2013 Budget Guide

Organization of the Adopted Budget Plan

The purpose of this section is to describe the contents of the 2013 Operating and Capital Budgets (Adopted Budget Plan) for the Greater Cleveland Regional Transit Authority. This section is an aid for those who wish to analyze the book in detail. The Tables of Contents in the beginning of the book and on the tabs in the beginning of each section provide further direction to the reader.

Transmittal Letter

The Transmittal Letter is an overview of the Authority's operations and finances for the upcoming fiscal year. It includes the CEO/General Manager's Letter, summaries and revenues, expenditures and staffing, service indicators, and a profile of the service area.

Budget Guide

In addition to providing an outline of the Adopted Budget Plan, the Budget Guide explains the Authority's financial and budgetary policies, including the rationale for their adoption and the manner in which they are implemented and monitored. The Budget Guide also contains a description of the budget management process, a budget calendar, and glossary of terms used in the Adopted Budget Plan.

Fund Budgets

The Fund Budgets section defines the Authority's fund structure and the interrelationships between funds. Individual fund statements reflect the trends in revenues, expenditures, ending balances, and transfers between funds over a six-year period. Historical, current, and prospective information is provided. An analysis of the Authority's financial condition is based on these trends.

Department Budgets

The Department Budgets present the Adopted Budget Plan by organizational unit. These sections describe the six divisions, their mission, functions, achievements for the past year, and priorities for the current year. Individual budgets, budget implementation narratives, organizational charts, and staffing level summaries are provided for each department.

Capital Improvement Plan

The Capital Improvement Plan itemizes capital projects approved for 2013 and those planned for 2014 through 2017. This section discusses funding sources, debt limits, capital improvement planning cycle, and the criteria used to establish priorities.

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Financial Policies

Introduction

The Authority adopted a set of financial policies in 1989, relating to its overall finances and to particular funds. The policies were amended in July 1998 to include four additional key indicators.

These policies were then amended again in September 2011 to provide a comprehensive framework for the management of revenues and financial resources of the Authority. They provide guidelines for decision-making by the Board of Trustees and management on how the financial resources of the Authority shall be used to achieve the Authority's mission and provide public transportation services.

The new policy objectives are a better indicator of efficiency, effectiveness, and financial condition of the Authority, which ensures the fiscal integrity of the Authority and adherence to laws and regulations. The Authority's purpose, which is to provide a public service, will only be accomplished so long as it remains a financially viable organization. In this vein, a balance of using the funds to provide that service and maintaining a reserve for possible future shortfalls must occur. The new policy objectives to measure and/or control expenses and revenues are:

- Operating Ratio at or above 25%
- Operating Reserve at least 1 month
- Growth in Cost per Service Hour at or below the rate of inflation
- Debt Service Coverage of 1.5
- Sales & Use Tax Revenue (between 10% and 15%) allocated to Capital Improvement on an annual basis
- Capital Maintenance Outlay to Capital Expansion will be a minimum of 75% to a maximum of 90%.

In addition to the elimination of two policy objectives, RTA established reserve funding. The volatility of fuel prices, hospitalization costs and the impact of the Great Recession of 2008-2009 have shown that establishing reserves to help offset the impact of future significant financial disruptions would be especially valuable and prudent. In December 2012, a fourth Operating Reserve for replacement of rolling stock was added. As such, the new policies authorize:

- Operating Reserves
  - Reserve for Fuel
  - Reserve for Compensated Absences
  - Reserve for Hospitalization
  - Reserve for Rolling Stock Replacement

For accounting purposes, the Authority reports the results of its operations in a single enterprise fund, the All Funds Statement. However, for budget purposes, a separate budget must be adopted annually for each fund (see Fund Budgets section). Therefore, the following financial and budgetary policies are organized by Fund, except for those general policies that are applicable to the Authority as a whole.

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ALL FUNDS

Policy Statement: Current appropriations in each fund are limited to the sum of available cash, encumbered balances, and revenues estimated to be received in the current budget period.

Rationale: By law, the budget must be balanced and expenditures cannot exceed available resources. A balanced budget occurs when total expenditures equal total revenues. The budget is also balanced in situations where total expenditures are less than total revenues, called a surplus. A third type of a balanced budget is when total resources (previous year balance plus current year revenues) are greater than total expenditures.

Balanced Budget:

A) Total Revenues = Total Expenditures
B) Total Revenues > Total Expenditures
C) Total Resources > Total Expenditures

Implementation: The Board of Trustees (BOT) has adopted other policy goals that go beyond the statutory requirement listed above and requires certain reserves in each fund. The specific requirements are discussed under the appropriate fund policy statement. The following describes the implementation of this policy for the General Fund.

In the General Fund, for 2013, estimated resources total $296.0 million: current revenues of $261.0 million plus an estimated beginning balance of $34.9 million. Total estimated expenditures for 2012 equal $278.7 million and are within the estimate of total resources available. The ending balance, $17.2 million, is just under the one-month reserve recommended by the Trustees for the General Fund (see page BG-6). The Board policy goal is considerably more restrictive and more determinate than the legal demand for balanced appropriations.

Policy Statement: The Authority's interim funds shall be invested to achieve the maximum financial return consistent with prudent market and credit risks while conforming to applicable State and Federal laws and consistent with the cash flow requirements of the Authority, matching maturities and/or marketability at par, to meet outstanding obligations and financial commitments.

Rationale: With interim funds of more than $50 million, investment income is a material resource for the Authority and makes funds management a priority. Investment decisions should attempt to increase yields without risking the principal or the liquidity position of the organization. In addition, idle cash balances should be invested whenever possible to maximize investment income.

Implementation: The Ohio Depository Act and the Authorityðs cash management investment policy allow the Authority to invest in the following types of financial instruments:

- U.S. Government securities, maximum term of three years
- Secured certificates of deposit, maximum term of one year
- U.S. Government Agency securities, maximum term of three years
- Repurchase agreements of U.S. Government and Agency securities, maximum term of thirty days
- State Treasury Asset Reserve of Ohio (STAR Ohio), daily liquidity

Monthly reports summarizing investment transactions and earnings are provided to the Board of Trustees. The Authority was able to achieve a favorable return on its 2011 investments and at the same time meet its outstanding financial commitments with an investment yield of 0.50%.

Policy Statement: The Authority's personnel, procurement, and other policies are designed and administered to obtain the maximum value for the funds provided by its constituents.

Rationale: As a public agency, the Authority delivers the services for which its taxpayers and users provide resources. The incentive is not to generate an excessive surplus of funds, but rather, to provide the most extensive and cost-effective level and mix of services possible. When services and operations are well managed and costs are contained, the Authority can provide greater services.

Implementation: In the General Fund, the growth in the cost of providing services (measured by cost per hour of service) must remain at or below the rate of inflation. This policy goal allows the Authority to maximize the use of its resources and provide the most direct service possible.

The operating expenditures budgeted in 2013 General Fund, which exclude transfers to other funds, are $237.7 million, which represent an increase of over $6.7 million, or 2.9%, over 2012 budget. The largest Operating Budget appropriation, $173.2 million, is for Personnel Services, which accounts for 72.9% of the total operating appropriation. The 2013 appropriation for personnel costs is 2.1% higher than the 2012 estimated level. This increase is due to the a 3% wage increase for ATU, FOP, and non-bargaining personnel, which is tied to Sales Tax and Passenger Fare revenues received in 2012. These increases include labor and fringe benefits. Other increases include inventory, utilities, cost of materials, and liability costs.

In the Capital Improvement Fund, economies are sought that minimize the costs of capital projects. Construction management activities ensure the timely completion of these projects at the lowest cost. Cost savings also are possible by planning for the purchase of similar types of equipment in larger quantities. Additionally, capital investment is encouraged where operating cost savings and operational efficiencies result.

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GENERAL FUND

Policy Statement: Program demands require that an adequate resource stream be maintained. The Authority must make the hard decisions required to assure a continued flow of resources.

Rationale: It is the policy of this Authority to take whatever steps are necessary to ensure full and continued funding for the services, programs, and facilities, which the Authority is required or elects to provide. The Authority should actively pursue whatever legitimate revenues it can locate to support the services its constituents demand.

