2010 Citizens Summary

Citizens Summary

If you wish to see a summary of the 2010 Operating and Capital Improvement Budgets, the **Citizens Summary** is the chapter to read. This chapter includes the CEO/General Manager's **Transmittal Letter** to the Board of Trustees explaining the 2010 budget request in terms of revenue, ridership, and service level assumptions, program changes/initiatives and financial policy variables. In addition, it provides a **Budget Highlights** section that reconciles the CEO/General Manager's Recommended Budget with the final adopted Budget, summarizes the status of all the Authority's funds, focuses in on the status of the General Fund and describes staffing, service indicators and the Capital Improvements Plan.

2010 TRANSMITTAL LETTER

To: George F. Dixon III, President, and Members, Board of Trustees

Date: February 9, 2010

From: Joseph A. Calabrese, CEO General Manager / Secretary-Treasurer

Subject: 2010 Transmittal Letter

EXECUTIVE SUMMARY

RTA was on a roll as we turned the corner on 2008 and headed for 2009. Once again RTA was highly recognized on a local, national, and international level for its best in industry accomplishments. Although the weakening of the economy was very concerning, the strength of our organization, our people, our relationships, and our recent accomplishments allowed us to be cautiously optimistic about our future.

Coming off of the successful inauguration of the HealthLine and a renewed realization of the importance of adequate public transit funding by the Governor and ODOT, our optimism was well founded.

While the event of the decade was the October 2008 on-time and on-budget opening of the Euclid Corridor HealthLine, the real test was its successful operation. I am proud to report that in this test, we are not only meeting, but also exceeding all expectations.

During the year however, this optimism about those factors within our control was met with force by factors that were beyond our control, namely the condition of the National and Northeast Ohio economies.

The financial divergence between revenues and expenses, which began impacting RTA in 2001, has not only continued, but has widened. The recession of 2008-2009 has sliced an additional $24 million from revenue. The strategic use of one-time revenues and adjustments to service levels and reduction of other expenditures allowed the Authority to achieve a balanced budget in 2009, although by the narrowest of margins. That $24 million loss in revenue, which will continue into 2010, means that RTA must take actions necessary to further reduce expenses to match an increasingly lower revenue base.

RTA was able to mitigate some of this revenue loss through additional overhead reductions and operational efficiencies. We also were able to use a portion of American Recovery and Reinvestment Act (ARRA) funding for one-time offsets against operating costs, preventive maintenance, and force account labor. The remainder of these funds still has not been received. Consequently, some reimbursements could not be made and a short-term $8 million note had to be executed to stand in the place of the four grants authorized but not yet received. Changes and improvements in processes such as our Energy Price Risk Management Program will further reduce costs. There is a limit to the amounts of savings these efficiencies can generate and ultimately the lack of revenue places RTA in the position almost all other transit authorities are in at present: fares must be increased and/or service reduced to balance the budget.

As revenue continues to decrease, RTA has cut expenses, raised fares, and reduced service for three straight years. Administrative positions were reduced by 5% in 2009 and will be cut by another 3% in 2010. Salaried employees have also taken a 3% wage cut. Fuel costs will be reduced by $8 million in 2010 due to the use of fuel hedging from the Energy Price Risk Management Program. As the fuel surcharge expires in the first quarter of 2010, the staff recommends that fares be held at the current $2.25 base level. Public hearings were held in January 2010 and one item discussed was the fares for 2010. The other item was a substantial reduction in service.

Negotiations with the Amalgamated Transit Union (ATU) and the Fraternal Order of Police (FOP) will aim at reducing personnel costs for 2010. Without a significant reduction in the costs of service delivery, which can only be accomplished at the bargaining table, and/or additional investments in transit by the State of Ohio, a $9 million service reduction is required in 2010 to align service with available funding. While concessions by our unions could reduce that amount, along with the reduction in staffing of approximately **185 employees**, to date, negotiations have not yielded positive results.

In recent years, RTA has been the most recognized transit system in the nation. One factor is our demonstrated strategy of sound financial management. We feel that this budget, which is far from ideal, matches our service and fare levels with the current revenue realities.

The Board of Trustees' first review of the 2010 Operating and Capital Budget took place at the Finance Committee meeting on November 9, 2009. The committee deliberated issues in the operating and capital budget requests at subsequent meetings on November 17 and December 1, 2009. At the Board meeting on December 15, 2009, the Finance Committee presented a recommendation to the full Board of Trustees to adopt only 25% of the proposed 2010 Operating and Capital Budgets. The Board wanted to get input from the Public Hearings on fares and the proposed service reduction. Ten public meetings were held during the week of January 4th. The 2010 Budget has been revised and will be discussed on February 9, 2010. Approval of the 2010 Budget is expected on February 16, 2010.

Resources are included to fund rail, bus, and paratransit services and continue rehabilitation and maintenance of equipment and facilities. In preparing the 2010 budget request, staff developed Fund Balance Analysis statements for each major fund group, which summarize financial activity and the resulting ending balances. The Finance, Operations, and Planning and Development Committees reviewed major revenue & expenditure assumptions and trends, financial policy indicators, service & employment levels, strategic and other program initiatives, and capital projects included in the 2010 – 2014 Capital Improvement Plan (CIP).

The 2010 appropriation for operating expenditures totals $225,941,877. In comparison, the 2009 Budget totaled $246,514,436 for operating expenditures. During the execution of the 2009 Budget expenditures have been held nearly $8.0 million under that amount at $238,537,641. The reduction from the 2009 actual expenditures to the 2010 Budget will be about $12.6 million, a 5.3% decrease. It includes $169.6 million for Personnel Services, providing salary, overtime, and fringe benefit resources needed to fund 2,477 positions. The authorized employment level for 2010 is a decrease of 100 positions from the 2,577 in the original 2009 budget. Personnel Services costs have been reduced to 2006 levels. An April 2010 required service reduction, will further reduce positions.

For 2010, the Capital Budget totals $72,069,350 for equipment and other capital projects to improve, replace, or upgrade the Authority's facilities and services. This amount consists of grant-supported and locally funded projects of which $2,245,350, or 3.0%, is for RTA Capital Fund and $69,824,000, or 97.0%, is for RTA Development Fund projects. The emphasis within the capital program for the 2010-2014 CIP is to better match budgeted projects with the anticipated revenue, both for locally and grant funded projects.

The 2010 requested Capital Budget of $72.1 million is slightly more than the 2009 budget of $64.4 million. The increase is a result of including $12.9 million of alternative capital budget authority for two projects that will be implemented only if non-traditional funding sources can be found. The 2010 Capital Budget also includes $5.3 million of budget authority for one-time grant funded expenses. This leaves $51.6 million of requested project budgets that will be fully funded from the traditional Federal Capital & Rail Grants.

As was done in prior budget years, new projects were added to the five-year capital plan while other projects were again deferred and pushed back to future years. As a result of including alternative project budgets within the requested CIP, the five-year capital plan increased from $420.9 million for 2009-2013 to $436.4 million in 2010 - 2014.

Capital financing and the balance between the capital program and operating costs continue to be a major challenge for the Authority. Recent Capital Budgets addressed this issue through the deferral and reduction of some projects. The 2010 Capital budget, though a slightly higher amount than in 2009, represents the Authority's efforts to reduce the growth of the capital program to a level that is compatible with anticipated funding levels. However, the Authority's ability to meet debt service as well as operational needs being challenged by the decrease in revenue from the Sales & Use Tax, debt financing will again continue to provide a significant source of funding for on-going capital programs.

The revenue required to support both operating and capital budgets continues to pose difficult fiscal challenges. The shortfall from our largest revenue source, the Sales & Use Tax, has been limiting the ability to provide service for the last eight years. Now, The dramatic drop in revenue caused by the current recession more severely constrains every aspect of our operation. This shortfall significantly limits our ability to provide service, maintain and upgrade our capital plan, and finance these needs.

Without the significant efforts toward reducing costs that began in 2000, the budgets for the last several years would have resulted in totally unacceptable negative ending balances. Further, without the fuel surcharge and the service realignment executed at the end of 2008 and then the additional action to implement the deferred fuel surcharge and the deferred service reduction in September 2009, our 2009 fiscal year would have ended with an exorbitant negative balance. Our diligence in seeking additional funding in 2009 to provide temporary relief from the unprecedented decline in Sales Tax Revenue and then additional actions taken to further reduce expenditures allowed RTA to achieve a positive ending balance for 2009. Additional actions on the upcoming Budget can produce the same results for 2010. Those actions, plus maintenance of the current fare structure and a possible additional service cut in 2010, will balance the upcoming year.

Thus, the 2010 Budget aligns economic realities and service, it represents a solid budget; one that allows us to continue to provide quality and cost-effective public transportation to the Greater Cleveland region. Regrettably, the premium service provided in the past will be reduced and only base service levels can be provided from projected revenues now available.

A STRATEGIC APPROACH TO THE BUDGET

In developing the budget as well as developing our business strategy, the Authority derives its direction from the five Policy Goals identified by the Board of Trustees. These Goals, along with the Authority's Mission Statement, are shown below.

GCRTA MISSION

RTA enhances the quality of life in Greater Cleveland by providing outstanding, cost-effective public transportation services.

BOARD POLICY GOALS

I. CUSTOMER FOCUS: Provide safe, high-quality service to all customers and support our employees in that endeavor.

II. EXPAND AND REORGANIZE SERVICE: Expand and reorganize service to retain our current riders and attract new riders by providing service that meets customer and community needs.

III. PREPARE FOR THE FUTURE: Prepare for the future by forging new partnerships and strengthening existing ones with the public and private sectors to establish policies, funding, innovations, and technologies that support cost-effective public transportation.

IV. IMPROVE FINANCIAL HEALTH: Improve the agency's financial health through efficient use of resources and the pursuit of new and innovative revenue sources.

V. PROVIDE COMMUNITY BENEFITS: Provide social, economic, and environmental benefits to the community through system improvements and increase community awareness of these contributions.

Again, for 2010, our business planning efforts continue to highlight two of the five policy goals as most critical: **Customer Focus** and **Improve Financial Health**. In an effort to more effectively transition the strategic planning focus into the 2010 budgeting process, the evaluation of requests and the allocation of funding for 2010 initiatives were linked to the business plan and these two policy goals.

PROGRAM AND PROJECT INITIATIVES

There are two major initiatives for RTA in 2010. The first major point of emphasis is continuing actions to close the ever-widening gap between revenue and expenditures that the Authority has prudently managed for the last nine years. The loss of over 7% of total revenues with the decline in sales tax due to the current ongoing recession only serves to add to that need. TransitStat, a data driven performance management initiative, was implemented early at the beginning of 2008 with the goal of continuing and further promoting the cultural change of constant improvement and its natural outcome, reductions in expenditures. The first initiative for TransitStat dramatically reduced non-operator overtime and produced savings of over $2.3 million. Other initiatives such as inventory management, attendance, vehicle reliability, and operational scorecards are also significantly improving operations and reducing costs. TransitStat was expanded to encompass all areas of the Authority's operations in 2009. Now Workers' Compensation, electricity usage, energy retrofits, revenue collection, fuel hedging, safety, and customer service are also generating results. Since its inception, TransitStat has saved the Authority nearly $15 million. We can continue to manage our resources, as effectively as possible, but without sufficient revenue to sustain operations at a level in line with the needs of the working public in Greater Cleveland, additional service reductions cannot be avoided. We must become a smaller transit authority.

The second initiative is to effectively manage and execute the American Recovery and Reinvestment Act (ARRA) Grant and the nearly $46 million provided to maintain RTA infrastructure and to provide jobs for this region to act as a stimulus to the economy. The Authority has 16 ARRA projects in process. Some of these projects include maintenance of rail infrastructure, renovating rail cars, renovation of rail grade crossings, reconstruction of Puritas Station, reconstruction of East 55th Station, reconstruction of Woodhill Station, construction of the Stephanie Tubbs Jones East Side Transit Center, and the purchase of 57 paratransit vehicles. These projects will provide the bulk of capital improvements the Authority can afford and execute during the upcoming year.

