To: George F. Dixon III, President, and Members, Board of Trustees

Date: November 7, 2013

From: Joseph A. Calabrese, CEO
General Manager / Secretary-Treasurer

Subject: 2014 Transmittal Letter

EXECUTIVE SUMMARY

I am pleased to report that 2013 was yet another successful year at the GCRTA. Once again the Authority was highly recognized on a national and international level for its best-in-class accomplishments, highlighted by impressive gains in ridership and presented with a fourth consecutive safety award.

As RTA continues to manage our significant state-of-good-repair infrastructure program, we were joined by FTA Administrator Peter Rogoff for the groundbreaking ceremony for the West Shore Express, and by a host of dignitaries as we held the groundbreaking for the much anticipated Little Italy/University Circle Red Line Station. RTA also successfully completed two critical rail improvement projects which will enhance the reliability of our system for years to come: the Airport Tunnel and S-Curve rehabilitations.

Five years after its inaugural journey, the Euclid Corridor HealthLine is still considered the international gold standard. In 2013, we continued to share our success with dozens of transit systems and municipal leaders from around the globe. Nationally recognized publications, such as the *Wall Street Journal* and the *New York Times*, continue to tout the fact that our $200 million project has leveraged billions of dollars of public and private investment. An internationally recognized institute concluded that the Return on Investment for the HealthLine of $114 for each $1 invested was the highest of any major public transit project in North America.

From an operating perspective, RTA was instrumental in supporting game-changing major regional projects such as the Horseshoe Casino and the Convention Center, and treated over 25,000 tourists to outstanding connectivity and hospitality during the Senior Games.

During 2013, RTA:

- Was identified as driving the urban vision,
- Began our journey towards the Baldrige Award of Excellence,
- Were recognized for successful progress in the area of diversity and inclusion by being named to the 2013 Commission 50,
- Became a leading organization in the battle against Human Trafficking,
- Heightened safety on RTA buses and trains by launching the I-Watch program and by investing in new security cameras on our buses and trains,
- Realized an upgrade in our Standard and Poor's credit rating to AAA,
- Won an APTA Ad-Wheel Award for our marketing efforts,
- Introduced RTA's "Real-Time" bus and train arrival information to the public

- Kicked Off the HealthLine/Red Line extension study along with comprehensive transit travel modeling,
- Made significant progress on our State-Of-Good Repair rail program, and
- Introduced Captain RTA to the community to fight against traffic delays during the filming of Captain America.

We entered 2013 with optimism about our future as ridership continued to increase as did the general understanding of the important and critical role public transit plays in the health and vitality of a community.

During the past five years GCRTA has gone through three economic cycles: underperforming revenue, recession, and recovery. Prior to 2008, Sales Tax was underperforming with 1% growth. Then diesel fuel prices rose dramatically increasing costs by $7.4 million, which increased financial stress. Service was reduced, fares were increased, and capital projects were deferred. The impact of the Great Recession hit in 2009, where Sales Tax collections plummeted by 11%, nearly $19 million. Unemployment jumped to 11% and ridership dropped by 13%, costing another $5 million in revenue. This $24 million revenue reduction required swift and decisive action. Additional service was cut, fares were again increased, positions were eliminated, and most vacant positions were not filled. Union employees received no pay increases. Non-bargaining employees took a 3% salary cut. Revenue was augmented with new temporary grants and reimbursed expenditures were maximized. The American Recovery and Reinvestment Act (ARRA) provided $46 million. GCRTA used some of these funds to support operations. The largest portion was used to fund badly needed capital infrastructure. GCRTA ended the year with an operating fund balance of less than $2.9 million, only about 3.5 days operating funds. The margin was slim but the Authority had survived this historic downturn. Actions had been taken but more would be needed.

In 2010 a 12% service cut was implemented and Harvard Garage was closed. Temporary fare increases were made permanent. A total of 245 positions were eliminated and vacant positions were only filled if absolutely necessary. Fuel costs were reduced by $9.4 million in 2010 due to the use of the Energy Price Risk Management Program. Electricity costs were reviewed and reduced by $1.6 million. The totality of actions reduced operating expenses by $30 million to an amount less than 2004 levels, a roll-back of six years. The Sales & Use Tax revenue began to recover. For the first time since 1990, the end of year operating balance met RTA's financial policy objective of a 30-day operating reserve with a balance of about $20 million. In 2011, operating expenses were again under budget and finished the year less than the 2005 operating expenditures, maintaining the six-year rollback. Because action was taken in 2008, 2009 and 2010, no fare increases or service cuts were needed in 2011. The recovery of sales tax revenue continued and RTA reached 2008 collection levels by the end of the year, a total of $173 million. Reimbursed expenditures were lowered making more funds available for the Capital Budget and the year-end balance was $36.4 million.

Union negotiations were settled through an innovative contract that ties pay increases to revenue increases. All personnel received a 3% wage increase in 2012. Service was increased to reduce overcrowding. Reimbursed expenditures were lowered to $17 million.

Sales tax collections increased by 4.75% and reached $181.2 million. The end of year operating balance increased to $38.2 million. The financial position was very strong. This was confirmed when Standard & Poor's upgraded GCRTA's credit rating to AAA. The initial Budget for 2013 showed a continuing strong position. Reimbursed preventive maintenance was lowered to $13.5 million. Sales Tax continued to increase at a 4.1% level and is projected at $189.2 million. A 3% pay raise was again paid. Service was again increased to reduce overcrowding. Budget execution was strong and the original ending fund balance was increased from $17.2 million to a projected $30.4 million. The AAA credit rating was reaffirmed.

For more than a dozen years, RTA has been an exemplary benchmark for other transit systems. One factor is the demonstrated strategy of sound financial management as previously discussed. GCRTA has proven it can be fiscally agile in difficult times. TransitStat, the data-driven performance management initiative GCRTA implemented in 2008, has been a major factor in reducing costs over the past five years. TransitStat is the means to evaluate processes and implement improvements. During the first five years after the implementation of the program, TransitStat projects reduced costs by more than $48 million by cutting costs of overtime, inventory, fuel, electricity, towing, accident claims and workers compensation. Beyond that, operational enhancements improved service to customers. These actions helped the Authority survive one of the worst financial periods this community has experienced in the last fifty years and then transition to a sustainable enterprise able to meet the next set of demands.

The Board of Trustees' first review of the 2014 Capital Budget took place on August 6 and the Capital Appropriation for 2014 was authorized on August 20, 2013. This is a change from past practice, allowing the Capital Budget to be better aligned with the federal fiscal calendar. The committee will deliberate issues in the Operating Budget at a meeting on November 12. Public Hearings will be held on November 19, 2013 at 9:00 AM and on December 3, 2013 at 9:00 AM. At the Board meeting on December 3, 2013, the Finance Committee is expected to present a recommendation to the full Board of Trustees to adopt the proposed 2014 Operating and Other Funds Budgets. Adoption will be considered at the December 17, 2013 Board Meeting.

The Operating Budget includes resources to fund rail, bus, and paratransit services. The Capital Budget provides resources for rehabilitation and maintenance of equipment and facilities. In preparing the 2014 Operating Budget, staff developed Fund Balance Analysis statements for each major fund group, which summarize financial activity and ending balances. The Finance, Operations, and Planning and Development Committees will review major revenue & expenditure assumptions and trends, financial policy objectives, service & employment levels and strategic initiatives. The capital projects included in the 2014 – 2018 Capital Improvement Plan (CIP) have already been reviewed and approved on August 20, 2013.

The 2014 appropriation for operating expenditures totals $247,797,810. The amount appropriated for 2013 was $237,650,597. Fuel costs have increased and will remain at the new higher levels in 2014. Based on Sales Tax Revenue and Fare Revenue increases in 2013, all employees will receive a 3% wage increase in 2014. The 2014 Budget has an increase in appropriations of approximately $10 million. The Budget includes $179.3 million for Personnel Services: providing salary, overtime, and fringe benefit resources needed to fund 2,348 positions. The authorized employment level for 2014 is an increase of 46 positions from the 2,302 in the original 2013 budget. Twenty nine of these positions are operators needed to handle service increases already made. Six more are for additional electronic repair technicians. Five are for the upgrading of IT services. Service levels have been maintained and expanded slightly. Service has again been adjusted to control overcrowding and the Clifton Enhancement Project will be implemented in the fall.

Personnel Services costs are $6.0 million higher than the 2013 budgeted amount. This is due to the 3% wage increase, step increases, increased fringe benefits and the addition of 46 positions. Other expenditures have increased by about $3.8 million compared to the 2013 Budget. This is due to increased costs for contract services. Operating expenses for 2013 are projected to finish the year at $232,423,393, about $5.2 million under budget. Total expenditures are about $8.7 million under budget. The objective for the 2014 Budget is to repeat that execution.

