Fund Budgets

The Authority maintains its books of accounts on the accrual basis of accounting, using a single enterprise fund to report the results of its operations. However, separate funds are maintained on the books of the Authority in order to best account for its various revenues that are designated for specific purposes.

Since the Authority is an independent, special purpose political subdivision of the State of Ohio, annual budgets for each fund are prepared on the cash basis of accounting. On the cash basis, revenues are budgeted when they are expected to be received as opposed to when they will be earned and expenditures are budgeted when they are estimated to be paid, encumbered, or obligated as opposed to when the liabilities will be incurred. The Authority uses the following funds to account for its operations:

- All Funds
  - General Fund
  - Bond Retirement Fund
  - Insurance Fund
  - Supplemental Pension Fund
  - Law Enforcement Fund
  - Capital Improvement Funds
    - RTA Capital Fund
    - RTA Development Fund

A fund balance is the difference between total resources (beginning cash and investment balance plus total revenues) and total expenditures.

How to Calculate Fund Balance

Beginning Balance
+ Current Revenues
Total Resources

(Less) Total Current Expenditures

(Equals) End of Year (EOY) Balance
(Also called Fund Balance)

In the following presentation, fund balances for the General Fund and RTA Capital Fund represent the unencumbered, unreserved balance (referred to as the available end of year balance). These fund balances are shown net of reserves for encumbrances. All other funds are reflected in cash balances.

The end of year balance of a fund provides a measure of a fund or entity's financial health and is useful in spotting negative trends. The following analysis focuses on the Authority's major funds and addresses future trends within those balances. The analysis also presents details on the components of revenue and trends in expenditures.

Fund Budgets

All Funds

Balance Analysis

Figure FB-1 presents the combined fund balances of all the Authority's funds. The ending balance shows cyclical patterns, primarily increasing as a result of debt issuances, and decreasing as those funds are consumed. Overall, the All Funds balance is stable, though the amount of debt issued and the sudden large drop of sales tax revenue are of concern. Service has been realigned and will continue to be realigned and capital expenditures have been reduced in upcoming years as counter measures.

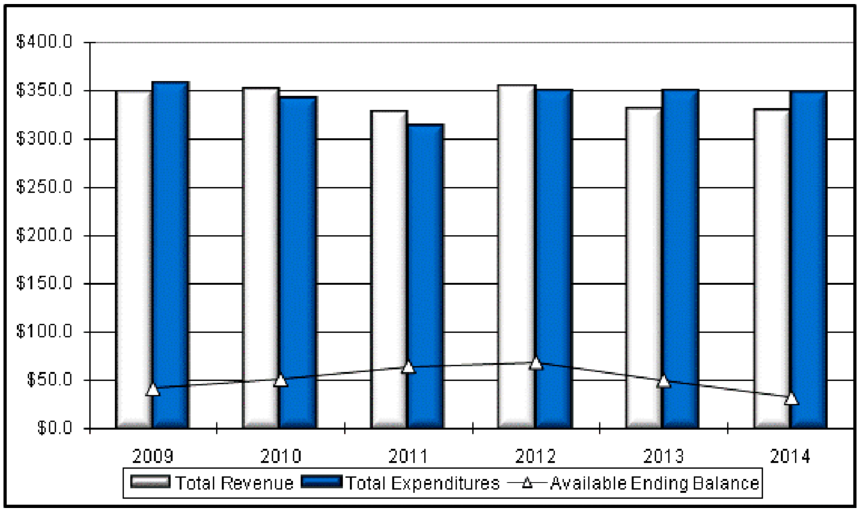

Figure FB-1

Total Resources for 2008 increased by nearly $34.2 million, primarily because of Federal grant funds associated with the Euclid Corridor Transportation Project (ECTP), a $35 million debt issuance, and adjustments to the Authority's passenger fare structure. In correlation, expenditures increased in 2008 by over $30.5 million, as the ECTP was finalized and capital projects from past years were completed.

In 2009, the All Funds balance decreased to $41.5 million as a result of increasing efforts to reduce expenses due to decreased revenue. This is reflected in the revenue and expenditure figures and subsequent ending balance. Sales tax revenue, the largest funding source for both the General Fund and the All Funds, decreased by 10.9%, due to on-going economic recession in this area. This is by far the most dramatic decline in Sales Tax in the history of the Authority; the previous worse decline in a year was 1.6%.

The revenue recovered, specifically Sales Tax receipts which increased about $8.6 million in 2010, due to managed health care being added to the tax base in late 2009. A 12% service reduction was instituted in April 2010 and Harvard Garage was closed in September 2010 to align operating expenses with the new level of revenue.

Sales tax receipts increased $8.1 million in 2011 and are projected to only increase 1.5% for 2012. Expenses have been and will continue to be tightly monitored.

Fund Budgets

This trend identifies the challenge that lies ahead, which is to balance operating requirements versus the local commitment required to support capital improvements. As such, it questions the Authority's ability to maintain current service levels without additional revenue or additional service reductions.

All Funds Balance Analysis

	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Beginning Balance	46,438,563	50,530,896	41,541,232	50,875,084	64,570,070	68,689,638	49,851,040
Revenue							
Passenger Fares	48,173,971	49,757,083	47,153,709	49,127,933	49,864,852	50,612,825	51,372,017
Sales & Use Tax	173,568,817	154,586,220	163,220,649	171,305,869	173,875,457	176,483,589	179,130,843
Federal (Including ARRA)	86,109,609	73,648,082	84,683,990	59,179,088	70,625,000	65,512,500	61,125,000
State	9,370,685	21,725,202	8,980,938	18,490,795	5,060,736	5,060,736	5,060,736
Investment Income	3,086,144	611,211	431,682	498,254	505,200	548,500	591,400
Other Revenue	41,797,538	47,449,387	46,359,501	29,065,538	28,505,000	31,989,466	31,989,466
General Obligation Debt Proceeds	35,472,559	0	0	0	25,000,000	0	0
Total Revenue	397,579,323	347,777,185	350,830,469	327,667,477	353,436,245	330,207,616	329,269,462
Total Resources	444,017,886	398,308,081	392,371,701	378,542,561	418,006,315	398,897,254	379,120,502
Expenditures							
Personnel Services	173,016,961	176,631,322	156,964,659	158,877,298	169,607,459	172,999,608	176,459,600
Diesel Fuel	19,272,336	17,357,364	7,463,127	10,423,161	12,803,912	14,084,303	14,365,989
Other Expenditures	51,230,086	49,083,497	54,569,750	48,461,453	51,507,930	51,670,726	51,850,871
Capital Outlay	132,464,854	95,982,032	104,121,359	76,325,000	94,675,000	89,550,000	83,700,000
Debt Service	17,502,753	17,712,634	18,377,721	19,885,579	20,722,376	20,741,577	20,757,327
Total Expenditures	393,486,990	356,766,849	341,496,617	313,972,491	349,316,677	349,046,214	347,133,788
Available Ending Balance	50,530,896	41,541,232	50,875,084	64,570,070	68,689,638	49,851,040	31,986,714

Figure FB-2

General Fund

Balance Analysis

The General Fund is the general operating fund of the Authority and accounts for all revenue and expenditures except for activities related to capital improvements, debt service, catastrophic/extraordinary losses, and supplemental pension benefits. Figure FB-4 highlights the financial stress that was being experienced during the recession and our planning to counter-act those effects. The combination of dramatic sales tax reduction, increasing personnel costs, and volatile fuel/utility costs had created a discouraging outlook through 2009.

