FUND BUDGETS

The Authority maintains its financial 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, fund budgets are prepared on a modified accrual basis of accounting. The revenues are budgeted on a cash basis – when they are received as opposed to when they are earned. The expenditures are adjusted monthly on the accrual basis, or when the liabilities were incurred. The Authority uses the following appropriated funds to account for its operations:

ALL FUNDS (Summary of all Funds) (See figure 2)

- GENERAL FUND (Enterprise Fund - Operating Budget and transfers to other funds)
  - CAPITAL IMPROVEMENT FUNDS (Summary of RTA Capital and RTA Development Funds)
    - RTA CAPITAL FUND (Funding set aside for Short-Term and locally-funded Capital projects)
    - RTA DEVELOPMENT FUND (Funding set aside for Long-Term and grant-funded Capital projects)
  - BOND RETIREMENT FUND (Funding set aside to pay off debt)
  - SUPPLEMENTAL PENSION FUND (Funding set aside for employees hired before GCRTA)
  - INSURANCE FUND (Funding set aside for self-insurance purposes)
  - LAW ENFORCEMENT FUND (Funding set aside for law enforcement purposes)

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

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.

HOW TO CALCULATE FUND BALANCE

Beginning Balance + Current Revenues = **Total Resources**

- (Less) **Total Current Expenditures**

= (Equals) **Available Ending Balance**
(Also called **Fund Balance**)

Figure 19

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 (listed above in bold) and addresses future trends within those balances. The analysis also presents details on the components of revenue and trends in expenditures.

ALL FUNDS

BALANCE ANALYSIS

Figure 2 presents the combined fund balances of all the Authority's appropriated Funds (General, Capital Improvement, Bond Retirement, Insurance, Supplemental Pension, and Law Enforcement). The ending balance shows cyclical patterns, primarily increasing as a result of debt issuances, and decreasing as those funds are consumed.

The Sales & Use Tax revenue, the largest source of revenue for RTA, receipts dropped $19 million, 10.9%, in 2009 due to the great recession. This was the most dramatic decline in Sales Tax in the history of the Authority. In late 2009, Medicaid Managed Health Care was added to the Sales & Use Tax base. By the end of 2015, Sales & Use Tax rose 4.4% compared to receipts in 2014. Sales & Use Tax is projected to increase by 6.1% at the end of the 3rd Quarter, 2016.

2017 Budget - All Funds Summary

(In Thousands)	ALL FUNDS	GENERAL FUND	RTA CAPITAL FUND	DEVELOPMENT FUND	BOND RETIREMENT FUND	SUPPLEMENTAL PENSION FUND	INSURANCE FUND	LAW ENFORCEMENT FUND
Beginning Balance	**$56,438**	**$21,970**	**$2,372**	**$23,022**	**$2,089**	**$1,305**	**$5,418**	**$262**
Revenues								
Passenger Fares	$46,872	$46,872						
Sales & Use Tax	$217,100	$217,100						
Federal	$59,345			$59,345				
State	$1,385			$1,385				
Investment Income	$169	$70	$20	$53	$3	$13	$10	$0
Other Revenue	$3,447							
Advertising & Concessions		$1,552						
Trolley Assistance		$640						
Other Revenue		$1,200						$55
Debt Service Proceeds	$52,075	$22,075		$30,000				
Transfer from General Fund			$13,276		$19,284	$75	$2,400	
Transfer from RTA Capital Fund				$9,537				
Total Revenues	**$380,393**	**$289,509**	**$13,296**	**$100,320**	**$19,287**	**$88**	**$2,410**	**$55**
Total Resources	**$436,830**	**$311,479**	**$15,668**	**$123,342**	**$21,376**	**$1,393**	**$7,828**	**$317**
Expenditures								
Personnel Services	$196,508							
Salaries & Overtime		$143,300						
Fringe Benefits		$53,208						
Diesel Fuel	$7,742	$7,742						
Natural Gas	$2,245	$2,245						
Other Expenditures	$64,189	$61,001			$2			$32
Claims and Premium Outlay							$2,657	
Benefit Payments						$71		
Rolling Stock Reserve		$426						
Capital Outlay	$95,400			$91,300				
Asset Maintenance			$1,900					
Routine Capital			$2,200					
Debt Service	$19,124							
Principal					$12,622			
Interest					$6,502			
Transfer to Other Funds								
Insurance Fund		$2,400						
Supplemental Pension Fund		$75						
Bond Retirement Fund		$19,284						
RTA Capital Fund		$13,276						
RTA Development Fund			$9,537					
Total Expenditures	**$385,208**	**$302,957**	**$13,637**	**$91,300**	**$19,126**	**$71**	**$2,657**	**$32**
Available Ending Balance	**$51,622**	**$8,522**	**$2,031**	**$32,042**	**$2,250**	**$1,322**	**$5,171**	**$285**

Figure 20

RTA has been diligent in creating a sustainable budget, however, as levels of Federal and State funding are questionable, keeping a sustainable budget remains difficult. Funding for Sales and Use Tax in 2017 and 2018 is expected to decrease as Medicaid Managed Health Care will be removed from the tax base due to Federal regulations. This will impact revenues for 2017 in the Fourth Quarter and then annualized in 2018. The Authority has improved financially over the last six years, however challenges still remain as total expenditures continue to exceed total revenues. (Figure 21)

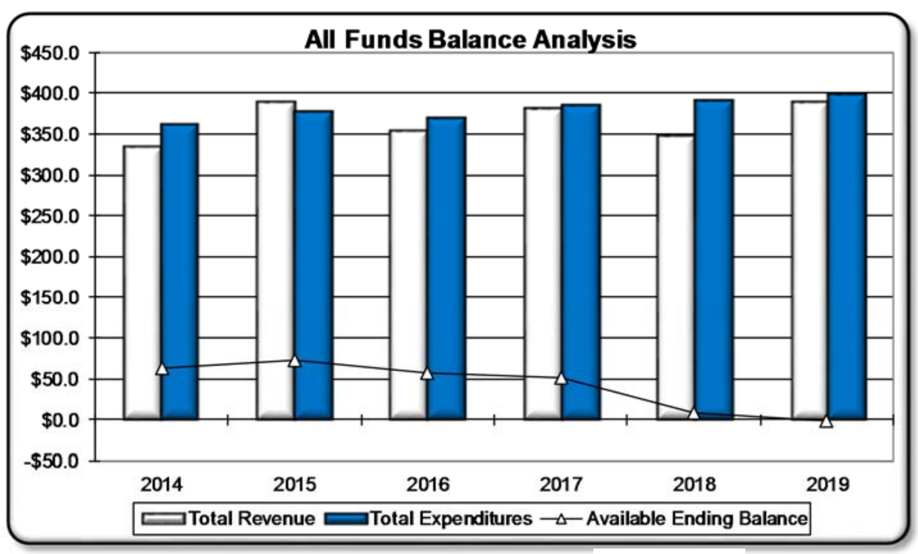

Figure 21

GENERAL FUND

BALANCE ANALYSIS

The General Fund is the Enterprise Fund and 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. The combination of dramatic sales tax reduction, increasing personnel costs, and volatile fuel/utility costs had created a discouraging outlook in the past, when the ending balance dropped to an all-time low of $2.8 million in 2009 due to the Great Recession.

