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EXECUTIVE SUMMARY

SCOPE OF WORK

WSP was tasked by the Greater Cleveland Partnership (GCP) to conduct a Financial Analysis and Economic Forecast for the Greater Cleveland Regional Transit Authority (RTA). This work is just one component of the several studies RTA has underway to build a new vision for the system. The WSP study is complementary to those efforts.¹ To guide and support the study, GCP created a RTA Task Force comprised of business leaders interested in the topic and with expertise in RTA’s core functions (i.e. – operations, logistics, finance, etc.). The study aims to answer six broad research questions:

1. How does RTA compare to its peers?
2. What are the economic and market risks RTA faces?
3. What are the financial issues RTA faces?
4. What potential efficiencies could increase financial performance, and what strategies could maximize revenue?
5. What are current Key Performance Indicators and what processes and/or other indicators can be implemented?
6. What are current and potential future local funding mechanisms for transit?

This executive summary presents the key findings for each of these questions, the main recommendations, additional context regarding transit ridership trends, and next steps.

KEY FINDINGS

The table below presents the study’s key findings on each research question and a rating of RTA’s relative performance.

<table>
<thead>
<tr>
<th>Research Question</th>
<th>Key Findings</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benchmarking</strong></td>
<td>On par with peers, except for administrative and paratransit costs; rail service volume is high compared to ridership.</td>
<td>⬤</td>
</tr>
<tr>
<td><strong>Economic and Market Risks</strong></td>
<td>Future of rapid transit in Cuyahoga County is tied to regional planning and economic development</td>
<td>⬤</td>
</tr>
<tr>
<td><strong>Financial Issues</strong></td>
<td>Operational budget appears to be balanced based on RTA’s assumptions</td>
<td>⬤</td>
</tr>
<tr>
<td>Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>Significant funding gaps for railcar and rail infrastructure replacement.</td>
<td>⬤</td>
</tr>
<tr>
<td><strong>Cost Efficiencies and Revenue Opportunities</strong></td>
<td>Up to $21 million in savings and $8 million in additional revenues can be achieved by implementing recommendations</td>
<td>⬤</td>
</tr>
<tr>
<td><strong>Key Performance Indicators</strong></td>
<td>Strong KPI system, but need to improve public transparency and internal communication</td>
<td>⬤</td>
</tr>
</tbody>
</table>

¹ RTA is currently conducting four complementary “pillar studies:” a Fare Study, an Economic Impact Study, a Service Redesign Study and a Rail Car Study.
CONCLUSIONS AND RECOMMENDATIONS

The following recommendations emerged from the study:

1 **Benchmarking**: RTA’s operational performance offers a mixed picture, with high-performing services (Bus Rapid Transit: the HealthLine) countered by services that are not in line with peers with respect to costs (local bus) or ridership (rail services). Additionally, administrative costs at the agency level appear to be higher than most peers. From a governance standpoint, RTA’s Board would benefit from limiting the number of terms and eliminating the stipend for Board members.

2 **Economic and Market Risks**: RTA is facing risks related to its funding (reliance on federal grants and local sales and use tax), its operations (declining ridership), its assets (underfunded rail infrastructure and need for costly rail vehicle replacement) and broad regional trends (dispersion of jobs and population centers). Opportunities to mitigate these risks, based on stakeholder input, include new CEO leadership who could foster positive change within the agency; the local bus redesign study that could improve operational efficiencies, especially if done collectively with transportation network companies (i.e. -Uber, Lyft); and, while less certain, the recent population growth in downtown Cleveland that could create more interest in using transit.

3 **Financial Issues**: RTA’s financial outlook shows limited deficits in the operating budget. However, projected costs of replacing new rail vehicles ($240 million, per RTA) and meeting other unfunded maintenance needs, primarily related to the rail system, far exceed available capital revenues.

4 **Cost Efficiencies and Revenue Enhancement Strategies**: Cost reduction strategies, relying on privatization and internal reorganization, could lead to potential savings of $21 million per year, while additional revenues could amount to $8 million through ridership recovery with local bus system redesign and reinvestment in the rail system. To support its rail infrastructure, the region should consider as a priority long-term coordination of RTA’s service development and capital investments with governmental, business, and non-profit entities to direct economic development toward rail station areas, which are currently underutilized.

5 **Key Performance Indicators**: RTA has successfully developed advanced performance reporting systems. To enhance its performance-based management, reputation and transparency, RTA should share its goals and results both internally with all its employees and externally with its riders and the public.

6 **Revenue Sources and Options to Bridge Funding Gaps**: Among various local revenue sources used to fund transit across the U.S., RTA has the ability to levy sales-and-use and property taxes at the county level. Based on RTA’s assessment of its capital needs, substantial funding increases are needed to recapitalize its rail infrastructure and replace its trainsets. What is uncertain is if that increased funding to cover the capital shortfall will yield a high return-on-investment in terms of increased ridership.

**ADDITIONAL CONTEXT: RIDERSHIP TRENDS**

RTA’s ridership declined 31% between 2007 and 2017, which continues a long-term pattern of decline. The agency’s ridership has fallen by more than 75% since its peak in 1980, in parallel with the decrease in the number and density of residents and jobs in Downtown Cleveland and along RTA’s rapid transit corridors. Many local factors contributed to RTA’s ridership decline: population loss and outmigration,
changing development and employment patterns, and the aging of the region’s population. Key factors contributing to a decline in transit ridership nationwide include higher automobile ownership, low fuel prices, and increased competition in the urban transportation market (such as Uber and Lyft). The dispersion of jobs and residents, including transit-dependent populations, throughout Greater Cleveland have made it increasingly challenging for RTA to serve the region efficiently. At the same time, the city of Cleveland is among the American cities with the lowest car ownership: in 2016, 23.6% of households in Cleveland did not own a car, leading to a significant population depending on transit to access jobs increasingly located in the outer reaches of the county.

**NEXT STEPS**

RTA and the Greater Cleveland region are at a crossroads. Based on this report, the business community will be able to weigh the trade-offs among the available options for transit operations. Without additional funding, RTA’s rail service risks being gradually curtailed as key infrastructure becomes unsafe for operation, eventually limiting its services to Bus Rapid Transit (BRT), local bus services, and paratransit service for people with disabilities. With additional funding and coordination across sectors (government, business, non-profit), the region could reorient economic development toward areas served by the region’s rail infrastructure asset.

Many metropolitan areas in the United States are currently investing billions of dollars to develop rail transit systems similar to the network that already exists in Cleveland. For significantly less investment, RTA could bring their rail infrastructure to a high performing standard. RTA’s HealthLine BRT provides a local example of the ability of a transit system to generate economic benefits and to attract and shape transit-oriented development. Scaling this type of development strategy across the rail infrastructure is needed to maximize the investment. Greater Cleveland needs an aligned economic development strategy to enhance the use of RTA’s rapid transit system. Regional support for additional transit funding should be coupled with other reforms and investment along the rapid transit corridors.
1 PURPOSE

WSP was tasked by the Greater Cleveland Partnership (GCP) to conduct a Financial Analysis and Economic Forecast for the Greater Cleveland Regional Transit Authority (RTA). To guide and support the study, GCP created an RTA Task Force consisting of business members interested in the topic, who provided guidance throughout the study development. The study aimed to answer six broad research questions:

1. How does RTA compare to its peers?
2. What are the economic and market risks RTA faces?
3. What are the financial issues RTA faces?
4. What potential efficiencies could increase financial performance, and what strategies could maximize revenue?
5. What are current Key Performance Indicators and what processes and/or other indicators can be implemented?
6. What are current and potential future local funding mechanisms for transit?

2 BACKGROUND

A strong transit system depends on connecting high population-and-employment-density corridors, where many residents and workers are located within a short walk of a transit stop, feeding a thriving, high-density downtown employment district, ideally with hundreds of thousands of jobs located within just a few square miles of the region’s main transit hub. Both Downtown Cleveland and the key transportation corridors that RTA serves have experienced a decline in the number and density of residents and jobs since 1980, making it increasingly challenging for RTA to serve the region efficiently.

POPULATION, JOBS AND RIDERSHIP TRENDS

Between 1980 and 2017, Cuyahoga County’s population fell from 1.49 to 1.26 million, a loss of 13%. Many residents left the region while others moved to surrounding counties, most of which have added population since 1980. The City of Cleveland has suffered even greater population loss, falling from 574,000 residents in 1980 to an estimated 386,000 in 2017, a loss of 33%. A loss of population density accompanied the population loss. Population density in Cuyahoga County fell from more than 5.1 persons per acre in 1980 to 4.8 in 2000 and 4.3 in 2017. The loss was even greater within the City of Cleveland, where density fell from 11.5 residents per acre in 1980 to 9.6 in 2000, with further decline to 7.8 in 2010.

RTA’s ridership declined 31% between 2007 and 2017, part of a long term-decline that has seen the agency’s ridership fall by more than 75% since it reached its peak in 1980. There are many factors contributing to RTA’s ridership decline, including local factors such as population loss and outmigration, changing development and employment patterns, the aging of the region’s population, as well as nationwide factors such as higher automobile ownership, low fuel prices, and increasing competition brought by Transportation Network Companies like Uber and Lyft.
At the same time, Cleveland is among the American cities with the lowest car ownership: in 2016, 23.6% of households in the city did not own a car, which is similar to Baltimore, Detroit, Pittsburgh or Chicago. This is not a result of high residential density and access to transit, rather, it is due to factors such as Cleveland’s higher poverty rate and lower median age compared to the rest of Cuyahoga County. Car-free households in Cleveland generally appear not financially able to own a car, which causes them to become transit-dependent, even if driving might be their preferred mobility option and would enhance their access to jobs.

Regional population trends suggest that factors other than population underpin RTA’s loss of ridership. While RTA ridership in the last decade fell concurrently with population decline in Cleveland and Cuyahoga County, RTA ridership fell at a significantly higher rate. RTA ridership shrank by nearly a third, as city and county population fell by 2% and 4%, respectively. This is shown in Figure 2, which illustrates the changes in population density from 1990 to 2017, using a combination of decennial Census and 5-Year American Community Survey (ACS) data. While population started declining in 1970s, it was the decade between 2000-2010 that showed the most noticeable, significant loss of population. This loss continued at a slower rate between 2010 and 2017.

Population loss has been greatest within the City of Cleveland’s east side, where RTA has its greatest concentration of high-capacity transit lines, including the eastern half of the Red Line rail rapid transit line and the inner portions of the Blue and Green Lines light rail service and the HealthLine BRT. Since 2010, a handful of areas have begun to regain population, predominantly Cleveland’s near west side, but these are exceptions to a long-term and on-going pattern of declining population and development density within the county.

Changing job locations and employment patterns in key industries, and more recently—the nature of work itself, are another major factor contributing to ridership decline. RTA’s system was designed to accommodate commuters traveling between suburbs and city neighborhoods and the region’s central employment hub, downtown Cleveland. However, downtown Cleveland employment has declined by more than half since 1980. This loss of downtown jobs is due to many factors, including the region’s loss of corporate headquarters offices, decline of downtown retail, relocation of jobs to suburban locations, reduced workforces in industries like banking and financial services, increasing regional employment in health care and other non-downtown oriented industries, and construction of the baseball stadium and arena in the Gateway District project in the 1980s and 90s, which occupies roughly one-third of the downtown Cleveland footprint.

Recently, downtown Cleveland has shifted from the role of central business or employment district to a central entertainment district with restaurants replacing storefronts and office space repurposed or replaced by hotels and residences. Downtown lost nearly 17% employment between 2002 and 2015. Currently downtown employment consists of fewer than 90,000 workers. Meanwhile, the number of downtown residents has more than doubled, from fewer than 7,300 in 1990 to more than 15,000 today. The recent repurposing to residential use of much of the Terminal Tower, Cleveland’s iconic downtown building at the heart of the city, symbolizes this functional shift. The residential growth in downtown Cleveland makes it more attractive and vibrant, but downtown residents tend to live within walking distance of their workplaces, they can afford cars to travel to workplaces outside the downtown area, and transit service may not adequately serve their suburban employment destinations, thus contributing little

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2 Source: Census Bureau’s American Community Survey (ACS) one-year estimates
3 Source: LEHD 2002-2015
to transit ridership. **Figure 2-1** illustrates how limited high population and job density areas that support transit are in Cuyahoga County.