Fare Structure

Diesel fuel prices increased dramatically during 2008. As a result, fuel costs increased by $7.4 million. A portion of that increase extended into 2009, $4.7 million. To control this volatility, RTA fashioned a fuel surcharge plan. Public hearings were held on the need for a $0.50 fuel surcharge to be implemented in the fall of 2008 along with service cuts that would be needed to maintain the financial position of the Authority. The majority of attendees stated that maintaining service was critical and they could understand the need for a fuel surcharge but that a $0.25 surcharge would be preferable. NOACA provided $9.0 million to the Authority to lessen the impact of fuel cost increases from 2008-2009. The Board passed a $0.25 fuel surcharge on October 14, 2008 effective October 27. The Authority minimized the reduction in service required and implemented it on November 9. The second portion of the fuel surcharge and service reduction were deferred until September 2009 with the hope that additional funding would become available and the deferred fare increase and service reduction would not be needed. That did not happen and the current recession caused even greater financial difficulties for RTA and most transit authorities throughout the U.S. In September the additional $0.25 of the fuel surcharge and the deferred service cut had to be implemented. This pushed base fares to $2.25. The loss of nearly $19 million in sales tax is a great obstacle to overcome. Unfortunately, it cannot be done without maintaining a $2.25 base fare. The $0.50 fuel surcharge will end, as our Energy Price Risk Management Program will significantly reduce the cost of fuel in 2010. It must be replaced with a permanent fare amount equal to the expiring surcharge holding the base fare at $2.25. Without this action, the 12% service reduction included in this budget would become a 22% service reduction.

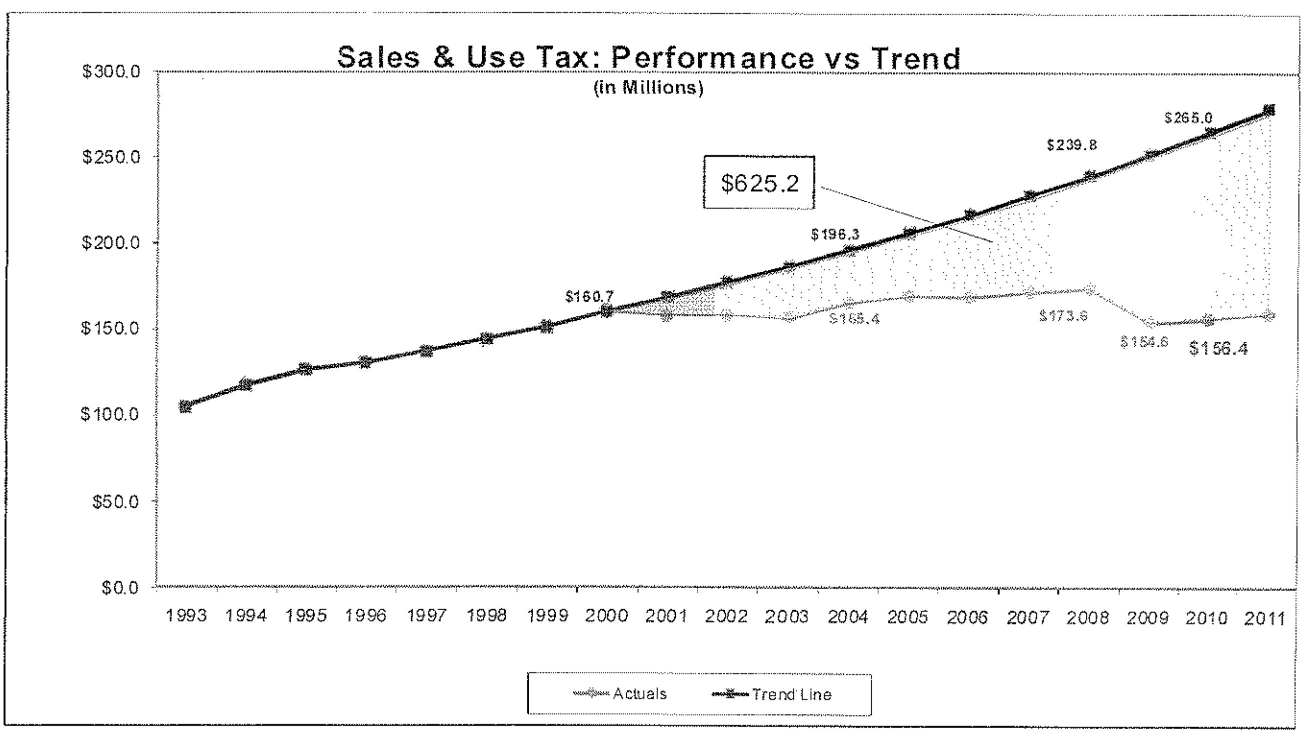
GENERAL FUND

Underperforming Sales & Use Tax

The two charts shown in this section present the major issue affecting the Authority and the region. Sales Tax growth, from 1992 to 2000, increased about 5.9% per year, yielding an average increase of nearly $7.4 million. Beginning in 2001, local economic activity and sales tax growth flattened. The average annual growth declined to 0.9%, netting only $2.2 million per year. Consequently, the Authority has experienced an increasing gap between revenues generated in the past and current revenues. That factor has been worsened by the deep recession of 2008-2009. Sales Tax began to decline in January 2009 and worsened from May to November as unemployment rose to an 11% level in this region. Sales Tax projections for 2009 were lowered from $173 million to $160 million at the end of the first quarter. By the end of the second quarter those projections were lowered again to $155.1 million, a projected 11% drop in Sales Tax. The table below shows this dramatic decline.

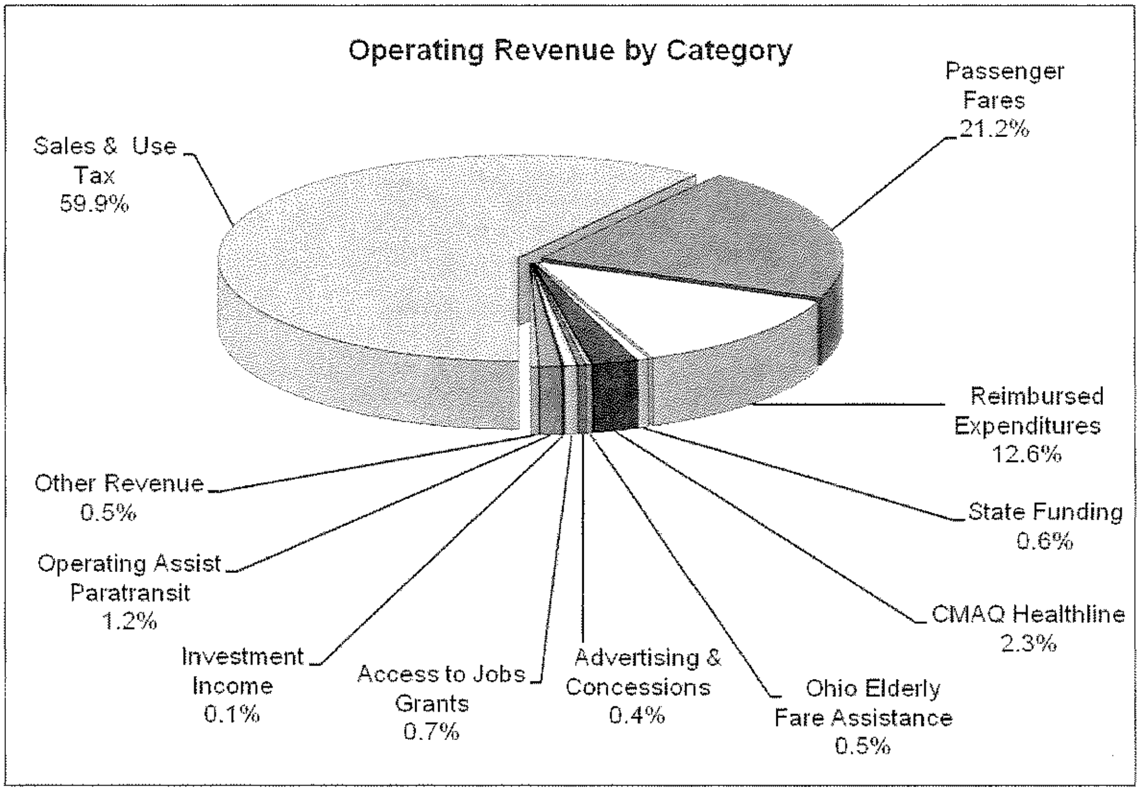
MONTH RECEIVED	4 -Year Average	2009 Estimate	2009 Actual	2009 Dollar Variance	2009 Percent Variance
JANUARY	$13,394,210	$13,625,577	$12,734,154	($891,423)	-6.54%
FEBRUARY	$14,045,476	$14,900,085	$12,834,724	($2,065,361)	-13.86%
MARCH	$17,492,216	$16,038,294	$17,103,628	$1,065,334	6.64%
APRIL	$12,950,239	$13,081,234	$11,828,348	($1,252,886)	-9.58%
MAY	$12,977,520	$14,305,286	$12,406,078	($1,899,208)	-13.28%
JUNE	$15,004,341	$14,842,129	$12,694,667	($2,147,462)	-14.47%
JULY	$13,681,307	$14,635,124	$12,323,435	($2,311,689)	-15.80%
AUGUST	$13,828,166	$14,141,252	$12,248,257	($1,892,995)	-13.39%
SEPTEMBER	$15,712,967	$15,737,137	$13,268,229	($2,468,908)	-15.69%
OCTOBER	$14,187,885	$14,179,426	$12,535,554	($1,643,872)	-11.59%
NOVEMBER	$13,642,131	$13,850,242	$12,428,910	($1,421,332)	-10.26%
DECEMBER	$13,794,306	$13,868,214	$12,180,237	($1,687,977)	-12.17%
TOTAL	**$170,710,764**	**$173,204,000**	**$154,586,221**	**($18,617,779)**	**-10.75%**

This is by far the most dramatic decline in Sales Tax in the history of the Authority; the previous worst decline in a year was 1.6%. A recovery is expected in 2010, but based on economic forecasts that increase is projected at 1.2%, producing $156.4 million. Unlike recessions in the past, it is expected the effects of this one to be long lasting. RTA projects that it will take a minimum of six years to get back to the $173 million Sales Tax amount generated in 2008. Sales Tax generated 70% of RTA's revenues in 2000. It only generated 58% in 2009. That gap has been filled with temporary one-time funds that will not carry forward into the future. The Authority must adjust to what now appears to be a sustained lower revenue base.



The General Fund Balance Analysis, included as Attachment A, presents the 2010 Operating Budget in summary. The highlights are as follows:

Revenue



The current 2010 estimate projects $266.6 million in General Fund revenue and total resources of $269.5 million as the 2009 fiscal year ends with a $2.9 million balance. This was caused by the dramatic Sales Tax decline. As a result, 2010 will begin the year with budgeted total resources that are $11.3 million less than the budgeted amount for 2009.

Passenger Fares **$52.3 Million**

Rationale:

The 2009 Budget established the need for a $0.50 base fare fuel surcharge. The State provided a one-time funding relief package that allowed the Authority to only implement half ($0.25) on October 27, 2008 and defer the other half. If additional funding was not forthcoming, the Authority would need to implement the second half of the fuel surcharge in September 2009. The current recession eliminated any possibility of receiving those funds and caused sales tax collections to plunge necessitating implementation of the deferred fuel surcharge to balance the 2009 budget. Ridership through September 2009 was 11.6% below the same period in 2008. The recession, leading to a double-digit unemployment rate in the region, the reduction in gasoline prices and the service reductions over the last three years are the reasons for this decrease. The Authority provided service for approximately 51.3 million riders in 2009 and collected fare revenue of $49.7 million. We expect ridership to hold at the current level.

Passenger fares for the first eight months of 2009 were held to a $2.00 base fare. The deferred fuel surcharge implemented in September 2009 raised the fare to $2.25. The Authority must either hold fares at this level for 2010 or substantially increase the $9 million service reduction already required for 2010. Maintaining the base fare at $2.25 with current ridership will generate $52.3 million in passenger fares. We anticipate some of the lost ridership returning as unemployment levels decline in 2010 and the future years.

Sales & Use Tax Revenue **$156.4 Million**

Rationale:

The continuing economic crisis and the decrease in Sales Tax revenue has not let up yet. Cuyahoga County experienced an historic decline in Sales Tax in 2009. Sales Tax declined by 10.94% in 2009, losing nearly $19 million in Sales Tax revenue. This is an unprecedented decline, which RTA could not have predicted at the time the 2009 Budget was prepared. During 2009, Sales Tax receipts set records nine times for the worst in the history of the Authority and significant effort had to be made to overcome this shortfall.