From 2006 to 2009, the revenue and expense mismatch grew steadily. The Authority had to dip into prior year fund balances to cover current year expenses. In 2006, total expenditures were $400,000 more than that year's revenue. In 2007, the mismatch increased to $1.3 million and further increased in 2008 to $5.6 million with a resulting drawdown of the fund balance to $8.4 million. In 2009, the Sales & Use Tax receipts dropped 10.9% due to the recession. The General Fund balance dropped sharply to $2.9 million with the help of one-time grant funding. In 2010, hard decisions had to be made. In April we implemented a 12% service reduction and closed Harvard Garage on weekends. In September, Harvard Garage was closed altogether. A combination of a 5.6% recovery in Sales Tax, additional one-time grant funding, an increase in reimbursed expenditures, and continuous monitoring of operating expenses, the ending balance grew to $20.4 million. To help alleviate the stress of another recession, we reserved $4.6 million of the ending balance. In 2011, we promised our customers that we would end the year without service decreases or fare increases. Another 5% increase in Sales & Use Tax receipts and managing operating expenses helped to achieve that goal. We are projecting to end the year with an ending balance of $31.3 million and reserved $5.9 million.

As highlighted in the **Citizens Summary**, meeting the one-month reserve policy has been a challenge over the last decade. This goal was last met between 1994 and 1996. Since then the reserve policy has not been met, fluctuating between a low of a 0.1 months reserve in 2009, to a high of a 0.9 months reserve in 2005 and 2006.

	2009 Actual	2010 Actual	2011 Estimate	2012 Budget
Beginning Balance	$8.4	$2.9	$20.4	$31.3
Total Revenue	**$264.5**	**$267.0**	**$261.2**	**$255.4**
Total Resources	$272.9	$269.9	$281.6	$286.7
Operating Expenses	$238.5	$208.1	$215.4	$230.9
Fund Transfers	$31.5	$41.4	$34.9	$35.3
Total Expenditures	**$270.0**	**$249.5**	**$250.3**	**$266.2**
Available Ending Balance	**$2.9**	**$20.4**	**$31.3**	**$20.5**

Figure FB-3

The 2008 and 2009 reserves of 0.4 and 0.1 months, respectively, did not meet the goal. In 2010, this goal was met at 1.2 months reserve. Sales Tax revenue, the largest revenue source for the Authority experienced a 5.6% increase, recovering part of the decline from 2009. This was due to the addition of managed health care to the tax base. The projected 2011 and budgeted 2012 reserves of 1.8 and 1.1 months, respectively, will again meet the goal, and both represent improvements over recent years.

The Authority will again control costs and aggressively execute the budget. In addition to this normal level of activity, the Authority implemented TransitStat in 2008, a data-driven performance management initiative, to review operations, seek improvements, and further reduce costs. These actions have increased accountability and helped increase efficiency and effectiveness. Our goal for 2012 is to maintain, if not increase, the 2011 estimated year-end balance at the end of 2012.

Maintaining or improving the reserve level of the General Fund this year will be extremely important for 2013 and 2014. Historically low sales tax revenue must be offset with low operating costs to overcome a projected negative fund balance for 2014. Hard decisions have been made. The 2010 and 2011 end of year balances have markedly improved and no service reduction was required in 2011. RTA must work to continue the positive balances in the out years and continue on the path to sustainability.

Fund Budgets

General Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Beginning Balance	**8,401,085**	**2,880,104**	**20,373,004**	**31,302,261**	**20,469,158**	**11,912,694**
Revenue						
Passenger Fares	49,757,083	47,153,709	49,127,933	49,864,852	50,612,825	51,372,017
Advertising & Concessions	1,197,713	956,688	741,500	900,000	900,000	900,000
Sales & Use Tax	154,586,220	163,220,649	171,305,869	173,875,457	176,483,589	179,130,843
Operating Assistance - ARRA Federal Grants	0	3,196,015	0	0	0	0
Short Term Notes	8,000,000	0	0	0	0	0
CMAQ Reimbursement for the Healthline	1,930,603	1,069,397	8,605,000	0	0	0
Operating Assistance - Paratransit Operations	0	4,320,000	3,109,000	3,089,000	3,089,000	3,089,000
Ohio Elderly Fare Assistance	2,756,762	619,057	0	0	0	0
State Funding Fuel Initiative	7,875,683	1,165,200	0	0	0	0
Operating Assistance - Trolley Operations	0	1,765,764	980,980	0	0	0
Access to Jobs Program	2,697,111	2,399,907	2,034,466	1,800,000	2,034,466	2,034,466
Investment Income	198,200	71,468	121,564	110,000	143,000	185,900
Other Revenue	2,053,241	1,862,101	1,167,500	1,000,000	1,000,000	1,000,000
Reimbursed Expenditures	33,461,105	39,212,130	24,000,000	24,750,000	28,000,000	28,000,000
Weekly Shopper Service	0	30,000	0	0	0	0
Total Revenue	**264,513,721**	**267,042,085**	**261,193,812**	**255,389,309**	**262,262,880**	**265,712,226**
Total Resources	**272,914,806**	**269,922,189**	**281,566,816**	**286,691,570**	**282,732,038**	**277,624,920**
Operating Expenditures						
Personnel Services	176,631,322	156,964,659	158,877,298	169,607,459	172,999,608	176,459,600
Diesel Fuel	17,357,364	7,463,127	10,423,161	12,803,912	14,084,303	14,365,989
Other Expenditures	44,548,954	43,686,705	46,065,904	48,496,330	48,544,826	48,593,371
Total Operating Expenditures	238,537,640	208,114,491	215,366,363	230,907,701	235,628,738	239,418,961
Short Term Notes Payment	0	8,254,743	0	0	0	0
Transfer to the Insurance Fund	3,520,000	3,203,000	2,250,000	2,700,000	2,900,000	3,050,000
Transfer to the Pension Fund	100,000	100,000	100,000	100,000	100,000	100,000
Transfers to Capital						
Bond Retirement Fund	17,327,062	17,351,950	19,793,855	20,736,892	20,706,092	20,735,276
Capital Improvement Fund	10,550,000	12,525,000	12,754,337	11,777,818	11,484,515	11,275,406
Total Transfers to Capital	27,877,062	29,876,950	32,548,192	32,514,710	32,190,607	32,010,682
Total Expenditures	**270,034,702**	**249,549,185**	**250,264,555**	**266,222,411**	**270,819,344**	**274,579,642**
Ending Balance	2,880,104	20,373,005	31,302,261	20,469,158	11,912,694	3,045,278
Reserved Funds	0	4,639,000	5,869,000	5,869,000	5,869,000	5,869,000
Available Ending Balance	**2,880,104**	**15,734,004**	**25,433,261**	**14,600,158**	**6,043,694**	**-2,823,722**

Figure FB-4

Fund Budgets

Revenues

Revenue is received from a number of sources to support activity in the General Fund. A discussion of the major sources of General Fund revenue follows.

