

2018 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 25)

- **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)
 - ❖ **RESERVE FUND** (Funding set aside for Operating and Capital purposes)
 - ❖ **MEDICAID SALES & USE TAX TRANSITION ACCOUNT** (Transition account for funding from the State of Ohio to compensate the Authority for loss of tax revenue from removal of Medicaid Managed Care Organizations from the tax base)

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 23

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 25 presents the combined fund balances of all the Authority's appropriated Funds (General, Capital Improvement, Bond Retirement, Insurance, Supplemental Pension, Law Enforcement, and Reserve Fund). 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 percent, 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 percent compared to receipts in 2014.

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 decreasing as Medicaid Managed Health Care was 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 exceed total revenues in the out years.

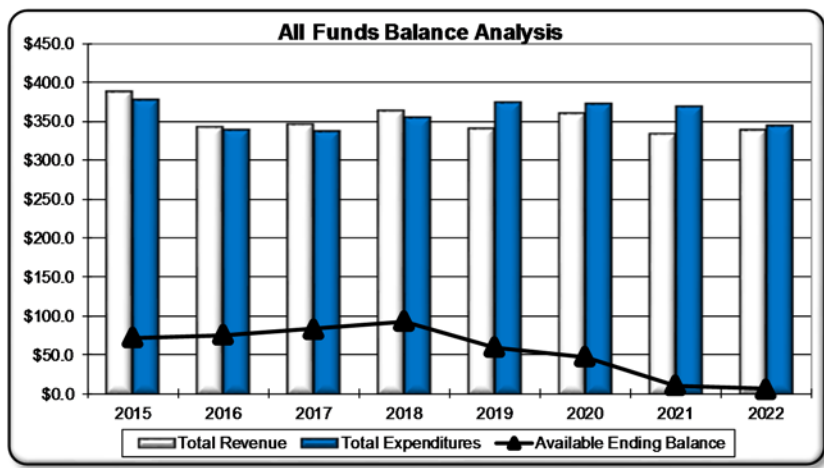


Figure 24

2018 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	RESERVE FUND
Beginning Balance	\$83,665	\$34,869	\$1,300	\$20,136	\$2,300	\$1,334	\$6,075	\$27	\$17,624
Revenues									
Passenger Fares	\$42,855	\$42,855							
Sales & Use Tax	\$197,794	\$197,794							
Federal	\$48,767			\$48,767					
State	\$16,519	\$15,134		\$1,385					
Investment Income	\$477	\$110	\$20	\$250	\$3	\$10	\$35	\$0	\$50
Other Revenue									
Advertising & Concessions	\$4,360	\$2,095							
Trolley Assistance		\$640							
Other Revenue		\$1,550						\$75	\$0
Debt Service Proceeds	\$52,685	\$22,685		\$30,000					
Transfer from General Fund			\$9,933		\$18,866	\$60	\$2,250		\$2,369
Transfer from RTA Capital Fund				\$6,934					
Transfer from Reserve Fund		\$0		\$2,000					
Total Revenues	\$363,457	\$282,863	\$9,953	\$89,336	\$18,868	\$70	\$2,285	\$75	\$2,419
Total Resources	\$447,121	\$317,732	\$11,253	\$109,472	\$21,168	\$1,404	\$8,360	\$102	\$20,043
Expenditures									
Personnel Services									
Salaries & Overtime	\$191,609	\$138,060							
Fringe Benefits		\$53,550							
Diesel Fuel	\$4,966	\$4,966							
Natural Gas	\$1,871	\$1,871							
Other Expenditures									
Claims and Premium Outlay	\$57,924				\$2		\$2,330	\$8	\$0
Benefit Payments						\$65			
Reserve Fund Expenses		\$55,520							
Capital Outlay									
Asset Maintenance	\$78,246		\$1,600	\$75,026					
Routine Capital			\$1,620						
Debt Service									
Principal	\$19,127				\$12,952				
Interest					\$6,175				
Transfer to Other Funds									
General Fund									\$0
Insurance Fund		\$2,250							
Supplemental Pension Fund		\$60							
Bond Retirement Fund		\$18,865							
RTA Capital Fund		\$9,933							
RTA Development Fund			\$6,934						\$2,000
Reserve Fund		\$2,369							
Total Expenditures	\$353,743	\$287,443	\$10,154	\$75,026	\$19,129	\$65	\$2,330	\$8	\$2,000
Available Ending Balance	\$93,378	\$30,289	\$1,099	\$34,446	\$2,039	\$1,339	\$6,030	\$94	\$18,043

Figure 25

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 due to the removal of Medicaid receipts from the sales tax base, decrease of passenger fare revenue, and increasing operating expenses, will present challenges for 2019 through 2022. The State of Ohio provided one-time financial assistance in 2017 and 2018 to cover losses from the sales tax.