Economists indicate this recession is deep and will be longer-lasting than any other that has affected the U.S. in the last 70 years. Our Sales Tax revenue will not recover in the short term and may well not return to the $173 million mark generated in 2008 until 2015. That is our optimistic view based on an increase of 2% per year. An increase of 1% per year would mean it would take twice that time. Thus, we must plan on a new base level of revenue at a reduced amount. Other outside sources of funding have the same revenue generating problems the Authority has and therefore cannot be counted on for funds to stabilize transit in Ohio. RTA originally projected a 1.4% increase ($157.3 million) in Sales Tax revenue in 2010. We have now revised that downward to 1.2% ($156.4 million). Most of that increase will be generated in the second half of the year. The 2010 January Sales Tax collection increased by 2.3% compared to January 2008. These seem to be indicators that some economic improvement is in motion. Increases for the 2000-2008 period averaged approximately 1%. Increases beyond 2% per year for Northeast Ohio for the five years from 2011 to 2015 are most unlikely even with a significant economic recovery.

Advertising & Concessions **$1.1 Million**

Advertising Contract	**$825K**
HealthLine (net)	**$175K**
Other	**$100K**
Total	**$1.1M**

Rationale:

The 2010 Budget Advertising and Concessions Category consist of three subcategories. The first is the current advertising contract. However, to 2008 and 2009 fleet reductions, the advertising contract's annual guarantee shrunk from $1,000,000 to $825,000 per year. The second is the HealthLine naming rights contract that will net the Authority $175,000 in 2010. The other subcategory is composed of various concession and vending arrangements and is expected to generate $100,000 in the upcoming year.

Intergovernmental **$ 14.1 Million**

Temporary State Funding	**$11.5M**
Elderly and Disabled Fare Assistance	**$ 0.8M**
Access to Jobs Revenue (JARC)	**$ 1.8M**
Total	**$14.1M**

Rationale:

Last year Governor Strickland led the way for temporary emergency funding for Ohio Transit Agencies with balances held in Metropolitan Planning Organizations (MPO's). As a result, NOACA (our regional MPO), made $9.0 million available to GCRTA to lessen the impact of fuel cost increases from 2008-2009. RTA utilized $7.8 million, or 87%, of this amount to mitigate operating expenses in 2009. The remaining $1,165,200 will be utilized in 2010. A grant for Congestion Mitigation and Air Quality (CMAQ) for costs associated with the HealthLine has been requested and $6.2 million is planned for 2010. A second CMAQ grant to fund the downtown trolley operation for $783,000 is authorized. A grant from the Surface Transportation Program for Paratransit eligible expenses for $3.4 million is under consideration. These total approximately $11.5 million.

In 2008, the Authority received $2.1 million from the State of Ohio for elderly and disabled fare assistance. The State of Ohio tax receipts were reduced by the recession and in 2009 RTA received only $688,000 in this category. The estimate for 2010 is $840,000.

Job Access and Reverse Commute (JARC) helps GCRTA provide vanpool and reverse commute services consistent with Welfare to Work initiatives. The funds from this source have been very sporadic over the past few years. Actions by the Northeast Ohio Area Coordinating Agency (NOACA) in 2008 released Federal funds. RTA spent $500,000 of these funds in 2008, with the remaining balances to be used in 2009 and 2010, at approximately $1.2 million-$1.4 million per year. An additional $700,000 from Federal funds and $700,000 from ODOT will be received in 2009 and 2010, respectively, totaling $1.4 million. We recently received an ARRA grant for $1.863 million with no match requirement. About $300,000 of those funds were used in the end of 2009. The remaining $1.5 million from that grant will be used in 2010 and then supplemented with funds from grants previously received. Remaining funds from these grants will be used in 2011.

Other Revenue **$1.2 Million**

These other sources of revenue include contractor and hospitalization claim reimbursements, rent, salvage sales, identification card proceeds, among other miscellaneous receipts. The amounts received from these sources have fluctuated over the years, mainly due to one-time settlements and reimbursements.

In 2007 and 2008, the Authority received CNG rebates from the Internal Revenue Service (IRS). These rebates are also expected for 2009 and 2010.

Investment Income **$204 Thousand**

The available 2009 General Fund cash balance is projected to average nearly $4.6 million. As a result of lower fund balances and lower investment rates, the 2009 revenue from this source was $198,000, a drop of 76% compared to 2008. The anticipated 2010 interest rate on investments is projected to range from 1% to 2.25%. As a result of lower fund balances and lower investment rates, the 2010 revenue from this source is projected at $204,146.

Reimbursed Expenditures

$37.4 Million

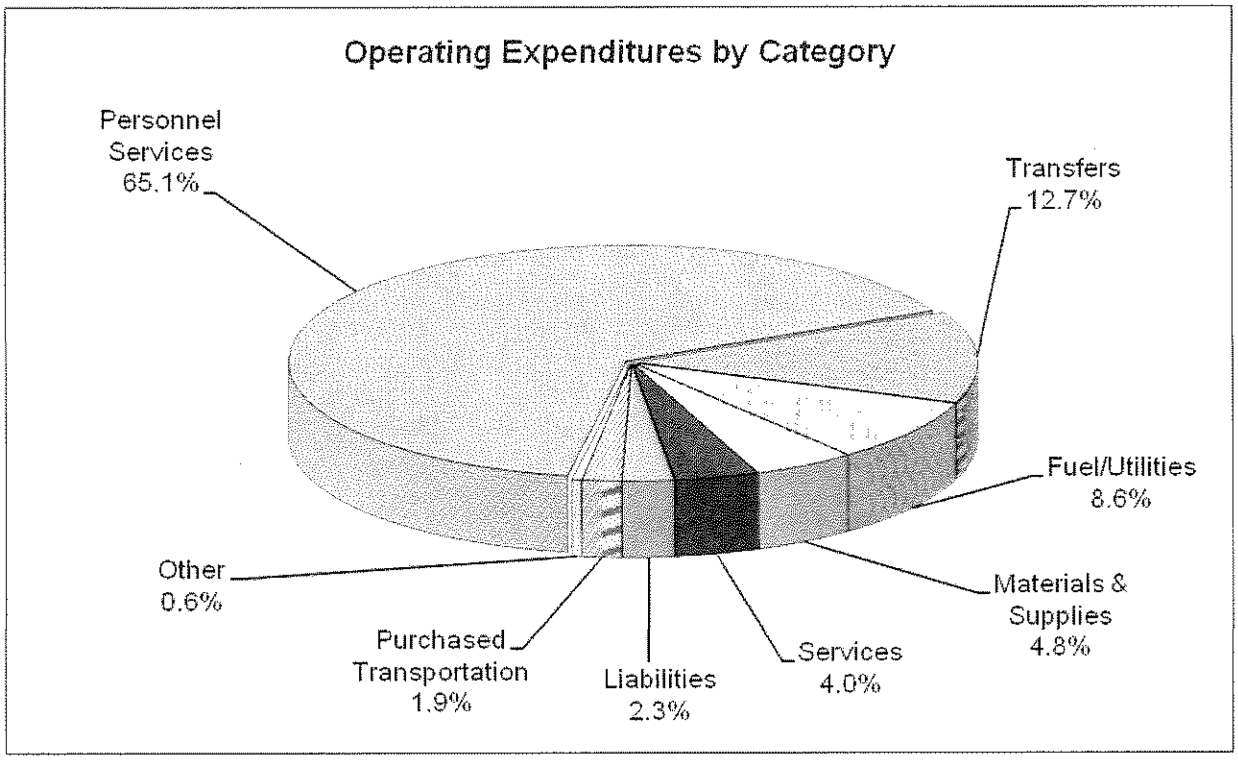
Capitalized Operating Assistance	**$31.6M**
Fuel Tax Reimbursement	**$ 1.3M**
Force Account Labor & Material	**$ 4.5M**
Total	**$37.4M**

Rationale:

This category primarily is composed of capitalized operating assistance, fuel tax reimbursements, grant labor, and material reimbursements. In 2009, this category was $33.4 million. This is about $3.6 million less than projected because four federal grants with expected receipts in 2009 were not finalized until after the close of the fiscal year (Those grants contained over $10 million in revenue expected for 2009). Thus, RTA was not able to process orders for reimbursement on eligible preventive maintenance. The 2010 estimate for this source was originally projected to be $4.0 million lower than 2009 because ARRA funding for preventive maintenance in 2009 will not be available in 2010. With the late receipt of some of these funds, reimbursement will actually increase as 2009 eligible costs are processed for reimbursement in 2010.

One additional category of reimbursed expenditures will also be processed in 2010. The federal government allowed 10% of ARRA funds to be used to directly offset operating expenses. Those funds were in one of the federal grants not received prior to year-end. Those funds will also be processed for reimbursement just as soon as that grant is received in 2010. This will provide an additional $3.456 million in revenue in 2010 beyond the original projection.

Expenditures



The Operating Expenditures for 2010 include the appropriation and expenditure changes as described below. As with revenues, expenditures are estimated not only for the 2010 Budget Year, but also for the two subsequent years. The Fund Balance Analysis projections include those out-years to demonstrate the longer-term impacts of various items contained in the 2010 Budget (collective bargaining agreements, service changes, requirements of the Capital Improvement Plan, etc.).

The chart on page TL – 15 summarizes the budgeted increases/reductions in expenditures for 2010. The chart highlights the ardent effort by management to align the Authority's expenditures with the projected revenue. As a result, it will be necessary for the Authority to implement a service reduction in April 2010. This service cut will equate to $8.7 million in 2010 and will be annualized in 2011 as $12.0 million in cost reductions.

Compensation Issues include the wage and fringe payments consistent with current collective bargaining agreements with the ATU and FOP, vacancy replenishments, as well as expected cost increases associated with health care and the Ohio Public Employee Retirement System (OPERS). Savings captured in the service reduction and cost reduction sections below reduces the amounts in labor and fringe benefits. In the past, Sales Tax paid for the personnel costs. Passenger fares and grants paid for the remaining costs. For instance, in 2006 Sales Tax was $168.6 million and Personnel Services was $168.9 million. In 2007, those figures were $171.6 million for Sales Tax and $174.7 million for Personnel Services. In 2008, the numbers were $173.6 million versus $173.0 million. For 2009, $154.6 million was generated in Sales Tax while Personnel Services were $176.6 million. This is a $22 million shortfall. For 2010, the shortfall has been reduced to $13.1 million. Clearly this shortfall must be reduced even further. As such, there are no wage and salary increases projected for employees.

RTA is attempting to negotiate concessions to the current union contracts. Concessions could mitigate the extent of the currently budgeted April service reduction and layoffs. Salaried employees received no pay increase for the first seven months of 2009 and then had wages reduced by 3% for the remainder of the year. The 3% reduction will remain in effect until approximately June 2010.

In addition, an administrative staff reduction of 16 positions, totaling $920,000 in salaries, has been implemented. RTA is becoming a smaller organization and thus administrative positions must be reduced. A total of 45 administrative positions were eliminated in 2009. The Authority is currently reviewing other non-administrative support positions and plans to make reductions in those ranks prior to March 1, 2010. In addition, the selective hiring freeze employed for 2008 and 2009 will continue in 2010 to control and reduce compensation costs. Fringe benefits are expected to grow by $1.7 million over the 2009 level. Consequently, fringe benefits have been very tightly budgeted at $47.7 million.

Fuel costs will decrease by $8.0 million. The unprecedented increases in fuel costs for 2008 are well documented. At RTA, the effects were nearly crippling, where the daily purchase price for diesel fuel ranged from a low of $2.55 per gallon to a high of $4.18 per gallon, and costs increased from $12 million to $19.3 million. To mitigate the financial risk associated with the market, the Authority awarded firm-fixed-price contracts of $3.28 per gallon for the fourth quarter of 2008 and $3.17 per gallon for the first 5 million gallons of diesel fuel purchased in 2009. The Authority used about 5.4 million gallons in 2009. The final 380,000 gallons were bought at market price. Fuel costs for 2009 were about $17.4 million.