Implementation: Cuyahoga County experienced an historic decline in Sales & Use Tax receipts in 2009. For the Authority, Sales Tax declined 10.94%, losing nearly $19 million in Sales Tax revenue. During 2010, Sales Tax receipts increased $9 million from 2009 levels due to the additional tax on managed health care. The Sales Tax was not expected to return to the 2008 levels until 2015. The Authority planned on a new base level of revenue at a reduced amount. In late 2009, State Legislature added Managed Health Care to the sales tax base. For 2010, this change added about $5 million in Sales Tax receipts for the Authority. In 2011 and the first half of 2012, Sales Tax collections continued to be above expectation. In the second half of 2012, although collections were above projections, the rate of increase continued to drop.

In 2008, Governor Strickland led the way for temporary emergency funding for Ohio Transit Agencies with balances held in Metropolitan Planning Organizations (MPOs). As a result, the Northeast Ohio Area Coordinating Agency (NOACA), our regional MPO, made $9.0 million available to RTA to lessen the impact of fuel cost increases from 2008 to 2009. The Authority used $7.9 million of those funds in 2009 and the remaining $1.2 million was utilized in 2010. Two grants for Congestion Mitigation and Air Quality (CMAQ) for costs associated with the HealthLine and Trolley operations were authorized for use in 2009 and 2010, respectively. The funds for the HealthLine were used from 2009 through 2012 with $1.9 million used in 2009, $1.1 million in 2010, $7.1 million in 2011 and the remainder in 2012. The CMAQ funds for Trolley operations were split between 2010, $1.76 million, and 2011, $0.98 million. In late 2012 the Authority created three new Trolley Lines (C-Line, L-Line, and Nine-Twelve Line), two of which run on nights and weekends. NOACA awarded $3.6 million to the Authority for these three new lines.

Policy Statement: An operating reserve in an amount equal to at least one month's operating expenses shall be budgeted each year to cover unforeseen or extraordinary fluctuations in revenues or expenses.

Rationale: Adequate reserves must be maintained to avoid disruptions in service due to temporary shortages in operating funds or fluctuations in revenue streams or costs.

Implementation: This policy was met in 2010, the first time since 1990, at 1.2, and was met again in 2011, at 2.1, and will be again in 2012, with an estimate of 1.9. The reduction in expenditures over the past two years has helped this financial policy to be achieved. This policy goal is expected to be close to goal in 2013, at 0.9. Expenses will be monitored throughout the year to help reach the goal of 1.0 month reserve by the end of the year.

Policy Statement: Growth in the cost of delivering a unit of service (cost per service hour) shall be kept at or below the rate of inflation.

Rationale: As a means of measuring cost containment, direct costs should not be permitted to increase faster than overall price levels.

Implementation: This policy goal has not been met in 2009 through 2011 because service cuts were decreasing more rapidly than operating expenses. The comparable growth in the cost per hour of service in 2012 is estimated at -6.2%, considerably lower than the projected inflation rate. This is due to service hours increasing at 15.1% but operating expenses increasing at 6.7%. Operating expenses have been maintained throughout the year and service hours increasing with the annualization of the three new Trolley Lines and additional buses and trains added to decrease overcrowding. For 2013, operating expenditures are budgeted to increase by 5.9% from 2012 estimates. The majority of this increase is in Personnel Services with a 3% wage increase budgeted for ATU, FOP, and non-bargaining personnel, as well as an increase in hospitalization costs. Service hours for 2013 are budgeted to increase by 0.7%, compared to 2012 estimates. This policy goal is not expected to be met in 2013, at 5.2%, but is projected to be met in 2014 and 2015, at -0.4% and 0.2%, respectively, as operating expenses continue to be maintained.

Policy Statement: The Operating Ratio (Operating Revenues divided by Operating Expenses) shall not be allowed to go below 25% with a long-range objective of having Operating Revenues cover an increasing portion of Operating Expenses.

Rationale: A higher Operating Ratio indicates that the Authority is becoming more self-supporting and less reliant on other sources of income. Additionally, a lower Operating Ratio indicates that customers are paying a lower portion of the operating cost of providing the service.

Implementation: Operating Revenues include passenger fares, advertising, concessions, and interest income. Operating Expenses include all expenditures of the General Fund less transfers to other funds, which are charged to and reimbursed by the Capital Program.

The ratio increased in 2010 to 23.8%, although still below the 25% goal, with the decrease in operating expenses, primarily due to the implementation of the fuel-hedging program and decrease in the cost of diesel fuel. In 2011, the ratio was maintained at 23.8% and in 2012, the Operating Ratio is projected to take a slight downturn to 23.2% due to projected increases in labor, purchased transportation, and inventory materials. For 2013, operating revenues are expected to account for 22.3% of total operating expenses and the ratio is expected to stabilize in 2014 and 2015 at 22.6% for each year.

Policy Statement: Debt service coverage (total operating revenue minus operating expenditures divided by debt service requirements) shall be kept to a minimum of 1.5.

Rationale: The Authority should comfortably support Debt service payments. The excess from general obligations should be used as the measure to not jeopardize the financial condition of the Authority.

Implementation: The debt service coverage measure has traditionally been met and the minimum significantly exceeded since the Authority has used debt sparingly. The goal of the debt service coverage is to be above 1.5. After declining to a low of 1.14 at the end of FY 2009, the Debt Service Coverage ratio improved to 2.02 in 2010 as revenue from the Sales & Use Tax recovered. This ratio again increased in 2011 to 2.82 and is estimated to be 2.62 at the end of FY 2012. The Authority stretched the use of borrowing from 2008 for four years and pre-paid a State Infrastructure Bank (SIB) loan in 2011.

In 2012, the Debt Service Coverage ratio is projected to decline to 2.62, which will still exceed the minimum of 1.5. At a projected 1.71 in 2013 it will again meet the minimum requirement. The ratio is expected to decline in 2014 and 2015 to 1.09 and 0.79, respectively as total resources within the General Fund decrease in those years.

CAPITAL IMPROVEMENT FUNDS

Policy Statement: An amount between 10% and 15% of Sales & Use Tax revenues shall be allocated to the Capital Improvement Fund on an annual basis. This allocation shall be used to support budgeted projects in the Capital Improvement Fund or support debt service payments in the Bond Retirement Fund.

Rationale: Capital assets such as facilities, equipment, and vehicles, are essential to the provision of transportation services. Although expensive to sustain, a regular capital investment program lowers operating and capital costs over the long term. The Federal Government funds a substantial portion of capital projects, but the Authority must have adequate local matching funds on hand in order to qualify for FTA grants. State and Federal assistance has shrunk in recent years, leaving the Authority to absorb an increasing share of capital expenditures through 100% local funds.

Implementation: The Authority has combined debt financing and direct allocations of Sales Tax receipts to fulfill the commitment to capital over the last decade. In 1995, the definition of contribution to capital was officially broadened to include the transfer to Bond Retirement Fund. The Authority provided a contribution to capital equivalent to the minimum of 10% in 1998 through 2002. Growth in Authority-wide capital needs progressively increased this ratio between 2003 and 2008, from 11.4% to 14.3%.

In 2009, the contribution to capital increased to 18%, about $10.5 million, however, Sales and Use Tax receipts plummeted, losing 11% of revenue, which increased the percentage transferred to capital. In 2010, Sales Tax collections increased 5.6%, compared to 2009 and 18.3% of the revenue was transferred to Capital, about $12.5 million. Stimulus funds provided through ARRA grants in 2009 provided almost a year's funding amount for shovel-ready projects. The Authority was able to utilize those funds effectively and catch up on needed infrastructure work.

Capital requirements for 2012 were reduced from the 2008-2009 levels and 17.6% of the Sales Tax was transferred. In 2013, local funds will be transferred to the capital program for the multi-year bus replacement program, which will total $39.59 million and equal 21.4% of the Sales Tax revenue. This includes $21.27 million for payment of 100% locally funded projects, the first of a two-year program to shift local funds to capital for the bus improvement program, the local match portion of grant-funded projects, and $18.32 million to the Bond Retirement Fund for debt service payments. At 21.8%, the transfer at a projected $41.23 million will remain at a high level in 2014. This transfer will decline in 2015, to 18.1%, as the bus improvement project will end.

Policy Statement: Capital Improvement Funds shall be used to account for the construction and acquisition of major capital facilities and equipment.

Rationale: The separation of funds used for day-to-day operations from those employed for capital improvements facilitates the planning process and the management of resources.

Implementation: Capital investments are defined as those exceeding $5,000, where the useful life of the asset exceeds one year. The Capital Improvement Fund includes the RTA Capital Fund and the RTA Development Fund. The Capital Improvement Fund is supported by the Federal and State grants as well as local sources.