**Figure 2-1: Population and Jobs Density by Census Block group with RTA System Redesign - High Frequency Network Concept**

Source: 2015 ACS, 2015 Longitudinal Employer-Household Dynamics (LEHD)
Figure 2-2 shows Cleveland area locations that have gained and lost the largest number of employees between 2002 and 2015. As the series of maps shows, Downtown Cleveland has seen the greatest loss of jobs in the region, while most of the growth occurred in low-density, outer suburbs, locations that are virtually impossible for public transit to serve efficiently.

Figure 2-2: Population Density by 1990, 2000, 2010, and 2017 in Cuyahoga County

Note: Standardized to 2010 Census Block Groups by IPUMS NHGIS, University of Minnesota
While other factors influence demand for transit service, the combined population and employment density is a strong indicator of the level of transit service that an area can support. **Figure 2-3**, shows the combined population and employment density in 2015, color coded by the minimum combined population and employment density required to support various levels of transit service, from infrequent local bus service/alternative service to high-capacity rail and Bus Rapid Transit services. Aside from the two highest density locations – downtown Cleveland and greater University Circle area, most block groups in the county lack the combined population and employment density to support more than infrequent local bus service (where buses operate on headways, or intervals between buses, of 30 minutes or more) or alternative transit services like subsidized taxi or TNC service. Density is notably low around most of RTA’s rapid transit stations and high-frequency bus corridors, except for parts of the HealthLine corridor and the rapid stations in University Circle.

**Figure 2-3: Job Change by Census Block group with Existing RTA Network**

Source: 2002-2015 LEHD

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Note: While developed to provide guidance for Canadian cities, the guidelines are applicable to US cities and often are used in analyzing US transit markets.
# 3 PEER BENCHMARKING

## 3.1 OVERVIEW

The purpose of the peer benchmarking analysis is to evaluate RTA’s performance-based financial operating and service characteristics. RTA’s capital program is reviewed in sections 5 and 8 of this report.

The peer benchmarking analysis was developed based on the National Transit Database (NTD), the best data publicly available for all transit agencies. The Federal Transit Administration (FTA) mandates that transit agencies receiving federal funds must report certain information to the NTD in accordance with uniform reporting standards. Despite FTA’s guidance and oversight, it is impossible to guarantee that all agencies have the same interpretation of FTA’s reporting standards. The peer analysis conducted for this study assumes that minor discrepancies in reporting methodology across different peers will be normalized by focusing on comparison between RTA and the peer average. Additionally, the analysis focuses on fiscal year (FY) 2017 reporting due to the two-year lag in NTD reporting.

Governance data were reviewed using reference documents for RTA and its peers because this information is not covered in the NTD.

## 3.2 PEER SELECTION

RTA has a unique mix of transit modes (i.e., local bus, light-rail, heavy rail and Bus Rapid Transit) compared to other agencies of its size. The peer analysis benchmarked RTA against different groups of similarly-sized agencies for each transit mode to ensure appropriate comparison within each mode. The peer selection process for the benchmarking element of the study is based on the following methodology:

The WSP Team assembled an initial list of more than twenty peer agencies based on previous studies conducted by GCP (such as the GCP Tax Study) and consultation with RTA. The initial list was vetted by the WSP Team using NTD data and knowledge of the industry, and finalized based on input from the GCP Task Force.

RTA transit service includes local bus, BRT, heavy rail, light rail and paratransit service. RTA’s mix of modes is unique for an agency of its size, therefore a true peer agency with similar characteristics and the same variety of modes does not exist. As such, the WSP Team identified a core group of comparable peer agencies based on local bus service, some of which also offer light rail service of a similar scope to RTA. To support a robust analysis across all of RTA’s transit service modes, additional peer agencies were added to bolster the benchmarking analysis of the non-local bus modes: BRT, heavy rail, and light rail.

The criteria used to evaluate peers were based on type of transit service offered and regional characteristics.

*Type of Service Offered:* The modes operated by the agency; the overall size of operations (based on ridership and operating expenses); the size of specific transit mode services (local bus, BRT, light rail, heavy rail).
**Regional Characteristics**: Economic, demographic, geographic, and climate trends.

The list of peer agencies and service types are listed in Table 3-1. The local bus and paratransit peers were used for the governance benchmarking.

**Table 3-1: Peer Agencies by Mode**

<table>
<thead>
<tr>
<th>Local Bus &amp; Paratransit</th>
<th>Light Rail</th>
<th>Heavy Rail</th>
<th>Bus Rapid Transit</th>
</tr>
</thead>
<tbody>
<tr>
<td>St. Louis Metro</td>
<td>St. Louis Metro</td>
<td>Baltimore Maryland Transit Administration (MTA)</td>
<td>Kansas City Kansas City Area Transportation Authority (KCATA)</td>
</tr>
<tr>
<td>Buffalo Niagara Frontier Transportation Authority (NFTA)</td>
<td>Buffalo Niagara Frontier Transportation Authority (NFTA)</td>
<td>Philadelphia·New Jersey Port Authority Transit Corporation Speedline (PATCO)</td>
<td>Hartford CTtransit</td>
</tr>
<tr>
<td>Pittsburgh Port Authority of Allegheny County</td>
<td>Pittsburgh Port Authority of Allegheny County</td>
<td></td>
<td>Grand Rapids Interurban Transit Partnership (The Rapid)</td>
</tr>
<tr>
<td>Columbus Central Ohio Transit Authority (COTA)</td>
<td>Hampton Roads Hampton Roads Transit (HRT)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Detroit Detroit Department of Transportation (DDOT)</td>
<td>Baltimore Maryland Transit Administration (MTA)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milwaukee Milwaukee County Transit System (MCTS)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cincinnati Southwest Ohio Regional Transit Authority (SORTA)</td>
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</tbody>
</table>

Source: WSP Analysis
3.3 PERFORMANCE RESULTS

The key findings, results and trends of the peer benchmarking analysis are summarized below. The first section reviews agency-wide performance, followed by performance at the mode level. The full benchmarking analysis began with a diagnostic of an extensive list of standard metrics. The diagnostic analysis illuminated areas of interest for further investigation. Additional detailed analysis was performed as needed.

Agency-wide performance results focus on operating cost drivers. Performance by mode is summarized using the following five metrics:

1. **Farebox Recovery**: Percentage of total operating and maintenance (O&M) costs covered by farebox revenues
2. **Total Operating & Maintenance (O&M) Cost per Service Hour**: Total cost to deliver an hour of service
3. **Service per Rider**: Service hours offered per 10,000 riders; this is a measure of whether service hours offered appropriately meet ridership demand
4. **Wage Rate**: Total labor costs (salaries and wages) per labor hour
5. **Fringe Rate**: Total fringe benefit costs per labor hour (e.g., healthcare)

3.3.1 AGENCY-WIDE ANALYSIS

TOTAL OPERATING AND MAINTENANCE COSTS

RTA operates five different services: local bus, BRT, heavy rail, light rail, and paratransit with local bus representing the largest portion of RTA’s operations. In FY 2017, local bus service comprised 64% of total O&M spending. Figure 3-1 provides a summary of RTA’s total O&M spending by mode.

*Figure 3-1: Operations and Maintenance (O&M) cost breakdown by mode (Millions of Dollars, FY 2017)*

Source: NTD.
ADMINISTRATIVE COSTS

Figure 3-2 demonstrates that RTA’s agency-wide administrative costs in FY 2017 are high relative to peers. RTA’s administrative costs constitute 20% of total O&M costs while the peer average was 16%. Further analysis shows the number of labor hours and employees classified as administrative were also high for RTA relative to peers, while the average wage rates were in line with peers. These results indicate that RTA’s administrative employees are compensated appropriately but are over-utilized.

Figure 3-2: Agency-wide administrative costs as a percentage of total O&M costs, FY 2017

Source: NTD.

Note that RTA’s rules for classifying operating staff as administrative staff may differ from peers.
3.3.2 LOCAL BUS

Figure 3-3 provides a summary of RTA’s local bus service performance compared to peers based on the five key performance metrics described above. Colorful bubbles represent RTA performance, while grey bubbles represent peer performance. The color code for RTA’s performance is as follows:

- Strong performance relative to peers: ⬤
- Average performance relative to peers: ○
- Lower performance than peers: ●

In FY 2017, RTA’s local bus farebox recovery was low and O&M costs per service hour were high relative to peers in FY 2017. However, these trends are likely driven by RTA’s cost allocation methodology, which may overstate local bus operating costs as compared to peer reporting methodology relative to peers, since RTA classifies operating staff as administrative staff. In FY 2017, RTA’s local bus service per rider was in line with peers in FY 2017. In addition, RTA’s local bus labor costs were well-contained, as wage rates were in line with peers and fringe rates were below average relative to peers.

Figure 3-3: Local Bus Performance Summary

Source: NTD.
3.3.3 BRT

RTA’s BRT system, the HealthLine, has served as a model for BRT systems nationwide; in FY 2017, the BRT system performed at or better than average across all five metrics.

RTA’s BRT farebox recovery for BRT was significantly higher than peers while O&M costs per service hour were below average relative to peers. It is likely that RTA’s cost allocation methodology for total O&M costs is skewing the results, resulting in lower BRT costs and higher local bus costs. However, given the magnitude of difference between the HealthLine and peer BRT systems, the HealthLine’s strong performance is not driven by the cost allocation methodology. The HealthLine’s service per rider is below average which indicates efficient and well-utilized service. Similar to local bus performance measures, the HealthLine’s labor costs have been well-contained, wage rates and fringe rates were in line with peers in FY 2017. Overall BRT performance is summarized in Figure 3-4.

**Figure 3-4: BRT Performance Summary, FY 2017**

Source: NTD.
3.3.4 LIGHT RAIL

RTA’s light rail system includes the Green Line, Blue, Line, and Waterfront Line. **Figure 3-5** summarizes RTA’s light rail performance in FY 2017. The RTA light rail performed well relative to peers across most metrics. RTA’s light rail farebox recovery was high relative to peers, O&M costs per service hour were low relative to peers, and wage and fringe rates were low relative to peers. RTA’s light rail service per rider was high relative to peers, indicating that service offered may be higher than warranted given ridership demand in FY 2017.

**Figure 3-5: Light Rail Performance Summary, FY 2017**

![Diagram showing performance metrics for RTA's light rail system in FY 2017.](image)

Source: NTD.
3.3.5 HEAVY RAIL

RTA’s heavy rail system is unique, as it is among the oldest heavy rail systems in the nation and consists of only one line, the Red Line. As such, there are few transit agencies in the US that are appropriate peers. The two peer agencies selected for the peer analysis, PATCO and Baltimore MTA, are both located on the east coast in higher cost markets than Cleveland.

Although the peer average for farebox recovery is skewed by PATCO, the Red Line’s performance is in line with Baltimore based on farebox recovery. The Red Line’s O&M costs per service hour are favorable relative to the peer average, which is reasonable given its lower cost market. Additionally, wage and fringe rates for the Red Line are low relative to peers. RTA’s heavy rail service per rider is much higher than both peers, indicating service offered was not aligned with ridership demand in FY 2017. Although this trend was also observed for RTA’s light rail system, the misalignment between service hours and ridership for heavy rail was more significant than for light rail. Heavy rail performance is summarized in Figure 3-6.

Figure 3-6: Heavy Rail Performance Summary, FY 2017

Source: NTD.
Figure 3-7 compares ridership relative to service hours offered over the last ten years, based on the NTD. The information in the graph is normalized based on ridership and service hours in FY 2008. Although both metrics declined following the recession, ridership has remaining steady since FY 2011 while service hours have continued to increase. Note: The Red Line shut down between West Boulevard Station and the airport (summer 2019) is not captured in the analysis time horizon.

Figure 3-7: RTA’s Evolution of Heavy Rail Service Hours v. Ridership, (Index FY 2008 =100)

Source: NTD.
3.3.6 PARATRANSIT

Like most transit agencies, RTA is required to provide paratransit service per federal mandates. Paratransit operations are typically less cost efficient than other modes and are evaluated differently. Paratransit characteristics include the following:

- Individual service
- No economies of scale
- Limited federal and state support
- Low fare revenues
- High costs per trip

Many transit agencies leverage contracted services to deliver paratransit service at a lower cost to the agency. However, a transit agency’s ability to use contracted services may be constrained by labor agreements so not all agencies are able to realize the benefits of contracted services.

