

RTD Finance Courses

- **Building a Budget**
- **Managing a Budget**
- **Planning**

Objectives of the courses

- Provide an orientation to transit finance
- Define RTD budget/finance terms
- Provide budget calendar and timing of various steps in the budget process
- Instruct how to develop a budget based on price and volume information
- Instruct how to manage to an approved budget and how to address budget issues
- Provide insight into the mid-term planning process

Building a Budget

- Evaluate each budget line to prioritize “needs” over “wants”
 - This is necessary in the event you are asked to reduce your budget during the review process
 - This can be accomplished by asking yourself the following questions:
- What are the things/activities that **must** be included?
 - Compliance or regulatory activities
 - Board policy related purchases or activities
 - Political related purchases or activities
- What are the things/activities that you would **like** to include?
- Is the item/activity considered “mission critical” or “nice to have”?

Building a Budget (continued)

- Review of prior years and current year actual expenditures
 - Identify trends (volume and/or price)
- Project future year amounts, volume and/or price

Building a Budget (continued)

- Budget what you need in a budget line, not what you need plus some extra “just in case”
- Why use this method to budget?

	2017 Budget	2017 Actual	Variance
Total Operating Expenses	\$676,967,886	\$600,018,744	\$76,949,142
One-Time Expenses	\$72,804,095	\$17,889,555	\$54,914,540
On-Going Expenses	\$604,163,790	\$582,129,180	\$22,034,602

- A significant variance means we are setting aside unused funds that could be utilized elsewhere

Poll Question

How much do you work with the Budget Office of your agency?

1. A lot – I develop and manage the budget for my department
2. Some – I submit budget requests
3. A little – I am held to my own budget but am not very involved in the development process
4. Not if I can help it

My budget is in place, now what?

- The budget is a plan, things don't always happen as planned
 - Variances will occur
 - Managers should not plan for variances
- What should you do if you experience a variance or see one coming?
 - Determine if there is something you can do about it
 - Determine if it is a trend or a one-time occurrence
 - Estimate what the variance will be at the end of the year
 - Work with your Budget Analyst or the Budget Office to identify funds in the department to cover the variance
 - See if it is possible to fund in the Amended Budget

Building a Budget

Year	Cost per Unit	Budget	Actual	Units
2015	\$28.00	\$100,000	\$87,360	3,120
2016	\$29.12	\$100,000	\$95,397	3,276
2017	\$30.28	\$50,000	\$52,236	3,450
2018	\$31.49	\$114,088		3,623

Managing a Budget, Budget vs. Actual

Analyze your budget vs. actuals to identify any issues and any accounts you need to monitor closely

Period	Cost per Unit	Budget	Actual	Variance
YTD 03/18	\$31.49	\$28,525	\$26,767	\$1,758

Period	Cost per Unit	Budget	Actual	Variance
YTD 06/18	\$31.49	\$57,050	\$51,959	\$5,091

Managing a Budget, Budget vs. Actual

Analyze your budget vs. actuals to identify any issues and any accounts you need to monitor closely

Period	Cost per Unit	Budget	Actual	Variance
YTD 03/18	\$31.49	\$28,525	\$36,213	\$(7,688)

Period	Cost per Unit	Budget	Actual	Variance
YTD 06/18	\$31.49	\$57,050	\$73,372	\$(16,322)

Understanding your variances, price and volume analysis

- This analysis will help you understand why you have a variance

Price Variance

$(\text{Actual Cost} - \text{Budgeted Cost}) \times \text{Actual Quantity}$

Volume Variance

$(\text{Actual Quantity} - \text{Budgeted Quantity}) \times \text{Budgeted Price}$

Understanding your variances, price and volume analysis

- These calculations will tell you how much of your variance is due to changes in price and how much is due to changes in volume

Period	Unit Cost	Budget	Units
YTD 06/18	\$52.60	\$692,321	13,162

Period	Unit Cost	Budget	Actual	Variance	Units
YTD 06/18	\$52.78	\$692,321	\$803,312	\$(110,991)	15,220

Understanding your variances, price and volume analysis

Period	Unit Cost	Budget	Units
YTD 06/18	\$52.60	\$692,321	13,162

Period	Unit Cost	Budget	Actual	Variance	Units
YTD 06/18	\$52.78	\$692,321	\$803,312	\$(110,991)	15,220

Price Variance

$$(\$52.78 - \$52.60) \times 15,220 = \$0.18 \times 15,220 = \$2,740$$

Volume Variance

$$(15,220 - 13,162) \times \$52.60 = 2,058 \times \$52.60 = \$108,251$$

When do you explain variances?

