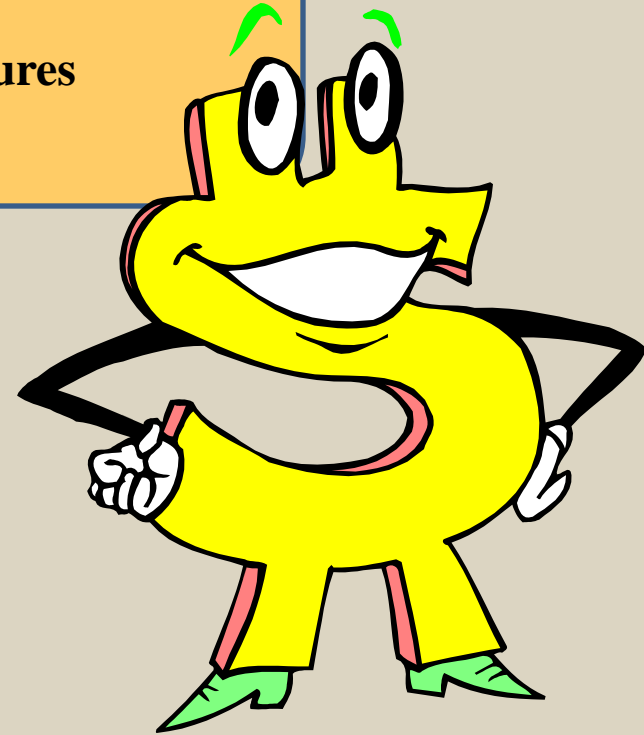
Expenditures

Salaries and Wages
Fringe Benefits
Materials and Supplies
Services
Utilities

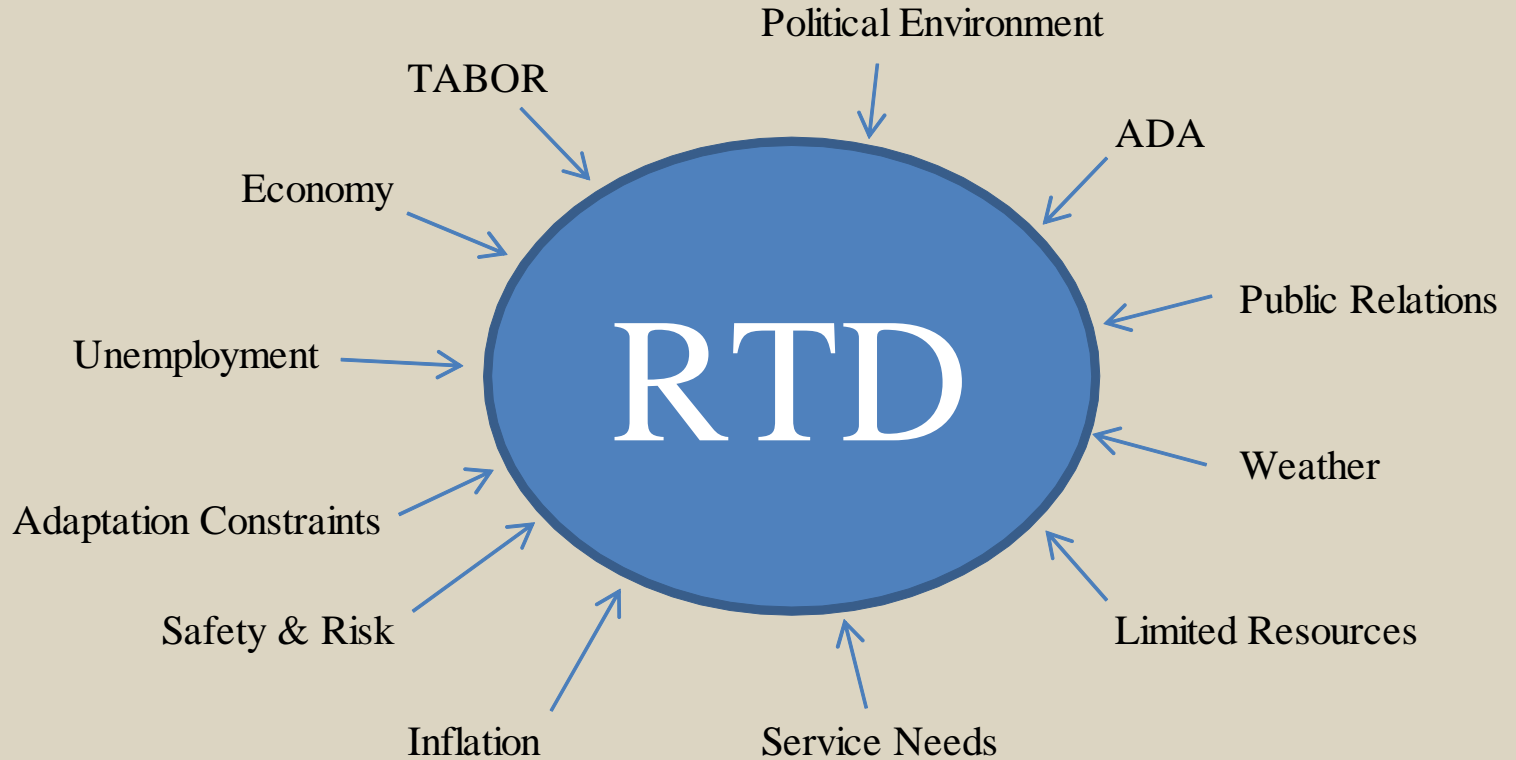
Insurance
Purchased Transportation
Debt Service
Capital Expenditures
Other