RTA is unique from its peers with its paratransit service as it utilizes both directly operated and contracted paratransit services. Peer comparators all utilize either directly operated or contracted services; none use a combination of both. St. Louis and Buffalo are the only peers to offer directly operated paratransit service. In FY 2017, RTA’s paratransit costs per trip averaged $60 per trip, significantly higher than all peers, including St. Louis and Buffalo (see Figure 3-8).

**Figure 3-8: Paratransit costs per trip, RTA and Peers, FY 2017**

Source: NTD. Cost per trip measured in Year of Expenditure dollars per trip.

Note: Although Detroit’s O&M costs per trip were very low relative to peers in FY 2017, Detroit is the only peer to operate both traditional paratransit and demand response taxi service. Demand response taxi service is typically less costly than traditional paratransit, and thus may be skewing Detroit’s paratransit performance.
3.3.7 GOVERNANCE

In terms of governance, Table 3-2 shows that RTA’s board size is in line with peers, but RTA is unique in giving its board members a stipend. Agencies tend to limit the number of terms a board member can serve.

**Table 3-2: Key Characteristics of Peer Agencies’ Boards**

<table>
<thead>
<tr>
<th></th>
<th>Number of Members</th>
<th>Term Length</th>
<th>Paid?</th>
<th>Meeting Frequency*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleveland</td>
<td>10</td>
<td>3 years</td>
<td>Yes</td>
<td>16</td>
</tr>
<tr>
<td>Buffalo</td>
<td>13</td>
<td>5 years</td>
<td>N/a</td>
<td>12</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>11</td>
<td>4 years</td>
<td>No</td>
<td>10</td>
</tr>
<tr>
<td>St. Louis</td>
<td>10</td>
<td>5 years</td>
<td>No</td>
<td>6</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>13</td>
<td>3 years</td>
<td>No</td>
<td>12</td>
</tr>
<tr>
<td>Columbus</td>
<td>13</td>
<td>3 years</td>
<td>N/a</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: agencies’ internal documents. Note: N/A notes agencies for which the information was not available. *Meeting Frequency reflects only full board meetings; it does not include committee meetings.

Milwaukee and Detroit do not have agency-specific boards, as seen in Table 3-3. Milwaukee’s transit system is directly overseen by the county government. Detroit’s is overseen by city government.

**Table 3-3: Governing Bodies and Taxation Power of Peer Agencies**

<table>
<thead>
<tr>
<th></th>
<th>Governing body</th>
<th>Tax levy power?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleveland</td>
<td>RTA, a political subdivision of Ohio</td>
<td>Yes</td>
</tr>
<tr>
<td>Buffalo</td>
<td>NFTA, a state public-benefit corporation</td>
<td>No</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>Port Authority, a county-owned agency</td>
<td>No</td>
</tr>
<tr>
<td>St. Louis</td>
<td>Bi-state Development, an interstate compact agency</td>
<td>No</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>SORTA, a political subdivision of Ohio</td>
<td>Yes</td>
</tr>
<tr>
<td>Columbus</td>
<td>COTA, a political subdivision of Ohio</td>
<td>Yes</td>
</tr>
<tr>
<td>Milwaukee</td>
<td>Milwaukee County government</td>
<td>No</td>
</tr>
<tr>
<td>Detroit</td>
<td>Detroit City government</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: agencies’ internal documents.
3.4 CONCLUSIONS

The key results of the peer analysis include the following observations regarding RTA’s performance:

- Agency-wide administrative costs are high
- Local bus O&M costs per service hour are high, farebox recovery is low, and service is well-aligned with ridership
- BRT performance is strong across all metrics
- Light and Heavy rail costs per service hour are strong, but service is poorly aligned with ridership
- Wage and fringe costs are well contained across all modes
- Paratransit costs per trip are high, particularly considering RTA’s use of some contracted service
- RTA’s board size is in line with peers but RTA is unique in giving its board members a stipend. Additionally, best practices include imposing a limit on the number of terms a board member can serve
- RTA has tax-levy power, which is useful to craft long-term investment strategies
4 RISKS AND OPPORTUNITIES

4.1 OVERVIEW

Economic risks impact the health of the overall regional economy, which has a direct impact on sales tax receipts that constitute a key revenue source for RTA. Market risks consist of a growing competition for urban and suburban transportation in the Greater Cleveland area, and dispersion of both the users’ residences and job destinations.

To provide a better understanding of the existing and potential economic and market risks that RTA faces, WSP conducted targeted interviews of key regional stakeholders that understand RTA’s situation. WSP worked with GCP staff, capitalizing on their extensive knowledge of the region’s institutions and their interests, to identify appropriate stakeholders whose perspective would bring value to the assessment of these economic and market risks. Stakeholder interviews include some RTA board members and staff.
4.2 STAKEHOLDER INTERVIEWEES

The WSP Team conducted 10 interviews with a diverse set of individuals and organizations familiar with Cleveland, Cuyahoga County, and RTA’s economic, market and political situation. Table 4-1 presents the list of stakeholder interviewees with their organization and role.

Table 4-1: List of Stakeholder Interviewees

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Organization</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justin Bibb</td>
<td>Key Bank</td>
<td>VP, Corporate Strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RTA Board Member</td>
</tr>
<tr>
<td>Floun’say Caver, PhD</td>
<td>RTA</td>
<td>Interim CEO (at time of interview)</td>
</tr>
<tr>
<td>Gina Cheverine</td>
<td>GCP</td>
<td>VP, Commission on Economic Inclusion</td>
</tr>
<tr>
<td>Grace Gallucci</td>
<td>Northeast Ohio Areawide Coordinating Agency</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Deb Janik</td>
<td>GCP</td>
<td>Senior VP, Real Estate and Business Development</td>
</tr>
<tr>
<td>Terry Joyce</td>
<td>Laborers Local 310</td>
<td>Business Manager</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RTA Board Member</td>
</tr>
<tr>
<td>Jeff Lechack</td>
<td>QCI Group</td>
<td>Director of Project Services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RTA Task Force Member</td>
</tr>
<tr>
<td>Valarie McCall</td>
<td>City of Cleveland</td>
<td>Chief of Communications, Government &amp; International Affairs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RTA Board Member</td>
</tr>
<tr>
<td>Brad Whitehead (with Bethia Burke and Dominic Mathew)</td>
<td>Fund for Our Economic Future</td>
<td>President (Vice President and Urban and Regional Planner for Mobility Innovations)</td>
</tr>
<tr>
<td>Brian Zimmerman</td>
<td>Cleveland Metroparks</td>
<td>CEO</td>
</tr>
</tbody>
</table>
4.3 FINDINGS

Qualitative findings from the interviews are subdivided into four categories:

- Funding: What opportunities and risks does RTA face when it comes to their ongoing funding, grant opportunities? What is RTA’s strategy for local, state, and federal funding?
- Operations: What opportunities and risks does RTA face internally? How can RTA update or change their operations to be more transparent and efficient?
- Assets: What opportunities and risks does RTA own? How can RTA’s assets benefit them monetarily in the future?
- Regional Trends: What are the risks and opportunities that RTA face externally? What are the regional economic and market trends that could affect RTA’s funding, ridership, or operations?

Table 4-2 below outline the major risks and opportunities identified throughout the project process, including potential high-level strategies to mitigate risks.

<table>
<thead>
<tr>
<th>Category</th>
<th>Topic</th>
<th>Description</th>
<th>Mitigations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding</td>
<td>Opportunity State-level lobbying</td>
<td>RTA is in the process of establishing a state-level lobbyist, which could help ensure continued support at state level.</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Risk</td>
<td>Federal funding</td>
<td>Transportation agencies around the country are facing reduced federal funding opportunities (including both formula funds and discretionary funding).</td>
<td>RTA should create and follow a detailed funding strategy that is tied to each priority project within their capital program. Federal grant opportunities are competitive, and it is important to develop strategies to pursue these opportunities.</td>
</tr>
<tr>
<td>Risk</td>
<td>Fare revenue</td>
<td>Fares are highly correlated with the Cleveland population and the number of jobs available in the RTA service area. Population and/or job decline has a direct impact on fare revenue.</td>
<td>RTA should develop a robust and multifaceted funding strategy that relies on multiple funding mechanisms.</td>
</tr>
<tr>
<td>Risk</td>
<td>Reliance on sales and use tax</td>
<td>RTA is too reliant on sales and use tax for funding. When this revenue source deteriorates, RTA may need to cut service.</td>
<td>RTA should develop a robust and multifaceted funding strategy that relies on multiple funding mechanisms.</td>
</tr>
<tr>
<td>Category</td>
<td>Topic</td>
<td>Description</td>
<td>Mitigations</td>
</tr>
<tr>
<td>----------------</td>
<td>------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Operations</td>
<td>Ridership</td>
<td>Downtown Cleveland has been growing in population, especially with millennials. This concentration of young, urban professionals provides an opportunity for RTA to attract young professionals, as well as transit-dependent riders, and affluent travelers who want more access to efficient transit.</td>
<td>Not applicable</td>
</tr>
<tr>
<td></td>
<td>System Redesign</td>
<td>The system redesign study that is in progress is an excellent step towards understanding how RTA can best serve its users and opportunities associated with potential changes in system operations.</td>
<td>Implementation of study recommendations comes with risk; it is important to ensure that the system redesign considers equity. Title VI analysis will contribute to check the equity effects of the local bus system redesign.</td>
</tr>
<tr>
<td></td>
<td>New CEO</td>
<td>A new CEO provides an opportunity to establish new vision, strategy, and both internal and external perceptions of RTA. A new CEO also represents a potential risk to RTA. Organizational changes can cause friction. Strategic decisions need to reflect RTA’s direction and focus.</td>
<td>Ensure a smooth transition with senior leadership, leverage the Board and conduct employee engagement.</td>
</tr>
<tr>
<td>Category</td>
<td>Topic</td>
<td>Description</td>
<td>Mitigations</td>
</tr>
<tr>
<td>----------</td>
<td>-------</td>
<td>-------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Risk</td>
<td>Public perception of RTA</td>
<td>RTA organizational goals and future plans are unclear to many stakeholders, including agency priorities and how internal decisions are made. This lack of understanding results in an ongoing risk of misunderstanding between RTA and community expectations (e.g., more money for RTA does not mean more service).</td>
<td>RTA should develop clear and transparent outreach strategies for both internal and external communications, demonstrating that RTA has established strategic goals for the future of the organization. Additionally, this strategy should include details on internal decision-making, specifically for those that affect stakeholders and the community.</td>
</tr>
<tr>
<td>Risk</td>
<td>RTA employee composition</td>
<td>The current composition (age / time to retirement) of RTA employees could be a risk to RTA. Does RTA plan for and hire enough younger employees to learn from and replace the potentially soon-to-retire knowledge base?</td>
<td>RTA maintains an internal staffing and succession plan; it includes initiatives for strategic recruitment and selection, partnerships with training resources, and development opportunities throughout RTA.</td>
</tr>
<tr>
<td>Risk</td>
<td>Rail Car Costs</td>
<td>There is a potential risk associated with the new rail car acquisition costs suggested in the rail car study and the reliability of those cost projections when considering RTA’s purchasing power.</td>
<td>Assess how costs outlined in the Rail Car Study consider this risk and whether additional contingency funding should be included in the cost estimate.</td>
</tr>
</tbody>
</table>