In 2019, hard decisions will need be made, including a possible service reduction and increased sources of revenue, either from passenger fares or an increase in the Sales and Use Tax percentage. The Authority currently receives 1 percent of sales tax receipts in Cuyahoga County.

REVENUES

Revenue is received from a number of sources to support activity in the General Fund. A further 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. Over the past several years, ridership has slowly decreased and subsequently, Passenger Fare revenue has dropped. With the removal of the Medicaid receipts from the sales tax base, Sales & Use Tax dropped 2.3 percent in 2017 and is projected to decline another 7.5 percent in 2018. A 25-cent fare increase was scheduled for August 2018, however, this was postponed until further notice as the Board of Trustees and the Executive Management Team are discussing possible alternatives, including an increase in the sales tax percentage in Cuyahoga County. Any percentage increase in the sales tax would have to be voted upon in the November ballot.

Federal and State assistance for Paratransit, Trolleys, and Access to Jobs were discontinued in 2015. Total revenue for 2018 is expected to decrease by 4.6 percent from 2017 receipts, mainly due to Medicaid Managed Health Care being removed from the Sales and Use Tax base due to a Federal mandate. 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 26) 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. In 2001, the recession hit and Sales & Use Tax receipts decreased by 1.6 percent. 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 percent.

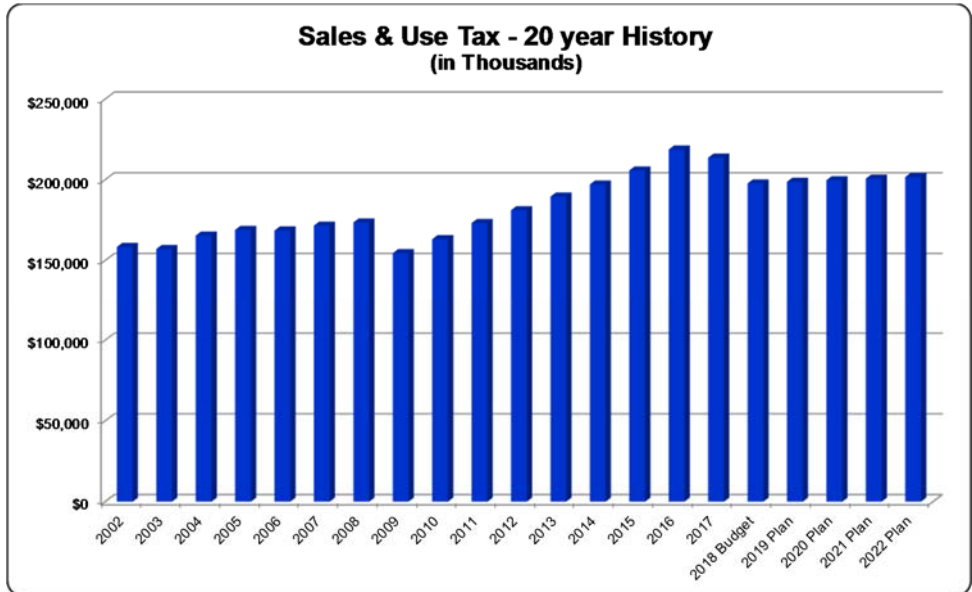


Figure 26

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. Beginning July 2017, the State removed the Medicaid portion of Managed Health Care from the sales tax base and is taxing all Managed Health Care under an Insurance Tax. This created a state-wide problem for all counties and agencies that collect sales tax. For 2017, Sales Tax receipts dropped \$5.0 million. The state identified one-time funding for counties and agencies for fiscal years 2017 and 2018. For 2018, the sales tax reduction projected to be \$15.9 million. In 2019, the receipts are expected to rebound by 0.5 percent, ending at \$198.8 million.

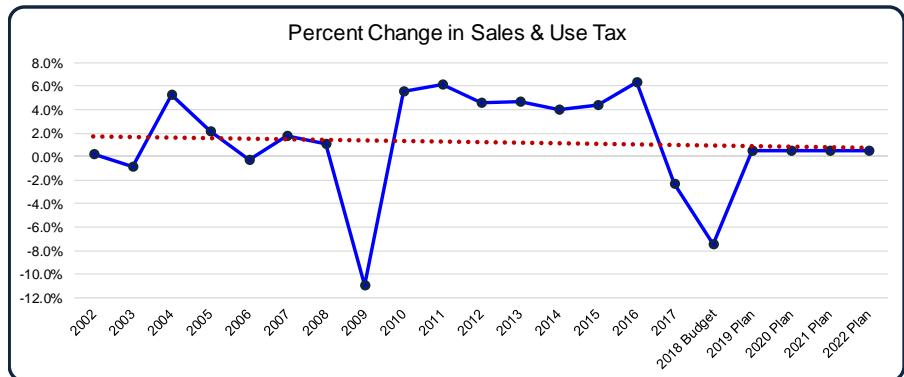


Figure 27

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 20-year history of Passenger Fare increases is below and refers to figure 28. 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 (25-cent increase) and January 2008 (25-cent increase), 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