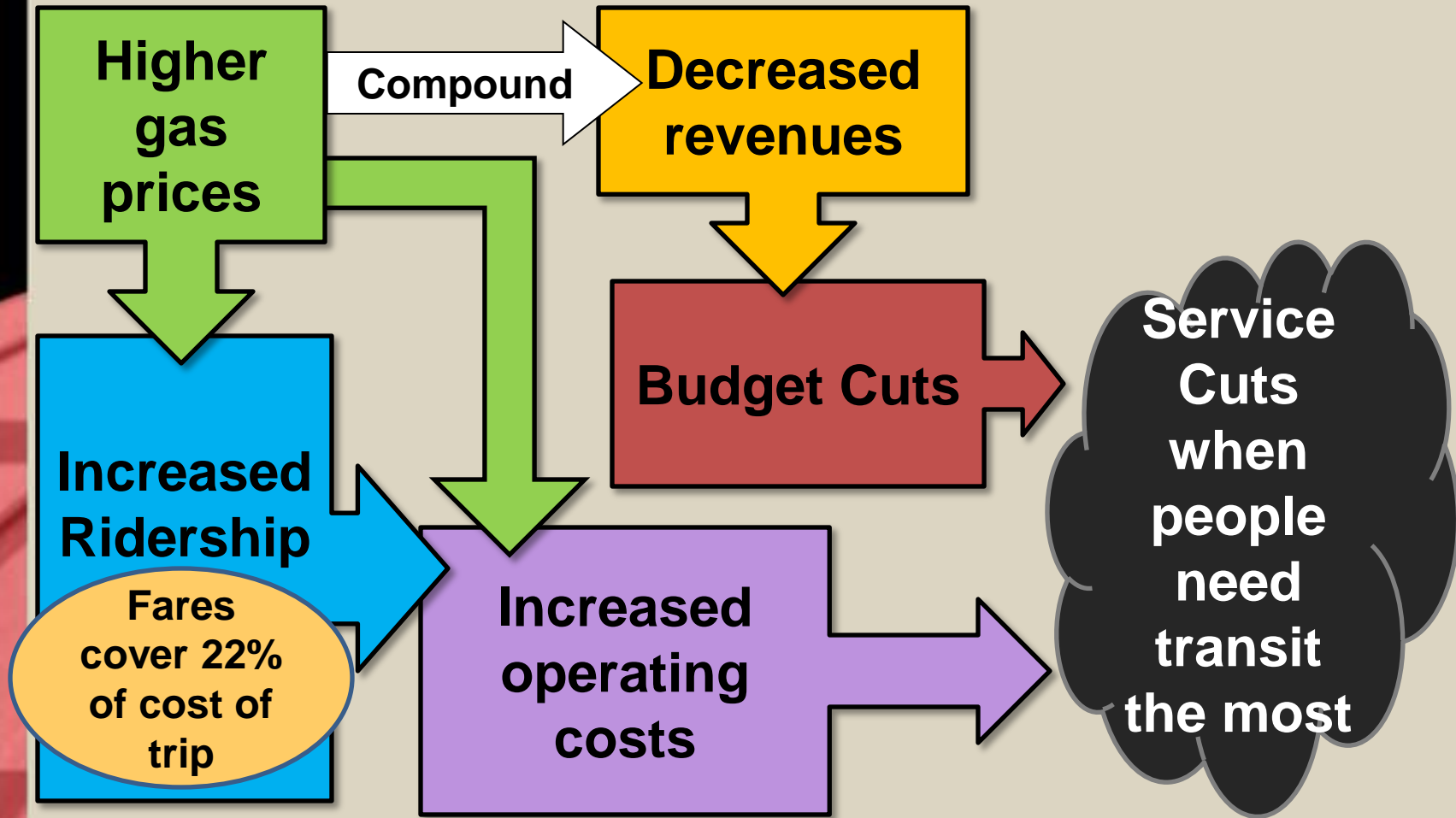
**Service
Hours**



RTD External Influences



The Transit Paradox

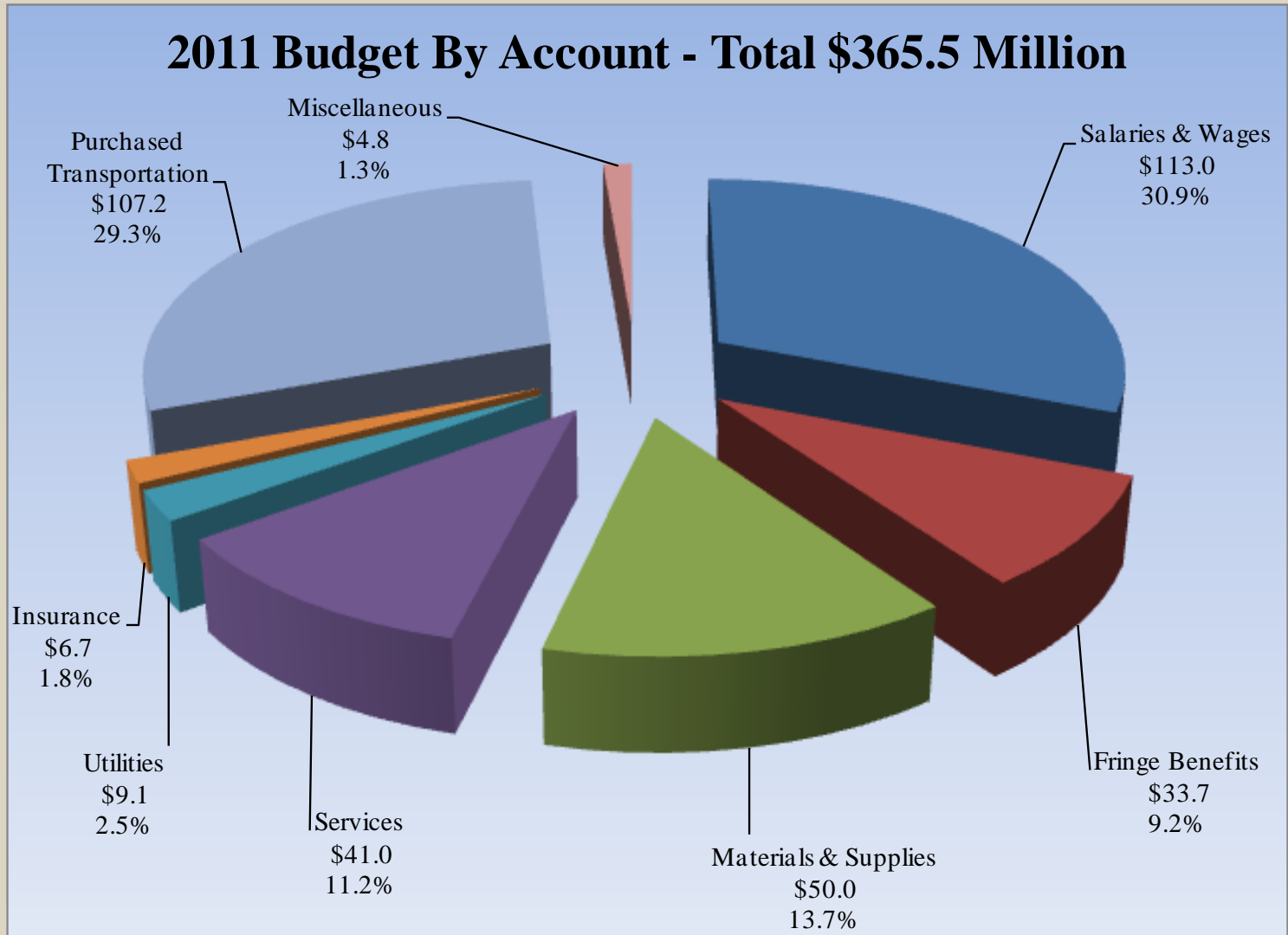


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Base System Operating Expenses