In 2010, hard decisions had to be made, including a 12% service reduction and closing Harvard Garage on weekends, both implemented in April, and in September, Harvard Garage was closed altogether. A combination of a 5.6% recovery in Sales Tax (due to Medicaid Managed Health Care being added to the tax base), 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, a reserve of $4.6 million was subtracted from the ending balance.

Meeting the one-month reserve policy had been a challenge before 2009, which was last met between 1994 and 1996. In 2010, this goal was finally met at 1.2 months reserve, with the help of a 5.6% increase in Sales & Use Tax revenue. From 2010 through 2014, the one-month reserve was met each year. In 2015, revenues decreased by $4 million and operating expenses for personnel services (salaries, overtime, and fringe benefits) increased by $4 million (particularly in hospitalization and prescription costs in the last 3 weeks of the year), dropping the operating reserve to 0.8 months.

In 2016, the Authority has aggressively executed the budget and controlled costs. These actions have increased accountability within the Departments. The Authority is projected to maintain expenses in 2016 to 2015 levels. Sales and Use Tax is projected to end the year 6.1 percent over 2015 levels and is the highest received, projected at $218.4 million. Reimbursed Expenditures were reduced below $25 million to increase the amount of funding for Capital Projects. Excellent budget execution increased the 2016 projected ending balance to $5 million above the 2015 level. RTA is beginning to meet its goal of a sustainable General Fund balance, however, good budget execution is only half of the equation. In order to maintain a sustainable budget, the Authority needs to hone in on budget development. The work and results of the past six years must be continued in 2017 and beyond.

REVENUES

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

Sales and Use Tax and Passenger Fare Revenue are the two largest sources of revenue in the General Fund. In 2008, Sales & Use Tax and Passenger Fare Revenue represented just over 55.7%, or $221.7 million, of total Authority revenue. In 2009, with the Great Recession, these revenues dropped significantly to $204.3 million, primarily due to the sharp drop in Sales & Use Tax revenue. Medicaid Managed Health Care was added to the tax base in late 2009 and Sales & Use Tax revenue increased to $163.2 million in 2010. From 2011 through 2014, Sales & Use Tax continued to increase with the help of the added Medicaid Managed Health Care. These revenues for 2015 totaled $254.3 million, or 90.3 percent of total revenue, as Sales & Use Tax increased above the $200 million threshold. For 2016, the projection is $262.7 million, or 90.2 percent of total revenue, as Passenger Fare Revenue is dropping due to a decrease in total ridership.

In 2016, Passenger Fares were projected to increase by 2.7 percent due to the budgeting of a $0.25 fare increase, starting in the Third Quarter, a slight service decrease, and the Republican National Convention (RNC) being held in Cleveland. In June Passenger Fare Revenue increased slightly due to the Cleveland Cavaliers winning the 2016 NBA Championship and again in September and October when the Cleveland Indians played in the World Series. These events helped ridership increase for a moment, but could not help sustain ridership throughout the year.

Federal and State assistance for Paratransit, Trolleys, and Access to Jobs were discontinued in 2015. Total revenue for 2017 is expected to decrease by 0.6 percent from 2016 receipts, mainly due to Medicaid Managed Health Care being removed from the Sales and Use Tax base due to a Federal mandate. This reduction in Sales and Use Tax revenue will be significant in 2018, where the reduction is annualized. The Authority must continue to control expenses in order to maintain a healthy ending balance, which will become more difficult in the future unless additional sources of revenue are found.

SALES & USE TAX

The Authority's main 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 5.25 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).

Beginning in 1989, Board policy required that a minimum of 10 percent of annual Sales and Use Tax revenues be dedicated to capital improvements. The presentation of Sales Tax revenue (as reported in Figure 4) indicates total receipts received, not the approximately 90 percent that is actually used to fund operations.

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

In the past, even in slower economic growth periods, sales tax has performed relatively well. Sales tax receipts from 1995 to 2000 showed increases of 7.6%, 3.2%, 4.8%, 5.2%, 4.8%, and 6.3%, respectively. In 2001, the recession hit and Sales & Use Tax receipts decreased by 1.6%. Between 2001 and 2008, Sales & Use Tax receipts fluctuated up and down as the economy tried to rebound from the recession. In 2009, the Great Recession hit and Sales & Use Tax receipts plummeted 10.9%. (Figure 22)

