

Regional Transportation District

Fiscal Governance

Performance Audit
July 2024
2351P



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July 19, 2024

Members of the Legislative Audit Committee:

This report contains the results of a performance audit of the Regional Transportation District (RTD). The audit was conducted pursuant to Section 32-9-115(3), C.R.S., which requires a performance audit of RTD at least once every 5 years to determine whether the district is effectively and efficiently fulfilling its statutory obligations; Section 24-38.5-114(5)(b)(III), C.R.S.—as it existed prior to May 16, 2024—which required an audit of RTD’s use of Ozone Season Transit Grant Program money as part of the next performance audit; and Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government, as well as political subdivisions of the state as required by law. The report presents our findings, conclusions, and recommendations, and the responses of RTD.

Kerri L. Hunter



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Appendix A

Additional information on the cost per rider ratio

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Appendix B

Status of RTD Accountability Committee Recommendations as of March 2024

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Report Highlights



Fiscal Governance

Regional Transportation District

Performance Audit • July 2024 • 2351P

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Key Concern

The Regional Transportation District (RTD) can improve its fiscal governance by ensuring it reports required cost efficiency metrics; coordinates its budget with asset renewal and replacement plans and requirements of the Local Government Budget Law; tracks and reports quarterly performance on strategic financial benchmarks; implements the remaining RTD Accountability Committee recommendations; and adheres to Board of Directors' (Board) appropriations and State grant requirements for free transit programs.

Key Findings

- As of Calendar Year 2022, RTD was in overall good financial standing based on nine indicators of fiscal health, and was operating more cost effectively than many of its peers when looking at a simple cost efficiency measure showing cost per rider.
- From 2021 into 2024, RTD did not report all statutorily required cost efficiency information.
- RTD's 2024 projections for capital asset renewal and replacement costs did not accurately plan for \$153.2 million in projects that the RTD Board approved to be funded in the 2024 budget.
- RTD's budgets for 2022 through 2024 did not provide adequate, accurate information to the Board, as required by statute, and from 2021 through 2023, RTD did not fully adhere to statutory budget filing requirements.
- From 2022 into 2024, RTD management did not provide consistent, quarterly strategic plan updates to the Board as expected and changed financial success metrics without Board approval.
- In 2023, the RTD Board lacked policies and processes to ensure timely onboarding training for new Board members and ongoing training for tenured members.
- As of March 2024, RTD had not fully implemented 22 of the 43 recommendations made in 2021 by the RTD Accountability Committee.
- In 2022 and 2023, RTD overspent Board appropriations to implement the Ozone Season Transit Grant Program and did not adhere to all State grant reporting requirements.

Background

- RTD was created in 1969 by the General Assembly to develop, maintain, and operate a mass transportation system in the Denver metropolitan area that includes bus and rail service, and special transportation, such as for seniors and people with disabilities.
- A 15-member, elected Board of Directors governs RTD and appoints the General Manager who oversees the day-to-day operations.
- RTD's annual budget is about \$1 billion. Its largest revenue source is a 1 percent sales and use tax on purchases within its boundaries. Since 2020, RTD received about \$790 million in federal pandemic relief grants, which were fully drawn down as of May 2023.
- In Calendar Year 2023, RTD had about 65 million annual passenger boardings across all of its services, generating about \$65 million in fare revenue, representing one-third of 2019 pre-pandemic passenger fare revenue, when adjusted for inflation.

Recommendations Made

24

Responses

Agree: **17**

Partially Agree: **4**

Disagree: **3**



Chapter 1

Overview

In 1969, the General Assembly created the Regional Transportation District (RTD) as a political subdivision of the State to address the need for public transit to “promote the public health, safety, convenience, economy, and welfare of the residents of the district and of the state of Colorado;” [Section 32-9-102, C.R.S.]. RTD develops, maintains, and operates a mass transportation system that includes bus and rail lines, as well as special transportation services, such as for seniors and people with disabilities [Section 32-9-107, C.R.S.].

Services

RTD’s service area encompasses 2,342 square miles in which more than 3 million people reside, and includes all of Boulder, Broomfield, Denver, and Jefferson counties, parts of Adams, Arapahoe, and Douglas counties, and a small portion of Weld County. The service area is divided into 15 contiguous districts that are apportioned by population, each with about 200,000 residents. In Calendar Year 2023, RTD had a total of about 65 million annual passenger boardings across all of its services.

RTD provides fixed-route bus and rail services and non-fixed-route transit services within its geographical boundaries. Fixed-route service comprises short and long-distance bus routes, as well as rail lines. Non-fixed-route service is customer-scheduled, on-demand transportation. According to RTD, as of March 2024, it maintained a fleet of 1,028 buses, and 267 commuter and light rail train vehicles that run on about 114 miles of track, in order to provide these services.

Exhibit 1.1

Regional Transportation District Bus and Rail Services as of March 2024

| Bus Service | No. of Routes |
|--|---------------|
| Local bus routes with short distances between stops | 85 |
| Regional and limited bus routes operating long distances for commuters | 12 |
| SkyRide routes to Denver International Airport | 5 |
| Specialized Services (Access-a-Ride, FlexRide, SeniorRide, Van Pool) | 4 |
| Partnership routes (Anschutz Shuttle , Boulder HOP, and Englewood Shuttle) ¹ | 3 |
| Train Service | |
| Light rail routes throughout the region, operating at speeds up to 55 miles per hour | 6 |
| Commuter rail routes typically serving longer lines than light rail, operating at speeds up to 79 miles per hour | 4 |

Source: Office of the State Auditor analysis of information from the Regional Transportation District website.

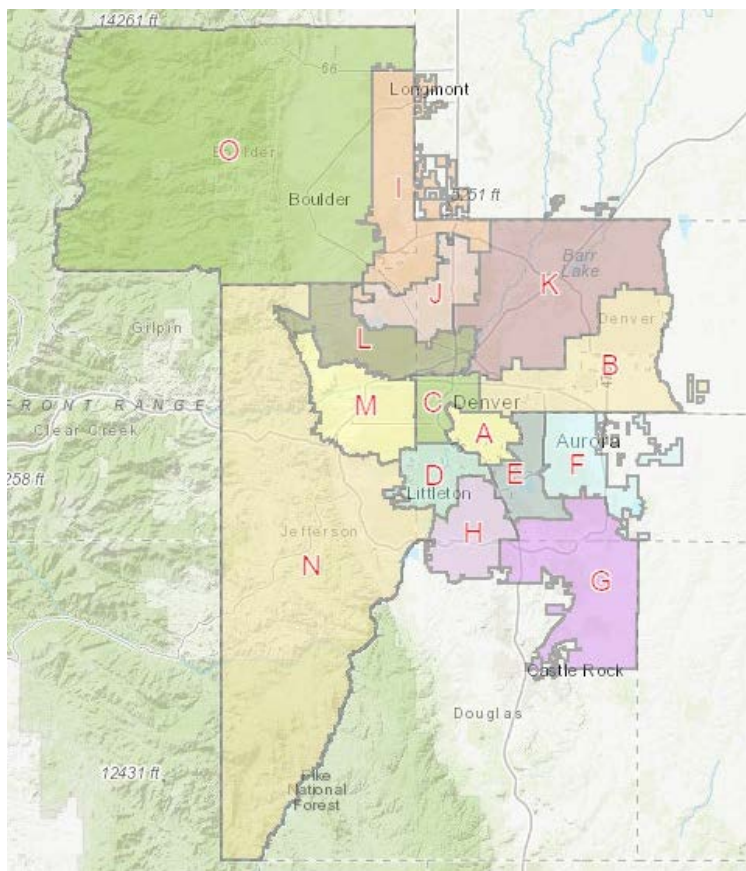
¹ Partnership routes are services provided by RTD in collaboration with local governments to address local mobility needs.

Some of the services described above are part of RTD’s transit expansion plan called FasTracks. FasTracks was approved by voters in 2004, adding an additional 0.4 percent sales and use tax to the existing 0.6 percent tax within RTD’s service area. The referendum specified that revenue from the 0.4 percent sales and use tax, as well as bond proceeds backed by the 0.4 percent sales and use tax, was for expansion of light and commuter rail transit, increases in bus service, expansions of existing Park-N-Ride lots and construction of new ones, and use of alternative fuel vehicles. Since 2004, RTD has fulfilled some of the FasTracks plan, including expanding some light and commuter rail, and building and expanding Park-N-Rides. As of June 2024, RTD has not yet completed its 2004 plans for commuter rail lines, the largest of which is the 41-mile B-Line from Denver to Longmont, running through Westminster and Boulder.

Administration and Governance

Board of Directors. RTD is governed by a Board of Directors (Board) that is statutorily empowered to exercise and perform “All powers, duties, functions, rights, and privileges vested in the district” and it may delegate any executive or administrative powers to management and staff [Section 32-9-109.5, C.R.S.]. The Board comprises 15 members elected to represent each of the 15 districts within RTD’s boundaries. The districts are apportioned after each federal census so that each member represents an approximately equal number of residents [Section 32-9-111(1)(a), C.R.S.]. Exhibit 1.2 shows the 15 Board districts.

Exhibit 1.2
Regional Transportation District Board Districts



Source: Regional Transportation District (RTD) Board district map, obtained by the Office of the State Auditor from RTD’s website.

Board members serve staggered 4-year terms with about one-half of the Board seats up for re-election every 2 years. The Directors are each paid \$12,000 per year [Section 32-9-117(2), C.R.S.] and they meet several times each month to provide governance, set RTD policy, discuss general business, and obtain feedback from customers.

General Manager and Staff. The Board appoints a general manager and chief executive officer (General Manager) who is responsible for day-to-day operations under the direction of the Board. For example, the General Manager oversees RTD’s employees, implements and interprets Board policies, proposes and executes the budget, and makes recommendations regarding operations to the Board. RTD’s current General Manager began on November 9, 2020.

As of March 2024, RTD had 3,457 employees—1,193 salaried employees and 2,264 union-represented employees, such as bus and rail operators and mechanics, who are paid hourly and represented by the Amalgamated Transit Union Local 1001. RTD also contracts a portion of its service to private firms, such as Transdev and Denver Transit Partners, that provide additional operators for fixed-route services and RTD’s Access-a-Ride paratransit services for people with disabilities.

RTD Accountability Committee

The RTD Accountability Committee was created in July 2020 by the Governor, House and Senate Transportation Committee Chairs, and RTD Board to provide an independent assessment of RTD and provide recommendations to improve RTD operations and related statutes by July 2021. The Accountability Committee comprised 11 voting members and two RTD Board members as ex officio members appointed by the RTD Board Chair. Of the 11 voting members, 5 were appointed by the Governor and 6 were appointed by the transportation chairs of the House and Senate. Members were selected based on their expertise in various areas, such as economic development, local government, and transportation equity. In July 2021, the Accountability Committee submitted a final report to the Governor, the Chair of the Senate Transportation and Energy Committee, the Chair of the House Transportation and Local Government Committee, and the Chair of the RTD Board. The final report made 43 recommendations. The Accountability Committee disbanded in October 2021.

Audit Purpose, Scope, and Methodology

Statute requires that the Office of the State Auditor (OSA) conduct a performance audit of RTD at least once every 5 years to determine whether RTD is effectively and efficiently fulfilling its statutory obligations [Section 32-9-115(3), C.R.S.]. The last RTD performance audit was completed by the OSA in December 2020. In June 2021, the Legislative Audit Committee approved a legislative request to conduct the next performance audit earlier than the 5-year interval, and to focus on RTD’s fiscal governance and implementation of the RTD Accountability Committee’s

recommendations. In addition, we conducted this performance audit pursuant to Section 24-38.5-114(5)(b)(III), C.R.S., enacted by Senate Bill 22-180, which required the OSA to audit RTD's use of Ozone Season Transit Grant Program money during the next performance audit. Audit work was performed from July 2023 through June 2024. We appreciate the cooperation and assistance provided by the RTD Board, management and staff during this audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This audit examined various aspects of RTD's fiscal governance. The key objectives of the audit were to assess whether RTD has sufficient processes to develop, monitor, and adhere to reasonable financial projections, budgets, and strategic financial benchmarks, to help ensure the organization is financially sound, including whether RTD's key financial planning documents are coordinated; whether the Board receives quality information and adequate training to make informed financial decisions; and the extent to which RTD is financially sound. Objectives also included assessing the extent to which RTD implemented the RTD Accountability Committee's recommendations and RTD's use of Ozone Season Transit Grant Program funds.

The scope of the audit included review of RTD's processes for budgeting for capital asset renewal and replacement but did not include review of RTD's maintenance of assets, such as its processes to routinely inspect and test the condition of rail.

To accomplish our audit objectives, we performed the following audit work:

- Summarized information from RTD's *Annual Comprehensive Financial Reports* for Calendar Years 2014 through 2022 and additional information from RTD for Calendar Year 2023 to identify key drivers of RTD's budget over the last 10 years. Unaudited figures for 2023 were used because RTD's *Annual Comprehensive Financial Report* for 2023 was not yet complete at the time of review. To account for the effects of inflation that occurred during the 10-year period, we adjusted figures based on the December 2023 Consumer Price Index established by the Bureau of Labor Statistics within the U.S. Department of Labor.
- Assessed RTD's fiscal health against nine established indicators of fiscal health by calculating ratios associated with each indicator for Calendar Years 2020 through 2022, using figures from RTD's 2020 through 2022 *Annual Comprehensive Financial Reports*.
- Assessed RTD's reporting of required cost efficiency performance based on review of RTD's *Annual Comprehensive Financial Reports* for Calendar Years 2021 and 2022, monthly Board briefing

documents for September 2021 through January 2024, and performance metric data available on RTD's website, as of February 2024.

- Compiled information about RTD's cost efficiency performance for Calendar Years 2014 through 2023 and adjusted the figures for inflation to December 2023 dollars, and compared RTD's cost efficiency performance to a targeted selection of peer transit agencies based on data from the Federal Transit Administration's National Transit Database for Calendar Year 2022.
- Assessed the alignment of RTD's plans for capital asset renewal and replacement with RTD's adopted budgets by comparing RTD's Calendar Years 2023 and 2024 budgets to RTD's federally-required Transit Asset Management Plan developed in 2022, covering asset renewal and replacement through 2028, and reviewing RTD's asset management policies.
- Assessed budget information provided to the Board, and RTD's compliance with budgeting requirements, by reviewing RTD's annual budgets, budget amendments, and related presentations provided to the Board for Calendar Years 2021 through 2024; Board hearing transcripts from the Board's November 2023 deliberations of RTD's Calendar Year 2024 budget; and RTD's budget filings submitted to the Department of Local Affairs' Division of Local Government's online budget filing portal.
- Assessed the information tracked by RTD management and provided to the Board about RTD's 2021-2026 Strategic Plan by reviewing RTD management's internal documents related to its financial success metrics and strategic plan revisions; monthly Board meeting agendas for Calendar Years 2021 through 2024, as of March 2024; agendas for the Board's Performance Committee meetings for Calendar Years 2022 through 2024, as of March 2024; and Board meeting packets, minutes, and transcripts, as needed, based on whether discussions related to the approval of the Strategic Plan and updates on financial success metrics provided at full Board and Performance Committee meetings in Calendar Years 2021 through 2024, as of March 2024; and best practices for strategic planning set by the International Association for Strategy Professionals.
- Evaluated the Board's training materials from November 2020 through December 2023 against best practices for training boards and commissions set within statute.
- Assessed RTD's implementation of recommendations made by the RTD Accountability Committee by reviewing RTD's August 2021 responses to the Committee's recommendations, RTD's implementation status reported to the OSA as of March 2024, and supporting documentation.
- Assessed RTD's use of 2022 and 2023 Ozone Season Transit Grant Program funds by reviewing the grant agreements, Board appropriations, and applicable statutes; RTD's expense tracking documents and invoices for the program; and RTD's reports on program implementation.

- Interviewed RTD executive management, including the General Manager, and staff responsible for overseeing RTD’s budget and financial reporting, capital assets, strategic plan, and Board operations; implementing recommendations from the RTD Accountability Committee; and carrying out the Ozone Season Transit Grant Program.
- Interviewed 10 of the 15 Board members who served in Calendar Year 2023, including all seven members of the Board’s 2023 Finance and Planning Committee. We used these interviews to understand the Board’s perspectives on the information Board members receive from management related to RTD’s budget and strategic plan, and the content and timing of the Board’s training. All 15 Board members who served in Calendar Year 2023 were invited to interview.
- Interviewed staff from the Denver Regional Council of Governments who worked with the Accountability Committee, staff from the Colorado Energy Office who oversaw the Ozone Season Transit Grant Program, and staff from the Regional Air Quality Council who assisted RTD in its 2023 environmental impact analyses for the Ozone Season Transit Grant Program.
- Reviewed statutes governing RTD, RTD’s fiscal policies, RTD management’s asset management policies and guidance, the Local Government Budget Law of Colorado’s application to RTD’s budget, and the Board’s bylaws and governance manual.

We relied on a targeted selection of transit agencies to support our work. The targeted selection of transit agencies was chosen to include:

- The eight transit agencies identified by RTD as being peers for its analysis of service effectiveness and financial and performance characteristics, as published in its July 2022 *System Optimization Plan Recommendations* report.
- Five additional transit agencies identified by the OSA comprising the transit agencies that have both bus and rail services, with service areas of at least 50 percent of RTD’s 2,342 square mileage service area, and with annual train miles of at least 50 percent of RTD’s nearly 5.9 million annual train miles, as reported in the Federal Transit Administration’s National Transit Database for Calendar Year 2022. These factors were chosen to reflect similarities to RTD in the distances served and costs in operating rail services.

This targeted selection is valid for assessing the general cost effectiveness of RTD’s operations against that of other transit agencies, and, along with the other audit work performed, provides sufficient, reliable evidence as the basis for our findings, conclusions, and recommendations.

As required by auditing standards, we planned our audit work to assess the effectiveness of those internal controls that were significant to our audit objectives. Details about the audit work

supporting our findings and conclusions, including any deficiencies in internal control that were significant to our audit objectives, are described in the remainder of this report.

A draft of this report was reviewed by the RTD Board and management. Obtaining the views of responsible officials is an important part of the OSA's commitment to ensuring that the report is accurate, complete, and objective. The OSA was solely responsible for determining whether and how to revise the report, if appropriate, based on the RTD Board and management's comments, as applicable. The written responses to the recommendations and the related implementation dates were the sole responsibility of the RTD Board and management. However, in accordance with auditing standards, we have included an Auditor's Addendum to responses that are inconsistent with the findings or conclusions or that do not adequately address the recommendations.



Chapter 2

Fiscal Governance

Transit agencies, including the Regional Transportation District (RTD), encountered significant declines in ridership and revenues during the COVID-19 pandemic, which have impacted their financial stability. Beginning at the onset of the pandemic in early 2020, RTD saw decreases in revenues from passenger fares and sales and use tax. Starting in May 2020, RTD received about \$790 million in federal COVID relief funds, which were fully drawn down by May 2023 to pay for employee compensation, contracted services, and fuel. RTD credits these grants as being critical to RTD's ability to have retained its workforce and continued providing transit services, albeit limited, to the public during the pandemic. In 2021, state policymakers raised concerns about RTD's ability to manage revenue shortfalls due to the pandemic and its greater reliance on federal relief grants, and the pressure on RTD to complete the FasTracks system despite declining ridership. These concerns led the Legislative Audit Committee to request this performance audit to examine RTD's fiscal governance.

Through our audit work, we found that RTD was in overall good financial standing based on indicators of fiscal health for Calendar Years 2020 through 2022, and was operating more cost efficiently than many of its peers as of Calendar Year 2022, when looking at a simple measure of cost efficiency. However, RTD's ridership and fare revenue have not returned to pre-pandemic levels, and fare revenue is expected to decline further in Calendar Year 2024 due to a fare restructuring that went into effect in January 2024. Further, RTD will no longer have the federal COVID relief funds available for use starting in Calendar Year 2024; these funds helped it fill the revenue gap resulting from lower ridership during the pandemic, and RTD is expected to use \$104 million of its reserves in Calendar Year 2024, due to a shortfall of revenues needed to cover expenditures planned within RTD's 2024 budget. These challenges will be areas for RTD management, the Board, and policy makers to remain aware of in providing sound fiscal governance for RTD in the coming years.

We also identified specific areas where RTD can improve its fiscal governance. Specifically:

- We identified instances of RTD's financial statements not including measures of cost efficiency required by statute; its budget not being clearly coordinated with asset renewal and replacement plans, or requirements of the Local Government Budget Law; and lack of alignment between budgets, long-term financial plans, and annual financial statements.
- We found that the Board does not always receive sufficient information to make informed financial decisions. We identified instances of the budgets provided to the Board missing

required, relevant information, and the Board not receiving intended updates on strategic plan performance and quarterly financial success metrics to allow the Board to monitor management’s adherence to the plan. In addition, we identified areas where the Board could strengthen its training program.

- We found that RTD made progress in implementing the July 2021 recommendations of the Accountability Committee, but had not completed its work, as of March 2024, for about half of the recommendations.
- For a free-fare grant program that RTD operated in 2022 and 2023, we found that RTD spent State-provided funds in line with statutory requirements for the program, but RTD management exceeded Board-appropriated spending for the 2022 and 2023 programs.

The rest of this chapter contains the results of our audit work.

Key Drivers of RTD’s Budget: 10-Year Trends

To identify key drivers of RTD’s budget over the last 10 years, we summarized information from RTD’s *Annual Comprehensive Financial Reports* for Calendar Years 2014 through 2022 and additional information from RTD for Calendar Year 2023 (RTD’s *Annual Comprehensive Financial Report* for 2023 was not yet complete at the time of review; RTD staff reported that they expect it to be finalized in July 2024). To account for the effects of inflation that occurred during the 10-year period, we adjusted figures based on the December 2023 Consumer Price Index established by the Bureau of Labor Statistics within the U.S. Department of Labor. We also reviewed RTD’s budget for Calendar Year 2024. Our analysis provides an overview of trends in RTD’s revenues and expenses before, during, and after the COVID-19 pandemic.

Revenue

RTD’s total annual revenue, adjusted for inflation, steadily rose between 2014 and 2023, from about \$1.221 billion in 2014 to \$1.288 billion in 2023, increasing about 6 percent over the 10-year period, when adjusted for inflation. Although RTD experienced a sharp decline in passenger fare revenue in 2020 with the onset of the pandemic, federal pandemic relief funds starting in 2020 (seen in the “Grants, Local Contributions” line in Exhibit 2.1 below) and higher sales and use tax receipts starting in 2021 helped fill in for lost fare revenue during 2020 through 2023. Exhibit 2.1 presents RTD’s revenues for Calendar Years 2014 through 2023, adjusted for inflation.

Exhibit 2.1

Regional Transportation District, Revenue, Adjusted for Inflation¹ (in Millions) Calendar Years 2014–2023²

| Revenue | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Percent Change 2014–2023 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------------|
| Operating Revenue | | | | | | | | | | | |
| Passenger Fares and other ³ | \$164 | \$164 | \$178 | \$183 | \$184 | \$191 | \$97 | \$91 | \$80 | \$65 | (60%) |
| Non-Operating Revenue | | | | | | | | | | | |
| Sales and Use Tax | \$674 | \$704 | \$716 | \$742 | \$774 | \$785 | \$747 | \$833 | \$881 | \$858 | 27% |
| Grants, Local Contributions ⁴ | \$369 | \$315 | \$355 | \$207 | \$204 | \$251 | \$487 | \$348 | \$332 | \$288 | (22%) |
| Other ⁵ | \$14 | \$18 | \$21 | \$91 | \$32 | \$53 | \$23 | \$15 | \$35 | \$77 | 450% |
| Total Revenue | \$1,221 | \$1,201 | \$1,270 | \$1,223 | \$1,194 | \$1,280 | \$1,354 | \$1,287 | \$1,328 | \$1,288 | 6% |

Source: Office of the State Auditor (OSA) analysis of the Regional Transportation District’s (RTD’s) *Annual Comprehensive Financial Reports* for Calendar Years 2014 through 2022, and 2023 revenues derived from unaudited figures provided by RTD to the OSA as of May 2024.

¹ Dollars are adjusted for inflation based on the December 2023 Consumer Price Index established by the Bureau of Labor Statistics within the U.S. Department of Labor.

² Revenues for Calendar Years 2014 to 2022 are derived from the Statements of Revenues, Expenses, and Changes in Net Position reported within RTD’s *Annual Comprehensive Financial Reports* for each respective calendar year.

³ Other operating revenue includes RTD’s advertising and naming rights revenue.

⁴ RTD regularly receives federal government grants for operating assistance and capital expenses, and received four COVID-19 relief grants starting in 2020. Local contributions are grants provided by the State.

⁵ Other non-operating revenue includes rental income from retail space, parking revenue, interest subsidy income, and investment income. This Category experienced a large increase in 2023 due to an uptick in investment income – from a negative amount in 2022 to a positive amount in 2023 – resulting from an increase in investable funds and higher fixed income yields, according to RTD.

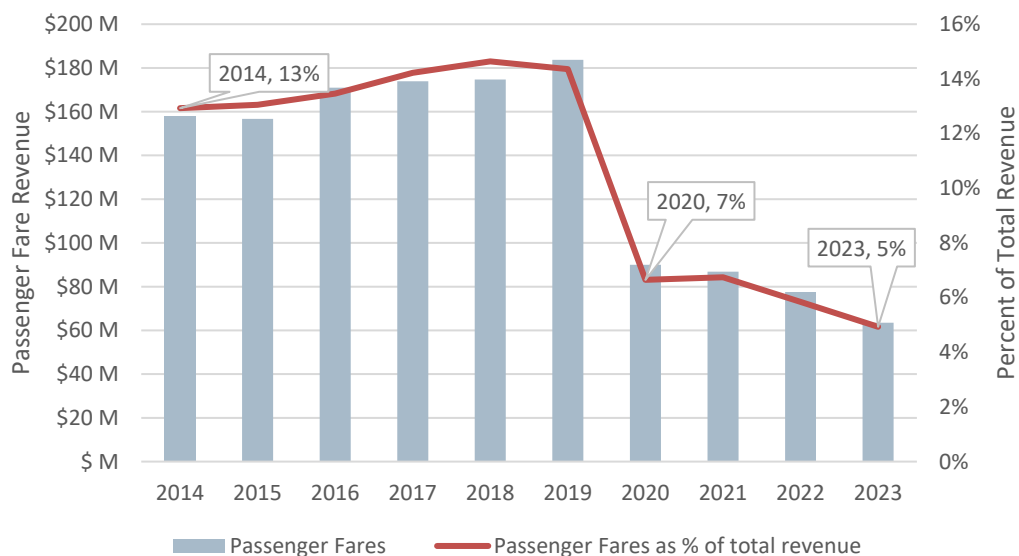
A discussion of the key drivers of RTD’s revenues follows.

Passenger Fares. RTD has received an average of 11 percent of its revenue from 2014 to 2023 from passenger fares. Fare revenue increased slightly each year from 2015 to 2019, but decreased in 2020 – at the onset of the COVID-19 pandemic -- by over half due to decreased ridership, and continued to decrease every year from 2020 to 2023. In 2023, RTD’s fare revenue was about one third of 2019 fare revenue, when adjusted for inflation. In 2014, fare revenue accounted for 13 percent of RTD’s total revenue, whereas in 2023, fare revenue accounted for 5 percent of total revenue.

Part of the decrease in fare revenue in 2022 and 2023 is attributable to the Zero Fare for Better Air program, which eliminated fares for all riders for 1 month in 2022 and 2 months in 2023. The fares lost by RTD during the Zero Fare for Better Air program were largely covered by the State’s Ozone Season Transit Grant, and those grant funds are recorded as non-operating revenue in the “Grants and Local Contributions” line in Exhibit 2.1.

Exhibit 2.2 shows how RTD’s passenger fare revenue has changed from Calendar Years 2014 to 2023 and how it has changed as a percentage of overall revenue, adjusted for inflation.

Exhibit 2.2
Regional Transportation District, Passenger Fares Revenue and as a Percent of Total Revenue, Adjusted for Inflation¹ (in Millions)
Calendar Years 2014–2023²



Source: Office of the State Auditor (OSA) analysis of the Regional Transportation District’s (RTD’s) *Annual Comprehensive Financial Reports* for Calendar Years 2014 through 2022, and 2023 revenues derived from figures provided by RTD to the OSA as of May 2024.

¹ Dollars are adjusted for inflation based on the December 2023 Consumer Price Index established by the Bureau of Labor Statistics within the U.S. Department of Labor.

² Passenger fare revenue and total revenue for Calendar Years 2014 through 2022 are derived from the Statements of Revenues, Expenses, and Changes in Net Position reported within RTD’s *Annual Comprehensive Financial Reports* for each respective calendar year.

From April 2022 to July 2023, RTD undertook a fare study and equity analysis to develop simple, affordable, and more equitable fares, which resulted in the Board adopting a fare restructuring to simplify and reduce fares, effective January 2024. RTD’s analysis for the fare restructuring predicted a 17 to 21 percent reduction in fare revenue compared with the previous fare structure, and RTD’s Calendar Year 2024 budget anticipates fare revenue 15 percent less than 2023. As a result, fare revenue is likely to continue accounting for a lower percentage of RTD’s overall revenue in 2024 and future years.

Sales and Use Tax. RTD receives most of its revenues from two different sales and use tax rates collected within RTD’s geographic boundary. Between 2014 and 2023, an average of 61 percent of RTD’s revenue came from sales and use tax, and the revenue from sales and use tax increased as a percentage of total revenue during the time period, with sales and use tax receipts accounting for about 55 percent of total revenue in 2014, and 67 percent in 2023. There was a 5 percent dip in sales

and use tax revenue in 2020, coinciding with the pandemic and resulting economic restriction that occurred during that time, but the sales and use tax receipts recovered the following year.

The sales and use tax revenues comprise a 0.6 percent sales and use tax to fund its base system—this tax has been in place since 1974 and was increased to 0.6 percent in 1983—and a 0.4 percent sales and use tax to fund FasTracks operations – this additional tax was approved by voters in 2004. Both the 0.6 percent and 0.4 percent sales and use taxes are currently exempt from the revenue growth limit specified within the Taxpayer’s Bill of Rights (TABOR). This means that RTD is allowed to keep all of the revenue that it generates from sales and use tax, and does not need to refund tax revenue if RTD’s tax revenue exceeds the TABOR revenue growth limit in a given year.

RTD’s current TABOR exemption, except for the exemption of the 0.4 percent sales and use tax for FasTracks that will continue through 2050, will expire at the end of Calendar Year 2024, according to a 1999-voter approved ballot measure, when RTD repays all of its outstanding debt related to the construction of the southeast and southwest rail lines, which RTD anticipates will occur in November 2024. As of May 2024, RTD was weighing whether to ask voters residing within RTD’s service area to extend the TABOR exemption in the November 2024 general election. Absent voter approval, starting in Calendar Year 2025, RTD will be subject to TABOR revenue growth limits, except for the 0.4 percent of its sales and use tax, and current projections suggest that RTD may be required to return some of its sales and use taxes.

The TABOR revenue growth limit for local governments is calculated by the sum of the Consumer Price Index—or inflation rate—for the Denver-Boulder area and the percentage change in actual value of all real property within the local government [Colo. Const., Art. X, Section 20(2)(f) and (g), and (7)(b) and (d)]. RTD’s revenue growth projections for Calendar Year 2025 are 5.4 percent, as of April 2024, and according to the Colorado Legislative Council’s December 2023 Economic Revenue Forecast, the 2025 assessed property valuation growth rate in the Metro Denver area is projected to be -0.3 percent and inflation in 2025 is projected to be 2.8 percent—this would result in a TABOR revenue growth limit of 2.5 percent—which means RTD’s sales and use tax collection may exceed what TABOR would allow RTD to keep.

Federal Grants. RTD receives federal operating assistance annually and occasional capital grants, which are used to fund operations and capital and vehicle maintenance.

From 2020 to 2023, RTD had access to significantly more grant funding from the federal government than in previous years due to the COVID-19 pandemic. These grants were provided to maintain public transit services as an essential service during the pandemic. Between May 2020 and March 2022, RTD received about \$790 million from four federal COVID-19 relief grants, which was used to pay salaries and wages, for purchased transportation, and for fuel. RTD expended all COVID-19 relief grants funding by May 2023. Federal grant revenues in 2023 remained high due to the federal Infrastructure Investment and Jobs Act, which will continue to provide RTD increased grant apportionments through 2026. For its Calendar Year 2024 budget, RTD expects \$311 million in grant revenue.

Expenses

RTD’s total annual operating expenses, including depreciation, steadily rose between 2014 and 2023, from about \$863 million in 2014 to more than \$1.1 billion in 2023, increasing about 30 percent over the 10-year period, when adjusted for inflation. Salaries, wages, and benefits, and purchased transportation – transportation services provided by third-party contractors (described in more detail later in this chapter) - were key drivers of these increases. For non-operating expenses, RTD had interest expense of about \$95 million in 2014 related to paying down its debt, and in 2023 had interest expense of \$135 million. Exhibit 2.3 shows RTD’s expenses for Calendar Years 2014 through 2023, in December 2023 dollars, adjusted for inflation.

Exhibit 2.3

Regional Transportation District Expenses, Adjusted for Inflation¹ (in Millions), Calendar Years 2014–2023²

| Expenses | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Percent Change 2014–2023 |
|--|--------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------------|
| Operating Expenses | | | | | | | | | | | |
| Salaries, Wages, and Benefits | \$268 | \$295 | \$330 | \$327 | \$289 | \$299 | \$293 | \$271 | \$342 | \$363 | 35% |
| Purchased Transportation | \$151 | \$147 | \$199 | \$197 | \$215 | \$242 | \$241 | \$192 | \$202 | \$223 | 48% |
| Services ³ | \$143 | \$104 | \$75 | \$96 | \$99 | \$114 | \$100 | \$82 | \$85 | \$97 | (32%) |
| Materials and Supplies | \$81 | \$76 | \$66 | \$56 | \$63 | \$66 | \$50 | \$44 | \$45 | \$54 | (33%) |
| Utilities, Leases and Rentals, Insurance, Misc. ⁴ | \$38 | \$39 | \$41 | \$46 | \$40 | \$44 | \$38 | \$36 | \$38 | \$41 | 8% |
| Depreciation | \$182 | \$198 | \$282 | \$308 | \$348 | \$423 | \$401 | \$375 | \$369 | \$340 | 87% |
| Total Operating Expenses | \$863 | \$859 | \$993 | \$1,030 | \$1,054 | \$1,188 | \$1,123 | \$1,000 | \$1,081 | \$1,118 | 30% |
| Total Operating Expenses Less Depreciation | \$681 | \$661 | \$711 | \$722 | \$706 | \$765 | \$722 | \$625 | \$712 | \$778 | 14% |
| Non-Operating Expenses | | | | | | | | | | | |
| Interest | \$95 | \$104 | \$98 | \$81 | \$77 | \$239 | \$197 | \$170 | \$143 | \$135 | 42% |
| Other Expense/Loss on Capital Assets | (\$4) | \$1 | (\$6) | (\$1) | \$2 | \$4 | \$5 | \$7 | \$5 | \$17 | 525% |
| Total Expenses | \$954 | \$964 | \$1,085 | \$1,110 | \$1,133 | \$1,431 | \$1,325 | \$1,177 | \$1,229 | \$1,270 | 33% |

Source: Office of the State Auditor (OSA) analysis of the Regional Transportation District’s (RTD’s) *Annual Comprehensive Financial Reports* for Calendar Years 2014 through 2022, and 2023 expenses derived from figures provided by RTD to the OSA as of May 2024.

¹ Dollars are adjusted for inflation based on the December 2023 Consumer Price Index established by the Bureau of Labor Statistics within the U.S. Department of Labor.

