Memorandum

We make lives better through connections.

RTD

To: All Employees

From: Debra A. Johnson, General Manager and CEO

Date: October 6, 2025

Re: **Fiscal Year (FY) 2026 Proposed Budget and Strategic Decisions – Employee Update**

In an effort to continue to be highly communicative, this communique serves as an update to my all-employee email of Tuesday, September 2, 2025. In that email, I shared information regarding the development of the agency's budget for the coming fiscal year, which runs from January 1, 2026, through December 31, 2026.

As you have likely seen in recent media coverage, federal, state, and local governments and private businesses alike are weathering financially challenging times and are having to tighten belts in order to ensure long-term sustainability. RTD is no different in that respect, and the FY 2026 Proposed Budget (Proposed Budget) reflects the circumstances in which we collectively find ourselves.

Budget Update

Please know that every effort is being made to ensure the Proposed Budget aligns with the three criteria I initially shared on September 2:

1) Minimize impacts to transit service delivery
2) Retain the people who comprise this agency
3) Support RTD's Strategic Plan

As it currently stands, the Proposed Budget meets all of these criteria. However, 2026 expenditure requirements exceed forecasted revenue. Further, by law, RTD must adopt a balanced budget each year, in which operating expenses cannot be greater than the total revenue received.

To solve this gap, many tough decisions have been made. Over several months, the Finance Department and agency leaders have carefully reviewed departmental budgets and identified numerous potential cost-saving measures that have since been incorporated into the Proposed Budget. Many new funding requests have been deferred, pending projects have been postponed, and existing projects and expenses have been reconsidered to ensure that they are absolutely essential at this time. Further, I, along with Chief People Officer Charlene Polege and Chief Financial Officer Kelly Mackey, will be reviewing critical hiring and expenditure requests to ensure that only those that meet stringent criteria will be approved. More information regarding this process will be announced in the coming days.

While significant progress has been made, a gap remains. In the coming weeks, staff will present for the Board's consideration several scenarios designed to address this. These scenarios contemplate several different strategies to increase available funds while preserving current staffing and service levels, including the issuance of new debt, the use of reserve accounts, and the defeasance of existing debt, meaning that money is set aside in an account to pay the agency's 2026 debt obligations to bondholders in advance. RTD has issued various forms of debt, such as bonds and certificates of participation, to finance large construction projects and purchase fleet vehicles, which could not otherwise be done using existing cash reserves.

Budget Timeline

RTD annually reviews, proposes, and adopts a five-year financial forecast and fiscal year budget. The agency's Proposed Budget aligns RTD's financial resources with its Strategic Plan and the primary objective of delivering transit services to the Denver metro area. The Proposed Budget sets out RTD's annual financial plan for the upcoming year; it is a transparent summary of the agency's expected revenues, expenditures, cash flows, and fund balances over a 12-month period.

The timeline for consideration of the Proposed Budget by the agency's Board of Directors is as follows:

- During the next Finance and Planning Committee meeting scheduled for Tuesday, October 14, 2025, staff will present to the Board the Proposed Budget as a discussion item

- Pursuant to state law and in the interest of public transparency, the agency will post a draft proposed budget for public inspection no later than October 15

- On Wednesday, October 22, staff will host a Study Session for Board members with the intention of providing an open forum for the discussion of the Proposed Budget as well as the Five-Year Financial Forecast

- On Tuesday, November 11, staff will present the Proposed Budget as a Recommended Action for the Board's consideration

- If approved on November 11, the Proposed Budget will be presented one final time during the monthly Board meeting held on Tuesday, December 2

I, along with members of Leadership Team, have a duty of care to this agency and its employees. Each of us is committed to ensuring the long-term success of this agency and its employees and that RTD fulfills its core function of transit service delivery for the Denver Metro area.

As the budget conversation unfolds, I pledge to keep everyone apprised and will send a subsequent communication before the Board convenes its November meeting to inform everyone of next steps.

Thank you for your continued passion and commitment to *make lives better through connections*.