Fund Budgets

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

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

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

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

<u>How to Calculate Fund Balance</u>

Beginning Balance
+ Current Revenues
Total Resources

(Less) Total Current Expenditures

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

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

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

Fund Budgets

All Funds

Balance Analysis

Figure FB-1 presents the combined fund balances of all the Authorityôs funds. The ending balance shows cyclical patterns, primarily increasing as a result of debt issuances, and decreasing as those funds are consumed. Overall, the All Funds balance is stable, though the amount of debt issued and the sudden large drop of sales tax revenue are of concern. Service has been realigned and will continue to be realigned and capital expenditures were reduced and are expanding because of the improved financial status of the Authority.

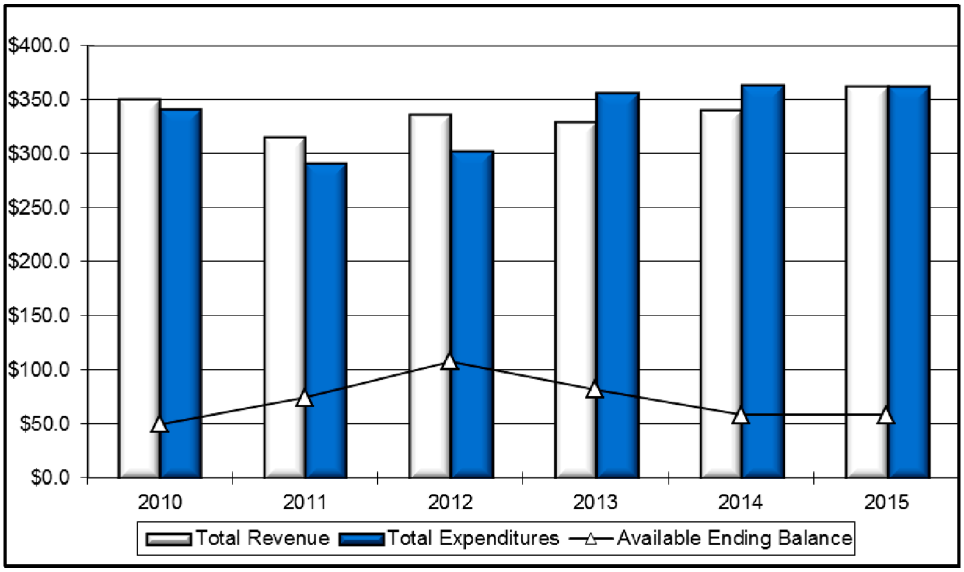

Figure FB-1

The Sales & Use Tax revenue, the largest source of revenue for RTA, dropped $19 million, 10.9%, from 2008 receipts due to the national recession. This is by far the most dramatic decline in Sales Tax in the history of the Authority. To balance the budget, RTA reduced expenditures, which included reducing service, closing a bus garage, and non-bargaining staff took a 3% pay reduction. Managed Health Care was added to the tax base in the Sales & Use Tax, which helped to increase tax receipts by about 8.6 million in 2010. Sales tax receipts increased $8.1 million in 2011 and increased by nearly $8.0 million for 2012. Expenses have been and will continue to be monitored.

RTA now has a sustainable budget. The levels of Federal and State funding remain questionable. A proposal to cut Federal Funding by 30% for 6 years ($15 million annually) was deferred until September 2014 when President Obama signed a Transportation Bill in July 2012. This bill decreased Federal funding to RTA by $4 million due to the funding formula based on population from the 2010 Census. The Authority is in a much improved financial situation but challenges still remain.

Fund Budgets

All Funds Balance Analysis

	2009 Actual	2010 Actual	2011 Actual	2012 Estimate	2013 Budget	2014 Budget	2015 Budget
Beginning Balance	**50,530,896**	**41,541,232**	**50,349,041**	**74,465,533**	**108,385,442**	**81,932,378**	**58,589,736**
Revenue							
Passenger Fares	49,757,083	47,153,709	48,017,726	50,259,213	51,264,397	52,289,685	53,074,030
Sales & Use Tax	154,586,220	163,220,649	173,242,329	181,478,753	185,289,807	188,995,603	193,720,493
Federal (Including ARRA)	73,648,082	84,683,990	51,104,869	47,023,123	67,243,750	70,687,500	67,787,500
State	21,725,202	8,980,938	11,017,398	6,353,010	4,819,822	4,819,822	4,819,822
Investment Income	611,211	431,682	502,022	432,920	528,325	554,675	554,875
Other Revenue	47,449,387	46,359,501	32,210,750	26,112,245	21,229,440	23,229,440	23,406,120
General Obligation Debt Proceeds	0	0	0	25,000,000	0	0	20,000,000
Total Revenue	**347,777,185**	**350,830,469**	**316,095,094**	**336,659,264**	**330,375,541**	**340,576,725**	**363,362,840**
Total Resources	**398,308,081**	**392,371,701**	**366,444,135**	**411,124,797**	**438,760,983**	**422,509,103**	**421,952,576**
Expenditures							
Personnel Services	176,631,322	156,964,659	154,927,523	167,851,897	173,228,548	175,886,728	179,224,449
Diesel Fuel	17,357,364	7,936,072	9,918,864	12,114,919	13,835,135	13,777,323	13,501,963
Other Expenditures	49,083,497	54,622,849	47,577,594	46,180,864	52,798,314	52,720,708	52,615,592
Capital Outlay	95,982,032	104,121,359	59,669,042	55,825,000	96,200,000	100,750,000	96,400,000
Debt Service	17,712,634	18,377,721	19,885,579	20,766,675	20,766,608	20,784,608	21,535,714
Total Expenditures	**356,766,849**	**342,022,659**	**291,978,603**	**302,739,355**	**356,828,605**	**363,919,367**	**363,277,718**
Available Ending Balance	**41,541,232**	**50,349,041**	**74,465,533**	**108,385,442**	**81,932,378**	**58,589,736**	**58,674,858**

Figure FB-2

General Fund

Balance Analysis

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

From 2006 to 2009, the revenue and expense mismatch grew steadily. The Authority had to dip into prior year fund balances to cover current year expenses. In 2006, total expenditures were $400,000 more than that year's revenue. In 2007, the mismatch increased to $1.3 million and further increased in 2008 to $5.6 million with a resulting drawdown of the fund balance to $8.4 million. In 2009, the Sales & Use Tax receipts dropped 10.9% due to the recession. The General Fund balance dropped sharply to $2.9 million with the help of one-time grant funding. In 2010, hard decisions had to be made. In April we implemented a 12% service reduction and closed Harvard Garage on weekends. In September, Harvard Garage was closed altogether. A combination of a 5.6% recovery in Sales Tax, additional one-time grant funding, an increase in reimbursed expenditures, and continuous monitoring of operating expenses, the ending balance grew to $20.4 million. To help alleviate the stress of another recession, we reserved $4.6 million of the ending balance. In 2011, we promised our customers that we would end the year without service decreases or fare increases, and Sales & Use Tax ended the year with a 6.1% increase, which helped to achieve that goal.