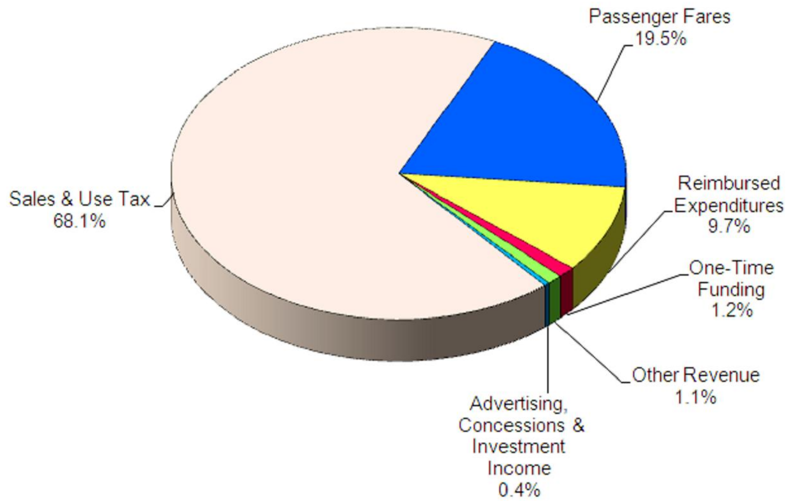

Figure FB-5

In 2008, Sales & Use Tax and Passenger Fare Revenue represented just over 55.7%, or $221.7 million, of total Authority revenue. Federal capital assistance, combined with State and Local capital grant assistance, all intergovernmental sources of revenue accounted for 24.0%, or a total of $95.5 million.

In 2009, revenues dropped primarily due to the sharp drop in Sales & Use Tax revenue. Sales & Use Tax combined with Passenger Fare Revenue, totaled 58.8% or $204.3 million of total revenue. Intergovernmental revenue totaled 27.4% or $95.3 million of total revenue. 2010 Sales & Use Tax revenue, $163.2 million, came above projection starting in June and was better than the original budget estimate or the revisions that had followed. This is due to the addition of managed health care to the tax base.

2011 Sales & Use Tax revenue came in above projections for nearly the entire year, increasing at an average of 4.3% per month. Passenger Fares also increased by 4.2%, compared to 2010. Intergovernmental sources (Federal and State assistance) were reduced from 19.2% of the total revenue in 2010 to 14% of the revenue in 2011, with reimbursed expenditures decreasing by $15.2 million.

2012 revenues are projected at $255.4 million. Sales & Use Tax and Passenger Fares are both estimated to increase by 1.5%, compared to 2011 figures. Intergovernmental sources (Federal and State assistance) are projected to be 10.9% of total revenue, with reimbursed expenditures projected at $24.8 million. General Obligation Debt Proceeds will be $25 million and expected to last three years. The capital program will require additional debt sales to support planned capital activities.

Fund Budgets

Sales & Use Tax

The Authority's major source of revenue is a one percent Sales and Use Tax on sales of tangible personal property and on other transactions subject to the State Sales and Use Tax within the boundaries of Cuyahoga County. The one percent tax is of unlimited duration and was approved by the voters of Cuyahoga County in July 1975. The tax is levied and collected at the same time and on the same transactions as the permanent five percent Sales and Use Tax levied by the State, plus the one-half percent temporary state sales tax, one-quarter percent levied for the Medical Mart, and the one percent tax levied by Cuyahoga County. The tax is administered and enforced by State taxing authorities and is distributed on a monthly basis, approximately two months following the collection of the tax by the State (three months after the tax is paid by consumers). In late 2009, managed health care was added to the tax base.

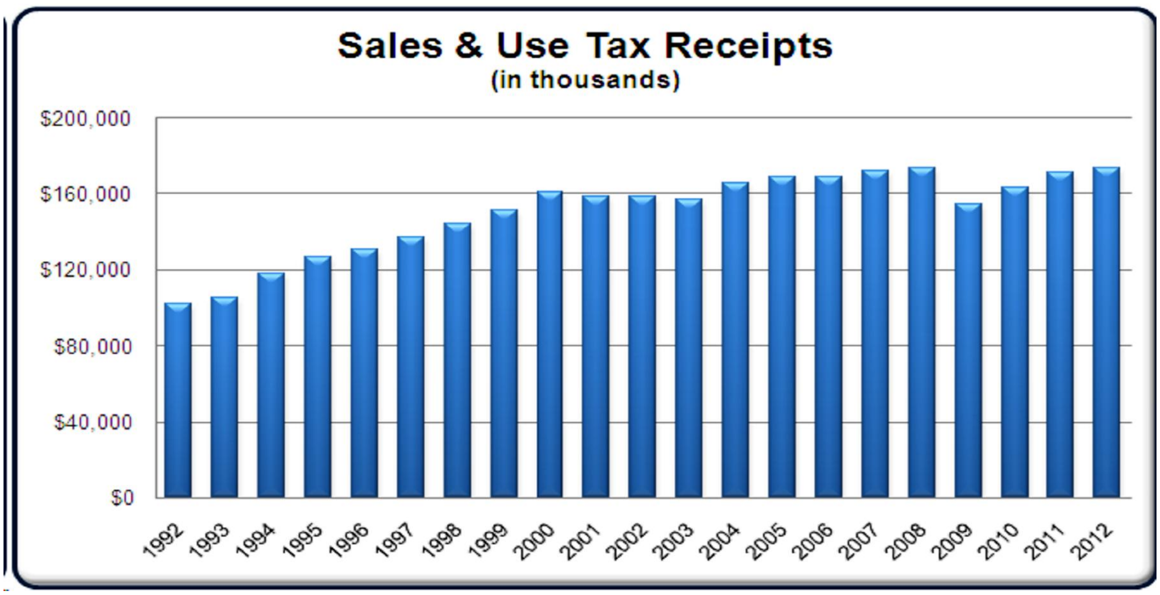

Figure FB-6

Beginning in 1989, Board policy required that a minimum of ten percent of annual Sales and Use Tax revenues be dedicated to capital improvements. The presentation of Sales Tax revenue (as reported in Figure FB-5) indicates total receipts, not the approximately 90% that is actually used to fund operations.

Sales tax receipts dedicated to capital improvements are reported as a fund transfer from the General Fund to the RTA Capital Fund. However, in the Authority's accounting records, sales tax receipts dedicated to capital improvements are treated as direct revenue to the RTA Capital Fund, not as a transfer. In 1995, the direct contribution was further defined to include the transfer to the Bond Retirement Fund.

In the past, even in slower economic growth periods, the sales tax has performed relatively well. Sales tax receipts in 1994 showed an 11.2% increase, decreasing to 7.6% in 1995 and to 3.2% in 1996. A more stable growth pattern was seen between 1997 and 2000 as the growth rate ranged between 4.8% and 6.3% during these years. Since 2001 though, the picture has been much different with minimal growth rates and some years of negative growth. The last solid increase of 5.3% occurred in 2004 and again in 2010 at 5.6%. In both of those years the tax base was expanded and that change accounted for most of the growth. There was minimal growth in 2005 at 2.2%, a negative 0.2% growth in 2006, a 1.8% growth in 2007, and a 1.1% increase in 2008, then a staggering 11% decline in 2009.

The increases projected for 2012 reflects a 1.5% increase from 2011. The increase from managed health care receipts will become part of the base for 2012 as has happened in the past when a new base item was added.

Passenger Fares

Passenger Fares are the second largest source of revenue to the General Fund, comprising 18.8% of the total in 2011. Passenger fares consist of cash farebox revenue from Authority trains and buses, charges for elderly, handicapped, and special services, and sales of passes and tickets.

