



# CARES ACT SPENDING REVIEW

**RTD Accountability Committee**

December 29, 2020

# RTD Accountability Committee Research Summary

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## EXECUTIVE SUMMARY

At the request of the Denver Regional Transportation District (RTD), the Governor of the State of Colorado, and the Transportation Chairs of the General Assembly, and in collaboration with Denver Regional Council of Governments, the independent RTD Accountability Committee is pleased to submit this report summarizing the findings of RTD's use of funds associated with the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as prepared by the RTD Accountability Committee consultant, North Highland.

The CARES Act was passed by Congress and signed into law by President Trump on March 27<sup>th</sup>, 2020. This relief package, valued at more than \$2 trillion, provided economic assistance for several facets of the American economy. It included \$25 billion in direct relief for transit agencies to help them prevent, prepare for, and respond to the COVID-19 pandemic. RTD received an award of approximately \$232 million.

Investigation that informed this report included examination of documents and interviewing key RTD staff. North Highland provided a briefing at the December 14 Committee meeting. North Highland observed the following as it pertains to RTD's use of CARES Act funding:

- These monies appear to have been spent in alignment with FTA intentions
- RTD appears to have balanced provision of transportation options with responsibility for its workforce and regional economic stability in its funding decisions
- RTD appears to have worked to implement cost cutting measures to reduce the funds required for continued operations as buoyed by CARES funding

As the Federal government considers additional funding to provide aid to residents, businesses, and governments impacted by the COVID-19 pandemic, opportunities exist to assist RTD in stabilizing itself and moving toward a 'new normal.' In the meantime, RTD is considering the following to sustain operations in the near term:

- Maintaining operations for the region and those served by RTD
- Continuing to analyze service needs
- Prioritizing adaptable route systems
- Ensuring that cuts are logical and sustainable
- Considering lower cost uses of employees

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### CARES ACT SPENDING FINDINGS

At the request of the RTD Accountability Committee, North Highland performed a very high-level review of the Regional Transportation District's (RTD) use of Coronavirus Aid, Relief, and Economic Security (CARES) Act stimulus funds. The purpose of this review was to evaluate the distribution of funding according to staffing and service.

Information reviewed suggests that RTD's spend of CARES funding appears to be in alignment with the funding intentions of the Federal Transit Administration (FTA). Additionally, RTD implemented other cost saving initiatives to support continuing operations within the region. Finally, when making funding decisions, RTD balanced the need to deliver transportation services with the responsibility RTD holds to its workforce and region.

### Approach

To complete this evaluation, North Highland used the approach outlined in [Figure 1](#).

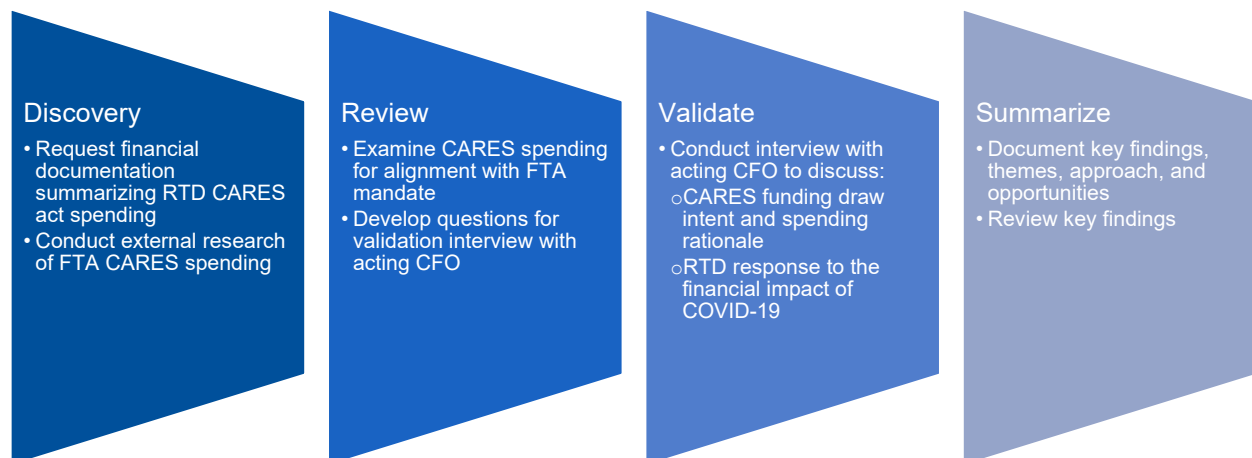


Figure 1: CARES Act Spending Approach

In its *Discovery* and *Review* phases, North Highland obtained and examined the following documents:

- [“Copy of Cares Draw Summary thru 93020.xlsx”](#): Use of CARES Act funding, providing detailed statements and explanation of each draw.
- [“Copy of CARES Draw Summary.pdf”](#): One-page summary detailing each draw against CARES Act funding.