Fund Budgets

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

	2009 Actual	2010 Actual	2011 Actual	2012 Estimate	2013 Budget
Beginning Balance	$8.4	$2.9	$19.8	$36.4	$34.9
Total Revenue	**$264.5**	**$267.0**	**$262.2**	**$256.1**	**$261.0**
Total Resources	$272.9	$269.9	$282.0	$292.5	$296.0
Operating Expenses	$238.5	$208.6	$210.4	$224.4	$237.7
Fund Transfers	$31.5	$41.4	$35.2	$33.1	$41.1
Total Expenditures	**$270.0**	**$250.1**	**$245.6**	**$257.6**	**$278.7**
Available Ending Balance	**$2.9**	**$19.8**	**$36.4**	**$34.9**	**$17.2**

Figure FB-3

The 2008 and 2009 reserves of 0.4 and 0.1 months, respectively, did not meet the goal. In 2010, this goal was met at 1.2 months reserve. Sales Tax revenue, the largest revenue source for the Authority experienced a 5.6% increase, recovering part of the decline from 2009. This was due to the addition of managed health care to the tax base. The 2011 ending balance and projected balance for 2012, 2.1 and 1.9 months, respectively, will again meet the goal and both represent improvements over recent years. The ending balance for the 2013 Budget will come close, at 0.9 months. Expenses will be managed to help achieve the 1.0 month policy goal at year-end.

The Authority has continued to control costs and aggressively execute the budget. In addition to this normal level of activity, the Authority implemented TransitStat in 2008, a data-driven performance management initiative, to review operations, seek improvements, and further reduce costs. These actions have increased accountability and helped increase efficiency and effectiveness. The goal for 2013 is to transfer part of the available ending balance to the Capital Fund and Rolling Stock Reserve.

The Authority rolled back expenses in 2010 to 2004 levels. Sales tax recovered and is now the highest in history at $181.2 million. Expenses have been held to the six-year rollback. Consequently, year-end balances have markedly improved. The goal for the operating reserve has been met or exceeded in 2010, 2011, and 2012. Excellent budget execution allowed the 2012 ending balance to remain at the 2011 level. RTA is beginning to meet its goal of a sustainable General Fund balance. The work and results of the past four years must be continued in 2013 and beyond.

Fund Budgets

General Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Actual	2012 Estimate	2013 Budget	2014 Budget	2015 Budget
Beginning Balance	**8,401,085**	**2,880,104**	**19,846,961**	**36,375,981**	**34,946,382**	**17,218,993**	**1,965,334**
Revenue							
Passenger Fares	49,757,083	47,153,709	48,017,726	50,259,213	51,264,397	52,289,685	53,074,030
Advertising & Concessions	1,197,713	956,688	904,153	1,200,000	1,100,000	1,100,000	1,100,000
Sales & Use Tax	154,586,220	163,220,649	173,242,329	181,478,753	185,289,807	188,995,603	193,720,493
Operating Assistance - ARRA Federal Grants	0	3,196,015	0	0	0	0	0
Short Term Notes	8,000,000	0	0	0	0	0	0
CMAQ Reimbursement for the Healthline	1,930,603	1,069,397	7,129,442	2,128,337	0	0	0
Operating Assistance - Paratransit Operation	0	4,320,000	3,109,000	3,089,000	3,089,000	3,089,000	3,089,000
Ohio Elderly Fare Assistance	2,756,762	619,057	0	0	0	0	0
State Funding Fuel Initiative	7,875,683	1,165,200	0	0	0	0	0
CMAQ Reimbursement - Trolley	0	1,765,764	980,980	0	1,500,000	1,500,000	600,000
Access to Jobs Program	2,697,111	2,399,907	1,559,639	1,800,000	2,074,440	2,074,440	651,120
Investment Income	198,200	71,468	131,592	200,000	200,000	200,000	200,000
Other Revenue	2,053,241	1,892,101	1,500,537	1,050,000	1,000,000	1,000,000	1,000,000
Reimbursed Expenditures	33,461,105	39,212,130	25,600,974	14,922,825	15,500,000	17,500,000	20,000,000
Total Revenue	**264,513,721**	**267,042,085**	**262,176,372**	**256,128,128**	**261,017,644**	**267,748,728**	**273,434,643**
Total Resources	**272,914,806**	**269,922,189**	**282,023,333**	**292,504,109**	**295,964,026**	**284,967,721**	**275,399,977**
Operating Expenditures							
Personnel Services	176,631,322	156,964,659	154,927,523	167,851,897	173,228,548	175,886,728	179,224,449
Diesel Fuel	17,357,364	7,936,072	9,918,864	12,114,919	13,835,135	13,777,323	13,501,963
Other Expenditures	44,548,954	43,739,803	45,555,668	44,467,024	50,586,914	50,509,708	50,404,592
Total Operating Expenditures	238,537,640	208,640,535	210,402,056	224,433,840	237,650,597	240,173,759	243,131,004
Short Term Notes Payment	0	8,254,743	0	0	0	0	0
Transfer to the Insurance Fund	3,520,000	3,203,000	3,250,000	1,000,000	1,400,000	1,500,000	1,700,000
Transfer to the Pension Fund	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Transfers to Capital							
Bond Retirement Fund	17,327,062	17,351,950	19,793,855	19,386,892	18,324,392	20,744,079	21,566,293
Capital Improvement Fund	10,550,000	12,525,000	12,101,441	12,636,995	21,270,044	20,484,550	13,497,116
Total Transfers to Capital	27,877,062	29,876,950	31,895,296	32,023,887	39,594,436	41,228,629	35,063,409
Total Expenditures	**270,034,702**	**250,075,228**	**245,647,351**	**257,557,727**	**278,745,033**	**283,002,388**	**279,994,413**
Ending Balance	2,880,104	19,846,961	36,375,981	34,946,382	17,218,993	1,965,334	-4,594,437
Brookpark Lightning Strike Reserve Funds	0	0	1,100,000	1,100,000	0	0	0
Rolling Stock Reserve Funds	0	0	0	7,000,000	6,000,000	0	0
Reserved Funds	0	4,639,000	6,602,000	7,202,000	7,202,000	7,202,000	7,202,000
Available Ending Balance	**2,880,104**	**15,207,961**	**28,673,981**	**19,644,382**	**4,016,992**	**-5,236,667**	**-11,796,438**