The establishment and execution of the Operating Budget has an impact on the Capital Budget. One strategic objective is to keep reimbursed preventive maintenance under $20 million. This will allow GCRTA to maintain a robust capital program for the future. Over the next five years nearly 200 busses need to be replaced to properly maintain the fleet at a cost of $100 million. About $100 million will also be needed for rail track maintenance and ADA Key Station reconstruction. This must be done to maintain the Authority's assets in a State of Good Repair (SOGR). The wise use of ARRA funds and the improved financial status of the Authority have improved its ability to execute strategic initiatives for both operating and capital programs. The Authority must continue to focus on state of good repair maintenance, rehabilitation and construction projects and the need to provide customers with safe and dependable service. That strategy presents a realistic balance between the financial needs of meeting both the operating and capital programs.

Due to 100% ARRA federal grant funding and prudent fiscal management, the Authority was able to stretch the use of its 2008 bond funds for four years. A $25.0 million debt service sale was executed in the second quarter of FY 2012 and is expected to meet the Authority's local funding needs for capital projects until early in FY 2015. Buyers paid a premium for this bond. The premium allowed for reduced debt service payments for 2012 and 2013. Debt service payments will increase for the Authority in 2014, 2015 and 2016. The first major repayment of debt happens in 2017. The Authority will continue to work carefully to control this expenditure area.

The actions taken in 2009 and 2010 caused RTA to end 2010 with a greatly improved year-end balance. Balances improved again in 2011 and 2012 allowing new measures to be considered. The Board authorized the establishment of Reserve Funds for Fuel, Hospitalization and Compensated Balances. These funds will help protect the Authority from drastic downturns in revenue in the future. Reimbursement for Capitalized Operating Assistance has been drastically lowered making more grant funds available for Capital Projects. A Rolling Stock Replacement Fund is now in place to prepare for the replacement of busses over the next five years.

Three economic cycles have been bridged over the last five years. GCRTA has recovered from revenue stagnation (2001 to 2008), the Great Recession of 2009, and is in a strong financial position. The authority has now joined The Partnership for Excellence and intends to continue on the path of performance improvement. The strong financial position that has been achieved must now be maintained. If so, GCRTA will be prepared to meet the demands placed on a first class transit property for the City of Cleveland, now and into the future.

A STRATEGIC APPROACH TO THE BUDGET

In developing the budget as well as developing the business strategy, the Authority derives its direction from the five Policy Goals identified by the Board of Trustees. These Goals, along with the Authority's Mission Statement, are shown below.

GCRTA MISSION

RTA enhances the quality of life in Greater Cleveland by providing outstanding, cost-effective public transportation services.

BOARD POLICY GOALS

I. CUSTOMER FOCUS: Provide safe, high-quality service to all customers and support our employees in that endeavor.

II. 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.

III. PREPARE FOR THE FUTURE: Prepare for the future by forging new partnerships and strengthening existing ones with the public and private sectors to establish policies, funding, innovations, and technologies that support cost-effective public transportation.

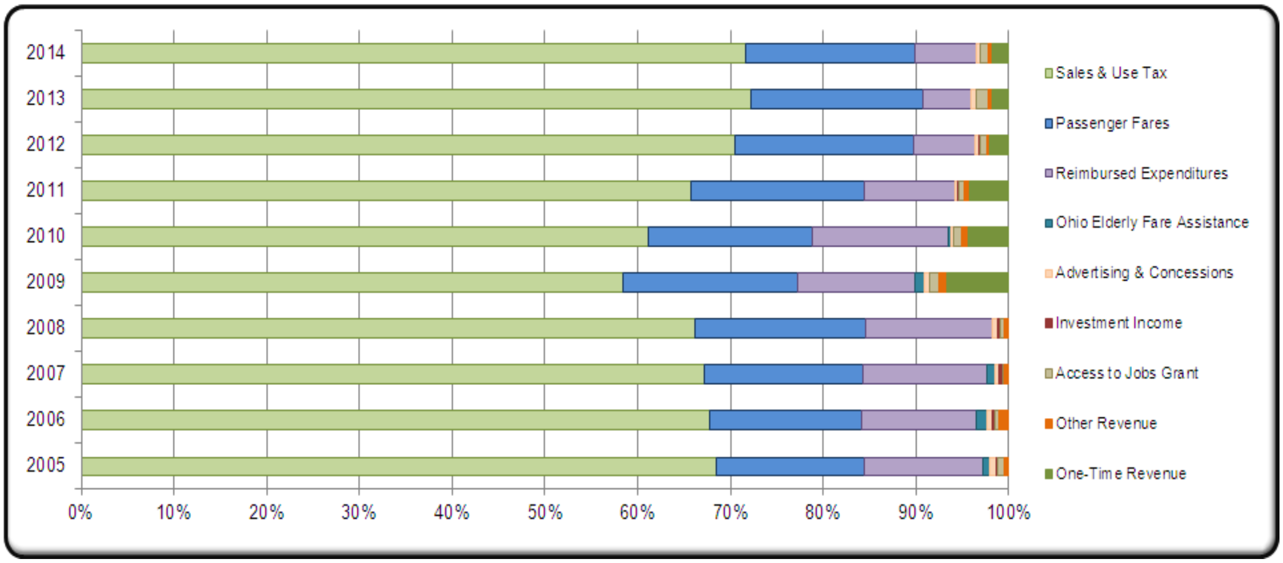
IV. IMPROVE FINANCIAL HEALTH: Improve the agency's financial health through efficient use of resources and the pursuit of new and innovative revenue sources.

V. PROVIDE COMMUNITY BENEFITS: Provide social, economic, and environmental benefits to the community through system improvements and increase community awareness of these contributions.

For the period from 2007 to 2011 the business planning efforts were forced to highlight only two of the five policy goals as most critical: **Customer Focus** and **Improve Financial**

Health. The improved financial status allows GCRTA to also focus on **Preparing for the Future** and **Providing Community Benefits.** In an effort to more effectively transition the strategic planning focus into the 2014 budgeting process, the evaluation of requests and the allocation of funding for 2014 initiatives were linked to the business plan and most directly to these four policy goals. **Expansion** cannot be a priority at this time. Maintaining and reorganizing service to retain the base and attract new customers is certainly an objective.

GENERAL FUND



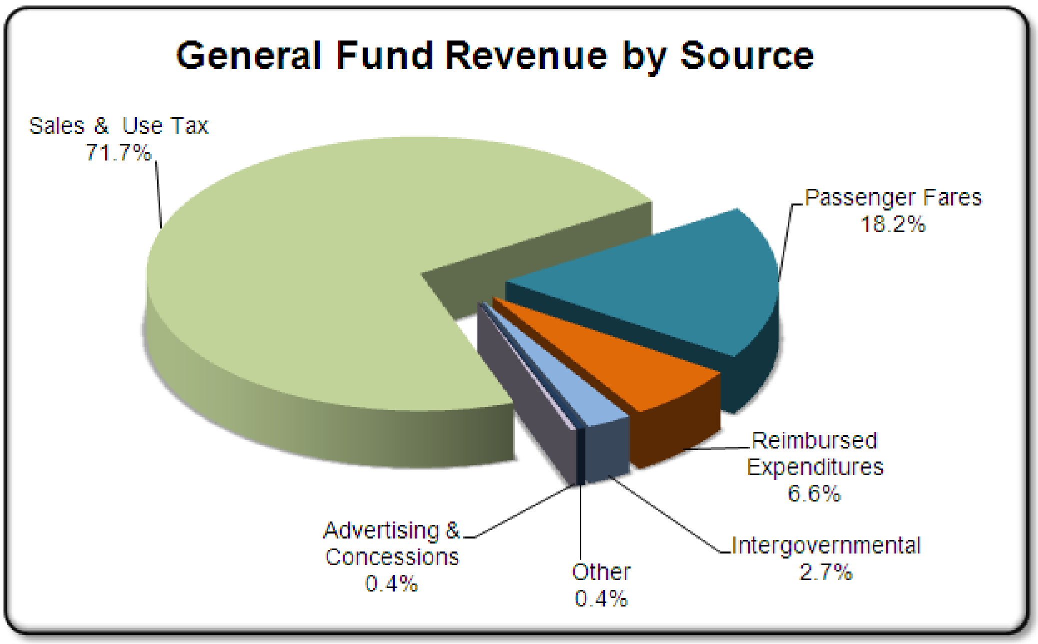
Revenue

The current 2013 estimate projects $262.2 million in General Fund revenue and total resources of $300.4 million. This is a $4.5 million increase in total resources compared to the 2013 budget. This increase is a result of a reduction in expenses from 2012 and increased receipts from Sales & Use Tax and the Access to Jobs program.