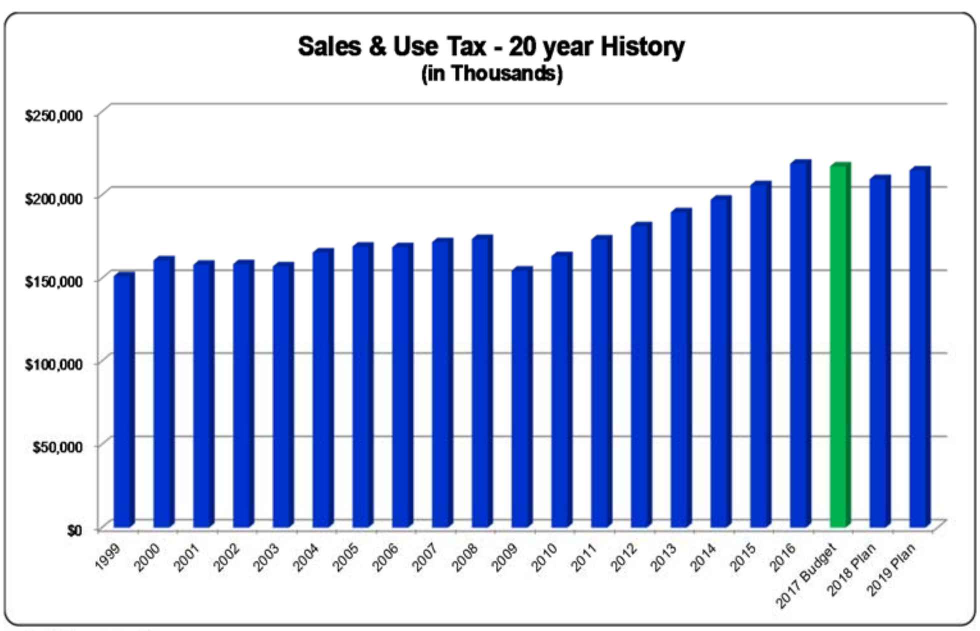

Figure 22

In late 2009, Medicaid Managed Health Care was added to the tax base. These added receipts helped to steadily increase the total Sales & Use Tax receipts collected each year. In 2014, the State was ordered by Federal mandate to remove Medicaid Managed Health Care from the Sales & Use Tax base as it was unlawful to tax a portion of Managed Health Care. The Federal Government gave the State until the next budget cycle, beginning July 2017, to either remove the Medicaid portion of Managed

Health Care or identify a solution where all Managed Health Care would be taxed. For 2017, the budget estimates a reduction of $4.5 million from the total receipts as the State has not identified a revenue neutral solution. For 2018, this reduction is annualized and a 3.5 percent reduction in Sales & Use Tax is budgeted. In 2019, the receipts are expected to rebound, without the Medicaid Managed Health Care, by 2.5 percent, ending at $214.7 million.

PASSENGER FARES

Passenger Fares are the second largest source of revenue for the Authority. Passenger fares consist of cash farebox revenue from Authority trains and buses, fares for Paratransit, receipts collected through the RTA CLE Mobile Ticketing App, and sales of passes and tickets from various vendors within Cuyahoga County.

A brief history of Passenger Fare increases is below and refers to figure 5, a chart of Passenger Fares from the last 20 years. In 1993, cash fares were increased by $0.25 for a total of $1.25. With the recession in 2001, unemployment increased from a low of 4.1 percent in 1999 to 6.7 percent in 2002. The population in Cuyahoga County decreased as jobs decreased. In 2003, Brooklyn Garage was closed and service was consolidated to the other three Districts. By 2005, unemployment levels rose to 7.5 percent as many manufacturing jobs were eliminated, which made the economy in northeast Ohio difficult to recover. During the period between 2003 and 2005, passenger fare revenue lagged behind ridership due to the recession, 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, which helped boost fare revenue.

From 2005 through the beginning of 2008, jobs in the health care and financial industries helped to bring life back into the area and unemployment levels dropped slightly in 2008 to 6.3 percent. The next hurdle was a 60 percent increase in Diesel Fuel prices, from $12.1 million in 2007 to $19.3 million in 2008. In 2009, a firm fixed price contract was created, which slightly lowered fuel prices to $17.4 million by year-end. In order to offset the significant increase in fuel prices, the Authority added a $0.50 fuel surcharge. The Federal and State governments provided operating assistance and the fuel surcharge was implemented into two $0.25 phases, the first beginning October 2008 and the second $0.25 implemented in September 2009. With the Great recession of 2009, the fuel surcharge was permanently added as part of the fare in 2010.

In 2009, the Great Recession greatly affected North East Ohio as the region was still recovering from the recession of 2001. Unemployment rose to 11 percent and Passenger Fare revenue dropped 8.6 percent from budgeted levels. RTA adjusted service levels in 2010 and implemented a 12 percent service reduction in April and minor service changes throughout the remainder of the year. As the price of diesel fuel and gasoline remained high, the fare increases took effect, and some service was restored, passenger fares increased in 2011 and 2012 by 1.8 percent and 2.5 percent, respectively.

Passenger Fares ended 2014 at $49.1 million, or a 0.8 percent increase from 2013. This was mainly due to 2013 payments from Cleveland Metropolitan School District (CMSD) being received in 2014. For 2015,

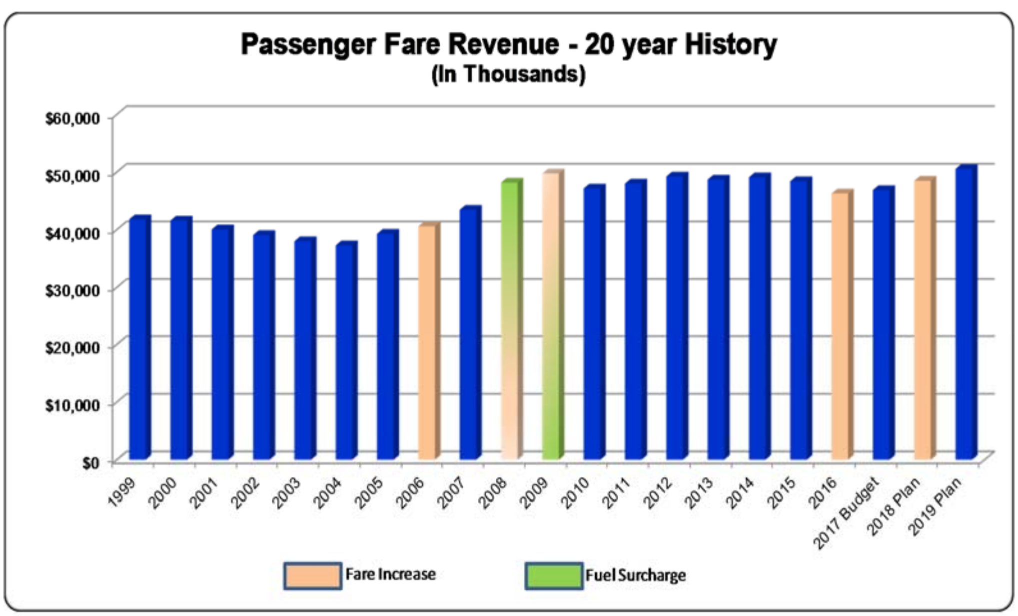

Figure 23

Passenger Fares decreased by 1.4 percent, compared to 2014 receipts, due to an audit of the CMSD contract, which resulted in an additional $1.1 million, but was not received until January 2016. In 2016, a $0.25 increase in cash fares was budgeted for mid-year, but not executed until the Third Quarter. Ridership increased slightly in June as the Cleveland Cavaliers won the NBA Championship and subsequent parade, which provided for the Authority's heaviest ridership in history and enabled a trial run for the Republican National Convention in July. Effects from the 2016 fare increase are annualized in 2017 and a second $0.25 fare increase is planned for August 2018, which is then annualized in 2019.