For much of 2008, RTA worked process improvements to establish a new methodology of purchasing diesel fuel. To get that accomplished, State law had to be changed, which was enacted and effective in September 2008. In January of 2009, the Board of Trustees approved the implementation of an Energy Price Risk Management Program. RTA is now authorized to purchase futures contracts out to a maximum maturity of 36 months up to a maximum of 90% of projected use. With the service cut implemented in September 2009 and the budgeted reduction in 2010, diesel fuel usage will be cut to 4,850,000 gallons in 2010. RTA has purchased future contracts on 88% of that fuel at a current price of about $1.90 per gallon and will reduce costs to a projected $9.4 million. The volatility experienced in the last two years has been removed. Costs have been stabilized for 2010 and 2011. For 2011, 86% of the fuel requirement has already been purchased at a cost of $2.32 per gallon. The currently projected cost is $11.3 million.

At the beginning of 2010, RTA began to execute the sale on fuel futures contracts bought previously. Nine January 2010 contracts have been sold with realized gains of $191,307, about $21,250 per contract. These gains will be used to offset the actual cost of diesel fuel on the current market to produce the net costs depicted above. The first 504,000 gallons of heating oil futures for 2012 (11.5% of the total) have also been purchased.

Cost Reduction Measures will result in significant savings. In addition to the reduction of staff and salaries described under compensation issues, travel expenditures will be held 40% below the norm. There will be no cost of living adjustment for materials and supplies. Additional personnel reductions are currently being mapped out for non-administrative support employees. Encumbrances for 2009 were held to less than $3.6 million. This is the lowest amount in the last 20 years. For 2010, RTA will not exceed that figure and will try to reduce it even further by $500,000.

In addition, the Authority closely reviewed utility usage and is seeking reimbursement for amounts overpaid on electricity. We also went out on the open market and solicited bids for our electricity rate. The rate quotes received will lower our cost by 2 cents per kilowatt-hour and result in savings of over $1.127 million.

Service Reductions resulting in $8.7 million in savings for 2010 is unquestionably needed. This reduction must take place by April 2010. The service reductions include savings in operator labor, vehicle maintenance labor, diesel fuel, and inventory parts. This service reduction will be annualized in 2011 at about $12.0 million.

The Authority continues to try to negotiate wage and benefit concessions with the ATU. If those actions produce results, part of the service reduction can be eliminated. This would mean a reduction in the number of employees laid off and maintenance of a greater quantity of service for our riders. Negotiations with the FOP will begin early in 2010.

AREAS OF EXPENDITURE GROWTH
2010 BUDGET

2009 Operating Expenditures		**$238,537,641**	
Compensation Issues		**($781,067)**	**-0.3%**
2009 Annualization of Service Cuts/Operator Labor	($3,699,360)		
Fringe Benefits	$1,573,071		
Hourly Labor Increase	$298,962		
Salary Labor Increase	$1,109,789		
Unemployment Comp	($63,529)		
Fuel / Utilities		**($7,599,947)**	**-3.2%**
Diesel Fuel	($7,066,884)		
Other Fuel / Utilities Adjustments (net)	$406,756		
Propulsion Power	($939,818)		
Service Opportunities		**$3,160,945**	**1.3%**
ADA Purchased Transportation	$212,089		
Service Contracts	$2,005,708		
Misc Materials and Supplies	$943,147		
Operating Transfers		**$1,713,795**	**0.7%**
Bond Retirement	$1,101,007		
RTA Capital	$432,788		
Insurance Fund	$180,000		
Administrative/Proceedural Changes		**($389,489)**	**-0.2%**
Administrative Reduction in Forces Salary	($920,000)		
Additional positions	$200,000		
27th Pay moved to 2010 for Salaried Non-Bargining	$712,000		
Worker's Comp	$263,244		
Other/Property Tax	($228,727)		
Other Net	($416,006)		
Service Reduction		**($8,700,000)**	**-3.6%**
Operator Labor / Service Efficiencies	($6,300,000)		
Diesel Fuel	($900,000)		
Vechicle Maintenance Labor	($250,000)		
Inventory Parts	($1,250,000)		
Expenditure Growth		**($12,595,764)**	**-5.3%**
2010 Budgeted Operating Expenditures		**$225,941,877**	

Transfer to the Insurance Fund

In 2009, a transfer from the General Fund of $3.52 million was made. Although significant, it was not enough to maintain the Insurance Fund at the established balance of $5.0 million. The fund now has a balance of $4.6 million. Consistent with the recommendation from our Director of Risk Manager and Board guidance, the Authority will do all it can to reinstate the $5.0 million balance in the Insurance Fund through the next two out years. Transfers from the General Fund of $3.7 million in 2010 and $3.2 million in 2011 are currently budgeted. The actual level of claims will dictate the transfers needed to get back to the $5.0 million balance.

Transfer to the Supplemental Pension Fund

The 2010 budget estimates that the Supplemental Pension Fund will need transfers of $100,000 for 2010, 2011, and 2012 in order to accommodate the increase in retirees affecting the Authority's pension liabilities.

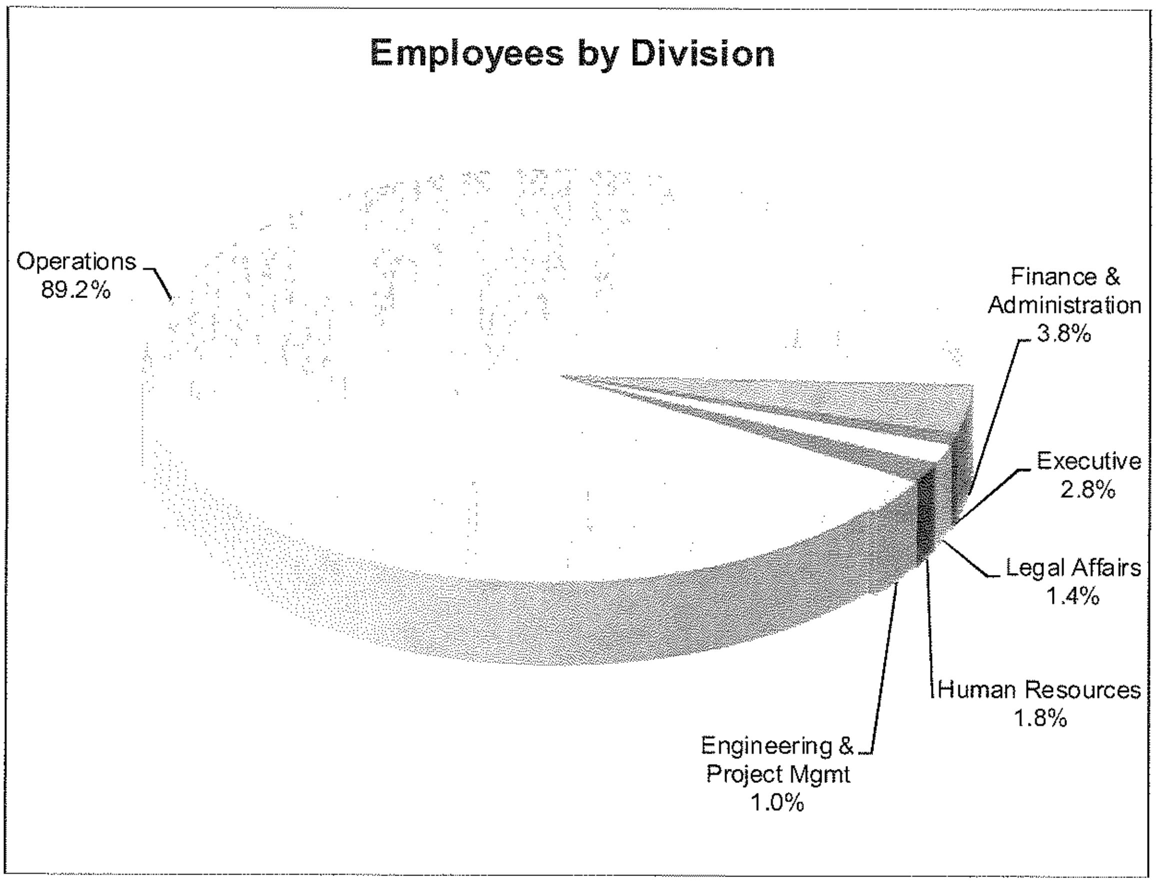
Transfers to Capital

In 2010, Transfers to Capital will total $29.4 million and equal 18.8% of the Sales Tax & Use revenue. This amount includes $18.4 million to be transferred to the Bond Retirement Fund for debt service payments associated with existing debt. An additional $11.0 million will be transferred to the Capital Improvement Fund for payment of 100% locally-funded projects and for the local match portion of grant-funded projects. With increases in capitalized operating expense reimbursements and dwindling local match fund balance, this transfer has increased sharply over the past two years. In the two out-years, 18.7% and 19.4% of revenue from the Sales & Use Tax will be needed to meet the demands of the Capital program. The growth in this measure continues to highlight the escalating difficulty created by increased capital needs in a time of constrained revenue.

At the end of 2009, the Authority utilized a short-term loan of $8 million to bridge the revenue gap that was created because four federal grants with over $10 million of reimbursements were not received prior to the end of the fiscal year. That loan will be paid back in February with about $70,000 in interest. This expenditure has been added to the 2010 budget.

Employment Level Analysis

The chart on the following page summarizes changes in staffing from the 2009 Budget to the level included in the 2010 Budget. The 2010 Budget reflects staffing of 2,477, an overall decrease of 100 positions. Due to the September 2009 service reductions, 76 operator positions have been eliminated. In addition, 12 support and mechanic positions have been eliminated due to the reduction in service miles and need for service. It should be noted that a 3% administrative reduction, or 16 positions, have been eliminated to adjust and right-size administrative support to existing budget limitations, and abate upcoming fiscal hardships. These reductions must be taken to align with service levels and maintain our fiscal position. In addition, non-administrative support positions are being reviewed to further align their totals to current service levels. Those reductions will be implemented in 2010. The pie chart below demonstrates relative employment levels within each division.



EMPLOYMENT LEVEL CHANGES
2010 BUDGET

2009 Budget		**2,577**
Operators		**(76)**
Bus	(8)	
Circulator	(68)	
Support Staff		**4**
Energy Management Analyst	1	
Back to Work Coordinator	1	
Business Analyst MDP	2	
Service Support		**(12)**
Hostlers	(6)	
Vehicle Maintenance	(3)	
Non-Vehicle Maintenance	(3)	
Administrative Reduction in Forces (RIF)		**(16)**
2010 Budgeted Positions		**2,477**
Net Change in Employment Level		**(100)**

SERVICE LEVELS

In these difficult economic times, the Authority is faced with dwindling revenue, particularly from our largest revenue source, the Sales and Use Tax. These shortfall, combined with increasing operating costs, limits our ability to provide service at levels RTA would like to provide for our customers.

Service Levels	2009	2010	% Change 2009-2010
Service Hours	2,084,147	1,817,626	-12.8%
Service Miles	27,817,100	24,431,291	-12.2%

In recent years, service levels were adjusted to more accurately reflect customer demand. In some cases, this involved service reductions and merging of routes. The budgeted miles and hours include the annualized effect of service changes that were made in September 2009. The changes include route changes for lower utilized bus routes traveling from suburban areas into downtown, as well as eliminating the Community Circulators. Minor changes will be made on other routes. The frequencies of those routes will be adjusted in off-peak hours. Headway adjustments on select routes are scheduled mostly in off-peak periods when ridership is low. This involves changing the time interval between vehicles moving in the same direction.

Service for bus and rail are reduced. Paratransit services will remain at current levels as RTA continue our actions to promote our continuing commitment to ADA service and requirements. In 2010, the Authority will need to make additional service cuts in order to remain sustainable because of the dramatic reduction in sales tax revenue.