**Assets**

<p>| Opportunity | RTA owned property | RTA exploring ways to capitalize on RTA-owned property (e.g., P3 development, leasing, selling). This represents an excellent opportunity for new funding sources and potentially lower operational costs. | Not applicable |
| Opportunity | Appraisal of current office space | RTA could potentially relocate to a more cost-effective office space to reduce overhead costs. An internal analysis should be undertaken to understand if the office space is currently the best fit for RTA employees given current and future staffing levels. | Not applicable. |</p>
<table>
<thead>
<tr>
<th>Category</th>
<th>Topic</th>
<th>Description</th>
<th>Mitigations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk</td>
<td>Aging transportation infrastructure &amp; assets</td>
<td>The state of RTA’s aging infrastructure and assets pose a risk to operations and performance.</td>
<td>Recapitalize rail infrastructure and assets to support ridership recovery and transit-oriented development.</td>
</tr>
<tr>
<td><strong>Regional Trends</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>Dispersed transit-dependent population and job destinations</td>
<td>The geographic dispersion of transit riders, desired origins, and destinations poses challenges to providing adequate service for the entire RTA service area.</td>
<td>It is expected that the outcomes from the System Redesign Study (in progress) will mitigate this risk by determining the best corridors and areas for focusing RTA service. RTA should continually reference modeling of current and future population and developments in Cuyahoga County when considering service plan modifications.</td>
</tr>
<tr>
<td>Opportunity</td>
<td>Transit-oriented development</td>
<td>Young professionals are moving into downtown Cleveland and are potentially interested in utilizing transit services. How can RTA better serve downtown Cleveland residents?</td>
<td>The Bus Redesign Study should provide recommendations regarding service to the residential population growth in the urban core.</td>
</tr>
<tr>
<td>Opportunity / Risk</td>
<td>Millennial population growth</td>
<td>TNCs pose a moderate risk to RTA’s ridership base, but could also be an opportunity for partnership and associated reductions in operating cost.</td>
<td>RTA should identify opportunities to partner with and capitalize on TNC expansion in region, as well as better analyze what it would look like for RTA to transition to a Mobility as a Service provider operational model.</td>
</tr>
<tr>
<td>Risk / Opportunity</td>
<td>TNCs and New Mobility Services</td>
<td>Multiple stakeholders referenced the siloed nature of regional strategies for economic development and RTA. Separate decision-making conversations and processes are not in the best interest of RTA or its potential development partners.</td>
<td>RTA needs to be a part of all economic development discussions that include new or relocating businesses. Additionally, the regional economic development plan needs to incorporate goals and strategies to maximize public transportation options for workers in the region.</td>
</tr>
<tr>
<td>Category</td>
<td>Topic</td>
<td>Description</td>
<td>Mitigations</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Risk</td>
<td>City of Cleveland and Cuyahoga County Economic Development Strategy</td>
<td>Young professionals are moving into downtown Cleveland and are potentially interested in utilizing transit services. How can RTA better serve downtown Cleveland residents?</td>
<td>The Bus Redesign Study should provide recommendations regarding service to the residential population growth in the urban core.</td>
</tr>
</tbody>
</table>

### 4.4 CONCLUSIONS

RTA is facing major risks regarding its funding sources. While several opportunities exist to redesign and rethink operations, public perception of decision-making and goals, internal governance, and demographic changes and development patterns affect RTA’s prospects. Aging assets are a major concern, both for rail vehicles and for rail infrastructure. Leveraging growth in central urban areas and potential transit-oriented development could be additional priorities.
5  FINANCIAL OUTLOOK

5.1  OVERVIEW

A high-level financial review and analysis was conducted to understand the financial issues that RTA is facing and expected to encounter over the next 10 years. WSP examined RTA’s financials by analyzing the current and forecasted funding structure and costs for both capital and operating expenditures to verify the amount and timing of potential anticipated financial gaps over the next 10 years.

5.2  FINANCIAL OUTLOOK

5.2.1  OPERATIONS

RTA’s operating costs forecast data for the next 5 years was provided by RTA to provide a baseline understanding of operations. The growth assumptions adopted for the different cost categories were used to forecast the 10-year operating cost horizon. Based on this analysis, it was evident that RTA’s highest cost category is Salaries & Overtime, followed by Other Expenditures, Payroll Taxes & Fringe Benefits, Total Transfers, Debt Service (which includes current and future), and Fuel. Using RTA’s growth assumptions, the cost categories show limited growth over the 10-year period as shown in Figure 5-1.

Figure 5-1: 10-Year Operating Costs and Revenues Profile

![Figure 5-1: 10-Year Operating Costs and Revenues Profile](source: RTA Budget Data, WSP Estimates)

RTA’s operating revenue forecast was analyzed in a similar manner. The 10-year operating revenue forecast shows the major contributor to operating revenues is the sales and use tax source which is assumed to continue growing at a slow rate of 1.5% based on RTA’s assumptions. This is followed by fare revenues which are assumed to decrease slowly through the 10-year analysis period due to an
expected decline in ridership. Federal grants are another source of operating revenues and they are assumed to grow slowly over time, with a one-time decline due to 10-year Census results in FY24. Non-operating revenues constitute only a small share of the available resources. As illustrated in the graph above, where the operating revenue total is represented by the blue line, the 10-Year Operating Costs and Revenues Forecast shows limited deficits in a moderate economic growth scenario. This deficit becomes slightly higher when the cost of servicing three new debt issuances planned by RTA in FY21, FY23, and FY25 is included in the analysis.

5.2.2 CAPITAL

The assessment of capital costs consists of an analysis of costs based on capital needs documentation and forecasts, railcars study results, and RTA’s estimate of its system’s backlog of capital investment needs required to achieve a state-of-good repair. The analysis results yield a 10-year forecasted capital cost profile where capital needs (excluding railcars) decrease slightly over the period starting in FY25. However, the railcar replacement initiative adds significant financial need across the 10-year cost profile. Additionally, RTA’s capital needs backlog appears to be deferred to outer years and begins to be addressed starting FY25.

RTA’s 10-year baseline capital revenue profile constitutes of a small share of the sales and use tax contribution, federal formula grants, and a limited amount of state Urban Transit Program (UTP) grants. The total capital revenue profile resulting from these three sources is represented by the black line in the graph. These revenue sources constitute baseline revenues that RTA is most likely to receive over the 10-year period. As represented in the graph, the forecasted capital costs are significantly higher than these baseline revenues in all years.

Figure 5-2 presents this capital profile with three scenarios including additional revenue sources with varying probabilities were included in the analysis. The first scenario results in three spikes in revenues on top of the baseline revenues due to debt proceeds that are contingent upon RTA issuing debt in FY21, FY23, and FY25. The second scenario builds on the first and assumes that uncertain federal, state, and regional competitive grants are also secured. This scenario results in an upward shift of the revenue profile and reduces the deficits in the early years. Finally, the third scenario builds on the second and assumes that an unidentified funding source “to be determined” that is included in RTA’s capital plan is secured. This third scenario further shifts the revenue profile upwards and causes the deficits to begin in later years only. The 10-Year Capital Costs and Revenues Forecast analysis summarized in the graph above shows that a deficit still exists under all scenarios, including debt proceeds, competitive grants, and funding yet to be identified in RTA’s CIP.
5.3 CONCLUSIONS

This financial analysis of operating costs, which is based on RTA’s inputs and assumptions, shows that RTA’s operating financial profile will have limited deficits, with debt service payments exceeding revenues in outer years. However, issuing future debt will further increase these operating deficits.

Regarding capital costs, the guaranteed revenue sources are much lower than the projected costs. This will lead to significant deficits in all years. Even when capital revenue scenarios with additional revenue sources are considered, deficits remained due to high capital needs for rail service. Refining capital cost forecasts and identifying potential strategies to bridge deficits by spreading out backlog costs and including inflation risks is addressed later in this report (Section 8).
6 COST EFFICIENCIES AND REVENUE ENHANCEMENT STRATEGIES

6.1 OVERVIEW

To assess opportunities for RTA to achieve cost efficiencies and increase revenue, the agency’s operational practices, asset utilization and planning practices were compared to the strategies employed and metrics achieved by peer agencies, along with historical targets achieved by RTA and its peers, and current and emerging industry best practices. The eight strategies identified below suggest potential changes RTA can implement along with the anticipated increase in revenue that would likely occur if enacted successfully.

OPERATIONAL STRATEGIES

1. Reduce administrative expenses and expand use of part-time employees
2. Expand use of privatized and other innovative approaches to improve efficiency and performance, and reduce costs
3. Implement network redesign recommendations that further adapt the transit network to fast, frequent service in transit priority corridors
4. Develop partnerships with taxi and TNC companies to cost-effectively serve residential areas and provide connections to jobs in lower-density areas
5. Partner with other Northeast Ohio transit providers

ASSET-BASED STRATEGIES

1. Reinvest in the rail infrastructure and vehicles to increase reliability and generate additional ridership/fare revenues
2. Leverage RTA’s property holdings as a revenue source

PLANNING-BASED STRATEGIES

1. Convene regional partnership to promote redevelopment and location of jobs in rapid station areas and along existing and future BRT corridors

The eight identified strategies vary considerably in effort associated with implementation and their potential for cost savings, service or efficiency benefits. In some cases, overcoming significant contractual and legal barriers is required to make significant impacts. In other cases, the primary obstacles are allocation of administrative resources to implement the changes. In many cases, the will and desire to make the required changes may run against long-standing agency and industry practices. A common thread that connects these strategies is the need for RTA to think of itself as a transportation provider that seeks to meet the transportation needs of county residents as efficiently and cost-effectively as possible, rather than as a transportation operator that operates and maintains buses, trains and infrastructure. This change in mindset is critical to meeting the changing and increasingly diverse needs of RTA’s service area and capitalize on the increasingly wide range of options for providing transportation services in the 21st century.
6.2 OPERATIONS

The following recommendations present strategies to achieve cost efficiencies through improvements to RTA services and operations, including administration, privatizing service and redesigning its network and service approach.

6.2.1 ADMINISTRATION

RTA can redirect funding to service improvements or system state of good repair investments if it reduces administrative costs. RTA’s share of administrative expenses (20% of the total budget) is higher than its peer agencies which average 16%. Administrative expenses reduce the pool of funds that the agency can draw upon for operations and maintenance, causing RTA’s operational budget (46% of the total) to be significantly lower than that of its peer agencies which average 54%. RTA’s expenses by category are shown below in Figure 6-1.

Figure 6-1: RTA’s expenses by category

![Pie chart showing RTA's expenses by category]

Source: NTD.
Note: All costs expressed in Year-of-Expenditure (YOE) dollars.

Strategy 1: RTA can recover up to $13 million for operations and maintenance if it reduces its administrative budget to peer agency levels.
RTA’s current staffing arrangement presents several opportunities to trim administrative costs. As an increasing number of older employees retire, the agency is positioned to make cost-minded staffing changes. RTA has about 20% more administrative staff than its peer agencies. Strategies that may be effective in bringing RTA’s administrative costs and headcount into line with the average of its peers, include:

1. Streamlining the agency’s administrative structure
2. Combining responsibilities as appropriate to adjust the number of positions to actual agency needs
3. Eliminating redundant positions and levels of management or support staff
4. Evaluating ways to restructure administrative responsibilities to expand the use of part-time employees

RTA’s current use of part-time employees is limited to operations and vehicle maintenance, with few part-time employees in non-vehicle maintenance and administration. Growth in the number of retirees provides the opportunity for transit agencies to expand the use of part-time employees to reduce cost and improve service quality in all areas of agency operations.

### 6.2.2 PRIVATIZATION

Paratransit is one of the most expensive and challenging services for any transit agency to provide. RTA is mandated to provide individual, origin-to-destination service under Federal law, which strictly regulates service provision. RTA currently contracts 55% of its paratransit trips to private companies; the remaining 45% of trips are operated by RTA’s its own drivers and fleet. These directly operated trips comprise a disproportionate 62% of RTA’s paratransit budget, and cost twice as much to operate as the contracted trips. The average paratransit costs per trip of RTA and its peer agencies are presented in Figure 6-2.

**Figure 6-2: Paratransit costs per-trip across peers, privately and agency operated**

Source: NTD.
Strategy 2: RTA would recover $7.9 million per year for operations and maintenance if all of RTA’s paratransit trips were privately operated.

Shifting more paratransit trips to private operators and privatizing other areas of RTA’s operation would reduce costs, allowing RTA to expand service, explore innovative service offerings, and increase state of good repair investments. Privatization of some fixed-route local bus routes and services, maintenance functions, system security and policing, and administrative functions, presents additional opportunities for cost efficiencies. Although many privatization efforts are constrained by collective bargaining agreements covering RTA workers, many others remain unexplored and untapped, offering RTA a potential opportunity to reduce costs while further enhancing its reputation as one of the industry’s most innovative operators.

6.2.3 NETWORK

RTA’s ridership has fallen significantly in recent years. Transit ridership has been in decline for most US transit agencies, large and small, for the past 5-7 years. Explanations for this decline include the strong economy and robust job growth; historically low and stable fuel prices and sub-prime financing for private vehicles; changes to the way people work, like teleworking, flex-time and increasing part-time employment; and trips shifted to walking, bicycling, and TNCs like Uber and Lyft. Even so, RTA’s ridership loss has been particularly steep. For example, light rail ridership in 2017 is only 76% of 2014 levels, as shown in Figure 6-3. Ridership declined 31% from 2007 to 2017, despite the historically small population declines in Cleveland and Cuyahoga County over the same period (minus two percent and minus four percent, respectively).