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).

Under the criteria developed by the Governmental Accounting Standards Board (GASB), much of the Authority's deposits and investments are included in risk category 2 or 3. Such deposits and investments are either secured by a pool of investments (not in the Authority's name) held by a Federal Reserve Bank or other banks for the pledging financial institution, or are held in the Authority's name at the trust department of the counter party to the investment transaction. Because the Authority's deposits and investments are generally held by large, financially sound, national banks, the security supporting the Authority's deposits and investments is adequate.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities the face value of which is at least 110% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement.

Investment income steadily increased from 2005 to 2008 as ending balances increased. For 2009 and 2010 investment income dropped 76.0 percent and 63.9 percent, respectively, as a result of significantly lower balances and Federal Reserve actions lowering short-term rates. In 2012 through 2015, Investment Income ended the year above $150,000, as ending balances remained high. For 2016, investment income dropped to $70,000 and is budgeted to remain at this level from 2017 through 2019. 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 local income is the Authority's contract to place advertisements upon buses and trains. A 3-year contract was signed in late 2011 guaranteeing $725,000 with a potential to increase this to $1 million. In addition, the Authority would receive $125,000 (net) from the HealthLine naming rights contract and entered into a new contract in 2014 with Cleveland State University for the naming rights of the West Shore Express, now called the Cleveland State Line. The Authority received over $1.4 million from 2013 and 2014 for Advertising and Naming Rights and collected $1.5 million in 2015. For 2016, Advertising and Concessions remains at $1.5 million. In 2017, the Authority will begin a new advertising contract and will begin to advertise on buses and trains through canned "commercials" on the overhead speakers. This is a new venture for the Authority. The Advertising and Concessions budget for 2017 is $1.6 million. For 2018 and 2019, receipts from this revenue source are planned to increase slightly each year to $1.68 million and $1.7 million, respectively.

FEDERAL OPERATING ASSISTANCE

This category includes grant reimbursements related to the capital program (project force account labor, administration, and overhead costs), fuel tax refunds on diesel and gasoline purchases in Ohio, and Federal and State (capitalized) operating assistance. An emphasis on capital financing urges maximum use of capital grants to recover a portion of our engineering and construction costs.

Federal Operating grant dollars are drawn down on cash flow requirements in the General Fund. The amount and timing of revenue received from this source in any year fluctuates, based on the Authority's ability to draw down these funds and the amount of the grant. In 1996, Federal Operating Assistance declined from 1995 levels by nearly 47 percent. This is a result of Congressional action that substantially reduced operating assistance to transit agencies through 1998 and led to total elimination by the end of 1999.

Although Federal Operating Assistance was eliminated, some flexibility was given to use increases in capital grant awards for traditional maintenance type expenditures. A new authorization, TEA-21, was approved in mid-1998 and although it was generous in its support of the capital program and provided some flexibility in capitalizing operating expenses, it was certain in its elimination of Federal Operating Assistance, which at one time was nearly 14.3 percent of the Authority's resources.

Though utilizing the flexibility provided has helped to support the Authority's level of service, as revenue challenges have arisen and been met over the years, it represents an ongoing disinvestment in the Authority's capital state of good repair 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 were received from the Ohio Department of Transportation (ODOT) for elderly and handicapped assistance. These funds were 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 2010, the amount received for elderly and handicapped fare assistance was further reduced to $619,057. In 2011, the State halted all funding in this category.

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, compressed natural gas, propane, 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 percent 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 percent of total revenue, to the General Fund and further increased in 2010 to $53.1 million or 19.9 percent 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 percent, as revenue from the Sales & Use Tax improved and the State Funding Fuel Initiative expired. These revenues were decreased in 2012 to $21.9 million, or 8.6 percent of total revenue, as the grant reimbursements for the HealthLine and Trolley Operations expired and as the Sales & Use Tax continued to improve. Additionally, in 2013, the Authority reduced preventive maintenance, to $12.2 million to increase the funding for additional Capital Projects such as the S-Curve and Airport Tunnel. Reimbursements for the three new Trolley lines (C-line, L-Line, and Nine-Twelve Line) were received through a CMAQ grant from 2013 through 2015. Operating Assistance for Paratransit Operations from NOACA was received through 2015, but future funding has been eliminated. The Access to Jobs program ended in 2014 with the new MAP21 program but receipts continued through March of 2015. This program has been discontinued as funding was eliminated. Starting in 2016, a total of $5.1 million of assistance has been eliminated from the budget.

For 2017 and the two out-years (2018 and 2019), $22.1 million has been budgeted each year. This includes $20 million for Preventive Maintenance reimbursements and $2.1 million for fuel tax reimbursements, reimbursed labor, and other reimbursements. Other Revenues of $1.2 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

Due to the great 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 percent 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. Figure 6 represents the General Fund Expenditures from 2014 through 2019, and the ending balances for each year.

Personnel services include salaries, overtime, and fringe benefits and are budgeted at $196.5 million, an increase of $7.9 million, or 4.2 percent, from 2016 projections. This includes the budgeted positions, wage increases for FOP and ATU, and increases in health care and prescription benefit costs.

In 2014, a total of 46 positions were added to the Budget. Additional operators were added to address overcrowding and increase efficiencies in the service plan. A new ITS (Intelligent Transportation Systems) Department was created, eliminating the current IT (Information Technology) Department. These changes created six new positions, eliminated the IT Director position, and moved four positions from other departments into ITS. An additional 8 positions were added to the 2014 budget to address efficiencies in Transit Police and Fleet Management.

After much deliberation, it was decided that the IT Department would remain, the ITS Department would be created under the Operations Division, and three select positions would be transferred from Operations Division into Information Technology.