Policy Statement: The percent of capital maintenance to capital expansion outlay will be a minimum of 75% and a maximum of 90%.

Rationale: Transit remains a capital-intensive business and continued quality service relies solidly on maintenance of infrastructure and equipment. Investments must anticipate future service requirements and capacity. Ridership is increased only through a clean, dependable, and well-operated system.

Implementation: Recognizing that the capital program requires a critical balance between maintenance of existing assets and expansion efforts, this policy objective has been used in the past to develop the annual capital budget. In 2010, 2011, and 2012, the capital maintenance to expansion ratio is 99.0%, 98.2%, and 97.9%, respectively. In 2013 and 2014, at 96.3% and 94.0%, respectively, the focus of the Authorityȿs capital program remains on maintenance, rehabilitation, and replacement or upgrade of existing capital assets rather than on expansion activities. This measure is projected to decrease in 2015 to 72.8% due to the inclusion of budget authority for possible extension to the Blue Line Light Rail line.

Policy Statement: The Authority will strive to take advantage of all available State and Federal grants and other financing programs for capital improvements, including but not limited to, State of Ohio public transportation grants and Federal Highway Administration programs, as well as the programs of the Federal Transit Administration.

Rationale: Various ȸformulaȹ grants are usually allocated to systems based on service or demographic indicators. Discretionary grants are competitive and require the maintenance of positive relationships, solid planning, and well-conceived projects. The Authority strives to maximize grant funding in order to best leverage local funds to maintain a State of Good Repair (SGR) in its capital assets. Furthermore, as more dollars are needed to support an aggressive Long-Range plan, the Authority will explore and secure other creative and non-traditional revenue sources to meet the needs of its capital program.

Implementation: Limited availability of funding at the Federal, State, and Local levels meant the Authority could only place emphasis on the most essential and realistic capital projects during the 2013 process and continue its focus on SGR projects. The Authority will continue to aggressively pursue non-traditional funding opportunities under the new Transportation Act ï Moving Ahead for Progress in the 21st Century (MAP-21) and will continue to focus on improving out internal capability to plan, finance, and implement its Capital Improvement Plan.

SUPPLEMENTAL PENSION FUND

Policy Statement: Every two years, an evaluation, including appropriate actuarial studies, shall be made of the Supplemental Pension Fund to determine the amounts required to meet expected obligations of the Fund. Any additional funds determined to be needed will be allocated during the annual budgeting process of the Authority.

Rationale: A periodic evaluation of the pension amount ensures that the Authority has adequate funds to meet expected obligations.

Implementation: The Supplemental Pension Fund contains assets held in trust for the payment of pension benefits to certain retired employees of the Authority. Provisions of the plan are delineated in the agreement between RTA and the Amalgamated Transit Union (ATU). Because of low levels of investment income earned over the last few years and increasing expenditures, the fund has required transfers from the General Fund to keep the recommended balance. The transfers from 2008 through 2012 were held at $100,000 per year. In 2013, 2014, and 2015, $100,000 transfers will be needed each year to ensure that the Fund remains at the recommended level to meet all obligations.

INSURANCE FUND

Policy Statement: The Authority is insured through both self-insurance and purchased insurance. Insurance for property and equipment losses as well as liability is to be purchased on the open Insurance market. The Risk Manager determines the basis for the Insurance Fund structure and coverage levels.

Rationale: The Authority desires to save funds by implementing the most appropriate balance of insurance to solve claims. Sufficient resources have been set aside to provide security against normal business risk, for major property claims, and to purchase specified insurance for these purposes.

Implementation: The General and Insurance Funds provide for the payment of the insurance purchased on the open market. Since the hiring of a Risk Manager in 1998, the Insurance Fund was restructured to include a mix of self- and purchased-insurance. This was a major change from the Authorityõs previous self-insurance position. In 2013, nearly $2.9 million is budgeted in the General Fund for the payment of ordinary and routine losses in the form of personal injury and property damage claims. An additional $2.0 million is budgeted in the Insurance Fund for claims outlay and to cover insurance premiums for catastrophic or extraordinary losses.

Policy Statement: The minimum balance to be maintained in the Insurance Fund shall be determined by the Risk Manager on an annual basis taking into consideration the balance between self-insurance and purchased-insurance requirements. Upon attaining the required minimum balance, additional funds will be allotted to the Insurance Fund during the annual budgeting process based on the results of periodic actuarial studies of the Fund to assess its sufficiency.

Rationale: The intent is to ensure that reserves and insurance levels are sufficient to cover extraordinary or catastrophic losses. The periodic evaluations will determine the sufficiency of the Fund and the cost-effectiveness of maintaining a self-insurance program versus obtaining coverage externally or a combination of the two.

Implementation: Ordinary and routine losses are paid through the Risk Management Department's General Fund Budget. Approximately $3.5 million, $3.2 million, $3.3 million, and $1.0 million were transferred to the Insurance Fund in 2009, 2010, 2011, and 2012, respectively. For 2013, the transfer is expected to be $1.4 million.

Transfers of $1.5 million and $1.7 million are projected in 2014 and 2015, respectively, to maintain the Fund at its minimum balance of $5.0 million.

BOND RETIREMENT FUND

Policy Statement: Principal and interest payments on outstanding bonds will be accounted for in the Bond Retirement Fund. Debt issuances shall comply with pertinent State and Federal laws, finance only long-term capital assets, and supported by adequate debt servicing capacity.

Rationale: It is the intent of the Authority to issue debt in a manner that adheres to State and Federal laws and prudent financial management principles.

Implementation: Historically, the Authority has used debt capacity sparingly due to the benefits of Federal and State grant funding. Reductions in these sources of capital support over the years in combination with an aggressive long-range Capital Improvement Program (CIP), has resulted in more frequent use of debt sales as a revenue source for the Authority's capital needs. At the end of 2012, the outstanding debt for the Authority totaled $151.94 million in general obligation (GO) and revenue (RB) bonds, requiring principal and interest payments of $20.75 million in 2013. Principal and interest payments are expected to continue to increase in future years due to the on-going needs of the Capital Improvement Plan and additional anticipated debt service requirements.

Debt Financing

Ohio law permits the Authority to issue both voted and unvoted debt and to levy ad valorem property taxes. Current obligations have not required the use of property taxes for debt service. Debt issuances are subject to three limitations as specified in the Ohio Revised Code and the Ohio Constitution:

1. **Restriction:** Total debt supported by voted and/or unvoted property taxes may not exceed 5 percent of the total assessed valuation of the property within the Authority's territory (Cuyahoga County).

   Impact: The provision is not currently applicable since debt obligations have not required the use of ad valorem property taxes for debt service payments. Further, the $1.38 billion limitation (based on the county's assessed valuation of $27.6 billion) is not overly restrictive in view of the Authority's debt requirements.

2. **Restriction:** Annual principal and interest payments on all unvoted general obligation (GO) bonds may not exceed one-tenth of one percent of the total assessed valuation.

   Impact: The 2008-2010 recession has negatively affected the property valuation for Cuyahoga County. A triennial adjustment was made on the total assessed valuation leading to a decline from $31.7 billion in 2008 to $29.8 billion in 2010. It fell again to $27.6 billion after the full reappraisal of all property in 2012. Based on the valuation, the annual debt service capacity of one-tenth of one percent would be $27.6 million and apply to all debt issued by the Authority. For 2013, the inside millage is projected to drop by another 5 percent.

3. **Restriction:** The total amount of annual debt service on unvoted general obligation (GO) bonds issued by overlapping subdivisions is limited to ten mills of assessed valuation. Overlapping subdivisions include Cuyahoga County and various municipalities, school districts, and townships within the taxing district.

   Impact: The ten-mill limit provision pertains to all unvoted debt regardless of the source of payment and historically has been the most restrictive to the Authority. At the end of 2012, this restriction remains well above the 10-mill limitation with 11.46 mills in use, primarily due to decreases in property valuation, leaving 0.00 mills for additional debt issuances. The fact that the 10-mill limit has been exceeded was another factor to be considered as the Authority prepared for an additional debt issuance in FY 2012 resulting in revenue bonds being issued instead of general obligation bonds.

