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)
  - General Fund (Operating Budget and transfers to other funds)
  - RTA Capital Fund (short-term and locally-funded Capital projects)
  - RTA Development Fund (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)

2016 Budget All Funds Summary	All Funds	General Fund	RTA Capital Fund	Development Fund	Bond Retirement Fund	Supplemental Pension Fund	Insurance Fund	Law Enforcement Fund
Beginning Balance	**$70,382,872**	**$25,894,064**	**$1,980,120**	**$32,610,942**	**$1,929,490**	**$1,263,680**	**$6,474,546**	**$230,030**
Revenue								
Passenger Fares	**$51,475,500**	$51,475,500						
Sales & Use Tax	**$212,243,660**	$212,243,660						
Federal Capital Grants	**$68,250,000**			$68,250,000				
State Capital Grants	**$2,024,658**			$1,384,658				
Trolley Assistance		$640,000						
Investment Income	**$316,625**	$200,000	$9,500	$53,000	$2,500	$6,500	$45,000	$125
Other Revenue	**$24,575,000**							$55,000
Advertising & Concessions		$1,420,000						
Other Revenue		$1,100,000						
Reimbursed Expenditures		$22,000,000						
General Obligation Debt	**$0**			$0				
Transfer from General Fund			$15,579,812		$23,006,085	$100,000	$1,200,000	
Transfer from RTA Capital Fund				$11,334,255				
Total Revenue	**$358,885,443**	**$289,079,160**	**$15,589,312**	**$81,021,913**	**$23,008,585**	**$106,500**	**$1,245,000**	**$55,125**
Total Resources	**$429,268,316**	**$314,973,224**	**$17,569,433**	**$113,632,855**	**$24,938,075**	**$1,370,180**	**$7,719,546**	**$285,155**
Expenditures								
Personnel Services	**$192,596,439**	$192,596,439						
Diesel Fuel	**$9,274,280**	$9,274,280						
Natural Gas	**$2,179,000**	$2,179,000						
Other Expenditures	**$65,995,386**	$63,603,686			$1,500			$50,000
Claims and Premium Outlay							$2,269,700	
Benefit Payments						$70,500		
Capital Outlay	**$101,850,000**			$97,500,000				
Asset Maintenance			$1,900,000					
Routine Capital			$2,450,000					
Debt Service	**$23,012,515**							
Principal					$16,975,000			
Interest					$6,037,515			
Rolling Stock Reserve	**$737,390**	$737,390						
Transfer to Other Funds								
Insurance Fund		$1,200,000						
Supplemental Pension Fund		$100,000						
Bond Retirement Fund		$23,006,085						
RTA Capital Fund		$15,579,812						
RTA Development Fund			$11,334,255					
Total Expenditures	**$395,645,011**	**$308,276,693**	**$15,684,255**	**$97,500,000**	**$23,014,015**	**$70,500**	**$2,269,700**	**$50,000**
Available Ending Balance	**$33,623,305**	**$6,696,531**	**$1,885,178**	**$16,132,855**	**$1,924,060**	**$1,299,680**	**$5,449,846**	**$235,155**

Fund Budgets

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

How to Calculate Fund Balance

Beginning Balance
+ Current Revenues
(Equals) Total Resources

(Less) Total Current Expenditures

(Equals) Available Ending 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 (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 1 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.

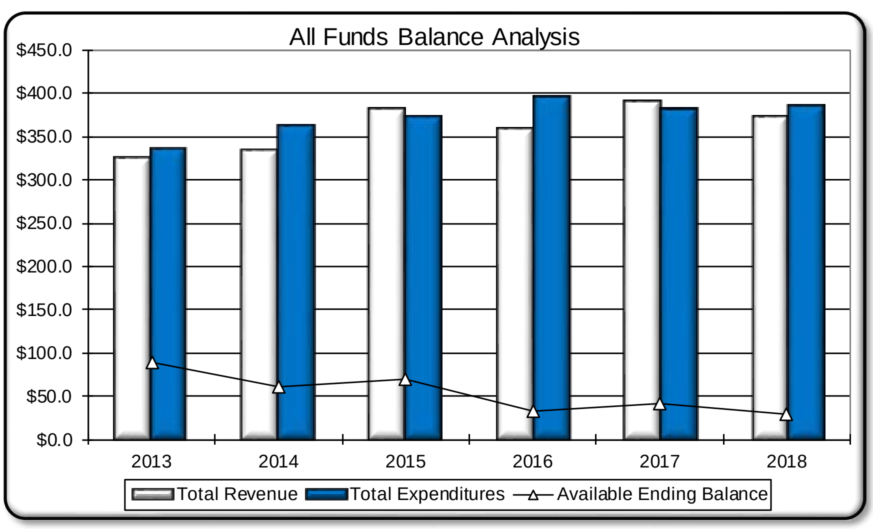


Figure 1

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, Managed Health Care was added to the Sales & Use Tax base. By the end of 2014, Sales & Use Tax rose 3.9% compared to receipts in 2013.

Fund Budgets

Sales & Use Tax was projected to increase by 4.8% at the end of the 3rd Quarter, 2015. By year-end, receipts increased by 4.3%, or $8.7 million, compared to 2014 receipts.

RTA has been diligent in maintaining a sustainable budget, however, as levels of Federal and State funding are questionable, keeping a sustainable budget remains difficult. 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.