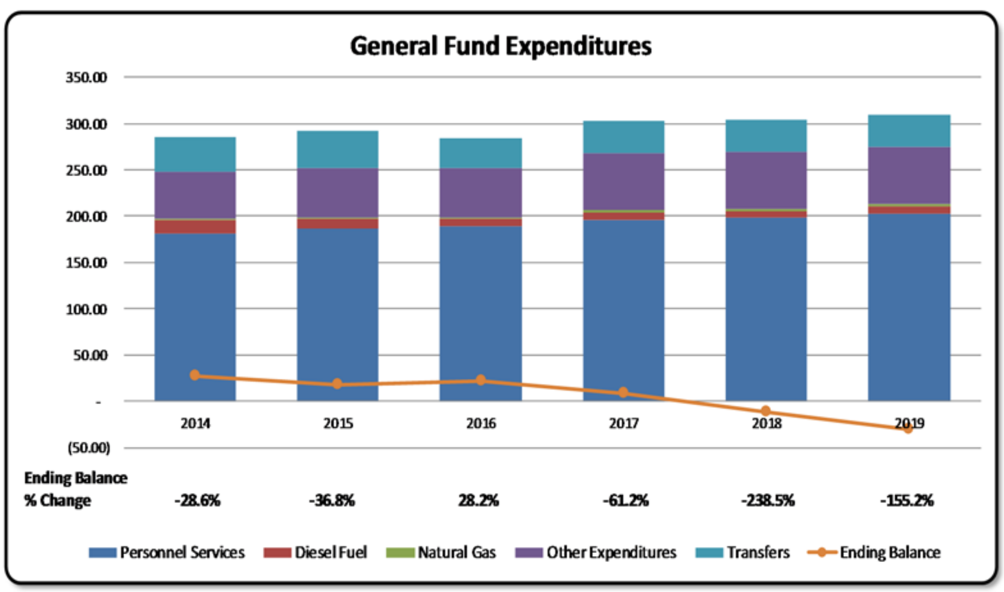

Figure 24

The funding for Job Access/Reverse Commute (JARC) program, which provides vanpool service for Welfare to Work initiatives, was eliminated in the Transportation Bill, MAP21, and no alternative funding was created. The grant funds ran out in the first quarter of 2015. For 2016, 17.25 positions were added to the Operating Budget, totaling 2,361.75 positions. This includes 12 operator positions to alleviate shortages due to long-term absences. Seven positions will be moving from Service Management into the new Intelligent Transportation Systems

Department (ITS). A Management Development Program (MDP) analyst position is eliminated, reducing the number of MDP positions to 4. A Return to Work Coordinator part-time position will be increased from 20 hours to 30 hours per week to assist the EEO Manager. Two training instructors were added. An operating instructor was added to assist with the increased training needs for Operators and a Power & Way Trainer was added to bring contracted training in-house, reducing the amount of outside training. A Material Handler/Stock Clerk was added due to increased needs to the predictive maintenance program. Lastly, a Construction Engineer was added which will bring expertise in-house, thus reducing the need for outside contracted engineering services.

The FOP and ATU will be negotiating new contracts in 2017. A total of 30 positions are eliminated from the budget in 2017. A 3 percent service reduction is annualized in 2017 and 31 operator positions were removed. On the Administrative side, a part-time position was created to accommodate additional safety audits. An Administrative Assistant position was budgeted for half year pending the State decision regarding the Sales and Use Tax base. This position will only be filled if the State authorizes a revenue neutral fix.

Employment Level and Service Level Changes				
FY	2014	2015	2016	2017
Positions	2,348.50	2,344.50	2,361.75	2,332.00
Net Increase (Decrease)	46	(4)	17	(30)
	New ITS Department created adding 4 positions; 8 positions added between Transit Police and Fleet Management; 34 Operations positions added to address overcrowding and address operating efficiencies	Slight service reduction for bus (2.6% reduction) and 4.7% service increase in Rail - 11 fewer operators needed; 5 temporary positions added for HRV Interior Overhaul; 2 administrative positions added.	12 Operator positions added to alleviate challenges with long-term absences; 2 Assistant Transportation Managers added; 2 Training Instructors; 1 Material Handler; 1 Administrative position increased by 0.25	31 Operator positions removed due to 3% service reduction; added 1 part-time Safety Awareness Coordinator; added 1 Administrative Assistant position (budgeted half year and dependent upon State's decision of the Sales & Use Tax base)
Service Increase (Decrease)	5.5% Service Hours; 3.4% Service Miles	(0.7%) Service Hours; (2.3%) Service Miles	(0.8%) Service Hours; (0.8%) Service Miles	(1.6%) Service Hours; (2.4%) Service Miles
	Route enhancements; alleviate overcrowding on a few routes; increase frequency of rail	2.6% Decrease in Bus Operations due to route efficiencies; 4.7% Increase in Rail Operations	Trolley L-Line discontinued; Service efficiencies in bus and Rail Operations	3% Service Reduction annualized (began September 2016); New Van Pool service implemented

Figure 25

In 2017, diesel fuel costs are expected to decrease to $7.7 million as additional new CNG (compressed natural gas) buses are received and used. The natural gas cost per diesel gallon equivalent is significantly lower than the cost of a gallon of diesel fuel. ADA purchased transportation continues to rise as more customers are riding Paratransit. The bus districts and central bus maintenance continue to implement predictive maintenance. Parts on the buses will be repaired or replaced per manufacture suggested maintenance standards rather than when the part fails. This requires an increase in inventory needs.

Transfers to other funds within the Authority place additional financial pressures on the General Fund. The transfer for bond retirement has grown to cover increases in debt service payments. The estimated transfer to Bond Retirement Fund for 2016 is $21.9 million. Three bond issuances will be completed in 2016, reducing the 2017 transfer to $19.3 million. A loan will be paid off in 2017, which will decrease the transfers to $19.0 million in 2018 and $18.1 million in 2019.

The added contribution of 18.4 percent in 2014 was due to transfers of additional local funds needed for the multi-year bus replacement program and to meet the financial needs of the Authority's capital programs. The contribution to capital held steady at 18.5 percent in 2015 before declining in to 14.4 percent in 2016. The decline in contribution will continue at 15.0 percent in 2017, but increase to 15.5 percent in 2018 and 15.1 percent in 2019 as the decreases in Sales & Use Tax revenue also impacts this measure. To maintain the proper balance in the Insurance and Pension Funds, transfers of $2.4 million and $70,000, respectively, are budgeted in 2017. In 2018 and 2019, the Insurance Fund transfer needed is $2.3 million for 2018 and $2.5 million for 2019. The Pension Fund is projected to need transfers of $70,000 in both years.

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 2016, the Authority has six General Obligation (G.O.) Bond Issues outstanding and outstanding debt of $160.3 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.