   Beyond that, it should be noted that in 1996, the Authority's bond rating, a major determinant of the interest rate charged on notes and bonds, was upgraded by Fitch Investors Service from A- to A. The Authority last issued G.O. debt in 2008, and refinanced debt at a lower interest rate. In FY 2012, the Authority issued revenue bonds for $25.0 million in new debt and $17.4 million in a refinancing issuance. The Authority currently holds a “AAA: rating with S & P and an “Aa2” rating with Moody's.

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Budget Management Process

Introduction

As the Authority's finances become tighter, increased emphasis has been placed on the budget management process. The following procedures were instituted to strengthen this process:

- The Board of Trustees (BOT) developed a set of financial policies to guide the development of the budget plan and articulate the Authority's operating guidelines.
- The Authority's performance is measured against the standards established by the BOT.
- A formal budget document is produced, providing clear, timely, and accurate budget information to officials and the public.
- The expenditures are tracked against appropriations and available resources.
- Performance indicators are used to assess the containment of costs and the effectiveness of service delivery.
- The Citizen's Advisory Board (CAB) meets monthly to provide the pulse of the community in matters of fare changes, Long Range Plan updates, capital projects, and service changes.

The Budget Cycle

For the Authority, the fiscal and calendar year coincide. The budget process for the forthcoming fiscal year begins in June with the development of the Tax Budget for the following year. Although not necessary, the Authority prepares a Tax Budget as a valuable tool for estimating budget year resources and performing appropriations planning.

Around the same time, a mid-year review of spending patterns and budget variances is conducted. The July review and the Tax Budget are essential components of the base level appropriations assumed for the succeeding budget cycle. The development of this "base" budget begins the annual budget process, which proceeds as follows:

- A budget basis (or starting point) is selected, usually based on the mid-year estimate or the original appropriation level.
- The Office of Management and Budget (OMB) staff adjusts the budget basis for any nonrecurring costs, contracts, or binding commitments, or inflation. The product is called the Base Budget.
- After receiving the Base Budget, departments submit their requests for adjustments.
- Negotiations between OMB staff and the department staff refine the Base Budget.
- When completed, the Base Budget includes commitments, recurring costs, and any approved new projects and initiatives.

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- The finalized CEO/General Manager's Recommended Budget:
  - Is the sum of the refined Base Budgets and Adjustments
  - Is limited to estimated available resources
  - Satisfies the Authority's financial policies to the best extent possible
  - Supports the Authority's mission and strategic direction as embodied in the Board Policy Goals and outlined in the Strategic Planning Process
- The CEO/General Manager's Recommended Budget is presented to the Executive Management Team (EMT) in October
- The CEO/General Manager's Recommended Budget is presented to the Board of Trustees (BOT) in November and December and is made available to the public.
- At least one budget hearing in December is scheduled for the BOT and the general public, which includes public discussion of the budget.
- The review process culminates in the formal adoption of a budget resolution at the December Board Meeting. It is the Trustees' practice to finalize appropriations before the new fiscal year begins.

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JANUARY

New Fiscal Year Begins

JANUARY

- Conversion of Annual Budget plan from Budget Development System to Financial Management System
- 2012 4^{th} Quarter Report submitted by end of month
- Budget Appropriation Available
- Citizens' Advisory Board (CAB) Meeting

FEBRUARY

- Publication of Annual Budget Plan
- Budget Plan sent to GFOA for award consideration
- 2012 4^{th} Quarter Report submitted; Presented to Board of Trustees on 3^{rd} Tuesday
- CAB Meeting

MARCH

- Budget Policy Review and Priority Setting
- CAB Meeting

APRIL

- 1^{st} Quarter Report submitted by end of month
- CAB Meeting

MAY

- CPWG (Capital Program Working Group) meeting
- 1^{st} Quarter Report presented to Board of Trustees on 3^{rd} Tuesday
- CAB Meeting

JUNE

- Prepare 2014 Tax Budget
- Development of the 2014 Capital Budget
- CPOC (Capital Program Oversight Committee) and CPWG meetings
- CAB Meeting

JULY

- Present 2014 Tax Budget to Finance Committee on 1^{st} Tuesday
- Adoption of Tax Budget on 3^{rd} Tuesday
- 2^{nd} Quarter Report submitted by end of month
- CPOC meeting
- CAB Meeting

AUGUST

- 2^{nd} Quarter Report presented to Board of Trustees on 3^{rd} Tuesday
- Prepare for the Development of the 2014 Operating Budget
- Departments prepare performance goals for 2014
- Prepare information for Cost Allocation Plan
- CAB Meeting

SEPTEMBER

- 2014 Capital Program finalized
- 2014 Base Budget submitted to Departments 1^{st} Tuesday and to Executive Management Team (EMT) 4^{th} Tuesday
- Department Negotiation meetings second & third weeks
- CAB Meeting

OCTOBER

- 2014 Capital Budget presented at Finance Committee on 1^{st} Tuesday
- Transmittal Letter created and submitted
- Enter 2014 Operating Budget into Budget Development System
- 3^{rd} Quarter Report submitted by end of month
- CAB Meeting

NOVEMBER

- 2014 Operating Budget presentation and deliberation - Finance Committee and Board of Trustees on 1^{st} and 3^{rd} Tuesdays
- 3^{rd} Quarter Report presented to Board of Trustees on 3^{rd} Tuesday
- CAB Meeting

DECEMBER

- 2014 Operating and Capital Budget presented at Public Hearing, Finance Committee on 1^{st} Tuesday
- Adoption of 2014 Operating and Capital Budget on 3^{rd} Tuesday
- Establish adopted budget in Financial Management System
- Cost Allocation Plan completed & submitted

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Management Policies

The Authority continues to operate under the Quality Management System (QMS) through the TransitStat program. The Board of Trustees (BOT) and the Executive Management Team (EMT) have identified a Mission Statement and five Priority Policy Goals essential for growth and progress in RTA. These are reviewed annually and modified if necessary. Budget decisions are made with the overall strategic planning process in mind.

For 2013, these Management Policy Goals remain:

- **Customer Focus:** Provide safe, high quality service to all customers and support our employees in that endeavor.
- **Improve Financial Health:** Improve the Authorityọs financial health through efficient use of resources and the pursuit of new and innovative revenue sources.
- **Prepare for the Future:** Prepare for the future by forging new partnerships and strengthening existing ones with public and private sectors and establish policies, funding, innovations, and technologies that support cost-effective public transportation.
- **Provide Community Benefits:** Provide social, economic, and environmental benefits to the community through system improvements and increase community awareness of these contributions.
- **Expand and Reorganize Service:** Expand and reorganize service to retain our current riders and attract new riders by providing service that meets customer and community needs.

During the recession of 2008-2009 through 2011, emphasis is placed on two of the Board Policy Goals: Customer Focus and Improve Financial Health. For 2012 and 2013, the financial health of the Authority has been improved through sustainable budgets. The emphasis is now placed on improving our service and maintaining a customer-focus.

Budget Monitoring and Control

A quarterly financial report allows the CEO/General Manager and the Board of Trustees (BOT) to monitor actual performance. This report is used to determine adjustments to the budget. The budget may be adjusted after periodic reviews, but is normally limited to interdepartmental transfers rather than an increase to the overall appropriation level. The CEO/General Manager has the authority to transfer appropriations within departments, which are reported to the Trustees within 30 days. Any increase to the Authorityọs total operating budget requires BOT approval.

The CEO/General Manager also has the authority to upgrade or reclassify staff positions. Positions may be reallocated between departments and divisions, providing the overall division staffing level remains at the level approved by the BOT. This allows the CEO/General Manager flexibility in making staff decisions.

Service Profile

Economic Profile

(U.S. Census Bureau)

The Service Profile depicts the economic and service activity as it impacts the organization on operational and financial levels. The provided information highlights trends regarding items that have direct affect on how RTA develops, supports, and implements services to the Cuyahoga County area.