All Funds Balance Analysis

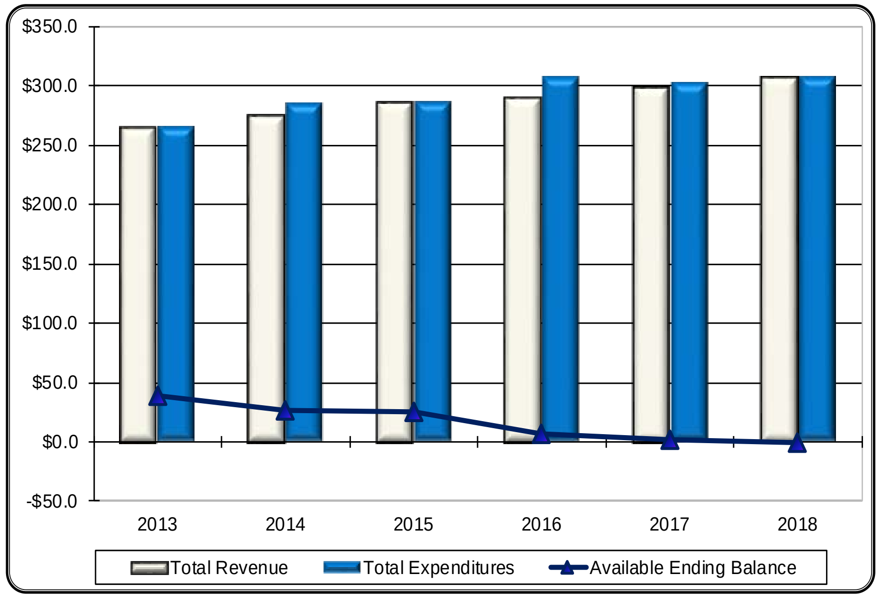
	2013 Actual	2014 Actual	2015 Estimate	2016 Budget	2017 Plan	2018 Plan
Beginning Balance	**99,618,020**	**88,780,268**	**61,767,679**	**70,382,872**	**33,599,304**	**41,560,273**
Revenue						
Passenger Fares	48,699,580	49,085,267	50,113,420	51,475,500	54,535,500	56,456,300
Sales & Use Tax	189,630,645	197,118,776	206,618,710	212,243,660	218,186,482	224,295,704
Federal	59,795,463	58,199,720	63,862,500	68,250,000	64,620,000	63,875,000
State	4,153,693	6,103,878	4,509,658	2,024,658	2,024,658	2,024,658
Investment Income	361,292	269,609	370,638	316,625	305,625	285,875
Other Revenue	22,120,105	23,204,593	25,788,026	24,575,000	24,555,000	24,555,000
General Obligation Debt Proceeds	0	0	30,000,000	0	25,000,000	0
Total Revenue	**324,760,778**	**333,981,843**	**381,262,952**	**358,885,443**	**389,227,265**	**371,492,537**
Total Resources	**424,378,798**	**422,762,112**	**443,030,631**	**429,268,316**	**422,826,569**	**413,052,810**
Expenditures						
Personnel Services	169,098,188	181,305,658	181,163,788	192,616,439	196,585,638	200,646,281
Diesel Fuel	13,956,183	14,335,896	11,845,797	9,274,280	7,233,370	7,050,000
Natural Gas	1,388,300	957,626	1,440,125	2,778,000	2,291,000	2,510,000
Other Expenditures	48,408,463	52,905,344	54,228,393	66,137,778	63,493,338	63,845,294
Capital Outlay	82,000,787	91,482,683	101,850,000	101,850,000	93,825,000	91,600,000
Debt Service	20,746,608	20,007,225	22,119,656	23,012,515	17,837,950	18,760,857
Total Expenditures	**335,598,529**	**360,994,432**	**372,647,759**	**395,669,012**	**381,266,296**	**384,412,432**
Available Ending Balance	**88,780,268**	**61,767,679**	**70,382,872**	**33,599,304**	**41,560,273**	**28,640,378**

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. The combination of dramatic sales tax reduction, increasing personnel costs, and volatile fuel/utility costs had created a discouraging outlook through 2009.

Fund Budgets



	2013 Actual	2014 Actual	2015 Estimate	2016 Budget	2017 Plan	2018 Plan
Beginning Balance	$40.7	$38.4	$26.9	$25.9	$6.7	$1.9
Total Revenue	**$264.3**	**$273.9**	**$285.7**	**$289.1**	**$298.1**	**$306.1**
Total Resources	$305.0	$312.3	$312.6	$315.0	$304.7	$307.9
Operating Expenses	$231.0	$248.1	$247.1	$267.7	$267.3	$271.7
Fund Transfers	$35.6	$37.4	$39.6	$40.6	$35.5	$37.1
Total Expenditures	**$266.6**	**$285.4**	**$286.7**	**$308.3**	**$302.8**	**$308.7**
Available Ending Balance	**$38.4**	**$26.9**	**$25.9**	**$6.7**	**$1.9**	**($0.8)**

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 2009, the Sales & Use Tax receipts dropped 10.9% due to the Great Recession. The General Fund balance dropped sharply but with the help of one-time funding, the ending balance totaled $2.9 million. 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, 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. In 2011, customers were promised that the year would end without service decreases or fare increases. Sales & Use Tax ended the year with a 6.1% increase, which helped to achieve that goal.

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.

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. Since 2010, every year the goal has been met.

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 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. In 2013, Reimbursed Expenditures were reduced to increase the amount of funding for Capital Projects. The goal for the operating

Fund Budgets

reserve has been met or exceeded in 2010 through 2013. 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 five years must be continued in 2016 and beyond.

General Fund Balance Analysis

	2013 Actual	2014 Actual	2015 Estimate	2016 Budget	2017 Plan	2018 Plan
Assumptions:						
Passenger Fare Annual Growth =	**-1.1%**	**0.8%**	**2.1%**	**2.7%**	**5.9%**	**3.5%**
Sales Tax Annual Growth =	**4.6%**	**3.9%**	**4.8%**	**2.7%**	**2.8%**	**2.8%**
Personnel & Fringe Cost Growth =	**3.2%**	**7.2%**	**-0.1%**	**6.3%**	**2.1%**	**2.1%**
Non-Personnel Cost Growth =	**8.3%**	**7.9%**	**-1.2%**	**13.8%**	**-5.7%**	**0.4%**
Operating Expenses Growth =	**4.6%**	**7.4%**	**-0.4%**	**8.3%**	**-0.1%**	**1.6%**
Capital Contribution =	**34,094,435**	**36,355,659**	**37,966,541**	**38,585,897**	**33,295,257**	**34,765,834**
	18.0%	**18.4%**	**18.4%**	**18.2%**	**15.3%**	**15.5%**
Beginning Balance	**40,713,947**	**38,394,321**	**26,870,715**	**25,894,064**	**6,672,529**	**1,900,508**
Revenue						
Passenger Fares	48,699,580	49,085,267	50,113,420	51,475,500	54,535,500	56,456,300
Advertising & Concessions	1,400,191	1,488,870	1,477,912	1,420,000	1,400,000	1,400,000
Sales & Use Tax	189,630,645	197,118,776	206,618,710	212,243,660	218,186,482	224,295,704
CMAQ Reimbursement - Healthline	0	0	0	0	0	0
Operating Assistance - Paratransit Operations	3,889,000	4,057,815	3,125,000	0	0	0
Trolley Assistance	0	0	0	640,000	640,000	640,000
CMAQ Reimbursement - Trolley	1,104,680	704,063	934,596	0	0	0
Access to Jobs Program	2,927,754	2,470,656	1,098,518	0	0	0
Investment Income	200,188	169,211	250,000	200,000	190,000	170,000
Other Revenue	1,177,962	1,470,683	1,100,000	1,100,000	1,100,000	1,100,000
Reimbursed Expenditures	15,217,046	17,324,469	21,000,000	22,000,000	22,000,000	22,000,000
Total Revenue	**264,247,046**	**273,889,810**	**285,718,156**	**289,079,160**	**298,051,982**	**306,062,004**
Total Resources	**304,960,993**	**312,284,131**	**312,588,871**	**314,973,224**	**304,724,511**	**307,962,512**
Operating Expenditures						
Personnel Services	169,098,188	181,305,658	181,163,788	192,616,439	196,585,638	200,646,281
Diesel Fuel	13,956,183	14,335,896	11,845,797	9,274,280	7,233,370	7,050,000
Natural Gas	1,388,300	957,626	1,440,125	2,778,000	2,291,000	2,510,000
Other Expenditures	46,529,565	51,458,576	52,678,557	63,004,686	61,218,711	61,456,594
Total Operating Expenditures	230,972,236	248,057,756	247,128,267	267,673,405	267,328,719	271,662,875
Transfer to the Insurance Fund	1,400,000	900,000	1,500,000	1,200,000	2,000,000	2,200,000
Transfer to the Pension Fund	100,000	100,000	100,000	100,000	100,000	100,000
Transfers to Capital						
Bond Retirement Fund	18,324,392	20,480,914	22,273,402	23,006,085	17,486,950	18,834,857
Capital Improvement Fund	15,770,044	15,874,745	15,693,139	15,579,812	15,808,307	15,930,977
Total Transfers to Capital	34,094,435	36,355,659	37,966,541	38,585,897	33,295,257	34,765,834
Transfers to Rolling Stock Reserve Fund	0	0	0	741,392	100,027	
Total Expenditures	**266,566,672**	**285,413,415**	**286,694,808**	**308,300,694**	**302,824,003**	**308,728,709**
Ending Balance	38,394,321	26,870,715	25,894,064	6,672,529	1,900,508	-766,197
Reserved Funds	6,900,000	6,900,000	0	0	0	0
Available Ending Balance	**31,494,321**	**19,970,715**	**25,894,063**	**6,672,528**	**1,900,507**	**-766,198**
%change	**-5.70%**	**-30.01%**	**-3.63%**	**-74.23%**	**-71.52%**	**-140.32%**