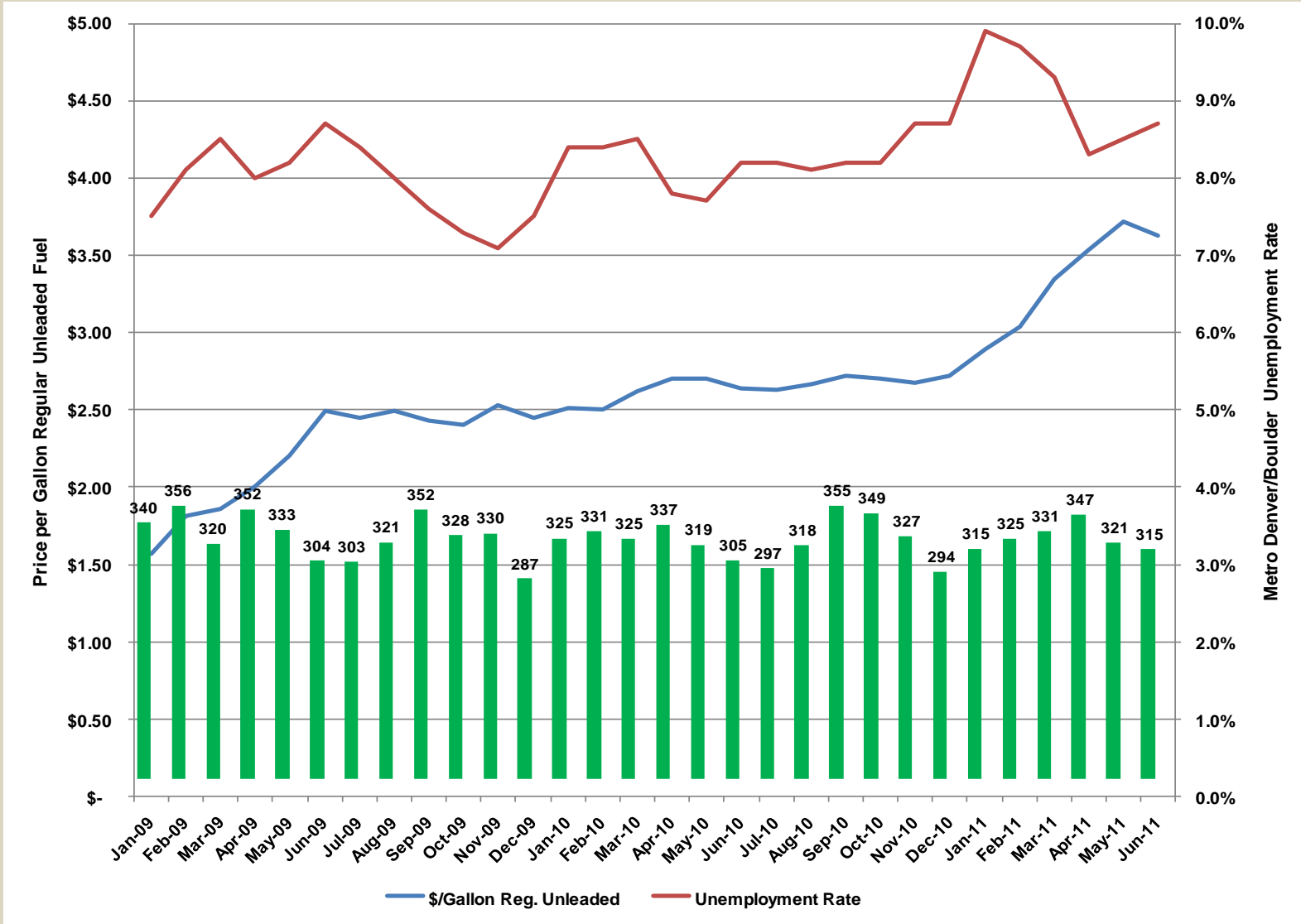


Fuel Costs: 8.4 percent of 2011 budget

Impacts on Ridership



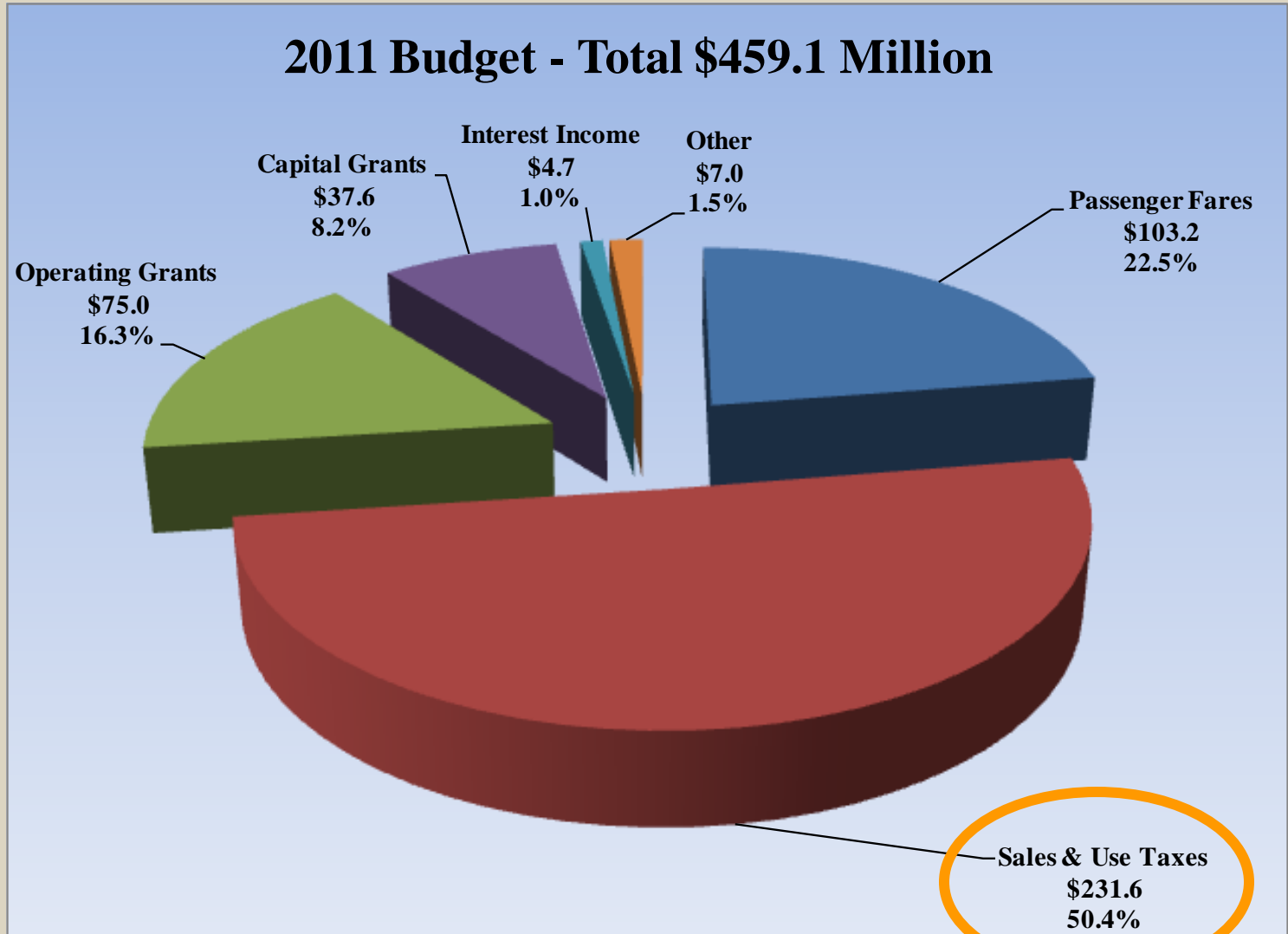
Trends in Unemployment, Gas Price and Weekday Ridership



Green bars represent average weekday ridership (in thousands)