The chart above shows the percentage of each revenue stream from 2005 through 2014. In 2005, Sales & Use Tax was about 70% of the Authority's revenue and Passenger Fares equated to about 15% of the total revenue. Between 2005 and 2008, Passenger Fare Revenue increased, which reduced the percentage of Sales & Use Tax to the total revenue. In 2009, Sales & Use Tax receipts plummeted due to the great recession and without the one-time funding from the State and Federal Governments, the Authority would have seen more drastic reductions in service. Between 2010 and the 2013, Sales & Use Tax receipts increased, mainly due to Managed Care being added the tax base. Recoveries from the recessions in 2001 and again in 2009 have been extremely slow in the Cleveland region. With the Sales & Use Tax and Passenger Fares increasing, this has enabled RTA to become less reliant upon one-time funding and reimbursed expenditures. The chart on TL-7 shows the percentage of each revenue stream for 2014. Sales & Use Tax has returned to 70% of total revenue, Passenger Fares increased to 18%, and reimbursed expenditures and inter-governmental funding are slowly decreasing.

Total revenue for 2014 will increase to $270.8 million. The increase comes from projected increases in Sales Tax and Reimbursed Expenditures. Total Resources will increase to $301.2 million with the carry forward of a $30.4 million balance.

The key to any budget is a realistic estimate of revenues that will be available to support operations. This is particularly true of a public entity such as a transportation authority, which can only provide the level of service that revenues will support. The General Fund Balance Analysis, included as Attachment A, presents the 2014 Operating Budget in summary. The specific assumptions and calculations for the revenues included there are as follows:



Passenger Fares **$49.3 Million**

Rationale:

Ridership through September 2013 was 2.2% above the same period in 2012. The recession in 2008-2009, led to a double-digit unemployment rate in the region, which resulted in lower ridership. The Authority provided service for approximately 51.3 million riders in 2009 and collected fare revenue of $49.7 million. Ridership and passenger fares dipped again in 2010, collecting $47.2 million. As the economy in the region slowly rebounded, ridership increased.

The HealthLine ridership through the third quarter 2013 has increased 4.6%, compared to the same period in 2012, an increase of over 155,800 passengers. In the three months of the third quarter alone the HealthLine was 1.4% above the third quarter of 2012. The largest increase in fixed-route passengers has been seen on the Heavy Rail, with an increase of 2.8% through the third quarter of 2013, compared to the same period in 2012, again showing a rebound in the economy and more people are using transit to get to work. The Cleveland

Metropolitan School District (CMSD) has received service at the beginning of the school year. The new agreement was still being negotiated. The new contract was approved by the Board in October 2013 and $3.8 million in revenue is expected this fiscal year to cover costs remaining from 2012-2013 and for passes and tickets for the 2013-2014 school year. A total increase of 1.5%, or $728,778, is estimated for passenger fare revenue for 2014.

Sales & Use Tax Revenue **$194.1 Million**

Rationale:

The economic crisis in late 2008 and 2009 had unparalleled effects on Sales & Use Tax revenue across the entire U.S. GCRTA experienced an historic decline from $173.6 million in 2008 to $154.6 million in 2009. Economists indicated this recession was deep and would be longer-lasting than any other that had affected the U.S. in the last 70 years. Part of that rationale was the damage caused in the finance and banking industry. The indication was that the Sales & Use Tax revenue would not recover in the short term and would not return to the $173 million mark generated in 2008 until 2015.

Late in 2009 the State Legislature added Managed Care to the Sales Tax base. For 2010 collections jumped to $163.2 million, $5 million of which were from the added Managed Care and $3.6 million was due to an improved economy. For 2011, collections continued to be above expectation, ending the year at $173.2 million. The pace continued in 2012 and collections increased by $8 million to $181.2 million. The budget for 2013 was $185.3 million.

SALES AND USE TAXES
ACTUAL RECEIPTS

Month Received	2011 Actual	2012 Actual	2013 Budget	2013 Actual	2013 vs. 2012 Month % Change	2013 Month Actual vs 2013 Month Budget	2013 YTD Budget	2013 YTD Actual	2013 vs 2012 YTD % Change
January	$13,325,298	$14,287,958	$14,547,974	$15,066,994	5.45%	3.57%	$14,547,974	$15,066,994	5.45%
February	$13,789,418	$14,519,004	$14,783,225	$14,435,414	(0.58%)	(2.35%)	$29,331,199	$29,502,408	2.41%
March	$17,691,208	$18,658,361	$18,997,911	$19,098,370	2.36%	0.53%	$48,329,110	$48,600,778	2.39%
April	$12,510,833	$13,179,592	$13,419,438	$13,478,691	2.27%	0.44%	$61,748,548	$62,079,469	2.37%
May	$12,938,264	$13,989,193	$14,243,772	$13,474,700	(3.68%)	(5.40%)	$75,992,320	$75,554,169	1.23%
June	$15,707,246	$15,724,850	$16,011,015	$17,463,306	11.06%	9.07%	$92,003,335	$93,017,475	2.94%
July	$12,737,308	$14,353,651	$14,614,863	$15,753,604	9.75%	7.79%	$106,618,198	$108,771,080	3.88%
August	$14,562,037	$15,390,307	$15,670,384	$16,139,261	4.87%	2.99%	$122,288,582	$124,910,341	4.00%
September	$16,413,110	$16,800,205	$17,105,940	$17,626,259	4.92%	3.04%	$139,394,522	$142,536,600	4.11%
October	$14,515,151	$14,796,865	$15,066,142	$15,859,555	7.18%	5.27%	$154,460,664	$158,396,155	4.41%
November	$14,054,073	$15,139,067	$15,414,572				$169,875,236		
December	$14,998,383	$14,380,198	$15,414,572				**$185,289,808**		
TOTAL	**$173,242,328**	**$181,219,251**	**$185,289,808**	**$158,396,155**					

Collections for 2013 were near budget for the first six months of the year but then increased markedly in July, August, September and October and have been 5-11% ahead of last year for that period (as shown above). This has brought collections for the year to more than 4% above 2012. The projection for 2013 is now $189.2 million. The Fed projects GDP to increase by 2.5% for 2014. GCRTA has projected a 2.6% increase for Sales Tax for 2014 and a figure of $194.1 million for the year.

Advertising & Concessions **$1.0 Million**

Advertising Contract	**$875K**
HealthLine (net)	**$125K**
Total	**$1.0M**

Rationale:
The 2013 Budget Advertising and Concessions Category consists of two subcategories. The first is the current advertising contract. As the fleet size reduced due to the service reductions in 2008, 2009, and 2010, the advertising contract's annual guarantee shrunk from $1,000,000 to $525,000. In 2012, a new advertising contract was established and the contract's annual guarantee rose to nearly $900,000. The second is the HealthLine naming rights contract that will net the Authority $125,000 in 2014. Advertising revenue received through the third quarter 2013 totaled $1.1 million and revenue is expected to reach $1.6 million by year end. The 2014 Budget for this category is $1.0 million and estimated the same in the out years.

Intergovernmental **$ 7.2 Million**

Federal & State Funding	**$4.8M**
Elderly and Disabled Fare Assistance	**$0.0M**
Access to Jobs Revenue (JARC)	**$2.3M**
Total	**$7.2M**

Rationale:
Temporary State funding helped eliminate the $24 million gap during the 2008-2009 recession and the financial difficulties in 2010. Expenses were reduced but without the temporary funding from the State of Ohio, the service reductions would have been more severe. That funding has expired. CMAQ funding for the C-Line, L-Line and 9-12 Trolleys will bring in about $950,000 in 2014. Operating assistance for our Paratransit operations is expected to total $3.9 million in 2013 and 2014.

In 2009, the Authority received about $2.8 million from the State of Ohio for elderly and disabled fare assistance for 2008 and 2009. The State of Ohio tax receipts were reduced by the recession and in 2010 RTA received only $619,057 in this category. In 2011, the State halted all funding in this category and has no plans to reinstate the funding.

Job Access and Reverse Commute (JARC) helps GCRTA provide vanpool and reverse commute services consistent with Welfare to Work initiatives. The funds from this source have been very sporadic over the past few years. In 2013, revenue for this category was budgeted at $2.1 million, drawing receipts through May and a new grant was found for the remainder of the year. In the third quarter 2013, a decision was made to continue drawing receipts through November, increasing the revenue projection to $3.2 million. The remainder of the receipts will be drawn in 2014, $2.3 million, and in 2015, $1.6 million.

Other Revenue **$1.0 Million**

These other sources of revenue include contractor and hospitalization claim reimbursements, rent, salvage sales, identification card proceeds, among other miscellaneous receipts. The amounts received from these sources have fluctuated over the years, mainly due to one-time settlements and reimbursements. In 2011, $1.5 million was collected and in 2012, nearly $1.0 million. At the end of the third quarter 2013, the projection for this category remains at $1.0 million. For 2014, the revenue projection is $1.0 million.