- The Budget Office is required to perform variance analysis quarterly
- The Variance Analysis Management Directive provides guidance as to what areas need to have explanations provided for variances
- At the department level, any expense category that has a variance of +/- \$100,000 AND +/-10% needs to be explained
- Expense categories: salaries and wages, fringes, materials and supplies, services, insurance, utilities, leases and rentals, other expenses
- The Budget Office will prepare a Budget Variance Report for each department, which has the accounts listed that require an explanation

How do you explain your variances?

- Be prepared to answer the following questions:
 - What happened?
 - Why did it happen?
 - How long has the variance been happening? Does it indicate a trend or is the variance a one-time occurrence?
 - What action, if any, can be taken to reduce the variance?
 - How much of a variance do you anticipate at year-end?
 - What was planned vs. what actually happened?
- Keep in mind that variances will happen, we just want to understand what happened and why

What to do when you have a funding issue

1. Contact the Budget Analyst for your department
 1. They may know of available funds within the department budget
 2. They will prepare a budget transfer if necessary
2. Contact the Budget Office
 1. We will help determine the options available
 2. We will not make a decision for you but offer suggestions and options

What to do when you have a funding issue

1. Transfer funds from within the department
 1. Transfers over \$150,000 require General Manager approval
 2. Transfers over \$250,000 require Board approval
2. Transfer from the GM Unallocated fund or Contingency fund
 1. Consult with the Budget Office first
 2. Requests must be made to the GM through the AGM
 3. Once the Budget Office and GM agree that the request is appropriate for the Contingency fund, a transfer can be created and submitted to the Budget Office

Poll Question

What best describes your understanding of budgeting at your agency?

1. I get it – I know where the numbers come from
2. I understand there are financial constraints and competing priorities but that's about it
3. It is a mystery

Purpose of mid-term planning

- Provides overall guidance for service delivery, debt, and capital expenditures
 - 6-year capital and operating plan
 - Forecasts revenue and expenditures
 - Must be balanced over time period
- Provides input for other budgeting efforts
 - Annual budget
 - Long-term financial plan
- Aligns with Board top strategic goals
- Incorporates approved performance measures (KPIs)
- Sets target for development of fund balances

2019-2024 Plan Components

- Fiscal management
 - Requirements to operate per specified performance measures
 - Strategic goals for the General Manager
 - Maintain a balanced budget
- Continued building of reserves
 - Continued contribution to Board-appropriated fund, capital replacement fund, operating reserve fund
 - Goal is sufficient reserves to withstand economic fluctuations
 - 3 months of O&M costs
- Maintain service levels for bus and light rail systems
 - No reductions assumed
- Operations and maintenance of completed projects

Components (continued)

- State of Good Repair of facilities and equipment
- Opportunity for diesel fuel lock
 - Using 2018 average spot price
 - Monitor 2019 futures prices, lock at \$2.30
- Prioritization of capital and expense projects
 - Subject to funding constraints
- Planned fleet expansion/replacement
 - Funded by previously issued debt, grant funds, local (RTD) dollars