Figure FB-4

Revenues

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

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

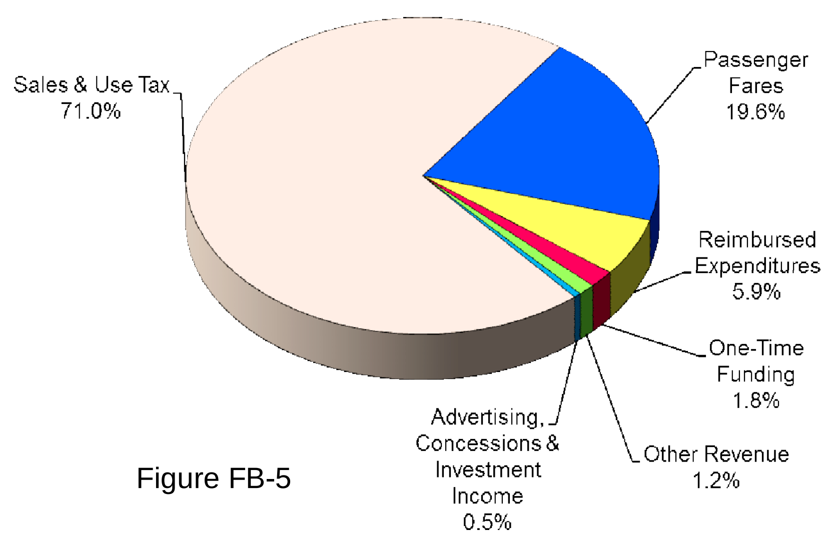

Figure FB-5

Fund Budgets

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

In 2011, Sales & Use Tax revenue was above projections for nearly the entire year, increasing at an average of 4.3% per month, ending the year 6.1% above 2010 receipts. Passenger Fares also increased by 5.0%, compared to 2010. Intergovernmental sources (Federal and State assistance) were reduced from 19.2% of the total revenue in 2010 to 14.6% of the revenue in 2011, with reimbursed expenditures decreasing by $13.6 million.

Revenues for 2012 are projected at $256.1 million. Passenger Fares are estimated to increase by 1.5%, compared to 2011 and Sales & Use Tax is projected to end the year 4.8% above 2011 figures. Intergovernmental sources (Federal and State assistance) are projected to be 8.7% of total revenue, with reimbursed expenditures projected at $14.9 million. General Obligation Debt Proceeds will be $25 million and expected to last three years. The capital program required additional debt sales to support planned capital activities.

Sales & Use Tax and Passenger Fare Revenues are projected at 2.1% and 2.0%, respectively, above 2012 estimates. Intergovernmental sources (Federal and State assistance) are projected at 8.5% of total revenue for 2013, an increase of only $223,278, compared to 2012.

Sales & Use Tax

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

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

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

Fund Budgets

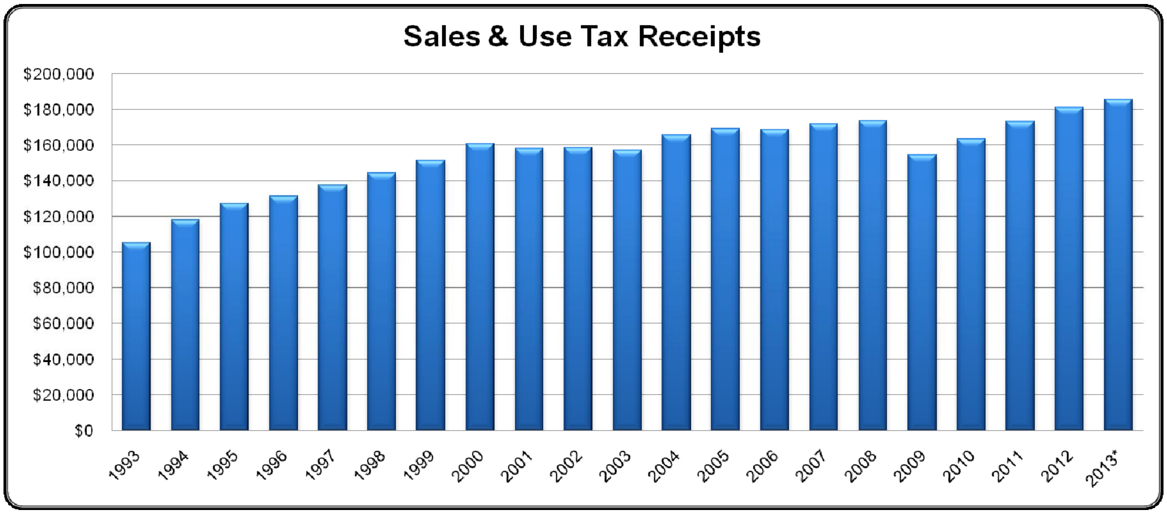

Figure FB-6

In the past, even in slower economic growth periods, the sales tax has performed relatively well. Sales tax receipts in 1994 showed an 11.2% increase, decreasing to 7.6% in 1995 and to 3.2% in 1996. A more stable growth pattern was seen between 1997 and 2000 as the growth rate ranged between 4.8% and 6.3% during these years. Since 2001 though, the picture has been much different with minimal growth rates and some years of negative growth. The last solid increase of 5.3% occurred in 2004 and again in 2010 and 2011 at 5.6% and 6.1%, respectively. There was minimal growth in 2005 at 2.2%, a negative 0.2% growth in 2006, a 1.8% growth in 2007, and a 1.1% increase in 2008, then a staggering 11% decline in 2009.

The increases projected for 2012 reflects a 4.8% increase from 2011. For 2013, the Sales & Use Tax is expected to have minimal growth, at 2.1%, compared to 2012 receipts. The increase from Managed Health Care receipts has encompassed most of the growth in Sales & Use Tax receipts for 2010 through 2012; however, the growth has slowed each year. The Fourth District Federal Reserve is projecting a 2% growth in the economy for 2013.