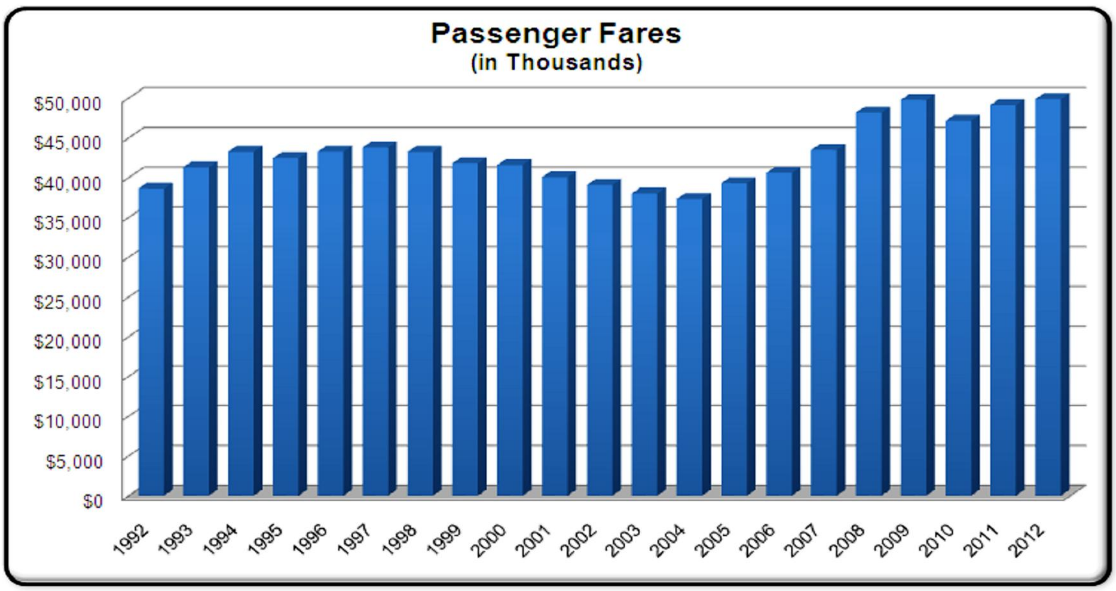

Figure FB-7

From 2003 to 2008, the Authority registered annual ridership increases each year, bringing the accomplishment to six consecutive years of ridership growth. However, during the period between 2003 and 2005, passenger fare revenue lagged behind ridership due to modifications in the fare policies and changes in customer travel patterns. Therefore, in 2006 the Board of Trustees approved a two-phase fare increase effective in July 2006 and January 2008. This action helped boost fare revenue from 2006 to 2008.

Fuel prices increased dramatically in 2008 and a fuel surcharge of 25 cents was added in October and another 25 cents was deferred until 2009. In addition a service reduction was implemented. In 2009, the national recession affected North East Ohio with 11% unemployment and Passenger Fare revenue dropped 8.6% from budgeted levels. RTA adjusted service levels in 2010 and implemented a 12% service reduction in April and minor service changes throughout the remainder of the year.

In 2011, passenger fares of $49.1 million represent an increase of $2.0 million, or 4.2%, over the 2010 level. This change is entirely attributable to increased ridership due to the restoration of some service, an expected decline in unemployment and rising fuel prices. Passenger Fares are projected to increase only by $0.7 million, or 1.5%, in 2012.

Investment Income

The Authority pursues an aggressive cash management and investment program in order to achieve maximum financial return on all available funds. Idle cash balances are invested at the best interest rates available within the constraints imposed by State law and RTA financial policies. Current policy permits the Investment Officer to invest idle cash in certificates of deposit or repurchase agreements with depositories designated by the Board of Trustees, in U.S. Government securities, in securities of agencies, which are guaranteed by the U.S. Government, and in the State investment pool (Star Ohio).

Investment income steadily increased from 2005 to 2008. This was the result of large ending balances and increasing investment rates. The 2009 and 2010 actuals show a significant reduction of 76.0% and 63.9%, respectively, as a result of lower balances and Federal Reserve actions lowering short-term rates. Investment income for 2011 is projected at $121,564, an increase of 70%. In 2012, Investment income is estimated at $110,000, a decrease of 9.5%. In the two out-years, a 30% increase is estimated for each year. However, interest earned on General Fund investments varies depending upon the timing of revenue receipts, expenditures, and the transfers made to other funds (shifting interest earnings from the General Fund to other funds).

Advertising & Concessions

Another source of income is the Authority's contract to place advertisements upon buses and trains. The previous contract guarantees $575,000 annually, a decrease due to recent service and bus fleet reductions. A new contract was signed in mid 2011 guaranteeing $725,000 with a potential to increase this to $1 million. In addition, the Authority will receive $175,000 (net) from the HealthLine naming rights deal. In combination with a small amount of concessions revenue, $900,000 is expected in 2012. The entire category is projected to remain steady in 2013 and 2014.

Federal Operating Assistance

Federal operating grants are no longer received from the Federal Transit Administration (FTA) for general operating assistance. This source of revenue, at one time very significant, was eliminated in 1999 and will not be restored in the foreseeable future.

Prior to 1999, Federal operating grant dollars had been drawn down based on cash flow requirements in the General Fund. The amount and timing of revenue received from this source in any year fluctuated, based on the Authority's ability to drawdown these funds and the amount of the grant.

This source of revenue declined over the last several years of its existence, reaching a low of $773,000 in 1998, which represented less than 1% of all General Fund revenues. This amount had been significantly reduced from the 1997 level of $4.2 million and was nearly a 90%

reduction from 1995. This was a result of Congressional action that was to substantially reduce operating assistance to transit agencies eventually leading to the total elimination, which transpired in 1998 for the 1999 budget year.

Although direct Federal Operating Assistance has basically been eliminated, some flexibility has been given to the Authority to use capital grant awards to reimburse the Operating Budget for preventive maintenance expenditures within the Operating Budget. From FY 2006 through FY 2011 grant funds have been used for this purpose. Though utilizing the flexibility provided has helped to support the Authority's level of service, as revenue challenges have arisen and been met over the years, it represents an ongoing disinvestment in the Authority's capital infrastructure in favor of maintaining service levels. Further explanations of revenues from this source are presented under Reimbursed Expenditures and Other Revenue.

State Operating Assistance

State operating funds are received from the Ohio Department of Transportation (ODOT) for elderly and handicapped assistance. These funds are awarded annually and correspond to the state fiscal year (July 1 through June 30). In 1999, nearly $5 million of State Operating Assistance was completely eliminated with an equivalent amount given as a capital grant. The same was true in 2000 – 2004, though flexibility was given to allow the capitalization of operating expenses, but beginning in 2005, its use for capitalized operating assistance was limited.

In 2007, $2.2 million was awarded and received from the state for elderly and handicapped fare assistance. The 2008 award for elderly and handicapped fare assistance was reduced and delayed until 2009 when the combined amount received for the two years was $2.76 million. In 2009, a one-time state award of $7.2 million of revenue was received to cover the cost of other operating expenses including transfers for small capital equipment and asset maintenance projects, contractual Paratransit services, and CNG purchases for the bus fleet.

In 2010, the amount received for elderly and handicapped fare assistance was further reduced to $619,057. The State eliminated this funding for 2011 and funding of future years is questionable. A one-time award of $5.09 million was received late in FY 2010 for reimbursement of preventive maintenance activities and for providing ADA Paratransit services during the 2011 Budget Year. The effect of the long-term elimination of State Operating Assistance remains evident, as budget strains are projected to exist for the foreseeable future. State aid could offer potential support for public transportation services, but the State faces many financial challenges of its own.