Population	2011 Census (estimate)	1,270,294
	% Change from 2000 Census	-8.9%
	Projected 2020 Population	1,301,870
	% Change from 2000 Census	-6.6%
	Land Area (square miles)	458.3
	% Female	52.5%
	Persons per Square Mile	2,772
	% White	65.1%
	% Black	30.0%
	% Hispanic/Latino	4.9%
	% Asian	2.6%
	% American Indian/Alaskan Native	0.2%
Housing	Persons per household, 2007-2011	2.34
	# Owner Occupied Homes	330,799
	# Renter Occupied Homes/Apts.	206,404
	# Vacant Housing	85,004
Income	2011 Median Household Income	$44,324
	2000 Median Household Income	$39,168
	% Under Poverty Level	17.1%
	Cost of Living Index (U.S. Avg.: 100)	93
Largest Cities (2010) (# of Residents)	City of Cleveland (2010)	396,815
	Parma (2010)	81,601
	Lakewood (2010)	52,131
	Euclid (2010)	48,920
	Cleveland Heights (2010)	46,121
	Strongsville (2010)	44,750
	Westlake (2010)	32,729
	North Olmsted (2010)	32,718
	North Royalton (2010)	30,444
	Garfield Heights (2010)	28,849
Land Use/Land Cover (2010)	Urban (Residential, Commercial, Industrial, Transportation, etc.)	66.85%
	Cropland	0.99%
	Pasture	0.03%
	Forest	30.95%
	Open Water	0.65%
	Wetlands	0.37%
	Bare/Mines	0.17%

Service Profile

State Parks, Forests, Nature Preserves, and Wildlife Areas (2010)	Areas, Facilities Acreage	1 13.5
Education (2010)	Public Schools Non-Public Schools 4-Year Public Universities 2-Year Public Colleges Private Universities & Colleges Public Libraries Branch Libraries	373 149 1 1 5 9 64
Transportation (2010)	Registered Motor Vehicles Interstate Highway Miles U.S. Highway Miles State Highway Miles County, Township, and Municipal road miles Commercial Airports	1,075,255 132.0 18.8 232.5 4,326.6 3
Travel time to Work (2010) (16 yrs old and older)	Less than 15 minutes 15 to 29 minutes 30 to 44 minutes 45 to 59 minutes 60 minutes or more	24.9% 43.4% 21.9% 5.6% 4.3%
Major Employers (2010) Type of Employment (Non-Government)	American Greetings Corp. Case Western Reserve University Cleveland Clinic Health System Continental Airlines Eaton Corp. Ford Motor Company Giant Eagle Group Management Services KeyCorp Lincoln Electric Holding Inc. Parker Hannifin Corp. PNC Financial Services Group Progressive Corp. Sherwin-Williams Company University Hospitals Health System	Manufacturing Service Service Transportation Manufacturing Manufacturing Food Service Service Financial Manufacturing Manufacturing Financial Insurance Manufacturing Service

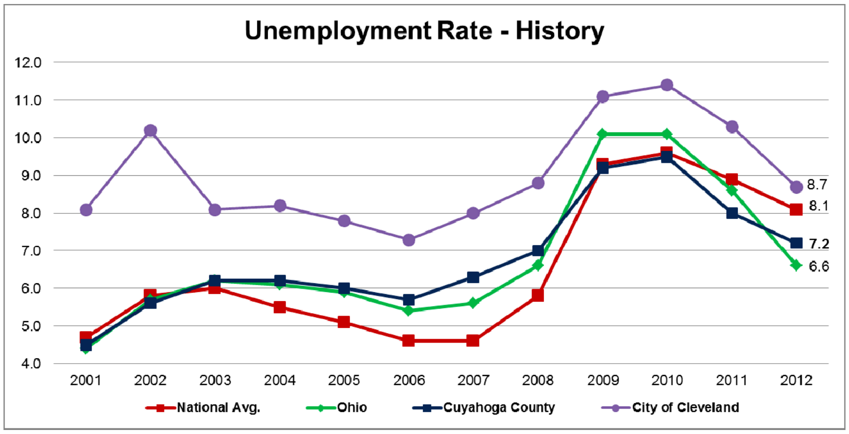
<u>Sources:</u>
U.S. Department of Commerce (United States Census Bureau) Town & County Quick Facts: http://quickfacts.census.gov/qfd/states/39/39035.html

U.S. Census Bureau, 2007-2011 American Community Survey

Ohio Department of Development --Office of Policy, Research & Strategic Planning Ohio County Profiles

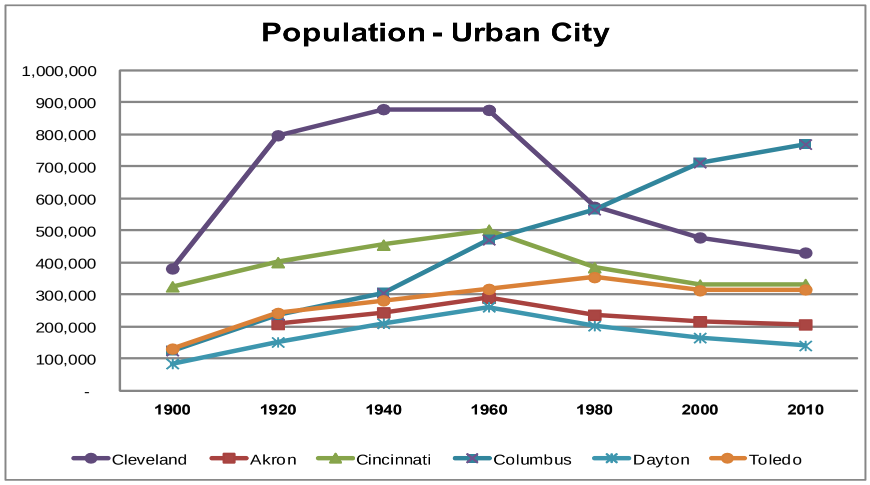
Service Profile

Trends of North East Ohio compared to the State and National Averages



Unemployment Rates - History				
Year	National Avg.	Ohio	Cuyahoga County	City of Cleveland
2001	4.7	4.4	4.5	8.1
2002	5.8	5.7	5.6	10.2
2003	6.0	6.2	6.2	8.1
2004	5.5	6.1	6.2	8.2
2005	5.1	5.9	6.0	7.8
2006	4.6	5.4	5.7	7.3
2007	4.6	5.6	6.3	8.0
2008	5.8	6.6	7.0	8.8
2009	9.3	10.1	9.2	11.1
2010	9.6	10.1	9.5	11.4
2011	8.9	8.6	8.0	10.3
2012	8.1	6.6	7.2	8.7

The Population in Cleveland has been steadily decreasing since the 1980s and Cuyahoga County has been decreasing since 2000. The economic crisis in 2008 and 2009 hit Cuyahoga County, City of Cleveland, and North East Ohio hard. The unemployment rate was already higher than the national average at this point in time. Unemployment remains high in the City of Cleveland. Unemployment in Ohio and Cuyahoga County has recently reduced lower than the national average.



Within the region, however, there has been considerable shifting of the population. Here are how the counties have changed since 2000.

- **Ashtabula County** - 101,497, down 1.2 percent from 102,728
- **Cuyahoga County** - 1,280,122, down 8.2 percent from 1,393,979.
- **Geauga County** - 93,389, up 2.7 percent from 94,753.
- **Lake County** - 230,041, up 1.1 percent from 227,511.
- **Lorain County** - 301,356, up 5.9 percent from 284,664.
- **Medina County** - 172,332, up 14.1 percent from 151,095.
- **Portage County** - 161,419, up 6.2 percent from 152,061.
- **Summit County** - 541,781, down 0.2 percent from 542,899.

Population - Census - Cities						
Year	Cleveland	Akron	Cincinnati	Columbus	Dayton	Toledo
1900	381,768		325,902	125,560	85,333	131,822
1920	796,841	208,435	401,247	237,031	152,559	243,164
1940	878,336	244,791	455,610	306,087	210,718	282,349
1960	876,050	290,351	502,550	471,316	262,332	318,003
1980	573,882	237,177	385,457	564,871	203,371	354,635
2000	478,403	217,074	331,285	711,470	166,179	313,619
2010	431,363	207,216	333,013	769,360	141,527	316,238