Figure 6-3: Decline in light rail ridership, indexed to 2014 levels

Source: NTD
RTA is undertaking a system redesign project to develop specific recommendations for improving its fixed-route transit services and stemming ridership losses. This process will give RTA the opportunity to realign its service to current demand patterns and levels and highlight less productive, circuitous and poorly performing routes that the agency can consider reducing or eliminating, to free up resources that can be shifted to increasing service frequencies on more productive routes.

**Strategy 3: RTA’s revenue would grow by $6 million if a network redesign led RTA’s local bus ridership to recover to peer levels.**

The High Frequency Alternative of the redesign study (as presented in July 2019) proposes a fast, frequent network serving high density locations, primarily consisting of routes with 15 minute headways, with service provided seven days a week. This structure would also shorten transfer wait times between intersecting routes, enabling faster travel across the city. The routes in this alternative focus on large job and education centers that are located not very far from downtown Cleveland, eliminating routes serving the periphery of the region. The High Frequency Alternative’s suggested network is shown in Figure 6-4.

**Figure 6-4: High Frequency Alternative from RTA System Redesign Study**

Other transit agencies pursuing similar projects recently have focused on developing fast, frequent service with headways of 15 minutes or less on most of their key routes. This best-practice approach has generated increased ridership and productivity at many US transit agencies, and offers RTA the opportunity to further streamline its fixed-route transit network while slowing or reversing the recent sharp ridership losses.
RTA can evaluate opportunities to cost-effectively serve riders on peripheral local bus routes operating in areas with limited transit markets, which may be eliminated or have their service levels reduced. These opportunities are described in the next section, Task 6.2.4, “Alternative Service”.

6.2.4 ALTERNATIVE SERVICE

As the distribution of population and job centers changes in the Greater Cleveland region, as discussed in Chapter 2, RTA must consider new solutions to optimally serve the region, including low-density areas that RTA cannot serve cost-effectively with traditional fixed-route local bus service. These new solutions potentially include partnerships with other transportation providers.

**Strategy 4: If RTA partners with other transportation providers, the agency can expand its customer base and recover costs from ineffective fixed-route services.**

RTA can consider partnering with Transportation Network Companies (TNCs), local taxi companies and auto rental companies to more effectively connect its fixed-route network to residents and jobs located in lower-density parts of the region. RTA may find that offering alternative service options allows it to address service requests from lower-density areas more cost-effectively than operating fixed-route local bus service, while offering a better service option more appropriate to the needs of these areas. Microtransit or subsidized taxi and TNC services could connect residents of lower-density areas to fixed-route transit services, and provide residents of higher density areas with access to jobs in lower-density locations. Implementation of this strategy could help RTA significantly expand its coverage at a relatively low cost, freeing up resources to improve service in core areas of the region. WSP has identified a list of potential sites for trial alternative services, based on demographics and employment growth. These locations include:

- Solon Industrial Area
- Landerhaven Corporate Center
- Rockside Road at I-77 in Independence
- Crocker/Bassett Road Corridor in Westlake

Furthermore, offering a variety of mobility solutions and connections to RTA’s fixed routes may attract new riders to the system, especially those with mobility challenges who live and work in sparsely served areas. It also offers RTA with a cost-effective option to serve employers who request service to workplaces located in remote or difficult-to-access parts of the service area, potentially with employers sharing the cost of the additional service provided. These options may incentivize additional riders to purchase monthly passes and commit to utilizing the system more frequently. Several transit agencies and municipalities nationwide have successfully operated similar programs in mid- and low-density environments. These programs often are designed to provide “first-mile” and “last-mile” trips, that fill gaps between transit stops or stations and the homes or workplaces of transit users that are located beyond the reach of fixed-route transit service.

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6 Microtransit is defined by the US Department of Transportation as IT-enabled private multi-passenger transportation services, such as Via, that serve passengers using dynamically generated routes, and may expect passengers to make their way to and from common pick-up or drop-off points (https://www.transit.dot.gov/regulations-and-guidance/shared-mobility-definitions).
6.2.5 INTERAGENCY PARTNERSHIPS

While RTA is Ohio’s largest transit agency by a large margin, Ohio has public transit operators in nearly every one of its 88 counties, and each of the six counties surrounding Cuyahoga County has public transit service. RTA cooperates with public transit agencies throughout the state through the Ohio Public Transit Association (OPTA), and saves money on fuel, bus parts and other goods and services through various one-off and on-going cooperative arrangements with other transit operators. However, there may be additional opportunities for RTA to reduce costs and improve service efficiency and effectiveness through partnerships with other transportation providers in Greater Cleveland and throughout Northeast Ohio. The economies of scale achieved by actively participating in a consortium of transit agencies, as RTA currently does for purchases of fuel and buses, may enable RTA to improve its efficiency if applied to service planning and other aspects of its operations and development.

Strategy 5: If RTA forms partnerships with other Northeast Ohio transit providers, it may find opportunities to reduce costs by coordinating or consolidating both new and existing services.

6.3 ASSETS

The following recommendations present strategies to achieve cost efficiencies through leveraging RTA’s assets, including reinvestment in its network infrastructure as well as its real property holding.

6.3.1 REINVESTMENT

While RTA’s fixed-route bus and paratransit fleet is within acceptable vehicle age limits, as noted in Chapter 4, Opportunities and Risks, RTA’s rail fleet is more than thirty years old, the FTA-recognized useful life of a rail vehicle. In addition, RTA’s HealthLine buses are in the process of being replaced at the end of their twelve-year useful life, and RTA’s rail system and other infrastructure requires millions in additional investment in state of good repair improvements. Reductions in service levels on RTA’s rail services and a mid-life rehab of the rail vehicles between 2000 and 2010 has resulted in the rail vehicles remaining reliable. However, the rail system has suffered chronic reduced train speed and periodic partial shutdowns due to state of good repair challenges (for example, the Summer 2019 shutdown of the Red Line between the West Boulevard Station and the airport to allow for shoring of a retaining wall). Reinvestments in the system infrastructure and vehicles will marginally increase the system’s speed and reliability, and reduce both planned and unplanned shutdowns, which would cause ridership and fare revenue to marginally grow. Improved service reliability could improve the culture of transit ridership in the region, attracting riders to the system on a more frequent basis.

Strategy 6: RTA could increase its revenues by up to $2.1 million if reinvestment in the RTA system led to significant ridership recovery.
Red Line (heavy rail) ridership has been declining since 1980, and has fallen by nearly two million users in the last decade. The Red Line had 7.6 million riders in 2008, and only 5.9 million riders in 2017, with most of this decline occurring between 2008 and 2014 (Figure 6-5). If reinvestment in the Red Line caused ridership to grow by 20%, growing to above seven million annual riders, the agency would gain an additional $1.5 million in revenue.

**Figure 6-5: Heavy rail ridership decline, 2008-2017**

![Red Line Ridership Graph](image)

Source: NTD.
Light rail ridership has also declined at a faster rate than peer agency averages in recent years. Peer systems have only lost 8% of their light rail ridership between 2014 and 2017, while RTA lost 24% of its ridership in that period. If reinvestment in light rail led ridership to recover to peer levels, the agency would gain an additional $0.6 million in revenue. The decline in RTA’s light rail ridership compared to peer levels is depicted in Figure 6-6.

Figure 6-6: Light rail ridership decline, 2014-2017

![Light rail ridership decline chart]

Source: NTD.
Note: Ridership indexed to 2014 levels

### 6.3.2 PROPERTY

RTA has a significant portfolio of real estate holdings in Greater Cleveland, which it could potentially leverage to increase the agency’s revenue. RTA’s real estate holdings include hundreds of parcels—rail stations, rail yards, rail and bus storage and maintenance facilities, bus loops (off-street lots where buses turn around at the outer end of the route and park during layovers), transit centers, and other facilities. RTA also owns its headquarters office building, the former Root-McBride warehouse located at 1240 West Sixth Street in the Warehouse District, which RTA rehabilitated and has occupied since 1997.

RTA is currently evaluating opportunities to redevelop or liquidate its properties to assess whether a property’s sale or reuse would increase its value to the agency on a case-by-case basis. The agency also may find opportunities to generate a one-time or ongoing influx of capital if it explores creative financing options of its properties.

**Strategy 7:** If RTA leverages its real property assets, the agency can generate additional revenue and reduce costs.
RTA has made several key property sales in recent years, including the sale of two garages as well as parcels at the West 65th and Triskett Red Line Stations. The development community has expressed interest in properties located near stations, such as the West 25th corridor, and in developing housing along transit corridors. By partnering with local developers, RTA can leverage their development expertise to maximize the value of its property holdings.

RTA’s main office building in Downtown Cleveland is among its most valuable real estate holdings. Given the agency’s reduced office space requirements, RTA may wish to explore the sale or rental of all or part of its main office property.

6.4 PLANNING

The following recommendations present strategies to achieve cost efficiencies through regional planning and coordination efforts that involve RTA as an integral development partner, and the agency’s bus and rail networks as key components of the region’s economic development strategy.

6.4.1 DEVELOPMENT

Cleveland has the most extensive rail and Bus Rapid Transit system for an American urban area of its size. It is the smallest urban area in North America to have both Heavy (the Red Line) and Light rail (Blue, Green and Waterfront lines) transit systems. The HealthLine has features superior to BRT systems in Boston, Chicago, Los Angeles and New York.

Cleveland’s rail transit and BRT systems are invaluable assets to the region that offer significant potential for development opportunities, if they are perceived as such by regional stakeholders who could collaborate with RTA to support development along transit corridors. RTA’s Red Line uses the same basic technology as the New York subway system and the Washington D.C. Metro. When not hobbled by track shutdowns and slow orders, the Red Line can travel from Hopkins Airport to downtown Cleveland in less than 30 minutes and could transport more than 10,000 people per hour in each direction if operating at its peak capacity. RTA has estimated the cost of replacing its rail lines at approximately $4 billion. Many peer and larger cities nationwide are investing billions of dollars to develop comparable rail and Bus Rapid Transit networks, confident that the transportation benefits of rail transit systems and the transformative community benefits with the additional tax revenues generated by new development around rail and Bus Rapid Transit stations will more than compensate for the capital investment and ongoing operating costs.

RTA’s investment in the system has successfully encouraged development in various parts of the city. The HealthLine, a nationally acclaimed Bus Rapid Transit corridor, has been a significant factor in attracting more than $9 billion in development to the Euclid Corridor since 2008. The recent reconstruction of the Cedar-University station and relocation of the Mayfield-Little Italy station on the Red Line have caused ridership to increase and attracted hundreds of millions of dollars in redevelopment in the surrounding areas, like the 27 Coltman townhouse development. A TOD project is ongoing on RTA-owned and adjacent property at the West 25th Street Station in Ohio City, and development plans exist for many other RTA Red and Blue Line stations. However, the response of the private development community at most RTA rapid stations has been limited considering the transportation potential of the rapid transit lines. This is particularly true for many of the Red Line stations which offer fast, convenient service to Downtown Cleveland, Hopkins Airport and University Circle, and have, in many cases,
adjacent unoccupied or under-utilized land that is prime for redevelopment—land that, in other cities with rail or Bus Rapid Transit lines, would be valued in the millions of dollars per acre.

Strategy 8: The creation of a regional partnership to promote development along transit corridors will offer numerous benefits to Greater Cleveland businesses and residents.

Civic leaders could spearhead a regional partnership to develop a vision for transit-oriented development in the Greater Cleveland area, leveraging RTA’s rail and Bus Rapid Transit network to create economic development opportunities. This community-based partnership can connect major private employers, municipal leaders, the not-for-profit sector and development finance institutions, such as the Port of Cleveland, to create a nuanced and unified vision for Cleveland’s as a transit-oriented region.

This regional partnership can assess the RTA network’s integral role in enhancing regional economic development, especially by bringing jobs back to downtown Cleveland and attracting higher-density, mixed use development to RTA rail and BRT stations and adjacent under-utilized properties. The partnership will improve communication between integral stakeholders in the region, fostering the dialogue to encourage changes to support transit-oriented development, such as a transit-supportive zoning code and the attraction of private and public employers from within and outside the region who need young professionals who value transit access.