Reimbursed Expenditures and Other Revenue

Reimbursed expenditures include grant funded reimbursements of expenses within the General Fund and include Preventive Maintenance (PM) activities; expense reimbursements for the Access to Jobs program, Paratransit, HealthLine and Trolley operations; for labor costs associated with the capital program; fuel tax refunds on diesel and gasoline purchases from the State of Ohio; and one-time fuel cost reimbursements from the State of Ohio. In 2008, these sources contributed $36.6 million, or nearly 14% of total General Fund revenue. In response to the dramatic decrease in Sales & Use Tax revenue during 2009, these sources grew to a combined $45.96 million, or 17.4% of total revenue, to the General Fund and further increased in 2010 to $48.77 million or 18.3% of total revenue as several non-traditional capital grants were identified for the HealthLine and Trolley Operations.

In 2011, revenue from these sources decreased to $38.7 million, or 14.8%, as revenue from the Sales & Use Tax improved and is expected to decrease again in 2012 to $29.6 million as the grant reimbursements for the HealthLine and Trolley Operations expire and as the Sales & Use Tax continues to improve. In 2013 and 2014, the Authority expects these amounts to stabilize at $33.1 million in each year and make up close to 12.5% of General Fund revenues in those years.

Capital grant reimbursement of Preventive Maintenance activities within the General Fund is the single largest source of revenue for the General Fund included within this category. Primarily funded through the FTA Capital and Rail discretionary grants, this source reimbursed an average of $29.05 million in General Fund expenses in each of the 2008, 2009 and 2010 Budget Years, but in 2011, as the financial status of the Authority improved PM reimbursements decreased to $21.6 million. In 2012, they are expected to decline to $20.7 million and then grow to $25.3 and $25.2 million in 2013 and 2014 respectively.

Other Revenues of approximately $1.0 million includes contractor and hospitalization reimbursements, rent, salvage sales, and claims receipts, among other miscellaneous receipts. The amounts received from these sources have fluctuated over the years due to one-time receipts settlements and miscellaneous reimbursements.

Expenditures

As discussed in the Citizens Summary, 2011 operating expenditures are expected to be $7.3 million more than 2010 and $10.5 million under budget. Savings in Fringe Benefits make up about $6.3 million of this savings and as retirements and other departures occur, vacant positions have been left open longer to keep costs under control. Another part of this savings is lower than budgeted health care costs. Fuel costs were maintained due to the fuel-hedging program and electricity costs have been reduced with the reconciliation and continuous monitoring of all accounts.

For 2012, a 4.3% service increase is budgeted to help alleviate overcrowding on the rail lines and on some bus routes. As a result, a net increase of 50 positions is included in the 2012 budget, totaling 2,282 positions. Personnel costs, including fringe benefits, are budgeted $10.7 million over 2011 projections. This includes not only the additional 50 positions but also includes budgeting for vacant positions, increases in health care costs, and a 3% increase of FOP and Non-Bargaining employees. Although management has been negotiating with ATU for over 28 months, the ATU has yet to agree on a contract. Estimates for 2013 and 2014 include only minimal increases.

Any new program(s) or expansion of existing programs are assumed as ñtrade-offsò thus representing no net increase in cost, demonstrating a commitment to financial control. The operating budget for 2012 is $5 million more than budgeted in 2011, with $2 million of that estimated for diesel fuel.

Transfers to other funds within the Authority continue to place additional financial pressures on the General Fund. The transfer for bond retirement has grown from $14.8 million in 2008 to a projected $20.7 million in 2012 to cover increases in debt service payments and a planned debt issuance of $25 million. A State Infrastructure Bank (SIB) loan was paid off early in 2011, saving over $600,000 for 2012 through 2014. This transfer will remain steady in the future, at $20.7 million in 2013 and 2014 reflecting actual debt payments.

Fund Budgets

Transfers to support the capital program again increased in 2011 to meet the demands for local funding by the Authority's capital program, though the primary reason for the increase was the pre-payment of the outstanding balance of the SIB loan. The Authority's capital program continues to be developed in line with existing grant awards, but the need for local match funds continues at high levels due to a large number of operating expense reimbursement grants and the need to supplement available grant funds.

When combined with transfers for debt service payments, total capital contribution exceeds the maximum 15% level from the General Fund recommended by the Authority's financial policies. In 2012, the capital contribution will require $32.5 million, or 18.7% of all revenue from Sales & Use Tax collections. In 2013 and 2014 it is expected to slightly decrease to 18.2% and 17.9% respectively. To maintain the proper balance in the Insurance and Pension Funds, transfers of $2.7 million and $100,000, respectively, are needed in 2012. In 2012 and 2013, the Insurance Fund transfer will be $2.9 million and $3.05 million. The Pension Fund is projected to need transfers of $100,000 in both years.

Areas of Expenditure Growth
2012 Budget

2011 Projected Operating Expenses		**$215,366,363**	
Compensation Issues		**$ 10,730,160**	**4.98%**
Service Increase (Labor)	$ 2,626,897		
Hourly & Salary Labor Increase	$ 4,202,977		
Fringe Benefits	$ 3,961,434		
Unemployment Compensation	$ (61,148)		
Fuel / Utilities		**$ 1,681,305**	**0.78%**
Diesel Fuel	$ 2,380,752		
Other Fuel / Utilities	$ (699,447)		
Service Opportunities		**$ 2,784,194**	**1.29%**
ADA Purchased Transportation	$ 1,487,043		
Services	$ 737,332		
Materials & Supplies	$ 559,819		
Inventory	$ -		
Administration Changes		**$ 345,680**	**0.16%**
Workers' Compensation	$ 333,442		
Property Tax	$ 3,270		
Other (Net)	$ 8,968		
Expenditure Growth		**$ 15,541,339**	**7.22%**
2012 Budgeted Operating Expenditures		**$230,907,702**	

Figure FB - 8

Bond Retirement Fund

The Bond Retirement Fund accounts for resources set aside for the payment of principal and interest on debt obligations. At the end of 2011, the Authority has six General Obligation (G.O.) Bond Issues outstanding, totaling $152.8 million. The State Infrastructure Bank (SIB) loan, totaling $2.46 million was paid off early in 2011. The policy of the Authority is to set aside resources transferred from the General Fund on a monthly basis to meet the current year's annual principal and semiannual interest payments. Under this system, the Bond Retirement Fund balance drops below one thousand dollars each December 1st.

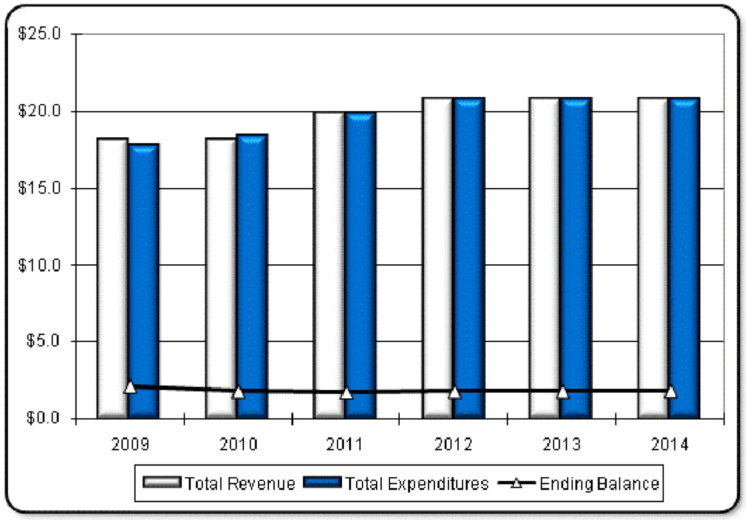

Figure FB - 9

In Figure FB-10, each year's ending balance generally represents one-twelfth of the subsequent year's debt service requirement, which is set-aside on the last day of each year. Thus, the ending balance in this fund remains relatively low at all times. Including $25.0 million of additional debt planned in early 2012, the Authority will retire $13.0 million in principal and pay nearly $6.58 million in interest on its outstanding long-term debt.