2010 Budgeted Service Levels By Mode
Compared to 2009 Budgeted Service Levels by Mode

	Service Hours				Service Miles			
Service Mode	2009 Budget	2010 Budget	Variance	Percent Variance	2009 Budget	2010 Budget	Variance	Percent Variance
Rail								
Heavy Rail(Red)*	77,820	73,711	(4,109)	-5.3%	1,691,616	1,606,193	(85,423)	-5.0%
Light Rail(Blue/Green)*	66,180	62,686	(3,494)	-5.3%	801,384	760,916	(40,468)	-5.0%
Total Rail	**144,000**	**136,397**	**(7,603)**	**-5.3%**	**2,493,000**	**2,367,109**	**(125,891)**	**-5.0%**
Bus								
RTA	1,609,233	1,346,584	(262,649)	-16.3%	20,388,534	16,854,877	(3,533,657)	-17.3%
Van Pool	28,000	30,000	2,000	7.1%	520,000	590,000	70,000	13.5%
Total Bus	**1,637,233**	**1,376,584**	**(260,649)**	**-15.9%**	**20,908,534**	**17,444,877**	**(3,463,657)**	**-16.6%**
Paratransit								
In-House	227,791	206,016	(21,775)	-9.6%	3,320,506	3,125,027	(195,479)	-5.9%
Contract	75,123	98,629	23,506	31.3%	1,095,060	1,494,278	399,218	36.5%
Total Paratransit	**302,914**	**304,645**	**1,731**	**0.6%**	**4,415,566**	**4,619,305**	**203,739**	**4.6%**
Grand Totals	**2,084,147**	**1,817,626**	**(266,521)**	**-12.8%**	**27,817,100**	**24,431,291**	**(3,385,809)**	**-12.2%**

POLICY COMPLIANCE

The discussion in this section focuses on the financial status of GCRTA as it relates to the Authority's basic adopted financial policies. These policies represent trends or indicators that should be analyzed as they relate to long-range financial implications for the organization.

The financial policies or trends, as outlined in Attachment B, are applied to the following areas:

Revenues

For 2010, Operating Revenues will account for 24.1% of total operating expenses. Slightly more than the **Operating Ratio** policy goal of 25%, it continues an upward trend in this measure over the last two years. The improvement in this measure is partly due to the fare increase from 2006 and 2008 and the Fuel Surcharge implemented in 2008 and the second half of 2009, as well as to reductions in operating expenditures. The maintenance of the $2.25 base fare for the entire of 2010 results in a 2% increase over 2009.

Its companion indicator, **Fare Subsidy (Net Cost) Per Passenger** at $3.34, will fall barely short of the policy goal of three times the average fare of $1.03 or $3.09. These two indicators demonstrate that fare revenue is beginning to cover a sufficient portion of the actual service costs, owing to the two-part fuel surcharge.

Expenditures

This Indicator includes a **One-Month Operating Reserve**, for available ending balance. The 2010 Operating Reserve will be equivalent to one-tenth of one month's operating reserve. By managing expenses, we again plan to improve this number during 2010. The Authority does all that it can to reduce expenses, but downward pressure on revenues threaten the results of our costs savings and meeting this indicator.

The organization will meet its operational needs in the 2010 budget by managing efficiently and effectively. Because of the recession, reserves available can be measured in days. A reserve is maintained as a safeguard to protect the organization in times of cyclical economic downturns and will be replenished as the economy improves. The cyclic downturn in Sales Tax has lasted eight years. It is no longer a cycle; it is a new reality. With the temporary revenues already discussed and actions taken to reduce cost, a positive balance for year-end will be achieved in 2010. However, it will be a small margin and will take considerable persistence to achieve.

The percent of **Overhead Cost to Total Cost** is projected to be 14.2%, still below the maximum of 15%, and the **Cost per Hour of Service** at $109.07 is 5.2% less than the estimated amount in 2009, primarily due to the major budgeted reductions in service for 2010.

Debt Structures

The **Debt Service Coverage** ratio, projected at 1.06 in 2010, will again fall below the minimum goal of 1.50 as a result of increasing debt service requirements in support of the capital program, as well as a lower fund balance in the General Fund. Unfortunately, this ratio is expected to continue to worsen in 2011 and 2012 due to programmed increases in debt service requirements and continuing decreases to the ending balance as this measure falls to 0.41 and negative 0.15 respectively.

Capital Outlay

Our goal is also to contribute a minimum of 10% and a maximum of 15% of Sales Tax revenue to capital. This indicator includes both the direct contributions to capital and the amount "set-aside" in the General Fund for debt service. An 18.8% **Contribution to Capital** in 2010, which amounts to $29.5 million, will exceed this goal due to the relationship between the decreasing revenue from the Sales & Use Tax and the increasing capital and debt service needs of the Authority. This amount will support RTA Capital projects, provide local match for projects funded by grants, and fund debt service requirements. This contribution to capital is expected to slightly decrease to 18.7% in 2011 and then increase 19.4% in 2012, both significantly above the maximum range for this Board Policy measure due, as mentioned before, to meeting the growing capital and debt service needs of the Authority while revenue from the Sales & Use Tax decreases or remains flat.

The ratio of **Capital Maintenance Outlay to Capital Expansion Outlay,** at 99.0%, is outside of the Board Policy goal of between 33% and 67% for 2010. It increases from the actual level of 95.6% in 2009 as the Authority focuses on maintaining and rehabilitating existing assets, rather than on expansion projects, during the economic downturn. This measure is again expected to exceed the goal during 2011 with a ratio of 79.5% and in 2012 with 88.4% as more maintenance projects are prioritized in the upcoming years.

CAPITAL PROGRAM

The Capital Improvement Plan (CIP) provides for the purchase, maintenance, and improvement of the Authority's capital assets and covers a period of five years, from 2010 through 2014. Capital assets are properties such as buses, rail cars, facilities, equipment, etc., and the life of these properties extends over a period of years. Capital improvement planning provides a framework for scheduling improvements based on the availability of resources, the condition of assets, and the priorities among projects. The capital-intensive nature of public transportation makes long-term financial planning indispensable.

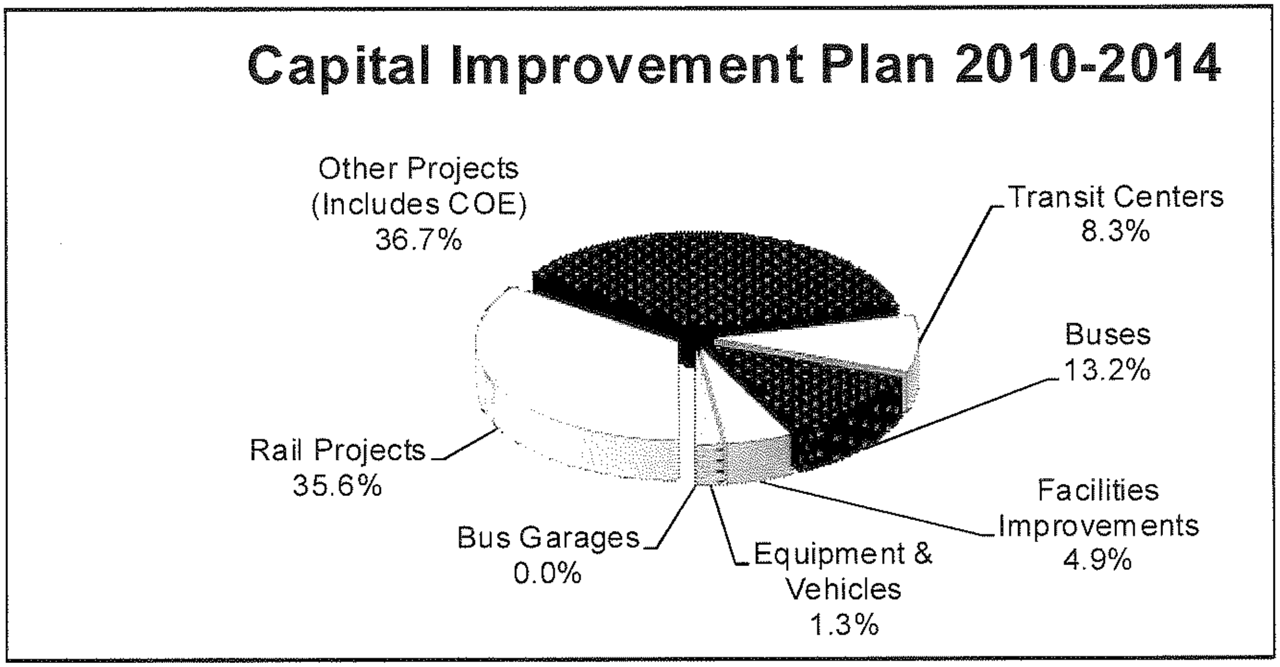
The first year of the CIP reflects the 2010 Capital Improvement Budget. In 2010, the focus will be on supporting the Operating Budget through the reimbursement of preventive maintenance expenses, the continuation of the Heavy Rail Fleet Overhaul project, and the

2010-2014 CAPITAL IMPROVEMENT PLAN

PROJECT CATEGORY	2010	2011	2012	2013	2014	TOTAL
Bus Garages	$0	$0	$0	$0	$0	$0
Buses	$0	$95,000	$10,210,000	$21,350,000	$26,160,000	$57,815,000
Bus Rapid Transit	$0	$0	$0	$0	$0	$0
Equipment & Vehicles	$2,067,500	$657,500	$780,000	$912,000	$830,000	$5,247,000
Facilities Improvements	$5,807,000	$5,450,500	$1,735,000	$4,868,500	$3,675,000	$21,536,000
Other Projects	$36,257,850	$31,044,200	$31,049,700	$30,935,650	$30,940,000	$160,227,400
Rail Projects	$27,445,000	$39,298,250	$19,437,130	$39,668,130	$29,621,000	$155,469,510
Transit Centers	$492,000	$17,195,000	$5,380,000	$12,585,000	$410,000	$36,062,000
TOTALS	$72,069,350	$93,740,450	$68,591,830	$110,319,280	$91,636,000	$436,356,910

rehabilitation of existing assets of the Authority with a focus on the Rail System. In the following four years, the longer-term plans of the organization are outlined. The projected cost of the five-year CIP is $436.4 million, an increase of $13.8 million or nearly 3.3%, from last year's CIP. The increase, due to the inclusion of alternative budgets for projects that will only be funded if non-traditional funding can be identified, continues to reflect the existing financial & operational constraints facing the Authority.

Capital projects supported by this allocation are categorized into eight areas as shown in the chart displayed below. The larger programs/projects included in the five-year plan are shown below.



Highlights of the larger programs & projects included in the 2010-2014 CIP are as follows:

• Capitalized Operating Expenses	$136.0 million
• Bus & Paratransit Bus Programs	$57.8 million
• Rail Station Rehabilitation Program	$47.1 million
• Transit Centers & Intermodal Stations	$36.1 million
• Track Rehabilitation	$24.9 million
• Rail Power System	$18.4 million

The total 2010 Capital Improvement Budget is $72.1 million, of which $2.3 million, or 3.2%, is for RTA Capital Fund projects and $69.8 million, or 96.8%, is for RTA Development Fund projects. The decrease in budgeted RTA Capital Fund projects, funded from the Sales &

Use Tax revenue, reflects the recent downturn in this important funding source for the Authority. The two largest projects with identified grant funding sources included in the 2010 Capital Improvement Budget are Capitalized Operating Expenses, at $27.2 million, or 37.7% of the total capital budget for the year, and the Overhaul of the Heavy Rail Fleet, at $5.5 million, or 7.7% of the total.

In addition, budget authority is also provided in 2010 for the following projects with identified grant funding sources:

- The replacement of the Fairhill Substation at $2.8 million;
- Payment of the bi-annual Fare Collection Equipment Lease at $2.4 million;
- Rehabilitation of the Light Rail Trunk Line Bridge at $2.4 million; and
- A continuation of a three-year program to rehabilitate various light rail crossings with a 2010 budget of $2.1 million.

The 2010 through 2014 Capital Improvement Plan of $436.4 million continues to slow the aggressive infrastructure plan that began nearly a decade ago and focuses on the maintenance and rehabilitation of existing assets, especially in the first several years of the proposed CIP. RTA is committed to both policy goals of Customer Service and Improving Financial Health by continuing to develop and to refine a more realistic capital program that both meets the Authority's needs as well as its ability to finance it.

CONCLUSION

The 2009 Operating and Capital Budgets were very tight when authorized. The failure of money markets requiring the drastic bailout action taken created a deep recession. Unemployment rose to 11% in Northeast Ohio. Sales Tax declined by an unprecedented 11% resulting in nearly $19 million in lost revenue. The Authority took action throughout the fiscal year to combat this problem. RTA ended the year with a small positive balance of $2.9 million and have used a significant part of the 2008 $8.4 million year end balance to help defray 2009 costs. The current economic reality demands that the 2010 Operating and Capital Budgets be planned in the most frugal manner possible. This is exactly what we have tried to do. Fares must be held at current levels. Service must be decreased again. Personnel costs must be reduced. Expenditures for projects and capital upkeep must be held to a minimum. The ARRA funds authorized in 2009 will provide the bulk of our infrastructure maintenance in 2010. RTA will provide the maximum service to the public that is possible. In this recession, revenues have declined sharply. Premium service cannot be funded. Base service will be maintained.