Figure 4

Fund Budgets

Revenues

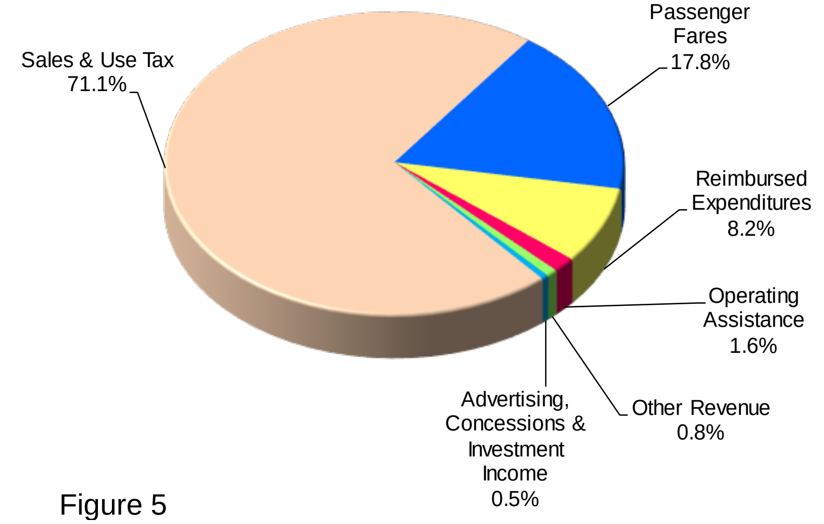


Figure 5

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. In 2009, Sales & Use Tax and Passenger Fare revenues dropped significantly, 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, a drop of $17.4 million. Sales & Use Tax revenue increased to $163.2 million in 2010, mainly due to the addition of managed health care to the tax base. From 2011 through 2014, Sales & Use Tax continued to increase with the help of the added managed health care and the slowly reviving economy in Northeast Ohio.

Revenues for 2014 totaled $273.9 million. Sales & Use Tax increased by 3.9%, compared to receipts from 2013.
Passenger Fares increased 0.8%, compared to 2013, mainly due to 2013 payments from Cleveland Municipal School District received in 2014. Reimbursed expenditures remained under $20 million to put toward capital projects. In 2015, revenues are projected at $285.7 million. Sales & Use Tax is projected to end the year at $206.6 million, 4.8% above 2014 levels. Passenger Fares are estimated to increase by 2.1%, compared to 2014, ending the year at $50.1 million. Intergovernmental sources (Federal and State assistance) are projected to be 9.1% of total revenue, with reimbursed expenditures projected at $21.0 million.

In 2016, Sales & Use Tax is projected to increase by 2.7%, compared to estimated 2015 receipts. Passenger Fares are projected to increase by 2.7% due to the budgeting of a $0.25 fare increase, starting mid-year, a slight service decrease, and the Republican National Convention (RNC) being held in Cleveland. Federal and State assistance for Paratransit, Trolleys, and Access to Jobs will be discontinued. Total revenue is expected to increase by 1.2% from 2015 receipts. This is a significant reduction from 2015 and 2014, where the increases in total revenue were 4.3% and 3.6%, respectively. The Authority must 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 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