Investment Income **$225 Thousand**

The available 2012 General Fund cash balances have been improved. The Fed has kept interest rates at all time lows in an attempt to spur the economy. Income from this source was $131,592 in 2011 and rose 53% in 2012. The Fed has demonstrated it intends to keep interest rates low for at least the next year. As a result, the projection for this revenue stream for 2013 is $210,000 and 2014 is $225,000.

Reimbursed Expenditures **$18.0 Million**

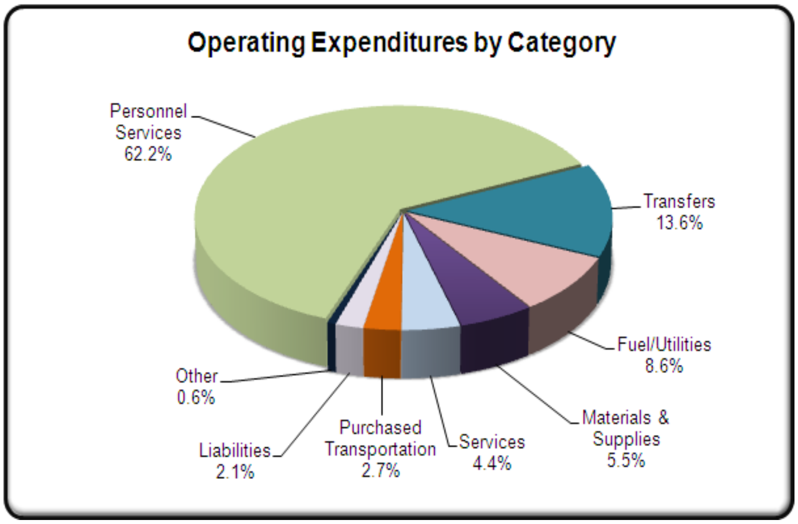
Preventive Maintenance Reimbursements	**$15.0M**
Fuel Tax Reimbursement	**$ 1.3M**
Reimbursed Labor & Material	**$ 1.7M**
Total	**$18.0M**

Rationale:

This category is primarily composed of preventive maintenance reimbursements, fuel tax reimbursements, grant funded labor costs, and material reimbursements. In 2009, this category was $33.5 million. In 2010 it totaled $39.2 million due to the inclusion of force account labor from the ARRA projects. Dollars that were needed for capital projects had to be used to sustain operations. For eight years it had been a goal to reduce this reimbursement to less than $20 million. Underperforming Sales Tax collections from 2001 to 2008 and then the Great Recession in 2009 had made that goal unachievable. The improved financial position of the Authority in 2011 and 2012 enabled this to happen. This revenue category was reduced in 2011 to $25.6 million. For 2012 it was reduced to $16.9 million. The improved financial situation means that the Authority does not need to draw as much preventive reimbursement to operate the General Fund. Reimbursed expenditures were budged at $15.5 million for 2013 and may be held at $13.5 million for the year. The amount budgeted for 2014 is $18 million. This means that more funds from formula grants will continue to be available for capital projects. With the implementation of MAP-21 and a reduction in the formula grant amount, this is particularly important.

Expenditures

The Operating Expenditures for the 2014 budget include the appropriation and expenditure changes as described below. As with revenues, expenditures are estimated not only for the 2014 Budget Year, but also for the two subsequent out years. The General Fund Balance Analysis projections include those out-years to demonstrate the longer-term impacts of various items contained in the 2014 Budget (collective bargaining agreements, service changes, requirements of the Capital Improvement Plan, etc.).



The chart on page TL-15 summarizes the budgeted increases and reductions in expenditures for 2014. The chart highlights the ardent effort made by management to align the Authority's expenditures with the projected revenue. As a result of the efforts made in 2009 through 2012 to control and reduce expenditures and the improvement in Sales Tax collections, the Authority was able to avoid a service reduction in 2011 through 2013 and will do so again in 2014. In fact, small service increases were made in 2012 and 2013 and again in 2014.

Compensation Issues include the wage and fringe payments consistent with current collective bargaining agreements with the ATU and FOP, vacancy replenishments, as well as expected cost increases associated with health care and the Ohio Public Employee Retirement System (OPERS). The plunge in revenue from the Sales & Use Tax is due to the 2008-2009 recession and in fare revenue due to high unemployment caused by the recession meant RTA had to secure wage concessions or become a smaller organization.

For 28 months GCRTA attempted to negotiate contract agreements with the unions. The contract for ATU 268 expired July 31, 2009 and the contract for FOP expired in March 2010. No concessions were achieved. No wage increases were paid for 2010.

During the summer of 2011, an agreement was reached with the FOP on an innovative approach that tied a wage increase in 2011 to the revenue increase for Fare Revenue and Sales Tax from 2010 and then used the increase in Fare Revenue and Sales Tax from 2011 and 2012 to establish the wage increases for 2012 and 2013, respectively. Under the contract, wages are tied to these revenues but may be no less than 0% and no more than 3%.

The Health Care contribution increased in 2011 from 12% to 14%. Non-smoking employees receive a 1% credit and employees who complete an annual physical can also receive a 1% credit. Those employees who complete both can receive a 2% credit on their health care contribution. This credit has also been available in 2012, 2013, and again in 2014.

On the basis of 2011 revenue, FOP and Non-Bargaining employees received a 3% wage increase in 2012. ATU 268 agreed to this contract concept in March of 2012. They received a $1,000 payment and a 3% wage increase in 2012. With a Sales Tax increase of 4.75% in 2012 and a Fare Revenue increase of 1.5%, all personnel received the 3% maximum wage increase for 2013. In 2013, Sales & Use Tax is projected to increase by 4.4% and Passenger Fare Revenue is expected to end the year at -1.3%, below the 2012 level. The combined total will increase by 3.2% and all personnel will receive a 3% increase in 2014. For 2015 and 2016, Sales Tax and Fare Revenue are projected to increase by 2.2% and 1.5%, respectively, and the wage increases are calculated to match.

In 2012, TranSystems was asked to conduct an assessment of the existing system environment and organizational structure of the Authority. The intent of this assessment was to provide recommendations for improvement and optimization of the technology systems. A business plan was created to include policies, procedures, governance, and support for the recommended improvements.

In September 2012, TranSystems proposed several recommendations, including:

- Creating a new department focusing on ITS (Intelligent Transportation Systems) applications
- Documenting workflows and defining responsibilities to identify gaps and determine system interdependencies
- Upgrade systems and subsystems to the latest version
- Enhancing training opportunities for current systems and applications
- Improving processes to plan, procure, implement, and support ITS technologies
- Validating accuracy and reliability of data generated in the systems
- Developing a business intelligence strategy for information
- Implementing strategies to enhance system utilization
- Developing an enterprise architecture for the ITS environment

During the budget process for 2014, the current IT (Information Technology) Department, in the Finance & Administration Division, is eliminated and a new ITS (Intelligent Transportation Systems) Department, located under the Executive Division, is created. This process will add six new positions to the 2014 budget, including the creation of an Executive Director/CIO position, and eliminate the IT Director position, and four positions will be moving from other departments into the new ITS department. Systems and applications currently housed in separate departments will be moved into the ITS department, implementing recommendations from the assessment.

Fuel costs have been stabilized, which were out of highly volatile in 2008. Since fuel is GCRTA's second highest cost area, RTA had to find a better process to purchase fuel. For much of 2008, RTA worked to establish such a new methodology. To get that accomplished, State law had to be changed, which was in September 2008. In January of 2009, the Board of Trustees approved the implementation of an Energy Price Risk Management Program. RTA is now authorized to purchase futures contracts out to a maximum maturity of 36 months up to a maximum of 90% of projected use.

The average price/gallon for diesel in 2008 was $3.57 and for 2009 it was $3.17. In early 2009, RTA purchased future contracts on 88% of its 2010 fuel requirements and about 25% of the 2011 requirement. As opportunities to purchase at advantageous prices materialized more fuel futures were purchased. The budget for 2010 was $9.39 million versus the $17.4 million paid in 2009. The year ended with costs under $8 million, $1.39 million under budget and $9.4 million below 2009. The net cost/gallon was $1.76. For 2011, the budget for diesel was $10.972 million. The actual cost was $9.954 million. The budgeted cost for fuel for 2012 was $12.803 million. Actual cost was $12.114 million.

The Authority buys fuel when prices present a good opportunity. Prices in 2012 started at $2.90/gallon. By March prices had risen to $3.54/gallon. In May and June prices dropped significantly to $2.70/gallon. GCRTA purchased 3.7 million gallons of diesel and filled the remaining hedge requirements for 2012, 80% of 2013 and 55% of 2014. In March of 2013 prices dropped dramatically again and GCRTA bought 2.1 million gallons of fuel. The budget for diesel fuel for 2013 was $13.835 million. The current projection is $13.977 million about $2.99 per gallon. Fuel prices have been relatively stable and 76% of 2014 fuel is already hedged. The budgeted amount for 2014 is $14.182 million.