During the *Validate* phase, North Highland spoke with RTD Acting Chief Financial Officer and Controller Doug MacLeod on December 8, 2020. The purpose of the discussion was to further understand RTD's spending associated the \$232 million in emergency grants the Federal Transit

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Administration (FTA) authorized through the CARES Act. In addition to Mr. MacLeod, Ron Papsdorf (DRCOG), Matthew Helfant (DRCOG), Anna Danegger (North Highland), Tanya Eydelman (North Highland), and Derek Pender (North Highland) attended the meeting. This conversation expanded upon the understanding gleaned through review of RTD financials documenting the spend of CARES Act funding.

Based on the above approach, this document addresses the *Summarize* phase as it details the key findings and opportunities moving forward as RTD continues to grapple with challenges associated with COVID-19.

### Findings

In reviewing CARES funding, we found:

- Funding appears to have been spent in alignment with FTA intentions
- RTD appears to have balanced provision of transportation options with responsibility for its workforce and regional economic stability in its funding decisions
- RTD appears to have worked to implement cost cutting measures to reduce the funds required for continued operations as buoyed by CARES funding

#### *CARES Act Funding Allocated in Alignment with FTA Intention*

RTD utilized CARES funding in alignment with the earmarked intention for spending – to support operating costs and employee salaries in the interest of avoiding layoffs. Funds were reimbursed by the Federal government for the following two expense types:

- *Represented and Non-Represented Wages and Benefits*: Employee wages for both unionized and non-union employees; this accounts to roughly 64% of CARES funding drawn to date
- *Purchased Transportation – Bus OR CRT* (“Commuter Rail Transit”): Externally contracted routes with Denver transportation partners; this accounts to roughly 36% of CARES funding drawn to date.

In total, \$208 million of the \$232 million in funding has been drawn. The additional \$24 million is earmarked for use by the end of 2020. While there is some chance that CARES Act funding will remain available into 2021, existing guidelines state that unused funds will revert to the Federal government on December 30, 2020. It is RTD’s intent to use all funding available prior to this deadline. Accounting of this spending is detailed in [Figure 2](#).

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Regional Transportation District CARES Grant Draws Through September 30, 2020 As of October 19, 2020			
	Actual Draw	Paid Date	Comments
LOC 63.20	\$ 9,410,160.00	Feb-April 2020	Purchased transportation - Bus
LOC 65.20	39,010,411.00	Feb-April 2020	Represented wages and benefits - Payrolls 4 - 9
LOC 66.20	21,304,873.00	Feb-April 2020	Non-Represented wages and benefits - Payrolls 4 - 9
LOC 73.20	13,408,726.00	May 2020	Represented and Non-Represented wages and benefits excluding those
LOC 74.20	4,605,149.00	May 2020	Purchased transportation - Bus
LOC 80.20	4,430,454.00	June 2020	Purchased transportation - Bus
LOC 83.20	13,542,429.00	June 2020	Represented and Non-Represented wages and benefits excluding those
LOC 90.20	4,440,880.00	July 2020	Purchased transportation - Bus
LOC 93.20	14,260,541.00	July 2020	Represented and Non-Represented wages and benefits excluding those
LOC 99.20	11,887,753.00	April - May 2020	Purchased Transportation - CRT
LOC 100.20	12,315,084.00	June - July 2020	Purchased Transportation - CRT
LOC 102.20	4,543,717.00	Aug-2020	Purchased transportation - Bus
LOC 105.20	12,390,380.00	Aug-2020	Purchased Transportation - CRT
LOC 106.20	13,310,109.00	Aug-2020	Represented and Non-Represented wages and benefits excluding those
LOC 02.21	4,461,096.00	Sept-20	Purchased transportation - Bus
LOC 03.21	6,389,367.00	Sept-20	Purchased Transportation - CRT
LOC 07.21	18,376,290.00	Sept-20	Represented and Non-Represented wages and benefits excluding those
<b>Total Drawn</b>	<b>\$ 208,087,419.00</b>		<b>89.6%</b>
<b>Total CARES Award</b>	<b>232,253,946.00</b>		
<b>Remaining to Draw</b>	<b>\$ 24,166,527.00</b>		<b>10.4%</b>