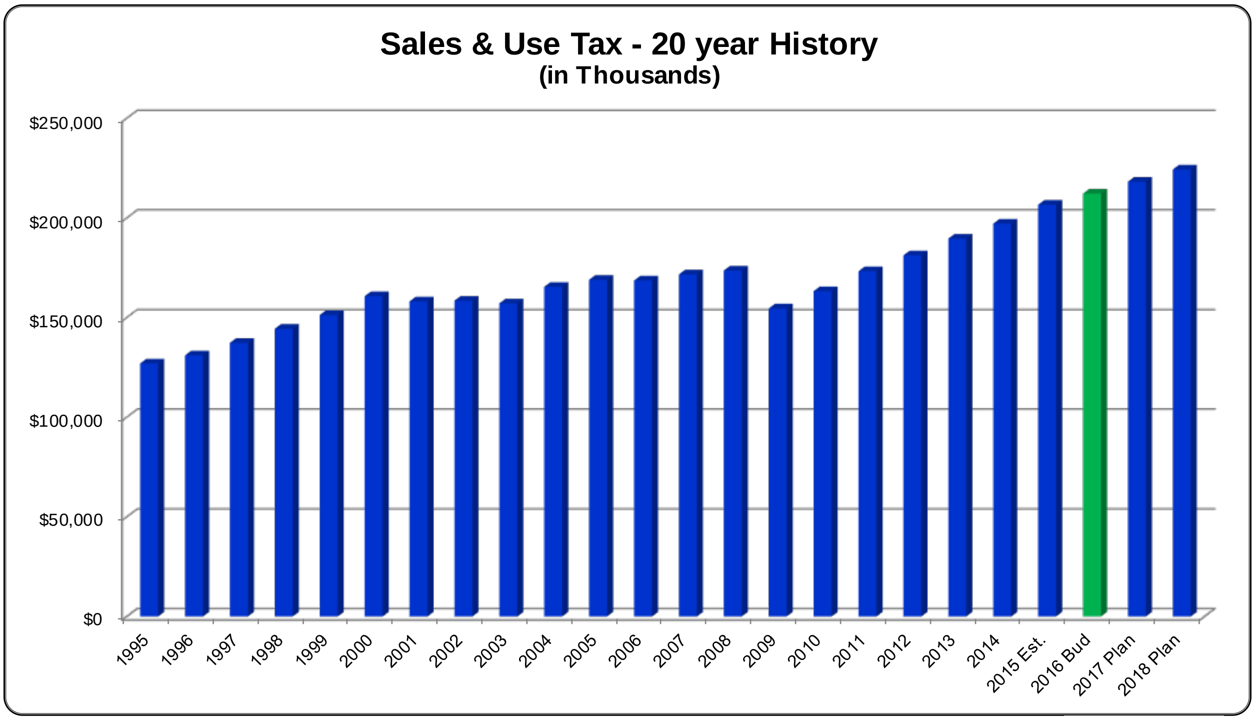


Figure 6

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% of annual Sales and Use Tax revenues be dedicated to capital improvements. The presentation of Sales Tax revenue (as reported in Figure 6) indicates total receipts received, not the approximately 90% that is actually used to fund operations.

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

In the past, even in slower economic growth periods, the sales tax has performed relatively well. Sales tax receipts 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%.

In late 2009, Managed Health Care was added to the tax base. In December 2013, Medicaid Managed Care Premiums were approved to be added to the tax base, starting April 1, 2014. This change is anticipated to bring an additional $1.0 million to $1.5 million to the Sales & Use Tax receipts, although these increases were not seen until late in the 4th quarter of 2014. The economy is slowly rebounding from the recessions in 2001 and 2009, although not back to the levels in 2000.

Since 2010, Sales Tax receipts have been increasing above 4.0% with 2010, 2011, 2012, 2013, and 2014 at 5.6%, 6.1%, 4.6%, 4.6%, and 3.9%, respectively. Receipts for 2015 are projected at 4.8%. For 2016, receipts are budgeted at 2.7% and for 2017 and 2018, receipts are planned to increase by 2.8% for each year. Although the increases are significant, they are lessening each year.

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, charges for elderly, handicapped, and special services, 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 7, 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% in 1999 to 6.7% in 2002. The population in Cuyahoga County decreased as jobs continued to decrease. In 2003, Brooklyn Garage was closed and service was consolidated to the other three Districts. By 2005, unemployment levels rose to 7.5%. The economy in northeast Ohio found it difficult to recover with many manufacturing jobs being eliminated. 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. This action helped boost fare revenue during these years.

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 to 6.3%. Diesel prices rose significantly from 2007 ($12.1 million) to 2008 ($19.3 million). By 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 2008-2009, the fuel surcharge was permanently added as part of the fare.

Fund Budgets

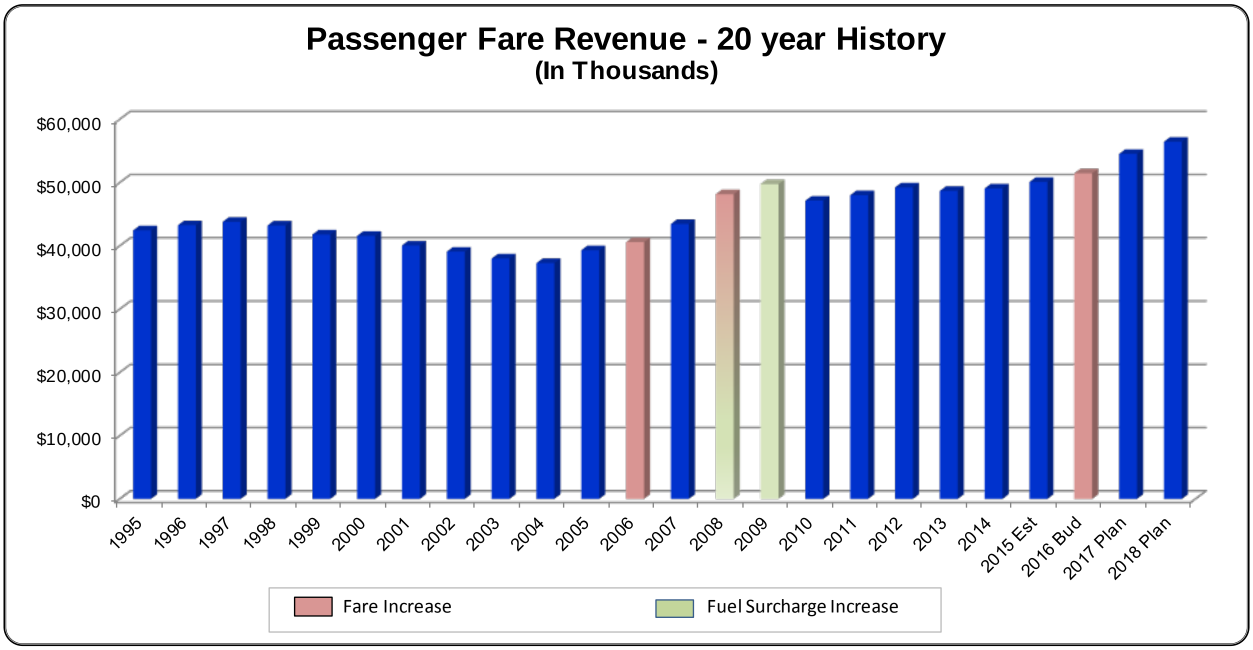


Figure 7

In 2009, the national recession affected North East Ohio with 11% unemployment and Passenger Fare revenue dropped 8.6% from budgeted levels. RTA adjusted service levels in 2010 and implemented a 12% service reduction in April and minor service changes throughout the remainder of the year. In 2011 and 2012, passenger fares increased 1.8% and 2.5%, respectively.

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 ended 2014 at $49.1 million, or a 0.8% increase from 2013. This was mainly due to 2013 payments from Cleveland Metropolitan School District (CMSD) being received in 2014. For 2015, Passenger Fares are projected to increase by 2.1%, compared to 2014 estimated receipts due to an audit of the CMSD contract, which resulted in an additional $1.1 million. For 2016, a $0.25 increase in cash fares is budgeted for mid-year. With the Republican National Convention being held in Cleveland in July 2016, a slight increase in passengers during the convention is also budgeted. Effects from the 2016 fare increase are planned in 2017 and 2018.