Utility Cost Reduction Measures will continue to result in significant savings. The Authority closely reviewes utility usage, completely auditing the electricity accounts. In 2009, the Authority went out on the open market and solicited bids for the electricity rate. The rate quotes received lowered the cost by 2 cents per kilowatt-hour (kWh) and resulted in savings of over $1.127 million. All electricity accounts were reconciled and all meters are now read and reset by CEI monthly. These actions further reduced costs by $504,000. RTA applied for and received rate changes for rail substations that have reduced costs by another $324,000 annually. Electricity was again bid in May 2011, which again lowered the rate/kWh. A three-year contract for electricity is in place at a very favorable rate. That contract ends in May, 2014. The RFP process to put the next contract in place is underway and should be completed in February. The TIGGER Energy Retrofit grant has reduced electricity usage at the facilities by more than $500,000 annually. Natural Gas was bid in July 2011, which lowered the rate by $.43/MCF. These rates are locked up through 2017.

Transfer to the Insurance Fund

In 2009, a transfer from the General Fund of $3.52 million was made, but due to large claims payments that year, the transfer was not enough to maintain the Insurance Fund at the established balance of $5.0 million. In 2010, an additional $3.2 million was transferred from the General Fund that restored the $5.0 million balance in the Insurance Fund. Claims have declined significantly and the budgeted transfer of $2.7 million for 2012 was reduced to $1.0

million and in 2013, a transfer of $1.4 million is expected. For 2014 a transfer of $2.1 million is anticipated since premiums are expected to increase.

Transfer to the Supplemental Pension Fund

As in previous budget years, the 2014 budget estimates that the Supplemental Pension Fund will need transfers of $100,000 for 2014 and in the following two years in order to maintain the necessary balance within this fund as identified in a bi-annual actuarial study.

Transfers to Capital

In past years this measure, calculated as a percentage of Sales & Use Tax revenue, has remained well above the Board goal of a maximum of 15% due to the significant decrease in this revenue source that occurred in 2009 and the inclusion of a number of capital grants to reimburse Operating Expenses that required a local match.

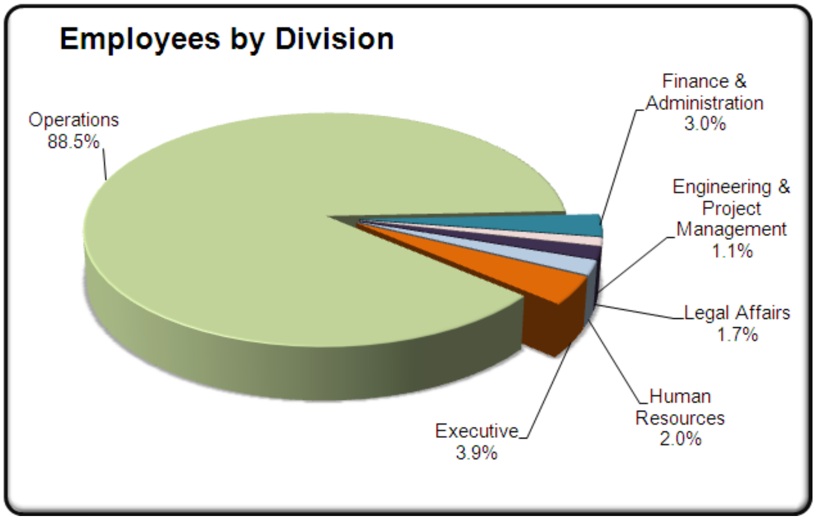
As Sales Tax revenue recovered, this measure gradually improved from 18.4% in 2011 to 17.1% in 2012. In 2013, as local funds are transferred to the capital program for the multi-year bus replacement program, transfers to Capital will total $36.1 million and equal 19.1% of the Sales & Use Tax revenue. 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 $18.3 million to the Bond Retirement Fund for debt service payments associated with existing debt and a recent $25.0 million G.O. debt sale during FY 2012.

At 19.0%, the transfer at a projected $36.9 million will remain at a high level in 2014 as additional local funds are again transferred to capital for the bus improvement program. It will then decline to 18.2% in 2015 and 17.9% in 2016 as transfers for the bus improvement program cease. The high level of this measure continues to highlight the difficulty created by increased capital and debt service needs in times of constrained revenue.

Areas of Expenditure Growth
2014 Budget

2013 Projected Operating Expenses		**$232,423,393**	
Compensation Issues		**$ 7,493,602**	**4.37%**
Hourly & Salary Labor Increase	$ 6,017,045		
Fringe Benefits	$ 1,476,557		
Fuel / Utilities		**$ 3,229,517**	**15.55%**
Diesel Fuel	$ 204,748		
Propulsion Power	$ 1,141,296		
Other Utilities	$ 1,883,473		
Service Opportunities		**$ 2,608,019**	**8.42%**
Purchased Transportation	$ 547,455		
Services	$ 2,317,880		
Materials & Supplies	$ 820,184		
Inventory	$ (1,077,500)		
Administration Changes		**$ 2,043,279**	**22.34%**
ITS Department	$ 1,134,668		
Liabilities	$ 112,685		
Other (Net)	$ 795,926		
Expenditure Growth		**$ 15,374,417**	**6.61%**
2014 Budgeted Operating Expenditures		**$247,797,810**	

Employment Level Analysis



The chart below summarizes changes in staffing from the 2013 original Budget to the level included in the 2014 Budget.

The 2014 Budget reflects staffing of 2,348.5, an overall increase of 46 positions from the 2013 budget.

The pie chart demonstrates relative employment levels within each division.

In 2010, 10 administrative support positions and 235 operating positions were eliminated due to the April service reduction and closing of Harvard Garage. In 2012, Business Analysts and other key positions were added to the operating budget to increase the efficiencies within the departments and to increase service levels. Divisions were also realigned by moving the District General Managers (DGMs) from the Executive Department to the appropriate department within the division.

2014 Budget		
2013 Original Budget		**2,302.5**
Operations		26
Operators	29	
Movement of Positions to ITS	-3	
Service / Support		8
Electrical Equipment Mechanics	6	
Security Technicians	2	
Administrative Staff		12
ITS Department	9	
Movement of Positions to ITS	-1	
Key Positions	4	
2014 Budget		**2,348.5**
Net Increase (Decrease)		**46.0**

In 2013, with the completion of the HRV exterior overhaul, 15 of the 22 positions were eliminated. Employees who were in these positions were moved into vacant positions. Five support positions for operations were added to the budget and one administrative part-time position was changed to full-time.

For 2014, a total of 46 positions are added to the budget. Additional operators are added to address overcrowding on some routes and increase efficiencies in the service plan. A new ITS (Intelligent Transportation Systems) Department is created in the 2014 budget, eliminating the current IT (Information Technology) Department. This will create 6 new positions, including adding an ITS CIO/Executive Director, eliminating the IT Director, and moving 4 positions from other departments into ITS.

Under Service/Support, 8 new positions are created. Two Security Technicians are added to the Transit Police department to perform routine maintenance on security systems, eliminating the need for outside contracts, reducing the funding needed for the department's budget. Six electrical equipment mechanics are added to Fleet Management's budget to address the maintenance needed for increasing electrical and smart equipment. Plans have been drawn to create a new work environment for the Electrical Equipment section, but this will not be completed until late 2014.

SERVICE LEVELS

The recession of 2008-2009 reduced revenues for the Authority and RTA was forced to reduce service levels by more than 20% between 2008 and 2010 in order to maintain a balanced budget. Service levels were not reduced in 2011. For 2012 service was increased by just over 4% and in 2013 service levels were increased by more than 5%. In 2014, service will increase by 3.4%.

Service Levels	2013	2014	% Change (2014-2013)
Service Hours	1,889,372	1,993,263	5.5%
Service Miles	25,396,496	26,265,145	3.4%

The financial position of the Authority has improved markedly since 2010. Consequently some of the service cut in 2008, 2009 and 2010 has been restored. Almost 60,000 service hours were added to bus and rail lines between 2012 and 2013. These changes include route enhancements for higher utilized bus routes traveling from suburban areas into downtown, as well as some changes made on other routes to lessen crowding. The frequencies for rail services were adjusted in-peak and off-peak hours and service enhancements were implemented in 2012 and 2013.

In late 2012, annualized in 2013, three new Trolley routes were created: C-Line, L-Line, and 9-12 Line. The C-Line connects the Convention Center, Medical Mart, Casino, Warehouse District, and Playhouse Square between 7pm – 11pm, Monday through Friday and 11am – 11pm on Saturday and Sunday. The L-Line connects the Rock Hall of Fame, Great Lakes Science Center, Medical Mart, Convention Center, and Casino from 10am – 5:30pm on Saturday and Sunday. The 9-12 Line connects the Muni Lot to the Gateway District, running along E. 9th and E. 12th Streets during the morning and afternoon rush hours. Rail lines were running on 20-minute frequencies because of the lightning strike in 2011. All repairs are now made and frequencies are being adjusted to 15 minutes.