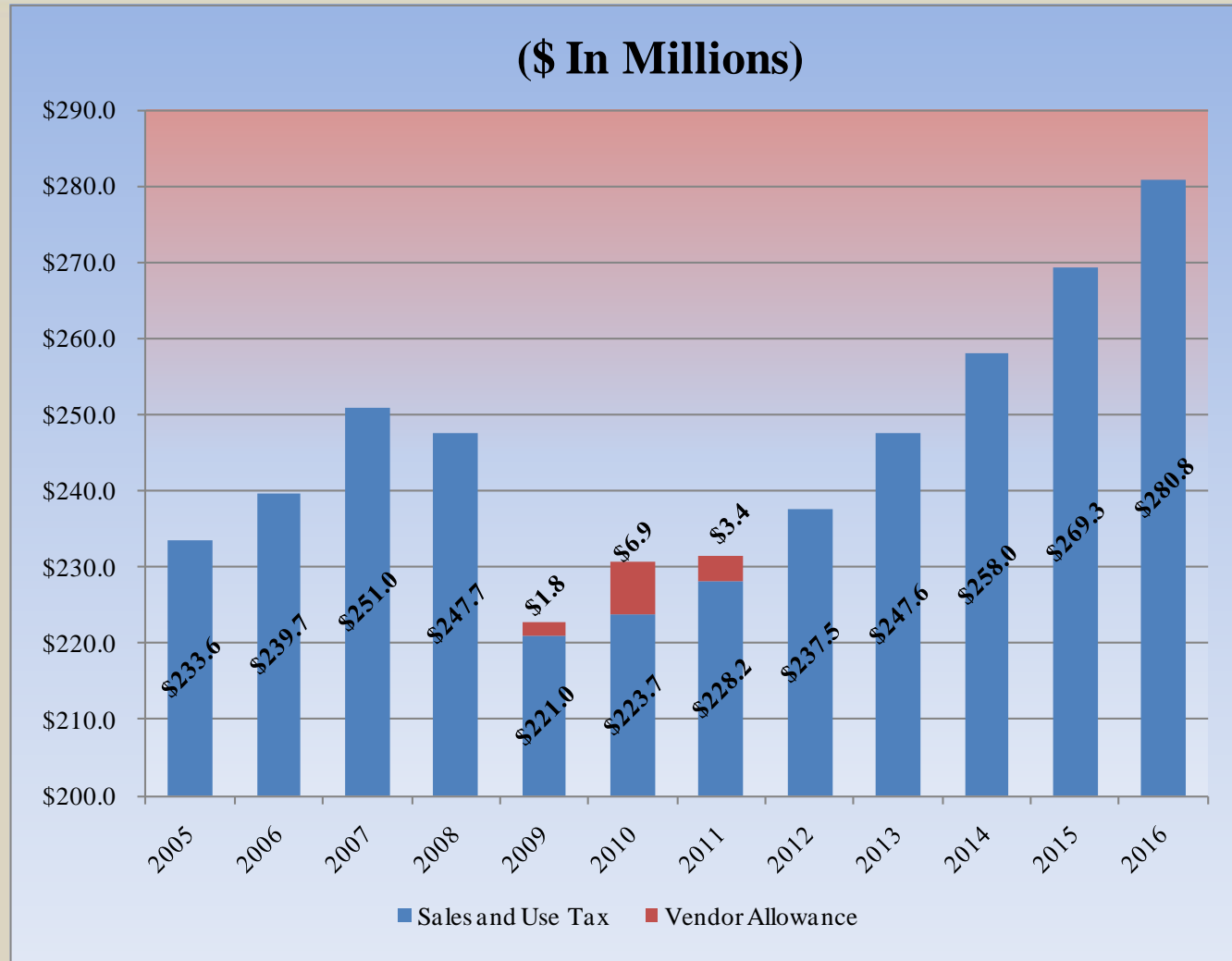


Base System Funding Sources (Excluding Financing)





Base System Sales and Use Taxes (0.6%)



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
\$ Change	\$6.1	\$11.3	(\$3.3)	(\$26.7)	\$2.7	\$4.5	\$9.3	\$10.1	\$10.4	\$11.3	\$11.5	