In Figures 26 and 27, each year's ending balance represents at least 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. In 2014, there was a refinancing issue of $29.7 million and in 2015 new debt was issued for $30.0 million.

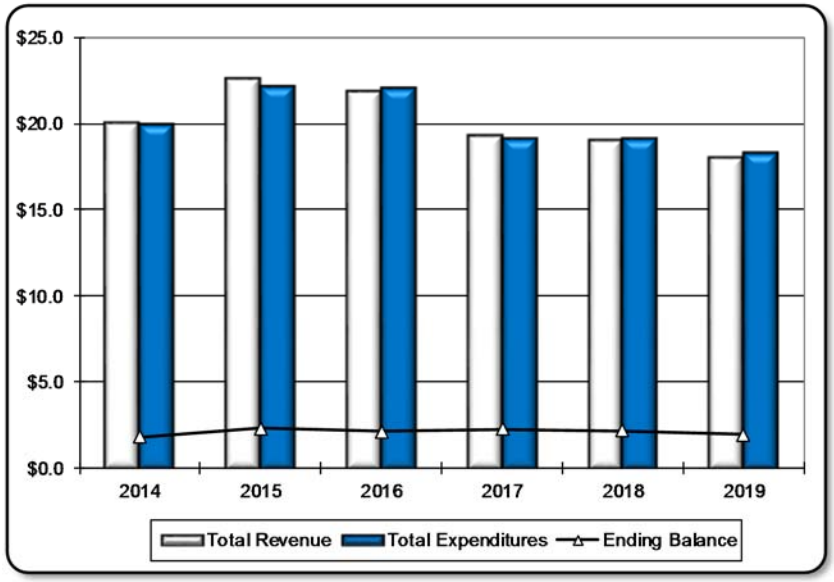

Figure 26

Long-term debt for the Authority includes both debt and refunding debt sales from 2004 through 2015. 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. In 2015, a transfer of $22.6 million was required from the General Fund to cover the current overall debt service of the Authority. In 2016, a transfer of $21.9 million was needed. For 2017, a transfer of $19.3 million will be needed as three debt issuances will be completed and a new debt issuance of $30 million is budgeted. A transfer of $19.0 million will be needed in 2018 as another debt issuance will be completed. For 2019, a new debt issuance of $25 million is planned and a transfer of $18.1 million will be needed to cover the debt service requirement.

	2014 Actual	2015 Actual	2016 Estimate	2017 Budget	2018 Plan	2019 Plan
Beginning Balance	$1.7	$1.8	$2.3	$2.1	$2.2	$2.2
Revenue	($0.4)	$0.0	$0.0	$0.0	$0.0	$0.0
Fund Transfers	$20.5	$22.6	$21.9	$19.3	$19.0	$18.1
Total Revenue	**$20.1**	**$22.6**	**$21.9**	**$19.3**	**$19.0**	**$18.1**
Total Resources	**$21.8**	**$24.4**	**$24.2**	**$21.4**	**$21.3**	**$20.2**
Total Expenditures	**$20.0**	**$22.1**	**$22.1**	**$19.1**	**$19.1**	**$18.3**
Ending Balance	**$1.8**	**$2.3**	**$2.1**	**$2.2**	**$2.2**	**$1.9**

Figure 27

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. Up through 1999, $5 million was required as the fund minimum balance. From 2000 through 2003, unexpected claim costs required an increase in the balance to $7.5 million. In 2004, the minimum balance was returned to the original $5.0 million.

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.

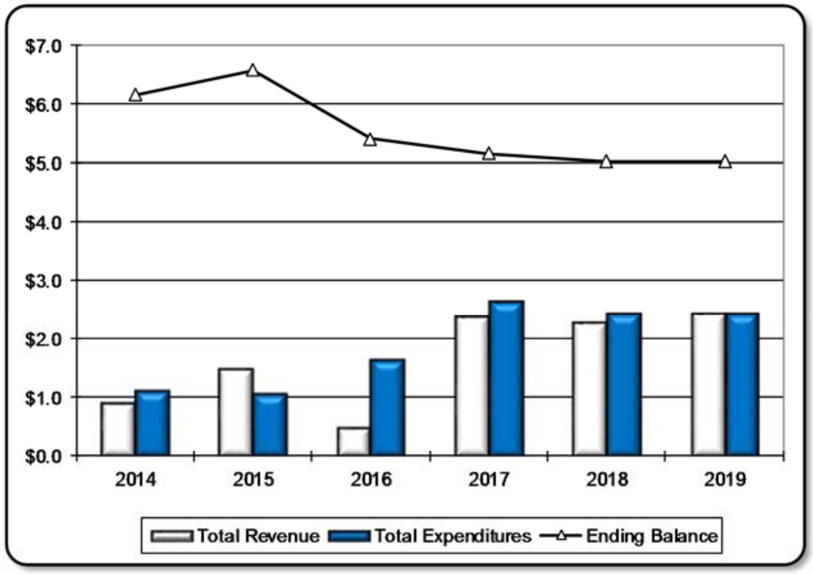

Figure 28

In 2014 and 2015, transfers of $0.9 million and $1.5 million were made from the General Fund to the Insurance Fund. Lower claims and premium payments helped to increase the ending balance to over $6.0 million. In 2016, a transfer of $0.5 million was needed to cover insurance premiums and claims and bring the ending balance back toward $5.0 million. For 2017, a transfer of $2.4 million is needed to cover costs and maintain the required ending balance. Transfers of $2.3 million and $2.5 million will be needed in 2018 and 2019, respectively, to maintain the required minimum balance.

	2014 Actual	2015 Actual	2016 Estimate	2017 Budget	2018 Plan	2019 Plan
Beginning Balance	$6.4	$6.2	$6.6	$5.4	$5.2	$5.0
Investment Income	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Transfers	$0.9	$1.5	$0.5	$2.4	$2.3	$2.5
Total Revenue	**$0.9**	**$1.5**	**$0.5**	**$2.4**	**$2.3**	**$2.5**
Total Resources	**$7.3**	**$7.7**	**$7.1**	**$7.8**	**$7.5**	**$7.5**
Total Expenditures	**$1.2**	**$1.1**	**$1.7**	**$2.7**	**$2.5**	**$2.5**
Ending Balance	**$6.2**	**$6.6**	**$5.4**	**$5.2**	**$5.0**	**$5.0**

Figure 29

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.

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 $75,000 will be made from the General Fund to support this effort in 2017, 2018, and 2019, but these amounts may change with the results of the next actuarial study.