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% and 63.9%, 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 $200,000, as ending balances remained high. For 2016 through 2018, Investment Income is projected to slowly decrease 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).

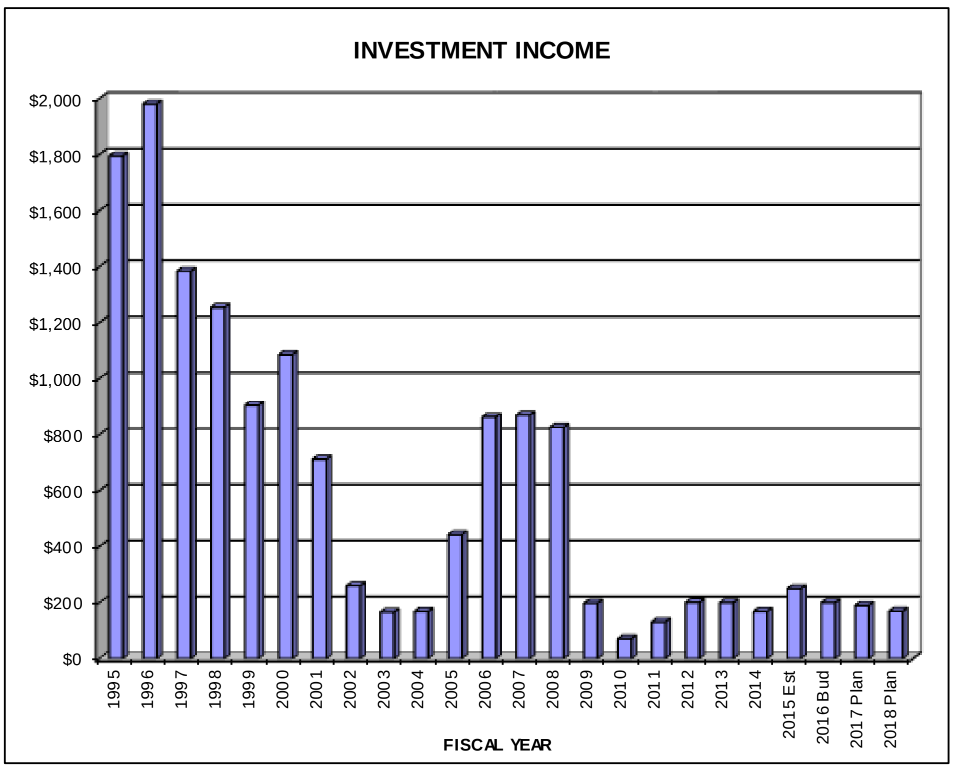


Figure 8

Advertising & Concessions

Another source of 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 will 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 is projected to end FY 2015 at $1.48 million. For 2016 through 2018, the budget for Advertising and Concessions remains at $1.4 million each year. In 2016, the Authority is beginning to advertise on buses and trains through canned "commercials" on the overhead speakers. This is a new venture for the Authority.

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, the Federal Operating Assistance declined from 1995 levels by nearly 47%. 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% 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 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 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.

Fund Budgets

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 were decreased in 2012 to $21.9 million, or 8.6% 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 will continue through March of 2015. This program has been discontinued as funding was eliminated. Starting in 2016, $5.1 million of assistance was eliminated from the budget.

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.

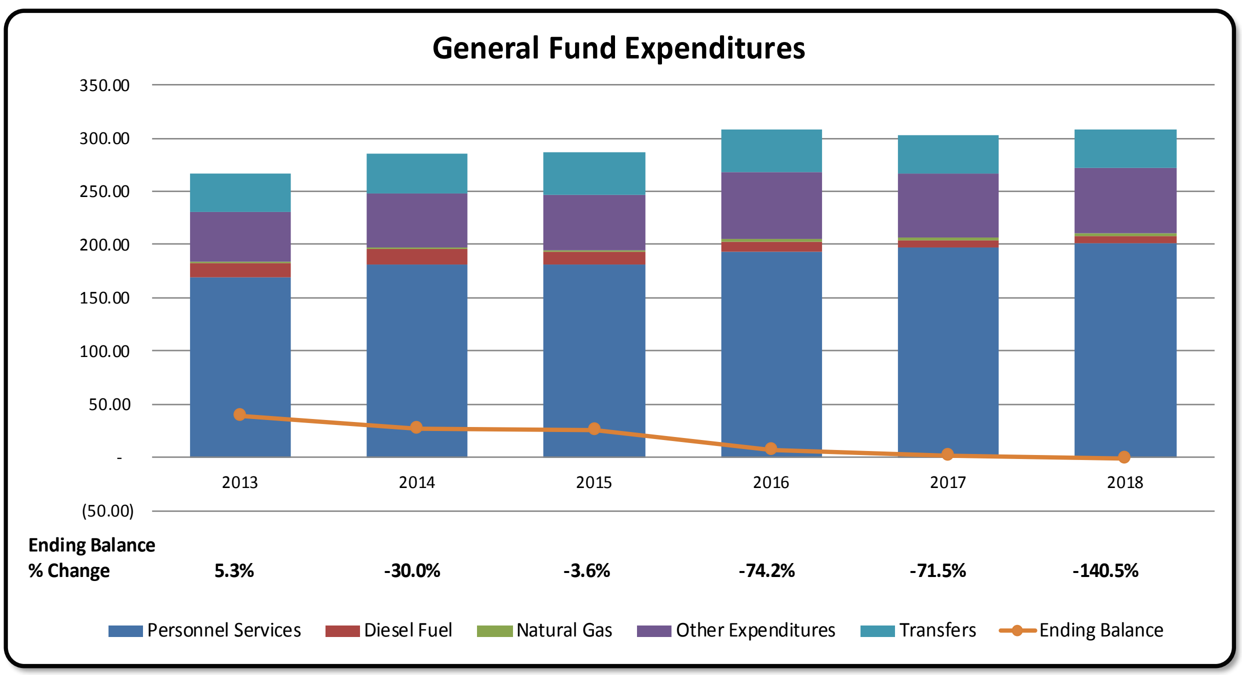


Figure 9

Fund Budgets

Expenditures

As discussed in the Citizens Summary, 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% 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 9 represents the General Fund Expenditures from 2013 through 2018, and the ending balances for each year.

Personnel services include salaries, overtime, and fringe benefits and are budgeted at $192.6 million, an increase of $11.4 million, or 6.3%, from 2015 projections. This includes the budgeted positions, a 3.0% wage increase for FOP, ATU, and Non-Bargaining employees, and increases in health care 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, eliminate 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 three of the four positions that were to transfer from to ITS would in fact, stay in and the Operations Division would trade three other positions instead. The funding for Job Access/Reverse Commute (JARC) program, which provides vanpool service for Welfare to Work initiatives, has been eliminated in the new Transportation Bill, MAP21, and no alternative funding was created. The grant funds ran out in the first quarter of 2015. The FOP has agreed to a new contract continuing to match wage increases with Passenger Fare and Sales & Use Tax revenues. For 2015, Sales & Use Tax and Passenger Fares are projected to increase by 4.3%, compared to receipts received in 2014. The wage increase for 2016, then, is budgeted at 3.0%, aligning with these receipts.