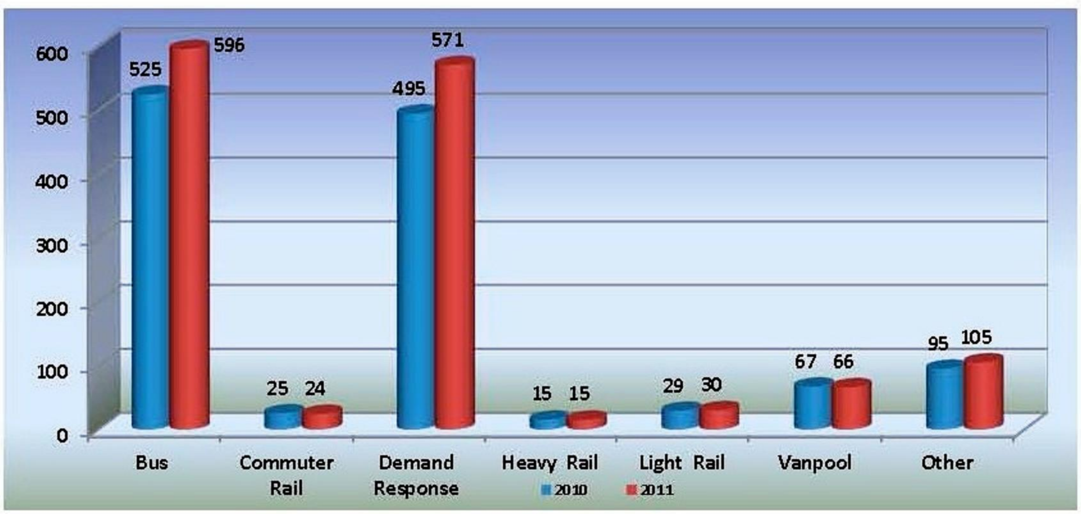
Population - Census - Metro Areas						
Year	Cleveland Metro	Akron Metro	Cincinnati Metro	Columbus Metro	Dayton Metro	Toledo Metro
1990	2,102,248	657,575	1,844,915	1,405,168	843,835	654,157
2000	2,148,017	694,962	2,009,654	1,612,844	848,155	659,185
2010	2,088,291	698,553	2,155,137	1,773,120	836,544	649,104

Transit Service Profile

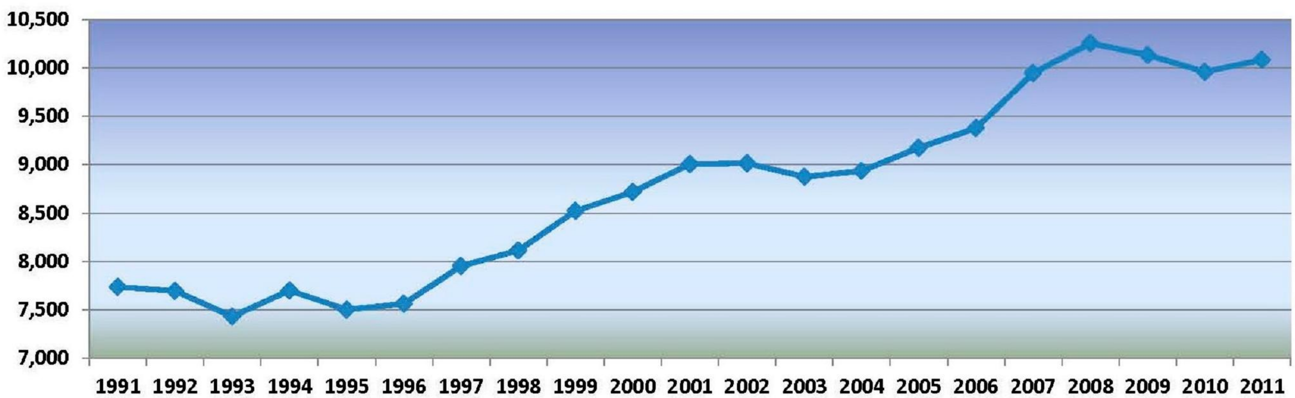
National Transit Trends

A total of 717 Agencies reported data in the National Transit Database (NTD) in 2011. The National Transit Database was established by Congress to be the Nation's primary source of information and statistics on the transit system of the United States. Recipients of grants from the Federal Transit Administration (FTA) are required by statute to submit data to the NTD. The NTD is used to help meet the needs of individual public transportation systems, the US Government, State, and Local governments, and the public for information on which to base public transportation service planning. (www.ntdprogram.gov/ntdprogram/)

Number of Agencies reporting by Mode:

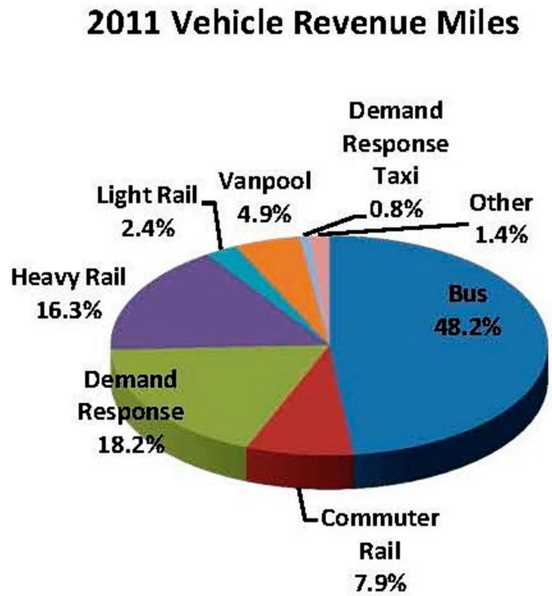


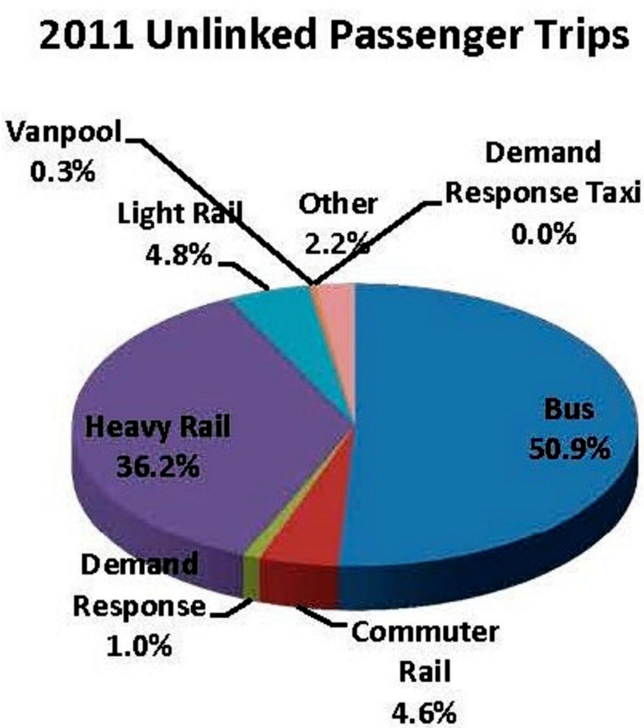
Total Unlinked Passenger Trips (by year):



Transit Service Profile

Distribution of Vehicle Revenue Miles by Mode (2011)





Distribution of Unlinked Passenger Trips by Mode (2011)

Source: National Transit Summaries and Trends for the 2011 National Transit Database Report Year

Transit Service Profile

Ohio Transit Trends
27 Agencies reported data in the National Transit Database in 2011

The Nine Largest Agencies in Ohio ï data listed below

Agency	Sq. Mi	Pop	Mode	Unlinked Passenger Trips	Vehicle Revenue Miles	Vehicles in Max Service
Akron (Metro)	420	542,899	Bus	4,959,416	2,998,578	104
			DR	170,529	885,665	78
			DR (Taxi)	67,884	419,209	52
			Commuter Bus	85,414	157,015	6
Canton (SARTA)	567	375,586	Bus	2,309,425	2,140,860	34
			DR	128,034	977,902	23
Cincinnati (SORTA)	262	845,303	Bus	18,784,769	9,178,341	287
			DR	172,963	1,335,563	48
Cleveland (GCRTA)	458	1,412,140	Bus	37,198,763	12,616,043	310
			HR	5,687,891	1,766,922	18
			LR	579,072	4,560,276	13
			DR	2,745,106	715,539	116
Columbus (COTA)	337	1,081,405	Bus	18,764,047	9,388,064	247
			DR	259,883	3,003,424	64
Dayton (GDRTA)	274	559,062	Bus	6,825,066	5,029,242	87
			DR	248,382	2,348,220	72
			TB	2,291,953	862,124	28
Lake County	227	229,885	Bus	303,874	491,671	10
(Laketran)			DR	221,270	1,759,629	60
			Commuter Bus	187,424	265,317	14
Toledo (TARTA)	149	407,784	Bus	3,087,907	2,885,309	102
			DR	269,579	1,588,698	52
Youngstown (WRTA)	452	238,823	Bus	1,392,747	1,094,649	35
			DR	39,051	412,172	12

Data Source: 2011 National Transit Database

Glossary

Accrual Accounting ï A method of financial accounting where revenues are recorded when earned, however, the revenue does not have to be received in the same reporting period. Similarly, expenditures are recorded as soon as the goods or services are received; the payment of the expenditure does not have to be made in the same reporting period.