Long-term debt for the Authority includes both debt and refunding debt sales from 1998 through 2008. These include a $35.0 million issuance and $27.4 million refunding issuance in 2008, a 2006 debt sale of $38.5 million, $67.2 million of debt issued in 2004, $17.5 million of refunding debt issued from 2002, a $20.9 million debt issued in 2001, a refunding debt issue of $29 million and a debt issue of $33 million both done in 1998. Required transfers from the General Fund to make these payments are reduced by interest earned in the Bond Retirement Fund. For the 2012 Budget, a transfer of $20.7 million will be required from the General Fund to cover the current overall debt service of the Authority and the planned debt issuance of $25.0 million.

Bond Retirement Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Beginning Balance	**1,733,884**	**2,084,582**	**1,790,289**	**1,737,272**	**1,791,788**	**1,796,303**
Revenue						
Transfer from General Fund	17,327,062	17,351,950	19,793,855	20,736,892	20,706,092	20,735,276
Transfer from RTA Development Fund	700,000	700,000	0	0	0	0
Investment Income	36,270	26,959	38,707	42,500	42,500	42,500
Other Revenue	0	4,519	0	0	0	0
Total Revenue	**18,063,332**	**18,083,428**	**19,832,562**	**20,779,392**	**20,748,592**	**20,777,776**
Total Resources	**19,797,216**	**20,168,010**	**21,622,851**	**22,516,664**	**22,540,380**	**22,574,079**
Expenditures						
Debt Service						
Principal	10,012,244	11,108,564	13,139,510	13,424,544	13,918,126	14,518,051
Interest	7,700,390	7,269,157	6,746,069	7,297,833	6,823,451	6,239,276
Other Expenditures	0	0	0	2,500	2,500	2,500
Total Expenditures	**17,712,634**	**18,377,721**	**19,885,579**	**20,724,876**	**20,744,077**	**20,759,827**
Ending Balance	**2,084,582**	**1,790,289**	**1,737,272**	**1,791,788**	**1,796,303**	**1,814,252**

Figure FB - 10

Fund Budgets

Insurance Fund

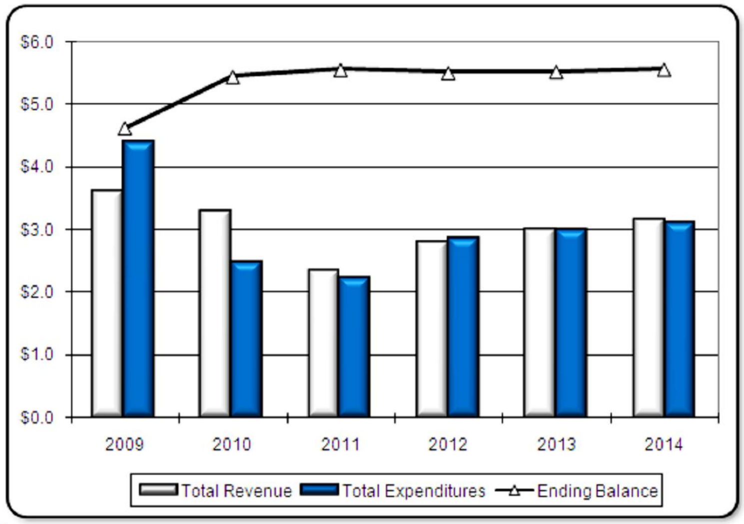

Figure FB - 11

The Insurance Fund is used to account for resources, which have been reserved to protect the Authority against future catastrophic or extraordinary losses, as the Authority is currently self-insured in all areas except personal property and equipment. A portion of the self-insurance fund was liquidated and replaced with purchased insurance coverage in 1999. According to the Authority's financial policies, the Risk Manager on an annual basis determines the minimum balance required in the Insurance Fund. The minimum balance in the Insurance Fund decreased from $7.5 to $5.0 million in 2005 and has remained until 2009. In 2009, it was necessary to allow the balance to fall to $4.6 million for cash flow purposes. The fund balance was increased again to $5.0 million in 2010 and will remain at that level from 2011 through 2014.

In the late-nineties, expenditures for the settlement of unusual or extraordinary claims as well as for insurance premiums stressed this fund. Transfers to the General Fund totaling $6.2 million were made in 1998-1999 to clear the excess amount in the fund above the required $5.0 million, representing a change in the structure of this fund. Unfortunately, unexpected claims costs and a decision to increase the fund balance back to $7.5 million resulted in the necessity to infuse $6.2 million back into the Insurance Fund from the General Fund between 2000 through 2003 to maintain the required minimum balance.

In 2011, a transfer from the General Fund of $2.25 million was needed to increase the balance back to the $5.0 million minimum level. The 2012 budget will require a transfer of $2.7 million to maintain this balance. In 2013 and 2014, transfers of $2.9 million and $3.1 million will be needed to maintain the required minimum balance.

Insurance Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Beginning Balance	**5,432,199**	**4,634,855**	**5,448,731**	**5,561,422**	**5,513,922**	**5,531,922**
Revenue						
Investment Income	75,515	70,551	96,150	97,500	97,500	97,500
Transfer from General Fund	3,520,000	3,203,000	2,250,000	2,700,000	2,900,000	3,050,000
Other Revenue	0	0	0	0	0	0
Total Revenue	**3,595,515**	**3,273,551**	**2,346,150**	**2,797,500**	**2,997,500**	**3,147,500**
Total Resources	**9,027,714**	**7,908,406**	**7,794,881**	**8,358,922**	**8,511,422**	**8,679,422**
Expenditures						
Claims and Premium Outlay	4,392,859	2,459,675	2,233,459	2,845,000	2,979,500	3,111,500
Total Expenditures	**4,392,859**	**2,459,675**	**2,233,459**	**2,845,000**	**2,979,500**	**3,111,500**
Ending Balance	**4,634,855**	**5,448,731**	**5,561,422**	**5,513,922**	**5,531,922**	**5,567,922**

Figure FB - 12

Supplemental Pension Fund

The Supplemental Pension Fund (Pension/Deferred Compensation Trust and Agency Fund) was established to account for assets held by the Authority in a trustee capacity for payments of benefits relating primarily to certain retired employees of the Authority and its predecessor transit systems. Since 1986, the Pension Fund also has been used to account for funds on deposit with the Ohio Public Employees Deferred Compensation Board. The Authority has no control over these funds, but is required to account for them in a trust and agency fund according to governmental accounting standards.