The 2010 Budget has been shaped by the 2008-2009 recession and the severe economic challenges it has imposed. The revenues available are significantly smaller. RTA has no choice but to continue to react and become a smaller, leaner entity.

ATTACHMENT A

General Fund Balance Analysis

Assumptions:							
Passenger Fare Annual Growth =	3.3%	7.1%	10.8%	3.3%	5.1%	2.0%	2.0%
Sales Tax Annual Growth =	-0.2%	1.8%	1.1%	-10.9%	1.2%	1.2%	1.2%
Operating Expenses Growth =	3.2%	3.2%	2.7%	-0.6%	-5.3%	1.8%	1.0%
Capital Contribution =	21,840,207	22,281,814	24,819,832	27,877,062	29,410,956	29,605,569	31,082,364
	13.0%	13.0%	14.3%	18.0%	18.8%	18.7%	19.4%
	2006 Actual	**2007 Actual**	**2008 Actual**	**2009 Actual**	**2010 Budget**	**2011 Budget**	**2012 Budget**
Beginning Balance	16,090,633	15,762,335	14,047,468	8,401,085	2,880,103	2,271,323	-10,886,906
Revenue							
Passenger Fares	40,587,880	43,467,204	48,173,971	49,757,083	52,315,718	53,362,033	54,429,273
Advertising & Concessions	1,404,936	1,217,959	1,591,538	1,197,713	1,109,375	1,100,000	1,100,000
Sales & Use Tax	168,615,372	171,661,508	173,568,817	154,586,220	156,441,255	158,318,550	160,218,372
Operating Assistance - ARRA Federal Grants	0	0	0	0	3,456,000	0	0
Short Term Notes	0	0	0	8,000,000	0	0	0
CMAQ Reimbursement for the Healthline	0	0	0	1,930,603	6,200,000	0	0
Operating Assistance - Paratransit Operations	0	0	0	0	3,456,000	0	0
Ohio Elderly Fare Assistance	2,999,495	2,246,309	0	2,756,762	840,000	924,000	1,016,400
State Funding Fuel Initiative	0	0	0	7,875,683	1,165,200	0	0
Operating Assistance - Trolley Operations	0	0	0	0	783,000	0	0
Access to Jobs Program	890,152	572,647	976,432	2,697,111	1,863,358	1,200,000	1,200,000
Investment Income	862,701	870,024	825,633	198,200	204,146	214,353	225,071
Other Revenue	2,672,865	1,193,213	1,391,890	2,053,241	1,200,000	1,200,000	1,320,000
Reimbursed Expenditures	30,636,402	34,201,180	35,597,279	33,461,105	37,400,000	33,461,105	33,795,716
Weekly Shopper Service	0	0	0	0	180,000	0	0
Total Revenue	248,669,803	255,430,044	262,125,560	264,513,721	266,614,052	249,780,041	253,304,833
Total Resources	264,760,436	271,192,379	276,173,028	272,914,806	269,494,156	252,051,364	242,417,927
Operating Expenditures							
Personnel Services	168,973,550	173,796,848	173,016,961	176,631,322	169,550,255	171,245,757	172,958,215
Diesel Fuel	12,552,157	12,112,507	19,272,336	17,357,364	9,390,480	11,330,790	11,330,790
Other Expenditures	44,776,187	47,653,742	47,662,814	44,548,954	47,001,142	47,471,154	47,945,865
Total Operating Expenditures	226,301,894	233,563,097	239,952,111	238,537,641	225,941,877	230,047,701	232,234,870
Short Term Notes Payment	0	0	0	0	8,070,000	0	0
Transfer to the Insurance Fund	750,000	1,200,000	2,900,000	3,520,000	3,700,000	3,185,000	2,800,000
Transfer to the Pension Fund	106,000	100,000	100,000	100,000	100,000	100,000	100,000
Transfers to Capital							
Bond Retirement Fund	14,700,000	15,456,127	14,753,950	17,327,062	18,428,168	18,927,476	20,617,643
Capital Improvement Fund	7,140,207	6,825,687	10,065,882	10,550,000	10,982,788	10,678,092	10,464,721
Total Transfers to Capital	21,840,207	22,281,814	24,819,832	27,877,062	29,410,956	29,605,569	31,082,364
Total Expenditures	248,998,101	257,144,911	267,771,943	270,034,703	267,222,833	262,938,270	266,217,234
Available Ending Balance	15,762,335	14,047,468	8,401,085	2,880,103	2,271,323	-10,886,906	-23,799,308

ATTACHMENT B

2010 Proposed Budget
Financial Indicators

	2007 Actual	2008 Actual	2009 Estimate	2010 Budget	2011 Budget	2012 Budget
REVENUES						
Operating Ratio	19.9%	21.5%	21.8%	24.1%	24.4%	20.7%
Fare Subsidy (Net Cost) Per Passenger	$3.23	$3.23	$3.70	$3.34	$3.36	$3.99
Average Fare	$0.76	$0.83	$1.00	$1.03	$1.05	$1.00
EXPENDITURES						
Operating Reserve (Months)	0.7	0.4	0.1	0.1	-1.2	-2.0
Overhead Cost vs. Total Cost	**12.1%**	**12.2%**	**12.6%**	**14.2%**	**14.4%**	**14.4%**
Cost/Hour of Service	$100.21	$105.47	$115.04	$109.07	$112.16	$127.08
Growth per Year	**1.9%**	5.3%	**9.1%**	**-5.2%**	**2.8%**	13.3%
DEBT STRUCTURES						
Debt Service Coverage	**1.81**	1.32	1.14	1.06	0.41	-0.15
CAPITAL OUTLAY						
Sales Tax Contribution to Capital	**13.0%**	**14.3%**	18.0%	18.8%	18.7%	19.4%
Capital Maintenance to Expansion	84.1%	89.3%	95.6%	99.0%	79.5%	88.4%

Definitions:

Operating Ratio = Operating Revenue (Fares + Advertising + Interest) / Total Operating Expenditures
Fare Subsidy (Net Cost) Per Passenger = (Total Operating Expenditures/Ridership) - (Fares/Ridership)
Operating Reserve = Available Ending Balance / (Total Operating Expenditures/12)
Overhead Cost vs. Total Cost = Operating Overhead Cost / Total Operating Cost
Cost/Hour of Service = Total Operating Expenditures / Total Service Hours
Debt Service Coverage = (Total Operating Revenues - Total Operating Expenditures) / Debt Service
Contribution to Capital = (Capital Improvements Contribution & Capital Improvement + Bond Retirement Transfers) / Sales & Use Tax Revenue
Capital Maintenance to Expansion = Capital Maintenance Outlay / Total Capital Outlay

ATTACHMENT C

RTA Development Fund Balance Analysis

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Budget	2012 Budget
Beginning Balance	9,366,610	18,784,966	22,837,466	33,485,254	30,508,300	50,263,847	41,061,638
Revenue							
General Obligation Debt Proceeds	25,003,289	0	35,472,559	0	20,000,000	0	0
Transfer from RTA Capital Fund	5,000,000	5,000,000	7,600,882	8,346,054	8,475,400	8,225,400	8,175,400
Investment Income	1,112,118	844,393	1,672,096	271,990	325,000	375,000	375,000
Federal Capital Grants	71,849,886	74,319,702	86,109,609	65,807,459	59,227,000	45,901,244	48,176,409
ARRA Federal Capital Grants	0	0	0	7,840,623	30,823,088	7,084,988	0
State Capital Grants	6,011,798	8,532,391	9,370,685	9,162,154	968,147	968,147	960,000
Capital Lease	0	25,000,000	0	0	0	0	0
Other Revenue	500,000	2,810,906	1,837,731	0	1,000,000	1,000,000	1,000,000
Total Revenue	109,477,091	116,507,392	142,063,562	91,428,280	120,818,635	63,554,779	58,686,809
Total Resources	118,843,701	135,292,358	164,901,028	124,913,534	151,326,935	113,818,626	99,748,447
Expenditures							
Capital Outlay	99,198,421	109,944,506	128,830,215	93,705,234	100,363,088	72,306,988	71,037,000
Other Expenditures	0	2,000,000	472,559	0	0	0	0
Transfer to Bond Retirement Fund	860,314	510,386	2,113,000	700,000	700,000	450,000	450,000
Total Expenditures	100,058,735	112,454,892	131,415,774	94,405,234	101,063,088	72,756,988	71,487,000
Ending Balance	18,784,966	22,837,466	33,485,254	30,508,300	50,263,847	41,061,638	28,261,447

ATTACHMENT D

RTA Capital Fund Balance Analysis

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Budget	2012 Budget
Beginning Balance	3,451,793	2,899,226	1,374,346	270,264	197,782	256,671	259,363
Revenue							
Transfer from General Fund	7,140,207	6,825,687	10,065,882	10,550,000	10,982,788	10,678,092	10,464,721
Investment Income	166,058	96,409	65,557	370	1,500	50,000	50,000
Other Revenue	0	0	0	0	0	0	0
Total Revenue	7,306,265	6,922,096	10,131,439	10,550,370	10,984,288	10,728,092	10,514,721
Total Resources	10,758,058	9,821,322	11,505,785	10,820,634	11,182,071	10,984,763	10,774,084
Expenditures							
Asset Maintenance	1,233,421	1,394,482	1,630,502	1,197,531	1,400,000	1,400,000	1,450,000
Routine Capital	1,625,411	2,052,494	2,004,137	1,079,267	1,050,000	1,100,000	1,100,000
Other Expenditures	0	0	0	0	0	0	0
Transfer to RTA Development Fund	5,000,000	5,000,000	7,600,882	8,346,054	8,475,400	8,225,400	8,175,400
Total Expenditures	7,858,832	8,446,976	11,235,521	10,622,852	10,925,400	10,725,400	10,725,400
Ending Balance	2,899,226	1,374,346	270,264	197,782	256,671	259,363	48,684

ATTACHMENT E

Bond Retirement Fund Balance Analysis

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Budget	2012 Budget
Beginning Balance	1,510,792	1,764,973	1,727,210	1,733,884	2,084,582	1,771,731	1,703,022
Revenue							
Transfer from General Fund	14,700,000	15,456,127	14,753,950	17,327,062	18,428,168	18,927,476	20,617,643
Transfer from RTA Development Fund	860,314	510,386	2,113,000	700,000	700,000	450,000	450,000
Investment Income	298,954	271,752	316,200	36,270	75,000	125,000	125,000
Other Revenue	142,782	2,404	326,277	0	0	0	0
Total Revenue	16,002,050	16,240,669	17,509,427	18,063,332	19,203,168	19,502,476	21,192,643
Total Resources	17,512,842	18,005,642	19,236,637	19,797,216	21,287,750	21,274,207	22,895,665
Expenditures							
Debt Service							
Principal	8,801,619	9,358,533	10,216,526	10,012,244	11,439,987	11,726,148	13,669,909
Interest	6,946,250	6,919,899	7,286,227	7,700,390	8,066,032	7,825,037	7,378,006
Other Expenditures	0	0	0	0	10,000	20,000	20,000
Total Expenditures	15,747,869	16,278,432	17,502,753	17,712,634	19,516,019	19,571,185	21,067,915
Ending Balance	1,764,973	1,727,210	1,733,884	2,084,582	1,771,731	1,703,022	1,827,750

ATTACHMENT F

Insurance Fund Balance Analysis

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Budget	2012 Budget
Beginning Balance	6,051,880	5,167,010	5,264,655	5,432,199	4,634,855	4,584,858	5,005,098
Revenue							
Investment Income	197,782	316,340	167,544	75,515	150,000	135,240	175,320
Transfer from General Fund	750,000	1,200,000	2,900,000	3,520,000	3,700,000	3,185,000	2,800,000
Other Revenue	0	0	0	0	3	0	0
Total Revenue	947,782	1,516,340	3,067,544	3,595,515	3,850,003	3,320,240	2,975,320
Total Resources	6,999,662	6,683,350	8,332,199	9,027,714	8,484,858	7,905,098	7,980,418
Expenditures							
Claims and Premium Outlay	1,832,652	1,418,695	2,900,000	4,392,859	3,900,000	2,900,000	2,929,000
Other Expenditures	0	0	0	0	0	0	0
Total Expenditures	1,832,652	1,418,695	2,900,000	4,392,859	3,900,000	2,900,000	2,929,000
Ending Balance	5,167,010	5,264,655	5,432,199	4,634,855	4,584,858	5,005,098	5,051,418