Ad Valorem Tax ï A tax based on the value (or assessed value) of property.

Amalgamated Transit Union (ATU) ï The largest transit union in North America.

Americans with Disabilities Act (ADA) ï of 1990, requires that public entities, which operate non-commuter fixed route transportation services, also provide complementary Paratransit service for individuals unable to use the fixed route system.

Appropriation ï A financial authorization granted by the Board of Trustees to cover expenditures and incur obligations.

Arbitrage ï Investment earnings representing the difference between interest paid on bonds and the interest earned on the investments made utilizing bond proceeds.

Assessed Valuation ï The value of property against which an ad valorem tax is levied. Valuations are conducted by the County Auditor and reflect a percentage of the true or market value of the property.

Asset Maintenance ï This category of capital projects refers to projects where 100% of the funding is provided by local sources (versus grant funded sources) and represents expenses incurred to maintain or improve the Authorityõs assets.

Balanced Budget ï The Authority considers the budget balanced when total expenditures equal total revenues. The budget is also balanced in situations where total expenditures are less than total revenues, which is called a surplus. There are also few instances where the Authority might plan to spend fund balances from previous years on one-time or non-routine expenditures, provided the funding from previous years is available. The Authority, however, must have a plan in place to not build ongoing expenditures into this type of funding.

Base Budget ï The total appropriation for maintaining the Authorityõs daily operations, authorized by the Board of Trustees.

Bond ï The written evidence of the debt issued by the Authority. It bears a stated rate of interest and maturity date on which a fixed sum of money plus interest is payable to the holder.

Bond Counsel ï A lawyer or law firm, which delivers an opinion regarding the legality of a debt issuance or other matters.

Budget Basis ï The starting point for budget deliberations, usually the current budget year appropriation, or the Midyear Review estimate of expenses.

Budget Deficit ï Usually, this is a projection of expenditures exceeding appropriations. It is normally determined during a quarterly review. The budget is controlled so that expenditures plus encumbrances should not exceed appropriations.

Bus Rapid Transit (BRT) ï A broad term given to transit systems that use buses to provide a service that is of a higher quality than an ordinary bus line. See HealthLine.

Glossary

CAFR ï Comprehensive Annual Financial Report, contains audited financial statements, financial notes, and related materials.

Capital Improvement Budget ï The current year estimated revenues and expenses of construction projects and capital equipment purchases in the Capital Improvement Plan. The Capital Budget includes maintenance and expansion projects that are funded through grants and local sources.

Capital Improvement Plan (CIP) ï A five to ten year plan for constructing, acquiring, or maintaining capital assets.

Cash Accounting ï A major accounting method that recognizes revenues and expenses at the time physical cash is actually received or paid out.

Cash Deficit ï Occurs when a fund is carrying a negative cash balance. This situation typically requires a cash transfer to remedy.

Closed Circuit TV (CCTV) ï Video cameras transmit a signal to a specific or limited set of monitors. CCTV is used for surveillance in areas that need security, such as rapid stations, transit facilities, Park-N-Rides, and the airport.

Comprehensive Annual Financial Report ï See CAFR

Computer Integrated Transit Maintenance Environment (CITME) ï A computer program, created by UltraMain, purchased to assist in modernizing maintenance and inventory operations through management by data.

Controlled-Access Right-of-Way (ROW) ï Lanes restricted for a portion of the day for use by transit vehicles and other high occupancy vehicles (HOV).

Cost Ceiling ï A limit on the reimbursed costs for federally supported capital projects.

Debt Limit ï A statutory or constitutional limit on the principal amount of debt that an issuer may incur or have outstanding at one time.

Debt Service ï Principal and interest paid on bonds and notes.

Debt Service Coverage ï The measure of the Authorityõs ability to meet annual interest and principal payments on outstanding debts.

Decision Issue ï A budget request for new or increased funding of projects or programs, which exceeds base budget requests. Use of decision issues aids the process of allocating financial resources and provides for the comparison and prioritization of existing programs and services relative to the need for new programs and services.

Depreciation ï The reduction in value of a capital asset due to use, age, or wear.

Disadvantaged Business Enterprise (DBE) ï A program intended to ensure nondiscrimination in the award and administration of the Authorityõs programs and contracts.

Glossary

Door-to-Door Service ï Paratransit Service where drivers have been instructed to pick-up and drop-off passengers at the front door of places of residence, at the front door of the apartment buildings in which they live, or front door of destination.

Encumbrances ï A budgetary technique for recording unperformed contracts for goods and services. Use of encumbrances restricts the balance in each fund so that total commitments (expenditures plus encumbrances) will not exceed appropriations.

Exclusive Right-of-Way (ROW) ï Roadway or other right-of-way (ROW) lanes reserved at all times for transit use and / or other high occupancy vehicles (HOV).

Executive Management Team (EMT) ï The General Manager's first level of management, which includes Deputy General Managers and Executive Directors.

Expenditure ï An expense that a business incurs as a result of performing its normal business operations.

Family and Medical Leave Act (FMLA) ï To grant employees temporary medical leave under certain circumstances.

Federal Highway Administration (FHA) ï Supports all of America's roads and highways and ensures them to be the safest and most technologically up-to-date. Although State, local, and tribal governments own most of the Nation's highways, the FHA provides financial and technical support to them for constructing, improving, and preserving America's highway system.

Federal Transit Administration (FTA) ï Supports a variety of locally planned, constructed, and operated public transportation systems throughout the U.S., including buses, subways, light rail, commuter rail, streetcars, monorail, passenger ferry boats, inclined railways, and people movers.

Financial Management System (FMS) ï The information system software that houses all financial data and includes the General Ledger, Procurement, and Budget Modules.

Fiscal Year ï The 12-month period that the Authority uses for accounting purposes. The Fiscal Year for the Authority is concurrent with the Calendar Year.

Fixed Guideway (FG) ï A separate right-of-way (ROW) for the exclusive use of public transportation vehicles. The Heavy Rail and Light Rail modes operate exclusively on fixed guideway (FG).

Fraternal Order of Police (FOP) ï The world's largest organization of sworn law enforcement officers, committed to improving the working conditions of law enforcement officers and the safety of those we serve through education, legislation, information, community involvement, and employee representation.

Full-Time Equivalent (FTE) Position ï A part-time position converted to the decimal equivalent of a full-time position based on 2,080 hours per year for 40 hours per week employees.

Glossary

Fund ï A reserve of money set-aside for a specific purpose. The RTA has specific funds set up for Operating (General), Capital, Insurance, Bonds, Pension, and Law Enforcement. There are also reserve funds in place for diesel fuel, compensated absences, hospitalization, and the lightning strike at Brookpark Substation.

Fund Deficit ï An excess of expenditures over revenues during a fiscal year. This is not an acceptable condition and must be addressed by transferring revenue to the fund in deficit. See Balanced Budget.

Fund Type ï See Fund.

GAAP ï Generally Accepted Accounting Principles. These principles are guidelines and rules for use by accountants in preparing financial statements.

General Obligation (GO) Bond ï A bond that is secured by the full faith and credit of the Authority. The GCRTA pledges to utilize its taxing power (almost always Sales Tax proceeds) to pay debt service.

Goal ï A statement of direction, purpose, or intent based on the needs of the community. A goal is not concerned with a specific achievement in a given time period.

Guideway ï A separate right-of-way (ROW) or rail system for the exclusive use of public transportation including the buildings and structures dedicated for the operation of transit vehicles. Includes tunnels, subways, bridges, tracks, and power systems.

HealthLine ï A route providing service along Euclid Avenue that is of a higher quality than an ordinary bus line. This service improves transit, as well as supports increased development along Euclid Avenue with links to medical, educational, and cultural centers in Greater Cleveland.

Heavy Rail Vehicle (HRV) ï Operate on the Red Line, from the Airport to Windermere Rapid Station. Heavy Rail is a transit mode that is an electric railway with the capacity for a heavy volume of traffic.

Indirect Costs ï The expenses of doing business that are not readily identified with the Authorityõs transportation, but rather with the general operation of the organization, such as finance, accounting, engineering, legal, and human resources.

Interactive Voice Response (IVR) ï A phone technology that allows a computer to detect voice and touch tones using a normal phone call. The IVR system can respond with pre-recorded or dynamically generated audio to further direct callers on how to proceed.