² Expenses for Calendar Years 2014 to 2022 are derived from the Statements of Revenues, Expenses, and Changes in Net Position reported within the Regional Transportation District’s (RTD’s) *Annual Comprehensive Financial Reports* for each respective calendar Year.

³ Services includes contracted services used by RTD, such as legal services, equipment and right of way maintenance services, advertising and marketing services, and security services.

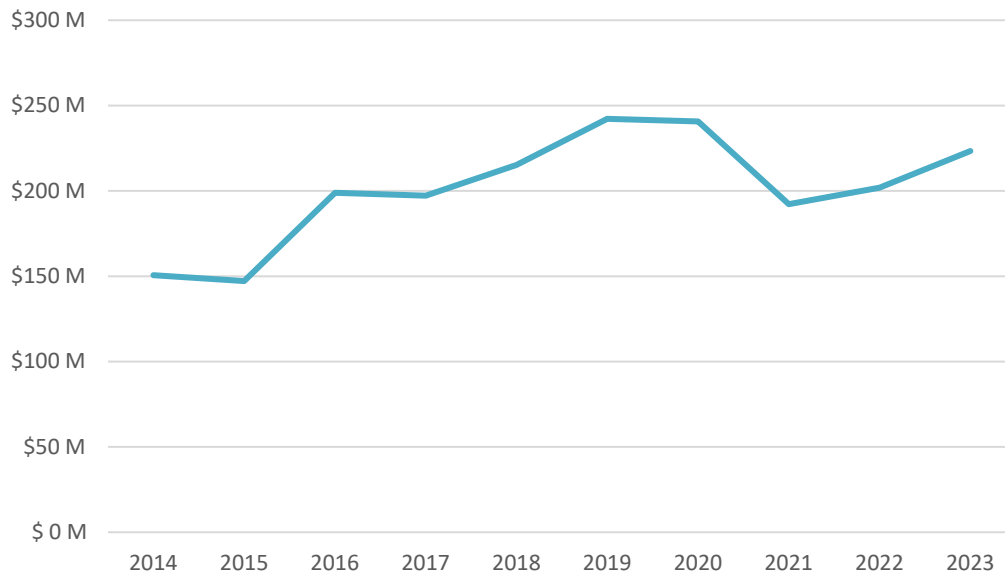
⁴ Misc. includes incidental operating expenses, as well as additional one-time project expenses.

A discussion of RTD's key drivers of expenses follows.

Salaries, wages, and benefits. RTD's largest operating expense, other than depreciation, between 2014 and 2023 was salaries, wages and benefits, which fluctuated between 39 and 48 percent of RTD's total operating expenses (less depreciation) when adjusted for inflation. In 2022, increases to salaries, wages, and benefits occurred due to RTD entering into a new 3-year collective bargaining agreement in 2022, with the Amalgamated Transit Union Local 1001, which represents RTD's bus and rail operators and mechanics. That agreement increased wages for these employees 25 percent over the course of the agreement. Starting in the 2022 budget, RTD also factored in changes to salaries and wages from a classification and compensation analysis and pay for performance initiative that it conducted.

Purchased transportation. Purchased transportation, which are payments to third-party contractors that operate certain bus and train routes for RTD, represent the second largest operating expense for RTD, other than depreciation. Some of RTD's purchased transportation partners include Denver Transit Partners, which runs the commuter rail A, B, and G lines, and Transdev, which runs fixed-route bus services and Access-a-Ride paratransit services. Purchased transportation costs increased 48 percent between 2014 and 2023, when adjusted for inflation. Key changes to purchased transportation include about a \$50 million increase in 2016 due to the launch of two new commuter rail routes, a nearly \$50 million reduction in 2021 due to pandemic-related reductions in service, and smaller increases in 2022 and 2023 due to contractual increases in payments and service restoration. Exhibit 2.4 shows the fluctuations in RTD's purchased transportation costs since 2014, adjusted for inflation.

Exhibit 2.4
Purchased Transportation Costs, Adjusted for Inflation¹ (in Millions)
Calendar Years 2014–2023²



Source: Office of the State Auditor (OSA) analysis of the Regional Transportation District’s (RTD’s) *Annual Comprehensive Financial Reports* for Calendar Years 2014 through 2022, and 2023 expenses derived from figures provided by RTD to the OSA as of May 2024.

¹ Dollars are adjusted for inflation based on the December 2023 Consumer Price Index established by the Bureau of Labor Statistics within the U.S. Department of Labor.

² Purchased transportation costs for Calendar Years 2014 to 2022 are derived from the Statements of Revenues, Expenses, and Changes in Net Position reported within the Regional Transportation District’s (RTD’s) *Annual Comprehensive Financial Reports* for each respective calendar Year.

Debt

RTD uses various financing instruments to finance its capital projects and continually paid down its outstanding debt since 2016, from \$4.6 billion in 2016 to \$3.1 billion in 2022. All of RTD’s financing instruments have fixed interest rates and fixed terms of maturity, which result in a fixed repayment schedule that is not impacted by market volatility. RTD uses the following financing instruments:

- **Sales Tax Revenue Bonds.** RTD issues these bonds to fund the acquisition and construction of assets. They are secured either for base system projects with RTD’s 0.6 percent tax rate or for FasTracks projects with a first lien on RTD’s 0.4 percent tax rate and a subordinate lien on its 0.6 percent base tax rate. The recent increase in sales tax revenue bonds’ outstanding debt in 2022 was due to RTD issuing a new series of bonds, the proceeds from which were used to pay off a certificate of participation series from 2014.

- **Certificates of Participation and Lease Purchase Agreements.** RTD issues certificates of participation, which are lease-purchase financial obligations secured by the underlying asset, to acquire certain equipment, facilities, and infrastructure.

Exhibit 2.5 shows RTD’s total outstanding debt, adjusted for inflation, held between Calendar Years 2014 to 2022. Figures from Calendar Year 2023 were not yet known at the time the audit work was completed. Exhibit 2.6 shows this same information in graphic form, which shows the decrease in outstanding debt since 2016.

Exhibit 2.5
Outstanding Debt, Adjusted for Inflation¹ (in Billions)
Calendar Years 2014–2022²

| Outstanding Debt | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Percent Change 2014–2022 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------------|
| Bonds and Certificates Payable | | | | | | | | | | |
| Sales Tax Revenue Bonds | \$2.6 | \$2.6 | \$2.8 | \$2.6 | \$2.5 | \$2.4 | \$2.4 | \$2.3 | \$2.4 | (8%) |
| Certificates of Participation and Lease Purchases | \$1.4 | \$1.6 | \$1.5 | \$1.4 | \$1.4 | \$1.3 | \$1.2 | \$1.0 | \$0.5 | (64%) |
| Lease Liability ³ | | | | | | | | \$0.02 | \$0.03 | - |
| Total Principal | \$4.0 | \$4.2 | \$4.3 | \$4.0 | \$3.9 | \$3.7 | \$3.6 | \$3.3 | \$2.9 | (28%) |
| Issuance Premiums and Discounts | \$0.2 | \$0.3 | \$0.3 | \$0.3 | \$0.3 | \$0.3 | \$0.3 | \$0.2 | \$0.2 | 0% |
| Total Outstanding Debt | \$4.2 B | \$4.5 B | \$4.6 B | \$4.3 B | \$4.2 B | \$4.0 B | \$3.9 B | \$3.5 B | \$3.1 B | (26%) |

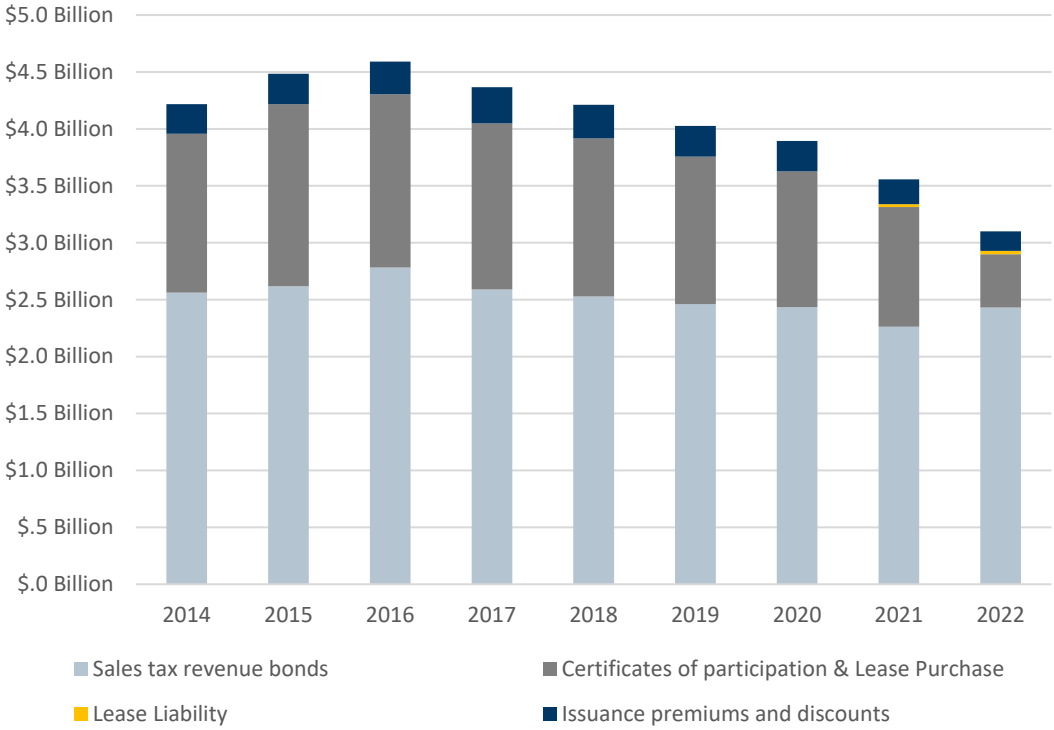
Source: Office of the State Auditor (OSA) analysis of Regional Transportation District’s (RTD’s) *Annual Comprehensive Financial Reports* for Calendar Years 2014 through 2022.

¹ Dollars are adjusted for inflation based on the December 2023 Consumer Price Index established by the Bureau of Labor Statistics within the U.S. Department of Labor.

² At the time of our audit work, RTD had not yet released its 2023 *Annual Comprehensive Financial Report* and we could therefore not obtain and provide the audited financial data for 2023 in our analysis.

³ In 2022, RTD started reporting its lease liability alongside its outstanding debt in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87 requirements for recording lease activity. RTD reported its 2021 lease liability figures in its 2022 *Annual Comprehensive Financial Report*.

Exhibit 2.6
Changes in Outstanding Debt, Adjusted for Inflation¹ (in Billions)
Calendar Years 2014–2022²



Source: Office of the State Auditor (OSA) analysis of Regional Transportation District’s (RTD’s) *Annual Comprehensive Financial Reports* for Calendar Years 2014 through 2022.

¹ Dollars are adjusted for inflation based on the December 2023 Consumer Price Index established by the Bureau of Labor Statistics within the U.S. Department of Labor.

² At the time of our audit work, RTD had not yet released its 2023 *Annual Comprehensive Financial Report* and we could, therefore, not obtain and provide the audited financial data for 2023 in our analysis.

³ In 2022, RTD started reporting its lease liability alongside its outstanding debt in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87 requirements related to recording lease activity. RTD reported its 2021 lease liability figures in its 2022 *Annual Comprehensive Financial Report*.

Periodically, RTD management seeks out opportunities to refinance or refund its debt instruments to achieve long-term interest rate cost savings, and then receives Board approval prior to executing the refinance process. In 2021, the Board approved RTD to refinance two lease purchase agreements that RTD estimated would result in an estimated \$4 million in interest rate savings from 2021 to 2025. In 2022, the Board approved RTD to refinance some of its FasTracks certificates of participation in 2023, for an estimated gross savings of \$294 million, and indicated that this transaction would use the remaining FasTracks sales tax bond capacity approved by voters in 2004. In 2023, the Board approved RTD to refinance one of its certificates of participation series for an estimated gross savings of \$28.2 million, and to undergo refunding of two of its FasTracks sales tax bonds for an estimated gross savings of \$10.8 million.

Net Position

Net position reflects an estimate of what RTD is worth by taking all the assets owned by RTD and subtracting the liabilities or financial obligations of RTD. RTD’s net position fluctuated between about \$2.9 billion and \$3.5 billion between Calendar Years 2014 and 2023, with RTD’s 2023 estimated ending net position at \$3.5 billion, as shown in Exhibit 2.7. Dollars in this exhibit are *not* adjusted for inflation in order to show the continuity of starting and ending net position from year-to-year. In 2019, RTD saw its net position decrease by about \$127 million in part due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 that required RTD to record the amount of its unfunded pension liabilities and additional depreciation related to assets that were put into service in 2018 and 2019. In 2023, RTD saw its net position decrease by about \$30 million, primarily due to an increase in depreciation of capital assets.

Exhibit 2.7

RTD’s Changes in Net Position (in Millions) Calendar Years 2014–2023¹

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Starting Net Position | \$2,978 | \$2,995 | \$3,177 | \$3,322 | \$3,413 | \$3,464 | \$3,337 | \$3,362 | \$3,462 | \$3,558 |
| Increase / (Decrease) | \$17 | \$182 | \$145 | \$91 | \$51 | (\$127) | \$25 | \$100 | \$96 | (\$30) |
| Ending Net Position² | \$2,995 | \$3,177 | \$3,322 | \$3,413 | \$3,464 | \$3,337 | \$3,362 | \$3,462 | \$3,558 | \$3,528 |

Source: Office of the State Auditor analysis of Regional Transportation District’s (RTD’s) *Annual Comprehensive Financial Reports* for Calendar Years 2014 through 2022, and 2023 data derived from unaudited figures provided by RTD within its May 2024 Board briefing documents.

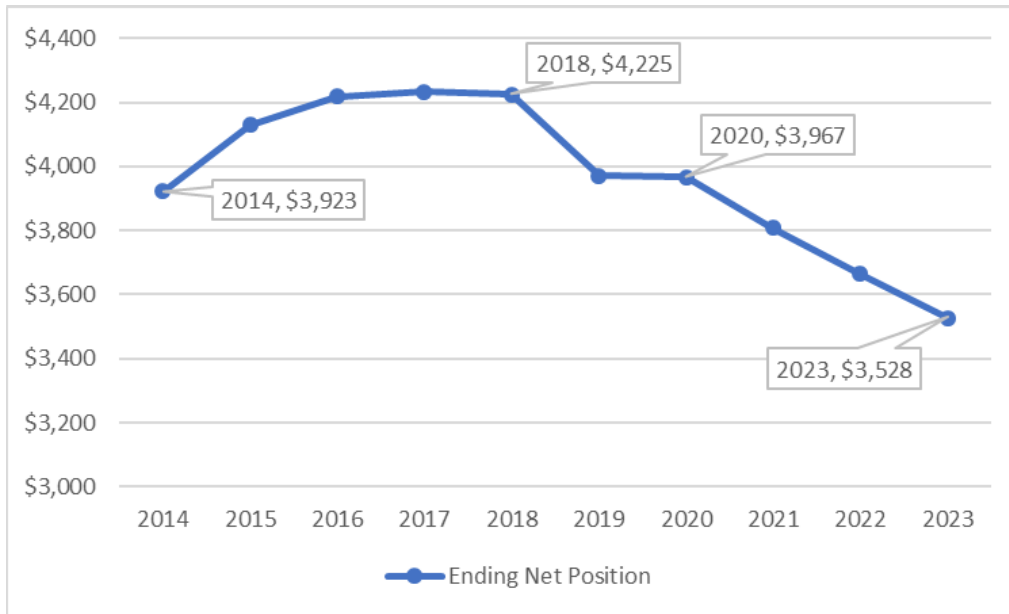
¹ Dollars are adjusted for inflation based on the December 2023 Consumer Price Index established by the Bureau of Labor Statistics within the U.S. Department of Labor.

² This exhibit reflects RTD’s restatements of its 2014 ending net position -- to account for Governmental Accounting Standards Board (GASB) Statement No. 68 requirements for recording its unfunded pension liabilities—and its 2021 ending net position – to account for GASB Statement No. 87 requirements related to lease activity to ensure business-type activities include a liability for the present value of payments expected to be made and right-to-use assets.

Once adjusted for inflation, RTD’s ending net position shows greater fluctuations across Calendar Years 2014 through 2023, when compared to the unadjusted numbers. Exhibit 2.8. shows that RTD’s ending net position peaked in 2018, at about \$4.2 billion, adjusted for inflation, and was about \$700 million lower in 2023, based on unaudited 2023 data.

Exhibit 2.8

RTD's Changes in Net Position, Adjusted for Inflation¹ (in Millions) Calendar Years 2014–2023²



Source: Office of the State Auditor analysis of Regional Transportation District *Annual Comprehensive Financial Reports* for Calendar Years 2014 through 2022, and 2023 data derived from unaudited figures provided by RTD within its May 2024 Board briefing documents.

¹ Dollars are adjusted for inflation based on the December 2023 Consumer Price Index established by the Bureau of Labor Statistics within the U.S. Department of Labor.

² This exhibit reflects RTD's restatements of its 2014 ending net position—to account for Governmental Accounting Standards Board (GASB) Statement No. 68 requirements for recording its unfunded pension liabilities—and its 2021 ending net position—to account for GASB Statement No. 87 requirements related to lease activity to ensure business-type activities include a liability for the present value of payments expected to be made and right-to-use assets.

While RTD's net position was about \$3.5 billion at the end of 2023, this is about \$800 million less than what RTD anticipated within its 2023 annual budget, with an expected ending net position of \$4.3 billion. RTD's net position has remained relatively steady since the onset of the pandemic, though the value of RTD's net position – once adjusted for inflation -- has decreased steadily since 2020. A factor related to this decline is RTD's relatively low investment in capital assets starting in 2020. As we discuss in Finding 1, RTD's net position, as of Calendar Year 2022, did not pose any fiscal health warning indicators, but this may be an indicator for management and the Board to continue to monitor. RTD tracks its year-to-date net position within its monthly Board briefing documents, and this continual monitoring of net position will help RTD identify if any future fiscal governance actions are necessary to ensure RTD's long-term fiscal health.

Finding 1—Measures of Fiscal Health

Examining measures of fiscal health can be helpful for evaluating how financially sound an entity is. There are several ratios that can be calculated using figures from an entity's financial statements, which can provide a picture of fiscal health. For example, certain calculated ratios can assess the entity's ability to pay off debt and other calculated ratios can illustrate the adequacy of reserves. Looking at the ratios over time can demonstrate trend information to warn of potential financial deterioration.

The Office of the State Auditor (OSA) provides analysis of and guidance on how to conduct fiscal health ratio analyses over a 3-year period for Colorado school districts and local governments, including counties, municipalities, and special districts. For example, the OSA provides templates for calculating the ratios, and benchmarks for what demonstrates warning indicators that would prompt the need for further review by management and oversight entities. For school districts and certain special districts, the OSA calculates the applicable ratios and publishes the results in compilation reports. The OSA has not previously evaluated RTD's fiscal health using these indicators.

Since the onset of the COVID-19 pandemic, RTD experienced changes in its revenues and expenses, as discussed at the beginning of this chapter. Looking at RTD's finances through the lens of established ratios and benchmarks can provide insight into RTD's overall fiscal health, as well as how well it has fared coming out of the pandemic era.

What audit work was performed and what was the purpose?

From OSA's established fiscal health ratios used to assess the fiscal health of Colorado school districts and other local governments, we selected the fiscal health indicators that are relevant to RTD's financial structure. Using RTD's 2020 through 2022 *Annual Comprehensive Financial Reports*, we calculated RTD's ratios for each indicator for Calendar Years 2020 through 2022 and evaluated results against established benchmarks. At the time of our fieldwork in May 2024, RTD had not yet released its 2023 *Annual Comprehensive Financial Report* and therefore, the 3-year period covered by our analysis did not include Calendar Year 2023.

The purpose of our work was to assess the extent to which RTD was financially sound as of Calendar Year 2022, the most recent year for which the data were available, as determined by standard-use fiscal health ratios, and to determine if there are any warning indicators requiring review by RTD management and the RTD Board.

How were the results of the audit work measured and what did the audit work identify?

RTD demonstrated good fiscal health as of Calendar Year 2022 when assessed against nine established measures. We used nine fiscal health indicators to assess RTD’s fiscal health, and found that RTD passed all nine fiscal health ratios covering the 3-year period of Calendar Years 2020 through 2022. Through this analysis, we did not find any warning indicators requiring further review by RTD management or the Board, and we do not make any recommendations to RTD management or the Board based on this analysis. The results indicate that RTD was in good fiscal health as of the end of Calendar Year 2022, the most recent year that data were available.

In the rest of this section, we provide information about each fiscal health indicator, including how the ratio was calculated for Calendar Years 2020 through 2022, the benchmark that performance was measured against, and what would constitute a ‘Warning Indicator’ signaling a potential problem with fiscal health. At the end of the section, RTD management and the Board have provided a response to this analysis.

Ratio 1: Cash to Liabilities Ratio

| Cash to Liabilities Ratio Formula |
|---|
| $\frac{\text{Entity-wide Unrestricted Cash and Investments}}{\text{Entity-wide Current Liabilities}}$ |

What does this ratio tell us?

This ratio encompasses the cash position of RTD, not including fiduciary funds. It shows how much cash RTD has to pay for its current liabilities and provides a good indication as to whether RTD has the ability to pay its bills in the short term.

Warning Indicator: *Continuous decline in the ratio from year 1 to year 3, with year 3 less than 1.0 — or — ratio less than 1.0 for all 3 years.*

Result (No Warning Indicator): No continuous decline in this ratio over the 3 years and in all 3 years the ratio was greater than 1.0.

Exhibit 2.9
Results of Cash to Liabilities Ratio

| | 2020 | 2021 | 2022 |
|--|-----------------|-----------------|-----------------|
| Unrestricted Cash and Investments | \$623.6 million | \$696.3 million | \$612.8 million |
| Current Liabilities | \$233.0 million | \$183.8 million | \$226.7 million |
| Ratio | 2.7 | 3.8 | 2.7 |

Source: Office of the State Auditor analysis of information provided in the Regional Transportation District’s *Annual Comprehensive Financial Reports* for the years ending December 31, 2020 through 2022.

Ratio 2: Working Capital

| Working Capital Ratio Formula |
|--|
| $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ |

What does this ratio tell us?

This ratio measures the liquidity of RTD’s funds. A decline in this ratio would indicate that RTD’s cash position is deteriorating over time and could be an indication that other funds are needed to subsidize RTD’s activities.

Warning Indicator: *Consistent decrease in the ratio — or — a most recent ratio of less than 1.*

Result (No Warning Indicator): No consistent decrease in this ratio over the 3 years and the most recent ratio is greater than 1.

Exhibit 2.10
Results of RTD’s Working Capital Ratio

| | 2020 | 2021 | 2022 |
|----------------------------|-----------------|-------------------|-----------------|
| Current Assets | \$906.7 million | \$1,028.6 million | \$907.9 million |
| Current Liabilities | \$233.0 million | \$183.8 million | \$226.7 million |
| Ratio | 3.9 | 5.6 | 4.0 |

Source: Office of the State Auditor analysis of information provided in the Regional Transportation District’s *Annual Comprehensive Financial Reports* for the years ending December 31, 2020 through 2022.

Ratio 3: Asset Sufficiency

| Asset Sufficiency Ratio Formula | |
|--------------------------------------|---|
| Total Assets + Deferred Outflows | ÷ |
| Total Liabilities + Deferred Inflows | |

What does this ratio tell us?

This ratio shows how much coverage RTD’s total assets has over its total liabilities and provides a good indication as to whether RTD has the ability to pay its bills in the short term. An Asset Sufficiency ratio that is trending downward indicates that an entity has decreasing assets, increasing liabilities, or both. This could be due to a timing issue—meaning that the entity has incurred more liabilities at the end of the financial period—resulting in increased liabilities as of the balance sheet date. Alternatively, it could mean that the entity has paid off more liabilities at the end of the year, decreasing its assets as of the balance sheet date.

Warning Indicator: *Continuous decline in the ratio from year 1 to year 3, with year 3 less than 1.0 — or — ratio less than 1.0 in all 3 years.*

Result (No Warning Indicator): Continuous increase in this ratio over the 3 years and the 2022 ratio is greater than 1.0.

Exhibit 2.11 Results of RTD’s Asset Sufficiency Ratio

| | 2020 | 2021 | 2022 |
|---|---------------|---------------|---------------|
| Total Assets + Deferred Outflows | \$7.7 billion | \$7.6 billion | \$7.6 billion |
| Total Liabilities + Deferred Inflows | \$4.3 billion | \$4.2 billion | \$4.1 billion |
| Ratio | 1.78 | 1.83 | 1.87 |

Source: Office of the State Auditor analysis of information provided in the Regional Transportation District’s *Annual Comprehensive Financial Reports* for the years ending December 31, 2020 through 2022.

Ratio 4: Unrestricted Net Position

| |
|--|
| Unrestricted Net Position Ratio Formula |
| $\frac{\text{Unrestricted Net Position}}{\text{Operating Expenses}}$ |

What does this ratio tell us?

This ratio indicates whether RTD’s unrestricted, available net position is sufficient to withstand possible financial emergencies and provides insight into how long RTD could operate if it were unable to collect any revenue. The OSA uses a similar ratio for other local governments based on recommendations from the Government Finance Officers Association that, at a minimum, available funds be no less than 2 months of regular expenditures, though entities should consider the specific environment when making a decision as to the sufficiency of funds to cover future expenditures. RTD’s Fiscal Policy requires the retention of 3 months of operating expenses, excluding depreciation, within a specific operating reserve fund. For this ratio, we assessed all of RTD’s available, unrestricted net position against RTD’s requirement to cover 3 months of operating expenses, which provides a ratio that blends best practice and RTD’s own policies. The ratio provides information based on the assumption that future operating expenses will resemble past expenses.

Warning Indicator: *Continuous decline in the ratio from year 1 to year 3, with year 3 less than 0.25 — or — ratio is 0 or less in year 3.*

Result (No Warning Indicator): Continuous increase in this ratio over the 3 years and the 2022 ratio was greater than 0.

Exhibit 2.12
Results of Unrestricted Net Position Ratio

| | 2020 | 2021 | 2022 |
|---------------------------------------|-----------------|-----------------|-----------------|
| Unrestricted Net Position | \$1.2 million | \$252.8 million | \$480.4 million |
| Operating Expenses¹ | \$611.7 million | \$568.1 million | \$691.5 million |
| Ratio | 0.002 | 0.44 | 0.69 |

Source: Office of the State Auditor analysis of information provided in the Regional Transportation District’s *Annual Comprehensive Financial Reports* for the years ending December 31, 2020 through 2022.

¹ To align this fiscal health ratio with RTD’s Fiscal Policy, we excluded depreciation from the calculation of RTD’s operating expenses.

Ratio 5: Net Position Ratio

| Net Position Ratio Formula | |
|----------------------------|---|
| Current Year Net Position | ÷ |
| Prior Year Net Position | |

What does this ratio tell us?

This ratio indicates whether RTD’s net position is increasing or decreasing. This ratio could show that an entity needs to adjust its revenue and expense structure in order to remain solvent over time. This ratio divides the current year net position by the prior year net position. This ratio reviews for a declining net position and highlights when an entity’s enterprise net position has reached the lowest point in 4 years. This ratio shows the change in RTD’s net position, as a whole, from the end of Fiscal Year 2019 to the end of Fiscal Year 2022. This ratio goes beyond a traditional operating margin analysis and encompasses all sources and uses of resources for RTD’s funds. A fund that is not sustainable, without structural changes, will have a consistently decreasing net position over time, eventually falling below zero.

Warning Indicator: *Continuous decrease in the ratio from year 1 to year 3, with year 3 net position less than 0 — or — Negative net position all 3 years.*

Result (No Warning Indicator): No continuous decrease in this ratio over the 3 years and the net position stayed positive in all 3 years.

Exhibit 2.13 Results of Changes in Net Position Ratio

| | December 31, 2019 | December 31, 2020 | December 31, 2021 | December 31, 2022 |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Current Year Net Position | \$3,337 million | \$3,362 million | \$3,463 million | \$3,558 million |
| Prior Year Net Position | | \$3,337 million | \$3,362 million | \$3,463 million |
| Ratio | | 1.01 | 1.03 | 1.03 |

Source: Office of the State Auditor analysis of information provided in the Regional Transportation District’s *Annual Comprehensive Financial Reports* for the years ending December 31, 2020 through 2022.

Ratio 6: Debt Burden Ratio

| Debt Burden Ratio Formula | |
|---------------------------|---|
| Total Revenue | ÷ |
| Total Debt Payments | |

What does this ratio tell us?

This ratio indicates whether RTD’s annual revenue will cover its annual debt payments, including principal and interest. The Debt Burden Ratio is an important way to assess an entity’s ability to continue to meet its debt service payments. This ratio shows the relationship between RTD’s revenue, or debt-paying capacity, and its required debt payment. A Debt Burden Ratio of 1.0 would indicate that annual debt service expenditures equals the annual revenue of the fund supporting the debt.

Warning Indicator: *Continuous decline in the ratio from year 1 to year 3, with year 3 less than 1.0 — or — the ratio less than 1.0 all 3 years.*

Result (No Warning Indicator): No continuous decline in this ratio over the 3 years and the ratio stayed above 1.0 for all 3 years.

Exhibit 2.14
Results of RTD’s Debt Burden Ratio

| | 2020 | 2021 | 2022 |
|------------------------------------|-------------------|-------------------|-------------------|
| Total Revenue | \$1,147.5 million | \$1,170.3 million | \$1,289.2 million |
| Total Debt Service Payments | \$301.9 million | \$1,039.8 million | \$658.7 million |
| Ratio | 3.8 | 1.1 | 2.0 |

Source: Office of the State Auditor analysis of information provided in the Regional Transportation District’s *Annual Comprehensive Financial Reports* for the years ending December 31, 2020 through 2022.

Ratio 7: Principal Payments to Total Outstanding Debt

| Principal Payments to Total Outstanding Debt Ratio Formula | |
|--|---|
| Principal Paid on Long-term Debt | ÷ |
| Total Outstanding Debt | |

What does this ratio tell us?

This ratio measures the relationship between principal payments and outstanding debt. Decreases in this ratio would indicate that the debt is consistently increasing, or principal payments are consistently decreasing. It would be normal for an entity to have a substantial decrease in the ratio in the year debt was issued, but after that, the ratio will normally increase as the debt is paid down.

Warning Indicator: *Consistent decrease in the ratio over the 3 years.*

Result (No Warning Indicator): No consistent decrease in the ratio over the 3 years.

Exhibit 2.15
Results of RTD’s Principal Payments to Total Outstanding Debt

| | 2020 | 2021 | 2022 |
|---|-------------------|-------------------|-------------------|
| Principal Paid on Long-Term Debt | \$155.0 million | \$896.5 million | \$527.8 million |
| Total Outstanding Debt | \$3,299.8 million | \$3,211.3 million | \$3,009.6 million |
| Ratio | 0.05 | 0.28 | 0.18 |

Source: Office of the State Auditor analysis of information provided in the Regional Transportation District’s *Annual Comprehensive Financial Reports* for the years ending December 31, 2020 through 2022.

Ratio 8: Tax Revenue per Capita

| Tax Revenue per Capita Ratio Formula | |
|--------------------------------------|---|
| Total Funds from Tax Revenue | ÷ |
| Population of RTD Service Area | |

What does this ratio tell us?

This ratio shows the expected relationship between population growth and tax revenue growth, and indicates the extent to which tax revenue changes with population. If this ratio is consistently

decreasing, it means that RTD’s service area population could be growing faster than its tax base. This means that RTD should determine if there are other revenue sources to consider to provide funding for programs that have to serve a growing number of citizens.

Warning Indicator: *Continuous decline in the ratio from year 1 to year 3.*

Result (No Warning Indicator): Continuous increase in this ratio over the 3 years.

**Exhibit 2.16
Results of RTD’s Tax Revenue per Capita Ratio**

| | 2020 | 2021 | 2022 |
|----------------------------------|-----------------|-----------------|-----------------|
| Sales and Use Tax Revenue | \$632.7 million | \$757.0 million | \$855.1 million |
| Population | 3,080,000 | 3,098,000 | 3,098,000 |
| Ratio | 205 | 244 | 276 |

Source: Office of the State Auditor analysis of information provided in the Regional Transportation District’s *Annual Comprehensive Financial Reports* for the years ending December 31, 2020 through 2022.

Ratio 9: Expenses per Capita

| |
|---|
| Expenses per Capita Ratio Formula |
| $\frac{\text{Total Expenses}}{\text{Population of RTD Service Area}}$ |

What does this ratio tell us?

This ratio indicates changes in RTD’s annual expenses in comparison to changes in population. This ratio divides total expenses by the population to show the amount of expenses per citizen, which provides an indication as to how much the government is spending on services. The expected relationship is that when population increases, expenses increase at a constant rate. However, if expenditures grow faster than population, the entity should look at the cause and determine if this is a problem.

Warning Indicator: *Continuous increase in the ratio from year 1 to year 3.*

Result (No Warning Indicator): No continuous increase in the ratio over the 3 years and the ratio in 2020 is the same as in 2022.

Exhibit 2.17

Results of RTD's Expenses per Capita Ratio

| | 2020 | 2021 | 2022 |
|-----------------------|-------------------|-------------------|-------------------|
| Total Expenses | \$1,122.4 million | \$1,069.5 million | \$1,193.1 million |
| Population | 3,080,000 | 3,098,000 | 3,098,000 |
| Ratio | 0.4 | 0.3 | 0.4 |

Source: Office of the State Auditor analysis of information provided in the Regional Transportation District's *Annual Comprehensive Financial Reports* for the years ending December 31, 2020 through 2022.

Conclusion

Overall, the results of these analyses demonstrate that RTD was in good fiscal health as of Calendar Year 2022. RTD management and the Board may wish to continue to monitor RTD's performance against these fiscal health indicators to help ensure that RTD remains in a healthy fiscal position. The information provided in these analyses may also be helpful to management and the Board for highlighting areas where RTD most wants to focus to shore up its financial position in future years. For example, for any indicators where RTD passed, but was close to having a warning indicator, there may be opportunities for the Board to question management on plans to strengthen RTD's position. It should be noted that the presence of a warning indicator for one or more of the fiscal health ratios does not always mean that an entity is facing fiscal stress; however, it does prompt the need for further examination. The more warning indicators that exist for an entity, the more likely it is that the entity may be facing fiscal stress. Transparency and understanding of RTD's financial picture helps to ensure that any warnings about RTD's fiscal health are promptly addressed.

Response

Regional Transportation District Board of Directors and Management

The RTD Board of Directors and management are pleased with the finding that RTD met all nine of the State's financial health ratios with no warning indicators. The agency remains committed to being a good steward of taxpayer dollars and has undertaken several significant efforts during and after the COVID-19 pandemic to strengthen its financial position. From 2019-2023, RTD has improved its available fund balances from \$204 million to \$1,160 million, reduced debt and pension obligations from \$4,249 million to \$3,550 million, improved liquid assets from \$616 million to \$1,350 million and had its credit ratings improved to the highest level of AAA from the ratings firm Standard and Poor's.

Finding 2—Measures of Cost Efficiency

Transit agencies typically track various metrics to assess the efficiency and effectiveness of their operations. Common metrics include boardings per trip, on-time performance, and farebox recovery. In 1989, Senate Bill 89-154 created a statutory requirement for RTD to maintain a farebox recovery ratio of 30 percent and prepare its annual budget based on this farebox recovery ratio, starting in 1993. This meant that RTD had to ensure that 30 percent of its operational costs were paid for by sources other than its sales and use tax. This was to reduce RTD's reliance on sales and use tax so that RTD would look for ways to operate efficiently.