Passenger Fares

Passenger Fares are the second largest source of revenue to the General Fund, comprising 18.3% of the total revenue in 2011. Passenger fares consist of cash farebox revenue from Authority trains and buses, charges for elderly, handicapped, and special services, and sales of passes and tickets.

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

Fund Budgets

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

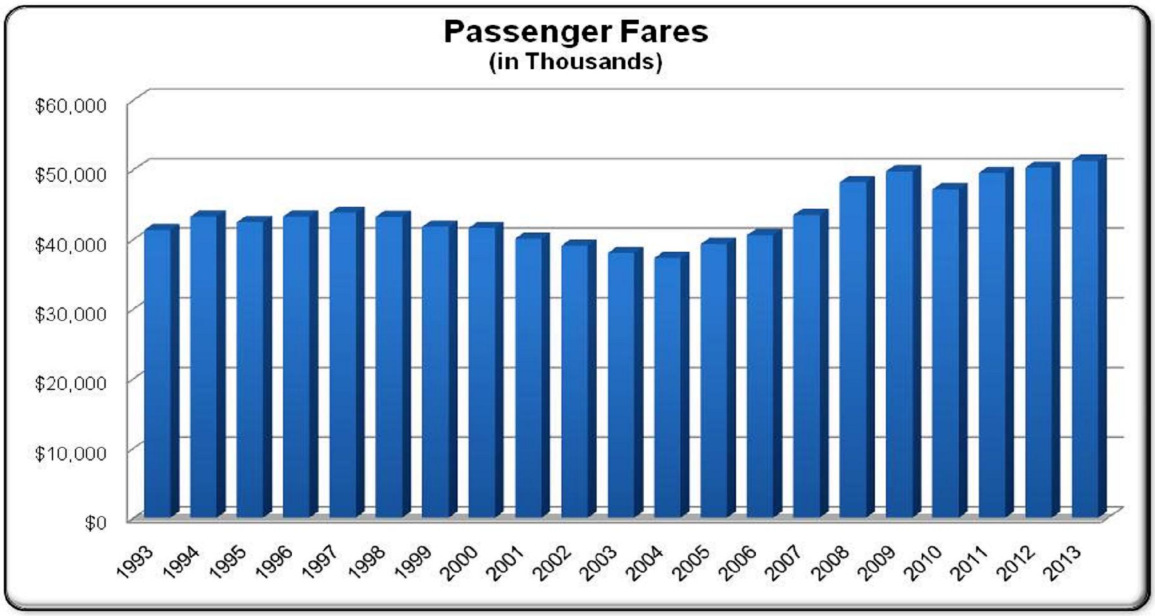

Figure FB-7

In 2011, passenger fares of $48.0 million represented an increase of $864,017, or 1.8%, over the 2010 level. This change is entirely attributable to increased ridership due to the restoration of some service, an expected decline in unemployment and rising fuel prices. Passenger Fares are projected to at $50.3 million, or a 4.7% increase from 2011. For 2013, Passenger Fares are expected to increase by only 2.0%, compared to 2012 receipts.

Investment Income

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

Investment income steadily increased from 2005 to 2008. This was the result of large ending balances and increasing investment rates. The 2009 and 2010 actuals show a significant reduction of 76.0% and 63.9%, respectively, as a result of lower balances and Federal Reserve actions lowering short-term rates. Investment income for 2011 was $131,592, an increase of

84%. In 2012, Investment income is estimated at $200,000, an increase of 52% from the 2011 level. This is due to a higher ending balance and the end of each year. For 2013 and the two out-years, $200,000 is estimated for each year. However, interest earned on General Fund investments varies depending upon the timing of revenue receipts, expenditures, and the transfers made to other funds (shifting interest earnings from the General Fund to other funds).

Advertising & Concessions

Another source of income is the Authorityҳ contract to place advertisements upon buses and trains. A new contract was signed in mid 2011 guaranteeing $725,000 with a potential to increase this to $1 million. In addition, the Authority will receive $175,000 (net) from the HealthLine naming rights contract. In 2011 and 2012, the Authority received $904,153 and $1,375,671 through the new contract. In combination with a small amount of concessions revenue, $1.1 million is expected in 2013 and the category is projected to remain steady in 2014 and 2015.

Federal Operating Assistance

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

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

This source of revenue declined over the last several years of its existence, reaching a low of $773,000 in 1998, which represented less than 1% of all General Fund revenues. This amount had been significantly reduced from the 1997 level of $4.2 million and was nearly a 90% reduction from 1995. This was a result of Congressional action intended to substantially reduce operating assistance to transit agencies eventually leading to the total elimination, which transpired in 1998 for the 1999 budget year.

Although direct Federal Operating Assistance was eliminated, the Authority was given the ability to use capital formula grant awards to reimburse the Operating Budget for preventive maintenance expenditures which it has done so to varying degrees in recent years. Though utilizing the flexibility provided has helped to support the Authorityҳ level of service, as revenue challenges have arisen and been met over the years, it represents an ongoing disinvestment in the Authorityҳ capital infrastructure in favor of maintaining service levels. Further explanations of revenues from this source are presented under Reimbursed Expenditures and Other Revenue.

State Operating Assistance

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

In 2007, $2.2 million was awarded and received from the state for elderly and handicapped fare assistance. The 2008 award for elderly and handicapped fare assistance was reduced and delayed until 2009 when the combined amount received for the two years was $2.76 million. In 2009, a one-time state award of $7.2 million of revenue was received to cover the cost of other operating expenses including transfers for small capital equipment and asset maintenance projects, contractual Paratransit services, and CNG purchases for the bus fleet. In 2010, the amount received for elderly and handicapped fare assistance was further reduced to $619,057.

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

Reimbursed Expenditures and Other Revenue

Reimbursed expenditures include grant funded reimbursements of expenses within the General Fund and include Preventive Maintenance (PM) activities; expense reimbursements for the Access to Jobs program, Paratransit, HealthLine and Trolley operations; for labor costs associated with the capital program; fuel tax refunds on diesel and gasoline purchases from the State of Ohio; and one-time fuel cost reimbursements from the State of Ohio. In 2008, these sources contributed $36.6 million, or nearly 14% of total General Fund revenue. In response to the dramatic decrease in Sales & Use Tax revenue during 2009, these sources grew to a combined $45.96 million, or 17.4% of total revenue, to the General Fund and further increased in 2010 to $53.1 million or 19.9% of total revenue as several non-traditional capital grants were identified for the HealthLine and Trolley Operations.