Areas of Expenditure Growth
2016 Budget

2015 Projected Operating Expenses		**$247,128,266**	
Compensation Issues		**$ 11,432,652**	**6.3%**
Operator Labor & Overtime	$ 2,497,819		
Hourly & Salary Labor & OT Increase	$ 6,318,158		
Fringe Benefits	$ 2,616,675		
Fuel / Utilities		**$ (315,082)**	**-1.5%**
Diesel Fuel	$ (2,571,517)		
Propulsion Power	$ 616,496		
Natural Gas & CNG	$ 738,875		
Telephone	$ 132,281		
Other Utilities	$ 768,783		
Service Opportunities		**$ 6,680,137**	**19.9%**
Purchased Transportation	$ 1,550,142		
Inventory	$ 2,286,957		
IT Contracts & Services	$ 675,075		
RNC	$ 371,000		
Vanpool	$ 100,000		
Other Maintenance Contracts	$ 1,696,963		
Administration Changes		**$ 2,727,432**	**25.6%**
FTA/DOT Disparity Study	$ 250,000		
Storm Water Assessment	$ 151,000		
Liabilities	$ 1,366,019		
Other (Net)	$ 960,413		
Expenditure Growth		**$ 20,525,139**	**8.3%**
2016 Budgeted Operating Expenditures		**$267,653,405**	

Figure 10

Employment Level and Service Level Changes				
FY	**2013**	**2014**	**2015**	**2016**
Positions	**2,302.50**	**2,348.50**	**2,344.50**	**2,361.75**
Net Increase (Decrease)	**20.00**	**46.00**	**(4.00)**	**17.25**
	13 Positions eliminated from HRV Overhaul; 15 Operator positions; 2.5 positions for Bus Clean Team; 4 Fare Enforcement positions; 4 Paratransit positions; 4 service positions; 3.5 administrative positions	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
Service Increase (Decrease)	**5.3% Service Hours; 5.4% Service Miles**	**5.5% Service Hours; 3.4% Service Miles**	**(0.7%) Service Hours; (2.3%) Service Miles**	**(0.8%) Service Hours; (0.8%) Service Miles**
	Alleviate overcrowding; increase in Rail service; annualization of 3 additional Trolley rotues	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

Figure 11

On the Administrative side, a Wellness Coordinator was added to the 2015 budget. This position would create a wellness strategic plan, oversee the wellness programs, and work with the healthcare vendors and employees to ensure that participants are utilizing the services available. A return on investment for this position is expected to be three times the cost of the position itself. A part-time Safety Awareness Coordinator is budgeted in 2015. This position was eliminated in the 2014 budget but has been returned after a grievance ruling. In order to cut costs, ten administrative positions will remain vacant during 2015. The position count for these ten positions will remain, but the funding has not been budgeted.

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.
In 2016, diesel fuel costs are expected to decrease by $2.6 million as the new CNG (compressed natural gas) buses are 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. (Figure 10) The bus districts and central bus maintenance are implementing 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 from $14.8 million in 2008 to a projected $23.0 million in 2016 to cover increases in debt service payments. 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 to $18.3 million. A loan will be paid off in 2016, which will decrease the transfers to $17.5 million in 2017 and $18.8 million in 2018 reflecting actual debt payments.

In 2014, transfers to support the capital program totaled $15.9 million, and in 2015 and 2016 are projected at $15.7 million and $15.6 million, respectively, 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 2016, the capital contribution is projected at 18.2% of all revenue from Sales & Use Tax collections. To maintain the proper balance in the Insurance and Pension Funds, transfers of $1.2 million and $100,000, respectively, are budgeted in 2016. In 2017 and 2018, the Insurance Fund transfer will increase to $2.0 million for 2017 and $2.2 million for 2018. The Pension Fund is projected to need transfers of $100,000 in both years.

Fund Budgets

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 2015, the Authority has six General Obligation (G.O.) Bond Issues outstanding and outstanding debt of $93.2 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.

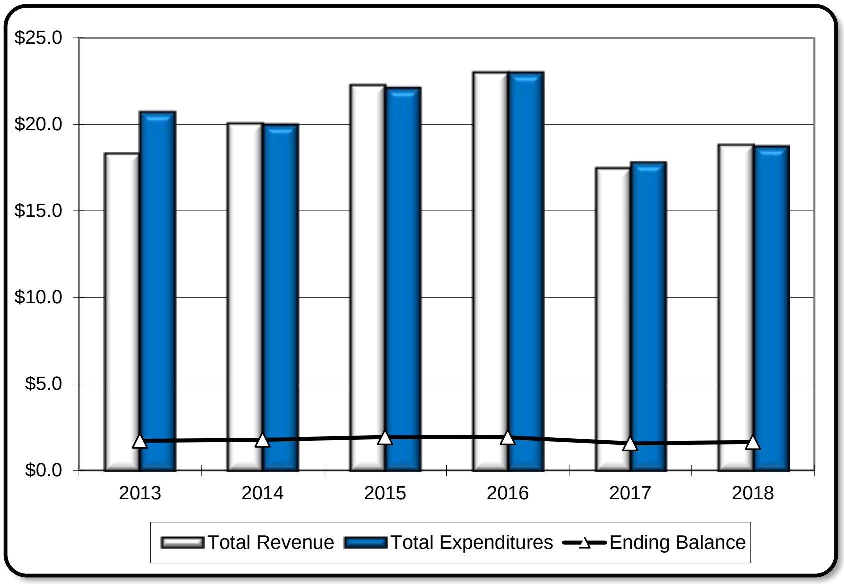


Figure 12

In Figure 13, 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. In 2014, there was a refinancing issue of $29.7 million and in 2015 new debt was issued for $30.0 million.

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 $22.3 million was required from the General Fund to cover the current overall debt service of the Authority. In 2016, a transfer of $23.0 million will be needed.