The OSA's previous performance audit of RTD, completed in December 2020, found that the farebox recovery ratio requirement in statute was not useful for RTD since RTD could not meaningfully control farebox recovery, and because the measure was not showing a complete picture of RTD's operations. We recommended that the RTD Board and management "should work with the RTD Accountability Committee to identify a meaningful performance metric(s) that accurately measures the efficiency and effectiveness of RTD operations, and is based on factors that are within RTD's control."

In January 2021, the RTD Accountability Committee submitted a preliminary report to the Senate Transportation and Energy Committee and the House Transportation and Local Government Committee that recommended several changes to RTD's tracking of metrics. One recommendation asked for a statutory change to replace the farebox recovery ratio reporting requirement with a new cost efficiency ratio reporting requirement. The General Assembly changed the requirement with House Bill 21-1186, which replaced the farebox recovery metric with a requirement for RTD to track a different metric to demonstrate the cost efficiency of its operations: annual operating costs divided by ridership, which shows the cost per rider.

What audit work was performed and what was the purpose?

We reviewed RTD's *Annual Comprehensive Financial Reports* for Calendar Years 2021 and 2022, monthly Board briefing documents for September 2021 through January 2024, performance metric data available on RTD's website as of February 2024, and the recommendations of the RTD Accountability Committee. We interviewed RTD management who are responsible for RTD's financial reporting and 10 of the 15 Board members who served in Calendar Year 2023. We reviewed best practices on monitoring performance set within the U.S. Government Accountability Office *Standards for Internal Control in the Federal Government*, and reviewed a methodology used by the American Public Transportation Association to assess cost per rider within its 2023 *Public Transportation Fact Book*.

We compiled information about RTD's cost per rider for Calendar Years 2014 through 2023, and adjusted the figures for inflation to December 2023 dollars. We also compared RTD's performance

metrics to a targeted selection of transit agencies, including (1) the eight transit agencies identified by RTD as being peers within its July 2022 *System Optimization Plan Recommendations* report, and (2) five additional transit agencies identified by the Office of the State Auditor that have both bus and rail services, with service areas of at least 50 percent of RTD’s 2,342 square mileage service area, and with annual train miles of at least 50 percent of RTD’s nearly 5.9 million annual train miles, as reported in the National Transit Database maintained by the Federal Transit Administration within the U.S. Department of Transportation, for Calendar Year 2022. We chose these five transit agencies to reflect similarities to RTD in the distances served and amount of rail service provided.

The purpose of this work was to determine if RTD tracks and reports required cost efficiency metrics and follows best practices in comparing its performance to past periods and peers.

How were the results of the audit work measured?

RTD must report on cost efficiency. Section 32-9-119.7(3), C.R.S., requires that RTD “shall include in its annual financial reporting information on annual operating costs, ridership numbers, and operating costs divided by ridership as measures of the cost efficiency of the services the district provides.” This requirement has been in place since September 2021 when House Bill 21-1186 took effect. We would, therefore, expect RTD to include the required reporting in its *Annual Comprehensive Financial Report*, at a minimum, starting with its report for the fiscal year ending December 31, 2021. For this reporting requirement, statute defines operating costs as “all expenditures, including depreciation, except for those incurred in long-term planning and development of mass transportation and rapid transit infrastructures and those costs incurred as a result of providing transportation service mandated by the federal ‘Americans with Disabilities Act of 1990’” [Section 32-9-119.7(2), C.R.S.].

RTD should track and benchmark its cost efficiency performance. A best practice for management is to track and benchmark its key metrics in order to analyze performance and identify needed areas for improvement. Broadly, management is responsible for monitoring performance measures and indicators, which “may include comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made and appropriate actions taken” [Principle 10.03, U.S. Government Accountability Office *Standards for Internal Control in the Federal Government*]. A best practice for RTD would therefore be to compare its cost efficiency performance to different sets of data, such as to other periods and peer transit agencies to enable management to assess performance and target areas for improvement.

What problems did the audit work identify and why did these problems occur?

RTD has not reported all required cost efficiency information in its annual financial reporting. We reviewed RTD’s *Annual Comprehensive Financial Reports* for Calendar Years 2021 and

2022 (the 2023 report was not yet prepared at the time of our review in February 2024), and found that while RTD reported on its ridership numbers and annual operating costs, it did not report its operating cost as defined by statute, and did not report on the operating costs divided by ridership, or cost per rider, as required by statute.

We also reviewed monthly Board briefings – another form of RTD’s regular financial reporting - for the time period of September 2021 through January 2024, and found that RTD did not report on operating costs, as defined by Section 32-9-119.7(2), C.R.S., or the required cost per rider ratio within the Board briefings, either.

One reason this omission occurred is because RTD does not have a policy or process to calculate its operating costs, as defined under Section 32-9-119.7(2), C.R.S., or to calculate the required cost per rider ratio, and then to report these figures in RTD’s *Annual Comprehensive Financial Report*, even though RTD supported the bill that enacted this requirement. Prior to the enactment of House Bill 21-1186, which eliminated requirements related to the farebox recovery ratio and required the reporting of certain operating costs, ridership, and the new, cost-per-rider metric, RTD management briefed the Board in support of the legislation and the Board adopted a resolution in support of the statutory change. However, despite the bill taking effect in September 2021, management did not take action to start reporting these metrics. In addition, while the Board’s Fiscal Policy includes reporting requirements on monthly financial status reports and annual mid-term financial plans, the Board does not have a policy related to the reporting of the annual metrics required under Section 32-9-119.7(3), C.R.S.

In addition, House Bill 21-1186, which updated statute to eliminate the former farebox recovery ratio and add the current cost efficiency reporting requirements, did not also update the definition of “operating costs” set in Section 32-9-119.7(2), C.R.S., to align with the new requirements. The definition of “operating costs” RTD was to use for calculating its farebox recovery ratio was first written into the statute in 1989, directing RTD to include depreciation and exclude certain long-term planning expenses from its farebox recovery calculations, and revised in 1993, directing RTD to further exclude certain expenses related to complying with federal Americans with Disabilities Act (ADA) requirements from the farebox recovery calculations. From our review, it appears to have been an oversight to leave the old definition of “operating costs” intact when the statute was amended in 2021 to remove farebox recovery requirements. Based on our review, the new requirements for RTD to calculate a cost-per-rider ratio would be simpler to understand and calculate if “operating costs” reflected RTD’s operating costs that can be verified against RTD’s *Annual Comprehensive Financial Report*. As the statute is currently written, it is difficult for both RTD and the public to know how to accurately subtract from RTD’s operating costs the “long-term planning and development” costs and the “costs incurred as a result of providing” transportation required under the ADA – in part because both terms are undefined within statute. In addition, statute currently requires RTD to include its depreciation as an “operating cost” even though depreciation is an expense that does not represent RTD’s annual expenditures to provide transit services for its riders.

Towards the end of the audit, RTD management indicated to us that it is not necessary to mandate a specific metric, such as the cost per rider metric, within statute and that identifying a single metric for required reporting under statute does not provide context or complementary information to fully inform the public. If RTD does not find that it is necessary to mandate specific measures of cost efficiency in statute, RTD management may want to consider working with the RTD Board and the General Assembly on further statutory change.

RTD has not tracked and benchmarked its cost efficiency performance. In our review of monthly Board briefing documents and RTD’s website, we found that RTD has not internally tracked the cost per rider, or regularly benchmarked its cost efficiency performance against other sets of data such as past periods or peer agencies. Within RTD’s publicly reported 2022 *System Optimization Plan Recommendations* report, RTD reported on peer review analyses it conducted in April 2020, including comparing RTD’s cost per rider to peer agencies. RTD’s report stated that RTD’s “cost per passenger boarding is below the peer system average,” but RTD did not provide the detailed results within its report. RTD has also not conducted an analysis to benchmark its cost-per-rider analysis against peer agencies since that initial 2020 analysis. While comparative benchmarking is not required in statute, best practices highlight the importance of comparing performance in order to identify areas for improvement.

One reason this problem happened is because RTD has not created a process to routinely track the cost per rider or compare RTD’s cost-per-rider performance against peer agencies. Such a process could involve RTD tracking and reporting within the statistical section of its *Annual Comprehensive Financial Report* RTD’s cost-per-rider metric results and changes over multiple years, which could help RTD, the public, and stakeholders review trends of this metric over time. In addition, RTD could develop written guidance that outlines for staff which transit agencies are considered to be peer agencies, which metrics should be collected and from what sources, the time frame for performing such comparisons, and how the comparisons will be analyzed and reported.

Cost Efficiency/Cost per Rider Calculation

Since RTD has not tracked or reported this required cost efficiency information, we calculated RTD’s cost per rider several different ways and compared it to other transit agencies.

First, we calculated it based on ridership and actual operating costs (including long-term planning costs and ADA services costs, and excluding depreciation) over a 10-year period. We reviewed trend data from RTD’s 2022 *Annual Comprehensive Financial Report*, which we adjusted for inflation, and figures for 2023 provided by RTD. As shown in Exhibit 2.18, we calculated RTD’s cost efficiency ratio from 2014 to 2023 by dividing RTD’s reported total annual operating costs – not including depreciation – by annual boardings. By not including depreciation, this ratio can demonstrate the actual expenditures paid by RTD to provide transit services, and it is similar to how the American Public Transportation Association reports the industry-wide operating cost per rider in its annual *Public Transportation Fact Book*.

Based on figures adjusted for inflation, we found that RTD’s cost per rider increased by less than one dollar from 2014 to 2019 – from \$6.49 to \$7.23 during this 6-year period, and then nearly doubled to \$13.72 in 2020, as ridership reduced by more than half during the pandemic. Ridership has been slowly rebounding since the pandemic – with about 65 million annual boardings in 2023 – still roughly 60 percent of pre-pandemic ridership. However, the 2023 cost per rider remained higher than pre-pandemic levels at \$11.94, as annual operating costs have increased 14 percent since 2014, when adjusted for inflation, to more than \$700 million. In response to this analysis, RTD raised concerns that this year-over-year analysis does not capture changes that impact RTD’s operating costs – such as bringing a new rail line into service or increasing its employees’ salaries and wages. However, RTD could use this year-over-year analysis within its *Annual Comprehensive Financial Report* or other documents to provide information to the public on the reasons for the changes to the operating costs.

Exhibit 2.18
Regional Transportation District Cost Efficiency of Services (Excluding Depreciation), Operating Costs (Excluding Depreciation and Adjusted for Inflation), and Annual Ridership (in Millions)
Calendar Years 2014–2023

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Percent Change 2014–2023 |
|--------------------------------------|---------------------|--------|--------|--------|--------|--------|----------------------|---------|---------|---------|--------------------------|
| | Pre-Pandemic | | | | | | Post-Pandemic | | | | |
| Operating Costs^{1,2} | \$681 | \$661 | \$711 | \$722 | \$706 | \$765 | \$722 | \$625 | \$712 | \$778 | 14% |
| Annual Ridership¹ | 105 | 103 | 101 | 107 | 105 | 106 | 53 | 49 | 62 | 65 | (38%) |
| Cost per Rider | \$6.49 | \$6.42 | \$7.01 | \$6.75 | \$6.70 | \$7.23 | \$13.72 | \$12.74 | \$11.56 | \$11.94 | 84% |

Source: Colorado Office of the State Auditor calculation of cost per rider based on annual operating costs and boardings for 2014 through 2022 as reported in the Regional Transportation District’s (RTD’s) *Annual Comprehensive Financial Report* for Fiscal Year 2022, and information for 2023 provided by RTD.

¹Operating Costs and Annual Ridership are displayed in millions.
²Operating costs, excluding depreciation, are adjusted for inflation based on the December 2023 Consumer Price Index established by the Bureau of Labor Statistics within the U.S. Department of Labor.

Second, we calculated RTD’s cost per rider to *include* depreciation over a 10-year period to better reflect requirements in statute; we also included long-term planning costs and ADA services costs in the calculation of operating costs even though the statutory definition of operating costs excludes these. To do this, we again reviewed trend data from RTD’s 2022 *Annual Comprehensive Financial Report* -- adjusted these figures for inflation --and figures for 2023 provided by RTD. As shown in Exhibit 2.19., we calculated RTD’s cost efficiency ratio from 2014 to 2023 by dividing RTD’s reported total annual operating costs – this time including depreciation -- by annual boardings. When we included depreciation in this calculation, we found that the cost per rider increased by \$3 from 2014 to 2019 – from \$8.22 to \$11.22 during this 5-year period, and then nearly doubled to \$21.34 starting in 2020. The 2023 cost per rider remained higher than pre-pandemic levels at \$17.15,

as annual operating costs including depreciation have increased 29 percent since 2014, when adjusted for inflation, to more than \$1 billion.

Exhibit 2.19

Regional Transportation District Cost Efficiency of Services (Including Depreciation), Operating Costs (Including Depreciation and Adjusted for Inflation), and Annual Ridership (in Millions) Calendar Years 2014–2023

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Percent Change 2014 – 2023 |
|--|--------------|--------|--------|---------|---------|---------|---------------|---------|---------|---------|----------------------------|
| | Pre-Pandemic | | | | | | Post-Pandemic | | | | |
| Operating Costs with Depreciation^{1,2} | \$863 | \$860 | \$993 | \$1,030 | \$1,054 | \$1,188 | \$1,123 | \$999 | \$1,081 | \$1,118 | 29% |
| Annual Ridership¹ | 105 | 103 | 101 | 107 | 105 | 106 | 53 | 49 | 62 | 65 | (38%) |
| Cost per Rider | \$8.22 | \$8.35 | \$9.80 | \$9.64 | \$10.00 | \$11.22 | \$21.34 | \$20.39 | \$17.55 | \$17.15 | 109% |

Source: Colorado Office of the State Auditor calculation of cost per rider based on annual operating costs, depreciation expense, and boardings for 2014 through 2022 as reported in the Regional Transportation District’s (RTD’s) *Annual Comprehensive Financial Report* for Fiscal Year 2022, and information for 2023 provided by RTD.

¹Operating Costs and Annual Ridership are displayed in millions.

²Operating costs, including depreciation, are adjusted for inflation based on the December 2023 Consumer Price Index established by the Bureau of Labor Statistics within the U.S. Department of Labor.

We also looked at RTD’s cost per rider—not including depreciation—compared to other, similar transit agencies. We identified 13 peer agencies: 8 transit agencies that RTD determined to be a peer agency in its *System Optimization Plan Recommendations* report and 5 transit agencies that we identified, based on National Transit Database data maintained by the Federal Transit Administration, that have both bus and rail services and whose service area and train mileage is at least half of RTD’s. Factoring in service area allows the analysis to compare RTD to agencies with similarly large service areas where buses and trains need to travel long distances, and factoring in train mileage allows the analysis to exclude agencies that provide only bus services or limited rail services, since the cost per rider of rail services is typically higher than bus services, according to the American Public Transportation Association’s 2023 *Public Transportation Fact Book*. We determined that selecting peer agencies on these characteristics can assess cost efficiencies in providing relatively similar services – regardless of how agencies are governed, funded, or if they serve a region or an entire state -- though the national database provides multiple data points that can be used to select peer agencies for RTD.

We calculated the cost per rider for the peer transit agencies for Calendar Year 2022 using the standardized operating costs – not including depreciation – and the 2022 ridership data that transit agencies reported to the Federal Transit Administration’s National Transit Database. The purpose of this analysis is to provide a high-level way to measure how RTD was performing compared to other transit agencies. RTD’s ridership and operating costs reported to the Federal Transit Administration do not include Vanpool ridership, and therefore differ slightly from figures reported in RTD’s *Annual Comprehensive Financial Report*. For example, in 2022, RTD reported total ridership at

61,602,568, whereas in the National Transit Database, RTD's ridership is listed as 61,284,680, a difference of less than 1 percent. Operating costs in the National Transit Database data also differ from RTD's *Annual Comprehensive Financial Report*. RTD reports expenses such as net pension liability and Vanpool costs in its *Annual Comprehensive Financial Report*, but these are not reported in the National Transit Database.

As shown in Exhibit 2.20, using National Transit Database data, we calculated each agency's cost per rider and we found that RTD was performing better than 9 of the 13 peer transit agencies in Calendar Year 2022; four peer transit agencies were performing better than RTD. These results provide some high-level information to demonstrate that despite RTD's cost per rider being higher than its pre-pandemic levels, RTD may have operated more efficiently than many of its peers in 2022. In Appendix A, we provide the details on how each peer agency compares to RTD's train miles and service area, as well as each agency's annual ridership and operating expenses for Calendar Year 2022, as reported in the National Transit Database.

Exhibit 2.20

Cost per Rider Ratio Based on National Transit Database Data Regional Transportation District (RTD) and Selected Peer Agencies Calendar Year 2022

| Transit Agency ¹ | Annual Operating Costs Divided by Annual Ridership |
|---|--|
| Metropolitan Transit System, San Diego, CA | \$5.32 |
| Los Angeles County Metropolitan Transportation Authority, Los Angeles, CA | \$7.07 |
| Massachusetts Bay Transit Authority, Boston, MA | \$8.42 |
| Tri-County Metropolitan Transportation District of Oregon, Portland, OR | \$10.43 |
| Regional Transportation District (RTD) | \$10.84² |
| Metropolitan Transit Authority of Harris County, Texas, Houston, TX | \$11.50 |
| Central Puget Sound Regional Transit Authority, Seattle, WA | \$12.77 |
| Utah Transit Authority, Salt Lake City, Ogden, Provo, UT | \$13.39 |
| Capital Metropolitan Transportation Authority, Austin, TX | \$13.94 |
| Dallas Area Rapid Transit, Dallas, TX | \$13.96 |
| Washington Metropolitan Area Transit Authority, Washington, D.C. | \$14.15 |
| New Jersey Transit Corporation, NJ | \$16.45 |
| Maryland Transit Administration, MD | \$17.25 |
| Santa Clara Valley Transportation Authority, San Jose, CA | \$23.90 |

Source: Colorado Office of the State Auditor calculation of 2022 operating expenses divided by 2022 unlinked passenger trips (ridership), as reported in the Federal Transit Administration's National Transit Database, for the Regional Transportation District (RTD) and select peer agencies.

¹ Transit agencies with no shading are the eight transit agencies identified by RTD as part of its April 2020 analysis of service effectiveness and financial and performance characteristics as compared to peers, reported in RTD's July 2022 *System Optimization Plan Recommendations* report. Transit agencies with shading were selected by the Office of the State Auditor, comprising the five transit agencies that have both bus and rail services, with service areas of at least 50 percent of RTD's 2,342 square mile service area and annual train mileage of at least 50 percent of RTD's nearly 5.9 million annual train miles, as reported in the Federal Transit Administration's National Transit Database.

² RTD's cost efficiency metric in this exhibit differs from RTD's 2022 figure reported in Exhibit 2.18 and 2.19 because of variations in operating cost and ridership numbers reported to the National Transit Database compared to RTD's Annual Comprehensive Financial Report. Specifically, numbers reported to the Federal Transit Administration exclude RTD's Vanpool ridership, as well as certain items in RTD's expenses. Vanpool services provide extended service to certain areas of RTD's district and account for less than one percent of RTD's ridership and budget.

Regularly examining ratios of operating costs divided by ridership of both RTD and peer agencies, and discussing the results with the Board can be helpful for measuring and benchmarking how RTD is doing compared to past periods, and compared to peer agencies. This information can be helpful in allowing RTD, the Board, and policymakers to identify any needed areas for improvement, and can help communicate to stakeholders and the public how RTD is performing.

According to RTD, the information in Exhibit 2.20 is incomplete, as it does not take into account the myriad of differences among transit agencies, including population density, average subsidy per boarding by route, operating conditions --such as climate and geography, or state and local transit funding -- and these types of differences make direct agency-to-agency comparisons difficult. However, as noted, RTD has conducted comparisons to eight other transit agencies within its own

System Optimization Plan Recommendations report and best practices suggest that it is useful to conduct such comparisons in order to provide comparative context of RTD's operations to the Board and to the public. RTD can also use this cost-per-rider metric alongside other performance metrics it identifies as meaningful to do a comprehensive review of RTD's performance.

Why does this problem matter?

When RTD does not report on the statutorily-required cost per rider metric, stakeholders are not able to easily track and assess RTD's cost efficiency. The cost-per-rider metric can help demonstrate RTD's overall efficiency by showing how much RTD spends per ride, and can provide an easy to understand, and useful comparison for RTD to gauge operational efficiency over time and with other peer agencies. People without an in-depth understanding of transit operations or financing can understand what this figure is telling us: For each ride RTD provided in a given year, it cost this much for RTD to provide that ride.

While this is not the only metric that RTD and the public can track in regards to RTD's performance, it is a performance metric with broad consensus of its importance.

- In January 2021, the RTD Accountability Committee recommended that RTD seek statutory change to focus on this cost efficiency metric rather than the farebox recovery ratio discussed earlier in this finding, stating that, "A better and simpler measure of return on investment is the system's operating cost divided by total ridership."
- In March 2021, RTD's General Manager told the Board that this efficiency metric would serve "as a measure of cost efficiency of its services."
- In March 2021, the Board passed a resolution in support of House Bill 21-1186. While no Board members we interviewed mentioned the cost efficiency metric specifically, 3 out of 10 Board members interviewed reported that they felt RTD did not provide enough information to the Board. Providing information on RTD's performance with respect to this statutorily-required metric is one way to convey to the Board information relevant to its oversight.

As mentioned, the changes made by House Bill 21-1186 did not revise the definition of operating costs, and it would be beneficial for RTD and policymakers to revisit the statute to ensure that RTD is reporting on operating costs in line with Section 32-9-119.7(3), C.R.S., in a manner that is feasible and meaningful.

By RTD not reporting on the cost per rider metric, either as defined in statute or in any manner, RTD has not been providing information to the public on an easy to understand measure of the efficiency and effectiveness of RTD's operations.

For example, in July 2023, RTD management presented to the Board a fare restructuring proposal to reduce and simplify all fares, which the Board adopted and took effect in January 2024. In this proposal, RTD management did not mention the cost per rider or operating costs, in general. This cost efficiency metric could have demonstrated the value the public receives with its transit fares – showing how reducing the standard 3-hour pass from \$3.00 to \$2.75 compares to the non-fare revenue necessary to support lower fares. In its presentation, RTD management showed that the new fare structure could increase ridership by 11 to 13 percent and that fare revenue could decrease by 17 to 21 percent as a result of reducing the cost of the standard 3-hour pass, meaning that additional, non-fare revenues would be needed to cover the cost per ride. If management had provided the cost per rider in its presentation, this could have provided useful context to the Board and the public on the financial impacts of the fare restructuring.

Additionally, RTD's lack of tracking of the cost per rider means that it cannot use this metric to compare its performance over time, or compare itself to peer transit agencies. There may be times when the ratio is showing that RTD's cost per rider has increased or decreased when compared to past years or RTD's peer agencies, and this may be due to RTD adding services or making policy decisions to better serve residents. In these cases, RTD can use its cost efficiency ratio as a helpful communication tool for educating stakeholders and the public on those service changes and policy choices. This type of communication about RTD's cost efficiency could also be helpful in RTD meeting its strategic priority of improving the public's perception of RTD's management of financial resources. The public may not realize that RTD's performance in 2022, for example, was actually better than 9 of 13 of its peer transit agencies, with RTD operating between \$0.66 and \$13.06 more efficiently per ride than nine other peer agencies in 2022. By not publicly reporting RTD's cost efficiency ratio – and by not prominently reporting other metrics recommended by the RTD Accountability Committee, as we discuss in Finding 7 – RTD is missing opportunities to demonstrate its value to the public.

Recommendation 1

The Regional Transportation District (RTD) management should ensure it adheres to cost efficiency reporting requirements by:

- A. Developing and implementing a process to track and report measures of cost efficiency as required under Section 32-9-119.7(3), C.R.S.
- B. Working with the RTD Board of Directors (Board) to develop and implement a process to compare meaningful measures of cost efficiency against RTD's past performance and against the performance of peer agencies. This should include developing and implementing a method to identify peer agencies, and specify how and when this information is reported to the Board and to the public.

- C. Working with the RTD Board and the General Assembly to reconsider the definition of “operating costs” within Section 32-9-119.7(2), C.R.S., and the need to include specific reporting metrics in statute, and pursue any statutory changes deemed necessary.

Response

Regional Transportation District Management

- A. Agree

Implementation Date: July 2025

RTD is committed to transparently tracking and reporting meaningful cost efficiency metrics. RTD currently reports a fare recovery ratio as the relationship of operating expenses, including depreciation, to total ridership as presented in financial statements and supporting schedules of the audited Annual Comprehensive Financial Report (ACFR) as well as in the unaudited monthly financial statements posted on the RTD website (www.rtd-denver.com/open-records/financial-information). This metric is included in the 2023 ACFR to be completed and made publicly available in July 2024. RTD will also report the cost efficiency ratio using operating costs as defined in statute in the 2024 ACFR.

Auditor’s Addendum

In 2021, through House Bill 21-1186, the General Assembly removed the statutory requirement for RTD to report on a fare recovery ratio that was based on specific calculations, and added a requirement for RTD to report on different cost efficiency metrics. The audit found RTD has not reported on the current, statutorily required metrics outlined in Section 32-9-119.7(3), C.R.S.

- B. Agree

Implementation Date: December 2024

RTD agrees to report a cost efficiency ratio against past performance, including a comparison to annual financial reports of peer agencies. RTD will select up to five similarly situated agencies with comparable operating characteristics, transit modes, geographic service areas, and funding sources. RTD will report this ratio, using publicly available information from RTD’s financial reports, as total operating costs (including depreciation) divided by total ridership for each period and on a trended basis. This ratio is included in the 2023 ACFR, in monthly financial statements, and on RTD’s Performance Dashboard webpage found at www.rtd-denver.com/performance-dashboard/financial-performance, which presents regularly updated reports and metrics in a prominent, accessible and easy-to-understand manner.

C. Partially Agree

Implementation Date: October 2024

RTD will consider including within its 2025 Legislative Program a recommendation to the Legislative Audit Committee to amend the current statutory definition of operating costs to align with Generally Accepted Accounting Principles (GAAP). It is not necessary, however, to mandate additional reporting metrics within statute. RTD tracks and reports standard industry metrics such as on-time performance, ridership, and others on its website, the National Transit Database (NTD), as well other resources.

Auditor’s Addendum

The audit found that RTD is not in compliance with reporting cost efficiency metrics required by Section 32-9-119.7(3), C.R.S., which includes calculating “operating costs” in a specific manner as defined by Section 32-9-119.7(2), C.R.S., and determining the cost per rider using the statutory definition of “operating costs.” The audit identified that RTD cannot easily calculate “operating costs” in the manner defined by statute, and should work with policymakers to revise the definition found in Section 32-9-119.7(2), C.R.S.

Towards the end of the audit, RTD management indicated to us that it is not necessary to mandate a specific metric, such as the cost per rider metric, within statute and that identifying a single metric for required reporting under statute does not provide context or complementary information to fully inform the public. If RTD does not find that it is necessary to mandate specific cost efficiency metrics in statute, RTD management may want to consider working with the RTD Board and the General Assembly on further statutory change to Section 32-9-119.7(3), C.R.S.

Finding 3—Budgeting for Capital Asset Renewal and Replacement

One of RTD’s critical functions is maintaining its large inventory of capital assets, including a fleet of 1,028 buses and 267 commuter and light rail train vehicles, according to RTD as of March 2024. RTD also owns nine maintenance facilities, more than 100 public facilities, and more than 114 miles of track. Keeping its capital assets in a state of good repair – meaning in a condition in which the capital asset is able to operate at a full level of performance - is essential for ensuring that RTD’s transit network runs reliably and efficiently.

Starting in 2018, the Federal Transit Administration began requiring transit agencies that receive federal funding, such as RTD, to create Transit Asset Management Plans [49 USC 5326(b)(2), 49 CFR 625.25, and 49 CFR 625.31(a)] that outline capital asset inventories, assessment of the condition of assets, and investment prioritization [49 USC 5326(a)(2)(A)] for at least a 4-year time horizon [49 CFR 625.29(a)]. The purpose of these plans is to help transit agencies identify the condition of current assets and plan for their replacement or renewal. RTD management created its current Transit Asset Management Plan in 2022, which prioritizes investment in capital asset renewal

and replacement through 2028. For each year through 2028, RTD’s plan shows which assets RTD plans to renew or replace that year, and how much it anticipates each of those projects will cost in total. For example, RTD’s Transit Asset Management Plan showed that 25 projects were planned for 2024, with an expected overall cost of \$21.4 million. Projects included replacement of Access-a-Ride and FlexRide buses (about \$2.3 million), replacement of ticket vending machines (about \$2.65 million), and replacement of a currency counter (\$50,000), among others. RTD’s next Transit Asset Management Plan is due to be created and submitted to the Federal Transit Administration in 2026, showing capital investment prioritization to at least 2030.

The Board was not involved in creating or approving RTD’s Transit Asset Management Plan before its submission to the Federal Transit Administration in 2022. However, as part of each annual budget, RTD management presents the Board with a list of capital asset renewal and replacement projects to be undertaken during the budget year. This annual asset management plan is included as an attachment to the budget and shows the list of capital projects to be undertaken during that budget year and the expected total expenditures for each of the projects. The Board approves the plan as part of its approval of RTD’s annual budget. RTD’s approved 2024 budget listed 21 planned projects with a total cost of about \$181.4 million.

RTD’s Asset Management Division within its Finance Department reviews requests from RTD staff responsible for the management of the respective assets and makes a determination on what gets included in the Transit Asset Management Plan and in each year’s budget. RTD’s Asset Management Accountability Team, made up of the Chief Financial Officer, Chief Operations Officer, Chief Administrative Officer, and the Assistant General Manager of the Capital Program Department, is responsible for overseeing the asset management process.

In addition to the federally-required Transit Asset Management Plan and the annual asset management plan included as part of its budget, RTD has an additional way that it projects and communicates its capital asset needs. Specifically, RTD’s Mid-Term Financial Plan, which is prepared by management and approved by the Board each year, projects RTD’s expenses for a 5- or 6-year time horizon. For capital assets, the plan projects the total cost of capital asset renewal and replacement projects for each of the years covered by the plan; however, the plan does not break out individual projects or their costs. The 2024-2029 Mid-Term Financial Plan approved by the Board in October 2023—which RTD describes as a planning document and “not a commitment or appropriation of funding”—projected RTD needing about \$64 million for its capital asset renewal and replacement projects in 2024. According to RTD, its 2024-2029 Mid-Term Financial Plan “was developed in consideration of a prudent, fiscally sustainable approach” and is a “fiscally conservative plan.” The plan anticipates costs of a total of about \$456 million for capital asset renewal and replacement between the years 2024 through 2029. The Mid-Term Financial Plan is meant to inform the Board on budget decisions and help them get a full picture of the upcoming 5 or 6 years. The Board amended its fiscal policy in 2023 to change the time horizon for the plan from 6 years to 5 years starting with the next plan to be created later in 2024; the next plan will be referred to as the “Five-year Financial Forecast.”

In addition to asset renewal and replacement, RTD also performs routine maintenance of capital assets. This can involve inspection and testing of assets to ensure that they are functioning properly, preventative replacement of components or sub-components in order to keep an asset functioning at pre-determined performance levels, or corrective maintenance to restore an asset to pre-determined performance levels. An example of maintenance would be replacing the tires on a bus, whereas replacing an older bus with a new vehicle would be asset renewal and replacement. Maintenance is budgeted as an operating expense in RTD's budget. This finding does not relate to routine maintenance of capital assets because our audit test work did not include a review of RTD's maintenance processes or funding of routine maintenance.

What audit work was performed and what was the purpose?

We reviewed RTD's federally-required Transit Asset Management Plan developed in 2022, covering asset renewals through 2028, and RTD's annual asset management plans approved by the Board as part of RTD's 2023 and 2024 budgets. We interviewed RTD management and staff responsible for overseeing RTD's assets, and 10 of the 15 Board members who served in Calendar Year 2023. We reviewed RTD management's asset management policy, asset renewal policy, asset management bypass process guidance, as well as the Asset Management Accountability Team Charter, which outlines the requirements and powers of the team. We also reviewed asset management best practices set by the American Public Transportation Association and the Government Finance Officers Association.

The purpose of our work was to determine if RTD adhered to financial projections for capital asset renewal and replacement outlined in its Transit Asset Management Plan, in accordance with Board policies.

How were the results of the audit work measured?

RTD must prioritize asset investment decisions in its budget according to the Transit Asset Management Plan. Under statute, local governments, including RTD, are required to include in each annual budget all proposed expenditures for "capital projects to be undertaken or executed" during the budget year [Section 29-1-103(1)(a), C.R.S.]. To do this, the Board adopts a budget that includes an annual asset management plan that lists all of the capital asset renewal and replacement projects to be undertaken in the upcoming year. The Board's fiscal policy requires that the projects included in the list are to "be prioritized in accordance with the Transit Asset Management (TAM) Plan" [Capital Improvement Policies, Section 3, RTD Board Fiscal Policy]. Therefore, the projects included in RTD's 2023 and 2024 budgets should reflect the projects included in the Transit Asset Management Plan's list of projects prioritized for 2023 and 2024, respectively.

What problem did the audit work identify?

RTD did not prioritize asset investment decisions in its 2024 budget according to its Transit Asset Management Plan. We found a mismatch between the capital asset renewal and replacement projects RTD planned to complete in 2024, as documented in its Transit Asset Management Plan, and the capital asset renewal and replacement projects RTD funded in its 2024 budget approved by the Board, as outlined below.

In its 2024 budget, RTD included \$153.2 million in funding for two projects that had not been planned for renewal or replacement in 2024 within RTD's Transit Asset Management Plan, and left out funding for another four projects estimated to cost a total of about \$3 million that had been listed in the plan for renewal or replacement that year. The added projects included:

- A \$150 million downtown rail replacement project following a corrective action plan submitted by RTD to the Public Utilities Commission (PUC) related to the deteriorating condition of the rail. RTD told us that it included smaller projects related to this replacement project in its Transit Asset Management Plan – we could only identify about \$4.8 million in planned projects directly related to this section of rail. However, RTD also told us that the full scope of the project was not included in the Transit Asset Management Plan because, while RTD had known that the entire downtown Denver rail loop needed replacement since 2015, management did not understand the timeframe needed to complete the work until 2023, when RTD submitted its corrective action plan to the PUC on the safety risks that RTD identified. RTD told us it was not able to plan for replacements when they were needed because of a lack of granular inventory information on this section of rail. Following the 2023 submission of its corrective action plan to the PUC, RTD consolidated several small downtown rail replacement projects together alongside an estimate of funding needs to complete the \$150 million project.
- A \$3.2 million rail, track, and switch replacement for three sections of RTD's tracks. RTD stated that, while this project was not planned in the Transit Asset Management Plan, it was accounted for in the Mid-Term Financial Plan approved in a prior year before RTD finalized the capital asset renewal and replacement funds needed in 2024. RTD stated that planning for this project in the Mid-Term Financial Plan, which was approved by the Board, was sufficient to include it in RTD's 2024 budget despite it not being in RTD's Transit Asset Management Plan. However, the Board's fiscal policies do not address whether the capital projects can be accounted for in the Mid-Term Financial Plan in lieu of the Transit Asset Management Plan.

The four projects RTD planned for renewal or replacement in 2024 as part of its Transit Asset Management Plan, but did not fund that year, included:

- A \$2.4 million preventative maintenance program aimed at preserving parking structures owned by RTD. RTD informed us that this project was pushed back to an unplanned future year

because there was not enough information on what work needed to be completed on parking structures.