In 2011, revenue from these sources decreased to $38.4 million, or 14.6%, as revenue from the Sales & Use Tax improved and the State Funding Fuel Initiative expired. These revenues decreased again in 2012 to $21.9 million, or 8.6% of total revenue, as the grant reimbursements for the HealthLine and Trolley Operations expire and as the Sales & Use Tax continues to improve. In 2013, the Authority expects these revenue sources to equal $22.2 million, or 8.5% of total revenue. A CMAQ grant was approved for the three new Trolley Lines in late 2012, but reimbursements for these new routes will occur starting in 2013 and ending in 2015. For 2014 and 2015, the Authority expects these amounts to stabilize at $24.2 million, or 9.0%, and $24.3 million, 8.9%, respectively.

Capital grant reimbursement of Preventive Maintenance activities within the General Fund is the single largest source of revenue for the General Fund included within this category. Primarily funded through the FTA Capital and Rail formula grants, this source reimbursed an average of $29.05 million in General Fund expenses in each of the 2008, 2009 and 2010 Budget Years, but in FY 2011 and FY 2012, as the financial status of the Authority improved PM reimbursements decreased to $21.6 and $11.8 million respectively. In 2013, they will remain steady at $12.0 million and then slightly grow to $15.3 and $17.8 million in 2014 and 2015 respectively.

Fund Budgets

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

Expenditures

As discussed in the Citizens Summary, due to the recession in 2008 and 2009, the Authority had to implement some drastic changes in 2010 and 2011 in order to improve the financial outlook. The 2012 budget was approved providing stability to the fares, service levels, and staffing. A 4.3% service increase was budgeted to alleviate overcrowding on the rail lines and some bus routes. As a result, a net increase of 50 positions was included in the budget. Fuel costs have been controlled and stabilized through the fuel-hedging program and electricity costs were reduced through reconciliation and monitoring of all accounts.

The 2013 Budget includes a 5% increase in service to alleviate overcrowding on some additional rail and bus lines, the annualization of three new Downtown Trolley routes, and a proposed new Park-N-Ride facility in Independence. As a result, a net increase of 20 positions is included in the 2013 budget, totaling 2,302.5 positions. Personnel costs, including fringe benefits, are budgeted at $173.2 million, an increase of $15 million from 2012 projections. This includes not only the additional 50 positions but also includes budgeting for vacant positions, increases in health care costs, and a 3% wage increase for FOP, ATU, and Non-Bargaining employees.

Any new program(s) or expansion of existing programs are assumed as "trade-offs" thus representing no net increase in cost, demonstrating a commitment to financial control. The operating budget for 2013 is $6.7 million more than budgeted in 2012, with $3.6 million of that estimated for personnel services and $1.4 million for inventory.

Transfers to other funds within the Authority place additional financial pressures on the General Fund. The transfer for bond retirement has grown from $14.8 million in 2008 to a projected $19.8 million in 2012 to cover increases in debt service payments and a planned debt issuance of $25 million. A State Infrastructure Bank (SIB) loan was paid off early in 2011, saving over $1.2 million, which will help to decrease the transfer to the Bond Retirement Fund for 2013 will to $18.3 million. The transfer will remain steady in the future, at $20.7 million in 2014 and 2015 reflecting actual debt payments.

In 2012, budgeted transfers to support the capital program equaled $11.8 million to meet the demands for local funding by the Authority's capital program. The Authority's capital program continues to be developed in line with existing grant awards, but the need for local match funds continues at high levels due to a large number of operating expense reimbursement grants and the need to supplement available grant funds.

When combined with transfers for debt service payments, total capital contribution exceeds the maximum 15% level from the General Fund recommended by the Authority's financial policies. In 2013, due to the need of additional financial resources in the capital fund for the upcoming bus replacement purchases, the capital contribution will increase to $39.59 million, or 21.4% of all revenue from Sales & Use Tax collections. In 2014 it will again increase to $41.23 million, or 21.8% as additional funds are moved for the bus replacement program, before dropping back to $35.06 million, or 18.1% in FY 2015. To maintain the proper balance in the Insurance and

Fund Budgets

Pension Funds, transfers of $1.4 million and $100,000, respectively, are needed in 2013. In 2014 and 2015, the Insurance Fund transfer will increase slightly to $1.5 million and $1.7 million respectively while the Pension Fund is projected to need transfers of $100,000 in both years.

Areas of Expenditure Growth
2013 Budget

2012 Projected Operating Expenses		**$224,433,840**	
Compensation Issues		**$ 5,376,651**	**2.40%**
Hourly & Salary Labor Increase	$ 4,186,456		
Fringe Benefits	$ 1,125,050		
Unemployment Compensation	$ 65,145		
Fuel / Utilities		**$ 4,069,392**	**1.81%**
Diesel Fuel	$ 1,720,216		
Propulsion Power	$ 547,905		
Other Utilities	$ 1,801,271		
Service Opportunities		**$ 2,393,866**	**1.07%**
ADA Purchased Transportation	$ 593,162		
Services	$ 1,459,712		
Materials & Supplies	$ 377,247		
Inventory	$ (36,255)		
Administration Changes		**$ 1,376,848**	**0.61%**
Workers' Compensation	$ 566,327		
Property Tax	$ 136,859		
Other (Net)	$ 673,662		
Expenditure Growth		**$ 13,216,757**	**5.89%**
2013 Budgeted Operating Expenditures		**$237,650,597**	

Figure FB - 8

Bond Retirement Fund

The Bond Retirement Fund accounts for resources set aside for the payment of principal and interest on debt obligations. At the end of 2012, the Authority has five General Obligation (G.O.) Bond Issues outstanding and at the end of FY 2012, had outstanding debt of $151.94 million. The policy of the Authority is to set aside resources transferred from the General Fund on a monthly basis to meet the current year's annual principal and semiannual interest payments. Under this system, the Bond Retirement Fund balance drops below one thousand dollars each December 1st.