	2013 Actual	2014 Actual	2015 Estimate	2016 Budget	2017 Plan	2018 Plan
Beginning Balance	$4.1	$1.7	$1.8	$1.9	$1.9	$1.6
Revenue	$0.0	($0.4)	$0.0	$0.0	$0.0	$0.0
Fund Transfers	$18.3	$20.5	$22.3	$23.0	$17.5	$18.8
Total Revenue	**$18.3**	**$20.1**	**$22.3**	**$23.0**	**$17.5**	**$18.8**
Total Resources	**$22.5**	**$21.8**	**$24.0**	**$24.9**	**$19.4**	**$20.4**
Total Expenditures	**$20.7**	**$20.0**	**$22.1**	**$23.0**	**$17.8**	**$18.8**
Ending Balance	**$1.7**	**$1.8**	**$1.9**	**$1.9**	**$1.6**	**$1.6**

Figure 13

Insurance Fund

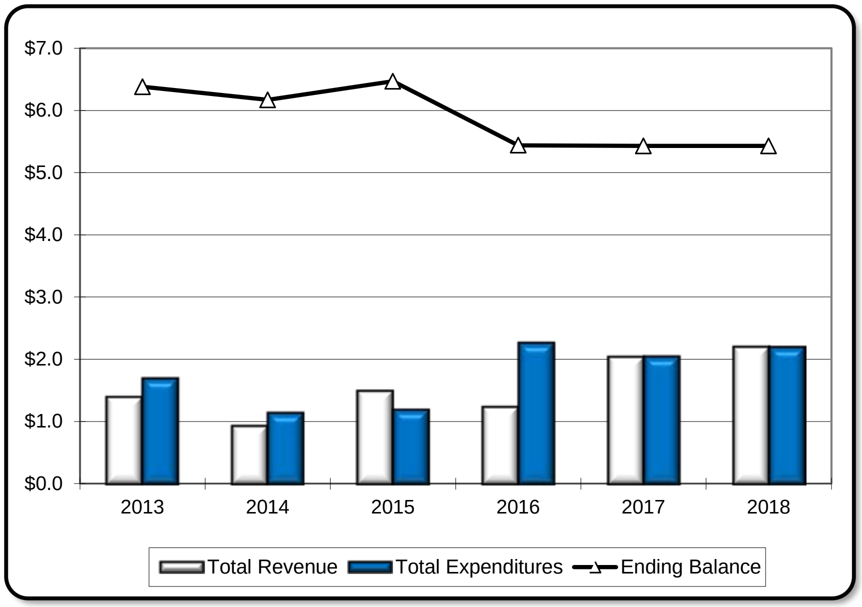


Figure 14

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.

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, 2017, and 2018, transfers of $2.3 million, $2.1 million, and $2.2 million will be needed to maintain the required minimum balance.

	2013 Actual	2014 Actual	2015 Estimate	2016 Budget	2017 Plan	2018 Plan
Beginning Balance	$6.7	$6.4	$6.2	$6.5	$5.4	$5.4
Investment Income	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Transfers	$1.4	$0.9	$1.5	$1.2	$2.0	$2.2
Total Revenue	**$1.4**	**$0.9**	**$1.5**	**$1.2**	**$2.0**	**$2.2**
Total Resources	**$8.1**	**$7.3**	**$7.7**	**$7.7**	**$7.5**	**$7.6**
Total Expenditures	**$1.7**	**$1.2**	**$1.2**	**$2.3**	**$2.1**	**$2.2**
Ending Balance	**$6.4**	**$6.2**	**$6.5**	**$5.4**	**$5.4**	**$5.4**

Figure 15

Supplemental Pension Fund

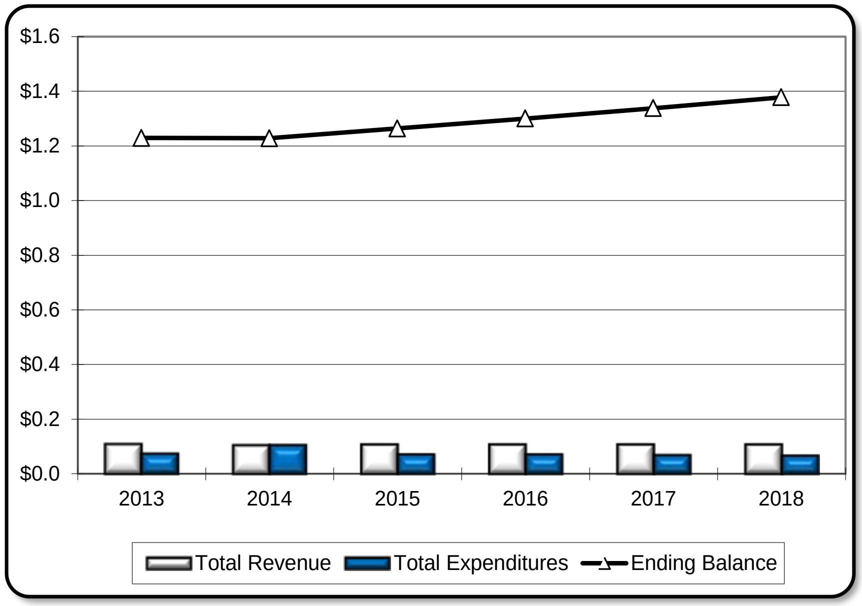


Figure 16

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 $100,000 will be made from the General Fund to support this effort in 2016, 2017, and 2018, 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 2014, payments were $74,676.. In 2015 totally payments of $70,500 were made. From 2016 through 2018, 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.

	2013 Actual	2014 Actual	2015 Estimate	2016 Budget	2017 Plan	2018 Plan
Beginning Balance	$1.2	$1.2	$1.2	$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**	**$1.3**	**$1.4**	**$1.4**	**$1.4**
Total Expenditures	**$0.1**	**$0.1**	**$0.1**	**$0.1**	**$0.1**	**$0.1**
Ending Balance	**$1.2**	**$1.2**	**$1.3**	**$1.3**	**$1.3**	**$1.4**

Figure 17

Fund Budgets

Law Enforcement Fund

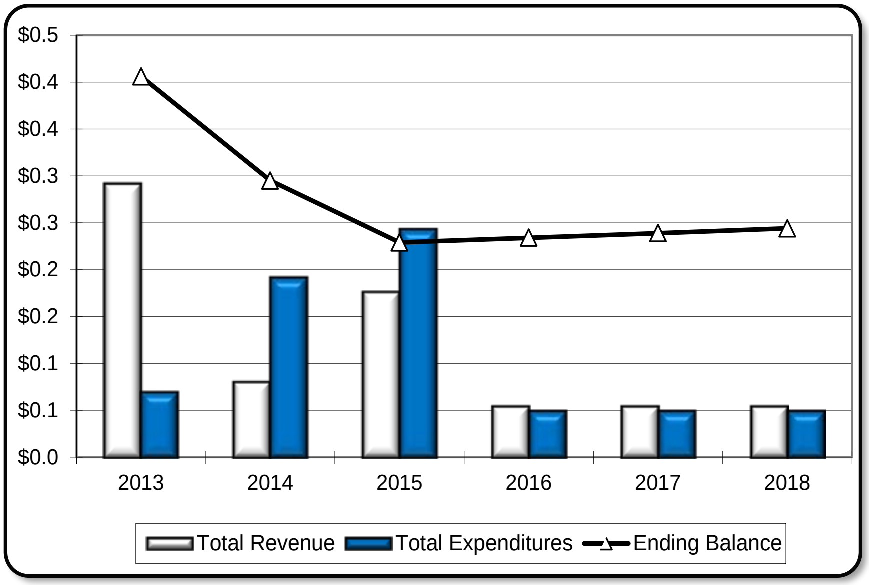


Figure 18

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.