- A \$650,000 project to replace seven light rail high blocks across RTD's service area, which provide accessibility to light rail trains for people in wheelchairs. RTD reported to us that funding of these projects was behind schedule and paused to align with the new \$150 million downtown rail replacement project which is anticipated to include high block replacements at within downtown Denver.
- A \$131,800 information technology network project and a \$3,400 telecom systems project. Staff responsible for creating the annual asset management plan informed us that they did not include these projects in the 2024 budget because the request for funding did not include specifics on what assets were being replaced. However, RTD told us that these two projects will need to go through the asset management plan bypass program to be completed. If these projects go through the bypass, the Asset Management Accountability Team will recommend a funding source for the project.

We also reviewed alignment of the asset renewal and replacement projects funded in RTD's 2023 budget with the projects that had been planned for that year in RTD's Transit Asset Management Plan. We found no concerns with the alignment of the plan with RTD's 2023 budget.

Why did this problem occur?

RTD lacks a comprehensive inventory of assets and inventory policies to guide its prioritization of asset renewal. RTD lacks both historical information about assets that would aid in anticipating the timing of their needed renewal or replacement, and sufficient granularity about some of its newer assets to aid in planning and budgeting for their renewal and replacement. When we asked why the \$150 million downtown rail replacement project was added to the 2024 budget even though the full project had not been planned in RTD's Transit Asset Management Plan, RTD management told us that major repairs to assets "have not been reliably recorded in a system of record," which contributed to RTD's difficulty in anticipating when the downtown central rail loop would need to be renewed. RTD developed the full \$150 million project to replace the downtown rail loop, set to commence in summer 2024, after it notified the PUC of the deteriorating condition of the downtown loop. This section of light rail was the first that RTD installed in the mid-1990s as part of creating its light rail network.

RTD lacks some historical information for older assets like this section of rail, such as when the asset was first purchased, what specific maintenance was performed on it over its lifetime, and the timing of such maintenance. These historical data points are helpful for better anticipating when the asset needs renewal or replacement. While it may not be possible or practical for RTD to investigate

historical information to try to capture it in its inventory system, RTD should ensure that it is systematically recording needed information for assets going forward.

RTD uses software called Trapeze Enterprise Asset Management, which is an asset management tool specific to transit agencies, to record inventories of all assets except for information technology assets, which are recorded in software called ServiceNow. These systems have fields for RTD to capture the needed information about the assets and their history of maintenance. Each Assistant General Manager—positions responsible for the overall management of distinct areas of RTD’s operations, including bus operations and rail operations—is the asset steward for their respective divisions, and are responsible for overseeing their divisions’ inventories. RTD explained to us that there are federal requirements and guidance that state what details need to be recorded in each Transit Asset Management Plan [e.g., required plan elements in 49 CFR 625.25(b), performance management requirements in 49 CFR 625.41-45, general record keeping requirements in 49 CFR 625.53] and what information must be reported to the Federal Transit Administration’s National Transit Database under 49 CFR 625.55 and *National Transit Database 2023 Policy Manual: Full Reporting*. However, RTD lacks any written guidance for Assistant General Managers on what to record about their assets in RTD’s own inventory system, including the level of granularity required for inventory records and the expectation for keeping such information up to date. Without written guidance on the level of detail that RTD staff must document for each asset, RTD may continue to lack enough data to preemptively identify and plan for timely asset renewal and replacement.

While RTD relies on inventory data to inform asset renewals, RTD’s lack of inventory policies has led to incomplete asset information inhibiting RTD’s ability to make fully informed decisions on asset renewals. This lack of information contributed to RTD deciding not to fund the parking structures preventative maintenance, information technology network, and telecom systems projects that had been planned for 2024 in the Transit Asset Management Plan. RTD told us that, for these three projects, the staff responsible for prioritizing funding for projects did not have enough information about the specific work that was needed for these projects because of insufficient inventory records, and therefore did not include a request for funding the projects in the budget.

RTD lacks policies to guide Assistant General Managers on what level of detail is needed for tracking assets and for making the case for needed asset renewal and replacement and the amount of funding that should be budgeted. RTD has two policies that relate to asset management, but neither contain the level of detail needed to track inventory data. RTD’s Transit Asset Management Policy is a 2-page document that only contains high-level statements about RTD’s commitment to and principles for asset management (e.g., that the leadership team is committed to “understanding what’s critical,” and will have “having a ‘big picture’ perspective”), and RTD’s Asset Renewal Policy is a 3-page document that outlines the role of RTD’s Asset Management Accountability Team and a select group of asset stewards in making decisions on asset renewal, but does not specify how management and staff should track inventory information. Towards the end of the audit, in June 2024, RTD told us that it was drafting another policy related to asset information that is not expected to be implemented until December 2024. In addition, while RTD has a process outlined in

the Transit Asset Management Plan specifying how requests for asset renewals should be made, neither the procedure outlined in the Transit Asset Management Plan nor the aforementioned policies related to asset management specify what level of information about an asset is needed for said requests.

In our interviews, RTD management told us that its asset management process has been “reactive” to immediate needs and is a work in progress, and acknowledged there is work to be done to develop a comprehensive inventory of assets and assess its state-of-good-repair and capital needs. Staff involved in the inventory process have stated that lack of understanding of roles and responsibilities for the asset management plan process has impeded the process. RTD’s Transit Asset Management Plan states that there is “uncertainty around the infrastructure and facilities needs that result from a lack of controlled and available asset information on which to formulate data-driven plans.”

RTD’s fiscal policies do not align with practice. When we asked RTD management why the projects it funded in 2024 did not align with the projects it planned for that year in the Transit Asset Management Plan, management stated that because the Transit Asset Management Plan process took place in 2022, “it can be expected that there be some difference” in asset needs, and that the Transit Asset Management Plan is only one part of RTD’s budgeting and asset replacement process. RTD management’s understanding and use of the Transit Asset Management Plan differs from the plain reading of the Board’s policy, which states that asset investment, “be prioritized in accordance with the Transit Asset Management (TAM) Plan,” and neither the Board’s policies nor RTD management’s policies provide specificity to guide its processes for budgeting for capital asset renewal and replacement. Specifically:

- **When the plan should be amended**—While the Federal Transit Administration anticipates that an agency may need to amend its Transit Asset Management Plan when new information becomes known, RTD has not amended its plan, and it lacks policies to direct staff on doing so. Federal regulations related to Transit Asset Management Plans state that the transit agency “should amend its [Transit Asset Management Plan] whenever there is a significant change to the asset inventory, condition assessments, or investment prioritization that the provider did not reasonably anticipate during the development of the [Transit Asset Management Plan]” [49 CFR 625.29(b)]. RTD’s policies related to creating the plan and using it for budgeting do not anticipate that it would be amended, such as outlining roles and responsibilities for amendments. RTD’s decision to add the full funding of the \$150 million replacement of light rail track seems to constitute a “significant change” that would have warranted an amendment. RTD management acknowledged that “substantial deviations in funding expectations might necessitate an amendment or update to ensure the [Transit Asset Management Plan] approach remains congruent with current financial realities.” If RTD had a policy that stated in what situations RTD should updated its Transit Asset Management Plan, it would help ensure that management consistently assesses and addresses changes in asset needs in future years.

- **Connection to other long-range plans**—RTD told us that it accounted for the \$3.2 million rail, track, and switch replacement in its Mid-Term Financial Plan, even though the project was not planned in the Transit Asset Management Plan, but we also found that the Mid-Term Financial Plan did not account for the full \$150 million downtown rail replacement project. RTD’s policies do not address how the Mid-Term Financial Plan interacts with or is informed by either the Transit Asset Management Plan or the list of capital asset renewal and replacement projects in the annual asset management plan included in each year’s budget. Such direction could help the Board in determining whether to approve the budget and for conducting longer-range planning.
- **The Board’s involvement with the plan**—While fiscal policy directs that capital asset renewal and replacement should be prioritized in line with the Transit Asset Management Plan, RTD management has not provided the plan – or key takeaways from the plan – to the Board when asking for their approval of the budget. RTD’s policies should address when the Board should approve and receive information or updates related to the Transit Asset Management Plan, to assist in their oversight of budgeting for capital asset renewal and replacement. One Board member told us they were concerned about adding the \$150 million downtown rail replacement project to the budget by saying it felt like they were “flying blind” when determining whether to approve the funding. In order to hold management accountable to fiscal policies, the Board will need to receive enough information to enforce the policies, such as requiring management to provide comparative information of projects from the Transit Asset Management Plan and projects proposed to be funded in the annual asset management plan in the budget.
- **Use of bypass processes**—RTD management has established a bypass process to approve unplanned capital asset renewal and replacement projects—outside of the annual budget process—for unexpected or uncontrollable asset renewal needs that arise. The information technology network project and telecom systems project we reviewed were not included in the normal capital asset renewal and replacement budget approval process, and instead, RTD management stated these projects would be approved through the bypass process. While RTD has internal guidance for staff on when a bypass process can be used, the Board’s fiscal policies do not contemplate such a process. Having the process better defined in fiscal policy could help improve the Board’s oversight.

Towards the end of the audit, RTD suggested that the use of the bypass process is allowed under the General Manager’s delegation of authority without involvement of the Board. The delegation of authority allows the General Manager to authorize transfers of funds between capital projects that cumulatively are less than or equal to \$1 million. However, neither RTD’s internal guidance for staff on the bypass process, nor RTD management’s Asset Renewal Policy, set controls in place to ensure the bypass process does not exceed the financial limits of the General Manager’s delegation of authority, and do not mention that such limits exist. In addition, the General Manager’s delegation of authority does not require the General Manager to report to the Board when such transfers occur. Without such monetary or oversight controls set

within RTD’s policies, there is a risk that RTD management may not properly follow the financial limits imposed by the General Manager’s delegation of authority, and that the Board could be unaware that funds budgeted for other projects are spent on asset renewals not approved by the Board.

Why does this problem matter?

As the custodian of \$9.3 billion in capital assets, a central aspect of RTD’s fiscal governance is planning for and funding the renewal and replacement of RTD’s vast inventory of assets. According to the American Public Transportation Association,

“Asset management is an integral part of the business management of a transit agency ... In a highly performing transit agency, asset management is a core strategic management process ... Through asset management, transit agencies can more effectively use available funds to improve the physical condition of their systems” [American Public Transportation Association *Recommended Practice: Creating a Transit Asset Management Program*, APTA-SGR-TAM-RP-001-13].

It is important that RTD have effective policies and processes in place—including Board oversight—to ensure that it has the funding needed to address the more than \$450 million in capital asset replacement needs RTD anticipates will be required between Calendar Years 2024 through 2029, and to do so prior to the assets falling into disrepair. The Board’s involvement with asset management is particularly important since it is the Board’s responsibility to approve RTD’s annual budget, including funding for asset needs. In addition, maintaining RTD’s capital assets in a state of good repair is important to ensuring the safety of its customers. In RTD’s 2024 Public Transportation Agency Safety Plan (PTASP)—a federally required planning document for safety management—RTD states that, “Customers and the general public must be confident that the RTD transit system is a safe system” and includes several safety goals in the 2024 PTASP, some of which rely on strong asset management practices.

Transit systems like RTD are rich in capital resources that are both costly and important to maintain and renew. Without buses, tracks, and facilities that are in a state of good repair, the RTD transit system does not run. In its Transit Asset Management Plan, RTD assessed the condition of its assets as overall being maintained in a state of good repair, but with a growing number of assets approaching their useful life, there is a risk for RTD of being unable to maintain its assets in a state of good repair. Specifically, RTD stated in its plan:

“As an agency with a 53-year history, RTD has not experienced the decaying infrastructure or immediate funding shortages that many legacy and larger transit systems have. Historically, RTD has had the necessary funding in place and the professional expertise to maintain its transit assets in a state of good repair while

meeting the growing demand for service. However, ... **RTD's backlog of existing assets is growing and will experience swells of assets achieving their respective [estimated useful life] ...**" (emphasis added by auditors) [RTD's Transit Asset Management Plan, 2022].

Having good systems to ensure that RTD renews and replaces its existing, aging capital assets is crucial as policy makers consider adding to RTD's network. Specifically, in the 2024 legislative session, the General Assembly created a funding source for statewide transit expansion through new fees on oil and gas producers. Senate Bill 24-230 requires RTD to prioritize completion of the northwest rail line to Longmont [Section 32-9-119.7(8), C.R.S.], which would involve expanding its existing rail network, and thereby adding to its inventory of capital assets. Senate Bill 24-230 also creates a potential funding source for RTD to build and operate the planned northwest rail line—where the Department of Transportation's Clean Transit Enterprise is expected to allocate more than \$100 million in new fee revenue to local governments and public transit entities (including RTD) for transit expansion—though these funds will not be available for RTD to maintain its new rail line in a state of good repair [Sections 43-4-1204(1)(d)(II)(A) and (3), C.R.S.]. After RTD builds additional rail infrastructure, it will become even more important for RTD to have policies and processes in place to ensure it plans for enough funding to maintain its expanded system in a state of good repair.

When RTD does not adequately forecast the funds it will need for capital renewal and replacement, it may misjudge how much money will actually be needed to properly maintain its capital assets in the long term. For example, RTD planned in its Transit Asset Management Plan that it would need \$21.4 million in 2024 for capital asset renewal and replacement. However, RTD's 2024 budget funded \$181.4 million with the additional projects and funding that needed urgent replacement and were not anticipated or projected within the Transit Asset Management Plan. This was an investment nearly nine times higher than originally planned for 2024, and RTD planned to tap its reserve funds to cover the additional expense. In addition, since RTD's 2024-2029 Mid-Term Financial Plan did not factor in the \$150 million downtown rail replacement project, it is unclear the extent to which the plan's projections of RTD's financial standing for 2025 through 2029 remain accurate. Using substantially more funds than anticipated in its longer-range planning is not a fiscally sustainable practice, and renders its longer-range plans less useful.

Recommendation 2

The Regional Transportation District (RTD) management should ensure that it adheres to projections for capital asset renewal and replacement outlined in the Transit Asset Management Plan by:

- A. Developing a written policy for inventory management that specifies the requirement for systematic recording of asset information, including (i) who is responsible for inputting assets

into the inventory system; (ii) what assets should be recorded in the inventory system, including the extent to which existing, older assets will be recorded; (iii) the information that is required to be recorded about each asset, including the date of when the asset was acquired and the nature and timing of maintenance performed on the asset; and (iv) expectations for the timeliness in entering information and keeping it up to date.

- B. Developing written guidance to assist staff responsible for managing assets on (i) how requests for capital asset renewal and replacements should be made and (ii) the information and level of detail needed to make the request.
- C. Working with the RTD Board of Directors to add more written specificity to its fiscal policies as part of Recommendation 3.

Response

Regional Transportation District Management

- A. Agree

Implementation Date: December 2025

RTD currently has a Transit Asset Management (TAM) Policy in place that is filed and regularly updated with the Federal Transit Administration (FTA) in accordance with FTA requirements. The TAM Plan provides guidance for asset renewals and replacements and is incorporated in the budgeting and financial planning process. RTD is committed to continuing to mature its asset inventory and condition assessment information and to provide this information in a transparent manner to ensure assets are maintained in a state of good repair. RTD will update its Asset Information Policy and written guidance to support its inventory management.

- B. Agree

Implementation Date: December 2025

As described in Response 2 A, RTD has an existing TAM Plan and Policy in place as required by the Federal Transit Administration (FTA) and will update its Asset Information Policy and written guidance. RTD will continue to provide communications, training, and guidance to staff. RTD is also developing additional documentation regarding the financial planning process which includes supplementary documentation to that which already exists to guide staff in the asset management process. RTD has provided significant training to Asset Stewards and will expand communications to additional staff regarding TAM plan maturity and guidance in regard to its inclusion in the financial planning process. RTD will also implement an internal campaign to communicate this information across the agency.

C. Partially Agree

Implementation Date: December 2024

RTD will include additional TAM Plan guidance in the Fiscal Policy, however, specificity regarding the TAM Plan is included in existing policies such as the TAM Policy and the forthcoming updated Asset Information Policy and written guidance. The TAM Policy provides specific guidance for asset management. The Fiscal Policy is inclusive of many issues and is not intended to provide specific guidance at a level of detail that is already included in separate individual policies addressing the specific subject matter. RTD will expand the contents of the annual proposed budget to include additional line-item descriptions and narratives in the presentation of asset and non-asset related project requests for consideration regarding Board approval of the annual budget.

Auditor's Addendum

The audit found that RTD's funding of asset management needs in the 2024 annual budget was not prioritized according to the Transit Asset Management Plan as required by the Board's fiscal policies, and that RTD management's policies lack specificity to guide its processes for budgeting for capital asset renewal and replacement. Recommendation 3 identifies four specific ways in which RTD's policies should be clarified, including processes for amending the Transit Asset Management Plan when needed, the plan's connection to other long-range plan, the Board's involvement with approving or getting updates on the Transit Asset Management plan, and RTD management's use of bypass processes related to asset management.

Recommendation 3

The Regional Transportation District (RTD) Board of Directors (Board) should work with RTD management to add more written specificity to its fiscal policies requiring capital asset renewal and replacement projects be prioritized according to the Transit Asset Management Plan by:

- A. Determining the extent to which the Board should have a process to approve the Transit Asset Management Plan, receive updates on the plan, and determine if and when Transit Asset Management Plan amendments are necessary, and then, as appropriate, implementing a policy to define and effectuate that process.
- B. Determining whether the Board's policies should address the extent to which the Board-approved Mid-Term Financial Plan must interact with or is informed by the Transit Asset Management Plan and then, as appropriate, implementing a policy or policy revision to define and effectuate alignment of the Mid-Term Financial Plan and the Transit Asset Management Plan.

- C. Determining a process on how RTD management should present the Transit Asset Management Plan, or relevant key takeaways from the plan, to the Board when asking for their approval of the budget and then, as appropriate, implementing a policy to define and effectuate that process.
- D. Determining what amount of information the Board wants to receive regarding RTD management's use of an asset management bypass processes to approve capital asset renewal and replacement projects that were not approved as part of the RTD budget approval process and then, as appropriate, implementing a policy to define and effectuate a process for receiving that information.

Response

Regional Transportation District Board of Directors

A. Partially Agree

Implementation Date: December 2024

RTD agrees that additional line-item information from the Transit Asset Management (TAM) Plan should be provided to the Board annually. This will include asset descriptors, useful life benchmarks, unique identifiers and estimated replacement cost during the annual financial forecast and budget development process and total amount of bypass requests. The Fiscal Policy will be updated to reference this additional information.

The TAM Plan is a requirement of the Federal Transit Administration (FTA) that must be updated in its entirety at least every four years and must cover a horizon period of at least four years. The state of good repair performance targets contained within the TAM Plan are updated on an annual basis and form the basis for asset renewals and replacements presented to the Board for approval in the Five-year Financial Forecast and annual proposed budget. Per FTA requirements, prioritization and execution of the TAM Plan is within the auspices of the Accountable Executive, which in RTD's case is the General Manager and CEO.

TAM Plan approval rests within the auspices staff, since it is operational in nature and is a data-driven information source guided by the Asset Management Accountability Team (AMAT). The TAM process drives elements of the agency's Five-year Financial Forecast, and ultimately the agency's budget, which the Board approves annually.

Auditor's Addendum

The audit found that RTD management has not provided the Transit Asset Management Plan – or key takeaways from the plan – to the Board when asking for the Board's approval of the budget. The audit found that the Board needs to receive enough asset management information to enforce its fiscal policy that require that asset management decisions “be prioritized in accordance with the Transit Asset Management (TAM) Plan.” One way to ensure the Board is aware of the prioritization within the Transit Asset Management Plan is to have the Board approve the plan, though the Board

can also decide to just receive key takeaways from the plan, as well as to receive updates on the plan to help determine if and when Transit Asset Management Plan amendments are necessary. By the Board deciding and then defining in policy what information the Board should receive on the Transit Asset Management Plan, the Board can then enforce and effectuate its fiscal policy on asset management.

B. Agree

Implementation Date: December 2024

The Board-approved Fiscal Policy will be augmented to reflect the interaction between the TAM Plan and the six-year Mid-Term Financial Plan (which will become the Five-year Financial Forecast in 2024).

RTD will provide the Board with additional information regarding the TAM Plan including any reconciling items between the TAM Plan and financial forecasts and budgets. This reconciliation between the two sources takes place due to timing differences in the adoption of TAM Plan state of good repair performance targets and final proposed budget completion. No additional policy is needed to govern this process, since the TAM Plan is already included in the Mid-term Financial Plan. RTD has an Asset Renewal Policy that guides this process. The TAM Plan is an FTA requirement for which RTD follows federal guidelines. Because the TAM Plan is a federal requirement for planning and execution of asset renewals, repairs and replacements, the TAM Plan elements are included in RTD's financial forecasts and annual budgets, which are presented to the Board for annual approval.

RTD will continue to review the Fiscal Policy with the Board for any necessary modifications regarding this recommendation in preparation for finalizing the 2025 Fiscal Policy.

Auditor's Addendum

The audit found that RTD's Transit Asset Management Plan was not always in alignment with RTD's Mid-Term Financial Plan and that RTD does not have sufficient policies to address this misalignment. For example, the audit identified a \$3.2 million rail, track, and switch replacement project budgeted for 2024 that was not included in the Transit Asset Management Plan. RTD told us that it had planned for this project in a prior year Mid-Term Financial Plan, but not in the Transit Asset Management Plan. The audit also found that RTD included a \$150 million downtown rail replacement project within its 2024 budget but this full project was not included in the Transit Asset Management Plan or the Mid-Term Financial Plan. Using substantially more funds than anticipated in longer-range planning is not a fiscally sustainable practice, and renders RTD's longer-range plans less useful.

C. Agree

Implementation Date: December 2024

RTD agrees with this recommendation understanding that implementing a separate and distinct policy may not be effectuated in accordance with the phrase “as appropriate”. RTD is coordinating with the Board regarding the content of the Budget Book, which is the annual budget report provided to the Board and on the RTD website, presentations to ensure best practices, as recommended by the Government Finance Officers Association (GFOA) are employed. Additional narratives will be provided in the 2025 Proposed Budget Book, including more detailed line-item descriptions in schedules and key takeaways. The 2025 Fiscal Policy will be modified to include certain requirements for budget presentation materials. RTD has also engaged with a consultant that is assisting in the development of an enhanced financial planning process in alignment with RTD’s transition from focusing on capital expansion with the FasTracks project to focusing on asset state of good repair.

D. Agree

Implementation Date: December 2024

As described in response 3 A, staff will annually include the number and total amount of bypass requests when providing TAM Plan information to the Board. The Fiscal Policy will be updated to reference this additional information.

TAM Plan bypass request approvals rest within the auspices of staff, since these are operational in nature and data driven. No separate and distinct policy is necessary to manage these requests because the Board has adopted and intermittently amends a Delegation of Authority and Competitive Selection Policy for the General Manager and CEO. As described in RTD’s TAM Plan Bypass Process, a Type I bypass is for unexpected and urgent items. A Type II bypass is for all other items. As RTD continues to mature the TAM inventory and asset information, bypass requests are expected to decrease. The majority of bypass requests fall within the operational delegation of the General Manager and CEO for both approvals and budget transfers. RTD will expand the contents of TAM reporting to the Board and will consider inclusion of metrics and information regarding bypass items.

Finding 4—Budget Oversight

Each year, the Board approves a budget that represents the planned and expected revenue, expenditures, and debt service anticipated for RTD’s January 1 through December 31 fiscal year. RTD management generally proposes the upcoming fiscal year’s budget in October. The budget proposal is an approximately 30-page document consisting of management’s narrative discussion and analysis; schedules and exhibits showing expected revenues, proposed expenditures, and planned capital projects; and proposed resolutions for the Board to approve and adopt the annual budget, appropriations for the budget year, and the continued appropriation of previously appropriated funds.

RTD management presents the budget to the Board in November each year and the Board holds a public hearing on the budget where it votes on whether to adopt the budget. As part of this process, the Board adopts a budget resolution and an accompanying appropriations resolution that specifies RTD’s spending limits during the upcoming fiscal year.

RTD allocates money during the budgeting process to several reserve funds whose use is restricted by the covenants of long-term financial agreements or contractual arrangements. For example, RTD maintains funds related to FasTracks, comprised of deposits from the sales and use taxes approved by voters in 2004 for the FasTracks program and other Board-approved funds, such as proceeds from property sales. Use of these FasTracks funds is restricted to construction of infrastructure for the FasTracks program and covering unforeseen project expenses related to FasTracks. RTD also maintains restricted debt service funds related to debt financing legal requirements, as well as an emergency reserve, known as the TABOR emergency reserve, which is required by the Colorado Constitution to contain 3 percent or more of fiscal year spending excluding debt service for use during declared emergencies [Colorado Const., Art. X, Sec. 20(5)].

The RTD Board then dictates that the remainder of the unallocated monies be accounted for within specified Board-approved reserve funds that are established in the Board’s Fiscal Policy. These Board-approved reserve funds are as follows [Fund Balance Policies, RTD Fiscal Policy]:

- **Operating Reserve.** Required to maintain 3 months of operating expenses, excluding depreciation, “to mitigate impacts from economic volatility to ensure the Strategic Priorities of Community Value and Financial Success.”
- **Capital Replacement Fund.** Required to be spent to fund capital asset management projects set within RTD’s Transit Asset Management Plan, which is a plan RTD is required to submit to the Federal Transit Administration to prioritize asset management projects. The purpose of this Fund is to ensure that “RTD will avoid the assumption of additional debt to fund the [Transit Asset Management] Plan.”

- **FasTracks Internal Savings Account (FISA).** Required to “be used to provide funding to complete and operate additional FasTracks projects.”

Finally, the Board appropriates a specific amount that can be spent from the Unrestricted Fund each year, and establishes that amount within its annual appropriations resolution, along with the specific spending limits of each of the Board-appropriated reserve funds.

Midway through each year, RTD compares the sales and use tax projections that it used to create its budget to the actual receipts, and then prepares a budget amendment to factor in any unanticipated increase or decrease in sales and uses tax revenue, and to also factor in any other changes to revenues and expenses.

In recent years, policymakers have expressed interest in having RTD provide to the public simple, easy-to-understand information on its budget, as recommended within the 2021 final report of the RTD Accountability Committee.

What audit work was performed and what was the purpose?

We reviewed RTD’s statutes and the Local Government Budget Law of Colorado’s application to RTD’s budget. We reviewed RTD’s annual budgets, budget amendments, and RTD management’s presentations of the budget and budget amendments provided to the Board’s Finance and Planning Committee and to the full Board for Calendar Years 2021 through 2024. We also reviewed RTD’s *Annual Comprehensive Financial Reports* for Calendar Years 2021 and 2022. Additionally, we reviewed the Department of Local Affairs’ (DOLA) Division of Local Government’s online budget filing portal and the budget documents submitted to DOLA by RTD to determine the extent to which RTD publicly filed its budget and amendments for Calendar Years 2021 through 2024. We interviewed RTD management within its Finance Department on the budgeting and appropriations process, and we reviewed Board transcripts during the November 2023 deliberations of the Calendar Year 2024 budget. In addition, we interviewed 10 of the 15 Board members who served in Calendar Year 2023, including all seven members of the Board’s 2023 Finance and Planning Committee.

The purpose of our work was to assess whether the RTD Board receives adequate budget information consistent with the provisions in the Local Government Budget Law of Colorado (Local Government Budget Law), and whether RTD management has submitted budget filings required under the Local Government Budget Law.

How were the results measured?

The Local Government Budget Law outlines requirements for Colorado’s local governments, including RTD, regarding what information must be communicated in the annual budget, and processes related to passing and amending budgets, including the following:

- The annual budget must set forth 3 years of comparable budget data that includes the complete financial plan by fund and by spending agency within each fund for the budget year; the prior fiscal year’s actual figures; and the estimated figures through the end of the current fiscal year [Section 29-1-103(1)(a) through (d), C.R.S.]. This allows the Board and the public to “learn more about trends and other deviations that may impact future operations,” according to best practices [Budget Monitoring, Government Finance Officers Association]. We would expect the budget proposed to the Board, and subsequently approved and adopted by the Board, to include this trend information.
- The annual budget must set forth the estimated beginning and ending fund balances (i.e., “the balance of total resources available for subsequent years’ budgets”) [Sections 29-1-103(1)(c), 103(1)(d), and 102(11), C.R.S.], which allows the Board and the public to see how RTD is adding to or using funds, including its use of reserve accounts. We would expect the budget proposed to the Board, and subsequently approved and adopted by the Board, to include this fund balance information, and for the information to be consistent with that which is filed with the Division of Local Government.
- The annual budget, and any amendments to that budget, must be filed with the Division of Local Government [Sections 29-1-113(1) and 109(2)(c)(I), C.R.S.]. The filings are publicly searchable on the Division of Local Government’s Local Government Information System website, which provides a consistent method for the public to review information on local governments and special districts like RTD.

What problems did the audit work identify?

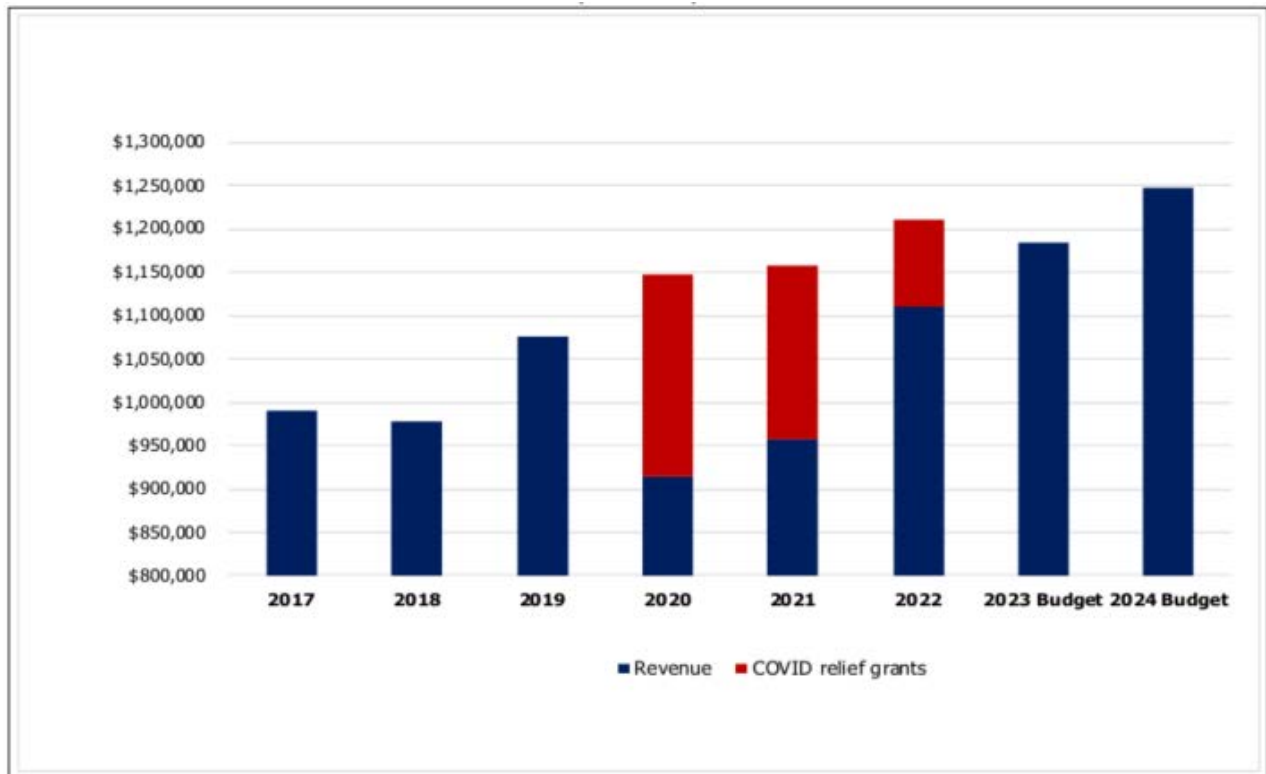
We identified two areas where it does not appear that the RTD Board received adequate budget information consistent with the Local Government Budget Law, and problems with RTD management’s filings required by the Local Government Budget Law, as follows:

Trend Data. RTD’s 2022 through 2024 budgets presented to and approved by the Board did not provide sufficient information to discern 3 years of trend data, as required. Specifically, the budgets for these years provided the current year’s approved budget amounts by category (not estimated actuals) and the requested budget for each category for the coming year. However, the budgets did not include any information about actual spending and did not provide sufficient information about actual revenues. For spending, the only trend information in the 2022 through 2024 budgets presented to and approved by the Board was shown in RTD’s comparative cash flow analysis. However, the comparative cash flow analysis shows neither the prior fiscal year’s actual figures nor the estimated actual figures through the end of the current fiscal year.

For revenues, RTD’s 2022 through 2024 budgets presented to and approved by the Board provided a graph showing total revenues over a 7-year time horizon. However, RTD’s graphs on revenue

trends lacked detail on the sources of revenues. For example, the trend graphs did not differentiate revenues from fares versus revenues from sales and use taxes. Exhibit 2.21 shows the graph depicted in RTD’s 2024 budget presented to and approved by the Board.

Exhibit 2.21
Revenue Trends Provided by Year in RTD’s 2024 Budget (in Thousands)



Source: Excerpt from the Regional Transportation District’s 2024 budget presented to and approved by the Regional Transportation District Board.

By contrast, RTD’s 2021 budget presented to and approved by the Board provided the required 3 years of data including the actual revenue and expenditure figures by category for 2019, the budgeted and the projected actual figures for 2020, and the proposed budget for 2021. Exhibit 2.22 shows comparative operating revenue and operating expense information depicted in RTD’s 2021 budget materials presented to and approved by the Board.

Exhibit 2.22

Revenue and Expense Trends Provided in RTD’s 2021 Budget

| Exhibit I | | | | | | |
|--|--------------------|----------------------------|-----------------------|--------------------------------|--|---|
| Regional Transportation District | | | | | | |
| Fiscal Year 2021 Recommended Budget | | | | | | |
| Base System (In Thousands) | | | | | | |
| BASE SYSTEM | 2019 Actual | 2020 Amended Budget | 2020 Projected | 2021 Recommended Budget | \$ Change 2021 Recommended Budget vs. 2020 Amended Budget | % Change 2021 Recommended Budget vs. 2020 Amended Budget |
| Operating Revenue | | | | | | |
| Farebox Revenues ¹ | \$ 111,269 | \$ 65,677 | \$ 65,677 | \$ 60,961 | \$ (4,716) | -7.2% |
| Advertising Revenues | 3,450 | 2,870 | 2,870 | 1,619 | (1,251) | -43.6% |
| Joint Venture Revenue ² | (201) | 1,002 | 1,002 | 1,027 | 25 | 2.5% |
| Other Operating Revenues | 2,156 | 669 | 669 | 1,286 | 617 | 92.1% |
| Total Operating Revenue | 116,674 | 70,218 | 70,218 | 64,893 | (5,325) | -7.6% |
| Operating Expenses (excluding Depreciation) | | | | | | |
| Bus Operations | 182,671 | 168,651 | 168,651 | 127,095 | (41,556) | -24.6% |
| Rail Operations | 67,792 | 76,850 | 76,850 | 69,157 | (7,693) | -10.0% |
| Private Carrier Operations | 94,315 | 119,154 | 119,154 | 93,117 | (26,037) | -21.9% |
| Access-a-Ride | 45,362 | 46,602 | 46,602 | 35,960 | (10,642) | -22.8% |
| Planning | 6,359 | 10,668 | 10,668 | 4,790 | (5,878) | -55.1% |
| Capital Programs & Facilities | 52,527 | 54,642 | 54,642 | 44,866 | (9,776) | -17.9% |
| Safety, Security & Asset Management | 24,840 | 26,581 | 26,581 | 24,573 | (2,008) | -7.6% |
| General Counsel | 15,763 | 17,111 | 17,111 | 16,243 | (868) | -5.1% |
| Finance & Administration | 53,400 | 54,892 | 54,892 | 47,591 | (7,301) | -13.3% |
| Communications | 12,557 | 14,604 | 14,604 | 13,565 | (1,039) | -7.1% |
| Executive Office | 6,809 | 6,647 | 6,647 | 9,986 | 3,339 | 50.2% |
| Board Office | 878 | 1,192 | 1,192 | 891 | (301) | -25.3% |
| Other Non-Departmental | 9,830 | 7,203 | 7,203 | 27,013 | 19,810 | 275.0% |
| Less: FasTracks Service Increases | (18,860) | (19,342) | (19,342) | (19,826) | (484) | 2.5% |
| Allocated Expenditures | (61,935) | (41,479) | (41,479) | (31,033) | 10,446 | -25.2% |
| Expense Projects Carry-forward | - | - | (10,421) | 10,421 | 10,421 | 0.0% |
| Total Operating Expenses (excluding Depreciation) | 492,308 | 543,976 | 533,555 | 474,409 | (69,567) | -12.8% |
| Operating Income/(Loss) | (375,634) | (473,758) | (463,337) | (409,516) | 64,242 | -13.6% |

Source: Excerpt from the Regional Transportation District’s 2021 budget presented to and approved by the Regional Transportation District Board.