Shortfall to 2007			(\$3.3)	(\$30.0)	(\$27.3)	(\$22.8)	(\$13.5)	(\$3.4)	\$7.0	\$18.3	\$29.8	(\$45.2)
Annual Change	2.6%	4.7%	-1.3%	-10.1%	3.5%	0.4%	2.6%	4.3%	4.2%	4.4%	4.3%	

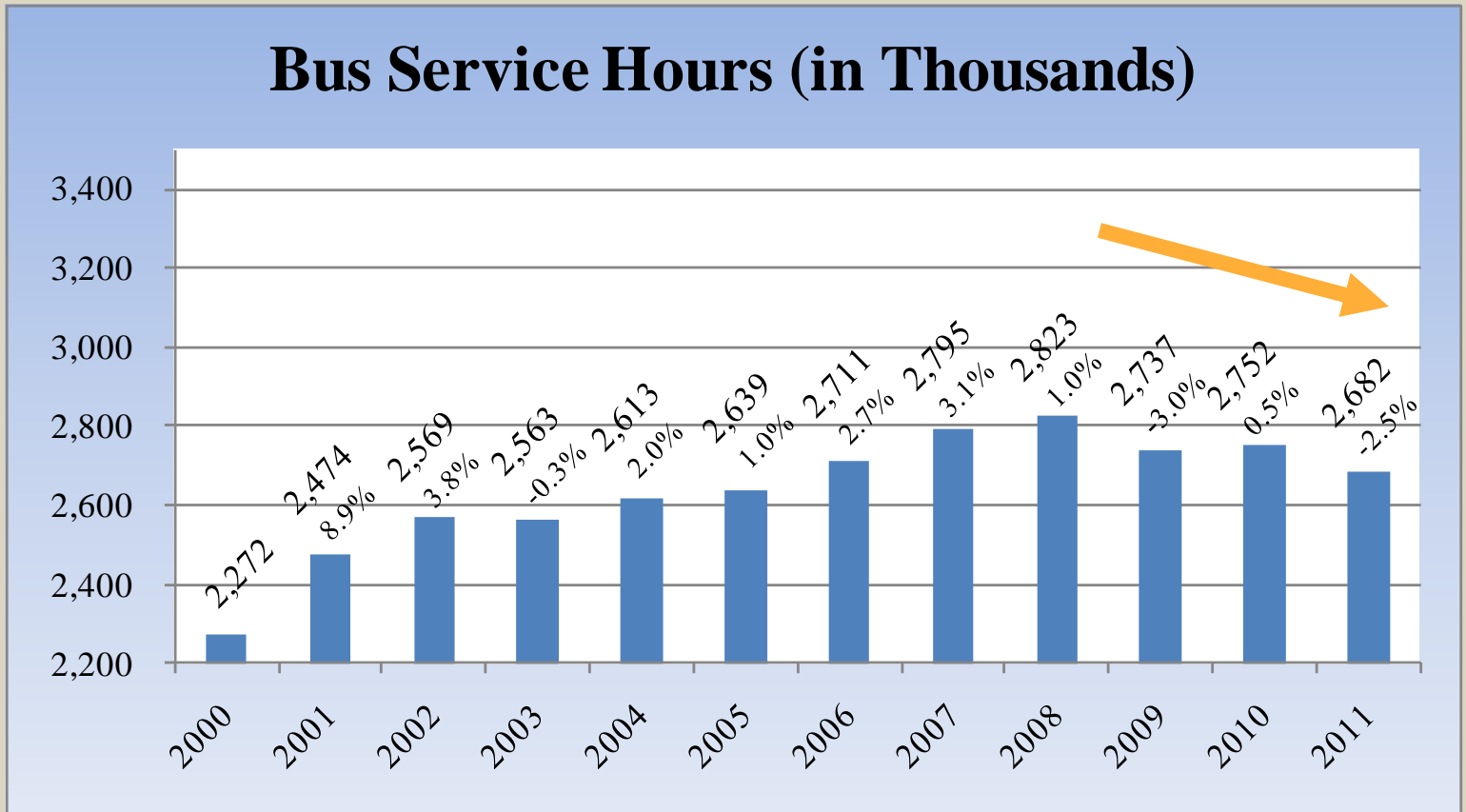
Strategic Budget Plan (SBP) – *Base System*