Variables

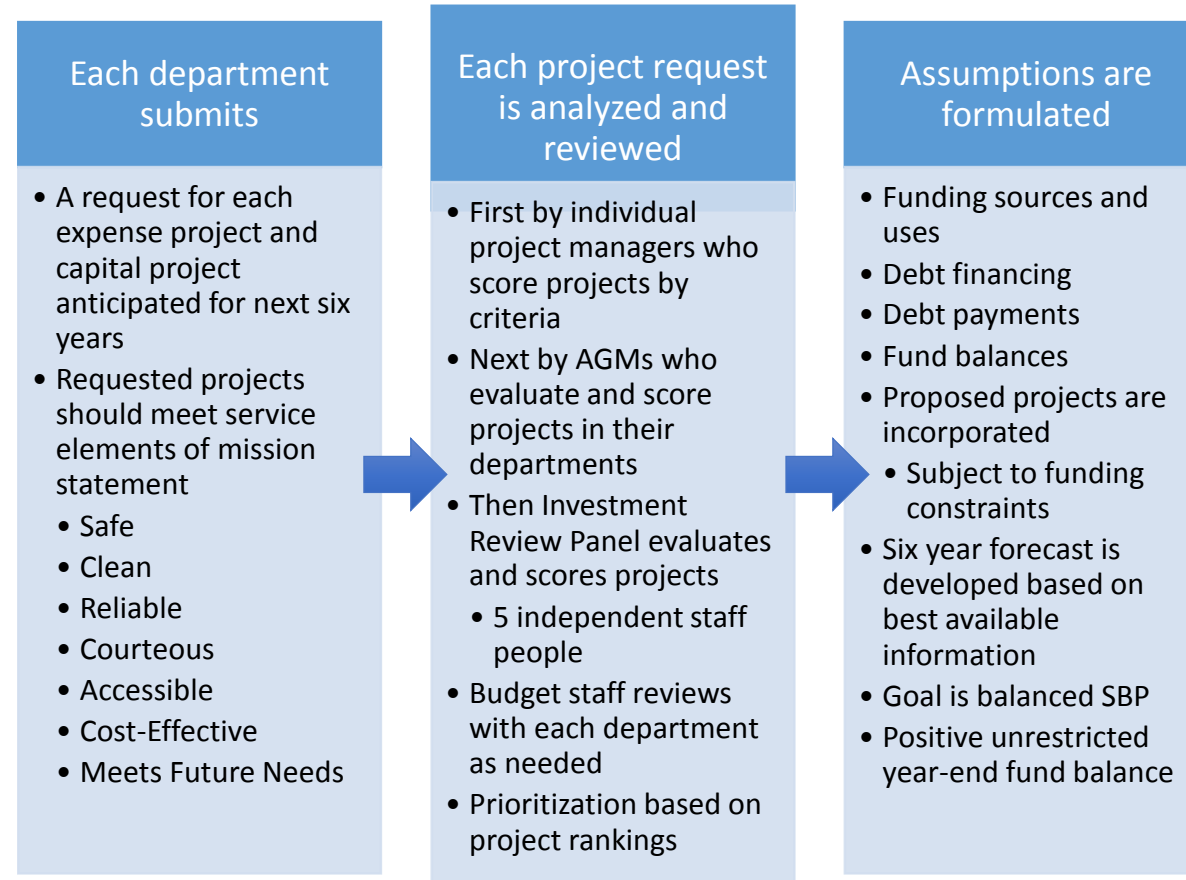
Uncontrollable

- Sales/use tax revenue
- Fuel price volatility
- Inflation rate
- Continued nature of economic growth
- Interest rates on future debt
- Ridership
- Grant revenue/Federal appropriations

Controllable

- Fare rate increases/decreases
- Service levels
- Operating costs/expense projects
- Capital investment in projects
- Fund balance/reserves development

Mid-Term Financial Plan Preparation and Review



2019-2024 MTFP Cash Flow

Regional Transportation District
Mid-Term Financial Plan Cash Flow - Base System
2018-2024 (Rounded Millions)