In its filings to the Division of Local Government for the 2022 through 2024 budgets, RTD provided the required 3-year trend information in a supplemental, 3-year budget schedule detailing revenue, expenditures, and net position. However, the Board had not been provided this information in its budget materials.

Fund Balances. RTD’s 2022 through 2024 budgets presented to and approved by the Board did not consistently provide estimated beginning and ending year fund balances, as required, and did not always align with budget information filed with the Division of Local Government. Specifically:

- **No information about three funds.** RTD’s 2022 through 2024 budgets presented to and approved by the Board did not include information on the TABOR Reserve Fund, Debt Service Reserve Fund, or a line item called “Other Designated Reserves,” which RTD reports primarily funds capital carryforward amounts to be spent in future years. By contrast, the supplemental, 3-year budget schedules RTD filed with the Division of Local Government for these budget years did outline trend data for these specific fund line items.
- **Inconsistent information about another three funds.** For RTD’s 2022 through 2024 budgets presented to and approved by the Board, there were instances of inconsistent information about the Unrestricted Fund, Operating Reserves, and FasTracks Internal Savings Account, or FISA, compared with the supplemental, 3-year budget schedule filed with the Division of Local

Government. For example, the budget materials that RTD provided to the Board for 2022 included an estimated beginning year balance of about \$185 million for the Unrestricted Fund. However, the supplemental, 3-year budget schedule that RTD filed with the Division of Local Government for 2022 indicated the beginning year balance for the fund was actually \$300 million that year. That amounts to about \$115 million more in the Unrestricted Fund than had been communicated to the Board. There were similar inconsistencies in the reporting of the Unrestricted Fund in the 2023 and 2024 budget materials provided to the Board.

- **Missing beginning fund balances.** RTD's 2024 budget presented to and approved by the Board did not provide estimated beginning fund balances. There were additional instances of missing estimated beginning fund balances for materials provided to the Board for the 2022 and 2023 budgets.

Exhibit 2.23 compiles the estimated beginning and ending year fund balances as outlined in the supplemental; the 3-year budget schedules RTD filed with the Division of Local Government for the 2021 through 2024 budgets; and the information provided in the Board's budget materials for the respective funds and budget years, and highlights when there were discrepancies between the different sources of information.

Exhibit 2.23

Estimated Beginning and Ending Year Fund Balances, 2021 through 2024 Budgets Filed with the Division of Local Government Compared to Respective Budgets Presented to and Approved by the RTD Board (in Thousands)

| Fund ¹ | Year | Budget Filed with the Division of Local Government | | Budget Presented to and Approved by RTD Board ² | | Auditor Analysis: Does Budget Provided to the RTD Board Match the Filed Budget? (✓ indicates match) |
|---|------|--|--------------------------|--|--------------------------|---|
| | | Estimated Beginning Balance | Estimated Ending Balance | Estimated Beginning Balance | Estimated Ending Balance | |
| Unrestricted | 2021 | \$133,800 | \$96,315 | \$133,800 | \$96,315 | ✓ |
| | 2022 | \$300,059 | \$187,184 | \$185,327 | \$187,184 | Beginning balance does not match |
| | 2023 | \$171,707 | \$187,184 | \$50,663 | \$56,931 | Beginning and ending balances do not match |
| | 2024 | \$271,064 | \$207,849 | Not indicated | \$263,240 | No beginning balance; Ending balance does not match |
| FasTracks Internal Savings Account (FISA) | 2021 | \$119,646 | \$137,304 | \$119,646 | \$137,304 | ✓ |
| | 2022 | \$129,304 | \$131,804 | Not indicated | \$20,034 | No beginning balance; Ending balance does not match |
| | 2023 | \$148,293 | \$168,907 | \$148,293 | \$168,907 | ✓ |
| | 2024 | \$168,907 | \$190,099 | Not indicated | \$190,099 | No beginning balance |
| Capital Replacement | 2021 | \$15,800 | \$12,915 | \$15,800 | \$12,915 | ✓ |
| | 2022 | \$12,915 | \$197,915 | \$12,915 | \$197,915 | ✓ |
| | 2023 | \$12,915 | \$34,915 | \$12,915 | \$34,915 | ✓ |
| | 2024 | \$185,000 | \$185,000 | Not indicated | \$185,000 | No beginning balance |
| Other Designated Reserves ³ | 2021 | \$181,222 | \$166,300 | \$181,222 | \$166,300 | ✓ |
| | 2022 | \$166,300 | \$67,071 | Not indicated | Not indicated | Not provided to Board |
| | 2023 | \$1,500 | \$192,209 | Not indicated | Not indicated | Not provided to Board |
| | 2024 | \$196,202 | \$96,554 | Not indicated | Not indicated | Not provided to Board |
| Operating Reserve | 2021 | \$15,400 | \$15,400 | \$15,400 | \$15,400 | ✓ |
| | 2022 | \$15,400 | \$0 | Not indicated | Not indicated | Not provided to Board |
| | 2023 | \$193,946 | \$204,000 | \$193,946 | \$204,000 | ✓ |
| | 2024 | \$263,922 | \$78,457 | Not indicated | \$260,212 | No beginning balance; Ending balance does not match |
| Debt Service | 2021 | \$113,428 | \$112,822 | \$113,428 | \$112,822 | ✓ |
| | 2022 | \$112,822 | \$59,861 | Not indicated | Not indicated | Not provided to Board |
| | 2023 | \$125,925 | \$112,822 | Not indicated | Not indicated | Not provided to Board |
| | 2024 | \$56,637 | \$56,637 | Not indicated | Not indicated | Not provided to Board |
| TABOR | 2021 | \$20,343 | \$22,808 | \$20,343 | \$22,808 | ✓ |
| | 2022 | \$23,038 | \$26,247 | Not indicated | Not indicated | Not provided to Board |
| | 2023 | \$29,561 | \$26,247 | Not indicated | Not indicated | Not provided to Board |
| | 2024 | \$29,837 | \$31,046 | Not indicated | Not indicated | Not provided to Board |
| Board Appropriated ⁴ | 2021 | \$42,000 | \$39,115 | \$42,000 | \$39,115 | ✓ |
| | 2022 | \$39,115 | \$39,115 | \$39,115 | \$39,115 | ✓ |
| | 2023 | \$51,616 | \$51,616 | \$51,616 | \$51,616 | ✓ |
| | 2024 | \$0 | \$0 | Not indicated | Not indicated | Not provided to Board |

Source: Office of the State Auditor analysis of Regional Transportation District (RTD) budgets filed with the Division of Local Government for 2021 through 2024, compared to the respective budgets presented to and approved by the RTD Board of Directors (Board).

¹ Funds listed in order of the value of estimated year-end balance for 2024 according to the supplemental, 3-year budget schedules filed with the Division of Local Government.

² Red, bold numbers indicate a mismatch between the budget schedule filed with the Division of Local Government and the budget presented to and approved by the RTD Board.

³ Other Designated Reserves, as categorized in RTD’s 2021 through 2024 budgets, primarily funds capital carryforward amounts to be spent in future years.

⁴ The RTD Board eliminated the Board Appropriated Fund from its Fiscal Policy in November 2021, but continued to appropriate funds for 2022 and 2023, and RTD management continued to include the fund as a line item in the 3-year budget schedules filed with the Division of Local Government for 2024. The fund was required only to be used during economic downturns to “avoid cash flow interruptions, reduce the need for short-term borrowing, assist in maintaining an investment grade bond rating,” and other purposes specified by the Board.

We identified no missing beginning and ending year fund balance information, or inconsistent information, for RTD’s 2021 budget.

Budget Amendments. RTD did not properly file its budget and appropriation amendments for 2021 through 2023. While RTD filed its original, adopted budgets for 2021 through 2024 with the Division of Local Government, we found that RTD’s approved and adopted budget *amendments* were not filed for 2021 through 2023. Specifically, the RTD Board adopted amendments to its 2021 through 2023 budgets in June or July of each respective year, but did not file these amendments, as required. For each of the 3 years, the amended budget reflected higher sales and use tax revenue and higher operating expenses than the original budget. RTD had not amended its 2024 budget as of the time of our review in May 2024.

In our review, we found that RTD did file budget amendments in 2017—the oldest budget amendment filing posted in the Division of Local Government’s Local Government Information System website—through 2020. However, RTD has not filed its budget amendments since 2020.

Why did these problems occur?

Oversimplification of the budget provided to the Board for approval and adoption. In 2021, RTD’s budget presented to and approved by the Board included the required 3 years of budget trend data, as well as information on RTD’s estimated starting and ending fund balances. However, RTD management told us that, starting with the 2022 budget, it changed the budget presentation to the Board in response to a request from the Board to make the budget easier to understand. The move to a more simplified budget for Board approval and adoption resulted in eliminating some items required by the Local Government Budget Law, including 3 years of trend data and estimated beginning and ending year fund balances.

During the Board hearings on the 2024 annual budget in the fall of 2023, some Board members suggested that the 2024 budget had become *too* simplified, such as not providing enough information on RTD’s reserve accounts or the status of RTD’s investments in capital assets. We heard consistent feedback in our interviews with Board members. Specifically, in our interviews with 10 Board members, some members told us that the budgets before 2022 were too detailed, and most members told us that the more recent budgets presented to the Board for approval have become too summarized. For example, some members described the situation as the “pendulum” having swung the other way, with one member describing the situation like a “Goldilocks problem” with too much information one year, too little the next, and RTD working to try to get to the right amount of budget information. While best practices, set by the Government Finance Officers Association, support the Board’s request to provide simple, easy-to-understand budget presentations, it is also important that RTD’s budget presented to and approved by the Board include the minimum statutory requirements, including budget trend data and estimated starting and ending balances for all of RTD’s fund accounts. This could be accomplished by RTD management aligning its budget

presentation to the Board with the budget information it provides to the Division of Local Government, and reconciling the reserve fund balance information to ensure the Board receives accurate reserve fund information.

In February 2024, the Board’s Audit Committee started a discussion on having RTD’s Finance Department work with RTD’s internal auditor to improve the budget presentation based on the Board’s feedback during the 2024 budget deliberations. In April 2024, RTD management brought to the Board as a discussion item a proposal to enhance RTD’s budget, including providing comparative metrics and trend data and incorporating best practices from the Government Finance Officers Association. As RTD management prepares the 2025 budget for the Board, management should ensure the budget contains the minimum requirements set in statute.

Part of the Board’s and management’s deliberations about the content of budget documents should include consideration for ensuring that budget materials provided to the Board are aligned with those materials provided to the Division of Local Government, and the extent to which budget materials should be aligned to RTD’s other key financial documents. For example, RTD’s *Annual Comprehensive Financial Report* provides different breakouts of reserve funds than is provided in the budget, which can lead to difficulty for the Board and lay readers to reconcile RTD’s budget-to-actual performance. While the *Annual Comprehensive Financial Report* must follow reporting guidelines established by generally accepted accounting principles, RTD management and the Board could consider whether RTD’s budget and other financial information used internally and provided to the Board is sufficiently aligned to the presentation of information provided in the *Annual Comprehensive Financial Report* to ensure transparency and clarity, such as with the presentation of reserve funds and how they may be consolidated or categorized with other similar funds.

In addition, RTD’s Mid-Term Financial Plan— prepared by management and approved by the Board each year—projects RTD’s revenues, expenditures, and reserves for a 5- or 6-year time horizon; in the 2024-2029 Mid-Term Financial Plan, RTD projected having more than \$300 million in its Unrestricted Fund at the end of 2024, but the adopted budget expected only about \$207 million. In Finding 3 on Budgeting of Capital Asset Renewal and Replacement, we also discuss instances of the budget not aligning to the Transit Asset Management Plan.

Neither RTD management nor the Board has written guidance on what budget materials should be presented to the Board for the Board’s approval and adoption, or for ensuring that the budget approved by the Board is the official budget of record for filings required by the Local Government Budget Law. The Board’s fiscal policy specifies that the budget should be aligned to the Transit Asset Management Plan, as discussed in Finding 3, but fiscal policy does not specify the extent to which the budget should align with the *Annual Comprehensive Financial Report*—such as by having similar breakouts of reserve funds—or other key financial documents.

Lack of process to file budget amendments. When we asked RTD management why it had not filed budget amendments with the Division of Local Government since 2020, staff told us that the

responsibility to file amendments had not been re-assigned when the previously-responsible staff person was promoted to a new role. RTD could help ensure it adheres to the statutory filing requirement by developing and implementing a process that assigns who at RTD is responsible for filing budget amendments, and if that staff is not available, which staff will fulfill this requirement. RTD management does not have any written policies or procedures that addresses responsibility for filing the amendments.

Why do these problems matter?

Limited ability for the Board to hold RTD management accountable to the budget. When management does not provide the same budget to the Board as is filed with the Division of Local Government, it is unclear what version of the budget is the official budget. If, for example, the Board approved a budget version that had a different amount listed for the estimated ending balance of the Unrestricted Fund than the budget version submitted to the Division of Local Government, it can make it difficult for the Board to know which amount management should maintain in the reserve by year end. In addition, by not providing information in the budget approved by the Board about all of RTD’s reserve funds, the Board may not have enough information or context to conduct a budget-to-actuals comparison of all of its reserve funds, or have sufficient information to know whether the use of funds proposed in the budget is appropriate.

RTD’s *Annual Comprehensive Financial Report* for 2022 stated that, “When both restricted and unrestricted resources are available for use, it is RTD’s policy to use restricted resources first, then unrestricted resources as they are needed.” If the Board is not presented with all relevant information about reserve funds, it is not well positioned to ensure that funds are used from restricted funds appropriately and in accordance with RTD’s stated policy. According to RTD’s *Annual Comprehensive Financial Report* for 2022, RTD’s restricted and unrestricted reserve funds amounted to about \$1.1 billion at the end of Calendar Year 2022, which includes \$530.2 million in restricted FasTracks reserves. Ensuring these resources are used only as intended is a key aspect of fiscal governance.

Among policymakers and the public, there is a particular interest in RTD’s ability to fund the expansion of its FasTracks program by completing a northwest commuter rail line between Denver and Longmont and the north lines of the expansion plan, as evidenced by the enactment of Senate Bill 24-230, which will provide additional funding sources to RTD from oil and gas producer fees, and require RTD to prioritize completion of the northwest rail line and the north lines of the expansion plan when using those resources [Section 32-9-119.7(8), C.R.S.]. It is important that the Board can effectively oversee the management of all funds dedicated to specific purposes, such as through specific reserve funds, particularly as RTD begins receiving funds generated through Senate Bill 24-230.

Limited public transparency on RTD’s budget amendments. When RTD does not file its budget amendments with the Division of Local Government, this impacts the Division’s ability to review RTD’s budgets for minimum statutory requirements and it prevents the public from looking up RTD’s amended budgets on the Division’s Local Government Information System website. In RTD’s 2021-2026 Strategic Plan, half of the metric for achieving its Financial Success priority is to have RTD’s community believe that it sees value in RTD’s spending. RTD can help achieve this strategic priority by submitting its budget amendments for the public to search and find on the Division’s website.

Recommendation 4

The Regional Transportation District (RTD) management should ensure adequate Board oversight of budget content consistent with the budget content requirements set within the Local Government Budget Law of Colorado by:

- A. Working with the RTD Board of Directors (Board) to identify written specifications for the budget materials RTD management will provide to the Board when seeking the Board’s approval and adoption of the budget and associated appropriations. This should include providing to the Board budget schedules depicting the complete financial plan by fund and by spending agency within each fund for the budget year, the prior fiscal year’s actual budget figures, and the estimated budget figures through the end of the current fiscal year, as well as the estimated starting and ending balances of RTD’s funds.
- B. Working with the Board to consider the extent to which written specifications outlined in Part A should also include alignment of the budget to categories and reserve funds specified in the RTD’s *Annual Comprehensive Financial Report*.
- C. Working with the Board to consider the extent to which written specifications outlined in Part A should also state how assumptions made in the Mid-Term Financial Plan and other key financial documents should be incorporated into the budget and communicated in budget materials.

Response

Regional Transportation District Management

- A. Agree
Implementation Date: December 2024

Previous RTD Board members directed staff to simplify the budget reporting package for improved stakeholder understanding. The Board was satisfied with the resulting simplified reporting format for three years. The current Board has asked for additional information to be provided in the future. Staff is coordinating with the Board regarding the contents of the

information to be provided in the 2025 Proposed Budget while also ensuring that it is understandable by all stakeholders. RTD will include schedules with cash flows by fund, prior year actual figures and estimated figures through the end of the current fiscal year as well as beginning and ending fund balances. These will be included in the 2025 proposed budget.

B. Agree

Implementation Date: December 2024

The Annual Comprehensive Financial Report (ACFR) is required to be prepared on the basis of Generally Accepted Accounting Principles (GAAP), which differs from the budget presentation which is prepared on the modified accrual basis and has certain Board-required reporting expectations. For example, GAAP considers restricted funds to be those determined by contract or statute, while the Board, in the RTD Fiscal Policy, has implemented certain additional fund categories for tracking purposes. Budgets are prepared on a modified accrual basis, which more accurately reflects cash basis accounting and the flow of funding sources and uses as opposed to accrual basis accounting (GAAP). RTD will modify the descriptions of funds in the Fiscal Policy to include additional fund balance descriptive information regarding fund contents and the Board-approved purposes of each fund. The monthly financial statements will continue to provide a reconciliation between RTD internal fund balance presentation and ACFR GAAP presentation and RTD will consider a method to more prominently describe and display the differences in these two presentation techniques.

C. Agree

Implementation Date: December 2024

Previous RTD Board members directed staff to simplify the budget reporting package for improved stakeholder understanding. The current Board has asked for additional information to be provided in the future. Staff is coordinating with the Board on the contents of that information to be provided in the 2025 Proposed Budget while also ensuring that it is understandable by all stakeholders. RTD will include schedules with cash flows by fund, prior year actual figures and estimated figures through the end of the current fiscal year as well as beginning and ending fund balances. These will be included in the 2025 proposed budget.

Auditor's Addendum

The audit found that in the 2024-2029 Mid-Term Financial Plan, RTD projected having more than \$300 million in its Unrestricted Fund at the end of 2024, but the adopted 2024 budget expected only about \$207 million. RTD management should ensure that the written specifications it works to outline with the Board considers how assumptions made in the Mid-Term Financial Plan and other key financial documents should be incorporated into the budget and communicated in budget materials.

Recommendation 5

The Regional Transportation District (RTD) management should ensure that it adheres to the requirements of budget and budget amendment submission set within the Local Government Budget Law of Colorado by:

- A. Developing written guidance for ensuring that the budget filed with the Department of Local Affairs' Division of Local Government pursuant to Section 29-1-113(1), C.R.S., aligns with the budget approved and adopted by the Board.
- B. Developing written guidance for ensuring that any budget amendments are filed with the Department of Local Affairs' Division of Local Government pursuant to Section 109(2)(c)(I), C.R.S.

Response

Regional Transportation District Management

- A. Agree

Implementation Date: January 2025

The three-year comparison spreadsheet was inadvertently not submitted to the state or included in budget information provided to the Board due to an oversight with the elimination of certain budget positions due to COVID furloughs. RTD will ensure that this schedule is included in future Board reports and filings with the state. RTD will develop internal guidance checklists to ensure proper filings are made.

- B. Agree

Implementation Date: January 2025

Amended budgets were inadvertently not submitted to the state due to an oversight with the elimination of certain budget positions due to COVID furloughs. RTD does not anticipate having future budget amendments due to refinements to prior budgeting practices. That said, staff will ensure that any future amended budgets are filed in a timely manner with the state. RTD will develop internal guidance checklists to ensure proper filings are made.

Finding 5—Strategic Plan Oversight

The Board sets the policies and strategies to guide RTD operations, and RTD management is responsible for implementing those Board-adopted policies and strategies. As part of these responsibilities, RTD management prepares planning documents, which it presents to the Board for review and approval. In 2021, RTD management presented a 5-year strategic plan to the Board for Calendar Years 2021-2026, which was developed in collaboration with the Board, and the Board adopted the plan. According to RTD management, the strategic plan’s duration runs from August 10, 2021—the day the Board adopted the strategic plan—to August 9, 2026.

RTD’s strategic plan established four strategic priorities intended to guide decision-making at RTD for the 5-year timeframe in the areas of community value, customer excellence, employee ownership, and financial success. Each strategic priority included a success outcome to measure how well RTD is achieving the priority. For example, the strategic plan measured its financial success strategic priority based on whether RTD spends less money than it receives and the community believes that it sees value in RTD’s spending.

When the strategic plan was adopted in 2021, RTD management and the Board discussed their respective roles with regard to the strategic plan: the Board's role was to establish RTD's mission, vision, and strategic priorities, and to measure progress toward achieving defined success outcomes. Management's role was to report on the progress toward achieving the defined success outcomes through a quarterly performance scorecard, as well as develop management work plans and align agency resources with the available budget.

RTD created the quarterly performance scorecard in order for the Board and RTD management to monitor - at an organizational level - RTD’s progress in achieving its strategic priorities and the success outcomes. The quarterly performance scorecard developed in collaboration with and approved by the Board included 31 metrics that directly support the achievement of RTD’s four strategic priorities and success outcomes. The strategic plan described these 31 metrics as those that “matter most to the agency’s ability to achieve the established success outcomes.” For example, the strategic plan established six metrics related to the financial success strategic priority, as shown in Exhibit 2.24.

Exhibit 2.24

Regional Transportation District (RTD), 2021-2026 Strategic Plan

Quarterly Performance Scorecard, Financial Success Strategic Priority Metrics

| Metric | Performance Goal | Method of Measurement |
|---|--|---|
| Community Perception of Financial Stewardship | Establish Baseline and Increase by 10% | % of community that agrees or strongly agrees that RTD manages financial resources well |
| Variance from Adopted Budget | 10% | % above or below adopted budget |
| Operating Cost per Hour | Establish Baseline and Decrease by 1% | Operating cost per revenue hour |
| Cash Flow/ Unrestricted Reserve | Improve by \$5 Million Per Quarter | Increase the unrestricted reserve to maintain at least 3 months of operating expenses |
| Expenditures to Outcomes | 95% | % of expenditures aligned with adopted budget and outcomes |
| Additional Sources of Funding | Increase by \$1 Million | Dollar value increase in revenue generated from non-subsidy sources |

Source: Office of the State Auditor summary of financial success metrics within the Regional Transportation District's 2021-2026 Strategic Plan.

The strategic plan also included information to guide each of RTD's departments in how they will support the strategic priorities, laid out in department work plans and department scorecards, both of which contained additional metrics and tactics. These department work plans and scorecards guide RTD's internal processes; according to RTD's documentation on the development and approval of the strategic plan, RTD management was not expected to provide updates to the Board on these metrics on a regular basis, as was expected with the quarterly performance scorecards.

In Calendar Years 2022 and 2023, the Board used the 2021-2026 Strategic Plan to assess the General Manager's annual performance, with half of the General Manager's performance evaluation based on whether the four strategic priorities were met.

What audit work was performed and what was the purpose?

We reviewed RTD's 2021-2026 Strategic Plan and RTD management's internal documents related to its financial success metrics and strategic plan revisions. We also reviewed Board monthly meeting agendas for Calendar Years 2021 through 2024, as of March 2024; agendas for the Board's Performance Committee meetings for Calendar Years 2022 through 2024, as of March 2024; and Board meeting packets, minutes, and transcripts, as needed, based on whether discussions occurred related to the approval of the strategic plan and updates on financial success metrics provided at full Board and Performance Committee meetings in Calendar Years 2021 through March 2024. In

addition, we reviewed statutes governing the Board’s structure and responsibilities, the Board’s bylaws and governance manual, as well as best practices for strategic planning set by the International Association for Strategy Professionals. We interviewed RTD management responsible for tracking the implementation of the strategic plan, Board Office staff, and 10 of the 15 Board members who served in Calendar Year 2023.

The purpose of our work was to determine if the Board receives sufficient information to monitor RTD’s progress in meeting the strategic priorities and success outcome measures included in its 2021-2026 Strategic Plan.

How were the results of the audit work measured?

RTD management must provide quarterly performance information to the Board to demonstrate its adherence to the strategic plan. At a June 2021 Board retreat discussing the development of RTD’s 2021-2026 Strategic Plan, RTD management told Board members that it would provide the Board with performance scorecard updates on a quarterly basis, starting in May 2022, to keep the Board updated on how well RTD was achieving its strategic priorities and success outcomes. At the August 2021 Board meeting where RTD management presented the 2021-2026 Strategic Plan to the Board, RTD management reiterated its commitment “to producing quarterly [scorecards] to share with the Board and all public stakeholders as to how the agency is proceeding to deliver those outcomes.” In addition, after adopting the 2021-2026 Strategic Plan, the Board assigned its Performance Committee to start “monitoring metrics as to the agency’s performance related to the Strategic Plan success outcomes,” as of January 2022 [Article VI, Section 1(f), RTD Board Bylaws].

Revisions to the strategic plan’s quarterly performance scorecard should be adopted by the Board. The Board is responsible for setting the strategic direction of RTD, and as part of this role, the Board adopted the 2021-2026 Strategic Plan in August 2021 with 31 metrics comprising the quarterly performance scorecard that allow the Board to monitor progress in achieving RTD’s strategic priorities and success outcomes. RTD included a disclaimer within the quarterly performance scorecard section of the strategic plan that the metrics within the scorecard were subject to change, though it lacked clarity on the process for making such changes. Reviewing and revising strategies is encouraged under strategic plan best practices set by the International Association for Strategy Professionals because changing circumstances may warrant revisions. Given that the Board collaborated with RTD management on the metrics contained in the quarterly performance scorecard and adopted the strategic plan containing those metrics, and that the metrics are directly related to the Board’s oversight of RTD achieving its strategic priorities, it is reasonable to assume that the Board should be involved with and approve any revisions to the quarterly performance scorecard before management acts on those revisions.

What problems did the audit work identify?

Overall, we found that the Board had not received sufficient information to monitor RTD's progress in meeting the strategic priorities and success outcome measures included in RTD's 2021-2026 Strategic Plan. Specifically, we found:

RTD management did not consistently provide quarterly performance scorecard updates to the Board. We found that from January 2022, the first year that quarterly performance scorecards were expected, through March 2024, when we completed our review, RTD management provided only 1 of the 8 quarterly performance scorecards that were due during this time and that scorecard was only presented to the Board's Performance Committee; a presentation was not provided to the full Board. Specifically, in September 2022, RTD management provided the Board's Performance Committee with an update on the quarterly performance scorecard metrics, including the baseline measurement for metrics and the second quarter of 2022 outcomes. In this performance scorecard update, RTD Management reported results on 9 of the 31 metrics, of which 3 were on-track and 6 were not being met; management indicated that it could not yet report on 19 metrics as RTD awaited the results of its customer and employee surveys, which were related to these metrics; and management did not include 3 metrics in this update. At that time, RTD management told the Performance Committee to "expect to receive" future updates on the metrics once the surveys were completed. However, RTD management did not present or provide any additional follow-up on the metrics to the Performance Committee or the full Board. The full Board did not receive the September 2022 presentation about the quarterly performance scorecard update that the Board's Performance Committee received. However, RTD management reported that it made the Board's Performance Committee materials from the September 2022 presentation available to the full Board, and we could confirm that RTD posted the meeting materials online.

RTD management pointed us to eight occasions from October 2021 through March 2024 when the Board's Performance Committee engaged in discussions related to the strategic plan. While some of these discussions related to the results of some of the metrics set in the quarterly performance scorecards, management did not provide the Board updates on all metrics in one place in a format for the Board to review RTD's performance, as a whole. For example, RTD management discussed some metrics related to the customer excellence strategic priority, but did not provide updates on any of the six metrics related to the financial success strategic priority. In April 2024, the Performance Committee approved in its committee work plan schedule, which covers the time period from April 2024 to February 2025, to receive updates and to discuss RTD's performance metrics, as necessary. RTD management reported to us that "staff intends to report quarterly, or more frequently as necessary, to the Performance Committee."

RTD management revised and acted on revisions to the strategic plan's quarterly scorecard metrics without seeking Board approval. We found that RTD management responsible for the oversight of the strategic plan started revising the quarterly performance scorecard metrics in

November 2022 and has been acting on those revised metrics, without first getting Board approval. The revised version of the strategic plan’s quarterly performance scorecards had 32 metrics – compared to the original 31 -- in which 12 remained the same, 7 were revised, 12 were removed, and 13 new metrics were added when compared to the Board-adopted strategic plan. For example, RTD management changed the financial success metrics originally approved by the Board by removing four metrics, adding three new metrics, and keeping two metrics the same, as shown in Exhibit 2.25. The original metrics represent what RTD should have been working toward to achieve related to RTD’s financial success strategic priority, as outlined in the strategic plan adopted by the Board in August 2021. The removed and added metrics represent changes RTD management made in November 2022, the data for which was internally tracked by RTD management through at least January 2024, the date we received documentation showing how RTD was internally tracking its performance against the metrics.

**Exhibit 2.25
Regional Transportation District (RTD) Revised Quarterly Performance Scorecard,
Financial Success Strategic Priority Metrics**

| Metric | Performance Goal | Method of Measurement |
|---|---|---|
| Metric Stayed the Same Compared to the August 2021 Board-Adopted Strategic Plan | | |
| Community Perception of Financial Stewardship | Establish Baseline and Increase by 10% | % of community that agrees or strongly agrees that RTD manages financial resources well |
| Cash Flow/ Unrestricted Reserve | Improve by \$5 Million Per Quarter | Increase the unrestricted reserve to maintain at least 3 months of operating expenses |
| Metric Removed from the August 2021 Board-Adopted Strategic Plan | | |
| Variance from Adopted Budget | 10% | % above or below adopted budget |
| Operating Cost per Hour | Establish Baseline and Decrease by 1% | Operating cost per revenue hour |
| Expenditures to Outcomes | 95% | % of expenditures aligned with adopted budget and outcomes |
| Additional Sources of Funding | Increase by \$1 Million | Dollar value increase in revenue generated from non-subsidy sources |
| Metric Added that was Not Originally in the August 2021 Board-Adopted Strategic Plan | | |
| Compliance with Appropriated Budget | Improve by 2% | % of appropriated budget executed on operating or capital expenditures |
| Budget and Forecast Accuracy and Cash Flow Scheduling | Increase Fund Balances by \$30 Million annually | % maintained or required fund balances (unrestricted fund balance) |
| Fiscal Policy Target Adherence | Maintain minimum 1.2x debt coverage annually | Achievement of 1.2X debt coverage ratios and other fiscal policy objectives |

Source: Office of the State Auditor (OSA) summary of revisions to financial success metrics made in November 2022 and internally tracked as of January 2024, the date OSA received data, compared to metrics contained within the Regional Transportation District’s 2021-2026 Strategic Plan adopted by the Board in August 2021.

According to RTD management in charge of overseeing the strategic plan and the financial success metrics, it made the changes to the strategic plan to ensure that the metrics were still relevant for achieving the strategic plans' priorities. As of March 2024, RTD management had not presented the Board with the revised metrics to the Board for review and approval, although in April 2024, RTD management did meet with the Performance Committee about revising RTD's performance metrics.

Why did these problems occur?

RTD management lacks a process to consistently provide strategic plan quarterly performance scorecard updates to the Board. We found that RTD management established a process to track and internally report the strategic plan's quarterly performance scorecard metrics to a senior member of RTD's management team. However, this process did not include reporting the quarterly updates to the Board, as RTD management had told the Board that it would do, or to the Board's Performance Committee, which is the entity charged with reviewing performance data as of January 1, 2022. In addition, while RTD management had a process to initially request Board approval of the 2021-2026 Strategic Plan, management did not develop or implement a process to involve the Board in making revisions to the strategic plan's quarterly performance scorecard metrics or request their approval of revisions to the metrics prior to carrying out the changes.

The Board lacks a process to require updates on adopted and approved plans. The Board does not have a policy, bylaw, or other process in place to ensure that RTD management provides Board-required updates on the strategic plan, performance metrics, and other Board-adopted plans. Prior to November 2021, the Board's Fiscal Policy included a process for the Board to receive quarterly performance updates on Board-approved indicators to guide its annual budget development. However, at a November 2021 meeting of the Board's finance committee, RTD management recommended that the Board remove the language requiring these quarterly updates "because we will be aligning our efforts going forward with the strategic tactics and the metrics associated with that" as stated in the meeting transcript. The Board followed RTD management's advice and adopted these revisions to the Fiscal Policy, with the understanding that it would receive strategic plan quarterly performance scorecard updates on Board-approved metrics. However, if the Board had maintained its written policy that explicitly required management to provide the Board quarterly performance updates, it could have provided a prompt and reminder to both the Board and RTD management to review the strategic plan's quarterly performance scorecard.

The Board has also not defined how it should be involved with revisions to RTD's 2021-2026 Strategic Plan. In that plan, there is a disclaimer within the quarterly performance scorecard section, as well as the strategic work plan section stating that metrics may change. Members of the RTD Board and management pointed to these disclaimers when we raised the issue of management revising the quarterly performance scorecard metrics without consulting with or notifying the Board of those changes. However, there is a lack of clarity in the strategic plan and in the Board's bylaws around what the Board's role should be when changes are made, and whether the Board should get

updates on any changes made to the strategic plan. Board members have expressed interest in being involved with the performance metrics tracked by RTD management. As such, the Board could benefit from establishing some type of policy or guidance regarding when the Board should be consulted on revising RTD's performance metrics, or notified when metrics are revised. Documenting these expectations can assist future Board members with knowing what their roles are with tracking RTD's performance.

In addition, the Board has not clearly defined in writing the Board Office's role in helping to implement the Board's processes. For example, the Board could define that one role of the Board Office is to help ensure that management provides the Board with updates in a timely manner on the progress made toward achieving strategic priorities, and ensuring the Board is consulted on any changes to the plan. When we interviewed Board Office staff, we learned that staff did not know of the reporting requirements on the strategic plan's quarterly performance scorecards, and they were not aware of management's changes to the scorecard metrics. A more defined role for the Board Office related to its role in tracking requests for and securing updates on Board-adopted plans and metrics could help ensure that the Board receives updates on the strategic plan's quarterly performance scorecards, as well as updates related to other long-range plans of interest to the Board. In an example from two of RTD's other plans—the *Mobility Plan for the Future*, which projects out RTD's long-term needs to 2050, and the *System Optimization Plan*, which is serving as RTD's transit service plan through 2027—the Board passed a resolution in July 2022 requiring management to provide the Board with no-less-than triennial updates to allow the Board to provide approval of any needed changes. The first update is due no later than 2025, but there is no specific guidance - such as in policy, to define the Board Office's and management's roles for ensuring the Board receives this update.