ATTACHMENT G

Supplemental Pension Fund Balance Analysis

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Budget	2012 Budget
Beginning Balance	888,711	933,358	983,292	1,036,017	1,083,091	1,132,184	1,179,184
Revenue							
Investment Income	33,586	42,900	34,609	28,441	31,000	31,000	31,000
Transfer from General Fund	106,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Revenue	139,586	142,900	134,609	128,441	131,000	131,000	131,000
Total Resources	1,028,297	1,076,258	1,117,901	1,164,458	1,214,091	1,263,184	1,310,184
Expenditures							
Benefit Payments	94,939	92,966	81,884	81,366	81,907	84,000	84,000
Other Expenditures	0	0	0	0	0	0	0
Total Expenditures	94,939	92,966	81,884	81,366	81,907	84,000	84,000
Ending Balance	933,358	983,292	1,036,017	1,083,091	1,132,184	1,179,184	1,226,184

ATTACHMENT H

Law Enforcement Fund Balance Analysis

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Budget	2012 Budget
Beginning Balance	217,680	204,509	204,126	172,193	152,517	168,117	179,717
Revenue							
Law Enforcement Revenue	53,389	99,046	14,400	11,280	15,000	11,000	12,000
Investment Income	9,424	11,784	4,505	425	600	600	600
Other Revenue	0	0	61,991	28,937	0	0	0
Total Revenue	62,813	110,830	80,896	40,642	15,600	11,600	12,600
Total Resources	280,493	315,339	285,022	212,835	168,117	179,717	192,317
Expenditures							
Capital & Related Items	75,984	111,213	112,829	60,318	0	0	0
Total Expenditures	75,984	111,213	112,829	60,318	0	0	0
Ending Balance	204,509	204,126	172,193	152,517	168,117	179,717	192,317

ATTACHMENT I

All Funds Balance Analysis

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Budget	2012 Budget
Beginning Balance	37,578,099	45,516,377	46,438,563	50,530,896	41,541,231	60,448,731	38,501,117
Revenue							
Passenger Fares	40,587,880	43,467,204	48,173,971	49,757,083	52,315,718	53,362,033	54,429,273
Sales & Use Tax	168,615,372	171,661,508	173,568,817	154,586,220	156,441,255	158,318,550	160,218,372
Federal	71,849,886	74,319,702	86,109,609	73,648,082	93,506,088	52,986,232	48,176,409
State	9,011,293	10,778,700	9,370,685	21,725,202	12,629,347	1,892,147	1,976,400
Investment Income	2,680,623	2,453,602	3,086,144	611,211	787,246	931,193	981,991
Other Revenue	36,300,526	40,097,355	41,797,538	47,449,387	43,550,736	37,972,105	38,427,716
General Obligation Debt Proceeds	25,003,289	0	35,472,559	0	20,000,000	0	0
Capital Lease	0	25,000,000	0	0	0	0	0
Total Revenue	354,048,869	367,778,071	397,579,323	347,777,185	379,230,390	305,462,260	304,210,162
Total Resources	391,626,968	413,294,448	444,017,886	398,308,081	420,771,621	365,910,990	342,711,278
Expenditures							
Personnel Services	168,973,550	173,796,848	173,016,961	176,631,322	169,550,255	171,245,757	172,958,215
Diesel Fuel	12,552,157	12,112,507	19,272,336	17,357,364	9,390,480	11,330,790	11,330,790
Other Expenditures	46,779,762	51,276,616	51,230,086	49,083,498	59,063,049	50,475,154	50,978,865
Capital Outlay	102,057,253	113,391,482	132,464,854	95,982,032	102,813,088	74,806,988	73,587,000
Debt Service	15,747,869	16,278,432	17,502,753	17,712,634	19,506,019	19,551,185	21,047,915
Total Expenditures	346,110,591	366,855,885	393,486,990	356,766,850	360,322,891	327,409,874	329,902,785
Available Ending Balance	45,516,377	46,438,563	50,530,896	41,541,231	60,448,731	38,501,117	12,808,493

Citizens Summary

Budget Highlights

Introduction

This section concentrates on the significant components of the **2010 Adopted Budget Plan**. The intent is to furnish an overview of the Plan on the Authority's finances for 2010.

This section also includes a consolidated presentation of the Authority's funds and further details regarding the General Fund. A synopsis of the Capital Improvements Plan (CIP) and summary statistics conclude the **Citizens Summary**.

The CEO/General Manager's 2010 Recommended Operating and Capital Budgets were first presented to the Board of Trustees (BOT) at the Finance Committee meeting on November 10, 2009. Two public hearings were held on December 1, 2009 and December 15, 2009. During these hearings, information was presented on revenues, expenditures, the general make-up of the operating budget and capital budgets, the need for service realignment and the form it would take. The Trustees reviewed the final 2010 budget resolution on December 15, 2009 and adopted 25% of the expenses on the Resolution. The Board wanted to hear the public's perspective from the Public Hearings held January 4, 2010 to January 8, 2010 regarding the service reduction scheduled for the beginning of April 2010 and to get the actual receipts for the Sales & Use Tax for December 2009 and January 2010.

The 2010 Budget was re-presented to the Board of Trustees on February 9, 2010. Another public hearing was held on February 16, 2010 and the Trustees reviewed the final 2010 budget resolution that same day. The Board of Trustees formally adopted the 2010 Budget on February 16, 2010 as recommended by the CEO/General Manager in the preceding **Transmittal Letter**.

Citizens Summary

Budget Highlights

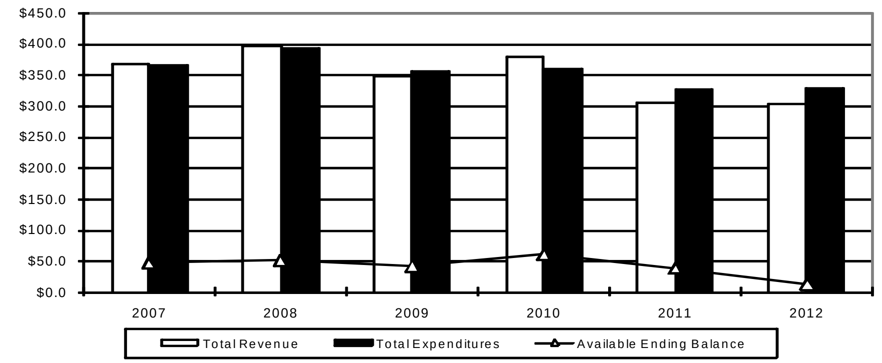
All Funds Analysis

Figure CS-1 is the first of several fund status presentations found throughout this document. Revenues and expenditures for a six-year horizon are charted in bar-graph form with an overlay representing actual and projected unrestricted fund balances. This information is greatly expanded in the section on **Fund Budgets**, which provides a detailed discussion of specific resources, expenses, and resulting balances.

Despite economic difficulties in the last few years, the Authority is projected to complete 2009 financially sound. However, the continuing underperformance of the Sales and Use Tax presents both concerns and challenges. This trend in Sales and Use Tax will not only impact our ability to address the increasing demand for public services, it has necessitated a strategic hiring freeze, 3% wage reduction of salary employees, postponement of the 27th pay scheduled for December 31, 2009 for our salaried non-union employees, and a budgeted service adjustment of nearly 12% at the beginning of April 2010. Careful management has allowed GCRTA to delay this action for longer than other Ohio transportation authorities and has mitigated the extent of the realignment.

The strategy for 2010 continues ongoing efforts to restructure existing services within the context of limited revenue reserves. Resources are provided to fund restructured service levels and to rehabilitate and maintain the Authority's equipment and facilities. The 2010 Budget continues the Authority's process to truly re-engineer the organization to support the appropriate levels of service based on customer demand and available funding.

All Funds Balance Analysis (Millions)



	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
Beginning Balance	$45.5	$46.4	$50.5	$41.5	$60.4	$38.5
Total Revenue	**$367.8**	**$397.6**	**$347.8**	**$379.2**	**$305.5**	**$304.2**
Total Resources	$413.3	$444.0	$398.3	$420.7	$365.9	$342.7
Total Expenditures	**$366.9**	**$393.5**	**$356.8**	**$360.3**	**$327.4**	**$329.9**
Available Ending Balance	**$46.4**	**$50.5**	**$41.5**	**$60.4**	**$38.5**	**$12.8**

Figure CS-1: All Funds Balance Analysis

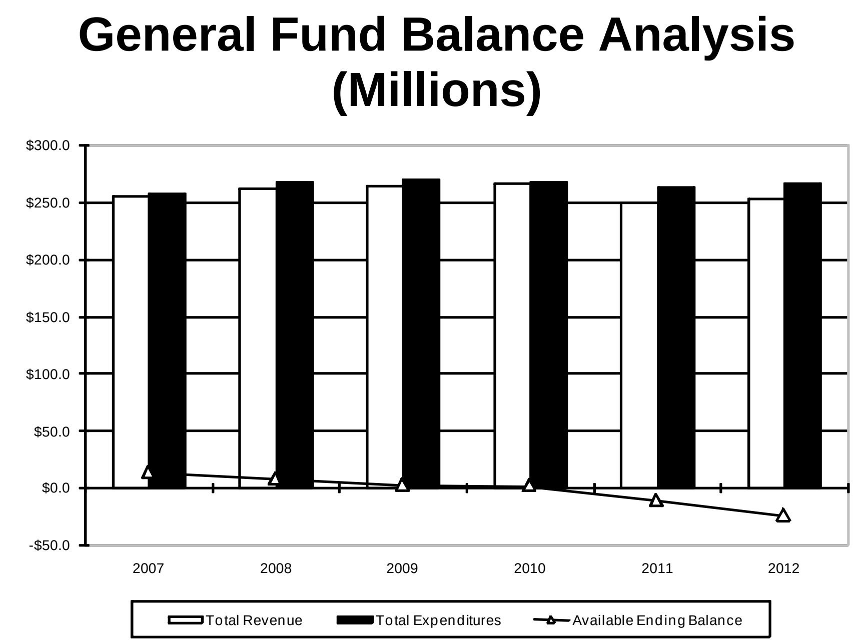
Budget Highlights

General Fund Analysis

Figure CS-2 highlights the activity in the General Fund, the main operating fund of the Authority. With the exception of transactions, which must be reported in special funds, all operating activity at RTA is reflected in this fund. The Authority's financial health, reflected by the unrestricted fund balance, is a significant criterion examined by credit rating agencies.

For the last few years, the Authority has experienced a variety of economic challenges and has been unable to meet the policy to maintain a one-month operating reserve. The ending balance was $16.1 million in 2005, narrowly missing the goal with a 0.9-month operating reserve. The 2006 budget required a drawdown on the operating reserve, resulting in a $15.8 million ending balance, 0.9-month reserve. The 2007 budget again required a drawdown on fund balances with an operating reserve of $14.0 million, 0.7-month reserve. For 2008, the Authority was affected by a significant increase in diesel fuel costs, which added $7.5 million in expenses. As a result of this and other cost drivers, a nearly three percent service realignment had to be implemented at the end of the year. The year ended with a $8.4 million balance, or 0.4-month reserve. In 2009, the year ended with a $2.9 million budget balance because of these cost saving efforts, as well as the $8 million in revenue in short term notes.

Despite the service realignment, operating cost increases and low revenue growth will necessitate another drawdown on the ending balance resulting in a $2.3 million balance, 0.1-month reserve. The reserve level will be extremely important in the out years as this budget projects negative fund balances in 2011 and 2012.