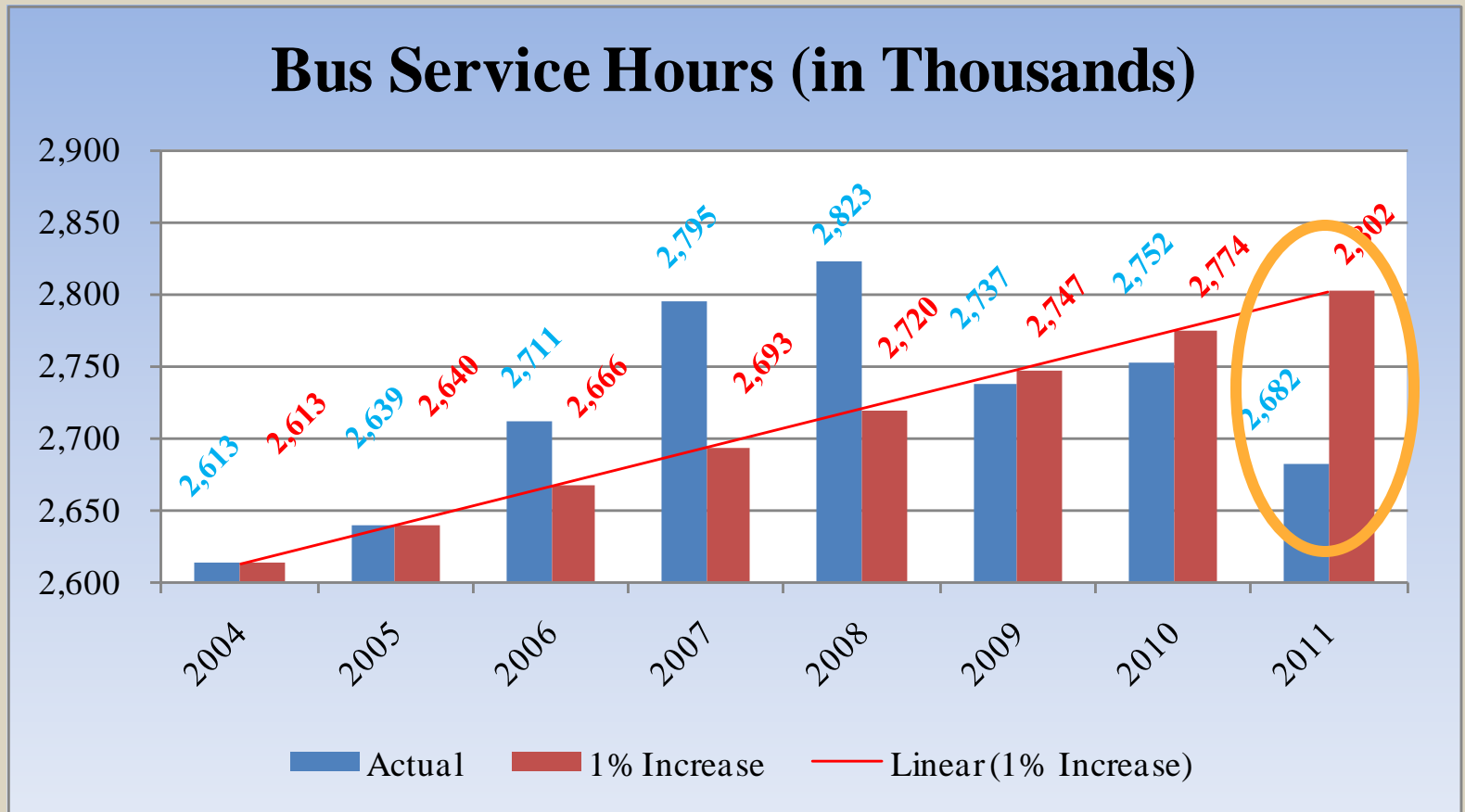
	2010	2011	2012	2013	2014	2015	2016	2020	2025
Revenue and Other Income									
Operating Revenue	\$ 93.5	\$ 101.7	\$ 101.7	\$ 101.7	\$ 112.1	\$ 112.1	\$ 112.1	\$ 143.7	\$ 162.5
Sales and Use Tax	231.8	233.1	237.5	247.6	258.0	269.3	280.8	355.0	439.0
Grant Revenue	141.1	70.2	71.8	73.4	89.4	86.1	88.1	94.1	106.4
Other Income	6.1	7.0	7.0	7.3	7.3	7.3	7.4	2.1	2.4
Total Revenue and Other Inc	\$ 472.5	\$ 412.0	\$ 418.0	\$ 430.0	\$ 466.8	\$ 474.8	\$ 488.4	\$ 594.9	\$ 710.3
Op Expenses Ex Depreciation	373.0	365.5	375.8	383.1	396.5	407.5	427.8	478.9	525.0
Income Before Int Inc/(Exp)	\$ 99.5	\$ 46.5	\$ 42.2	\$ 46.9	\$ 70.3	\$ 67.3	\$ 60.6	\$ 116.0	\$ 185.3
Interest Income/(Expenses)									
Interest Income	5.3								6.9
Interest Expense									(18.6)
Total Other Int								(26.0)	\$ (11.7)
Change in					\$ 51.4	\$ 43.5	\$ 34.6	\$ 106.1	\$ 173.6
Capital Exp		(2.5)	(39.7)	(79.8)	(96.7)	(90.8)	(5.9)	(76.7)	(167.9)
Use of/(Increases to) Reserves									
Operating Reserve	(18.7)	2.4	(0.5)	(0.4)	(0.6)	(0.6)	(1.0)	(3.7)	(3.1)
Total Reserve Change	(18.7)	2.4	(0.5)	(0.4)	(0.6)	(0.6)	(1.0)	(3.7)	(3.1)
Debt Issued	63.3	-	29.1	75.4	93.4	87.1	-	29.7	0.1
Debt Payments	(65.5)	(50.3)	(53.2)	(45.8)	(50.9)	(56.0)	(65.3)	(66.6)	(32.0)
Increase / (Decrease) TDR	\$ (88.3)	\$ (31.8)	\$ (40.6)	\$ (21.0)	\$ (3.4)	\$ (16.8)	\$ (37.6)	\$ (11.2)	\$ (29.3)
Beginning Net Assets / TDR	126.5	38.2	6.4	(34.2)	(55.2)	(58.6)	(75.4)	(112.9)	(124.2)
Year End TDR / (Deficit)	\$ 38.2	\$ 6.4	\$ (34.2)	\$ (55.2)	\$ (58.6)	\$ (75.4)	\$ (112.9)	\$ (124.2)	\$ (153.5)
Sales and Use Tax % Increase	4.04%	0.56%	1.89%	4.25%	4.20%	4.38%	4.27%		