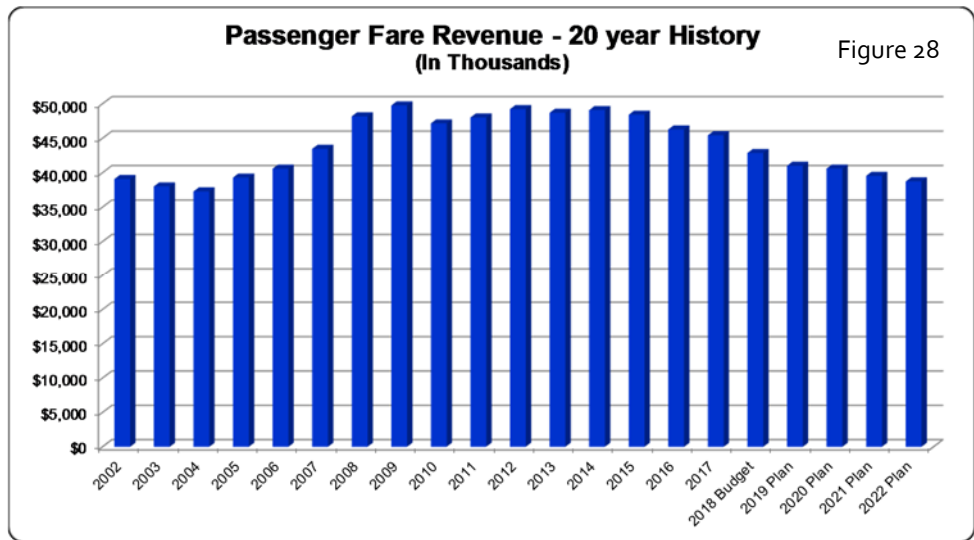


Figure 28

offset the significant increase in fuel prices, the Authority added a 50-cent fuel surcharge. The Federal and State governments provided operating assistance and the fuel surcharge was implemented into two 25-cent phases, the first beginning October 2008 and the second implemented in September 2009. With the Great recession of 2009, the fuel surcharge was permanently added as part of the fare in 1st Quarter 2010. 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, 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 25-cent 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. However, ridership for the remainder of the year slowly dropped and has continued to fall each year. Passenger Fare revenue for 2018 was originally budgeted at \$47.8 million, based upon 3rd Quarter estimates in 2017. However, Passenger Fare revenue for 2017 came in at \$45.4 million, a \$1.7 million reduction from 3rd Quarter estimates due to ridership decreases. The 2018 Budget was amended and Passenger Fare revenue was revised to \$42.9 million.

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 percent 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 \$42,156. Investment Income was projected at the end of the 3rd Quarter to increase to \$217,987, however ended the year at \$260,016 as ending balances remained high. As ending balances are budgeted to decrease in 2018, this revenue stream is budgeted at \$110,000 and projected to decrease each year from 2019 through 2022. 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 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 remained at \$1.5 million. A new contract was signed where guaranteed receipts would be received at the beginning of the contract year, which increased 2016 revenue to \$2.9 million. In this new contract, advertisements are heard 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 2018 is \$2.1 million. For 2019 through 2022, receipts are projected at the guaranteed levels for each year.

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. The Authority's goal is to keep Preventive Maintenance reimbursements at \$20 million or below. For 2017, Reimbursed Expenditures totaled \$22.8 million, of which \$20 million was from preventive maintenance reimbursements and \$1.1 million from state fuel tax reimbursements.

For 2018, \$22.1 million was originally budgeted, however additional funding from Medina will be received in 2018 for preventive maintenance, which was not originally budgeted. This includes \$20.6 million for Preventive Maintenance reimbursements and \$2.1 million for fuel tax reimbursements, reimbursed labor, and other reimbursements. For 2019, an increase of \$5 million for preventive maintenance is planned, which will then be reduced back to \$20 million in 2020 through 2022.

Other Revenues of \$1.6 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, most of which were Operators. 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 29 represents the General Fund Expenditures from 2015 through 2022, and the ending balances for each year.

For 2018, total operating expenditures were originally budgeted at \$259.7 million, a 5.2 percent increase over 2017 3rd Quarter estimates. During the 1st Quarter 2018, budgeted operating expenses were reviewed against 2017 year-end actuals. Savings of \$5.7 million were identified in operating expenses and \$7 million of savings were identified in transfers to other funds. The 2018 Amended Budget was presented to the Board of Trustees and approved in March.