6.5 CONCLUSIONS

As Figure 6-7 indicates, implementation of the strategies above for which benefit estimates could be developed could provide RTA with more than $25 million each year in reduced costs or added revenue. If successfully implemented, the other strategies could generate millions more in additional revenue and/or reduced costs to RTA, as well as other transportation, environmental and development benefits.

Figure 6-7: Cost Efficiency and Revenue Enhancement Strategies

<table>
<thead>
<tr>
<th>Administrative Costs Reduced to Peer Average %</th>
<th>All Paratransit is Privately Operated</th>
<th>Bus Ridership Increase to Peer Average</th>
<th>Heavy Rail Ridership - 20% Recovery</th>
<th>Light Rail Ridership Increases to Peer Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>$12.8m</td>
<td>$7.9m</td>
<td>$6.02m</td>
<td>$1.46m</td>
<td>$.61m</td>
</tr>
</tbody>
</table>

Source: NTD, RTA Budget, WSP Estimates
By evaluating opportunities to improve the agency and system’s operational efficiency, maximizing utilization of its assets and fostering a consortium of regional advocates of transit-oriented developments, RTA can refine or eliminate inefficient and poorly performing elements of its system while achieving cost efficiencies that enable it to provide improved mobility throughout Greater Cleveland. Development along transit corridors can be beneficial to the business community and other private and public employers, RTA, and to residents of Greater Cleveland, as new mobility options enable mixed-use development opportunities.
7 KEY PERFORMANCE INDICATORS

7.1 OVERVIEW

Key Performance Indicators (KPIs) are powerful tools used in the implementation and evaluation phase of performance-based planning to monitor, evaluate, and report progress towards an agency’s targets and goals. KPIs should be tied directly to an organization’s goals set through its strategic plan. Each goal should be measurable, with target metrics assigned to each item. Effective KPIs provide simple ways for agencies to track its performance and identify areas in need of additional resources.

Best practices state that transportation KPIs should be 1) Trackable over time; 2) Have a storytelling potential; 3) Be meaningful for types of service measured; 4) Be related to transportation goals; and 5) Have available data.

The WSP Team completed an in-depth review of RTA’s current KPIs and performance management tracking system to understand how these tools are being used, and how they can be improved to strengthen the health – and perception – of the organization.

To complete this task, the WSP Team first performed an external review of publicly available information related to the agency’s performance management to assess what information was available to the average RTA rider. This included information provided via the website, included the:

- Performance management section in the FY2019 budget,
- Imagine RTA 2010-2020 Strategic Plan, and
- 2016-2018 Vital Few Objectives (VFO).

The WSP Team also obtained detailed information from the agency’s performance management program architect and conducted an interview with the program’s current lead.

7.2 PEER ASSESSMENT

WSP assessed and compared metrics in four primary criteria for publicly available KPIs and performance management programs for nine peer agencies and four agencies recognized as best in class for performance management by their peers. The peer agency review was based entirely on publicly available information, while RTA’s assessment, as noted, incudes information provided by the agency.

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10 Greater Cleveland Regional Transit Authority. Imagine RTA- Strategic Plan 2010-2020.

11 2019 VFOs are not found on the website
7.2.1 PEER FINDINGS

The review focused on nine peer agencies:

- Buffalo (Niagara Frontier Transportation Authority, NFTA) –12
- Pittsburgh (Port Authority of Allegheny County)13
- Detroit (Department of Transportation, DOT)14
- Milwaukee (Milwaukee County Transit System, MCTS)15
- Cincinnati (Southwest Ohio Regional Transit Authority, SORTA)16
- Norfolk/Virginia Beach (Hampton Roads Transit, HRT)17
- Baltimore (Maryland Transit Administration, Maryland MTA)18
- Philadelphia/Camden, NJ (Port Authority Transit Corporation, PATCO)19
- Kansas City (Kansas City Area Transportation Authority, KCATA)20

As shown in Table 7-1 and Table 7-2, RTA is leading its peers in performance tracking. However, this assessment only includes publicly available information for peers, so it is possible that the peer agencies have a more robust tracking system available internally. Regardless, RTA has designed a comprehensive and functional performance tracking system with KPIs that are clearly tied to its strategic plan, include achievable targets, and designate ownership to ensure staff accountability.

The assessment found that RTA leads its peers in defining ownership of KPIs, particularly because it houses a centralized KPI office which monitors and disseminates information internally and because RTA has established a clear KPI owner for each metric. When compared to peers, RTA could improve practices with respect to the purpose and tracking of KPIs. The assessment found that some peer agencies, including Maryland MTA (Baltimore), NFTA (Buffalo), and KCATA (Kansas City) publish the data source or data tracking tool utilized to measure each KPI. Additionally, both Maryland MTA and Detroit DOT establish a tracking frequency for KPIs.

The assessment found that RTA can improve publication of KPIs. While RTA currently produces publicly facing reports to disseminate information about KPIs, RTA does not have a centralized public dashboard. Several peer agencies, including Baltimore MTA, HRT, and Detroit DOT have publicly available dashboards, which serve as a one-stop location for riders to gather information about the

agency’s progress and key areas that need improvement. RTA, however, is a leader among peers with respect to capturing a breadth of KPI categories.

**Table 7-1: Peer Assessment Authority & Tracking**

<table>
<thead>
<tr>
<th>Peer Agency</th>
<th>Authority</th>
<th>Purpose &amp; Tracking</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Centralized KPI office</td>
<td>Stated KPI purpose</td>
</tr>
<tr>
<td></td>
<td>Dedicated KPI owner</td>
<td>Stated KPI target</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Stated KPI tracking frequency</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Data collection method</td>
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<td>GC RTA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>MD MTA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>HRT</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>PATCO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>KCATA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Buffalo NFTA</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Detroit DOT</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Milwaukee MCTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cinn. SORTA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Produced by WSP

**Table 7-2: Peer Assessment Publications & Categories**

<table>
<thead>
<tr>
<th>Peer Agency</th>
<th>Publication</th>
<th>KPI Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public dashboard</td>
<td>Operational performance</td>
</tr>
<tr>
<td></td>
<td>Public report</td>
<td>Fiscal responsibility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customer service</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Safety</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Innovation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improvement</td>
</tr>
<tr>
<td>GC RTA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>MD MTA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>HRT</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>PATCO</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>KCATA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Buffalo NFTA</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Detroit DOT</td>
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<td></td>
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<tr>
<td>Milwaukee MCTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cinn. SORTA</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Produced by WSP
7.2.2 BEST IN CLASS FINDINGS

WSP also compared RTA to four known “Best in class” agencies at performance management reporting:

- Boston (MBTA)
- San Francisco (BART)
- Austin (Cap Metro)
- Washington, DC (WMATA)

These four agencies were selected based on WSP’s experience in the field and RTA’s input on peers they have identified as leaders in performance tracking.

The assessment—which yielded similar results to the peer benchmarking task—found that RTA is on par with “best in class” agencies in terms of defining ownership of KPIs. However, RTA could improve purpose and tracking of KPIs by stating the frequency of tracking each KPI and the data source or collection methods utilized to inform KPI progress. The results of the assessment are provided in Table 7-3.

Table 7-3: Best in Class Assessment Authority and Purpose Categories

<table>
<thead>
<tr>
<th>Agency</th>
<th>Authority</th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>Dedicated KPI owner</td>
</tr>
<tr>
<td>CC RTA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>MBTA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>WMATA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Cap Metro</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>BART</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Produced by WSP

RTA could also strengthen tracking and transparency of KPIs by creating a centralized public dashboard to facilitate easy access of information for riders. Among MBTA, WMATA, Cap Metro, and BART, RTA is the only agency that does not maintain a public-facing dashboard.
Table 7-4: Best in Class Assessment Publication & Categories

<table>
<thead>
<tr>
<th>Peer Agency</th>
<th>Publication</th>
<th>KPI Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
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<td>GC RTA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>MBTA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>WMATA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Cap Metro</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>BART</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Produced by WSP

7.3 TRACKING AND REPORTING

RTA has an extensive system for tracking and reporting KPIs, including Balance Scorecards, Vital Few Objectives and TransitStat. While the agency’s KPIs are deliberately linked to its strategic goals, and its data monitoring program, TransitStat, is advanced, the agency lacks a single internal and external reporting mechanism to disseminate its continued progress.

RTA uses Balance Scorecards to review its plan for short-term and long-term performance. The Balanced Scorecard includes RTA’s areas of focus and Vital Few Objectives (VFOs), which are used as used integral goals the Executive Team sets at the beginning of the year to measure its progress.


With the help of an external consultant, internal dashboards are updated each month and distributed to the leadership team to track progress. These dashboards are not available to all staff, and are not made publicly available until the agency’s annual budget is released when the annual dashboards are included. Each VFO includes a target as well as indicators to RTA’s success.

TransitStat is RTA’s performance monitoring program. It is characterized by “frequently scheduled performance monitoring forums, embracing the use of data, statistics, and metrics as a means to exceed customers’ expectations, as well as achieve operational excellence. It is a critical link to achieve high-level performance directed towards RTA’s mission, Vision, and Values.”\(^2\) RTA follows four performance management principles: to provide timely accurate data; analyze data and develop effective solution for emerging issues; deploy resources quickly to address issues; and follow up and assess each assignment and commitment relentlessly.\(^2\)

\(^2\) RTA. Performance Management – Transit State. FY 2013 Budget.
Annual metrics are created each January by the Executive Management Team\(^{23}\) and weekly performance meetings with the leadership panel occur with specific departments on a rotating schedule. The TransitStat leadership Team includes the Chief Executive Officer (CEO), the Deputy General Manager (DGM) of Operations, the DGM of Human Resources, the Director of Human Resources, the Executive Director (ED) of Internal Audit and the ED of the Office of Management & Budget (OM). Topics of weekly meetings can be altered to focus on high priority items that may arise.

The three most critical objectives of TransitStat are to:

1. Maintain Financial Health
2. Improve Customer Service
3. Enhance the Image of RTA\(^{24}\)

With small adjustments, RTA can leverage its existing program to improve communication with the public. Adopted in 2007, the program has resulted in $97 million in RTA savings since 2008.\(^{25}\) This figure is not published on RTA’s website for riders to quickly appreciate.

Additionally, RTA incentivizes staff to perform to target with an employee program called **Together Everyone Achieves More (TEAM)** designed to reward eligible employees for meeting certain goals related to safety, reliability, customer satisfaction, and ridership/revenue. Financial incentives range from $10 - $40 monthly, for measures such as preventable collision and boardings between complaints, and a $100 annual payout if RTA’s Farebox Recovery Ratio goal is met.

RTA has other resources available to staff to ensure they effectively manage change and agency performance.

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### 7.4 CONCLUSION

RTA is well on its way to being considered “best in class” in performance management tracking, having developed a thorough and effective system to monitor RTA’s performance and progress through strategic KPIs. However, RTA falls short in providing a transparent centralized reporting mechanism for all employees and available to the public.

By being more transparent both internally and externally, RTA can react more quickly to issues and can garner additional appreciation from its riders and the public at large. When issues arise, riders feel more in control when agencies are transparent about identified issues and planned solutions. Lack of communication and transparency can cause riders to feel like the agency is not working as hard as it can to improve, even if that is not the case.

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\(^{23}\) See [http://www.riderta.com/emt](http://www.riderta.com/emt) for a current list of Executive Management Team members.


\(^{25}\) Savings sourced from internal document provided by RTA.
RTA could consider the following:

1 **Streamline internal tracking and reporting efforts.** Currently, certain KPIs are reported through multiple channels to small groups of staff. This system was designed to ensure that each team is aware of relevant KPIs to its mission. However, the absence of a singular internal performance management resource reduces the ability for RTA staff to be informed about the agency’s financial and operational health. Creating a centralized KPI reporting hub through RTA’s intranet that is updated daily, weekly, or monthly, can help employees become more proactive when a problem arises. Ensuring all teams are informed about the KPIs that directly affect their team’s metrics and of each department’s standing would also help inspire staff to ensure its individual goals are met, knowing they will be publicly reported.

2 **Develop a centralized public facing dashboard.** If RTA published its monthly VFO reports on its website, the public would be better informed on RTA’s performance and progress. As a rider, if something about a system appear to be working at sub-optimal standards, it is reassuring to see through easily digestible data that either RTA is performing on target most of the time, or that the agency is in fact aware of the issue, and is actively working to meet its target metric.²⁶

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²⁶ Savings sourced from internal document provided by RTA.
8 FUNDING OPTIONS

8.1 OVERVIEW

As discussed in Section 5, existing revenue streams dedicated to public transportation in Cuyahoga County are insufficient to support RTA’s O&M and capital needs. Deficits stemming from the Cuyahoga County Sales & Use tax shortfalls, in addition to the growing capital needs of a transit agency facing an aging asset base, necessitate an evaluation of alternative new funding options for RTA.