FINAL							
CU-Leeds Baseline forecast (Mar-18)	4.1%	6.6%	3.8%	4.5%	5.1%	4.4%	4.2%
	Adjusted Amended Budget						
	2018	2019	2020	2021	2022	2023	2024
Revenue and Other Income							
1 Fare Revenue	115.2	125.3	124.4	125.9	135.8	135.8	136.4
2 Sales and Use Tax	373.7	402.3	417.4	436.1	458.4	478.6	498.8
3 Grant Revenue	148.4	96.7	99.73	103.95	109.63	143.67	112.30
4 Other Income	8.3	8.6	8.8	9.0	9.3	9.5	9.8
5 Total Revenue and Other Income	645.7	632.9	650.3	675.0	713.1	767.6	757.2
Adjustment to Balance							
6 Operating Expenses Excluding Depreciation	(408.0)	(418.6)	(430.0)	(441.4)	(452.9)	(463.7)	(476.8)
7 Service Increase	(2.4)	(2.5)	-	-	-	-	-
8 FT Operations Allocation	36.8	44.4	46.6	47.9	49.1	50.4	51.7
9 CBA - Bus/Rail	(130.0)	(135.8)	(143.9)	(147.7)	(151.5)	(155.5)	(159.6)
10 Fuel Expense (diesel + gasoline)	(27.1)	(28.8)	(29.6)	(30.2)	(30.9)	(31.6)	(32.3)
11 Expense Projects (O&M)	(26.6)	(6.5)	(6.4)	(5.5)	(10.5)	(8.6)	(21.8)
12 FT Service Increase	18.4	18.9	19.4	19.9	20.4	20.9	21.5
13 Total Operating Expenses	\$ (539.0)	\$ (528.9)	\$ (543.8)	\$ (557.0)	\$ (576.3)	\$ (588.0)	\$ (617.3)
14 Income Before Interest Income / (Expense)	\$ 106.7	\$ 104.0	\$ 106.5	\$ 118.0	\$ 136.8	\$ 179.6	\$ 139.9
Interest Income / (Expense)							
15 Investment Income	2.2	2.0	1.7	1.5	2.4	2.7	4.3
16 Interest Expense	(21.8)	(19.4)	(16.8)	(14.4)	(13.1)	(11.2)	(9.3)
17 Total Interest Income / (Expense)	\$ (19.6)	\$ (17.4)	\$ (15.1)	\$ (12.8)	\$ (10.7)	\$ (8.4)	\$ (5.0)
18 Change in Net Assets / Income	\$ 87.1	\$ 86.6	\$ 91.4	\$ 105.2	\$ 126.1	\$ 171.2	\$ 134.9
19 Capital Expenditures - minimum	(81.2)	(50.3)	(39.8)	(45.2)	(61.2)	(116.1)	(36.6)
Use of / (Increase to) Funds							
20 Board Appropriated Fund	(3.0)	(3.0)	5.2	4.4	(3.0)	(3.0)	(3.0)
21 Capital Replacement Fund	2.7	-	-	-	(3.0)	(3.0)	(3.0)
22 Unrestricted Operating Reserve	(5.0)	12.8	1.9	-	(21.4)	0.1	(41.1)
23 Transfer to FT	-	-	-	-	-	-	-
24 Total Funds Change	\$ (5.3)	\$ 9.8	\$ 7.1	\$ 4.4	\$ (27.4)	\$ (5.9)	\$ (47.1)
25 Financing Proceeds	-	-	-	-	23.1	-	-
26 Principal Payments	(59.0)	(62.6)	(65.8)	(64.7)	(59.8)	(48.6)	(50.5)
27 Net Increase / (Decrease) to Debt Balance	\$ (59.0)	\$ (62.6)	\$ (65.8)	\$ (64.7)	\$ (36.7)	\$ (48.6)	\$ (50.5)
28 Increase / (Decrease) Fund Balance	\$ (58.4)	\$ (16.5)	\$ (7.1)	\$ (0.3)	\$ 0.8	\$ 0.5	\$ 0.7
29 Beginning Unrestricted Net Assets / Fund Balance	43.1	8.5	2.0	2.0	2.0	2.0	2.0
30 +/- Restricted Reserves + Other Reconciliation	2.0	6.2	(0.4)	0.3	(0.7)	(0.6)	(0.7)
31 Bond Proceeds Used for Capex	21.7	3.8	7.6	-	-	-	-
32 Unrestricted Year-End Fund Balance / (Deficit)	\$ 8.5	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0
33 Cumulative Fund Balance - Board Appropriated Fund	20.4	23.4	18.2	13.8	16.8	19.8	22.8
34 Cumulative Fund Balance - Capital Replacement Fund	0.0	0.0	0.0	0.0	3.0	6.0	9.0
35 Cumulative Fund Balance - Unrestricted Operating Reserve	14.7	1.9	0.0	0.0	21.4	21.3	62.4

2019-2024 MTFP Cash Flow

Regional Transportation District
2018 Midterm Financial Plan Cash Flow - FasTracks
2018-2024 (Rounded Millions)