Interest ï The amount paid for the use of money.

Interest Expense ï The charges for the use of borrowed capital incurred by the transit agency, including Interest on long term and short-term debt obligations.

Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) ï A legislative initiative setting policy guidance and providing funding for highway, transit, and safety programs. It expired in 1998.

Glossary

Key Transit 2025 ï The long-range plan to help guide the future development of public transit in Cuyahoga County, which focuses on bringing RTA's transit infrastructure up to higher standards and encouraging transit-oriented design, or TOD. Related to nationwide efforts towards Smart Growth, TOD encourages locating transit and development in close proximity in order to reduce auto dependency and improve transit access.

Legal Millage Rate ï The stated rate, in mills, for levying real and personal property taxes.

Light Rail Vehicle (LRV) ï Operate on the Blue, Green, and Waterfront Lines. Light Rail is a transit mode that typically is an electric railway with a light volume traffic capacity, compared to Heavy Rail (HR).

MAP-21 (Moving Ahead for Progress in the 21st Century) ï A new Federal Transportation Act that replaces the SAFETEA-LU and TEA-21 Acts. This act changed the Federal formula calculations, includes the Census 2010 data in the determination of those formula grants, and incorporates operating statistics relative to all Transit Agencies.

Market Value ï The County Auditorõs estimate of the true or fair value of real or personal property. In accounting, it is the price that a good or service would command on the open market.

Mill ï The equivalent of $1 of tax for each $1,000 of assessed value of real or personal property.

Mixed Traffic Right-of-Way (ROW) ï Roadways that have no time restrictions nor restrictions on what type of vehicles may use them.

Mode ï A general term for the different kinds of transportation used to transport people.

NOACA ï Northeast Ohio Areawide Coordinating Agency. It is the federally designated Metropolitan Planning Organization (MPO) for five counties of Northeast Ohio, which include Greater Cleveland and the Lorain area. Its chief functions are to perform long- and short-range transportation planning, transportation-related air quality planning, and areawide water quality management planning, as defined by federal and Ohio mandates.

Notes ï Short-term promises to pay specified amounts of money, secured by specific sources of future revenue.

Revenue ï The amount of money that a company actually receives during a specific period, usually a year.

Object ï A commodity-based expenditure classification which describes articles purchased or services obtained. It represents the lowest degree of expenditure summary and budgetary control.

Objective ï Desired output-oriented accomplishments, which can be measured and achieved within a given time frame.

Glossary

<u>Office of Business Development (OBD)</u> ï Engage, support, and assist the local disadvantaged business community to help ensure fair and representative participation in procurement opportunities at RTA and within the community at-large. The primary function of the Office of Business Development (OBD) is to administer RTAõs Disadvantaged Business Enterprise (DBE) Program.

<u>Official Statement</u> ï A document prepared by the Authority when issuing debt that gives financial and statistical information to potential investors and others.

<u>Ohio Depository Act</u> ï Requires a written investment policy that is approved by the treasurer of a political subdivision or governing board, or by the investing authority of a county, to be on file with the State Auditor. The policy must provide that all entities conducting investment business with a subdivision treasurer or governing board or county investment authority sign the investment policy of that subdivision or county.

<u>ODOT (Ohio Department of Transportation)</u> ï State operating and capital subsidies are distributed to the Authority by ODOT.

<u>Operating Budget</u> ï Current year estimated revenues and expenses that provide for the day-to-day operations of the Authority.

<u>Operating Deficit</u> ï The sum of all operating revenues minus operating expenses. See Balanced Budget.

<u>Operating Ratio</u> ï A ratio that shows the efficiency of management by comparing operating expenses to fare revenues.

<u>Operating Reserve</u> ï The available ending balance. A reserve is maintained as a safeguard to protect the organization in times of cyclical economic downturns and will be replenished as the economy improves. The Board Policy requires at least one monthõs operating reserve. RTA recently added three reserves for fuel, medical, and compensated absences.

<u>Outlays</u> ï The payments on obligations in the form of cash, checks, the issuance of bonds or notes, or the maturing of interest coupons.

<u>Park-N-Ride</u> ï Parking lots owned by the GCRTA to provide rail and/or bus services for all major commuter corridors in Cuyahoga County.

<u>Pass-Thru</u> ï A situation where the Authority functions as a channel for the expenditure of funds from another source without authorization to decide the use of the funds.

<u>Principal</u> ï The face amount of a bond, which the issuer promises to pay at maturity.

<u>Program</u> ï A group of related activities performed by one or more organizational units for the purpose of accomplishing an objective.

<u>Ratings</u> ï Designations used by ratings services to indicate the financial health of the issuers of debt.

<u>Repurchase Agreement</u> ï A money market transaction in which one party sells securities to another while agreeing to repurchase those securities at a later date.

Glossary

<u>Resolution</u> ï A legal and public declaration by the Board of Trustees of intent, policy, or authorization. Resolutions are the legislation of the Authority.

<u>Resolution Category</u> ï One of two cost categories at which the Board of Trustees controls operating budget expenditures. These include Personnel Services and Other Expenditures.

<u>Revenue Bond</u> ï A bond on which the debt service is payable solely from the revenue generated from the operation of the project being financed.

<u>Routine Capital</u> ï Budgeted expenses for equipment, where the useful life of which is a year or more and the unit cost is at least $1,000. These expenses are locally, not grant, funded.

<u>Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)</u> ï A legislative authorization for transit approved in 2005. It is a six-year initiative, which replaces the expired Transportation Equity Act for the Twenty-First Century (TEA-21).

<u>Senior Transportation Connection (STC)</u> ï Of Cuyahoga County is designed to be the centralized coordinating unit for senior transportation services in Cuyahoga County. The STC's mission is to provide comprehensive, efficient, and affordable transportation for senior adults in the county.

<u>Service Indicator</u> ï An output measure showing a statistical workload change or the degree to which program objectives are achieved.

<u>State Infrastructure Bank (SIB)</u> ï A funding initiative administered by the State of Ohio, Department of Transportation. The SIB provides low-cost loans for transportation infrastructure projects.

<u>Temporary Assistance for Needy Families (TANF)</u> ï Provides grants to states to fund a wide array of benefits and services, primarily to low-income families with children. It is best known for funding cash welfare benefits to needy families with children, but it also is used to fund transportation aid and assistance.

<u>Tax Levy</u> ï The total amount to be raised by general property taxes for purposes specified in the Tax Budget.

<u>Threat and Vulnerability Assessment (TVA)</u> ï Analyzes all the aspects of security: physical, personnel, information, and communication. It measures the current threat capabilities against emplaced security measures and operating procedures to identify vulnerabilities.

<u>TransitStat</u> ï The Greater Cleveland Regional Transit Authority's performance monitoring program. It entails frequent gathering, reviewing, analyzing, and monitoring of critical success measures.

<u>Transportation Equity Act for the Twenty-First Century (TEA-21)</u> ï A legislative authorization for transit originally approved in mid-1998. It is a five-year initiative, which originally expired in 2003, but was extended by Congress pending an agreement on new transit legislation. It expired in 2005.

<u>Transportation Improvement Plan (TIP)</u> ï The official listing of highway, transit, bikeway, airport, and harbor projects covering a five-year period.

Glossary

Transportation Review Advisory Council (TRAC) ï Created by the Ohio General Assembly in 1997 to bring an open, fair, numbers-driven system to choosing major new transportation projects.

U-Pass (Universal Pass) ï offers university students a discounted transportation pass. Currently students at Case Western Reserve University (CWRU), Cleveland State University (CSU), Cleveland Institute of Art, and Cleveland Institute of Music have U-Passes.

Urban Mass Transportation Act (UMTA) of 1964 ï As amended, an Act of Congress providing funds to the Authority under various programs:

> **Section 5309 (formerly Section 3)** ï A Federal discretionary program directed primarily to those rail modernization and major bus projects that require funding beyond that available under Section 9.
>
> **Section 5307 (formerly Section 9)** ï A Federal formula program which makes resources available to urbanized areas for planning, capital, and operating assistance purposes. Funding allocations are earmarked by Congress.
>
> **Title 23 Interstate Transfer Fund** ï Federal funding which had been made available for alternative projects due to the elimination of Interstate 490 from the Federal Interstate Highway Program. Funding for this program was split between highway and transit projects. Also established by Section 134, Title 23 of the United States Code. All funds have been exhausted at this time.