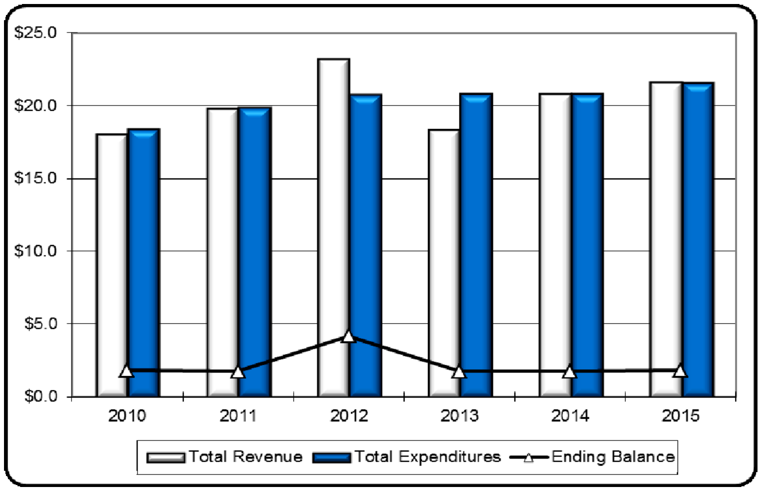

Figure FB - 9

In Figure FB-10, each year's ending balance generally represents one-twelfth of the subsequent year's debt service requirement, which is set-aside on the last day of each year. Thus, the ending balance in this fund remains relatively low at all times. During FY 2013, the Authority will retire $13.91 million in principal and pay nearly $6.86 million in interest on its outstanding long-term debt.

Long-term debt for the Authority includes both debt and refunding debt sales from 2004 through 2012. These include a combined $42.39 million issuance of revenue bonds in FY 2012 for $25.0 million of new debt and a $17.4 million refinancing issuance, a $35.0 million issuance and $27.4 million refunding issuance in 2008, a 2006 debt sale of $38.5 million, and $67.2 million of debt issued in 2004. Required transfers from the General Fund to make these payments are reduced by interest earned in the Bond Retirement Fund. For the 2013 Budget, a transfer of $18.32 million will be required from the General Fund, in tandem with the remaining proceeds of a bond premium received as a result of its FY 2012 debt issuance to cover the current overall debt service of the Authority.

Bond Retirement Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Actual	2012 Estimate	2013 Budget	2014 Budget	2015 Budget
Beginning Balance	**1,733,884**	**2,084,582**	**1,790,289**	**1,737,726**	**4,157,004**	**1,738,788**	**1,733,259**
Revenue							
Transfer from General Fund	17,327,062	17,351,950	19,793,855	19,386,892	18,324,392	20,744,079	21,566,293
Transfer from RTA Development Fund	700,000	700,000	0	0	0	0	0
Investment Income	36,270	26,959	39,161	19,500	26,500	37,500	37,500
Other Revenue	0	4,519	0	3,779,561	0	0	0
Total Revenue	**18,063,332**	**18,083,428**	**19,833,016**	**23,185,953**	**18,350,892**	**20,781,579**	**21,603,793**
Total Resources	**19,797,216**	**20,168,010**	**21,623,305**	**24,923,679**	**22,507,896**	**22,520,367**	**23,337,052**
Expenditures							
Debt Service							
Principal	10,012,244	11,108,564	13,139,510	13,990,000	13,905,000	14,485,000	15,360,818
Interest	7,700,390	7,269,157	6,746,069	6,776,675	6,861,608	6,299,608	6,174,896
Other Expenditures	0	0	0	0	2,500	2,500	2,500
Total Expenditures	**17,712,634**	**18,377,721**	**19,885,579**	**20,766,675**	**20,769,108**	**20,787,108**	**21,538,214**
Ending Balance	**2,084,582**	**1,790,289**	**1,737,726**	**4,157,004**	**1,738,788**	**1,733,259**	**1,798,838**

Figure FB - 10

Fund Budgets

Insurance Fund

The Insurance Fund is used to account for resources, which have been reserved to protect the Authority against future catastrophic or extraordinary losses, as the Authority is currently self-insured in all areas except personal property and equipment. In the late-nineties, expenditures for the settlement of unusual or extraordinary claims as well as for insurance premiums stressed this fund. Transfers to the General Fund totaling $6.2 million were made in 1998-1999 to clear the excess amount in the fund above the required $5.0 million, representing a change in the structure of this fund. Unfortunately, unexpected claims costs and a decision to increase the fund balance back to $7.5 million resulted in the necessity to infuse $6.2 million back into the Insurance Fund from the General Fund between 2000 through 2003 to maintain the required minimum balance. A portion of the self-insurance fund was liquidated and replaced with purchased insurance coverage in 1999. According to the Authority's financial policies, the Risk Manager on an annual basis determines the minimum balance required in the Insurance Fund.

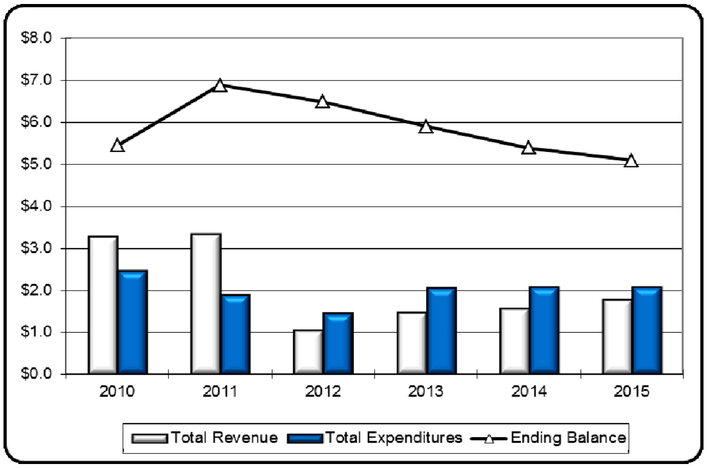

Figure FB - 11

In 2011, a transfer from the General Fund of $3.25 million was needed to increase the balance back to the $5.0 million minimum level. The 2012 budget required a transfer of $1.0 million to maintain this balance. In 2013, 2014, and 2015, transfers of $1.4 million, $1.5 million, and $1.7 million, respectively, will be needed to maintain the required minimum balance.