In February 2023, the chair of the Board's Performance Committee mentioned during a Performance Committee meeting the usefulness of the metrics set in the strategic plan's quarterly performance scorecards and suggested that the Board start receiving quarterly performance updates, and at the committee's December 2023 meeting, the Chair again expressed the need for quarterly updates on key performance metrics. According to the transcripts of these meetings, RTD management did not offer a comment or commitment related to the member's mention of the need for quarterly performance scorecards. In March 2024, another committee member mentioned during a Performance Committee meeting that the Board worked "an extensive amount of time" on the quarterly performance scorecard metrics to come up with "very precise percentages" and raised a question as to whether the committee would be abandoning the metrics set in the quarterly performance scorecards, which management said would not happen. These exchanges indicate that Board members have had and continue to have an interest in receiving quarterly performance updates.

We interviewed 10 Board members to understand what types of updates they received from RTD management on the 2021-2026 Strategic Plan. In these interviews, members told us they don't have

sufficient information on the strategic plan and that the Board needs to receive better updates on how RTD is doing with the strategic plan.

In April 2024, the Performance Committee set up a "more regular cadence" to receive updates from management on "agency metrics" from April 2024 through February 2025, though these updates may be on different metrics than those established within the strategic plan.

Why do these problems matter?

Lack of information to inform budgeting decisions. When the Board does not receive regular updates on RTD's progress toward achieving the 2021-2026 Strategic Plan's priorities and metrics, the Board will not have relevant information when making budgeting and other decisions, which could impact its ability to best oversee the strategic direction of RTD and help ensure RTD achieves its strategic objectives and remains fiscally sound. According to best practices set by the Government Finance Officers Association (GFOA), entities like RTD "should incorporate into their budget monitoring process an examination of performance measures and linkages to financial outcomes" [Budget Monitoring, GFOA Best Practices]. The GFOA also recommends regular monitoring of performance metrics to help execute a strategic plan by "allocating funding for specific tactics during the budget development process" and measuring "whether or not the tactics are working well" or if new tactics should be developed for the next budget year [Strategic Planning, GFOA Best Practices]. The GFOA also states that, "Formal policies usually outlive their creators, and thus, promote stability and continuity" [Adopting Financial Policies, GFOA Best Practices]. Given that the Board is responsible for multiple activities and decisions, and that membership can change every 2 years, the Board would benefit from instituting a control to help ensure that members receive updates from management as expected or required.

Risk of not accomplishing the strategic plan priorities. In 2023, RTD did not meet 3 of its 4 strategic priorities, according to the Board's documents. The only strategic priority that the Board determined RTD met in 2023 was its financial success priority, however, RTD is at risk of not meeting this financial success priority in 2024. RTD identified its financial success metrics in the quarterly performance scorecard as critical to supporting the achievement of its financial success strategic priority. During the audit, we found that RTD was not meeting three of the six financial success metrics contained in the 2021-2026 Strategic Plan, as of the end of 2023. One metric was for RTD to increase the percentage of RTD community members who agree that RTD is a good steward of financial resources by 10 percentage points to reach 45 percent over the 5 years covered by the strategic plan. However, RTD's community survey results showed a 21-point *decrease* over a 2-year time period in the percentage of community members who agree that RTD is a good steward of financial resources – from 35 percent in 2021 to 14 percent in 2023. If the Board had received this information, it may have been positioned to take steps to help address this issue, such as by requiring RTD management to provide easy-to-understand financial metrics to the public, as

discussed in Finding 2 on reporting on cost efficiency and Finding 7 on implementation of RTD Accountability Committee recommendations.

For the other two metrics that RTD was not meeting, management responsible for overseeing the strategic plan tracked performance through the end of 2022, but then stopped tracking these metrics with its revision of the strategic plan. One metric related to decreasing RTD's operating cost per revenue hour by 1 percent over the 5 years covered by the strategic plan, from \$190 to \$188 by 2026. However, in just one year - from 2021 to 2022 - RTD's operating cost per revenue hour *increased* 10.5 percent to \$210. RTD told us that in order to bolster recruitment and retention efforts, RTD leaders opted to increase wages and salaries, which has driven additional operating costs. The other metric dealt with aligning expenditures to be 95 percent of budgeted amounts, but RTD's expenditures were 92 percent of budget in 2022. In addition, in order for RTD to meet its financial success strategic priority, it needs to spend less money than it receives, but in RTD's 2024 budget, RTD plans to spend \$104 million more than it receives, and it will cover this difference by using its reserve funds. This means that, in addition to not meeting half of its financial success metrics in previous years, RTD is not on track to meet its financial success priority in 2024.

Recommendation 6

The Regional Transportation District (RTD) management should ensure that it provides sufficient information to the RTD Board of Directors (Board) so that the Board can monitor RTD's progress in meeting the strategic priorities and success outcome measures included in its strategic plan, and other Board-approved or -adopted long-range plans, by:

- A. Developing and implementing a process, or updating existing processes, to consistently provide the Board quarterly performance scorecard updates, or any other Board-approved performance updates, related to the performance metrics established within RTD's Board-adopted strategic plan.
- B. Developing and implementing a process to effectuate the written policy, bylaw, or other form outlined by the RTD Board of Directors in Recommendation 7B.

Response

Regional Transportation District Management

- A. Agree
Implementation Date: June 2024

RTD agrees with this recommendation and has previously developed and implemented these measures.

During the April 1, 2024, Performance Committee (Committee) meeting, the committee adopted its 2024 work plan, which contemplates that the committee will conduct a quarterly “Agency and Board Performance Check-in,” wherein staff will provide updates to the committee regarding agency performance related to the 2021-2026 Strategic Plan (Plan). Staff anticipates the committee will continue to review performance data on a quarterly cadence going forward into 2025 and beyond.

During its meeting on June 25, 2024, the Board approved revisions to the Agency Performance Scorecard related to the Plan in alignment with the Board’s direction following its 2024 annual planning retreat. Additionally, during the Committee meeting on June 10, when the updated scorecard was first presented, staff provided an update to the committee regarding a separate operationally based annual scorecard, which is currently in development.

Additionally, staff has developed a Performance Dashboard that is currently available on the agency’s website at www.rtd-denver.com/performance-dashboard. The Performance Dashboard captures data related to the agency’s Strategic Plan and will be expanded to include financial reporting data, statistics related to recruitment and retention, and other information as requested by the Performance Committee. This data will be used to monitor RTD’s progress in meeting the strategic priorities to achieve success outcomes.

B. Agree

Implementation Date: December 2024

The Board, via the Performance Committee, now receives regular updates regarding progress toward Success Outcomes related to the Strategic Priorities outlined in the 2021-2026 Strategic Plan. The Board will consider a bylaws amendment to reflect this process change.

Recommendation 7

The Regional Transportation District (RTD) Board of Directors (Board) should ensure that it receives sufficient information from RTD management so that it can monitor RTD’s progress in meeting its strategic priorities by:

- A. Developing and implementing a written policy, bylaw, or requirement for RTD management to consistently provide to the Board performance scorecard updates, or any other Board-approved performance updates, related to the performance metrics established within RTD’s Board-adopted strategic plan and any other Board-approved or -adopted long-range plans.
- B. Developing and implementing a written policy, bylaw, or other form outlining what changes RTD management can make to RTD’s strategic plan, or other Board-approved or -adopted

long-range plans, without Board consultation and approval, and to what extent management must provide updates to the Board on any changes made to these plans.

- C. Defining in writing a clear role of its Board Office to help implement the Board's processes, including tracking the Board's requests for updates and helping to ensure that RTD management provides the Board with regular, timely updates on RTD's progress toward achieving strategic priorities, such as those contained in RTD's strategic plan or other Board-approved or -adopted long-range plans.

Response

Regional Transportation District Board of Directors

- A. Partially Agree

Implementation Date: December 2024

As of 2024, the Board has implemented a process whereby each committee adopts a work plan for the calendar year. A given committee's work plan establishes the discussion items and recommended actions that the committee anticipates will be considered during the calendar year. At the discretion of the committee chair/vice chair in consultation with staff, discussion/action items may be added to or removed from a committee's work plan as necessary given the strategic and operational needs of the agency.

By way of the Performance Committee's work plan adopted in April 2024, the committee has already established a required quarterly reporting cadence related to agency performance metrics. These metrics are directly tied to the Strategic Priorities established in the Strategic Plan.

Additionally, metrics related to the performance of the General Manager and CEO, and correspondingly the performance of the agency, also relate to and inform progress toward achieving the Strategic Priority Success Outcomes established in the Board-adopted Strategic Plan. Per Board Bylaws [Art. VI, §1(f)], the Performance Committee "is responsible for performance management of the General Manager and CEO and the GM/CEO's contract and annual comprehensive performance evaluation, as well as monitoring metrics as to the agency's performance related to the Strategic Plan success outcomes."

The Board will consider a bylaws amendment to reflect that consideration and approval long-term strategic planning efforts are within the Board's purview.

Auditor's Addendum

The audit found that the Board does not have a policy, bylaw, or other process in place to ensure that RTD management provides Board-required updates on the strategic plan, performance metrics, and other Board-adopted plans. In April 2024, the Performance Committee approved in its

committee work plan schedule, which covers the time period from April 2024 to February 2025, to receive updates and to discuss RTD's performance metrics, as necessary. The audit identified a risk that the Board may not receive required updates on the 2021-2026 Strategic Plan – the duration of which goes until August 2026 – or receive updates in 2025 on the *Mobility Plan for the Future* and the *System Optimization Plan*, in accordance with the Board's 2022 resolution to receive triennial updates on these plans. A written, defined policy, bylaw, or requirement for RTD management to consistently provide the Board expected updates can promote stability and continuity as Board membership changes.

B. Agree

Implementation Date: March 2025

The recommended action report that will accompany the next iteration of the 2021-2026 Strategic Plan in printed form will include reference to the elements that are within staff's authority to amend, such as work plans associated with strategic initiatives, and those elements that must first be considered and approved by the Board prior to revision. Any revisions to the Strategic Plan contained in this future iteration itself must first be considered by the Board. Staff intends to present the updated 2021-2026 Strategic Plan document for the Board's consideration and approval by March 2025.

C. Disagree

Implementation Date: N/A

RTD disagrees with this recommendation because the Board approves the Strategic Plan and any changes to same through existing processes as outlined in the response to recommendation 6A. The Board also receives regular updates regarding achievement of Strategic Priorities.

Auditor's Addendum

The audit found that through RTD's existing processes, the Board had not received sufficient information to monitor RTD's progress in meeting the strategic priorities and success outcome measures included in RTD's 2021-2026 Strategic Plan, and there is a risk that the Board may not receive required updates in 2025 on the *Mobility Plan for the Future* and the *System Optimization Plan*, in accordance with the Board's 2022 resolution to receive triennial updates on these plans. A more defined role for the Board Office related to its role in tracking requests for and securing updates on Board-adopted plans and metrics could help ensure that the Board receives updates on RTD's strategic plan or other Board-approved or –adopted long-range plans. A written, defined role for the Board Office can promote stability and continuity as Board membership changes.

Finding 6—Board of Directors Training

The 15-member RTD Board is responsible for setting policy, overseeing RTD’s annual budget, and establishing short- and long-term transit goals and plans. Directors serve staggered 4-year terms with approximately half of the Board seats up for re-election every 2 years, and members cannot serve more than two terms. In 2022—the most recent election at the time of this report—three Board members were newly elected and five Board members were re-elected. In January 2024, a member resigned and then in February 2024, a new member was appointed to assume that position through the end of the year. In the November 2024 election, eight Board member seats will be up for election in their respective district boundaries. Starting in 2025, at least two members will be new to the Board due to two current members being term-limited and unable to run for re-election.

Statutes do not require RTD Board members to possess any specific qualifications, other than residing in the district each member represents. This allows the public to elect fellow district residents who they feel are best qualified to serve on the Board. As a result, Board members can have a variety of personal and professional backgrounds, interests, and skill sets.

The Board’s administrative matters are managed by a Board Office, which is overseen by an executive manager who is hired by the Board. The Board Office facilitates communication between Board members and RTD management—including gathering and distributing meeting materials prepared by RTD management, administering Board meetings, and organizing the logistical aspects of providing training to Board members.

What audit work was performed and what was the purpose?

We reviewed Board training materials from November 2020 through December 2023 and materials and presentations from the Board’s 2021 through 2023 annual retreats, which were provided by RTD management to the Board. We evaluated the Board’s training materials and the timing of the trainings against best practices for training boards and commissions set within Section 24-3.7-102, C.R.S., which does not apply to the RTD Board but is what we consider to be best practices for a board. In addition, we interviewed 10 of the 15 Board members who served in Calendar Year 2023 and reviewed the Board’s bylaws, governance manual, and governing statutes.

The purpose of the audit work was to determine whether Board members received adequate and timely training related to their oversight responsibilities.

How were the results of the audit work measured?

Newly serving RTD Board members should receive timely training after they are elected and join the Board, and tenured Board members should receive relevant, regular training updates. Ensuring both new and tenured Board members receive timely training is necessary to

ensure the Board can oversee RTD’s operations and management, as intended by statute [Sections 32-9-109.5 and 114, C.R.S.], as well as the Board's bylaws and governance manual. Serving as RTD’s oversight body, the Board is charged with setting policies and overseeing the management of RTD’s operations, including financial and programmatic decisions. The Board is responsible for ensuring that its members receive the appropriate and necessary training.

Based on best practices set within the U.S. Government Accountability Office’s *Standards for Internal Control in the Federal Government* (Green Book), an oversight body, such as the RTD Board,

“oversees the entity’s operations; provides constructive criticism to management; and where appropriate, makes oversight decisions so that the entity achieves its objectives in alignment with the entity’s integrity and ethical values” [Green Book Principle 2.03].

When developing training materials, the Board needs to consider whether its members possess the “expertise needed by members to oversee, question, and evaluate management” and the need for Board members “to have specialized skills to enable discussion, offer constructive criticism to management, and make appropriate oversight decisions” [Green Book Principles 2.06 and 2.07]. Examples of specialized skills, as they relate to RTD, include “Programmatic expertise, including knowledge of the entity's mission, programs, and operational processes (e.g., procurement, human capital, and functional management expertise)” [Green Book Principle 2.07].

In order for tenured Board members to continue to provide effective oversight, a best practice for the RTD Board is to receive annual trainings to stay updated on relevant changes, review the appropriate involvement of the Board in oversight decisions, and assess the Board’s delegation of duties to RTD management. Section 24-3.7-102, C.R.S.—which does not specifically apply to the RTD Board, but can serve as a best practice for Board members—sets training best practices for state boards and commissions to receive annual training on 11 different topics, such as: understanding the Board’s statutory role (e.g., setting and maintaining annual budgets), defining the Board’s mission or role in overseeing publicly-funded projects, identifying how Board members can secure sufficient data to make informed decisions, and ensuring appropriate Board involvement in setting policy.

What problem did the audit work identify and why did it occur?

Overall, we found that RTD Board members have received training related to their oversight responsibilities. However, we identified two areas where the Board could strengthen its training program.

The RTD Board should ensure that newly-elected Board members receive timely training.

To assess the timeliness of training provided to new members, we reviewed the onboarding training

provided to new members elected in November 2020 and November 2022. We found that the members newly elected in November 2020 were provided a complete onboarding training program—including trainings on finance and budgeting, bus and rail operations, and safety, security and asset management—by February 2021, within 2 months after the members were sworn in. However, the members newly elected in November 2022 did not receive all of the complete onboarding training program until 13 months after they were elected as Board members. Specifically, we found that the new Board members were provided training in January 2023 that covered several areas, such as RTD statutes and the Board’s authority and responsibilities; Colorado Sunshine laws, including the Colorado Open Records Act (CORA), Criminal Justice Records Act, and Open Meetings Law; ethics, including public official standards of conduct and fiduciary duties, RTD Code of Ethics, and conflicts of interest; and Board bylaws delegations of authority, and procedures and allocation of roles and responsibilities between the Board, RTD General Manager, and RTD staff. In late January and early February 2023, RTD offered and provided one-on-one media training to new members. In February 2023, RTD provided a training on planning and in March 2023, RTD provided a training on compliance with laws related to civil rights and the Americans with Disabilities Act. Additional trainings related to budget and finance, contracts and procurement, and transit-oriented development were provided between July and December 2023. A majority of the Board members we interviewed indicated that the 2023 training process was insufficient for newly-elected members because they had not received all of the onboarding trainings in a timely manner.

Historically, the Board has relied on the Board Office’s executive manager to organize and facilitate the administrative aspects of the onboarding process, such as scheduling the onboarding training sessions and mediating the communication between Board members and RTD management. However, when the previous executive manager left the position in December 2022, there was no written plan in place to provide onboarding to the newly elected members. Shortly after the Board Office executive manager position was filled in June 2023, onboarding training resumed in July 2023 after a 3-month pause in onboarding training. If the Board had a documented onboarding training policy, including delegation of who coordinates and provides trainings in the absence of an executive manager, the Board and RTD management could have continued the onboarding process while the executive manager position was empty.

The RTD Board should ensure that Board members consistently receive ongoing training during their tenure. To assess the type of ongoing training or continuing education provided to tenured Board members, we reviewed workshop, training session, and Board retreat materials for 2021 through 2023. We found that tenured Board members did not consistently receive annual or ongoing training on potentially relevant topics, such as statutory or regulatory changes impacting RTD, or discussions on the parameters of Board members’ duties in relation to management responsibilities. Some of the Board members that we interviewed suggested that some type of ongoing training for the full Board could be beneficial. For example, an annual or periodic training on Board governance practices could provide a dedicated time and space for Board members to discuss the Board’s role in RTD oversight and setting parameters regarding RTD management

duties relative to the Board’s role—both topics are included in the statutory provisions related to best practices for boards and commissions [Section 24-3.7-102(1), C.R.S.].

The ongoing training offered to Board members has consisted of an invitation to tenured members to join new members’ onboarding training. Specifically, the Board Office informs new and tenured RTD Board members of upcoming onboarding trainings and invites all members to attend. However, since the onboarding training sessions are generally targeted to members who are new to RTD, they may not be relevant or useful for more tenured members. In addition, the onboarding training tends to cover more general topics and tenured members may benefit from receiving training on other topics or more in-depth training.

The Board does not have a policy or bylaw requiring its members to periodically review Board training needs and it is not typically involved with identifying continuing education needs for Board members. Instead, RTD management has generally been responsible for identifying and developing training session topics and materials for Board members. However, Board members may have a better sense of what training topics would be most beneficial to them, such as training on, “Setting parameters regarding board or commission staff’s duties relative to the board or commission’s mission or role” from the statute outlining best practices for boards [Section 24-3.7-102(1)(f), C.R.S.]. In our interviews with Board members, some raised questions as to what should be the appropriate delegation of duties between the Board and management. A training on the Board’s delegation of duties could be guided and directed through Board input and serve as a refresher on the Board’s statutory duties as well as the authorities the Board has delegated or retained through its bylaws and policies. In addition, in our review, we assessed that a potentially efficient way for the Board to receive ongoing training was by including one or more training sessions as part of the Board’s annual retreat, which typically occurs in February or March and is part of the Board’s standard meeting schedule. Including ongoing training topics as part of the Board’s annual retreat could help mitigate time commitments for Board members in excess of the Board’s standard meeting schedule.

Why does this problem matter?

When the Board does not train its newest members in a timely manner or provide ongoing training to tenured members, it can make it more difficult for the Board members to fulfill their oversight responsibilities. In addition, without ongoing training, there is a risk that Board members may not receive updates on relevant statutes as they affect RTD. In both 2021 and 2023, the General Assembly made significant changes to laws impacting accessibility of and access to information maintained by public entities, including RTD. An annual legislative update for Board members could provide an opportunity for them to be briefed on statutory updates that may require funds or significant operational investment to implement. For example, the 2021 statutory change mandating information accessibility on public entity websites requires a major investment and retooling of website infrastructure and processes by public identities—these are updates that the Board, as a

governing board, should be aware of. In another example, as mentioned in Finding 2 on Measures of Cost Efficiency, in 2021, RTD’s statutes were changed to revise the annual cost efficiency metrics that RTD must publicly report, which took effect in September 2021. While a previous iteration of the Board adopted a resolution in support of this legislative change in March 2021, the current Board has not received a training on this new statutory requirement since it took effect in September 2021. As we discuss in Finding 2, RTD management has not been reporting on this new metric since it was implemented; current Board members may not have been aware of the requirement and therefore, would not have known to ask RTD management about it. When the Board is not updated on new requirements, the Board cannot always effectively question management to ensure compliance with these requirements.

The Board Office told us that it agrees that “trainings are necessary and valuable,” but stated that “they are by no means the only avenue” for Board members to receive information. The Board Office told us that prior to making decisions, management provides briefings in committee and, if requested, at full Board meetings; RTD’s general counsel provides legal updates as needed; the Board receives monthly legislative updates, which, from our review, includes the status of bills the General Assembly is considering that mention RTD; members have the opportunity to request more information from management; and “the Board must rely upon the competency of management” to ensure recommendations are “justifiable and capable of being supported.” Although these management briefings are a critical part of the process, ensuring that Board members receive the necessary training is also important, as highlighted in statutory best practices for boards. The Board Office told us that the Board's Executive Committee scheduled a discussion for June 2024 to discuss new member onboarding training, as well as continuing training for members, which may lead to the Board developing and adopting a policy that could address the problems we found. The Board Office told us that the Board's Executive Committee scheduled a discussion for June 2024 to discuss new member onboarding training, as well as continuing training for members, which may lead to the Board developing and adopting a policy that could address the problems we found.

Recommendation 8

The Regional Transportation District (RTD) Board of Directors (Board) should ensure that Board members can effectively fulfill their oversight duties by developing and implementing a policy on providing timely onboarding training for newly-elected or appointed Board members and ongoing training for all Board members, which should include guidance on who is responsible for identifying training topics and organizing, scheduling, and providing the trainings; and who is responsible in the event of staff vacancies.

Response

Regional Transportation District Board of Directors

Agree

Implementation Date: December 2024

The Board will enact a policy to address new Director onboarding and training, which will detail the timeframe, outline essential topics, assign responsibility for managing the administration of training sessions and ensure a level of redundancy in the assignment of that responsibility. This policy will also define the Board Office's role in managing and administering onboarding and continuing education for Board members. The Board has begun to address this recommendation as the June 2024 Executive Committee meeting contained an initial discussion the development of such a policy. These policies will build on the existing onboarding and training framework, which has provided Board members with the information and necessary tools to make informed decisions on behalf of their constituents. The Board leverages information it is provided to make sound decisions as evidenced by the OSA's finding that RTD met all nine of the state's financial health ratios with no warning indicators.

Finding 7—Implementation of RTD Accountability Committee Recommendations

In July 2020, Governor Polis and the transportation committee chairs of the General Assembly created the RTD Accountability Committee (Accountability Committee) in collaboration with the RTD Board. State policymakers and the Board developed the concept of the Accountability Committee through discussions on Senate Bill 20-151, which was not signed into law, but sought the creation of an Accountability Committee, among other oversight activities, and accessibility and equity requirements. The Board opposed Senate Bill 20-151, but unanimously agreed to collaborate on the Accountability Committee in June 2020.

The purpose of the Accountability Committee was to conduct an independent analysis of RTD's operations and present recommendations intended to improve RTD's operations and statutes related to RTD. The Accountability Committee comprised 11 voting members and two RTD Board members as ex officio members appointed by the RTD Board Chair. Of the 11 voting members, 5 were appointed by the Governor and 6 were appointed by the transportation chairs of the House and Senate. Members were selected based on their expertise in various areas, such as economic development, local government, and transportation equity. The Denver Regional Council of Governments (DRCOG), an independent planning organization that facilitates local government collaboration, hosted and provided support staff for the Accountability Committee.

The Accountability Committee's work was independent from RTD, and the full Committee held monthly meetings from August 2020 to July 2021. During these meetings, the Accountability

Committee discussed, reviewed, and voted on recommendations that were included in the Committee’s final report. In its final report, the Accountability Committee emphasized its interest in public outreach and noted that time for public comment was scheduled during the meetings to enable public input into the creation of the recommendations. The Accountability Committee submitted a preliminary report in January 2021 to the Governor, the chairs of the transportation committees of the Colorado House and Senate, and the RTD Board that explained the Accountability Committee’s main areas of discussion and presented some initial legislative recommendations to the Colorado General Assembly. In July 2021, the Committee submitted a final report to the Governor, the Chair of the Senate Transportation and Energy Committee, the Chair of the House Transportation and Local Government Committee, and the Chair of the RTD Board. The final report made 43 recommendations to RTD under four broad categories. Exhibit 2.26 summarizes the recommendations by category.

Exhibit 2.26

RTD Accountability Committee Final Report, Recommendations by Category

| Recommendation Category | Number of Recommendations |
|---|---------------------------|
| Financial Review | 7 |
| Spend Federal COVID-19 Relief Funds to Rebuild Ridership and Improve Operations | 6 |
| Improve Operator Retention | 1 |
| Governance and Executive Leadership | 5 |
| Develop Subregional Service Councils | 4 |
| Explore Board Structure Modifications Subject to Additional Study and Input | 1 |
| Resource Prioritization Review and Financial Stability | 16 |
| Explore FasTracks Options | 5 |
| Improve Reporting Metrics and Transparency | 11 |
| Improve Service to All Riders | 15 |
| Improve Fixed-Route and Paratransit Service Provision | 3 |
| Leverage Partnerships for Resources and Services | 8 |
| Simplify Fares and Pass Program | 4 |
| Total number of recommendations | 43 |

Source: Office of the State Auditor analysis of the RTD Accountability Committee Final Report, July 2021.

The Accountability Committee asked RTD to adopt the recommendations or issue a report stating its reasons for not adopting specific recommendations and to present its response and implementation timeline to the Accountability Committee. In August 2021, the RTD Board adopted RTD’s responses to the recommendations. RTD met with the Accountability Committee in October 2021 to provide its response, and RTD published its responses to the recommendations on its website. RTD agreed to implement 26 recommendations, partially agreed to implement 16 recommendations, and disagreed with one recommendation. In October 2021, the Accountability Committee reconvened to discuss RTD’s responses and then the Accountability Committee disbanded.

In June 2021, prior to the Accountability Committee releasing its final report, the Legislative Audit Committee directed the State Auditor, as part of the next performance audit of RTD, to assess the extent to which RTD implemented the Accountability Committee’s recommendations.

What audit work was performed and what was the purpose?

We reviewed the Accountability Committee’s final report and RTD’s responses to the recommendations. We requested and reviewed RTD’s current status update on each recommendation and supporting evidence between October 2023 and March 2024. We interviewed RTD management to further understand RTD’s approach to implementing the recommendations. Additionally, we interviewed DRCOG staff who worked with the Accountability Committee to understand the Accountability Committee’s role and work.

The purpose of our work was to determine the extent to which RTD implemented the RTD Accountability Committee’s recommendations.

How were the results of the audit work measured?

RTD should implement in a timely manner the Accountability Committee recommendations with which it agreed or partially agreed. Since RTD agreed or partially agreed to implement 42 out of the 43 Accountability Committee recommendations, RTD should uphold its commitment to the Accountability Committee and to those who created the committee (i.e., the Governor and General Assembly transportation committee chairs). The Accountability Committee did not require RTD to state within its response its planned implementation date for each of the recommendations with which it agreed or partially agreed. While the Accountability Committee did not have the authority to require RTD to implement the recommendations and did not require RTD to indicate when it would implement recommendations, the Committee believed “that 12 months is an appropriate timeline for RTD to implement its recommendations, recognizing that some improvements may take longer to complete than others,” as stated in the Accountability Committee’s final report. Based on the Accountability Committee’s statements, we would have expected RTD to implement all of the recommendations before we finalized our review of the implementation status of the recommendations in March 2024, since the Accountability Committee issued its final report in July 2021—nearly 3 years earlier.

What problem did the audit work identify and why did this problem occur?

Overall, we found that RTD has made progress on implementing the Accountability Committee recommendations, but has not completed its work, nearly 3 years after the Accountability Committee made its recommendations. As of March 2024, RTD had implemented 21 of the 43

recommendations, or about half, and had taken steps to implement the remaining 22 recommendations, but had not yet completed what it planned to do. Specifically:

- **RTD implemented 21 recommendations**, many of which related to leveraging partnerships for resources and services, establishing Subregional Service Councils to increase input from local communities regarding RTD’s service plans, and simplifying passes and reducing discount fares to increase ridership. Of these 21 recommendations, RTD agreed with 13 of the recommendations in its August 2021 response to the Accountability Committee’s final report and partially agreed with 7 of the recommendations. For one recommendation related to consolidating all fare discounts into a single free or discounted fare, RTD disagreed with the recommendation in its response to the Committee’s final report, citing its upcoming planned fare study, but ultimately did implement elements of the recommendation with the January 2024 rollout of the Board-approved fare restructuring resulting from the fare study.
- **RTD had not completed its work to implement 22 recommendations, as of March 2024.** Of the 22 recommendations, RTD had agreed in its August 2021 responses to the Accountability Committee’s final report recommendations with 13 of the recommendations and partially agreed with 9 of the recommendations.

For these recommendations, RTD had completed some elements and was continuing the work on the remaining elements it agreed to implement. These recommendations related to resource prioritization, financial stability, performance metrics, and improving service for all riders. For example, the Accountability Committee asked RTD to complete an analysis of the Northwest Rail project. RTD had started, but not yet completed the study as of March 2024.

Ten of the recommendations related to performance metrics and transparency. The Accountability Committee’s intent for all 10 recommendations was for RTD to provide performance and financial information to the public in a prominent, accessible and easy-to-understand manner. When we initially asked RTD for a status update, RTD had difficulty giving us a clear update on each recommendation. After we spoke with RTD management and staff in February 2024 about the need for clarity on RTD’s status for posting the recommended information publicly, only then did RTD assess which of the recommended information metrics could be internally tracked and posted online, and which could not. RTD management shared with us that they were working on a new website design that would publicly display some of the recommended information it was internally tracking. Given that at the time of our review in March 2024, RTD had not yet finished its work to display these metrics in an accessible and prominent manner, we considered these recommendations to be still in progress.

Appendix B provides information about each of the 43 recommendations and their implementation status as of March 2024.

- **RTD did not implement a process to monitor the implementation of each recommendation.** RTD management told us that for a brief time, it developed a way to track the implementation of the Accountability Committee recommendations, but RTD never assigned a central staff member to complete this tracking process. RTD management also told us that elements of the recommendations with which RTD partially or fully agreed were already incorporated into existing goals and plans, which made it difficult for RTD to provide an update on the implementation of each recommendation. When we asked RTD to provide a status report on the implementation of each recommendation, it took RTD management 2 months to compile this information from the different divisions responsible for the recommendations and RTD later reported that it was “surprised” that we were conducting this audit work. Given that the Accountability Committee had disbanded and there is no other external accountability mechanism in place to ensure RTD followed through on the recommendations, it is important for public transparency that RTD develop and implement a process to monitor and document the implementation of the Accountability Committee recommendations, which should include details such as who is responsible for implementation, what needs to be done, when it will be done, and how and when to provide public updates on implementation status.

Why does this problem matter?

Loss of opportunity to improve RTD’s operations and performance. By not promptly implementing 22 of the Accountability Committee recommendations, there is a risk that RTD is not making timely improvements that the Accountability Committee identified. The Governor and the transportation committee chairs created the RTD Accountability Committee to improve RTD’s operations by identifying areas where improvements could be made within RTD’s governance, resource utilization, and fares and pass programs for increased equity and ease of access. If RTD does not implement the Accountability Committee’s recommendations timely, there is a risk of lost opportunity to improve RTD’s operations and performance.

Recommendation 9

The Regional Transportation District (RTD) management should complete its work to implement the RTD Accountability Committee’s recommendations with which it agreed or partially agreed, and update the RTD Board of Directors (Board) on its progress. This should include identifying what work remains to be done on the RTD Accountability Committee’s recommendations, who is responsible for completing the remaining action items for each recommendation, when each recommendation will be completed, and how and when to provide updates on recommendation implementation status to the Board.

Response

Regional Transportation District Management

Agree

Implementation Date: December 2025

No later than December 2024, RTD will report to the Board the status of outstanding recommendations with which the agency agreed or partially agreed via the Agency Responses to the RTD Accountability Committee final Report accessible on RTD’s website at www.rtd-denver.com/about-rtd/board-of-directors/accountability-committee. Additionally, the agency will convene a working group to monitor the implementation of the remaining recommendations, identify individuals responsible for shepherding those recommendations, update an existing tracking matrix, and establish a reporting cadence to report to the Board on the progress of the implementation.

Following the conclusion of studies currently underway related to Accountability Committee recommendations, RTD intends to implement outstanding recommendations no later than December 2025.

Finding 8—Ozone Season Transit Grant Program

In recent years, both the General Assembly and RTD have been focused on environmental protection. RTD states one of its key priorities as “providing value...while sustaining planet Earth.” To leverage the role of mass transit in greenhouse gas reduction, Senate Bill 22-180 created a 2-year Ozone Season Transit Grant Program (Program), administered by the Colorado Energy Office (Energy Office). The General Assembly clarified and expanded the uses of Program funding with House Bill 23-1101.

The Energy Office provided grant funding for RTD and other Colorado transit agencies that applied for funding through the Colorado Association of Transit Agencies to offer free public transportation during high-ozone months in 2022 and 2023. With this state support, RTD offered free transit—branded as Zero Fare for Better Air—in August 2022 and in July and August 2023. The Program goals for both 2022 and 2023 were reducing ozone formation, increasing ridership on transit, and reducing vehicle miles traveled in the Denver Metro region.

In May 2024, the General Assembly passed Senate Bill 24-032, which changed the Program’s focus starting in 2024. Specifically, RTD is no longer eligible to apply for state grant funds to cover the costs of providing free public transportation during high-ozone months. Instead, RTD will be eligible to apply for up to \$5 million in grant funding, subject to appropriations, to cover the cost of providing year-round free public transportation for youth aged 19 and younger. The Program’s new focus on free youth RTD fares maintains a goal of reducing vehicle miles traveled in private motor vehicles.

What audit work was performed and what was the purpose?

We reviewed legislation that created and revised the Program, RTD's grant agreements with the Energy Office, the RTD Board's appropriations for the Program, RTD Program staff's budget and expense tracking documents and related invoices, and RTD's reports on Program implementation provided to the Energy Office for the 2022 and 2023 Programs. We interviewed RTD staff who manage the Program, as well as Regional Air Quality Council staff who assisted RTD in its 2023 environmental impact analyses, and researched possible air quality and ozone baseline data. We also researched other free fare programs across the country as a point of comparison.

The purpose of our work was to assess how RTD used 2022 and 2023 Program funds, and whether the use was in line with statutory requirements, Board appropriations, and the applicable grant agreements.

How were the results of the audit work measured?

RTD must use state-appropriated Program funds in accordance with statute and the applicable grant agreements. Statute and RTD's 2022 and 2023 grant agreements with the Energy Office outlined allowable Program spending, as follows:

- In 2022, funds could be used “to replace fare box revenue and to pay for other expenses necessary to implement the program, including expenses associated with an increase in ridership as a result of the program” [Senate Bill 22-180]. RTD was required to provide a 20 percent match, with the state-appropriated funds covering up to 80 percent of Program costs, and RTD covering the remainder. The grant agreement included these same expectations for the use of funds.
- In 2023, funds could be used for fare recovery, as well as additional related expenses. House Bill 23-1101 expanded allowable use of the funds to include “reasonable marketing expenses incurred to raise awareness of free service and increase ridership” [Section 24-38.5-114(5)(b)(I), C.R.S.]. However, the grant agreement planned for RTD to spend the entire award on replacing lost fare revenue. The General Assembly eliminated the requirement for a 20 percent match by RTD for this Program year.