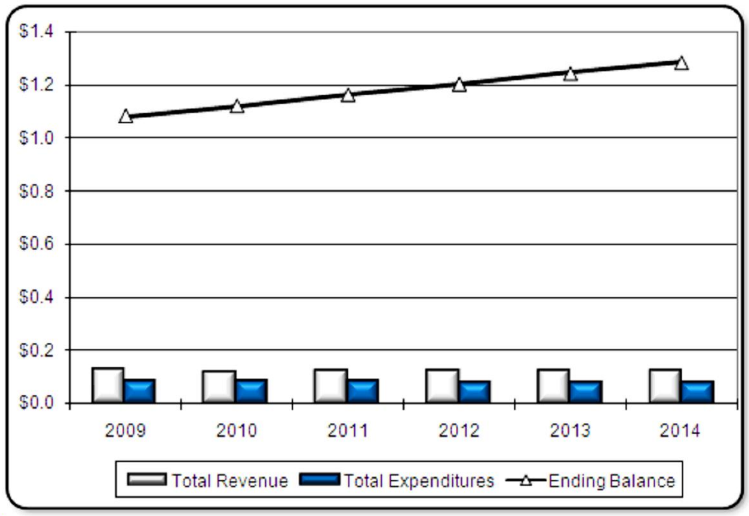

Figure FB - 13

An actuarial evaluation is performed every two years to assess the adequacy of the fund balance. This Budget increases and maintains the fund balance at levels recommended in the last actuarial evaluation. Transfers of $100,000 will be made from the General Fund to support this effort in 2012, 2013, and 2014, but these amounts may change with the results of the next actuarial study.

Benefit payments from this fund between 2005 and 2009 have ranged from a low of nearly $88,000 in 2005 to a high of just under $95,000 in the following year. In 2012, payments will be approximately $79,100, decreasing to $78,900 in 2013 and $78,500 in 2014. The ending balance in the fund is projected to be stable at $1.2 million over the next three years.

Supplemental Pension Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Beginning Balance	**1,036,017**	**1,083,091**	**1,121,472**	**1,164,077**	**1,204,227**	**1,244,827**
Revenue						
Investment Income	28,441	17,532	22,195	19,250	19,500	19,500
Transfer from General Fund	100,000	100,000	100,000	100,000	100,000	100,000
Total Revenue	**128,441**	**117,532**	**122,195**	**119,250**	**119,500**	**119,500**
Total Resources	**1,164,458**	**1,200,623**	**1,243,667**	**1,283,327**	**1,323,727**	**1,364,327**
Expenditures						
Benefit Payments	81,366	79,151	79,590	79,100	78,900	78,500
Other Expenditures	0	0	0	0	0	0
Total Expenditures	**81,366**	**79,151**	**79,590**	**79,100**	**78,900**	**78,500**
Ending Balance	**1,083,091**	**1,121,472**	**1,164,077**	**1,204,227**	**1,244,827**	**1,285,827**

Figure FB - 14

Fund Budgets

Law Enforcement Fund

In 1988, RTA became involved with the multi-jurisdictional Caribbean/Gang Task Force. RTA's involvement was prompted by the increasing gang activity found in and around the rail system and the need to obtain intelligence in this area. In addition to the benefits of intelligence gathering and improved inter-department relations, the GCRTA derives revenue from seized and confiscated monies and/or properties of convicted drug dealers prosecuted by the Task Force.

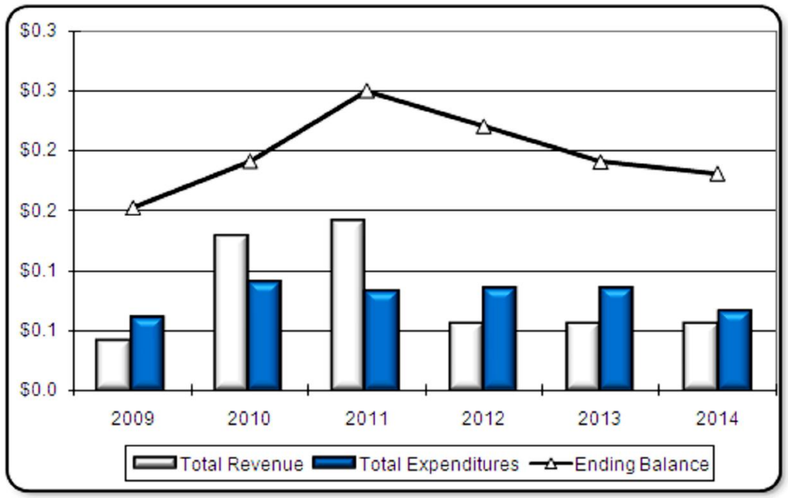

Figure FB - 15

Revenue obtained through the Task Force can be expended for non-budgeted police items. The Authority primarily uses these proceeds for unbudgeted capital items. Furthermore, certain guidelines have been instituted by the State Attorney General's Office for the reporting of and disbursement of funds. Expenditures within this fund have varied over the years, ranging from over $112,829 in 2008; $60,318 in 2009; $89,476 in 2010; and $82,500 in 2011, depending upon the levels of revenue obtained through the Task Force. These expenditures funded security items, protective equipment, and technical training equipment. At present, no expenditures are assumed in 2012, 2013 or in 2014.

Law Enforcement Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Beginning Balance	**172,193**	**152,517**	**191,563**	**250,374**	**220,674**	**211,024**
Revenue						
Law Enforcement Revenue	11,280	2,340	0	0	0	0
Investment Income	425	171	219	300	350	350
Other Revenue	28,937	126,011	141,092	55,000	55,000	55,000
Total Revenue	**40,642**	**128,522**	**141,311**	**55,300**	**55,350**	**55,350**
Total Resources	**212,835**	**281,039**	**332,874**	**305,674**	**276,024**	**266,374**
Expenditures						
Capital & Related Items	60,318	89,476	82,500	85,000	65,000	65,000
Total Expenditures	**60,318**	**89,476**	**82,500**	**85,000**	**65,000**	**65,000**
Ending Balance	**152,517**	**191,563**	**250,374**	**220,674**	**211,024**	**201,374**

Figure FB - 16

Fund Budgets

Capital Improvement Fund

Balance Analysis

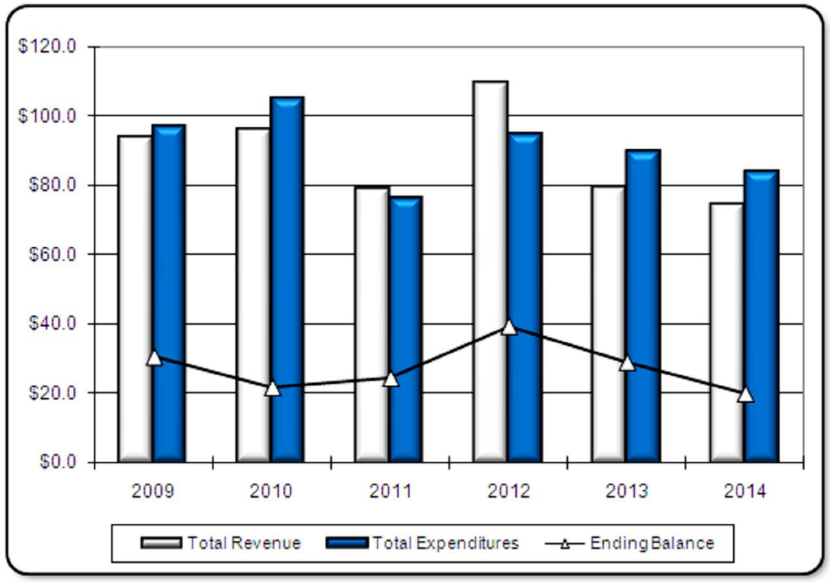

Figure FB - 17

The Authority's Capital Improvement Fund is used to account for the acquisition, construction, replacement, repair, and renovation of major capital facilities and equipment. The Capital Improvement Plan is composed of both grant-funded projects as well as 100% locally funded items.