FINAL

	Forecast 2018	2019	2020	2021	2022	2023	2024	2019-2024 Total
Revenue and Other Sources of Funds								
1 Fare Revenue	\$ 31.6	\$ 38.3	\$ 48.5	\$ 51.2	\$ 57.2	\$ 59.2	\$ 61.6	\$ 316.0
2 Sales and Use Tax	249.1	268.2	278.3	290.8	305.6	319.1	332.5	1,794.5
3 Grant Revenue	268.6	0.9	-	0.3	5.3	5.5	5.6	17.6
4 Local and Third Party Contributions	133.9	17.4	-	-	-	-	-	17.4
5 Other Income	19.0	22.9	21.5	20.3	20.4	21.3	21.0	127.4
6 Bond Proceeds	-	-	-	-	-	-	-	-
7 Base System Funding to FasTracks	-	-	-	-	-	-	-	-
8 Revenue and Other Sources of Funds	\$ 702.2	\$ 347.7	\$ 348.3	\$ 362.6	\$ 388.5	\$ 405.1	\$ 420.8	\$ 2,272.8
Operating Expenses Excluding Depreciation								
9 Corridor Operating Expenses	\$ (103.1)	\$ (141.1)	\$ (158.9)	\$ (145.6)	\$ (150.8)	\$ (157.5)	\$ (177.6)	\$ (931.4)
10 FT Rubber Tire Service Increase	(18.4)	(18.9)	(19.4)	(19.9)	(20.4)	(20.9)	(21.5)	(121.0)
11 FT Expense Projects	(23.5)	(9.7)	(8.2)	(6.9)	(7.0)	(6.8)	(6.8)	(45.4)
12 Total Operating Expenses	\$ (145.0)	\$ (169.6)	\$ (186.4)	\$ (172.4)	\$ (178.3)	\$ (185.2)	\$ (205.9)	\$ (1,097.7)
Capital Expenditures								
13 Initial Expenditures	\$ (511.9)	\$ (93.6)	\$ (10.9)	\$ (0.7)	\$ -	\$ -	\$ -	\$ (105.2)
14 Post-Opening Capital Expenditures	-	(9.6)	(1.7)	(3.2)	(3.3)	(4.0)	(6.1)	(27.9)
15 Total Capital Expenditures	\$ (511.9)	\$ (103.2)	\$ (12.6)	\$ (4.0)	\$ (3.3)	\$ (4.0)	\$ (6.1)	\$ (133.1)
16 Debt Service and Lease Payments	\$ (158.6)	\$ (168.3)	\$ (176.0)	\$ (188.1)	\$ (186.6)	\$ (220.0)	\$ (221.4)	\$ (1,160.3)
17 Change in Net Assets / Income	\$ (113.2)	\$ (93.4)	\$ (26.7)	\$ (1.9)	\$ 20.3	\$ (4.1)	\$ (12.6)	\$ (118.3)
Use of / (Increase to) Funds								
18 Board Appropriated/Capital Replacement/Operating Reserves	\$ 0.7	\$ (10.0)	\$ (4.0)	\$ 3.0	\$ (1.0)	\$ (2.0)	\$ (5.0)	\$ (19.0)
19 TABOR Reserve	1.7	(0.9)	(0.6)	(0.4)	(0.6)	(0.5)	(0.5)	(3.5)
20 Prior Year Financing Proceeds	195.3	14.2	-	-	-	-	-	14.2
21 Other Restricted Reserves	8.4	9.8	-	-	(0.0)	(3.3)	-	6.5
22 FasTracks Management Reserve	-	-	-	-	-	-	-	-
23 FasTracks Internal Savings Account (FISA)	(22.1)	(13.4)	(15.4)	(17.6)	(20.0)	(20.6)	(21.1)	(108.1)
24 Total Funds Change	\$ 184.0	\$ (0.4)	\$ (20.0)	\$ (15.0)	\$ (21.6)	\$ (26.3)	\$ (26.6)	\$ (110.0)
25 Increase / (Decrease) Fund Balance	\$ 70.8	\$ (93.7)	\$ (46.7)	\$ (16.9)	\$ (1.3)	\$ (30.4)	\$ (39.2)	\$ (228.3)
Unrestricted Fund Balance								
26 Beginning Balance	206.6	277.4	183.6	137.0	120.0	118.7	88.3	277.4
27 Year-End Balance / (Deficit)	\$ 277.4	\$ 183.6	\$ 137.0	\$ 120.0	\$ 118.7	\$ 88.3	\$ 49.1	\$ 49.1
Cumulative Fund Balances at Year-End - Restricted								
28 Board Appropriated/Capital Replacement/Operating Reserves	\$ 33.0	\$ 43.0	\$ 47.0	\$ 44.0	\$ 45.0	\$ 47.0	\$ 52.0	\$ 52.0
29 TABOR Reserve	9.0	9.9	10.5	10.9	11.5	12.0	12.5	12.5
30 Prior Year Financing Proceeds	14.2	-	-	-	-	-	-	-
31 Other Restricted Reserves	90.9	81.2	81.2	81.2	81.2	84.5	84.5	84.5
32 FasTracks Management Reserve	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9
33 FasTracks Internal Savings Account (FISA)	71.5	84.9	100.3	117.9	137.9	158.5	179.6	179.6

Mid-Term Financial Plan Issues and Challenges

- Fuel prices/fuel volatility
- Fiscal sustainability issues in 2019+
 - System growth and increased O&M costs
 - State of Good Repair needs
 - Future revenue levels uncertainty
 - Adequate reserve balances
 - Financing capacity, debt service coverage
- Prioritization of requests for capital and expense projects
 - Deferred projects criticality
- Completion of ongoing projects
- Funding of currently unfunded corridors

Poll Question

What is your comfort level with budgeting and finance?

1. I love it, I'm on board
2. I am intrigued and think I could handle it with training
3. I'd rather do anything else



RTD Finance Courses

Questions?