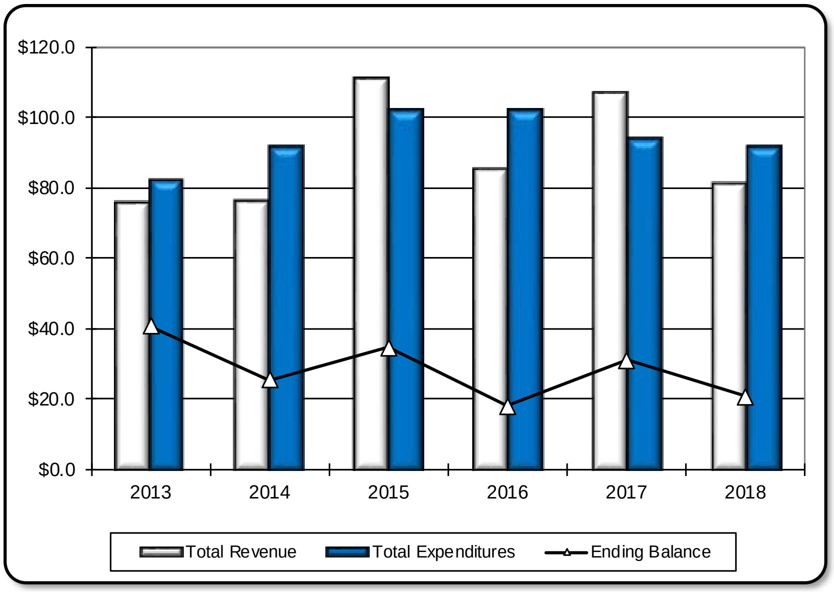
Revenue obtained through the Task Force can be expended for non-budgeted police items. The Authority primarily uses these proceeds for unbudgeted capital items. Furthermore, certain guidelines have been instituted by the State Attorney General's Office for the reporting of and disbursement of funds. 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 2016, 2017, and 2018 are from previously appropriated budget authority and encumbrances from prior years. The only other activities expected in this fund in FY 2016 are investment earnings of $125 and other revenue of $55,000.

	2013 Actual	2014 Actual	2015 Estimate	2016 Budget	2017 Plan	2018 Plan
Beginning Balance	$0.2	$0.4	$0.3	$0.2	$0.2	$0.2
Total Revenue	**$0.3**	**$0.1**	**$0.2**	**$0.1**	**$0.1**	**$0.1**
Total Resources	$0.5	$0.5	$0.5	$0.3	$0.3	$0.3
Total Expenditures	**$0.1**	**$0.2**	**$0.2**	**$0.1**	**$0.1**	**$0.1**
Ending Balance	**$0.4**	**$0.3**	**$0.2**	**$0.2**	**$0.2**	**$0.2**

Figure 19

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.

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 of 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. 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. The figure above and fund statement on the following page provides 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 available balance in the combined Capital Fund increased in 2011 due to the timing of the Federal grant awards that delayed some planned project activities until the following year and again in 2012 due to a new debt issuance and a pause in the Authority's capital program in preparation for a busy 2013 construction season which drew the fund balances down to $40.66 million. The fund balance further decreased in 2014, to $25.43 million as balances were drawn for capital activities then increased in 2015 due to a new debt sale. It is expected to again decrease to a projected $18.02 million in 2016 as programmed construction activities occur before increasing in the follow year as a result of planned debt service.

Fund Budgets

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 the fourth year of an on-going multi-year bus replacement program.

In 2016, the Capital Budget appropriation request totals $75.92 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 pending 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.

Capital Improvement Fund Balance Analysis

	2012 Actual	2013 Actual	2014 Estimate	2015 Budget	2016 Plan	2017 Plan
Beginning Balance	**28,043,855**	**46,726,229**	**40,656,567**	**29,051,093**	**31,002,464**	**12,078,302**
Revenue						
Transfer from General Fund	11,636,995	15,770,044	15,874,745	15,532,963	14,848,680	14,620,654
Investment Income	115,382	100,925	63,959	62,500	61,250	61,500
Federal Capital Grants	33,570,510	59,795,463	62,075,000	71,321,250	65,981,250	62,562,500
State Capital Grants	1,135,673	264,693	1,730,822	1,384,658	1,384,658	1,384,658
Debt Service	25,000,000	0	0	25,000,000	0	20,000,000
Other Revenue	3,424,859	0	0	0	0	0
Total Revenue	**74,883,419**	**75,931,125**	**79,744,526**	**113,301,371**	**82,275,838**	**98,629,312**
Total Resources	**102,927,274**	**122,657,354**	**120,401,093**	**142,352,464**	**113,278,302**	**110,707,614**
Expenditures						
Capital Outlay	56,201,045	82,000,787	91,350,000	111,350,000	101,200,000	90,850,000
Other Expenditures	0	0	0	0	0	0
Total Expenditures	**56,201,045**	**82,000,787**	**91,350,000**	**111,350,000**	**101,200,000**	**90,850,000**
Available Ending Balance	**46,726,229**	**40,656,567**	**29,051,093**	**31,002,464**	**12,078,302**	**19,857,614**

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 2016, the Transfer to Capital from the General Fund is budgeted at $15.58 million. It will slightly increase to $15.81 million in 2017 and to $15.93 million in 2018. 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.

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 80% of project costs with the remaining 20% 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% 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 projected $15.69 million at the end of FY 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 slightly decrease to a planned $15.58 million to meet the needs of the capital program in the upcoming year. This amount, when combined with an expected $223.01 million transfer to the Bond Retirement Fund will produce a total contribution of Sales & Use Tax revenue to capital of $38.59 million, or 18.2 percent of all Sales & Use Tax Revenue, again exceeding the Authority's maximum target goal of 15%.

Transfers to the Bond Retirement Fund to meet current debt needs of the Authority are expected to slightly increase in FY 2016 to $23.01 million before falling to $17.49 million in FY 2017 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, 18.2% and 15.3% of all Sales & Use Tax revenue will be directed towards the Authority's capital program and this measure will remain above the maximum goal of 15.0 percent in 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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