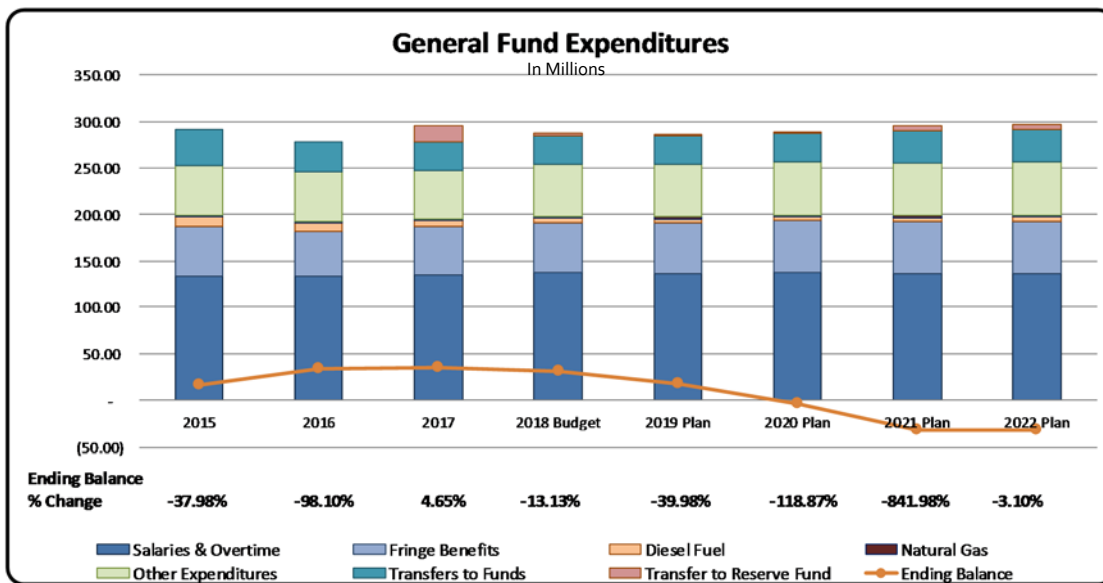


Figure 29

For 2016, 17.25 positions were added to the Operating Budget, for a total of 2,361.75 positions. This included 12 operator positions to alleviate shortages. Seven positions moved from Service Management into a new Intelligent Transportation Systems (ITS) Department. A Management Development Program (MDP) analyst position was eliminated, which reduced the total number of MDP positions to 4. A Return to Work Coordinator part-time position increased from 20 hours to 30 hours per week to assist the EEO Manager and 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 contracts ended in 2017 and negotiations continued through the year and into the 1st Quarter of 2018. A total of 30 positions were eliminated from the budget in 2017. A 3 percent service reduction was 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 was not filled as the State removed all Managed Health Care from the tax base rather than identifying a neutral fix.

In 2018, vacant positions were budgeted for only one-quarter of a year, increasing the vacancy rate and lowering the Salaries and Overtime budgeted. Total Operator positions were reallocated between the two bus districts and rail and only one FTE was removed from the 2018 budget. A Planning Team Leader position was reinstated and a Material Handler Leader position was created due to a grievance ruling. The Marketing Department was reorganized and 2 positions were removed, but a part-time intern position was added. In the Office of Management and Budget, an analyst position was exchanged for a Manager of Excellence position. A project specialist position was added to assist with the ISO 14001 and 55001 programs. Overall, for 2018, there was a budgeted increase of 0.3 FTE.

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 budgeted transfer to Bond Retirement Fund for 2018 is \$18.9 million and a \$30 million debt issuance is planned.

The transfer to the Capital Improvement Fund was reduced from \$11.9 million in the original 2018 budget to \$9.9 million in the 2018 Amended Budget and the debt issuance planned in the beginning of 2018 has

been postponed until late 2018, possibly early 2019. A transfer of

\$7.4 million was budgeted to the Reserve Fund for rolling stock, specifically rail cars, compensated absences, hospitalization, and 27th pay. The 2018 Amended budget eliminated the \$5 million budgeted for the rolling stock for 2018, 2019, and 2020. Hospitalization and compensated absences are still being reviewed to identify any additional savings in 2018. Each of the set-aside funds are explained in further detail on the following pages.

Employment Level and Service Level Changes				
FY	2015	2016	2017	2018
Positions	2,344.50	2,361.75	2,332.25	2,332.50
Net Increase (Decrease)	(4.0)	17.3	(29.5)	0.3
	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)	Total Operator positions reallocated between Rail and Bus, down 1 FTE compared to 2017; Reinstated a Planning Team Leader position; Added 1 Material Handler Leader position due to a grievance ruling; Reduced 2 Marketing positions and added a Part-Time Intern position as the Department reorganizes; Added 2 positions and reduced 1 position in OMB as the Department is reorganized;
Service Increase (Decrease)	(0.7%) Service Hours; (2.3%) Service Miles	(0.8%) Service Hours; (0.8%) Service Miles	(1.6%) Service Hours; (2.4%) Service Miles	(3.0%) Service Hours; (2.7%) Service Miles
	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	3% Service Reduction planned for bus and rail starting in March. A pilot program for Paratransit is planned for 2018 using Uber and Lyft. The Vanpool program, which began in 2017, will continue in 2018.