Section 24-38.5-114(5)(b)(III), C.R.S., required the State Auditor to audit RTD's use of the state-appropriated Ozone Season Transit Grant Program money. The Energy Office awarded RTD \$8.68 million for the 2022 Program and \$13.9 million for the 2023 Program. In both years, RTD used some of its own funds for the Program, as well.

RTD management must ensure Program spending remains within Board-approved appropriations. In addition to state-appropriated funds awarded to RTD by the Energy Office, the RTD Board appropriated funds in 2022 and 2023 to use for the Program. For both the 2022 and

2023 Programs, the Board voted to “authorize the transfer of up to \$2,200,000 from the Unrestricted Fund... to effectuate” the Program. When implementing the Program, RTD must ensure spending on the Program is not “in excess of the amounts appropriated” by the Board, as required by the Local Government Budget Law of Colorado [Section 29-1-110 (1) C.R.S.]. Furthermore, RTD’s Fiscal Policy requires that, “There shall be a budgetary monitoring system that charges expenditures against approved budget appropriations” [2022 and 2023 Fiscal Policy, Budget Policies, Section 4].

RTD must report specific Program metrics to the Energy Office. Statute required the recipients of the Ozone Season Transit Grant Program funding to submit a report to the Energy Office by December 1 of each Program year containing, at a minimum, “information on how the grant money was spent; the free services that were offered using the grant money; and estimates of the change in ridership during the period that free services were offered” [Section 24-38.5-114(5)(b)(II), C.R.S.]. In addition, the Energy Office required within the statement of work for both the 2022 and 2023 grant agreements that RTD provide the following information in its annual report:

- Assessment of all Program costs, including “any additional costs incurred” by RTD. This information should have reflected actual costs incurred, and not preliminary or estimated amounts.
- Comparison with other zero-fare programs, which specifically required “comparing results of RTD’s fare free program to other pilots that have been implemented across the US.”
- Evaluation of environmental impact, which specifically required “estimating impacts to ozone and air quality,” and the grant awards stated the Program goals of reducing ozone formation, increasing ridership on transit, and reducing vehicle miles traveled in the Denver Metro region.

It is important that RTD’s reports to the Energy Office on the Program’s implementation “contain complete, concise, and useful information,” as is best practice with operational reports provided to the Governor’s Office and the General Assembly [Section 24-1-136(1)(a), C.R.S.].

What problem did the audit work identify?

We reviewed RTD Program staff’s budget and marketing expense tracking documents and related invoices to assess RTD’s use of 2022 and 2023 state-appropriated Program funds. We found that RTD spent state funds only on uses allowed by statute and the applicable grant agreements, and within approved spending limits.

In 2022, RTD used Program funds for lost fare revenue, marketing, additional rail operations, and evaluation, all of which reasonably adhered to the allowable use of funds. The Energy Office

awarded RTD \$8.68 million, and RTD did not use or seek reimbursement from the Energy Office for about \$600,000.

- In 2023, RTD used the full Program funds it was awarded on lost fare revenue, which was an allowable use of funds for 2023.

Exhibit 2.27 shows the state-appropriated funds awarded to RTD for the 2022 and 2023 Programs, and RTD’s use of those funds.

**Exhibit 2.27
Ozone Season Transit Grant Program, State-Appropriated Funds Awarded and Used by the Regional Transportation District, 2022 and 2023**

| Awards and Total Funds Used by Expense Type | 2022 | 2023 |
|---|--------------------|---------------------|
| Funds Awarded | \$8,680,000 | \$13,894,734 |
| Total Funds Used | \$8,082,360 | \$13,894,734 |
| Lost fare Revenue | \$7,414,371 | \$13,894,734 |
| Marketing | \$158,432 | \$0 |
| Additional Rail Operations | \$460,964 | \$0 |
| Evaluation | \$48,593 | \$0 |
| Leftover Funds | \$597,640 | \$0 |

Source: Office of the State Auditor analysis of the Regional Transportation District's (RTD's) 2022 and 2023 Ozone Season Transit Grant Program grant agreements with the Colorado Energy Office, invoices submitted by RTD to the Colorado Energy Office for reimbursement, and supporting documentation.

Although we found no problems with RTD’s use of the state-appropriated grant funds aligning with statute or the applicable grant agreements, we did identify two areas in which RTD could improve its use of Board-appropriated funds to effectuate the Program and its reporting of Program impact, as follows.

RTD management exceeded Board-appropriated spending for the 2022 and 2023 Programs.

We reviewed Board action related to the Program, RTD’s estimates related to lost fare revenue during the Program, and invoices paid by RTD to contractors for work performed related to the Program to assess whether RTD’s spending was within Board appropriations, as required by statute. We found that RTD’s spending of RTD funds on the Program exceeded Board-appropriated funding by \$18,007 (0.8 percent) in 2022 and \$22,478 (1 percent) in 2023. Exhibit 2.28 shows the Board appropriations for the Program and RTD’s use of those funds for the 2022 and 2023 Programs.

Exhibit 2.28**Ozone Season Transit Grant Program, Board-Appropriated Funds and Use by the Regional Transportation District, 2022 and 2023**

| Board Appropriation and Total Funds Used by Expense Type | 2022 | 2023 |
|--|--------------------|----------------------|
| Board Appropriation | \$2,200,000 | \$2,200,000 |
| Total Funds Used | \$2,218,007 | \$2,222,478 |
| Lost Fare Revenue | \$1,853,593 | \$1,312,538 |
| Employee Survey | n/a | \$5,000 ¹ |
| Customer Survey | \$144,577 | \$61,000 |
| Marketing | \$92,448 | \$381,521 |
| Additional Rail Operations | \$115,241 | \$462,419 |
| Evaluation | \$12,148 | n/a |
| Difference | \$18,007 | \$22,478 |

Source: Office of the State Auditor analysis of Regional Transportation District (RTD) Board action for the Ozone Season Transit Grant Program (Program) for 2022 and 2023 and expense documentation and invoices for 2022 and 2023 Program costs.

¹ RTD estimate of employee survey cost based on estimate of staff hours to complete the survey.

RTD could improve the accuracy and completeness of its reporting to the Energy Office.

We reviewed RTD’s 2022 and 2023 reports on the Program’s implementation sent to the Energy office as compared to invoices and grant agreement requirements. There were discrepancies between report requirements and the submitted reports in the following areas, which impacted the report containing “complete, concise, and useful information” [Section 24-1-136(1)(a), C.R.S.]:

Assessing all Program costs. RTD provided multiple estimates of expected costs in lieu of actual, incurred costs in the 2022 report to the Energy office, without indicating that the amounts were estimates. For example, RTD reported the evaluation cost as \$100,000, but RTD only incurred and invoiced the Energy Office for a total cost of about \$61,000—of which the Energy Office reimbursed RTD 80 percent as per the grant agreement, or about \$49,000. Similarly, RTD reported the customer survey cost as \$149,000, while the actual cost incurred by RTD was less than \$145,000; RTD paid the full cost of the expense and did not invoice the Energy Office for any part.

Comparison to other free fare programs. RTD did not include the required comparison to other fare-free programs in either the 2022 or 2023 report. We identified comparable zero-fare programs that RTD could have assessed to fulfill this grant requirement in each year. For example, free-fare programs targeting environmental impact have been implemented by Tulsa Transit and the Utah Transit Authority. We also identified other free-fare programs across the United States—not as environmentally-focused as Colorado’s Program—in Boston, New York City, Kansas City, and Seattle.

Estimated impacts to ozone and air quality. RTD did not provide an estimation of ozone and air quality impact for the 2022 Program, but instead noted that it would need established baselines for ground-level ozone and improved methods for determining how many riders shifted away from driving. For the 2023 report, RTD partnered with the Regional Air Quality Council to assess the 2023 Program’s environmental impact, and, while RTD provided environmental impact estimates in the 2023 report, RTD did not provide contextual information in the report to help readers understand the significance of its estimates. For example, RTD reported that the 2023 Program produced an estimated reduction of 2,583 pounds of volatile organic compounds (VOC). However, the report provided no context for the baseline VOC against which the significance of the reductions could be assessed.

We identified two possible sources of existing baseline data—a 2014 emissions inventory from the U.S. Environmental Protection Agency (EPA) and a 2026 projection inventory from the Regional Air Quality Council, both of which estimated daily VOC production. Using the 2014 inventory, RTD’s reported reduction from the 2023 Program would represent about a 0.01 percent reduction. Using the 2026 projection inventory, RTD’s reported reduction from the 2023 Program would represent about 0.08 percent reduction.

Without defined baseline information to assess RTD’s estimated Program impact, it is difficult for policymakers to judge the Program’s effectiveness in achieving its environmental impact goals. For example, whether the 2014 inventory or the 2026 estimated inventory is more representative of actual air quality in the time period that the Program ran would determine whether environmental impact is closer to a 0.01 percent reduction or a 0.1 percent reduction, an order of magnitude larger. Whether either of those reductions is satisfactory in meeting the Program’s goals, given the financial investment in the Program, is an assessment that policymakers can more easily make when they are provided the context.

Why did these problems occur?

RTD did not have clear processes to assess or track all of the Program costs. In 2022, while RTD staff identified and included in its report to the Energy Office the estimated RTD-covered Program costs, RTD did not have a process to ensure RTD’s Program costs remained within the Board-appropriated amount. Through our RTD staff interviews, we understand that discussions occurred between Program staff and accounting staff about the reimbursable amounts submitted to the Energy Office. However, we understand this communication did not occur for the RTD-covered costs and that, generally, less rigor was applied to tracking costs paid for with Board-appropriated funds. When we asked RTD management about the reasons why Program costs exceeded the Board appropriated amount in 2022, RTD management explained that these additional costs were easily absorbed into other Board-approved budgeted amounts, such as within general marketing and planning line items. However, it is important that RTD management have processes

to track Program expenditures in line with Board-appropriated amounts, as appropriations provide a key mechanism for the Board to provide oversight of management.

In 2023, RTD management and staff did not have a process to track RTD-covered costs. For example, when the OSA requested data on extra rail cars needed during the Program—including costs related to special events during July and August 2023—RTD indicated it had not previously calculated the cost, due to it not being an expense it requested for reimbursement in the 2023 grant agreement from the Energy Office. In addition, when we asked for documentation on the other RTD-covered Program costs, RTD management did not have this information tracked and needed to compile this information at our request, which took about 1 month.

Towards the end of the audit, RTD management told us that the over expenditures fell within the General Manager’s delegation of authority that states “the General Manager must authorize any transfer of funds between operating expense line items that cumulatively are less than or equal to \$1,000,000.” However, we saw no evidence that the General Manager authorized the transfer from another operating expense line to the Program’s operating expense line. In addition, we found that staff were not tracking Program expenses to know that a transfer was needed or that such a transfer would be within the cumulative \$1,000,000 transfer authority.

RTD did not ensure it could complete all grant requirements. The grant agreement statements of work for the 2022 and 2023 Programs stated the requirements of the Program evaluations to include assessment of Program costs, comparison of similar peer agency programs, and estimation of ozone impacts. While RTD entered into these agreements, management and staff told us that some of the requirements were not feasible or clear, which indicates that RTD management should have attempted to adjust or clarify the grant agreement statements of work prior to agreeing to the terms of the grants or not accept the grant awards.

- For the misreporting of incurred 2022 Program costs, RTD stated these discrepancies stemmed from the report deadline to the Energy Office on December 1, 2022, which was before RTD received its final invoices from its contractors for the Program evaluation and customer survey. However, at a minimum, RTD management could have indicated in its report that the reported “incurred expenses” were preliminary estimates. In addition, RTD could have provided the Energy Office an updated report after those incurred expenses were known.
- For the lack of comparison to other fare-free programs in the 2022 and 2023 evaluations, RTD told us that it had not interpreted the comparison to other programs as an item that it was required to report on in the evaluations, since there was a discrepancy in the 2022 and 2023 grant agreements about items required to be included in the evaluations. One section of the grant agreements described the evaluation requirements in paragraph form—including a comparison to other programs—and another part of the agreements listed the minimum items to be included in the evaluation in bullet form, which did not explicitly list the comparison to other programs. The Energy Office reported to us that it was an inadvertent oversight that there

were discrepancies in the two sections of the grant agreement; it had intended to get the peer comparison as part of RTD’s evaluations of the program. RTD did not seek clarification from the Energy Office about the discrepancies.

- For the lack of reporting on environmental impact in the 2022 evaluation, RTD staff stated they lacked the in-house expertise and that, due to the speed the Program was developed and implemented, RTD did not have enough time to identify a way to complete this assessment.

RTD has not identified baseline comparative data for assessing environmental impact. For the 2023 Program evaluation, RTD worked with the Regional Air Quality Council to conduct the environmental impact assessment. However, this work did not include identification of baseline data for the reported impact on nitrous oxide, greenhouse gases, or VOCs. RTD should identify, and work with air quality experts, as needed, to identify relevant baseline data against which any Program impact can be measured in the future.

Why do these problems matter?

Undermining oversight ability. When RTD spends more than appropriated by the Board for Program operations, it undermines the Board’s ability to oversee RTD’s budget. RTD bylaws state, “All powers, privileges, and duties vested in or imposed upon the District shall be exercised and performed by and through the Board,” thus the Board must have oversight over staff operations, including finances. The Board’s appropriation authority under statute, as well as the Board’s fiscal policy and bylaws, serve as a key control to ensure RTD staff adhere to the Board-approved spending limits. While over-budget expenses of about \$20,000 in a given year is small when compared to RTD’s approximately \$800 million in annual operating expenses, this overrun is indicative of a lack of controls surrounding spending, and raises concerns about RTD management’s processes to effectively administer future Programs within Board-appropriated funding.

Inability to measure Program costs and goals. Not having a process to track all Program costs limits the Energy Office’s, the General Assembly’s, and the Board’s ability to assess whether the Program is being implemented as intended and designated funds are being spent by RTD management as directed.

When RTD’s reports on its use of Ozone Season Transit Grants does not “contain complete, concise, and useful information,” it negatively affects the grantor’s and the public’s ability to assess the impact of the public grant funding. Without a comparison to other free-fare programs in the United States, RTD misses out on an opportunity to improve its Program by assessing the Program’s impact and identifying successful free-fare tactics across the transit industry. Furthermore, the General Assembly, Board, and Energy Office lose the ability to compare the efficacy of the RTD Program to peer programs.

A lack of environmental impact, or baseline data to assess the significance of any estimated reductions, makes it difficult for policymakers and stakeholders to assess the Program's efficacy. In its legislative declarations creating the Program in 2022 and revising the Program in 2023, the General Assembly cited a desire to reduce ozone levels during Colorado's high-ozone months (June through August) as a key reason for creating the Program and to justify the State's total investment of up to \$22 million in general funds to RTD's Program.

With the General Assembly's support of continued funding for free-fare grant programs through the passage of Senate Bill 24-032, it is important that RTD have processes in place to ensure it spends funds in line with applicable requirements. The amended grant program, in which RTD is eligible to apply for state-appropriated funding to provide free fare for youth, continues to require RTD to spend funds only on eligible expenses, and to report on program impact.

Recommendation 10

The Regional Transportation District (RTD) management should improve its use of state-appropriated and Board-appropriated funds for free-fare programs and administration of such programs by:

- A. Developing and implementing a process to track program expenses against Board-appropriated funds.
- B. Ensuring that it can fulfill all grant requirements prior to accepting grant awards, clarifying grant requirements as needed, and developing processes needed to fulfill all grant requirements.

Response

Regional Transportation District Management

- A. Disagree

Implementation Date: N/A

RTD has met the statutory requirements of the grant, which are the standards by which RTD should be evaluated. RTD has strict budgetary controls that prevent expenditures from exceeding funding appropriated by the Board. In the case of the Zero Fare for Better Air program, RTD expended the amount appropriated by the Board and slightly exceeded the specific project appropriation by using other marketing appropriations for certain activities under the General Manager and CEO's delegation of authority. In no case has RTD exceeded the spending authority granted by the Board. Programs and projects are tracked by project numbers or other accounting structures such as function codes. Because these controls already exist and are adhered to, there is no need to create additional tracking mechanisms. RTD has

adequate recordkeeping and expense tracking procedures in place as is evidenced by no related findings from external and internal auditors as well as the results of FTA Triennial Reviews.

Auditor's Addendum

The RTD Board voted in 2022 and 2023, respectively, to “authorize the transfer of up to \$2,200,000 from the Unrestricted Fund... to effectuate” each year’s free-fare program. We found that RTD’s spending for each year’s free-fare program exceeded the Board-appropriated funding, and that RTD did not have a process to ensure program costs remained within the Board-appropriated amount. RTD did not track or have information readily available about how much of the Board-appropriated funds it had spent; it took about 1 month for RTD management to compile the information when auditors requested it. RTD management told us that these additional costs were easily absorbed into other Board-approved budgeted amounts, such as within general marketing and planning line items, and that the over expenditures fell within the General Manager’s delegation of authority to transfer up to \$1 million between operating expense line items. However, we saw no evidence that the General Manager authorized transfers from another operating expense line, or that management knew such transfers were necessary. When RTD spends more than appropriated by the Board for program operations, without properly invoking designated authority, it undermines the Board’s ability to oversee RTD’s budget.

B. Disagree

Implementation Date: N/A

No additional process is necessary to ensure RTD can fulfill grant requirements prior to accepting grant awards. RTD collaborated extensively with the Colorado Energy Office (CEO) to establish the parameters within which the agency was to perform under the Ozone Season Free Transit Grant. This collaboration included discussion and agreement regarding which grant requirements RTD was capable of fulfilling. RTD follows all grant requirements, as is evidenced by no findings for deviations from grant requirements. RTD coordinated with the CEO and agreed to the information to be provided in the grant report, including the fact that RTD did not have the in-house expertise to evaluate environmental impacts. This was understood by all parties to the grant agreement, and no exceptions were noted with the issuance of the final report by RTD. This was a new state grant program in 2022, and the program in 2023 included additional environmental information presented in the final evaluation report. To assess the environmental impact of RTD’s Zero Fare for Better Air initiative in 2023, RTD partnered with the Regional Air Quality Council (RAQC), which applied a nationally known model to evaluate air quality.

Auditor's Addendum

RTD’s agreement with the State for receiving Ozone Season Transit Grant Program funds required within the statement of work that RTD provide certain reporting on the 2022 and 2023 free-fare programs, respectively, including related to additional costs incurred by RTD, comparison with

other zero-fare programs, and evaluation of environmental impact. For 2022, RTD provided estimates of expected costs in lieu of actual, incurred costs, which RTD reported was caused by the evaluation deadline coming before it received final invoices from vendors; for 2022 and 2023, RTD did not include the required comparison to other fare-free programs, which RTD reported was due to a discrepancy with how one section of the statement of work listed the reporting requirement in paragraph form, but another adjacent section did not list the requirement in bullet form; for 2022, RTD did not provide an estimation of ozone and air quality impact because it lacked in-house expertise to provide the analysis; and for 2023, RTD did not provide contextual information in its report to help readers understand the significance of reported estimates of environmental impact because it had not identified baseline data against which to compare results.

Appendix A



Additional Information on the Cost per Rider Ratio

This Appendix A provides additional information to supplement Exhibit 2.20 and on the data points used by the Office of the State Auditor (OSA) to identify transit agencies that could be considered peers to the Regional Transportation District (RTD). These data points include each agency's annual train miles relative to RTD's annual train miles and each agency's service area in square miles relative to RTD's service area. The inputs used to calculate each agency's cost per rider ratio—annual ridership and operating expenses (not including depreciation)—are based on the standardized categories of data reported by each agency to the Federal Transit Administration's National Transit Database for Calendar Year 2022.

We looked at RTD's cost per rider compared to other, similar transit agencies. We identified 13 peer agencies: the 8 transit agencies that RTD determined to be a peer agency in its 2022 *System Optimization Plan Recommendations* report and 5 additional transit agencies identified by the OSA to have both bus and rail services with service area and annual train mileage at least half of RTD's, based on National Transit Database data maintained by the Federal Transit Administration. Factoring in service area allows the analysis to compare RTD to agencies with similarly large service areas where buses and trains need to travel long distances, and factoring in annual train mileage allows the analysis to exclude agencies that provide only bus services or limited rail services, since the costs of rail vehicles and infrastructure are typically much higher to operate and maintain than standard bus services, according to the American Public Transportation Association's 2023 *Public Transportation Fact Book*. We determined that selecting peer agencies on these characteristics can assess cost efficiencies in providing relatively similar services—regardless of how agencies are governed, funded, or if they serve a region or an entire state—though the national database provides multiple data points that can be used to select peer agencies for RTD.

We calculated the cost per rider of each of the 13 peer transit agencies for Calendar Year 2022 using the standardized operating costs—not including depreciation—and the 2022 ridership data that the transit agencies reported to the Federal Transit Administration's National Transit Database. RTD's ridership and operating costs reported to the Federal Transit Administration do not include Vanpool ridership, and therefore differ slightly from figures reported in RTD's *Annual Comprehensive Financial Report*. For example, in 2022 RTD reported total ridership at 61,602,568, whereas in the National Transit Database, RTD's ridership is listed as 61,284,680, a difference of less than one percent. Operating costs in the National Transit Database data also differ from RTD's *Annual Comprehensive Financial Report*. RTD reports expenses such as net pension liability and Vanpool costs in its *Annual Comprehensive Financial Report*, but these are not reported in the National Transit Database.

Exhibit A.1

Additional Information about the Regional Transportation District and Select Transit Agencies, from the National Transit Database, Calendar Year 2022

| Transit Agency¹ | State/District | Annual Train Miles | Percent of RTD's 5.9 million Annual Train Miles |
|--|-----------------------|---------------------------|--|
| San Diego Metropolitan Transit System (MTS) | CA | 3,954,641 | 67% |
| Los Angeles County Metropolitan Transportation Authority (LA Metro) | CA | 7,325,509 | 124% |
| Massachusetts Bay Transportation Authority (MBTA) | MA | 11,093,766 | 189% |
| Tri-County Metropolitan Transportation District of Oregon (Tri-Met) | OR | 4,219,933 | 72% |
| Denver Regional Transportation District (RTD) | CO | 5,884,618 | 100% |
| Metropolitan Transit Authority of Harris County, Texas (Houston Metro) | TX | 1,896,345 | 32% |
| Central Puget Sound Regional Transit Authority (Sound Transit) | WA | 2,607,500 | 44% |
| Utah Transit Authority (UTA) | UT | 4,027,658 | 68% |
| Capital Metropolitan Transportation Authority (Cap Metro) | TX | 435,152 | 7% |
| Dallas Area Rapid Transit (DART) | TX | 6,043,499 | 103% |
| Washington Metropolitan Area Transit Authority (WMATA) | DC | 6,960,941 | 118% |
| New Jersey Transit Corporation (NJ Transit) | NJ | 12,181,365 | 207% |
| Maryland Transit Administration (MTA) | MD | 3,531,958 | 60% |
| Santa Clara Valley Transportation Authority (VTA) | CA | 1,469,388 | 25% |

Source: Office of the State Auditor analysis of 2022 data, as reported in the Federal Transit Administration’s National Transit Database, for the Regional Transportation District (RTD) and select peer transit agencies.

¹ Transit agencies with no shading are the eight transit agencies identified by RTD as part of its April 2020 analysis of service effectiveness and financial and performance characteristics as compared to peers, reported in RTD’s July 2022 *System Optimization Plan Recommendations* report. Transit agencies with shading were selected by the Office of the State Auditor, comprising the five transit agencies that have both bus and rail services, with service areas of at least 50 percent of RTD’s 2,342 square mile service area and annual train mileage of at least 50 percent of RTD’s nearly 5.9 million annual train miles, as reported in the Federal Transit Administration’s National Transit Database.

² Annual ridership represents data recorded as unlinked passenger trips within the National Transit Database, which according to the Federal Transit Administration, represents, “The number of passengers who board public transportation vehicles. Passengers are counted each time they board vehicles no matter how many vehicles they use to travel from their origin to their destination.”

³ Operating costs include standardized categories reported by transit agencies to the National Transit Database and do not include depreciation or certain costs specific to each agency, such as RTD’s vanpool operating costs.

⁴ Office of the State Auditor calculation of Operating Expenses divided by Annual Ridership.

| Service Area in Square Miles | Percent of RTD's 2,342 Service Area in Square Miles | Annual Ridership ² | Operating Expenses ³ | Cost Efficiency Ratio ⁴ |
|------------------------------|---|-------------------------------|---------------------------------|------------------------------------|
| 720 | 31% | 57,617,251 | \$306,245,193 | \$5.32 |
| 4,099 | 175% | 254,688,124 | \$1,801,365,190 | \$7.07 |
| 3,244 | 139% | 203,455,402 | \$1,712,828,098 | \$8.42 |
| 383 | 16% | 49,615,343 | \$517,416,554 | \$10.43 |
| 2,342 | 100% | 61,284,680 | \$664,481,002 | \$10.84 |
| 1,309 | 56% | 57,316,696 | \$659,217,830 | \$11.50 |
| 1,087 | 46% | 32,014,474 | \$408,902,960 | \$12.77 |
| 607 | 26% | 31,457,920 | \$421,086,599 | \$13.39 |
| 542 | 23% | 20,417,077 | \$284,606,933 | \$13.94 |
| 698 | 30% | 41,267,922 | \$576,277,983 | \$13.96 |
| 1,349 | 58% | 156,897,531 | \$2,220,137,931 | \$14.15 |
| 5,325 | 227% | 160,287,325 | \$2,636,353,243 | \$16.45 |
| 2,560 | 109% | 50,205,947 | \$866,270,026 | \$17.25 |
| 346 | 15% | 17,757,575 | \$424,438,076 | \$23.90 |



Appendix B



Status of RTD Accountability Committee Recommendations as of March 2024

In July 2020, Governor Polis and the transportation committee chairs of the General Assembly created the RTD Accountability Committee (Accountability Committee) in collaboration with the Regional Transportation District (RTD) Board of Directors (Board). The purpose of the Accountability Committee was to conduct an independent analysis of RTD's operations and present recommendations intended to improve RTD's operations and statutes.

The Accountability Committee comprised 11 voting members and two RTD Board members as ex officio members appointed by the RTD Board Chair. Of the 11 voting members, 5 were appointed by the Governor and 6 were appointed by the transportation chairs of the House and Senate. Members were selected based on their expertise in various areas, such as economic development, local government, and transportation equity. The Denver Regional Council of Governments (DRCOG), an independent planning organization that facilitates local government collaboration, hosted and provided support staff for the Accountability Committee.

In July 2021, the Accountability Committee submitted a final report to the Governor, the Chair of the Senate Transportation and Energy Committee, the Chair of the House Transportation and Local Government Committee, and the Chair of the RTD Board. The final report made 43 recommendations to RTD under four broad categories.

The Accountability Committee asked RTD to adopt the recommendations or issue a report stating its reasons for not adopting specific recommendations and to present its response and implementation timeline to the Accountability Committee. In August 2021, the RTD Board adopted RTD's response to the recommendations and RTD published its response to the recommendations on its website. RTD agreed with 26 recommendations, partially agreed with 16 recommendations, and disagreed with one recommendation. In October 2021, the Accountability Committee reconvened to discuss RTD's responses and then the Committee disbanded.

In June 2021, prior to the Committee releasing its final report, the Legislative Audit Committee directed the Office of the State Auditor (OSA), as part of its next performance audit of RTD, to assess the extent to which RTD implemented the Accountability Committee's recommendations. This appendix provides the results of that analysis. To conduct this work, the OSA reviewed the Accountability Committee's final report and RTD's response to the recommendations; requested and reviewed RTD's current status update on each recommendation and supporting evidence as of March 2024; and interviewed RTD management to further understand RTD's approach to implementing the recommendations.

Exhibit B.1—Status of RTD Accountability Committee Recommendations as of March 2024

Financial Review

| Rec # | | |
|-------|---|--|
| 1 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Spend Federal COVID-19 Relief Funds to Rebuild Ridership & Improve Operations |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>The more than \$700 million RTD will receive in Federal COVID-19 relief funding provides a revenue source for RTD to implement the Committee’s recommendations, in alignment with federal funding guidance. The Committee’s recommendations for spending these funds are targeted at stabilizing RTD operations, restoring services, rebuilding trust, attracting new and returning riders, and helping the Agency recover from the COVID-19 pandemic. As pandemic restrictions ease and more employees return to the workplace, there is an urgent, time-limited opportunity to attract them to commute via transit before their post-pandemic behavior is locked into driving to work in a single-occupant vehicle instead.</p> <ol style="list-style-type: none"> 1. Provide a transparent process and make priorities clear. <p>RTD should provide full transparency during deliberations regarding the use of these federal dollars so that stakeholders and members of the public can follow the tradeoffs, including pros and cons of the RTD Board’s decisions. RTD should clearly define its priorities for this funding, the issues being addressed by additional funds, and the amount of funding allocated to each priority. This transparency should continue as funds are spent so the public can track expenditures. As there may be a year-end surplus because of these funds, the Committee requests accountability in the use of these dollars.</p> |
| | RTD’s August 2021 Response to the RTD Accountability Committee Report and OSA’s summary of RTD’s narrative response | <p>Agree</p> <p>RTD agreed to provide regular updates in public forums on the status of drawing federal COVID-19 relief grant funding.</p> |
| | OSA’s Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Implemented</p> <p>RTD provided updates in its monthly Board briefing documents, which were publicly available.</p> |
| 2 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Spend Federal COVID-19 Relief Funds to Rebuild Ridership & Improve Operations |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <ol style="list-style-type: none"> 2. Strategically recall previously laid off front line employees. <p>The Committee acknowledges and supports RTD’s decision to recall approximately 200 direct-service employees. However, in keeping with the above recommendation, RTD should explain the amount of its federal stimulus funding allocation needed to recall these workers and the amount of funding remaining to support additional priorities. The focus of these recalls should ensure RTD has capacity to restore quality transit service, particularly to transit-dependent communities as quickly as possible.</p> |
| | RTD’s August 2021 Response to the RTD Accountability Committee Report and OSA’s Summary of RTD’s Narrative Response | <p>Agree</p> <p>RTD agreed to evaluate the human and financial resources necessary to restore quality transit service while ensuring that it meets the needs of RTD’s customers within the constraining factors.</p> |
| | OSA’s Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Implemented</p> <p>RTD reported that it used federal COVID-19 relief funding to maintain transit operations, which contributed to RTD’s ability to retain employees. RTD reported that from 2020-2023, \$508.1 million of the \$793.1 million in federal COVID-19 grant apportionments was applied toward wages and benefits.</p> |

Financial Review

| Rec # | | |
|--|---|---|
| 3 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Spend Federal COVID-19 Relief Funds to Rebuild Ridership & Improve Operations |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>3. Share federal stimulus funding with other transit service providers in the metro area.</p> <p>There are several non-profit and community-based transit service providers in the RTD district. They supplement RTD’s fixed-route and paratransit services, often at a cost lower than RTD could provide for comparable service. As with RTD, these providers have been impacted by reduced ridership and lost revenue due to the COVID-19 pandemic and would benefit greatly from funding, where appropriate.</p> |
| | RTD’s August 2021 Response to the RTD Accountability Committee Report and OSA’s Summary of RTD’s Narrative Response | <p>Partially Agree</p> <p>RTD agreed to leverage the qualifying public transit services of non-profit, community-based, and other service contractors, noting that RTD was not legally permitted to disburse federal funding directly.</p> |
| OSA’s Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Implemented</p> <p>RTD reported that it awarded funds for localized mobility services through its Call for Projects Partnership Program.</p> | |
| 4 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Spend Federal COVID-19 Relief Funds to Rebuild Ridership & Improve Operations |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>4. Conduct a six-month pilot to rebuild ridership and attract new riders via a reduced flat fare for local and regional routes and free fares for all or some of the discount groups (youth up to 19 years old, seniors 65+, disabled, and low income LiVE).</p> <p>Market it as a simple, affordable, and easy to understand way to ride RTD and an incentive to attract returning and new riders. This will reduce costs for financially struggling essential workers who are still riding RTD. During the pilot program, use this time to explore other ways to improve affordability of existing and/or new pass programs, including LiVE, that can be put in place as a longer-term solution.</p> |
| | RTD’s August 2021 Response to the RTD Accountability Committee Report and OSA’s Summary of RTD’s Narrative Response | <p>Partially Agree</p> <p>RTD agreed to explore temporary, promotional fare reductions to incentivize ridership across the system, noting that RTD was restricted by federal law in its ability to offer “pilot” programs.</p> |
| OSA’s Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Implemented</p> <p>RTD reported that it implemented ozone season free-fare programs in 2022 and 2023, and fare restructuring effective January 2024.</p> | |

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| 5 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Spend Federal COVID-19 Relief Funds to Rebuild Ridership & Improve Operations |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>5. Help rebuild and increase ridership by improving uptake and ease of use of passes.</p> <p>Allow flexibility in the EcoPass programs and contracts so that more neighborhoods and businesses can participate. For example, allow master EcoPass contracts to support countywide affordable housing programs and create more options for businesses to obtain employee EcoPasses for a subset of their workers. Consider discounts for bulk pass purchases.</p> |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative response | <p>Agree</p> <p>RTD agreed to explore opportunities for pricing and ease of administration of pass programs.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Implemented</p> <p>RTD reported that it implemented measures to increase flexibility in its pass programs and reduced and simplified pass pricing effective January 2024.</p> |
| 6 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Spend Federal COVID-19 Relief Funds to Rebuild Ridership & Improve Operations |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>6. Help fund PEAK eligibility technicians/caseworkers at county HHS departments to help people through LiVE enrollment and allow LiVE applicants to prove eligibility through verification documents from other assistance programs (SNAP, WIC, etc.).</p> <p>Continuing to get the LiVE ID cards in qualified participant's hands is essential and counties can provide this customer assistance, but need funding to help support this function.</p> |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Agree</p> <p>RTD agreed to investigate viable additional services to assist LiVE program applicants and continue with community outreach efforts.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Implemented</p> <p>RTD reported that it was implementing identified changes and expanded outreach for the LiVE program.</p> |

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| 7 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Improve Operator Retention |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>The Operations Subcommittee assessed and discussed the State Auditor Report’s findings on operator retention and human resources. The report described a series of recommendations to address and improve operator retention. The Committee agrees with the findings of the report and encourages RTD to spend federal relief funding to support the implementation of the proposed recommendations.</p> <p>Summary of report recommendations:</p> <ul style="list-style-type: none"> • RTD management should take additional steps to improve supervisory practices around performance feedback to address operator turnover. • RTD management should improve its processes to help ensure that bus operators receive adequate rest breaks during their work shifts, in accordance with requirements in the Union Collective Bargaining Agreement. • RTD management should improve its processes for assigning schedules to operators. |
| | RTD’s August 2021 Response to the RTD Accountability Committee Report and OSA’s Summary of RTD’s Narrative Response | <p>Agree</p> <p>RTD agreed to improve a number of processes related to human resources.</p> |
| | OSA’s Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Work in Progress</p> <p>RTD reported that it was planning to complete its identified improvements related to human resources by December 2024.</p> |