To advise GCP and the broader Cleveland region on the best funding options available, the WSP Team identified a full range of potential revenue sources. The sources include existing revenue sources used to fund local transit in Ohio, existing revenue sources used by local governments in Cuyahoga County, and revenue sources used to fund transit in other states. The full list of identified sources is provided in Figure 10-1 of the Appendix.

8.2 PROMISING NEW REVENUE SOURCES

Potential revenue sources were evaluated according to the assessment criteria summarized in Table 8-1. The criteria assess each source relative to ease of implementation, economic, political and administrative conditions. The scoring criteria are summarized in the appendix, with full circles representing high (positive) scores, empty circles representing low (negative) scores, and half-filled circles representing medium scores.

Table 8-1: Revenue Sources Assessment Criteria

<table>
<thead>
<tr>
<th>Source</th>
<th>Description</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue potential</td>
<td>Amount of funding source may yield for RTA annually</td>
<td>High (&gt; $20M)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medium ($10-20M)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low (&lt; $10M)</td>
</tr>
<tr>
<td>Keep pace with inflation</td>
<td>Source keeps pace or is correlated with general price inflation</td>
<td>Indexed and/or keeping pace with inflation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sometimes keeping pace with inflation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not indexed/not keeping pace with inflation</td>
</tr>
<tr>
<td>Equity</td>
<td>Proportionate impact across income levels</td>
<td>Progressive (consistent with incomes)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Neutral</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regressive (higher burden on lower incomes)</td>
</tr>
<tr>
<td>Nexus with beneficiaries</td>
<td>Correlation with beneficiaries of RTA service</td>
<td>Directly related to the beneficiaries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Some relation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No relation</td>
</tr>
<tr>
<td>Stability/predictability</td>
<td>Annual stability and predictability</td>
<td>Generally stable/predictable</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Varies but generally predictable</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Relatively unpredictable/volatile</td>
</tr>
<tr>
<td>Administration</td>
<td>Administrative, collection, and enforcement costs</td>
<td>Already collected at some level/low cost</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Moderate administration and collection costs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>New administration and collection mechanisms/costly</td>
</tr>
</tbody>
</table>

Source: WSP Estimates
These scores were subsequently used to rank the full list of potential revenue sources (see Table 2 in the Appendix). Further analysis identified revenue sources that would not be feasible for funding local transit capital needs in Cuyahoga County, based on an evaluation of restrictions within current Ohio state law. Based on the ranking and feasibility analysis, the WSP Team selected a short list of the most promising potential revenue sources.

RTA currently levies a 1% County-wide Sales & Use Tax, which makes up 73.6% of the agency’s revenues. The tax was approved by voters in 1975. The combined county sales tax rate is 8%, which includes a 5.75% state levy, a 1.25% county levy and the 1% RTA levy. RTA has the authority to place a ballot measure before county voters to raise the existing levy.

Advantages of a Sales & Use Tax hike include the source’s large revenue potential – each 0.10% increase would net approximately $20.7 million in additional revenues, based on 2019 RTA Sales & Use Tax revenue data. However, Sales & Use taxes are regressive, placing the highest burden on low-income households, and any additional levy would require a successful countywide ballot initiative, including the costs associated with any tax increase campaign.

Cleveland’s overall sales tax rate is average among its peer cities. Cincinnati levies a 7% combined rate, Columbus a 7.5% rate, and Buffalo an 8.75% rate. A detailed summary is presented in Table 8-2.

### Table 8-2: Sales & Use Tax Evaluation Results

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Description and comments</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue potential</td>
<td>Each 0.1% Increase would net approx. $20.7M annually</td>
<td>●</td>
</tr>
<tr>
<td>Keep pace with inflation</td>
<td>RTA projects slower-than-inflation growth</td>
<td>○</td>
</tr>
<tr>
<td>Equity</td>
<td>Regressive</td>
<td>○</td>
</tr>
<tr>
<td>Nexus with beneficiaries</td>
<td>Inasmuch as all County residents &amp; visitors benefit from RTA</td>
<td>●</td>
</tr>
<tr>
<td>Stability/predictability</td>
<td>Vulnerable to economic downturn</td>
<td>○</td>
</tr>
<tr>
<td>Administration</td>
<td>Already exists</td>
<td>●</td>
</tr>
<tr>
<td>Political Feasibility</td>
<td>Existing tax, used for RTA</td>
<td>●</td>
</tr>
</tbody>
</table>

Source: WSP Estimates

---

27 RTA FY19 Operating and Capital Budget
28 Sales & Use Tax, Ohio Department of Taxation.
29 Ernst and Young Cleveland Tax Benchmarking Study
8.2.1 PROPERTY TAX

In addition to its authority to levy a Sales & Use Tax, RTA can levy ad valorem property taxes. While there is no existing County property tax levy for transit, there are other levies in place at the County and taxing district-level (e.g. the Cleveland Metropolitan Park District, or the Cuyahoga Community College District).

Advantages of a new Property Tax levy include the source’s large revenue potential – a one-mill levy would net approximately $30 million, based on 2019 total assessed property value numbers from Cuyahoga County. However, there is no existing property tax levy for transit. Further, a new Property Tax levy would require a successful countywide ballot initiative, including any associated campaign costs.

Cleveland’s overall effective real residential property tax rate exceeds that of most of its peers. Cleveland’s 2.84% effective rate is higher than the rate in Columbus and Cincinnati (2.09% and 2.47%, respectively), but lower than the rate in Detroit (3.44%).30 A detailed summary is presented in Table 8-3.

Table 8-3: Property Tax Evaluation Results

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Description and comments</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue potential</td>
<td>A new 1-mill levy would net approx. $30M annually</td>
<td>●</td>
</tr>
<tr>
<td>Keep pace with inflation</td>
<td>Property values somewhat correlated with inflation</td>
<td>○</td>
</tr>
<tr>
<td>Equity</td>
<td>Somewhat progressive if based on percentage of property value</td>
<td>○</td>
</tr>
<tr>
<td>Nexus with beneficiaries</td>
<td>Inasmuch as all County residents benefit from RTA</td>
<td>●</td>
</tr>
<tr>
<td>Stability/predictability</td>
<td>Vulnerable to real estate cycle</td>
<td>○</td>
</tr>
<tr>
<td>Administration</td>
<td>Already exists at county-level</td>
<td>●</td>
</tr>
<tr>
<td>Political Feasibility</td>
<td>Existing tax, not used for transit</td>
<td>○</td>
</tr>
</tbody>
</table>

Source: WSP Research

30 Ernst and Young Cleveland Tax Benchmarking Study.
8.2.2 COMMERCIAL PROPERTY TAX

The WSP Team also included a commercial Property Tax levy in its final list, given that a commercial-only tax levy may be able to garner more local voter support. However, given its more limited scope, a commercial-only levy would net less in revenue than a general Property Tax.

Cleveland’s overall effective real commercial property tax rate exceeds that of most of its peers. Cleveland’s 3.55% effective rate is higher than that in Columbus and Cincinnati (2.87% and 3.27%, respectively), but lower than the rate in Detroit (4.34%).\(^{31}\) A detailed summary is presented in Table 8-4.

**Table 8-4: Commercial Property Tax Evaluation Results**

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Description and comments</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue potential</td>
<td>Substantial revenue base, but less than a general property tax levy</td>
<td>1</td>
</tr>
<tr>
<td>Keep pace with inflation</td>
<td>Property values somewhat correlated with inflation</td>
<td>1</td>
</tr>
<tr>
<td>Equity</td>
<td>Somewhat progressive, but impacts both small and large businesses</td>
<td>1</td>
</tr>
<tr>
<td>Nexus with beneficiaries</td>
<td>Inasmuch as all County businesses benefit from RTA</td>
<td>1</td>
</tr>
<tr>
<td>Stability/predictability</td>
<td>Vulnerable to real estate cycle</td>
<td>1</td>
</tr>
<tr>
<td>Administration</td>
<td>Already exists at county-level for general property tax</td>
<td>1</td>
</tr>
<tr>
<td>Political Feasibility</td>
<td>Existing tax, not used for transit</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: WSP Research

\(^{31}\) Ernst and Young Cleveland Tax Benchmarking Study.
8.3 ALTERNATIVE SCENARIOS

The Baseline Scenario that is discussed in Section 5, “Financial Outlook”, used revenues and costs as provided by RTA. However, there are many internal and external factors that can affect these values, such as the health of the local and national economy. This section describes the alternative scenarios that were explored in which various inputs are adjusted based the factors described below in Table 8-5.

Table 8-5: Alternative Growth Scenarios

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Operating Cost Growth</th>
<th>Capital Cost Contingency</th>
<th>Backlog</th>
<th>Sales &amp; Use Tax Growth</th>
<th>Additional Revenue Source</th>
<th>Additional Revenue Source Contribution to Operating</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scenario 1</strong> - Baseline</td>
<td>RTA inflation assumptions</td>
<td>Low Contingency</td>
<td>Not Prioritized</td>
<td>1.50%</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td><strong>Scenario 2</strong> - High Inflation</td>
<td>Cost Growth 2.5%</td>
<td>High Contingency (15%), inflated CIP</td>
<td>Not Prioritized</td>
<td>1.50%</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td><strong>Scenario 3</strong> - High Inflation with Sales Tax</td>
<td>Cost Growth 2.5%</td>
<td>High Contingency (15%), inflated CIP</td>
<td>Not Prioritized</td>
<td>1.50%</td>
<td>Additional Sales &amp; Use Tax 0.60%</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Scenario 4</strong> - High Inflation with Sales Tax/Updated Backlog</td>
<td>Cost Growth 2.5%</td>
<td>High Contingency (15%), inflated CIP</td>
<td>Prioritized</td>
<td>1.50%</td>
<td>Additional Sales &amp; Use Tax 0.60%</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Scenario 5</strong> - Low Inflation with Sales Tax/Updated Backlog</td>
<td>RTA inflation assumptions</td>
<td>High Contingency (15%), inflated CIP</td>
<td>Prioritized</td>
<td>1.50%</td>
<td>Additional Sales &amp; Use Tax 0.50%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Scenario 6</strong> - High Inflation with Property Tax</td>
<td>Cost Growth 2.5%</td>
<td>High Contingency (15%), inflated CIP</td>
<td>Not Prioritized</td>
<td>1.50%</td>
<td>Property Tax 0.45%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: RTA Budget Data, WSP Estimates
8.3.1 SCENARIO 2 – HIGH INFLATION

The baseline scenario summarized in Section 5 assumes low cost growth and contingency. Scenario 2 depicts a more conservative financial outlook by altering two of RTA’s key assumptions:

1. The operating costs are assumed to grow at 2.5% per year from 2020 onwards. This contrasts with RTA’s cost growth assumptions, which vary from one year to the next, but are on average lower than 2.5% per year.
2. Scenario 2 considers a 15% contingency on new railcar expenditures, rather than RTA’s assumption of approximately 5.7% contingency in the CIP.

In this scenario, RTA’s operating costs grow at a higher rate than operating revenues. The result is an operating deficit of $362 million over the ten-year period, which is more than triple that of the baseline scenario.

On the capital side, the higher railcar contingency means that the deficit over the ten-year period increases from nearly $658 million in the baseline scenario to $855 million. Additionally, since backlog expenditure is not scheduled until 2024, the annual capital deficit will be greater in the later years.

8.3.2 SCENARIO 3 – HIGH INFLATION WITH SALES TAX

Both the Baseline Scenario and Scenario 2 show large funding gaps for operations and capital expenditures over the next ten years. The WSP Team reviewed various funding options to bridge the gap, detailed earlier in this section, “Funding Options”. Scenario 3 considers an additional Sales & Use Tax. RTA is restricted when increasing a Sales & Use Tax to 0.1% increments. In this case, a 0.6% increase was chosen because that amount will provide enough additional funding to cover both the operating and capital deficits shown in Scenario 2; because the tax must be an increment of 0.1%, there is some resulting surplus funding. This scenario also assumes that 30% of the additional funds from the Sales & Use Tax will be allocated to operations, while 70% will be allocated to capital.