Figure 30

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 2017, the Authority has one General Obligation (G.O.) Bond Issue outstanding and five bond issuances against Sales Tax revenue for a total outstanding debt of \$143.4 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 31 and 32, 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.

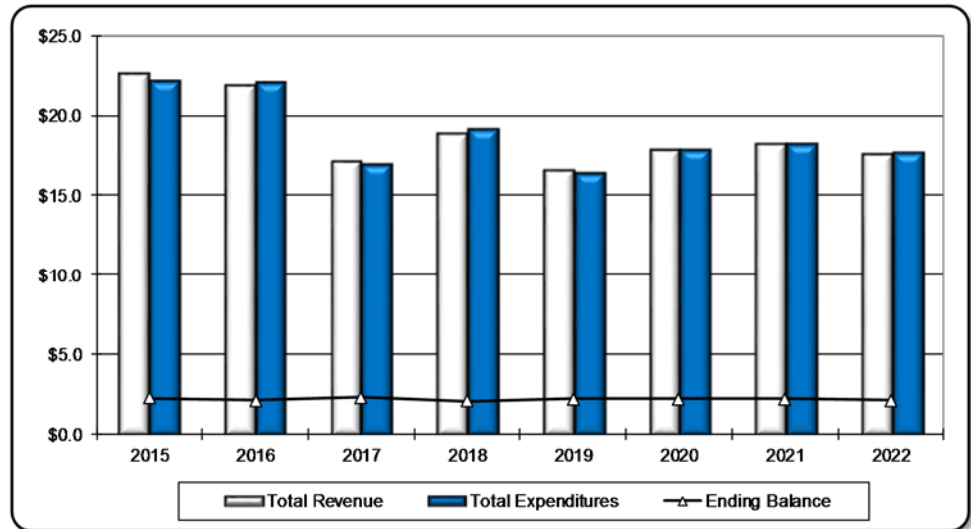


Figure 31

Long-term debt for the Authority includes both debt and refunding debt sales from 2008 through 2016. These include a combined \$141.3 million issuance of revenue bonds, \$2.1 million issuance of General Obligation (G.O.) bonds, and a planned debt issuance of \$30 million at the end of FY 2017. Total debt requirement for FY 2018 is \$16.9 million and an additional \$2 million to cover the ending balance needed for 1/12 of the principal and 1/6 of the interest for FY 2019. Required transfers from the General Fund to make these payments are reduced by interest earned in the Bond Retirement Fund. In 2017, a transfer of \$17.0 million was required from the General Fund to cover the current overall debt service of the Authority. In 2018, a transfer of \$18.9 million is needed. For 2019 through 2022, transfers of \$16.6 million, \$17.9 million, \$18.2 million, and \$17.6 million are planned, respectively. New debt issuances of \$25 million are planned for 2020 and 2022.

	2015 Actual	2016 Actual	2017 Actual	2018 Budget	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Beginning Balance	\$1.8	\$2.3	\$2.1	\$2.3	\$2.0	\$2.2	\$2.2	\$2.2
Revenue	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Fund Transfers	\$22.6	\$21.9	\$17.0	\$18.9	\$16.6	\$17.9	\$18.2	\$17.6
Total Revenue	\$22.6	\$21.9	\$17.1	\$18.9	\$16.6	\$17.9	\$18.3	\$17.6
Total Resources	\$24.4	\$24.2	\$19.2	\$21.2	\$18.7	\$20.1	\$20.5	\$19.8
Total Expenditures	\$22.1	\$22.1	\$16.9	\$19.1	\$16.4	\$17.9	\$18.3	\$17.7
Ending Balance	\$2.3	\$2.1	\$2.3	\$2.0	\$2.2	\$2.2	\$2.2	\$2.1

Figure 32

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.