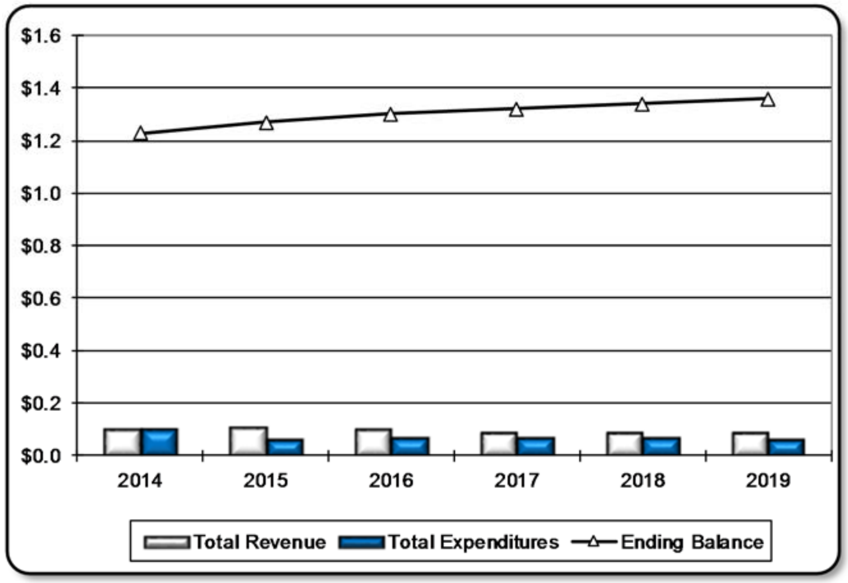

Figure 30

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 2015, total payments of $68,037 were made. For 2016, payments of $70,500 are projected. For 2017 through 2019, payments are budgeted at $70,500, $69,000, and $67,500, respectively. The ending balance in the fund is projected to be stable over the next three years.

	2014 Actual	2015 Actual	2016 Estimate	2017 Budget	2018 Plan	2019 Plan
Beginning Balance	$1.2	$1.2	$1.3	$1.3	$1.3	$1.3
Total Revenue	**$0.1**	**$0.1**	**$0.1**	**$0.1**	**$0.1**	**$0.1**
Total Resources	**$1.3**	**$1.3**	**$1.4**	**$1.4**	**$1.4**	**$1.4**
Total Expenditures	**$0.1**	**$0.1**	**$0.1**	**$0.1**	**$0.1**	**$0.1**
Ending Balance	**$1.2**	**$1.3**	**$1.3**	**$1.3**	**$1.3**	**$1.4**

Figure 31

LAW ENFORCEMENT FUND

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

Revenue obtained through the Task Force can be expended for non-budgeted police items. The Authority primarily uses these proceeds for unbudgeted capital items. Furthermore, certain guidelines have been instituted by the State Attorney General's Office for the reporting and disbursement of funds. Expenditures within this fund have varied over the years, depending upon the levels of revenue obtained through the Task Force. These expenditures funded security items, protective equipment, and technical training equipment. The expenditures projected in 2017 are from a special training fund, which is not part of the NOLETF. The only other activities expected in this fund in FY 2017 are investment earnings of $60 and other revenue of $55,000.

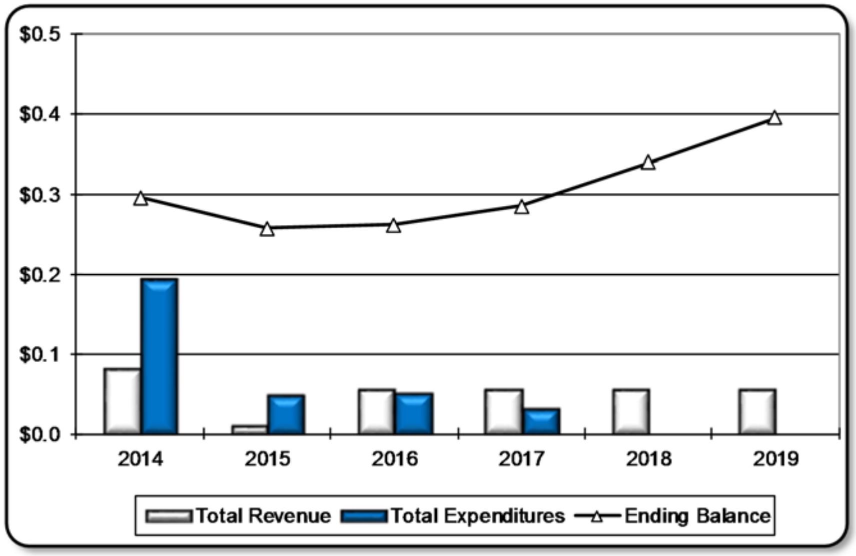

Figure 32

	2014 Actual	2015 Actual	2016 Estimate	2017 Budget	2018 Plan	2019 Plan
Beginning Balance	$0.4	$0.3	$0.3	$0.3	$0.3	$0.3
Total Revenue	**$0.1**	**$0.0**	**$0.1**	**$0.1**	**$0.1**	**$0.1**
Total Resources	$0.5	$0.3	$0.3	$0.3	$0.3	$0.4
Total Expenditures	**$0.2**	**$0.0**	**$0.1**	**$0.0**	**$0.0**	**$0.0**
Ending Balance	**$0.3**	**$0.3**	**$0.3**	**$0.3**	**$0.3**	**$0.4**

Figure 33

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 percent locally-funded items.

All capital projects are included in one of two funds: the RTA Development Fund which includes all grant-funded projects, as well as the majority of the larger capital projects for the Authority, including rehabilitations, expansions and large equipment purchases; and the RTA Capital Fund, a smaller fund for more routine expenditures that support daily operational activities.