This scenario does not lead to any capital deficit over the ten-year period (see Figure 8 in the Appendix). However, there is a large variation in the surplus/deficit on an annual basis. In 2021, funding will exceed expenditure by just under $24 million. In contrast, in 2025, the capital expenditure increase results in an annual deficit of $16.4 million. The additional revenue source can be difficult to justify when there is such a surplus of funds in the early years, even if the surplus/deficit evens out over a longer period.

The annual deficit in 2025 and onward is mainly due to backlog expenditure, which is postponed to the last five years of the period. If the backlog is spread over the entire 10-year period, the expenditure would be more consistent each year, resulting in a more reliable funding surplus/deficit each year. A prioritized backlog is addressed by Scenario 4 below.
8.3.3 **SCENARIO 4 – HIGH INFLATION WITH SALES TAX/UPDATED BACKLOG**

Similar to Scenario 3, Scenario 4 considers the additional revenue sources necessary to bridge the funding gap in a conservative financial scenario. In addition to these assumptions, this scenario includes a prioritized backlog, in which backlogged projects have been spread over the ten-year period based on the priorities in Table 8-6. These rankings are based on RTA’s own priorities.

<table>
<thead>
<tr>
<th>Project Category</th>
<th>Priority Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail Infrastructure</td>
<td>1</td>
</tr>
<tr>
<td>Systems</td>
<td>2</td>
</tr>
<tr>
<td>Bus Rapid Transit</td>
<td>3</td>
</tr>
<tr>
<td>Passenger Facilities</td>
<td>4</td>
</tr>
<tr>
<td>Facilities</td>
<td>5</td>
</tr>
<tr>
<td>Admin</td>
<td>6</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: RTA Budget Data, WSP Estimates

Since the only difference between Scenario 3 and Scenario 4 is a prioritized backlog, the revenue and expenditure for operations remains unchanged. However, spreading out the backlog expenditure according to RTA’s priorities over the period from 2021-2029 results in much steadier expenditure from one year to the next. This is a more realistic scenario, where the additional Sales & Use Tax revenue will not result in large surpluses in the earlier years.

8.3.4 **SCENARIO 5 – LOW INFLATION WITH SALES TAX/UPDATED BACKLOG**

While Scenarios 2 through 4 have assumed a conservative financial outlook, Scenario 5 differs from Scenario 4 by assuming a more optimistic financial outlook. In Scenario 5, the operating cost growth assumption is taken from the 2019 budget, as it is in the Baseline Scenario. This scenario depicts the slower operating cost growth. However, this scenario still assumes a higher contingency of 15% on new rail car expenditure (see Figure 12 in the Appendix).

Since operating costs grow at a slower rate, a 0.6% Sales and Use Tax is no longer necessary to bridge the funding gap. Instead, this scenario assumes a lower 0.5% additional Sales and Use Tax, with only 15% of revenue directed to operating, and 85% directed towards capital.
8.3.5 SCENARIO 6 – HIGH INFLATION WITH PROPERTY TAX

Although the additional Sales & Use Tax is a strong option to bridge the RTA’s funding deficit over the 10-year period, the WSP Team also explored the option of levying a Property Tax. Scenario 6 builds from Scenario 2, but includes a Property Tax of 0.45%. This percentage was chosen because it is high enough to fund the deficit without resulting in large surpluses.

The level of Property Tax revenue is dependent upon Cuyahoga County’s property values, which are reappraised every 3 years. Historical data show that property values can vary significantly, especially in a reappraisal year. For instance, the projected growth in assessed property value in 2019 is 11%. In contrast, the growth has not exceeded 1% since 2010.

8.4 CONCLUSION

RTA’s existing revenue streams, consisting primarily of revenue from a dedicated 1% countywide Sales & Use Tax levy, are insufficient to support the agency’s O&M and capital needs. Capital funds used consist essentially of federal and local funds. Additional non-Federal funds will be necessary to meet the existing and future needs of the transit system, if heavy rail and light rail are to be maintained as viable transportation options.

The WSP Team reviewed a comprehensive list of potential revenue options and identified three sources as the most feasible for implementation: a Sales & Use tax hike, a new Property Tax levy and/or a new commercial-only Property Tax levy. All these sources have been mentioned in the public conversation on the agency’s funding needs over the past few years.

The Baseline scenario shows gaps between funding and need, particularly for capital: the gaps become larger when the assumed inflation rate is higher. Two additional revenue sources could help bridge the gap: an Additional Sales & Use Tax or a Property Tax, both around .5%. These additional capital revenues would reduce the need to issue debt, resulting in lower costs for RTA and the region. Reprioritizing the backlog can optimize the use of additional funds.
# CONCLUSIONS AND NEXT STEPS

## CONCLUSIONS

For this Financial Analysis and Economic Forecast for the Greater Cleveland Regional Transit Authority, WSP reviewed six key areas related to RTA’s performance and financial situation:

1. **Benchmarking:** RTA’s operational performance offers a mixed picture, with high-performing services (Bus Rapid Transit: the HealthLine) countered by services that are not in line with peers with respect to costs (local bus) or ridership (rail services). Additionally, administrative costs at the agency level appear to be higher than most peers. From a governance standpoint, RTA’s Board would benefit from limiting the number of terms and eliminating the stipend for Board members.

2. **Economic and Market Risks:** RTA is facing risks related to its funding (reliance on federal grants and local sales and use tax), its operations (declining ridership), its assets (underfunded rail infrastructure and need for costly rail vehicle replacement) and broad regional trends (dispersion of jobs and population centers). Opportunities to mitigate these risks, based on stakeholder input, include new CEO leadership who could foster positive change within the agency; the local bus redesign study that could improve operational efficiencies, especially if done collectively with transportation network companies (i.e., Uber, Lyft); and, while less certain, the recent population growth in downtown Cleveland that could create more interest in using transit.

3. **Financial Issues:** RTA’s financial outlook shows limited deficits in the operating budget. However, projected costs of replacing new rail vehicles ($240 million, per RTA) and meeting other unfunded maintenance needs, primarily related to the rail system, far exceed available capital revenues.

4. **Cost Efficiencies and Revenue Enhancement Strategies:** Cost reduction strategies, relying on privatization and internal reorganization, could lead to potential savings of $21 million per year, while additional revenues could amount to $8 million through ridership recovery with local bus system redesign and reinvestment in the rail system. To support its rail infrastructure, the region should consider as a priority long-term coordination of RTA’s service development and capital investments with governmental, business, and non-profit entities to direct economic development toward rail station areas, which are currently underutilized.

5. **Key Performance Indicators:** RTA has successfully developed advanced performance reporting systems. To enhance its performance-based management, reputation and transparency, RTA should share its goals and results both internally with all its employees and externally with its riders and the public.

6. **Revenue Sources and Options to Bridge Funding Gaps:** Among various local revenue sources used to fund transit across the U.S., RTA has the ability to levy sales-and-use and property taxes at the county level. Based on RTA’s assessment of its capital needs, substantial funding increases are needed to recapitalize its rail infrastructure and replace its trains. What is uncertain is if that increased funding to cover the capital shortfall will yield a high return-on-investment in terms of increased ridership.

## NEXT STEPS

RTA and the Greater Cleveland region are at a crossroads. Based on this report, the business community will be able to weigh the trade-offs among the available options for transit operations. Without additional
funding, RTA’s rail service risks being gradually curtailed as key infrastructure becomes unsafe for operation, eventually limiting its services to Bus Rapid Transit (BRT), local bus services, and paratransit service for people with disabilities. With additional funding and coordination across sectors (government, business, non-profit), the region could reorient economic development toward areas served by the region’s rail infrastructure asset.

Many metropolitan areas in the United States are currently investing billions of dollars to develop rail transit systems similar to the network that already exists in Cleveland. For significantly less investment, RTA could bring their rail infrastructure to a high performing standard. RTA’s HealthLine BRT provides a local example of the ability of a transit system to generate economic benefits and to attract and shape transit-oriented development. Scaling this type of development strategy across the rail infrastructure is needed to maximize the investment. Greater Cleveland needs an aligned economic development strategy to enhance the use of RTA’s rapid transit system. Regional support for additional transit funding should be coupled with other reforms and investment along the rapid transit corridors.
10 APPENDIX

Figure 10-1: List of Revenue Sources Identified

- Existing Revenue Sources Used to Fund Local Transit in Ohio
  - County Sales and Use Tax
  - City Income Tax (Cincinnati)
- Revenue Sources used to Fund Local Transit in Other States
  - Vehicle Tax (personal property tax)
  - Head Tax (# of Employees)
  - Tolls/Congestion Fees
  - Fee on TNCs (e.g. Uber)
  - Development Impact Fees
  - Local Fuel Tax
  - Lottery
- Existing Revenue Sources used in Cuyahoga County
  - County
    - Property Tax
    - Hotel/Bed Tax
    - Excise Tax on Alcohol, Cigarettes
    - Utility Service Tax (not currently levied, but authority exists)
    - Vehicle License/Registration Fee
    - Real Property Transfer Tax
  - City
    - Admissions Tax for Entertainment/ Convention Events
    - Metered/Street Parking Fee
    - Rental Car Tax
    - Parking Tax (levied on commercial parking receipts)
    - Casino Tax
### Table 10-1: Evaluation Results Summary Table

<table>
<thead>
<tr>
<th>Source</th>
<th>Revenue potential</th>
<th>Keeps price with inflation</th>
<th>Equity</th>
<th>Nexus with beneficiaries</th>
<th>Stability/predictability</th>
<th>Administration</th>
<th>Political Feasibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales &amp; Use Tax</td>
<td>●</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Property Tax</td>
<td>●</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Commercial Property Tax</td>
<td>●</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>City Income Tax</td>
<td>●</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Excise Tax on Alcohol, Cigarettes</td>
<td>○</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Admission Tax for Entertainment Events</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Metered/Street Parking Fees</td>
<td>○</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Rental Car Tax</td>
<td>○</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Utility Service Tax</td>
<td>○</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Vehicle Tax (personal property)</td>
<td>○</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Commercial Head Tax [# of employees]</td>
<td>●</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Tolls/Congestion Fees</td>
<td>○</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Hotel/Bed Tax</td>
<td>○</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Parking Tax (on commercial receipts)</td>
<td>○</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Fee on TNCs</td>
<td>○</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Development Impact Fees</td>
<td>○</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Vehicle License/Registration Fees</td>
<td>○</td>
<td>●</td>
<td>○</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Casino Tax</td>
<td>○</td>
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<td>Local Fuel Tax</td>
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<td>Lottery Revenues</td>
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<td>Real Property Transfer Tax</td>
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</tbody>
</table>

Source: WSP Research
Figure 10-2: Scenario 1: Baseline - Operating

Source: RTA Estimates

Figure 10-3: Scenario 1: Baseline - Capital

Source: RTA Estimates
Figure 10-4: Scenario 2: High Inflation - Operating

Source: RTA Estimates. Additional inflation and contingency factors were included.

Figure 10-5: Scenario 2: High Inflation - Capital

Source: RTA Estimates. Additional inflation and contingency factors were included.
Figure 10-6: Scenario 3: High Inflation with Sales Tax – Operating

Source: RTA Estimates. Additional inflation and contingency factors were included.

Figure 10-7: Scenario 3: High Inflation with Sales Tax – Capital

Source: RTA Estimates. Additional inflation and contingency factors were included.
Figure 10-8: Scenario 4: High Inflation with Sales & Use Tax/Updated Backlog - Operating

Source: RTA Estimates. Additional inflation and contingency factors were included.

Figure 10-9: Scenario 4: High Inflation with Sales & Use Tax/Updated Backlog - Capital

Source: RTA Estimates. Additional inflation and contingency factors were included.
Figure 10-10: Scenario 5: Low Inflation with Sales Tax/Updated Backlog – Operating

Source: RTA Estimates

Figure 10-11: Scenario 5: Low Inflation with Sales Tax/Updated Backlog – Capital

Source: RTA Estimates. Additional inflation and contingency factors were included.
Figure 10-12: Scenario 6: High Inflation with Property Tax: Operating

Source: RTA Estimates. Additional inflation and contingency factors were included.

Figure 10-13: Scenario 6: High Inflation with Property Tax – Capital

Source: RTA Estimates. Additional inflation and contingency factors were included.