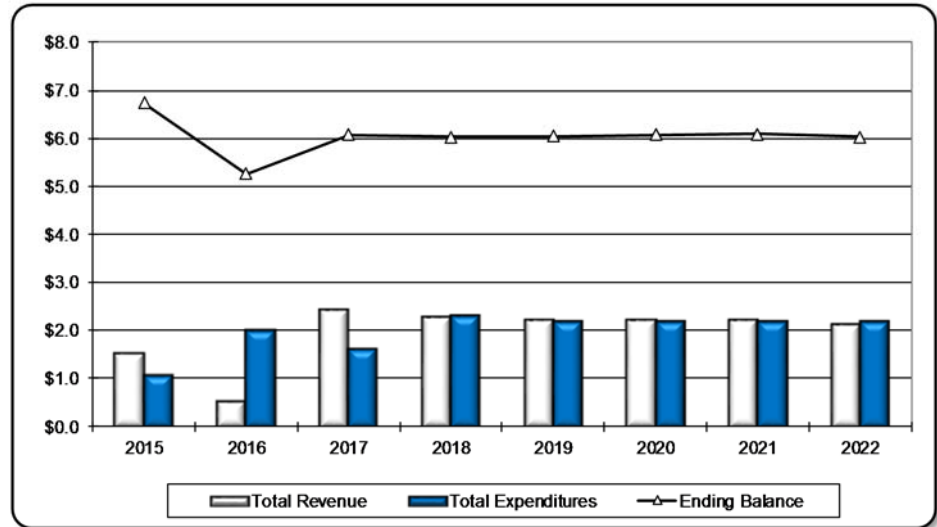


Figure 33

In 2016 and 2017, transfers of \$0.5 million and \$2.4 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 2018, a transfer of \$2.25 million will be needed to cover insurance premiums and claims and maintain the \$5.0 million ending balance. For 2019 through 2021, transfers of \$2.2 million are planned each year to cover costs and maintain the required ending balance. The transfer will drop slightly in 2022, to \$2.1 million to maintain the ending balance.

	2015 Actual	2016 Actual	2017 Actual	2018 Budget	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Beginning Balance	\$6.3	\$6.7	\$5.3	\$6.1	\$6.0	\$6.1	\$6.1	\$6.1
Investment Income	\$0.0	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Transfers	\$1.5	\$0.5	\$2.4	\$2.3	\$2.2	\$2.2	\$2.2	\$2.1
Total Revenue	\$1.5	\$0.6	\$2.5	\$2.3	\$2.2	\$2.2	\$2.2	\$2.1
Total Resources	\$7.8	\$7.3	\$7.7	\$8.4	\$8.3	\$8.3	\$8.3	\$8.2
Total Expenditures	\$1.1	\$2.0	\$1.6	\$2.3	\$2.2	\$2.2	\$2.2	\$2.2
Ending Balance	\$6.7	\$5.3	\$6.1	\$6.0	\$6.1	\$6.1	\$6.1	\$6.0

Figure 34

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. A transfer of \$75,000 was made from the General Fund in 2017 to support this effort.

For 2018, a transfer of \$60,000 is budgeted. For the out years, the planned transfers are decreasing slightly each year as the benefit payments have also been decreasing over the past few years. To maintain the stable ending balance, transfers of \$60,000; \$55,000; \$55,000; and \$50,000 are planned for 2019 through 2022, respectively.

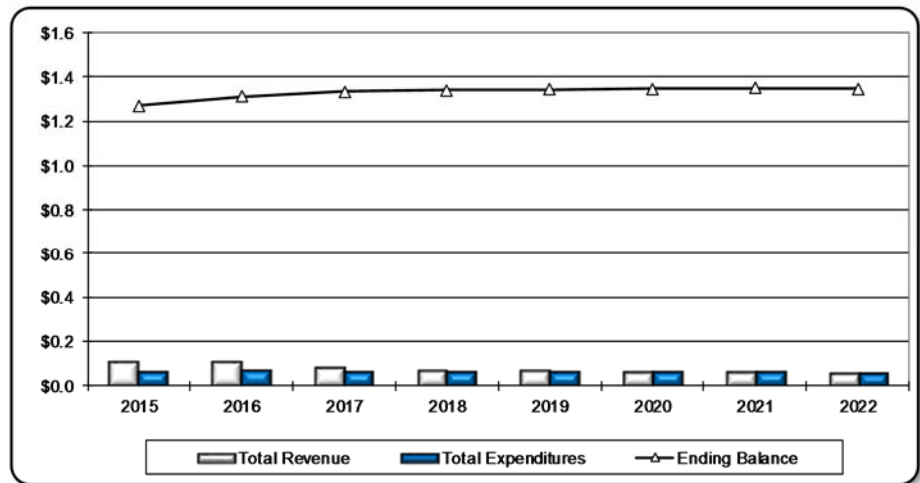


Figure 35

Benefit payments from this fund from 2015 through 2017 have ranged from a high of \$69,070 in 2016 to a low of \$63,777 in 2017. For 2018, payments of \$65,000 are budgeted. For 2019 through 2022, payments are planned at \$65,000; \$63,000; \$63,000; and \$61,000, respectively.

	2015 Actual	2016 Actual	2017 Actual	2018 Budget	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Beginning Balance	\$1.2	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3
Total Revenue	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Total Resources	\$1.3	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
Total Expenditures	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Ending Balance	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3

Figure 36

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 include equipment and training. For 2018, total revenue of \$0.1 million is budgeted..