\$34.2 million deficit in 2012 growing to \$124 million by 2016

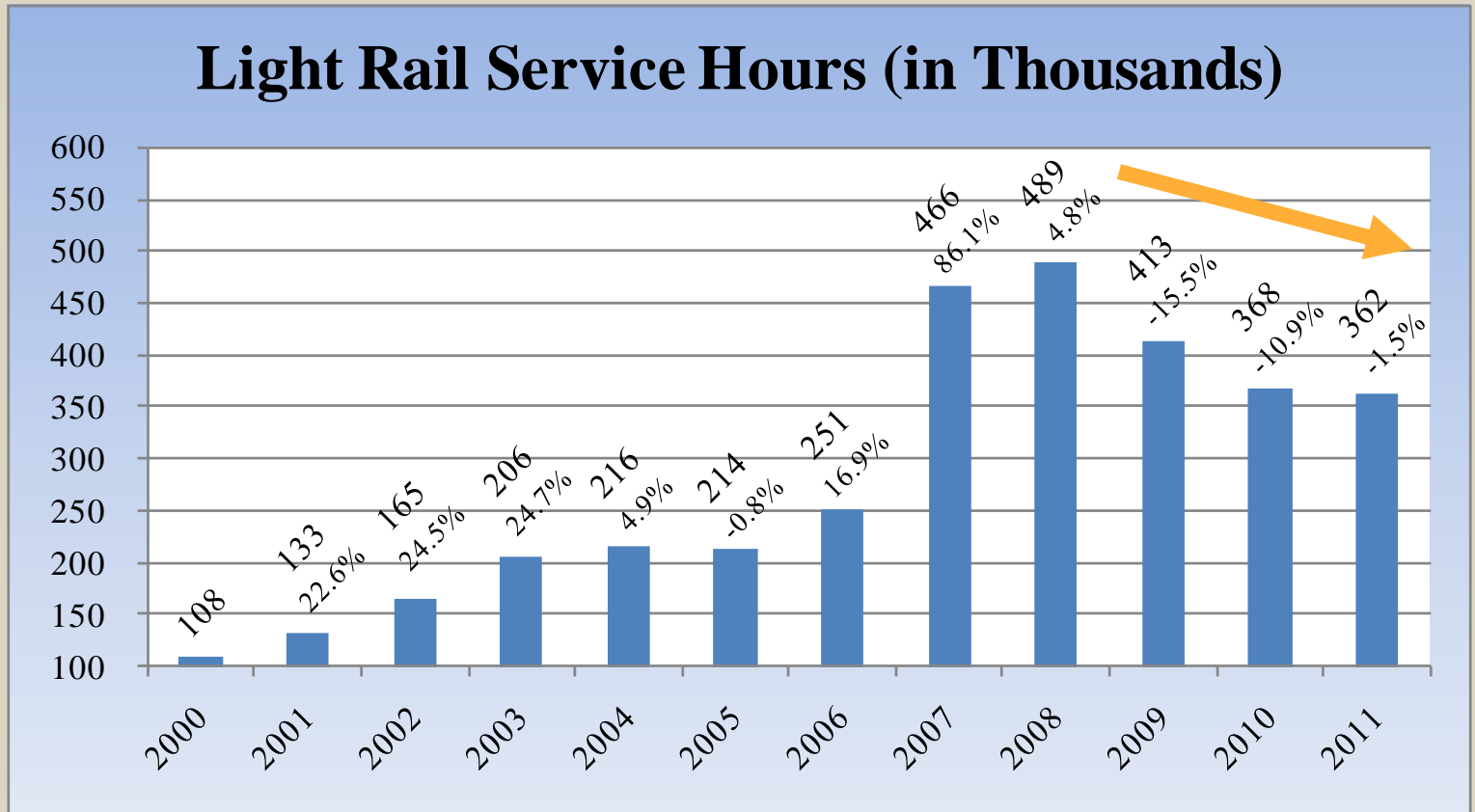
Bus Service Hours



Bus Service Hours 2004-2011



Light Rail Service Hours



We Are Not Alone

Impact of Recession at Peer Agencies

- 90% Report Decreased or Flat Funding
- 69% Project Budget Shortfalls in 2010
- 84% to Increase Fares and/or Cut Service
- 56% Will Use Reserves
- 54% Have Transferred Capital Funds to Operations
- 53% Have Eliminated Positions
- 32% Have Laid Off Employees