Insurance Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Actual	2012 Estimate	2013 Budget	2014 Budget	2015 Budget
Beginning Balance	**5,432,199**	**4,634,855**	**5,448,731**	**6,883,060**	**6,487,631**	**5,900,131**	**5,397,631**
Revenue							
Investment Income	75,515	70,551	72,788	43,968	57,500	62,500	62,500
Transfer from General Fund	3,520,000	3,203,000	3,250,000	1,000,000	1,400,000	1,500,000	1,700,000
Total Revenue	**3,595,515**	**3,273,551**	**3,322,788**	**1,043,968**	**1,457,500**	**1,562,500**	**1,762,500**
Total Resources	**9,027,714**	**7,908,406**	**8,771,519**	**7,927,028**	**7,945,131**	**7,462,631**	**7,160,131**
Expenditures							
Claims and Premium Outlay	4,392,859	2,459,675	1,888,459	1,439,397	2,045,000	2,065,000	2,065,000
Other Expenditures	0	0	0	0	0	0	0
Total Expenditures	**4,392,859**	**2,459,675**	**1,888,459**	**1,439,397**	**2,045,000**	**2,065,000**	**2,065,000**
Ending Balance	**4,634,855**	**5,448,731**	**6,883,060**	**6,487,631**	**5,900,131**	**5,397,631**	**5,095,131**

Figure FB - 12

Fund Budgets

Supplemental Pension Fund

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

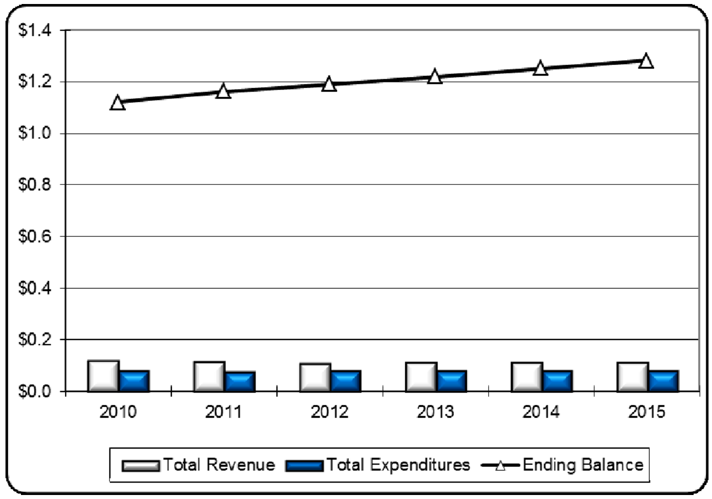

Figure FB - 13

An actuarial evaluation is performed every two years to assess the adequacy of the fund balance. This Budget increases and maintains the fund balance at levels recommended in the last actuarial evaluation. Transfers of $100,000 will be made from the General Fund to support this effort in 2013, 2014, and 2015, but these amounts may change with the results of the next actuarial study.

Benefit payments from this fund between 2005 and 2009 have ranged from a low of nearly $88,000 in 2005 to a high of just under $95,000 in the following year. In 2012, payments will be approximately $79,100, decreasing to $78,900 in 2013 and decreasing again to $78,500 in 2014 and 2015. The ending balance in the fund is projected to be stable at $1.2 million over the next three years.

Supplemental Pension Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Actual	2012 Estimate	2013 Budget	2014 Budget	2015 Budget
Beginning Balance	1,036,017	1,083,091	1,121,472	1,161,820	1,190,818	1,220,668	1,251,318
Revenue							
Investment Income	28,441	17,532	15,704	8,098	8,750	9,150	9,350
Transfer from General Fund	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Revenue	128,441	117,532	115,704	108,098	108,750	109,150	109,350
Total Resources	1,164,458	1,200,623	1,237,176	1,269,918	1,299,568	1,329,818	1,360,668
Expenditures							
Benefit Payments	81,366	79,151	75,357	79,100	78,900	78,500	78,500
Other Expenditures	0	0	0	0	0	0	0
Total Expenditures	81,366	79,151	75,357	79,100	78,900	78,500	78,500
Ending Balance	1,083,091	1,121,472	1,161,820	1,190,818	1,220,668	1,251,318	1,282,168

Figure FB - 14

Fund Budgets

Law Enforcement Fund

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

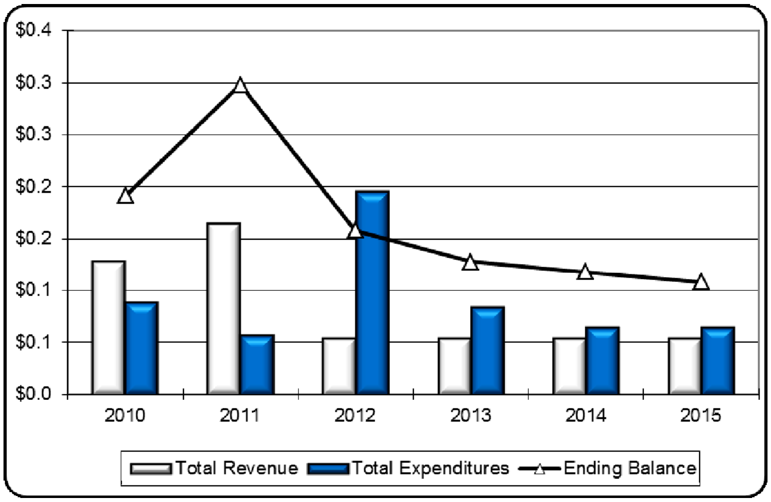

Figure FB - 15

Revenue obtained through the Task Force can be expended for non-budgeted police items. The Authority primarily uses these proceeds for unbudgeted capital items. Furthermore, certain guidelines have been instituted by the State Attorney Generalҫs Office for the reporting of and disbursement of funds. Expenditures within this fund have varied over the years, ranging from over $112,829 in 2008; $60,318 in 2009; $89,476 in 2010; $58,110 in 2011, and $127,271 in 2012, depending upon the levels of revenue obtained through the Task Force. These expenditures funded security items, protective equipment, and technical training equipment.

Law Enforcement Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Actual	2012 Estimate	2013 Budget	2014 Budget	2015 Budget
Beginning Balance	**172,193**	**152,517**	**191,563**	**298,091**	**157,867**	**127,992**	**118,117**
Revenue							
Law Enforcement Revenue	11,280	2,340	0	0	0	0	0
Investment Income	425	171	171	119	125	125	125
Other Revenue	28,937	126,011	164,467	55,000	55,000	55,000	55,000
Total Revenue	**40,642**	**128,522**	**164,638**	**55,119**	**55,125**	**55,125**	**55,125**
Total Resources	**212,835**	**281,039**	**356,201**	**353,210**	**212,992**	**183,117**	**173,242**
Expenditures							
Capital & Related Items	60,318	89,476	58,110	127,271	85,000	65,000	65,000
Total Expenditures	**60,318**	**89,476**	**58,110**	**127,271**	**85,000**	**65,000**	**65,000**
Reconciling Journal Entry				68,072			
Ending Balance	**152,517**	**191,563**	**298,091**	**157,867**	**127,992**	**118,117**	**108,242**