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| 8 | <p>Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report</p> <p>Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language)</p> | <p>Develop Subregional Service Councils</p> <hr/> <p>The Committee believes RTD should have a more collaborative decision-making structure to increase input from local communities.</p> <p>1. Subregional Service Councils: Revise RTD’s transit service planning process by establishing sub regional service councils. Service councils will have responsibility for developing and recommending “local” transit service plans for the RTD Board’s consideration.</p> <p>The Committee believes the introduction of this concept will:</p> <ul style="list-style-type: none"> • Improve collaboration between RTD and the communities it serves. • Increase opportunities for public input through locally accessible forums. • Advance social equity goals by developing community-based transit plans that identify transportation and service gaps, especially in low income and minority neighborhoods. • Promote innovative mobility solutions at a local level consistent with the RTD Board’s overall service goals and objectives. • Provide an opportunity to address geographic equity and rebuild trust and transparency with constituents. |
| | <p>RTD’s August 2021 Response to the RTD Accountability Committee Report and OSA’s Summary of RTD’s Narrative Response</p> | <p>Agree</p> <p>RTD agreed to establish a working group of stakeholders to make recommendations regarding the purpose, role, operation, composition, and boundary concept model of service councils.</p> |
| | <p>OSA’s Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024</p> | <p>Implemented</p> <p>RTD reported that it established five Subregional Service Councils as a forum for dialogue regarding RTD service. RTD engaged the councils during the 2023 Call for Projects Partnership Program for localized service.</p> |

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| 9 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Develop Subregional Service Councils |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>2. Membership: The Committee recommends service councils be representative of the community-at-large. Service council membership shall include:</p> <ul style="list-style-type: none"> • Elected representatives, or their designee, from each city/town/county within each council district. • A broad spectrum of community interests and geography to ensure social, economic, financial, and environmental equity considerations are represented. • Transit Users: residents who live, work, or attend school within the council district. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Agree</p> <p>RTD agreed to establish a working group of stakeholders to make recommendations regarding the membership on the service councils.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Implemented</p> <p>RTD reported that it established Subregional Service Council membership to include staff from local jurisdictions, transportation management organizations, and non-profits/transit advocacy groups that represent RTD customers; council membership was endorsed by a working group of stakeholders and adopted by the RTD Board.</p> |

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| 10 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Develop Subregional Service Councils |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>3. Districts: The Committee recommends RTD establish a working group of regional stakeholders to comprehensively evaluate the following two service council boundary concepts to ascertain the best fit for the Denver region. The working group shall consider the role and purpose of the service councils, community cohesion and RTD staff resources in its analysis.</p> <ul style="list-style-type: none"> County Boundaries: The RTD service area encompasses wholly or partially Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties. The establishment of service councils based on this pre-determined geo-political boundary would appear logical since local governments residing in the same county already have a familiarity with each other. Additionally, county-based service councils would be consistent with the already established DRCOG sub regional forums which are utilized for transportation planning and funding decisions. Travel Shed: A valuable tool for visualizing and analyzing mobility patterns. In the Denver region, known travel behavior makes this concept a viable option particularly if fewer service districts is the objective. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Agree</p> <p>RTD agreed to establish a working group of stakeholders to consider the role and purpose of service councils and to evaluate the two council boundary concepts of county boundaries and travel shed.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Implemented</p> <p>RTD reported that it established five Subregional Service Councils based on travel transit sheds.</p> |
| 11 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Develop Subregional Service Councils |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>4. RTD Resource Allocation: The Committee acknowledges the critical role RTD plays in fulfilling the mobility needs of Denver area residents:</p> <p>Understandably, taxpayers are interested in having more information of how their tax dollars are being used to create an equitable transit system. As a result, the Committee recommends RTD develop and submit to the sub regional service councils an annual report illustrating how the revenues generated in each sub region are used to provide transportation "value" to the residents of the subregion.</p> |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Partially Agree</p> <p>RTD agreed to consider producing a report illustrating how RTD provides value to subregion residents, as well as to the district and state as a whole, and noted that RTD's integrated transit system and centralized resources cannot be accurately attributed to specific geographic areas to produce reports about specific subregions.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Work in Progress</p> <p>RTD reported that it was not able to provide reports with the level of detail requested about subregions, but was in the process of adding additional enhancements to the financial content on its website to help communicate information about the value provided by RTD.</p> |

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| 12 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Explore Board Structural Modifications Subject to Additional Study and Input |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>The structure of the Board of Directors differs from some peer agencies. The Committee believes a deeper exploration should be pursued after Subregional Councils are implemented. The Committee acknowledges a lack of consensus on how the structure of the RTD Board affects the effectiveness of its decision making, neither is there clarity on the existence of a problem with the Board’s structure nor what that problem may be. In addition, the Committee is making a series of recommendations (e.g., Subregional Service Councils) which, if implemented, may impact Board operations. Finally, the RTD Board is proactively making changes to the structure of its Subcommittees and the organization has appointed a new General Manager, both of which present opportunities for modifying the functionality of the Board.</p> <p>When coupled with these changes, the finding that RTD’s Board structure differs from most other transit agencies is not sufficient for developing recommendations, as they simply note areas of differences and commonalities, as opposed to effectiveness. Therefore, it would be premature to develop recommendations for future Board structures and the Committee suggests further study and analysis be completed by an independent body with input from regional stakeholders. Specifically, the Committee recommends the following course of action:</p> <ul style="list-style-type: none"> • Following a reasonable period of time for the Committee recommendations to be implemented and results seen (e.g., two years), investigate the effectiveness of RTD’s Board structure. In partnership with regional stakeholders, evaluate the historical context of RTD’s Board structure, define Board effectiveness, success and efficiency, and evaluate past Boards’ records for meeting these criteria. Determine whether and where problem(s) exists, and if so, develop a problem statement and recommended solution. If a problem does not exist or inefficiencies are not found, the RTD Board structure should remain unchanged. • Where problems are identified or in instances where the Board could be operating more efficiently, conduct a deep and thorough study of RTD’s Board structure in comparison with peer transit agencies and other agencies within the region. Further examine the findings in this assessment and develop an understanding of the impacts of the implementation of any Committee recommendations. • Based on the findings of the study, determine if a new Board structure would better serve both RTD and the region’s constituents. If so, outline a new Board structure, including roles and responsibilities, and revise the by-laws if necessary. |
| | RTD’s August 2021 Response to the RTD Accountability Committee Report and OSA’s Summary of RTD’s Narrative Response | <p>Agree</p> <p>Given the Accountability Committee report’s call for further study and analysis by an independent body with input from regional stakeholders, it was not clear that there were direct action items for RTD related to this recommendation until such independent study was completed. RTD stated that it would work toward implementing Accountability Committee recommendations and measure agency performance via its strategic plan.</p> |
| | OSA’s Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Work in Progress</p> <p>RTD reported the following efforts to increase Board efficiency:</p> <p>The RTD Board amended its bylaws to adjust its standing committee structure to allow directors to develop familiarity with and focus on one or more areas of interest or experience. The Board amended its bylaws to create an Independent Audit Committee and adopted corresponding charters to establish standard operating procedures and retained a firm to perform internal audit services.</p> <p>The recommendation calls for implementation of the Accountability Committee recommendations before further study of the Board’s effectiveness, so RTD’s completion of its work to implement the other recommendations is needed for this recommendation be implemented.</p> |

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| 13 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Explore FasTracks Options |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>The four unfinished FasTracks corridors, Northwest Rail in particular, pose significant financial and operating challenge for RTD. These recommendations provide opportunities to explore achievable options while continuing to keep commitments to voters.</p> <ol style="list-style-type: none"> 1. The Committee supports the Northwest Rail alignment for the Front Range Passenger Rail (FRPR) corridor and recommends RTD pursue all reasonable partnership opportunities with the FRPR project. <p>This route not only appears to provide significant benefits for the FRPR project but also offers an opportunity to leverage investments and services to support Northwest Rail.</p> |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Partially Agree</p> <p>RTD agreed to explore all viable avenues for the completion of the unfinished FasTracks corridors and pursue all reasonable partnership opportunities with the FRPR project. RTD noted that there were pros and cons of two FRPR alignments that affect RTD's Northwest Rail and North Metro projects.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Work in Progress</p> <p>RTD reported that it was collaborating with external stakeholders related to FRPR consistent with its 2021 Cooperation Agreement, and that it began the Northwest Rail Peak Service Study in April 2022; the study and subsequent discussions on the study were expected to be completed in December 2024.</p> |
| 14 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Explore FasTracks Options |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <ol style="list-style-type: none"> 2. RTD should work with local jurisdictions and DRCOG to explore opportunities for transit-oriented development and other strategies to increase projected ridership on the unfinished corridors. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Agree</p> <p>RTD agreed to continue to work with DRCOG and jurisdictions on local planning efforts around stations to encourage development in the vicinity of the unfinished corridors. RTD noted that it did not have land use authority and could only encourage transit supportive land use policy.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Implemented</p> <p>RTD reported that it continued its collaboration with local planners to encourage development along existing and future rail corridors, including through multiple examples of RTD collaborating with localities on transit oriented development on unfinished corridors.</p> |

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| 15 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Explore FasTracks Options |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | 3. RTD should investigate opportunities to increase non-RTD resources for transit stations including local cost sharing, grants, tax increment financing, or public-private partnerships. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | Agree RTD agreed to continue to work with local jurisdictions and others to pursue non-RTD resources for project implementation and ongoing operations and maintenance. |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | Work in Progress RTD reported that its Northwest Rail Peak Service Study includes identification of potential funding sources; the study and subsequent discussions on the study were expected to be completed in December 2024. In addition, RTD established a working group to identify recommendations for Board consideration to diversify revenue sources, partnerships, fiscal policy enhancements, TABOR revenue growth limitations, and any other policy goals to strengthen fiscal sustainability of the agency; the working group had not yet finished its work. |
| 16 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Explore FasTracks Options |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | 4. RTD should perform a complete and comprehensive analysis of the Northwest Rail project to establish a common set of assumptions (including cost, ridership and timeline), and then engage in a regional discussion about opportunities and alternatives, both near-term and long-term, for the corridor. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | Agree RTD agreed to pursue a study to address feasibility and needs of the Northwest Rail project as outlined in the 2004 FasTracks plan and possible integration with Front Range Passenger Rail. |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | Work in Progress RTD reported that its Northwest Rail Peak Service Study and subsequent discussions on the study were expected to be completed in December 2024. |

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| 17 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Explore FasTracks Options |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>5. RTD should work with CDOT and DRCOG to implement Bus Rapid Transit (BRT) projects in the northwest region, beginning with SH 119, as identified in the Northwest Area Mobility Study (NAMS) and the DRCOG 2050 Regional Transportation Plan.</p> <p>In any scenario, RTD needs to pay down its debt before it can build and operate Northwest Rail. In the interim, RTD should negotiate with the communities of the Northwest Corridor on how to provide more immediate mobility to the region, such as accelerating expansion of Bus Rapid Transit (BRT), while continuing to evaluate Northwest Rail options.</p> |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Agree</p> <p>RTD agreed to continue working with CDOT on the design of Bus Rapid Transit for SH 119, and noted that it had committed \$30 million for the project.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Work in Progress</p> <p>RTD reported that the SH 119 Bus Rapid Transit project was in progress, and RTD was also actively engaged in two other Bus Rapid Transit projects outside of the northwest region, on Federal Boulevard and East Colfax Avenue.</p> |
| 18 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Improve Reporting Metrics and Transparency |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>RTD should take steps to provide prominent, accessible and easy-to-understand financial and performance information for the public, stakeholders, partners, and elected officials.</p> <p>1. Service Performance: Operational Effectiveness</p> <ul style="list-style-type: none"> Increase ridership <ul style="list-style-type: none"> • Percent boarding change by mode Provide dependable service <ul style="list-style-type: none"> • Percent of on-time performance by mode • Percent of employee vacancies Ensure fleet reliability <ul style="list-style-type: none"> • Percent of vehicles over their useful life |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Agree</p> <p>RTD noted the ways in which it tracked the recommended data points and agreed to leverage the information for a public-facing web portal to showcase RTD's progress in these areas.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Work in Progress</p> <p>RTD reported that it was working on a dashboard to present these metrics on its website in a prominent, accessible and easy-to-understand manner.</p> |

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| 19 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Improve Reporting Metrics and Transparency |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | 2. Service Performance: Operational Efficiency Efficiently manage finances <ul style="list-style-type: none"> • Operating cost recovery ratio • Percent change in fare revenue • Percentage of cost per mile as compared to peer agencies Achieve outstanding financial performance <ul style="list-style-type: none"> • Bond Rating |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | Partially Agree RTD noted the ways in which it tracked, or planned to track, the recommended data points, and noted a specific effort to develop a cost-per-mile model that would allow it to compare cost per mile to peer agencies, expected to be completed in 2022. |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | Work in Progress RTD reported that it was tracking three of the recommended metrics and was working on a dashboard to present these metrics on its website in a prominent, accessible, and easy-to-understand manner. However, RTD was not tracking the percentage of cost per mile efficiency as compared to peer agencies because, as RTD reported, the data are not comparable across agencies given differences in operations, services, and hours. |
| 20 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Improve Reporting Metrics and Transparency |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | 3. Service Performance: Customer Experience Provide an excellent rider experience <ul style="list-style-type: none"> • Percent of time passengers are in crowded conditions • Average facility and vehicle cleanliness complaints per month • Overall customer satisfaction and/or net promoter score Engage with customers <ul style="list-style-type: none"> • Call answer rate efficiency (in seconds) • Average time to resolve customer issues |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | Agree RTD noted the ways in which it tracked, or planned to track, the recommended data points, and noted that data on crowding was not available for 100% of the vehicle fleet. |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | Work in Progress RTD reported that it was tracking all the metrics discussed in the recommendation and was working on a dashboard to present these metrics on its website in a prominent, accessible and easy-to-understand manner. RTD also reported that real-time data on vehicle crowding was currently in internal beta testing for fixed-route buses, and would be published in RTD's website trip planner; RTD had no estimate for when crowding information will be available for rail. |

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| 21 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Improve Reporting Metrics and Transparency |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>4. Service Performance: Community Engagement</p> <p>At this time, metrics capturing the success of community engagement are not proposed. While the Committee prioritized this metric area, there are insufficient peer examples from which to draw. Below is a list of stretch metrics that may be considered at a later time when there is a better understanding of what success would look like and/or data becomes available:</p> <ul style="list-style-type: none"> • Positive contribution to the region • Percent increase in positive public impressions (multi-media) • Number of successful partnerships |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Agree</p> <p>RTD noted planned activities to enhance community and stakeholder engagement and related measures.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Work in Progress</p> <p>RTD reported that it was tracking and reporting two of the three recommended stretch measures, and was considering whether to track and report the percent increase in positive public impressions.</p> |
| 22 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Improve Reporting Metrics and Transparency |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>5. Service Performance: Equity & Accessibility</p> <p>Serve all populations</p> <ul style="list-style-type: none"> • FTA Title VI Triennial review compliance • Percent of customers indicating service frequency meets their needs <p>Serve all customers</p> <ul style="list-style-type: none"> • Adherence to ADA zero denials request mandate • Average ADA complaints per boarding • Equity & Accessibility Stretch Metrics |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Partially Agree</p> <p>RTD agreed to evaluate and consider each of the recommended metrics for reporting purposes as the RTD Strategic Plan is implemented, consistent with the identified success outcomes and metrics.</p> |
| | OSA's analysis implementation of recommendations based on review supporting documentation as of March 2024 | <p>Work in Progress</p> <p>RTD reported it was tracking the metrics mentioned in this recommendation and was working on a dashboard to present these metrics on its website in a prominent, accessible and easy-to-understand manner.</p> |

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| 23 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Improve Reporting Metrics and Transparency |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | 6. Service Performance: Environmental Impact Protect the environment <ul style="list-style-type: none"> • Percent increase of low emission vehicles in fleet |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | Partially Agree RTD agreed to evaluate and consider each of the recommended metrics for reporting purposes as the RTD strategic plan is implemented, consistent with the identified strategic priorities, success outcomes and metrics. |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | Work in Progress RTD reported that it was in a transition period in terms of its low emission vehicles and therefore, it did not capture any data on the metric related to percent increase of low emission vehicles in fleet. |
| 24 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Improve Reporting Metrics and Transparency |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | 7. Service Performance: Safety Operate a safe system <ul style="list-style-type: none"> • Number of preventable accidents per 100,000 miles • Number of signal violations Keep employees safe <ul style="list-style-type: none"> • Number of reported employee equipment accidents Keep the system secure <ul style="list-style-type: none"> • Offenses per 100,000 riders • Average response time to emergency dispatch calls |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | Agree RTD agreed to implement these performance reports. |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | Work in Progress RTD reported it was tracking and reporting three of the five metrics mentioned in this recommendation. For the two metrics related to keeping the system secure, RTD reported that it was tracking and reporting alternative metrics. RTD also reported it was working on a dashboard to present metrics on its website in a prominent, accessible and easy-to-understand manner. |

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| 25 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Improve Reporting Metrics and Transparency |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>1. Financial Reporting: Provide a simplified version of financial budget information that includes a simple one-page budget document that is more accessible to the general public and easy to follow. Consider use of public focus groups to help craft content and format.</p> <p>Currently, RTD's website provides a great deal of financial information that is challenging to sift through and understand. While this amount of detailed financial information may be useful in some situations and should remain available for the public, RTD should create and update quarterly the following:</p> <ul style="list-style-type: none"> • A basic budget document (ideally in a one-sheet format). This should be a high-level summary document that contains revenues and expenses by category in relation to the current adopted budget. • Capital project schedule and expenditure information updated at least quarterly. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Agree</p> <p>RTD agreed to develop the information outlined in the recommendation to be presented in a more user-friendly dashboard format that also reflects key measurements, tracking success outcomes in relation to RTD's strategic direction.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Work in Progress</p> <p>RTD reported it was working to implement enhancements to the budgeting and financial planning process during 2024 and incorporate information from this recommendation on the Financials page of its website to enhance consistency and easy-to-find information.</p> |

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| 26 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Improve Reporting Metrics and Transparency |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>2. Financial Reporting: Provide explanatory information on RTD’s budget and the process it uses to form and finalize this budget.</p> <p>Even in a basic format, financial information can be difficult to interpret. By supplementing the above recommendation with a high-level summary “translation” of the budget in easily understood language, RTD can help improve the layperson’s grasp of the information. Alternative formats, such as videos, also provide viable options. A layperson's overview of the budget itself would be useful, including available revenue streams, primary expense categories, and defining terminology such as "Base System" and "Farebox Revenue." This is also an opportunity to explain the fact that fares do not cover the full cost of a ride, which is a common misperception. RTD should provide the following:</p> <ul style="list-style-type: none"> • A description of the budget adoption process and the role of the Board of Directors. • A description of how the budget aligns with RTD's mission and performance objectives. |
| | RTD’s August 2021 Response to the RTD Accountability Committee Report and OSA’s Summary of RTD’s Narrative Response | <p>Agree</p> <p>RTD agreed to develop the information outlined in the recommendation to be presented in a more user-friendly dashboard format that also reflects key measurements, tracking success outcomes in relation to RTD’s strategic direction.</p> |
| | OSA’s Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Work in Progress</p> <p>RTD reported it was working to implement enhancements to the budgeting and financial planning process during 2024 and incorporate information from this recommendation on the Financials page of its website to enhance consistency and easy-to-find information. In addition, RTD convened a Revenue Diversification Working Group that will be posting additional information on the RTD website regarding funding sources and challenges.</p> |

Resource Prioritization Review & Financial Stability

| Rec # | | |
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| 27 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Improve Reporting Metrics and Transparency |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>3. Financial Reporting: Include financial information on FasTracks that is easy to follow.</p> <p>Given the public interest in and scrutiny of the FasTracks program, RTD can improve upon the availability of public access to up-to-date financial information by enhancing its well-developed FasTracks website to provide this data. The updated information should describe the FasTracks Internal Savings Account (FISA), how it is used, and any additional resources that help stakeholders and the public understand the status of FasTracks projects. In developing this content, RTD should be mindful of public awareness when using undefined terms such as "FasTracks," "Base System," etc.</p> |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Partially Agree</p> <p>RTD agreed to continue to update specific information about FasTracks as warranted, and noted that it intended to disabuse the notion that its base system and FasTracks are separate or have competing interests; rather, the integrated transit system will continue to provide excellence for the entire RTD family of services.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Work in Progress</p> <p>RTD reported it was working to implement enhancements to the budgeting and financial planning process during 2024 and incorporate information from this recommendation on the Financials page of its website to enhance consistency and easy-to-find information.</p> |
| 28 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Improve Reporting Metrics and Transparency |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>4. Financial Reporting: Provide a long-term vision for the use of federal stimulus funds as they continue to flow.</p> <p>To date, federal stimulus money received by RTD from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) has totaled over \$430 million. The Agency is also expected to receive a third allotment from the most recent stimulus package. RTD should provide a quarterly report with a full accounting on the use of these funds as well as share its priorities for the third allotment, especially as these funds exceed what is needed to cover base operations (including personnel costs). Materials should explain restrictions on stimulus dollars (what they can and cannot be used for) and should provide, where relevant, a connection to the Committee's recommendations regarding the use of additional federal relief funds.</p> |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Partially Agree</p> <p>RTD agreed to continue to provide transparent reporting regarding the intended use and actual grant draws of COVID-19 relief funding, and noted that the funding was not "stimulus" funding and was not new money available for new initiatives; rather, it was relief funding provided in response to the significant declines in ridership and revenues experienced from COVID-19 with the intent to sustain vital public transit services.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Implemented</p> <p>RTD reported that it provided updates on the use of the COVID-19 relief funding in its monthly Board briefing documents, which were publicly available.</p> |

Improve Service to All Riders

| Rec # | | |
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| 29 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Improve Fixed-route and Paratransit Service Provision |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>The Committee recommends the following actions to improve fixed-route and paratransit service provision:</p> <ol style="list-style-type: none"> 1. Accessibility + Infrastructure <p>Improve accessibility at light rail and fixed-route stops. Proposed solutions include:</p> <ul style="list-style-type: none"> • Zero-stair entrance at transit stations. • Standardize wayfinding signage and directional grooved pavement, ensuring some level of consistency across similarly designed stations to ensure people who are blind can navigate transit stations. • Improve audio announcement systems to assist those in the blind community. • Identify a list of accessibility improvements with disability and mobility advocates and seek funding to implement these projects, including federal infrastructure dollars as they become available. • Using existing survey data, work in partnership with municipalities to standardize and improve bus stop placement to ensure greater accessibility. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Agree/Partially Agree (RTD indicated both)</p> <p>RTD agreed to advance the effort of providing zero-stair entrances at transit stations using Safer Main Streets grant funds it received from the Colorado Department of Transportation. RTD also agreed to reevaluate the wayfinding signage criteria for the visually impaired communities, conduct community outreach to reevaluate whether visually impaired communities have a strong preference for any particular solution and to understand their pain points and issues, and continue to check if any existing systems on vehicles and within public facilities are not operating as designed. RTD noted that desired improvements can vary in scope, complexity, and time to implement, along with associated financial implications.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Work in Progress</p> <p>RTD reported that efforts were underway to codify current bus stop infrastructure and accessibility levels and a grant-funded study was slated for 2024.</p> |

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| 30 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Improve Fixed-Route and Paratransit Service Provision |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>2. Multimodal Transportation</p> <p>Work with micro-mobility partners and municipalities to ensure transit stations have diverse mobility options (e-bikes, scooters and other multi-modal devices including 3- and 4-wheel for people with mobility issues) to provide customers the last-mile connection.</p> |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Agree</p> <p>RTD agreed to continue to actively work with micro mobility partners and municipalities to improve first- and last-mile connections to RTD facilities and noted some projects already completed or in progress.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Implemented</p> <p>RTD reported that through its new Call for Projects Partnership Program, it targeted funding of micro-mobility projects from local jurisdictions and was funding multiple projects such as Smart Commutes e-Bike expansion.</p> |
| 31 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Improve Fixed-Route and Paratransit Service Provision |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>3. Service Delivery</p> <ul style="list-style-type: none"> As Reimagine RTD continues its work, have this advisory body focus its redesign efforts on prioritizing the travel needs of frequent transit users, including bus rapid transit. Work in coordination with municipalities and anchor institutions to coordinate land use and transportation planning to ensure a comprehensive network of transit-only lanes on major routes and equitable transit-oriented developments. Support limited access for pick-up by on-demand services like Taxi, Uber, Lyft and others that are providing transportation for those with disabilities. Designated areas at the station would help provide a seamless connection for transit riders. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Agree</p> <p>RTD agreed to continue to work to serve the travel needs of all its customers, including those with different needs and abilities; continue to work with municipalities to pursue transit-only lanes on major routes; assess the feasibility of designated spaces for pick-up and on-demand services; and evaluate access to pick-up and on-demand services for individuals with disabilities.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Implemented</p> <p>RTD reported it evaluated current service compared to the needs of riders in these areas as part of its <i>System Optimization Plan</i>, adopted by the RTD Board in July 2022.</p> |

Improve Service to All Riders

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| 32 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Leverage Partnerships for Resources and Services |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | Partnerships with local governments, non-profits, business, and institutions offer opportunities to leverage and expand RTD resources and services. 1. Leverage existing and new partnerships to improve service efficiency and grow ridership. RTD should emphasize partnerships with local governments, anchor institutions, transportation management organizations (TMOs) and employers or employment centers who have a unique understanding of local mobility needs. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | Agree RTD agreed to continue to bolster and build partnerships and noted its efforts to develop a clear and streamlined process by which local governments, anchor institutions, transportation management organizations, non-profits, and others can submit partnership requests. |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | Implemented RTD reported that it implemented its Call for Projects Partnership Program, which allowed local governments and transportation management associations/organizations to apply for RTD funding to provide solutions that meet a community's mobility needs. |
| 33 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Leverage Partnerships for Resources and Services |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | 2. Incentivize communities to enter cost-sharing arrangements with RTD to provide new or existing local transit solutions in an effort to minimize service gaps and increase ridership. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | Partially Agree RTD agreed to continue to foster collaborative efforts to improve access to transit service throughout the district and noted it supported partnerships that use grant or local funds to expand service to customers and communities without negative impacts to existing service and that it was more common that RTD fully fund and operate service in cooperation with groups that are not local governments, non-profits, business, and institutions. |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | Implemented RTD reported that it developed a new partnership program, which allowed local governments and transportation management associations/organizations to apply for RTD funding to provide solutions that meet a community's mobility needs; cost-sharing was included as a requirement to participate in the Call for Projects Partnership Program. |

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| 34 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Leverage Partnerships for Resources and Services |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>3. Explore opportunities to provide cost-effective local transportation services through collaboration with existing mobility service providers (e.g., Via, Uber, Lyft) in areas where traditional fixed-route service may not be the most appropriate mobility solution.</p> <p>Also, explore opportunities to contract with other third-party providers that may specialize in a particular service (e.g., paratransit) at a reduced cost.</p> |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Agree</p> <p>RTD agreed to continue to explore collaboration opportunities with current and new third-party service providers, and noted several efforts that were underway.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Work in Progress</p> <p>RTD reported that it was continuing to assess opportunities to issue a solicitation for qualified transportation network companies to provide service, under a contract similar in nature to that recently issued for paratransit services.</p> |
| 35 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Leverage Partnerships for Resources and Services |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | <p>4. As more federal relief funds become available, expand these partnership opportunities to improve service efficiency.</p> |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | <p>Partially Agree</p> <p>RTD supported this recommendation in concept, and agreed to work to identify opportunities to increase efficiency. RTD noted that direct disbursement of federal relief funding for these purposes would be impermissible.</p> |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | <p>Implemented</p> <p>RTD reported that it expanded the number of subcontractors from two to six as part of paratransit non-dedicated (i.e., provided by vehicles not owned by RTD) services; these included both taxi and non-emergency medical transportation (NEMT) providers and noted that this partnership solution was not contingent on increased federal funds but did increase operational efficiencies by making ambulatory vehicles available, thereby enhancing productivity and on-time performance at lower costs than services provided by larger vehicles owned by RTD.</p> |

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| 36 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Leverage Partnerships for Resources and Services |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | 5. Consider developing a competitive Innovation Grant program to drive bold ideas to increasing ridership. Recipients would receive funds to dive deeper into project concepts and implementation, creating models of innovation for the entire service area. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | Agree RTD agreed to explore a framework for incenting innovative projects that increase ridership related to first- and last-mile and local transit service enhancements. |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | Implemented RTD reported that it implemented this recommendation through the creation of its Call for Projects Partnership Program to identify and fund innovative projects to provide solutions that meet a community's mobility needs. |
| 37 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Leverage Partnerships for Resources and Services |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | 6. Encourage RTD's public-facing dashboard to include a component that highlights existing private and public partnerships. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | Agree RTD agreed to provide public-facing information highlighting its partnerships. |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | Implemented RTD reported that it implemented this recommendation; RTD provided information on its website highlighting its partnerships. |
| 38 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Leverage Partnerships for Resources and Services |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | 7. Regularly evaluate the success of existing partnerships by predetermined metrics and "re-scope" relationships to ensure maximum benefit. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | Partially Agree RTD agreed to continue to evaluate and amend existing relationships where warranted and allowed, and noted that it is limited in its ability to modify existing contractual relationships. RTD also noted that it was developing a new process for evaluating existing partnerships and new partnership requests. |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | Work in Progress RTD reported that it implemented its Call for Projects Partnership Program, and intended to still gather information to evaluate the program. |

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| 39 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Leverage Partnerships for Resources and Services |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | 8. RTD should pilot First/Last mile projects such as the First/Last Mile RTD FreeLift Loop partnerships to build ridership, especially among disadvantaged communities. FreeLift pilots would serve communities more than a mile from rail stations and be available only to RTD pass holders. The service would be operated in partnership with TNCs or nonprofits such as Via Mobility Services and pick up passengers at designated stops along a designated loop route. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | Agree RTD agreed to look at additional pilots related to first- and last-mile solutions and noted its previous efforts in this area. |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | Work in Progress RTD reported that it implemented its Call for Projects Partnership Program, which targets innovative projects that address first/last mile connections and gaps in RTD service across RTD's service area. Based on RTD's website, RTD has started a project on "First Mile Last Mile Strategy." However, based on all of the information RTD has provided, it has not yet completed a pilot study regarding any first and last mile projects. |
| 40 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Simplify Fares and Pass Programs |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | RTD's fare structure and pass programs are complex and can be difficult to navigate. Also, RTD fares are some of the highest in the country. The Committee recommends simplifying fares and pass programs and making them more affordable to improve the customer experience and increase ridership: 1. Consolidate all discounts into a free (or at least highly discounted) fare that would cover equity populations (youth, senior, disabled, and low-income). <ul style="list-style-type: none">Recognizing the potential barriers to free fares, the Committee recommends consolidating fares as single 50% discount.RTD should explore increasing the eligible age categories for free fares up to middle school or even high school aged youth. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | Disagree RTD stated that rather than separately addressing its discounted fare programs, it was undertaking a first-of-its-kind system wide fare study and equity analysis consistent with Title VI of the Civil Rights Act of 1964 and guidance from the Federal Transit Administration. It noted that part of this endeavor was to assess RTD's fare structure and pass programs and that it would explore the recommendation to increase the LiVE Program discount to 50%. |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | Implemented Even though RTD disagreed with this recommendation, it ultimately implemented elements of this recommendation related to simplifying fares and pass programs and making them more affordable with its fare restructuring, effective January 2024 (e.g., single discount fare, zero fare for youth pilot program for youth 19 and under). |

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| <p>41</p> | <p>Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report</p> <p>Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language)</p> | <p>Simplify Fares and Pass Programs</p> <p>2. Identify strategies to simplify pass structures.</p> <p>Implement a “family plan” benefit for all RTD pass-holders, where an adult can purchase fare media using one smart card for their multiple individuals. Standardize existing group pass programs (EcoPass, NEcoPass, College Pass) into one brand, EcoPass, which is deeply discounted and focused on incentivizing use.</p> <ul style="list-style-type: none"> • Explore a “pay as you go” pass with fare capping/accumulators. • Make EcoPass available to every employee in the district (~1.5 million) through a monthly, per employee transportation fee assessed on employers. • Explore the implementation of a recurrent “membership” model. <p>Incentivize individuals and organizations to purchase passes in bulk by:</p> <ul style="list-style-type: none"> • Providing discounts for bulk purchases. • Enabling contributions to mobile wallets from multiple entities: both the employee/resident, and from employers/governments/non-profits, allowing employers to match contributions directly on the pass media of the employees. <p>Explore a “connect card” that allows riders to use transit fare across various entities (for example: CDOT’s Bustang, and microtransit/mobility options).</p> <p>Replicate pass types on the mobile platform with fare capping/accumulators (e.g., if you purchase fare amounts that add up to a day/monthly pass, your fare is automatically converted as opposed to over paying).</p> |
| | <p>RTD’s August 2021 Response to the RTD Accountability Committee Report and OSA’s Summary of RTD’s Narrative Response</p> | <p>Partially Agree</p> <p>RTD agreed to consider these fare program recommendations in connection with its system wide fare study and equity analysis. RTD also noted that its mobile ticketing vendor was assessing the feasibility of a mobile wallet feature; it was awarded a grant to update the Transit app to allow customers in a single transaction to plan, book, and pay for an RTD ticket and a CDOT Bustang ticket, and to unlock and book a scooter; and it was implementing a new fare collection system that would include fare capping starting in 2022 as described in the recommendation.</p> |
| | <p>OSA’s Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024</p> | <p>Implemented</p> <p>RTD reported that it adopted recommendations culminating from its Systemwide Fare Study and Equity Analysis, which implemented several of the items from this recommendation, including a simplified EcoPass program structure and guaranteed pricing for multiple years, and a bulk purchase discount of 10% for all fare types.</p> |

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| 42 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Simplify Fares and Pass Programs |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | 3. Convene community, business and anchor institutions (hospitals, universities, school districts) utilizing passes on a regular basis to determine updates to the agreements. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | Partially Agree RTD agreed to evaluate ways to enhance engagement with pass program clients and stakeholders, including considering increasing the consistency and frequency of meetings to promote collaboration with and receive feedback from pass program customers. RTD noted that it held meetings and workshops with pass program clients throughout the year and reviewed pass program contracts annually. |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | Implemented RTD reported that it solicited feedback on pass programs and conducted a pass program feedback panel, which informed program updates. |
| 43 | Area of Recommendation(s) from the July 2021 RTD Accountability Committee Report | Simplify Fares and Pass Programs |
| | Recommendation Detail from the July 2021 RTD Accountability Committee Report (quoted language) | 4. Implement equity in fare evasion enforcement. The fine for fare evasion on RTD services is \$75 and is set by state statute. Given that fare evasion and illegal parking are similar offenses, this raises some equity concerns that transit riders pay higher fines than car drivers. State lawmakers and RTD should explore legislation to address this inequity and assure comparable fine levels for fare evasion and parking violations. |
| | RTD's August 2021 Response to the RTD Accountability Committee Report and OSA's Summary of RTD's Narrative Response | Partially Agree RTD agreed to consider the \$75 fare evasion fine as it sets future penalties for failure to pay a parking fee, and to explore opportunities to better understand customer fare evasion practices and to examine proof of payment outcomes with a focus on equity. RTD noted that it does not have authority to set fines for fare evasion, since they are set in statute. |
| | OSA's Analysis of the Implementation Status Based on Review of Supporting Documentation as of March 2024 | Work in Progress RTD reported that it was in the process of creating a full-fledged police department (RTD-PD), as part of implementing the recommendations of a peer review panel convened at RTD's request by the American Public Transportation Association in 2021. As part of an intentional and phased internal growth strategy, the agency was scaling up the number of POST-certified officers directly employed by the agency, with a corresponding decrease over time in the reliance on contracted security personnel, with expanded day-to-day operations such as for positive engagement with the community and crime reduction. The RTD-PD is charged with enforcing RTD's Code of Conduct, which has prohibitions on fare evasion. |

Source: Office of the State Auditor analysis of the *RTD Accountability Committee Final Report*, July 2021; the Regional Transportation District's (RTD's) responses to the recommendations from August 2021, and updates provided by RTD to the Office of the State Auditor as of March 2024.



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