Service for all modes except vanpool and Paratransit In-House have been increased for 2014, including Paratransit ADA contractual service. Requests for Paratransit services continue to increase and RTA is committed to ADA service and requirements.

	Service Hours				Service Miles			
Service Mode	2013 Budget	2014 Budget	Variance	Percent Variance	2013 Budget	2014 Budget	Variance	Percent Variance
Rail								
Heavy Rail(Red)	132,400	123,300	(9,100)	-6.9%	2,599,200	2,661,800	62,600	2.4%
Light Rail(Blue/Green)	63,200	59,200	(4,000)	-6.3%	876,400	880,400	4,000	0.5%
Total Rail	**195,600**	**182,500**	**(13,100)**	**-6.7%**	**3,475,600**	**3,542,200**	**66,600**	**1.9%**
Bus								
RTA	1,296,500	1,403,300	106,800	8.2%	15,755,300	16,690,500	935,200	5.9%
Van Pool	29,000	29,000	0	0.0%	640,000	640,000	0	0.0%
Total Bus	**1,325,500**	**1,432,300**	**106,800**	**8.1%**	**16,395,300**	**17,330,500**	**935,200**	**5.7%**
Paratransit								
In-House	207,937	201,632	(6,305)	-3.0%	3,103,021	2,893,823	(209,198)	-6.7%
Contract	160,335	176,831	16,496	10.3%	2,422,575	2,498,622	76,047	3.1%
Total Paratransit	**368,272**	**378,463**	**10,191**	**2.8%**	**5,525,596**	**5,392,445**	**(133,151)**	**-2.4%**
Grand Totals	**1,889,372**	**1,993,263**	**103,891**	**5.5%**	**25,396,496**	**26,265,145**	**868,649**	**3.4%**

POLICY COMPLIANCE

The discussion in this section focuses on the financial status of GCRTA as it relates to the Authority's basic adopted financial policy objectives. These objectives represent trends or indicators that should be analyzed as they relate to long-range financial implications for the organization.

The financial policies or trends, as outlined in Attachment B, are applied to the following areas:

Operating Efficiency

The budget for 2014, Operating Revenues will account for 20.5% of total operating expenses. This ratio is under the **Operating Ratio** policy goal of 25% and less than the Operating Ratio in 2011 of 23.8%, 2012 of 23.0%, and 2013 of 21.9%. The decrease of operating expenses in 2011, 2012, and 2013 boosted the budgeted ratios of 22.5%, 22.3%, and 22.3%, respectively, to the current levels. This ratio does not meet the objective but comes very close.

The goal that is most easily understood and tracked is the **One-Month Operating Reserve**. Quite simply this objective states that the Authority should have an end of year balance equal to one month's operating costs. This objective was met in 2010 for the first time since 1990 and has been met again in 2011, 2012, and 2013. The reduction in expenditures over the last three years is the reason this objective has been achieved. For 2014, a one-month operating reserve is equal to $20.5 million. With a budgeted ending balance of $14.3 million, a 0.7-month reserve, the Authority does not meet this measure.

Another measure of operating efficiency is the **Cost per Hour of Service.** The growth in cost of delivering an hour of service is to be held at or below the rate of inflation. This goal has not been met in 2010 or 2011 because service cuts were decreasing more rapidly than expenses. This objective was met in 2012, with a rate of –7.7%, due to revenue hours increasing and operating expenses decreasing. For 2013, revenue hours will remain steady but operating expenses are expected to end the year $5.2 million below budgeted levels, which decreases the Cost per Hour of Service to a rate of -1.2%. The budget for 2014 has service hours increasing 5.5% and operating expenses increasing 6.6%. The cost per hour of service for 2014 is budgeted to increase 1.4%, compared to 2013 estimates. The Cleveland Federal Reserve projects inflation to increase between 1.7% and 2.0% from 2013 through 2015. At a projected rate of 1.4%, this measure will be met.

Capital Efficiency

The goal for the Debt Service Coverage ratio is to be above 1.5. After declining to a low of 1.14 at the end of Fiscal Year (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 at the end of the year as Tax receipts continued to grow, the Authority stretched the use of its 2008 borrowing for four years, and it pre-paid a State Infrastructure Bank loan in 2011.

In 2012 and 2013, the debt service coverage dropped to 2.77 and 2.35, respectively, but exceeds the goal of over 1.5 primarily due to the continued improvement in Sales Tax receipts. At a projected 1.69 in 2014, it will again meet the coverage measure, but is expected to continue its decline to 1.22 in 2015 and to 0.86 in 2016 as total resources within the General Fund decrease in those years.

Another goal is to contribute a minimum of 10% and up to a maximum of 15% of Sales Tax revenue to capital. This indicator includes both the direct contributions to capital and the amount "set-aside" in the General Fund for debt service. The **Contribution to Capital** has been well above the maximum of 15% since FY 2009 as Sales Tax collections plummeted in that year losing 11% of revenue. The Authority has cut capital expenditures but could not make cuts of that magnitude, meet its debt service requirements, and still maintain the service needs of the Authority.

These financial contributions to capital support 100% locally funded capital projects, provide the local match for projects funded by grants, and funds the Authority's debt service requirements. The projected improvement in this ratio to 17.1% in 2012 was reversed in 2013 due to transfers of additional local funds into capital for the multi-year bus replacement program. The contribution to capital will decrease slightly to 19.0% in 2014, then to 18.2% in 2015, and 17.9% in 2016, but it will remain above the Board's maximum goal in the next three years.

The projected ratio of 86.1% in 2013 for **Capital Maintenance Outlay to Capital Expansion** remains above the Board Policy goal of between 75% and 90%. It will remain above the 90.0% maximum in 2014, at 94.0%, as the focus of the Authority's capital program remains on the maintenance, rehabilitation, and the replacement and/or upgrade of existing capital assets, rather than on expansion projects. This measure is then projected to decrease to 72.8% in 2015 and again in 2016, below the minimum of 75.0%, due to the inclusion of budget authority for a possible extension to the Blue Line Light Rail line, but otherwise its concentration remains on state of good repair projects.

Four of the six financial objectives will be met in 2013. This is a significant improvement from the difficult 2009 fiscal year when none of the objectives were met. Two of the six financial objectives will be met in the 2014 Budget: **Growth per Year** and **Debt Service Coverage**. The Operating Ratio remains above 20.0% but not at 25%, due to the increase in the operating budget. The operating budget Growth per Year is expected to increase at 1.4%, below the rate of inflation. Sales Tax Contribution to Capital is expected to be at 19.0% in 2014 with the focus of capital projects on maintenance, rehabilitation, and replacement of current assets. In 2015 and 2016, out of the six financial policy goals, only the Growth per Year is expected to be met.

End of Year Reserve Funds

The Board also voted to add Reserve Funds for Fuel, Compensated Absences and Hospitalization. These reserve funds will protect against the volatility associated with fuel costs, the significant increases that have been the recent norm for Hospitalization and will meet a suggested best practice for compensated absences. The Reserve for Fuel is budgeted at $2.8 million, Hospitalization at $1.9 million, and Compensated Absences budgeted at $2.2 million.

An additional reserve fund was proposed in 2012 for Rolling Stock replacement. Busses are increasing in age and replacement of these vehicles is costly. The Authority has 200 busses that must be replaced over the next five years. To help mitigate that cost, a replacement fund has been established, where savings in operating expenditures from the current year will be set aside and transferred to the Capital Improvement Fund the following year.

CAPITAL PROGRAM

The Capital Improvement Plan (CIP) for 2014-2018 has already been Board approved and appropriated. It provides for the purchase, maintenance, and improvement of the Authority's capital assets. The capital assets of the Authority are varied and include such items as buses, rail cars, rail right-of-way infrastructure, facilities, equipment, non-revenue vehicles, etc. The life of these properties extends over a period of years. Effective capital improvement planning provides the framework for scheduling improvements based on the availability of resources, the condition of assets, and the priorities among submitted capital projects. The capital-intensive nature of public transportation makes long-term financial planning indispensable.

For several years additional resources have been needed to meet the needs of maintaining the Authority's capital assets in a SOGR. Those resources were not available and projects had to wait for funding. Due to the improved financial conditions of the Authority additional funding can be supplied by strategically reducing grant funded Preventive Maintenance (PM) reimbursements to the Operating Budget and directing more resources towards capital asset improvements. The upturn in the balance of the General Fund has triggered a reduction in actual PM reimbursements from $21.6 million in 2011, to $11.8 million in 2012 to a budgeted $12.5 million in 2013, the lowest two-year amount in years.