Figure FB - 16

Fund Budgets

Capital Improvement Fund

Balance Analysis

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

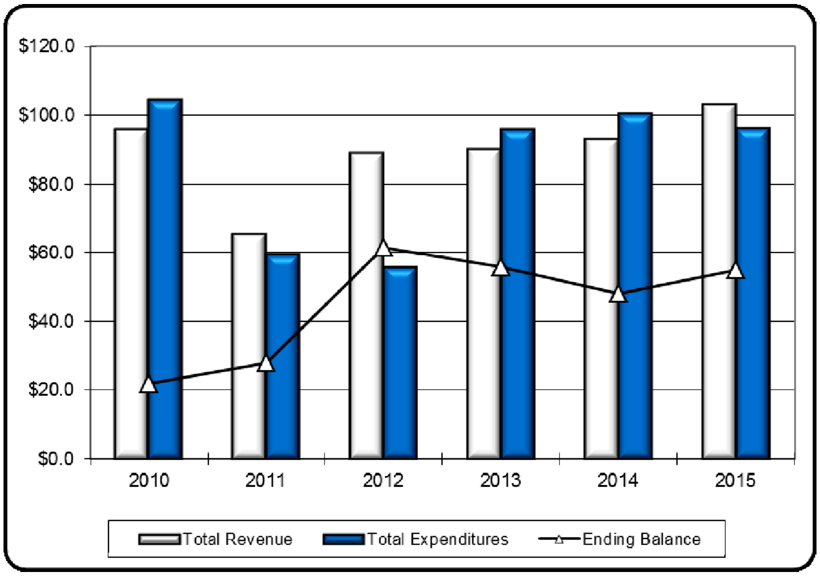

Figure FB - 17

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

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

The available balance in this fund had declined in 2009 and again in 2010, primarily due to the lateness of receipt of the Federal Capital Grants in those years and a high level of construction activities. It increased in 2011 due to the timing of the Federal grant awards that delayed some planned project activities until FY2012. In 2012, the balance again increased due to a new debt issuance and a pause in the Authority's capital program in preparation for a busy FY 2013 construction season.

The high level of capital activity by the Authority, begun in the 1990s, continued until recently with such projects as the re-construction of the Triskett Garage, the HealthLine along Euclid

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

The Authority's infrastructure needs continue to exceed the amount of available grant funding and most likely will require continued high levels of local financial support. In 2013, the Capital Budget appropriation request totals $94.06 million for preventive maintenance and operating expense reimbursements, equipment, services, and construction projects to improve, replace or upgrade the Authority's facilities and infrastructure.

Proceeds from debt sales, as well as from sales tax contributions, are used to fulfill the Local Match requirement on grant funded projects as well as for 100% locally funded projects. In FY 2013, due to additional financial resources need for the upcoming bus replacement purchases, the Contribution to Capital from the General Fund is budgeted at $21.27 million. It will slightly decrease in 2014 to $20.48 million, and then drop to $13.50 million in 2015 when the additional funding for bus replacements will end. The Authority has redoubled its efforts to securing additional non-traditional federal and state resources as the impact of the new MAP-21 legislation has been analyzed and has becoming more creative with the use of debt and other financing, though the on-going discussions within the Federal Government on the new Transportation Bill still creates some uncertainty over the long-term stability of Federal funds for capital projects.

Capital Improvement Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Actual	2012 Estimate	2013 Budget	2014 Budget	2015 Budget
Beginning Balance	**33,755,518**	**30,706,082**	**21,950,024**	**28,008,854**	**61,445,739**	**55,725,805**	**48,124,077**
Revenue							
Transfer from General Fund	10,550,000	12,525,000	12,101,441	12,636,995	21,270,044	20,484,550	13,497,116
Investment Income	272,360	245,001	242,606	161,235	235,450	245,400	245,400
Federal Capital Grants	73,648,082	81,487,975	51,104,869	47,023,123	67,243,750	70,687,500	67,787,500
State Capital Grants	9,162,154	1,807,284	778,956	1,135,673	1,730,822	1,730,822	1,730,822
General Obligation Debt Proceeds	0	0	0	25,000,000	0	0	20,000,000
Other Revenue	0	41	1,500,000	3,304,859	0	0	0
Total Revenue	**93,632,596**	**96,065,301**	**65,727,872**	**89,261,885**	**90,480,066**	**93,148,272**	**103,260,838**
Total Resources	**127,388,114**	**126,771,383**	**87,677,896**	**117,270,739**	**151,925,805**	**148,874,077**	**151,384,916**
Expenditures							
Capital Outlay	95,982,032	104,121,359	59,669,042	55,825,000	96,200,000	100,750,000	96,400,000
Other Expenditures	0	0	0	0	0	0	0
Transfer to Bond Retirement Fund	700,000	700,000	0	0	0	0	0
Total Expenditures	**96,682,032**	**104,821,359**	**59,669,042**	**55,825,000**	**96,200,000**	**100,750,000**	**96,400,000**
Available Ending Balance	**30,706,082**	**21,950,024**	**28,008,854**	**61,445,739**	**55,725,805**	**48,124,077**	**54,984,916**

Figure FB - 18

Fund Budgets

Revenues

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

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

Even as revenue from the Sales & Use Tax stagnated and decreased in recent years, Transfers from General Fund revenue to the RTA Capital Fund have grown significantly in recent years to meet the financial needs of an aggressive capital program. Since 2007, these transfers grew from $6.8 million to an estimated $12.64 million in 2012. For the 2013 Budget Year, the Transfer from the General Fund will significantly increase to a planned $21.27 million, to meet the needs of the capital program. The increase in this transfer in the FY 2013 and subsequent FY 2014 Budget Years is the result of aligning the local funding component of the Authority five-year bus replacement schedule into the correct capital fund. This amount, when combined with an expected $18.32 million transfer to the Bond Retirement Fund will produce a total contribution of Sales & Use Tax revenue to capital of $39.59 million, or 21.4 percent of all Sales & Use Tax Revenue, again exceeding the Authority's maximum target goal of 15%.

The General Fund Transfers to the RTA Capital Fund will again increase in FY 2014 to a combined $41.23 million, or 21.8 percent, before decreasing to $35.06 million, or 18.1 percent, in FY 2015 as the local funding component for the bus replacements is completed. The continued high levels in the General Fund contribution to capital, as well as this measure remaining well above the maximum goal of 15.0%, highlights the problem of meeting the operating needs of the Authority while maintaining the Authority's assets as well. Meeting both will significantly challenge the overall financial stability of the Authority, particularly in light of the current economic situation and the slow future growth projected in revenue from the Sales & Use Tax.