*Figure 2: CARES Draw Summary*

### *A Responsibility to Employees, the Region, and Unions*

RTD officials expressed a responsibility to the region and its employees and stated that it was important for the organization to have a measured response to the pandemic and not respond too quickly with drastic layoffs. Acting as a partner to the region, the organization realized this kind of response could have had impacts on the economy that were not necessary, particularly in the context of early COVID-19 uncertainty. Furthermore, a reduction-in-force would likely have affected roles that are already in demand (e.g., mandatory overtime for certain positions already underway due to retention challenges) or high acquisition costs (e.g., CDL training costs for operators). Finally, compliance with represented employee collective bargaining agreement (CBA) restricted the options available to RTD to reduce staff.

### *Other Measures of Cost Savings Enacted*

RTD has enacted additional activities to reduce costs, such as a suspension of non-FTA required training initiatives (certification training continued as required and were advanced as appropriate), salary cuts, furloughs for non-represented employees, reduction of discretionary spending, a hiring freeze, service cuts, and a hold on capital construction initiatives (e.g., resurfacing parking lots, etc.). RTD also worked cooperatively with the union to redeploy frontline employees from regular job responsibilities that were not required due to service cuts to new responsibilities required as a result of the pandemic. For example, treasury employees were diverted to cleaning and sanitation work in lieu of cash counting responsibilities.

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### Looking Forward

As the Federal government considers additional funding to potentially provide aid to citizens and some businesses impacted by the COVID-19 pandemic, opportunities exist for RTD to maintain stability. A Federally approved and widely distributed vaccine and fairer weather of next summer may positively affect both RTD demand and provide some return to normalcy. In the meantime, RTD is considering the following to sustain operations in the near term:

- *Seek to Maintain Operations for the Region and those Served by RTD:* Public transit often finds itself in a position of debating equity vs. equality when determining service needs for certain regions, populations, and routes. Vulnerable populations and essential workers need transit services more than ever during these times. Pursuing options to maintain operations continues RTD's service to the community and its employees.
- *Continue to Analyze Service Needs:* Route usage will continue to fluctuate as public and private institutions respond to the pandemic. Maintaining unused routes both adversely affects revenue and impacts margins due to increased costs from more stringent sanitation procedures and lost revenue. Continuing to analyze service needs will allow RTD to right-size the service as the region returns to a new normal.
- *Prioritize Adaptable Route Systems:* Fixed route systems, such as LRT or CRT, provide limited flexibility and lower responsiveness to service changes. While some of these maintain relatively healthy ridership (such as the A Line), others do not. Further, social distancing mandates increase the need for additional vehicles and "loop extras" (stand-by on-call buses) to provide float coverage. Buses can respond to these challenges more readily than rail.
- *Ensure that Cuts are Logical and Sustainable:* RTD is a major employer in the Denver region; layoffs could have a notable effect on the economy. Furthermore, there could be significant costs to rehiring trained staff if they were cut and needed to be rehired.
- *Consider Lower Cost Uses of Employees:* RTD has discussed the possibility of reducing the use of higher-cost security firms in exchange for reskilling difficult-to-replace Operators and Mechanics as "conductors." Moves like these mirror those under consideration at similarly-sized transit systems. Not only do they reduce costs, but they retain roles with a high cost of replacement, better positioning RTD to fill these positions when they are once again needed.

RTD recently announced a reduction in force totaling roughly 400 positions. These positions are a combination of Operations and Administrative functions. These layoffs, however, come with the expense of severance packages and unemployment insurance. Also, RTD recognizes the difficulty and costs associated with filling certain operational roles such as Bus Operators and Mechanics. It is RTD's hope that, through a call-back provision in the union contract, these employees will be able to return to work as the region's economy stabilizes.