This enabled the reallocation of capital funds and budget authority targeted to a significant number of SOGR projects throughout the Authority. The reallocation was done through a capital review process that prioritized both budgeted, but unfunded capital projects as well as consideration of new capital projects. It maintains the focus of the Authority's capital program on achieving and maintaining a State of Good Repair throughout the system as it continues to reflect existing and future financial and operational constraints facing the Authority. Part of the added needs is the replacement of 188 busses over the next five years.

The Authority's capital projects are grouped in the proposed 2014 – 18 Capital Improvement Plan as shown on the next page:

2014-2018 CAPITAL IMPROVEMENT PLAN Budget Authority (Millions)						
PROJECT CATEGORY	2014 Budget	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2014-2018
Bus Repl. & Equip't	$28.62	$11.17	$15.91	$18.40	$18.10	$92.20
Equipment & Vehicles	$2.95	$2.58	$2.28	$2.26	$3.94	$14.01
Facilities Improvements	$5.84	$2.27	$4.49	$1.39	$1.47	$15.46
Other Projects	$2.82	$2.82	$2.82	$2.82	$2.82	$14.10
Preventive Maint.	$15.00	$17.50	$20.00	$20.00	$20.00	$92.50
Other Operating Reimb.	$6.90	$3.31	$3.30	$3.30	$3.30	$20.11
Rail Projects	$14.23	$21.79	$17.59	$16.80	$14.04	$84.45
Transit Centers	$0.29	$0.29	$0.29	$0.29	$0.29	$1.45
TOTALS	$76.65	$61.73	$66.68	$65.26	$63.96	$334.28

CONCLUSION

Slow growth in sales tax affected the RTA budget from 2001-2007. Increased fuel prices impacted the budget in 2008. The Great Recession had an even greater effect in 2009. The net effect was that service had to be reduced. This was done in 2008, 2009 and 2010 and fares were raised in 2006, 2008 and 2009. Implementing TransitStat reduced costs. Expenditures for projects and capital upkeep were held to a minimum. The ARRA funds authorized in 2009 provided the bulk of the infrastructure maintenance in 2010. The Capital Improvement Program has been supplemented by grants for TIGGER, State of Good Repair and the University-Cedar and University–Little Italy earmark grants. Funds borrowed in 2008 were tightly rationed and lasted four years instead of the customary two

The tough decisions required have been made. Service has been reduced to match funds. Long-term changes have been made to the cost structure. Sales Tax has recovered and increased at a rate higher than expected for the last four years. As such, restoration has been possible and some service has been cautiously restored to reduce overcrowding. Capitalized Operating Assistance has thus been reduced to further enhance the formula grant funds to be made available for maintenance of existing infrastructure.

The end result is a better financial structure. Funds have been shifted to Capital. Long term revenue vehicle replacement plans have been formulated. Needed rail infrastructure maintenance continues. The 2014 budget has been planned to continue this pattern of balance between operating and capital. It is the intention of the Authority to execute this budget in the same exemplary fashion as the budgets for the last four years.

ATTACHMENT A

General Fund Balance Analysis

Assumptions:						
Passenger Fare Annual Growth =	1.8%	2.5%	-1.3%	1.5%	1.5%	1.5%
Sales Tax Annual Growth =	6.1%	4.6%	4.4%	2.6%	2.2%	2.2%
Personnel & Fringe Cost Growth =	-1.3%	5.7%	4.8%	4.4%	-0.3%	1.7%
Non-Personnel Cost Growth =	4.2%	2.2%	0.5%	16.2%	0.2%	0.3%
Operating Expenses Growth =	-11.8%	6.9%	10.5%	6.6%	-0.1%	1.3%
Capital Contribution =	31,895,296	31,023,887	36,094,436	36,875,897	36,072,262	36,357,581
	18.4%	17.1%	19.1%	19.0%	18.2%	17.9%

	2011 Actual	2012 Actual	2013 Estimate	2014 Budget	2015 Budget	2016 Budget
Beginning Balance	**19,846,961**	**36,375,982**	**38,235,140**	**30,420,885**	**14,348,768**	**4,674,394**
Revenue						
Passenger Fares	48,017,726	49,237,857	48,585,275	49,314,054	50,053,765	50,804,571
Advertising & Concessions	904,153	1,375,671	1,630,000	1,000,000	1,000,000	1,000,000
Sales & Use Tax	173,242,329	181,219,251	189,225,299	194,083,536	198,353,374	202,717,148
CMAQ Reimbursement for the Healthline	7,129,442	2,128,337	0	0	0	0
Operating Assistance - Paratransit Operations	3,109,000	3,125,000	3,889,000	3,889,000	3,089,000	3,089,000
Ohio Elderly Fare Assistance	0	0	0	0	0	0
CMAQ Reimbursement - Trolley	980,980	0	950,000	950,000	850,000	0
Access to Jobs Program	1,559,639	1,712,976	3,214,000	2,340,000	1,595,494	0
Investment Income	131,592	201,267	210,000	225,000	250,000	275,000
Other Revenue	1,500,537	971,146	1,000,000	1,000,000	1,000,000	1,000,000
Reimbursed Expenditures	25,600,974	16,955,634	13,500,000	18,000,000	20,500,000	23,000,000
Total Revenue	**262,176,372**	**256,927,139**	**262,203,574**	**270,801,590**	**276,691,633**	**281,885,719**
Total Resources	**282,023,333**	**293,303,121**	**300,438,714**	**301,222,475**	**291,040,401**	**286,560,113**
Operating Expenditures						
Personnel Services	154,927,523	163,776,230	171,657,813	179,270,617	178,785,940	181,761,853
Diesel Fuel	9,918,864	12,632,036	13,977,752	14,182,500	14,253,413	14,324,680
Other Expenditures	45,555,668	46,535,828	46,787,828	54,344,693	54,454,393	54,636,844
Total Operating Expenditures	210,402,056	222,944,094	232,423,393	247,797,810	247,493,745	250,723,376
Transfer to the Insurance Fund	3,250,000	1,000,000	1,400,000	2,100,000	2,700,000	2,650,000
Transfer to the Pension Fund	100,000	100,000	100,000	100,000	100,000	100,000
Transfers to Capital						
Bond Retirement Fund	19,793,855	19,386,892	18,324,392	20,754,392	21,574,686	22,347,495
Capital Improvement Fund	12,101,441	11,636,995	17,770,044	16,121,505	14,497,576	14,010,086
Total Transfers to Capital	31,895,296	31,023,887	36,094,436	36,875,897	36,072,262	36,357,581
Total Expenditures	**245,647,351**	**255,067,981**	**270,017,829**	**286,873,707**	**286,366,007**	**289,830,957**
Ending Balance	36,375,982	38,235,140	30,420,885	14,348,768	4,674,394	-3,270,844
Brookpark Lightning Strike Reserve Funds	1,100,000	1,100,000	0	0	0	0
Rolling Stock Reserve Funds	0	7,000,000	0	0	0	0
Reserved Funds	6,602,000	6,840,000	6,900,000	6,900,000	6,900,000	6,900,000
Available Ending Balance	**28,673,982**	**23,295,140**	**23,520,885**	**7,448,767**	**-2,225,607**	**-10,170,845**

ATTACHMENT B

2014 Base Budget
Financial Policy Objectives

	Description		Goal	2011 Actual	2012 Actual	2013 Estimate	2014 Budget	2015 Budget	2016 Budget
Operating Efficiency	**Operating Ratio**	*Ratio that shows the efficiency of management by comparing operating expenses to operating revenues. Operating Revenues divided by Operating Expenses*	**> 25%**	23.8%	23.0%	21.9%	20.5%	20.9%	20.9%
	Cost/Hour of Service	*Measure of service efficiency. Total Operating Expenses divided by Total Service Hours*		$133.6	$123.4	$121.9	$123.6	$122.2	$122.6
	Growth per Year	*Growth in the cost of delivering a unit of service (Cost per Hour), compared to the prior year, to be kept at or below the rate of inflation.*	**< Rate of Inflation**	9.5%	**-7.7%**	**-1.2%**	**1.4%**	**-1.1%**	**0.3%**
	Operating Reserve (Months)	*Equal or above one month's operating expenses to cover unforseen or extraordinary fluctuations in revenues or expenses.*	**> 1 month**	**2.1**	**2.1**	**1.6**	0.7	0.2	-0.2
Capital Efficiency	**Debt Service Coverage**	*The measure of the Authority's ability to meet annual interest and principal payments on outstanding debts.*	**> 1.5**	**2.82**	**2.77**	**2.35**	**1.69**	1.22	0.86
	Sales Tax Contribution to Capital	*Sales tax revenues to be allocated directly to the Capital Improvement Fund to support budgeted projects or to the Bond Retirement Fund to support debt service payments.*	**10% - 15%**	18.4%	17.1%	19.1%	19.0%	18.2%	17.9%
	Capital Maintenance to Expansion	*The capital program requires a critical balance between maintenance of exisiting assets and expansion efforts.*	**75% - 90%**	98.2%	97.9%	86.1%	94.0%	72.8%	72.8%
End of Year Reserved Funds	**Fuel Reserve Funds**	*A reserve designated to protect the Authority from a significant and continuing rise in fuel prices. (In Millions)*	**Fuel Budget less Annual Expenditures**	$2.41	$2.65	$2.71	$2.71	$2.71	$2.71
	Compensated Absences Reserve Funds	*Ensure payment of over $9 million in charges the Authority will need to pay to employees for vacation that has been earned. (In Millions)*	**< 25% of Accrued Liability**	$2.25	$2.25	$2.25	$2.25	$2.25	$2.25
	Hospitalization Reserve Funds	*Protect against substantial cost increases from unfunded mandates or out of the ordinary costs for catastrophic illnesses. (In Millions)*	**< 10% of Annual Hospitalization Costs**	$1.94	$1.94	$1.94	$1.94	$1.94	$1.94
	Rolling Stock Reserve Funds	*A reserve designated to protect the Authority from a significant and continuing rise in replacement of revenue vehicles (in Millions)*	**Savings in Operating Funds**	$0.00	$7.00	$0.00	$0.00	$0.00	$0.00