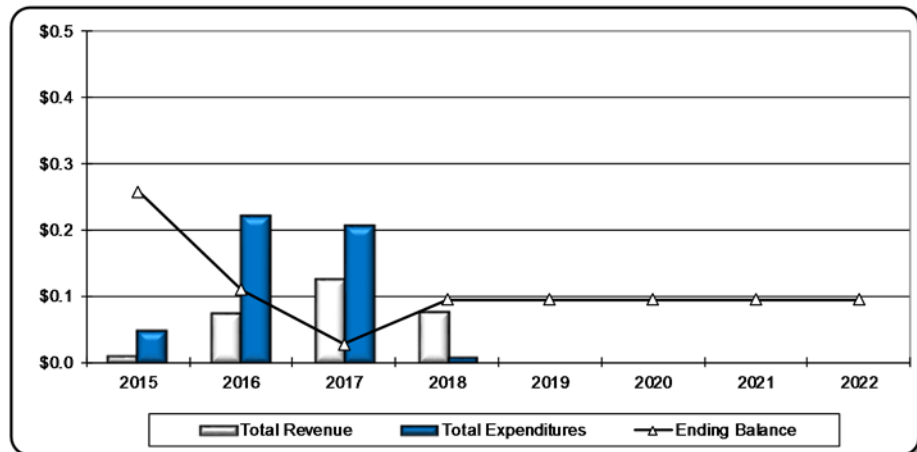


Figure 37

	2015 Actual	2016 Actual	2017 Actual	2018 Budget	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Beginning Balance	\$0.3	\$0.3	\$0.1	\$0.0	\$0.1	\$0.1	\$0.1	\$0.1
Total Revenue	\$0.0	\$0.1	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0
Total Resources	\$0.3	\$0.3	\$0.2	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Total Expenditures	\$0.0	\$0.2	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Ending Balance	\$0.3	\$0.1	\$0.0	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1

Figure 38

RESERVE FUND

In 2017, the Authority created a Reserve Fund to set aside funding for cost increases in fuel and hospitalization, increases in compensated absences, prepare for a 27th pay period, and reserve local funding needed for rolling stock replacement, specifically, rail cars.

The amount of transfers needed are based upon specific goals:

- Fuel Reserve: Up to 10% of total fuel costs from prior year
- Hospitalization Reserve: Up to 10% of annual hospitalization/prescription costs from previous year
- Compensated Absence Reserve: up to 25% of accrued liability from previous year
- 27th Pay Reserve: 1/12th of Annual 27th Pay costs for each of the hourly and salary payrolls
- Rolling Stock Replacement Reserve: At least \$5 million added to the reserve fund each year

Once a reserve has met the goal, no additional funding will be needed in the transfer. During a budget year, if expenses exceed the budget, funding can be transferred from the Reserve Fund back to the General Fund to increase the appropriation and expensed. For 2018, a \$2 million transfer is budgeted from the Reserve Fund to the RTA Development Fund for a new Rail locomotive.