All capital projects are included in one of two funds: the RTA Development Fund which includes the majority of the larger projects, including rehabilitations, expansions and large equipment purchases, and the RTA Capital Fund, a smaller fund for more routine expenditures that support daily operational activities. Generally, projects in the RTA Development Fund are greater than $150,000, have a useful life of greater than five years, and are predominantly, although not exclusively, supported through grants. Projects from the Authority's Long Range Plan are included in this area and it includes those projects where grant funding already has been approved or will be submitted for approval in future years. Capital projects included in the RTA Capital Fund are generally less than $150,000, have a useful life of less than 5 years, and are routine in nature. Unlike the RTA Development Fund, where the majority of projects are funded with grants, the RTA Capital Fund is financed entirely through local dollars in the form of sales tax revenue contributions.

Detailed discussions of the fund balances in these funds are presented in the Capital Improvement Plan. Figure FB-17 provides a consolidated look at all Capital Improvement Funds. The fund balance alternates years of increases and decreases as planned activities are balanced with cash infusions. Overall, the balance has been generally decreasing since 1990 with periodic increases a direct result of cash infusion from debt sales or from other irregular one-time revenue, such as a $15.0 million "Sale to Lease" transaction in 2002 or a $25.0 million Capital Lease transaction in 2007.

The available balance in this fund had declined in 2009 and again in 2010, primarily due to the lateness of receipt of the Federal Capital Grants in those years and a high level of construction activities. It increased in 2011 due to the timing of the Federal grant awards that delayed some planned project activities until FY2012. In 2012, the balance is expected to again increase due to the next planned debt issuance of the Authority, then slowly decrease in 2013 and 2014.

The high level of capital activity by the Authority, begun in the 1990s, continued until recently with such projects as the re-construction of the Triskett Garage, the HealthLine along Euclid Avenue, a mid-life overhaul of the Authority's Light and Heavy Rail Fleets, as well as the reconstruction of multiple Rail Stations, and maintenance of the Authority's infrastructure.

Funds set aside for these large projects were drawn against, as part of a planned drawdown of the fund balance. Beginning with the 2008 Budget Year, the capital budget process was focused on the need to balance the Authority's ambitious capital program with available grant funding and to minimize, where possible, the use of local funds. This resulted in the development of a CIP with projects closely scheduled with expected Federal Fiscal Year (FFY) grant funds and anticipated revenue streams, with few new projects being added, and some projects deferred into future years.

The Authority's infrastructure needs continue to exceed the amount of available grant funding and most likely will require continued high levels of local financial support. In 2012, the Capital Budget appropriation request totals $61.5 million for preventive maintenance and operating expense reimbursements, equipment, services, and construction projects to improve, replace or upgrade the Authority's facilities and infrastructure.

Proceeds from debt sales, as well as from sales tax contributions, are used to fulfill the Local Match requirement on grant funded projects as well as for 100% locally funded projects. In 2012, the Contribution to Capital from the General Fund is budgeted at $11.8 million and is expected to slightly decrease in 2013 to $11.5 million and to $11.3 million in 2014. Efforts continue relative to securing additional federal and state resources, tapping into the increased funding flexibility provided under the newly adopted Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), and becoming more creative with the use of debt and other financing, though the on-going discussions within the Federal Government on the new Transportation Bill creates some uncertainty over the long-term stability of Federal funds for capital projects.

Capital Improvement Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Beginning Balance	**33,755,518**	**30,706,082**	**21,950,024**	**24,554,663**	**39,489,868**	**29,154,269**
Revenue						
Transfer from General Fund	10,550,000	12,525,000	12,754,337	11,777,818	11,484,515	11,275,406
Investment Income	272,360	245,001	219,419	235,650	245,650	245,650
Federal Capital Grants (Including ARRA)	73,648,082	81,487,975	59,179,088	70,625,000	65,512,500	61,125,000
State Capital Grants	9,162,154	1,807,284	6,776,795	1,971,736	1,971,736	1,971,736
General Obligation Debt Proceeds	0	0	0	25,000,000	0	0
Other Revenue	0	41	0	0	0	0
Total Revenue	**93,632,596**	**96,065,301**	**78,929,639**	**109,610,205**	**79,214,401**	**74,617,792**
Total Resources	**127,388,114**	**126,771,383**	**100,879,663**	**134,164,868**	**118,704,269**	**103,772,061**
Expenditures						
Capital Outlay	95,982,032	104,121,359	76,325,000	94,675,000	89,550,000	83,700,000
Other Expenditures	0	0	0	0	0	0
Transfer to Bond Retirement Fund	700,000	700,000	0	0	0	0
Transfer to Insurance Fund	0	0	0	0	0	0
Total Expenditures	**96,682,032**	**104,821,359**	**76,325,000**	**94,675,000**	**89,550,000**	**83,700,000**
Available Ending Balance	**30,706,082**	**21,950,024**	**24,554,663**	**39,489,868**	**29,154,269**	**20,072,061**

Figure FB - 18

Fund Budgets

Revenues

The Authority receives various capital grants from the Federal Transit Administration (FTA). Funds are requested from FTA, as needed, to meet obligations, via wire transfer. The timing of the receipt of federal capital revenue is directly related to costs invoiced by contractors/vendors, since these funds must be disbursed within three days after receipt. FTA grants normally cover approximately 80% of project costs, the remaining cost being absorbed by the Authority's local match revenue, which consist of interest income, transfers from other funds and sales of bonds and notes. In some cases FTA grants, such as the American Recovery & Reinvestment Act of 2009 (ARRA) and from the Transportation Investment Generating Economic Recovery (TIGER) program are awarded with a 100% Federal share. State capital assistance is seen in the form of State capital grants from the Ohio Department of Transportation (ODOT) and loans from the State Infrastructure Bank (SIB).

The RTA Capital Fund was established in 1988, and receives sales and use tax proceeds as part of the minimum 10% contribution to capital requirement as described under General Fund Revenue. Interest earned on the investment of those sales tax proceeds is the only other income credited to the RTA Capital Fund.

Even as revenue from the Sales & Use Tax stagnated and decreased in recent years, Transfers from General Fund revenue to the RTA Capital Fund have grown significantly in recent years to meet the financial needs of an aggressive capital program. Since 2007, these transfers grew from $6.8 million to an estimated $12.8 million in 2011. For the 2012 Budget Year, the Transfer from the General Fund will decrease to a planned $11.8 million, to meet the needs of the capital program, but it remains at a high level. This amount, when combined with an expected $20.7 million transfer to the Bond Retirement Fund will produce a total contribution of Sales & Use Tax revenue to capital of $32.5 million, or 18.7% of all Sales & Use Tax Revenue, exceeding the Authority's maximum goal of 15%.

Though expected to slightly decrease in 2013 and 2014, projected General Fund Transfers to capital again exceed the maximum goal at 18.2% and 17.9% respectively due to the cost of the Authority's long-range Capital Plan. The continued high levels in the General Fund contribution to capital, as well as this measure remaining well above the maximum goal of 15.0%, highlights the problem of meeting the operating needs of the Authority while maintaining the Authority's assets as well. Meeting both will significantly challenge the overall financial stability of the Authority, particularly in light of the current economic situation and the slow growth in revenue from the Sales & Use Tax.