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Mitigation Measures



2009 SBP: **\$29.3 million cut**

- Fare increase of \$10.1 million
- Deferred capital of \$6.3 million
- Service reduction of \$4.8 million
- Cost controls of \$6.1 million
- Froze salaried employee wages of \$2 million
- Used one-time revenues from ARRA of \$15.2 million to cover operating expenses

2010 SBP: **\$7.7 million cut**

- Deferred capital of \$2.5 million
- Service reduction of \$0.7 million
- Cost controls of \$0.7 million
- Froze salaried employee wages of \$2 million

2011 SBP: **\$18.1 million cut**

- Fare increase of \$8.2 million
- Service reduction of \$2 million
- Cost controls of \$0.7 million
- Froze salaried employee wages of \$2 million



Long Range Fiscal Sustainability Task Force



RTD Board Direction:

The purpose of the Task Force is to develop a formal written report, to be submitted to the RTD Board in June 2011, detailing opportunities for **operating efficiencies and revenue enhancements** to ensure RTD fiscal sustainability in the long term.

Membership:

- 5 RTD Board Members
- 5 RTD Staff
- **10 Outsiders**

Key Task Force Findings



- Having an effective and efficient transit system is a lynchpin in ensuring the region's economic, environmental health and quality of life
- **RTD is efficiently operated** and benefits from a culture of continuous improvement, as demonstrated by the establishment of this Task Force
- There is no single “silver bullet,” but that a combination of policies and strategies must be implemented to achieve fiscal sustainability
- In general, the Task Force recommendations build on RTD's tradition of fiscal prudence

Summary Task Force Recommendations



Potential Action	Impact	Timing
Removing Volatility from Sales and Use Tax Projections	Stabilizes Budget	Short
Capital Replacement Funding	Maintains Fleet	Short
Charge for Parking	High	Short
Naming Rights	Medium	Short
Technology and Innovation	High	Short
Service Optimization	Medium	Short
Self-Collect Sales Tax	High	Medium
Value Capture	High	Medium
Sales Tax Exemption	High	Medium
Paratransit	Medium	Medium
Tolling and Managed Lanes	High	Long
Fare Recovery Rate	Medium	Ongoing
Partnerships / Privatizations	Strategic	Strategic

Conclusion: Making the Paradigm Shift



Questions / Comments



Peer Agency Comparison



Agency	Service Area Population	Service Area (Square miles)	Population/ Square Mile	Fixed Route Op Exp/ Revenue Hour	Fixed Route Boardings/ Revenue Hour	Fixed Route Revenue Hours/ Capita	Demand Response Op Exp/ Revenue Hour	Demand Response Boardings/ Revenue Hour
Seattle	1,884,200	2,134	883	\$ 161.87	34.8	1.39	\$ 78.80	1.74
Baltimore	2,077,667	1,795	1,157	\$ 155.13	48.2	0.92	\$ 63.73	1.54
San Jose	1,808,056	326	5,546	\$ 153.06	27.0	0.71	\$ 73.95	2.39
Pittsburgh	1,415,244	775	1,826	\$ 148.80	33.5	1.23	\$ 48.06	2.41
Portland	1,488,169	575	2,588	\$ 122.63	36.2	1.26	\$ 64.52	2.01
Sacramento	1,097,932	277	3,964	\$ 121.96	27.2	0.59	\$ 79.97	1.79
Minneapolis	1,858,545	624	2,978	\$ 121.13	33.8	1.06	N/A	N/A
Salt Lake City	1,744,417	1,412	1,235	\$ 120.85	22.8	0.52	\$ 91.01	2.37
Cleveland	1,412,140	458	3,083	\$ 115.92	26.6	1.02	\$ 94.29	2.06
Dallas	2,378,700	689	3,452	\$ 114.64	21.0	0.85	\$ 85.63	2.28
St. Louis	1,230,000	449	2,739	\$ 97.77	26.2	1.01	\$ 58.45	2.06
RTD¹	2,619,000	2,326	1,126	\$ 89.14	28.2	1.05	\$ 53.63	1.77
San Diego	2,220,359	406	5,469	\$ 78.99	31.2	0.73	\$ 60.95	2.54
Avg w/o RTD	1,717,952	827	2,910	\$ 126.06	30.7	0.94	\$ 66.61	1.93
RTD Rank of 13	Largest	Largest	2nd Lowest	2nd Lowest	7th Lowest	5th Highest	2nd Lowest	3rd Worst
				(Very Good)	(Mediocre)	(Relatively High)	(Very Good)	(Not Good)

Service Performance by Mode



Mode	Passengers (in Millions)	Expenses (in Millions)	Revenue (in Millions)	Revenue per Boarding	Cost per Boarding	Subsidy per Boarding	Cost Recovery Ratio
Local	55.1	\$ 235.3	\$ 49.7	\$ 0.90	\$ 4.26	\$ 3.36	21.1%
Express	2.1	13.6	4.1	1.98	6.33	4.44	30.1%
Regional	3.5	30.2	10.1	2.89	8.62	5.73	33.4%
SkyRide	2.0	16.5	9.9	4.86	8.15	3.29	60.0%
Call-n-Ride	0.5	5.9	1.0	2.35	12.30	10.22	16.9%
Mall Shuttle	14.4	9.5	-	-	0.66	0.66	0.0%
Access-a-Ride	0.7	34.8	1.6	2.44	52.76	50.32	4.6%
Vanpool	0.4	2.2	1.1	2.90	5.77	2.71	50.0%
Light Rail	19.8	98.6	18.4	0.93	4.99	4.06	18.7%
Special Services	0.2	1.6	0.7	3.88	7.24	4.03	43.8%
Total	98.7	\$ 448.2	\$ 96.6	\$ 0.99	\$ 4.54	\$ 3.56	21.6%