Attachment C

Staffing Level Comparisons

Authorized Staffing Level by Division

Dept Grade	Job Name	Pay Group	2012 Actual	2013 Actual	2014 Budget	Variance (2014 - 2013)
Divisions						
Operations						
	31 - Paratransit District		181.0	185.0	184.0	-1.0
	32 - Rail District		364.0	353.0	359.0	6.0
	34 - Transit Police		149.0	153.0	155.0	2.0
	35 - Service Management		74.0	75.0	73.0	-2.0
	38 - Service Quality Management		68.0	70.5	70.5	0.0
	39 - Fleet Management		168.0	167.0	174.0	7.0
	46 - Hayden District		611.0	610.0	617.0	7.0
	49 - Triskett District		421.0	423.0	439.0	16.0
	Totals		**2,036.0**	**2,036.5**	**2,071.5**	**35.0**
Finance & Administration						
	10 - Office of Business Development		4.0	4.0	4.0	0.0
	60 - Accounting		24.0	25.0	26.0	1.0
	61 - Information Technology		23.0	23.0	0.0	-23.0
	62 - Support Services		7.0	7.0	7.0	0.0
	64 - Procurement		16.0	17.0	16.0	-1.0
	65 - Revenue		18.0	18.0	18.0	0.0
	Totals		**92.0**	**94.0**	**71.0**	**-23.0**
Engineering & Project Management						
	55 - Project Support		4.0	4.0	4.0	0.0
	57 - Programming & Planning		4.0	4.0	4.0	0.0
	80 - Engineering & Project Development		16.0	17.0	19.0	2.0
	Totals		**24.0**	**25.0**	**27.0**	**2.0**
Legal Affairs						
	15 - Safety		6.5	7.0	7.0	0.0
	21 - Legal		15.0	15.0	16.0	1.0
	22 - Risk Management		16.5	16.5	16.5	0.0
	Totals		**38.0**	**38.5**	**39.5**	**1.0**
Human Resources						
	14 - Human Resources		16.0	16.0	16.0	0.0
	18 - Labor & Employee Relations		5.0	5.0	5.0	0.0
	30 - Training & Employee Development		25.0	26.0	26.0	0.0
	Totals		**46.0**	**47.0**	**47.0**	**0.0**
Executive						
	12 - Executive		5.0	5.0	5.0	0.0
	16 - Secretary/Treasurer - Board of Trustees		11.0	11.0	11.0	0.0
	19 - Internal Audit		7.0	7.0	7.0	0.0
	53 - Marketing & Communication		27.5	27.5	27.5	0.0
	67 - Office of Management & Budget		11.0	11.0	10.0	-1.0
	6X - Intelligent Transportation Systems		0.0	0.0	32.0	32.0
	Totals		**61.5**	**61.5**	**92.5**	**31.0**
	Grand Total		**2,297.5**	**2,302.5**	**2,348.5**	**46.0**

ATTACHMENT D

Bond Retirement Fund Balance Analysis

	2011 Actual	2012 Actual	2013 Estimate	2014 Budget	2015 Budget	2016 Budget
Beginning Balance	**1,790,289**	**1,737,726**	**4,154,819**	**1,758,246**	**1,752,030**	**1,815,003**
Revenue						
Transfer from General Fund	19,793,855	19,386,892	18,324,392	20,754,392	21,574,686	22,347,495
Investment Income	39,161	23,086	25,643	25,500	26,500	26,500
Bond Premium Proceeds	0	3,779,561	0	0	0	0
Other Revenue	0	10	0	0	0	0
Total Revenue	**19,833,016**	**23,189,549**	**18,350,035**	**20,779,892**	**21,601,186**	**22,373,995**
Total Resources	**21,623,305**	**24,927,275**	**22,504,854**	**22,538,138**	**23,353,216**	**24,188,998**
Expenditures						
Debt Service						
Principal	13,139,510	13,990,000	13,895,000	14,485,000	15,360,818	16,421,440
Interest	6,746,069	6,776,675	6,851,608	6,299,608	6,174,895	5,885,767
Other Expenditures	0	5,781	0	1,500	2,500	2,500
Total Expenditures	**19,885,579**	**20,772,456**	**20,746,608**	**20,786,108**	**21,538,213**	**22,309,707**
Ending Balance	**1,737,726**	**4,154,819**	**1,758,246**	**1,752,030**	**1,815,003**	**1,879,291**

ATTACHMENT E

Insurance Fund Balance Analysis

	2011 Actual	2012 Actual	2013 Estimate	2014 Budget	2015 Budget	2016 Budget
Beginning Balance	**5,448,731**	**6,883,060**	**6,678,594**	**6,074,156**	**5,724,156**	**5,739,656**
Revenue						
Investment Income	72,788	34,928	40,562	45,000	45,000	45,000
Transfer from General Fund	3,250,000	1,000,000	1,400,000	2,100,000	2,700,000	2,650,000
Total Revenue	**3,322,788**	**1,034,928**	**1,440,562**	**2,145,000**	**2,745,000**	**2,695,000**
Total Resources	**8,771,519**	**7,917,988**	**8,119,156**	**8,219,156**	**8,469,156**	**8,434,656**
Expenditures						
Claims and Premium Outlay	1,888,459	1,231,929	2,045,000	2,495,000	2,729,500	2,861,500
Other Expenditures	0	7,465	0	0	0	0
Total Expenditures	**1,888,459**	**1,239,394**	**2,045,000**	**2,495,000**	**2,729,500**	**2,861,500**
Ending Balance	**6,883,060**	**6,678,594**	**6,074,156**	**5,724,156**	**5,739,656**	**5,573,156**

ATTACHMENT F

Supplemental Pension Fund Balance Analysis

	2011 Actual	2012 Actual	2013 Estimate	2014 Budget	2015 Budget	2016 Budget
Beginning Balance	**1,121,472**	**1,161,820**	**1,195,091**	**1,233,042**	**1,269,042**	**1,306,792**
Revenue						
Investment Income	15,704	6,183	7,751	6,500	6,750	6,750
Transfer from General Fund	100,000	100,000	100,000	100,000	100,000	100,000
Total Revenue	**115,704**	**106,183**	**107,751**	**106,500**	**106,750**	**106,750**
Total Resources	**1,237,176**	**1,268,003**	**1,302,842**	**1,339,542**	**1,375,792**	**1,413,542**
Expenditures						
Benefit Payments	75,357	72,912	69,800	70,500	69,000	67,500
Total Expenditures	**75,357**	**72,912**	**69,800**	**70,500**	**69,000**	**67,500**
Ending Balance	**1,161,820**	**1,195,091**	**1,233,042**	**1,269,042**	**1,306,792**	**1,346,042**

ATTACHMENT G

Law Enforcement Fund Balance Analysis

	2011 Actual	2012 Actual	2013 Estimate	2014 Budget	2015 Budget	2016 Budget
Beginning Balance	**191,563**	**298,091**	**184,342**	**154,267**	**124,392**	**114,517**
Revenue						
Investment Income	171	86	43	125	125	125
Other Revenue	164,467	56,000	55,000	55,000	55,000	55,000
Total Revenue	**164,638**	**56,086**	**55,043**	**55,125**	**55,125**	**55,125**
Total Resources	**356,201**	**354,177**	**239,385**	**209,392**	**179,517**	**169,642**
Expenditures						
Capital & Related Items	58,110	129,986	85,117	85,000	65,000	65,000
Total Expenditures	**58,110**	**129,986**	**85,117**	**85,000**	**65,000**	**65,000**
Reconciling Journal Entry	0	39,850	0	0	0	0
Ending Balance	**298,091**	**184,342**	**154,267**	**124,392**	**114,517**	**104,642**