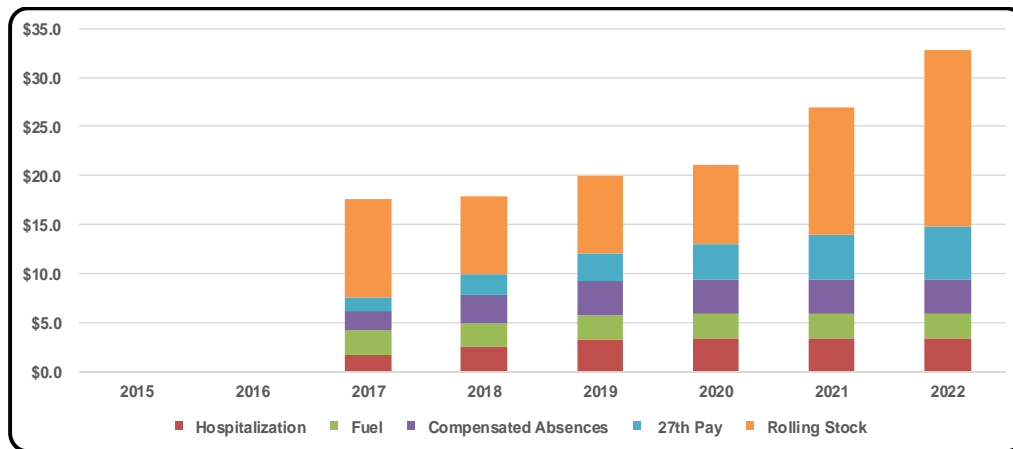


Figure 39

	2015 Actual	2016 Actual	2017 Actual	2018 Budget	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Beginning Balance	\$0.0	\$0.0	\$0.0	\$17.6	\$18.0	\$20.2	\$21.3	\$27.2
Revenues & Transfers In:								
Investment Income	\$0.0	\$0.0	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Hospitalization	\$0.0	\$0.0	\$1.8	\$0.7	\$0.7	\$0.1	\$0.0	\$0.0
Fuel	\$0.0	\$0.0	\$2.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Compensated Absences	\$0.0	\$0.0	\$1.9	\$0.9	\$0.7	\$0.0	\$0.0	\$0.0
27th Pay	\$0.0	\$0.0	\$1.4	\$0.7	\$0.7	\$0.9	\$0.9	\$0.9
Rolling Stock	\$0.0	\$0.0	\$10.0	\$0.0	\$0.0	\$0.0	\$5.0	\$5.0
Total Revenues	\$0.0	\$0.0	\$17.6	\$2.4	\$2.2	\$1.1	\$5.9	\$5.9
Total Resources	\$0.0	\$0.0	\$17.6	\$20.0	\$20.2	\$21.3	\$27.2	\$33.1
Transfers Out:								
General Fund (Hospitalization)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
General Fund (Fuel)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
General Fund (Compensated Absences)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
General Fund (27th Pay)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
RTA Development Fund (Rolling Stock)	\$0.0	\$0.0	\$0.0	\$2.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Expenditures	\$0.0	\$0.0	\$0.0	\$2.0	\$0.0	\$0.0	\$0.0	\$0.0
Ending Balance	\$0.0	\$0.0	\$17.6	\$18.0	\$20.2	\$21.3	\$27.2	\$33.1

Figure 40

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.

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.

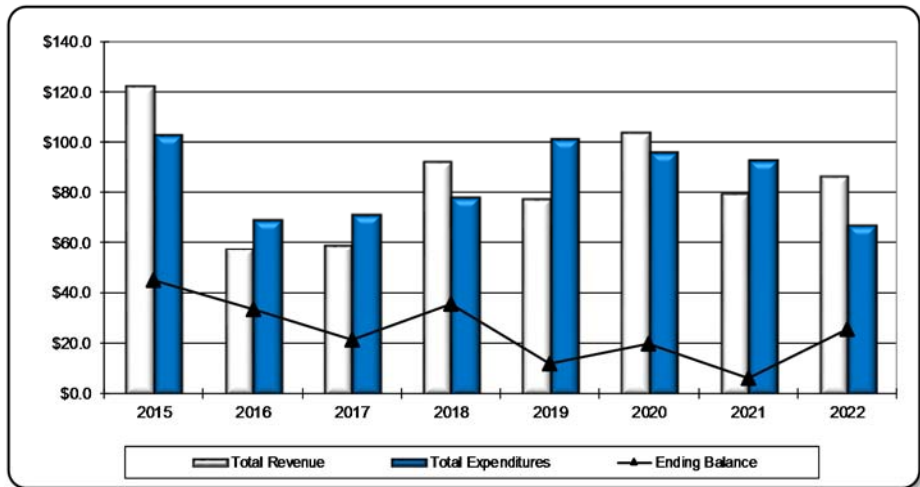


Figure 41

Capital projects included in the RTA Capital Fund are generally less than \$150,000, have a useful life between 1 and 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 41 and 42 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, "Sale to Lease" transaction or a Capital Lease transaction.

The fund balance decreased in 2017 to \$21.4 million, from \$33.1 million in 2016, as balances were drawn for capital activities. The ending balance is budgeted to increase in 2018 as a new debt sale is planned.

	2015 Actual	2016 Actual	2017 Actual	2018 Budget	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Beginning Balance	\$25.4	\$44.6	\$33.1	\$21.4	\$35.5	\$11.8	\$19.7	\$6.2
Total Revenue	\$122.1	\$57.6	\$59.4	\$92.4	\$77.5	\$103.6	\$79.4	\$86.4
Total Resources	\$147.5	\$102.2	\$92.5	\$113.8	\$113.0	\$115.4	\$99.1	\$92.7
Total Expenditures	\$102.9	\$69.1	\$71.1	\$78.2	\$101.2	\$95.7	\$92.9	\$67.1
Ending Balance	\$44.6	\$33.1	\$21.4	\$35.5	\$11.8	\$19.7	\$6.2	\$25.5

Figure 42

The high level of capital activity by the Authority, begun in the 1990's 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 2018, the Capital Budget appropriation request totals \$115.94 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 the 2018 Amended Budget, the Transfer to Capital from the General Fund is budgeted at \$9.9 million, a reduction of \$2 million from the original 2018 Budget. The transfer is planned to increase to \$12.1 million in 2019. For 2020 through 2022, transfers of \$10.8 million, \$13.6 million, and \$14.4 million are planned. 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.

Transfers to Capital and Bond Retirement Funds to meet current debt needs of the Authority are planned to be maintained at \$28.8 million for 2018 and 2019. This transfer will 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, 13.5 percent in 2018 and 14.2 percent in 2019 of all Sales & Use Tax revenue will be directed towards the Authority's capital program, which is above the minimum goal of 10 percent in the out-years.

With several unfunded projects in the Capital Plan, there is an 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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