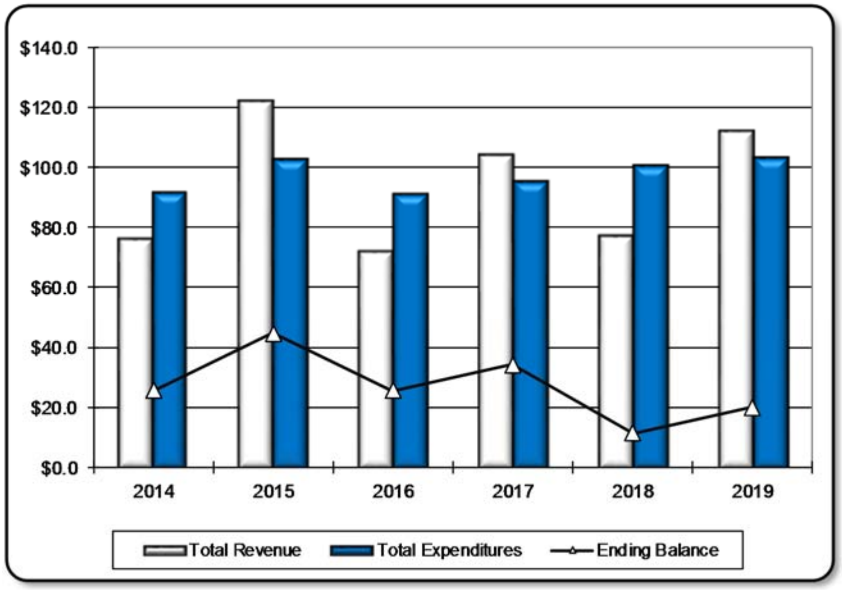

Figure 34

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 grant awards. Projects from the Authority's Long Range Plan are included in this area and it includes those capital 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, are routine in nature, and in many cases relate directly to daily operations. Unlike the RTA Development Fund, where the majority of projects are funded with grant awards, the RTA Capital Fund is financed entirely through local dollars in the form of Sales & Use Tax revenue contributions.

Detailed discussions of the fund balances in these funds are presented in the Capital Improvement Plan (CIP) section. The Figures 16 and 17 provide a consolidated look at all Capital Improvement Funds. The fund balance normally 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 fund balance decreased in 2014, from $40.7 million to $25.4 million as balances were drawn for capital activities then increased in 2015 due to a new debt sale. The balance decrease to $25.4 million in 2016 as programmed construction activities occur before increasing in 2017 as a result of planned debt service.

	2014 Actual	2015 Actual	2016 Estimate	2017 Budget	2018 Plan	2019 Plan
Beginning Balance	$40.7	$25.4	$44.6	$25.4	$34.1	$11.4
Total Revenue	**$76.3**	**$122.1**	**$72.2**	**$104.1**	**$77.7**	**$112.1**
Total Resources	$116.9	$147.5	$116.8	$129.5	$111.8	$123.5
Total Expenditures	**$91.5**	**$102.9**	**$91.4**	**$95.4**	**$100.4**	**$103.4**
Ending Balance	**$25.4**	**$44.6**	**$25.4**	**$34.1**	**$11.4**	**$20.1**

Figure 35

The high level of capital activity by the Authority, begun in the 1990s which included 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 has continued in following CIP's. Capital 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 more directly focused on the need to balance the Authority's ambitious capital program with available grant funds and to minimize, wherever possible, the use of local funds. This step has resulted in the development of a CIP with projects closely scheduled with expected Federal Fiscal Year (FFY) grant award funds and anticipated revenue streams, with few new projects being added, and some projects deferred into future years of the CIP. At the same time, the Authority has committed its financial resources to complete its ADA Key Station program and is now in an on-going multi-year bus replacement program.

In 2017, the Capital Budget appropriation request totals $64.1 million for the acquisition of buses, preventive maintenance and operating expense reimbursements, equipment, services, and construction projects to improve, replace or upgrade the Authority's facilities and infrastructure. The Authority's infrastructure needs though continue to exceed the amount of available grant funds especially now with the negative impact of the current MAP-21 legislation. The FAST (Fixing America's Surface Transportation) Act is expected to increase the formula funding apportionments for the Authority, but not enough to end the on-going deferral of some requested projects due to lack of grant funds or the use of local funds for their completion.

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 percent locally-funded projects. In 2017, the Transfer to Capital from the General Fund is budgeted at $13.3 million. It will slightly increase to $13.5 million in 2018 and to 14.3 million in 2019. The Authority has redoubled its efforts to securing additional non-traditional federal and state resources as the upcoming impact of the new FAST legislation is being analyzed and has becoming more creative with the use of debt and other financing as it strives to address the backlog of needed SGR projects.

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 80 percent of project costs with the remaining 20 percent share being absorbed by the Authority's local match revenue, which consists 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 percent Federal share. State capital assistance has in the past been 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 funded with Sales & Use Tax proceeds as part of the Authority's goal of a minimum of 10 and maximum 15 percent contribution to capital requirement as described under General Fund Revenue. Interest earned on the investment of those Sales & Use Tax proceeds is the only other income credited to the RTA Capital Fund. The Authority's local contribution to its capital program is captured by Transfers within the Operating Budget to the RTA Capital Fund and the Transfer to the Bond Retirement Fund.

Transfers of General Fund revenue to the RTA Capital Fund have grown significantly in recent years to meet the financial needs of an aggressive capital program – from a low of $6.8 million in FY 2007 to a high of $15.5 million in 2015. Increases in this transfer in recent years has been to align the local funding component of the Authority's five-year bus replacement schedule along with the large number of state of good repair capital projects into the correct capital fund.

The FY 2016 Capital Transfer from the General Fund will decrease to $9.5 million to meet the needs of the capital program in the upcoming year. This amount, when combined with an expected $21.9 million transfer to the Bond Retirement Fund will produce a total contribution of Sales & Use Tax revenue to capital of $31.4 million, or 14.4 percent of all Sales & Use Tax Revenue, just below the Authority's maximum target goal of 15%.

Transfers to Capital and Bond Retirement Funds to meet current debt needs of the Authority are expected to slightly increase in FY 2017 to $32.6 million, 15 percent of the Sales & Use Tax receipts. The transfer is planned at $32.5 million in 2018 and $32.4 million in 2019 as some of the Authority's debt is retired, though this amount will, in part, depend upon future debt service needs of the Authority and how the new debt service payments are structured. When combined with the Transfer to Capital in those years, 15.5 percent and 15.1 percent of all Sales & Use Tax revenue will be directed towards the Authority's capital program, which is above the maximum goal of 15.0 percent in the out-years. The increase in contribution to capital is due to the removal of the Medicaid Managed Health Care from the tax base and subsequent reduction in Sales Tax receipts for those years.

This continues to highlight the on-going problem of meeting the daily operating needs of the Authority while, at the same time, maintaining or improving the Authority's assets in a state of good repair as well. Meeting the financial needs of both areas in the future 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.

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