	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
Beginning Balance	$15.8	$14.0	$8.4	$2.9	$2.3	-$10.9
Total Revenue	**$255.4**	**$262.1**	**$264.5**	**$266.6**	**$249.8**	**$253.3**
Total Resources	$271.2	$276.2	$272.9	$269.5	$252.1	$242.4
Operating Expenses	$233.6	$240.0	$238.5	$225.9	$230.0	$232.2
Fund Transfers	$23.6	$27.8	$31.5	$41.3	$33.0	$34.0
Total Expenditures	**$257.2**	**$267.8**	**$270.0**	**$267.2**	**$263.0**	**$266.2**
Available Ending Balance	**$14.0**	**$8.4**	**$2.9**	**$2.3**	**-$10.9**	**-$23.8**

Figure CS-2: General Fund Balance Analysis

Budget Highlights

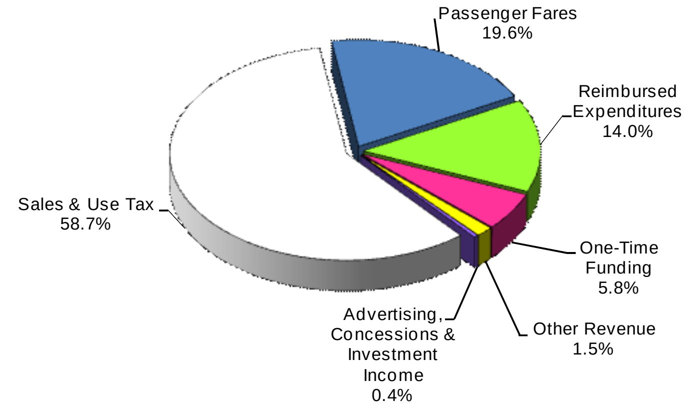
General Fund Analysis, cont.

Figure CS-3 illustrates the relationship between major operating revenues. In 2009, 19.6 percent of General Fund revenue came from passenger fares, while 58.7 percent is projected from Sales and Use Tax. The projected growth in 2010 sales tax revenue is 1.2 percent over 2009. This includes $1.1 million in the increase to the State of Ohio Managed Care Organization tax (a component in Sales Tax), and $750K in increased economic activity. Sales tax revenue had increased by an average of 5.6 percent annually from 1992 to 2000. That trend has changed remarkably. Three straight years of declines followed. There was an increase in 2004 and 2005; then in 2006, revenue declined again. The average increase over the last several years is 1.0 percent. For 2009, the decrease was 11 percent over 2008. The 2010 projection anticipates a stagnant economy and is consistent with receipts received in the final quarter of 2009.

All other sources of operating revenue for 2010 are expected to equal approximately 21.7 percent of the total. Reimbursed expenditures, which include capitalized operating expenses as well as $9.6 million in additional State Funding and $3.4 million in ARRA Operating Assistance, continues to be a significant revenue category. Combined Advertising, Concession, and Investment Income are expected to remain relatively flat compared to 2009, although the mix between the categories will change. The total revenue for 2010 is $2.1 million higher than in 2009. Details on these specific sources are found in the **Fund Budgets** section.

An Operating Expenditure decrease is projected for 2010 due to an April 1st budgeted service cuts. Expenditures for 2010 ($225.9 million) are expected to decrease from the 2009 total ($238.5 million) by $12.6 million.

General Fund Revenue by Source (Millions)



	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
Passenger Fares	$43.5	$48.2	$49.8	$52.3	$53.4	$54.4
Sales & Use Tax	$171.7	$173.6	$154.6	$156.4	$158.3	$160.2
Reimbursed Expenditures	$34.2	$35.6	$33.5	$37.4	$33.5	$33.8
Advertising, Concessions &	$2.0	$1.6	$1.2	$1.1	$1.1	$1.1
One-time Funding	$0.0	$0.0	$17.7	$15.3	$0.0	$0.0
Other Revenue	$4.0	$2.6	$7.7	$4.1	$3.5	$3.8
Total Revenue	**$255.4**	**$261.6**	**$264.5**	**$266.6**	**$249.8**	**$253.3**

Figure CS-3: General Fund Revenue by Source

Budget Highlights

General Fund Analysis, cont.

To complete the overview of the General Fund, figure CS-4 reports the financial indicators for the organization. To satisfy Board policies, the Authority must:

REVENUES

- Maintain an **Operating Ratio** (operating reserves divided by operating expenditures) of at least 25 percent, with 30 percent being the long-term objective. For 2010, the budget assumes a ratio of 24.1 percent. This policy goal remains unsatisfied for the eleventh year in a row (although growing since 2006), resulting in increasing concern for the growth rate of operating expenses versus operating revenue.
- Maintain a **Fare Subsidy** (net cost) per passenger that does not exceed three times the average fare. For 2010, the fare subsidy is projected at $3.34; nearly three-and-one-half times the average fare of $1.03.

EXPENDITURES

- Maintain an **Operating Reserve** equivalent to one-month's expenses in the unrestricted fund balance. In 2010, the reserve will not meet the policy target for the eleventh year in a row, primarily due to continuing slow economic growth and existing revenue conditions.

Financial Indicators (2010)

	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
REVENUES						
Operating Ratio	19.9%	21.5%	21.8%	24.1%	24.4%	20.7%
Fare Subsidy (Net Cost) Per Passenger	$3.23	$3.23	$3.70	$3.34	$3.36	$3.99
Average Fare	$0.76	$0.83	$1.00	$1.03	$1.05	$1.00
EXPENDITURES						
Operating Reserve (Months)	0.7	0.4	0.1	0.1	-1.2	-2.0
Overhead Cost vs. Total Cost	12.1%	12.2%	12.6%	14.2%	14.4%	14.4%
Cost/Hour of Service	$100.21	$105.47	$115.04	$109.07	$112.16	$127.08
Growth per Year	1.9%	5.3%	9.1%	-5.2%	2.8%	13.3%
DEBT STRUCTURES						
Debt Service Coverage	1.81	1.32	1.14	1.06	0.41	-0.15
CAPITAL OUTLAY						
Sales Tax Contribution to Capital	13.0%	14.3%	18.0%	18.8%	18.7%	19.4%
Capital Maintenance to Expansion	80.5%	89.3%	95.6%	99.0%	79.5%	88.4%

Definitions:

Operating Ratio = Operating Revenue (Fares + Advertising + Interest)/Total Operating Expenditures
Fare Subsidy(Net Cost) Per Passenger = (Total Expenditures/Ridership)-(Fares/Ridership)
Operating Reserves = Available Ending Balance/(Total Operating Expenditures/12)
Overhead Cost vs. Total Cost = Overhead Cost/Total Cost
Cost/Hour of Service = Total Operating Expenditures/Total Service Hours
Debt Service Coverage = (Total Revenues - Total Expenditures)/Debt Service
Contribution to Capital = (Capital Improvement Contribution & Capital Improvement+Bond Retirement Transfer)/Sales & Use Tax Rev
Capital Maintenance to Expansion = Capital Maintenance Outlay/Total Capital Outlay

Figure CS-4: Financial Indicators

Budget Highlights

General Fund Analysis, cont.

- Maintain **Overhead Costs** at 15 percent or less of total costs. This policy goal will be satisfied at 14.2 percent.

- Growth in costs, as defined by the **Cost per Hour of Service**, is to be kept at or below the rate of inflation. In 2010, this indicator is projected at –5.2 percent, due to significant budgeted service cuts.

DEBT STRUCTURES

- Maintain a **Debt Service Coverage** (total operating revenue minus operating expenditures, divided by debt service requirements) of at least 1.5. The 2010 budget falls below the minimum at 1.06, reflecting increasing debt levels and a lower ending balance.

CAPITAL OUTLAY

- Contribute at least **10 percent of sales tax collections directly to capital projects**. The contribution to capital directly from sales tax proceeds will total $29.5 million or 18.8 percent in 2010. This includes a transfer to the **Bond Retirement Fund** to cover existing debt service.

- The percent of **Capital Maintenance Outlay to Capital Expansion Outlay** is to be a minimum of 33 percent and a maximum of 67 percent. At 99.1 percent, this ratio will not be met in 2010, due to the sudden drop in Sales Tax Revenue experienced in 2009, and despite the fact that RTA is maintaining, not expanding.

General Fund Analysis, cont.

The remaining charts (Figures CS-5 and CS-6) categorize appropriations by division, or organizational grouping, and by summary object classes. In 2010, as shown in Figure CS-5 on the previous page, the Operations Division, which includes all bus, rail, and Paratransit services, is charged with the largest share of the budget (73.2 percent). The decrease from 2009 primarily reflects the anticipated service reduction in April.

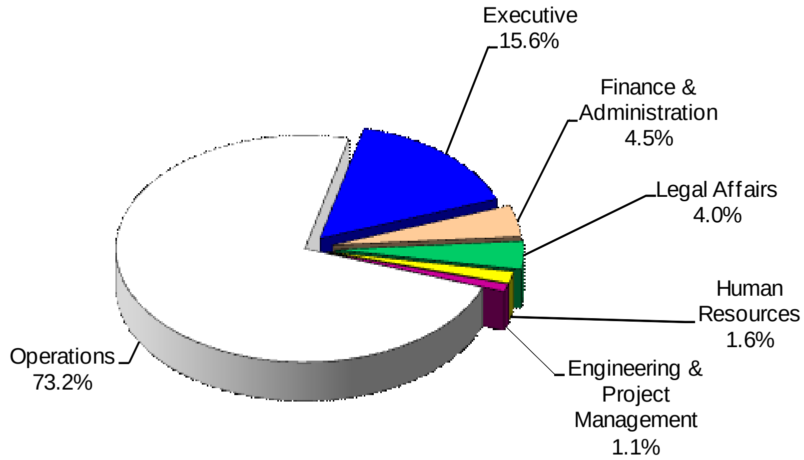
At the summary level, Figure CS-6 presents budgets by summary object classes. In the **Department Budgets** chapter, these cost categories are used for detailing each department's spending authorization. In 2010, Personnel Services accounts for 63.5 percent of the budget, nearly the same as it did last year. The 3.9 percent decrease in budgeted personnel costs, when compared to 2009, is primarily due to the anticipated service reduction and no pay increases for 2010. The non-personnel categories, excluding Transfers, are expected to decrease by nearly 8.9 percent, primarily due to the reduction in Diesel Fuel costs from the service cuts and RTA's fuel hedging strategy. Transfers tie to the required 2010 Bond Retirement, Capital, Insurance, and Pension Fund contributions.

The following table lists all departments within each division, together with historical, budgeted, and projected expenditures. The program changes, which support each table entry, are explained in the **Department Budgets** chapter.

Citizens Summary

Budget Highlights

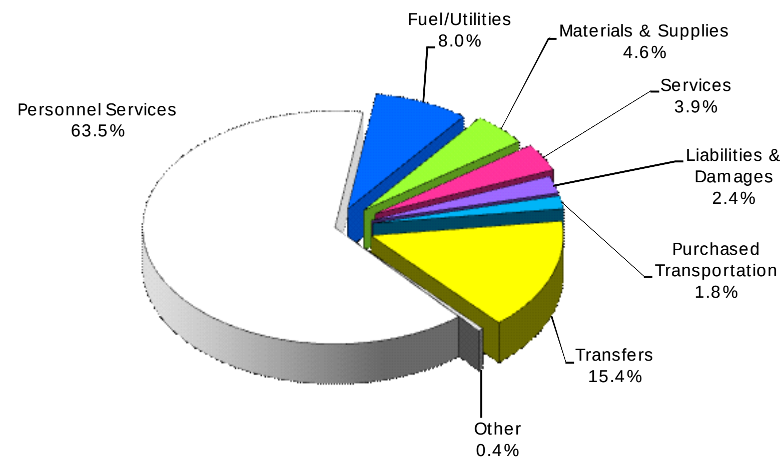
General Fund Expenditures by Division (Millions)



	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
Operations	$199.5	$204.8	$204.5	$189.7	$193.4	$195.2
Finance & Administration	$10.3	$11.0	$10.6	$11.6	$11.7	$11.8
Engineering & Project Manageme	$3.5	$3.6	$2.8	$2.8	$2.8	$2.8
Legal Affairs	$9.5	$9.7	$9.6	$10.4	$10.5	$10.7
Human Resources	$3.5	$3.9	$4.1	$4.3	$4.4	$4.4
Executive	$30.8	$34.8	$38.4	$40.4	$40.1	$41.8
Total	**$257.1**	**$267.8**	**$270.0**	**$259.2**	**$262.9**	**$266.7**

Figure CS-5: General Fund Expenditures by Division

General Fund Expenditures by Object Class (Millions)



	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
Personnel Services	$173.7	$173.0	$176.6	$169.6	$171.2	$173.0
Services	$9.3	$8.8	$8.3	$10.3	$10.3	$10.3
Materials & Supplies	$14.5	$13.8	$11.6	$12.4	$12.6	$12.8
Fuel/Utilities	$26.0	$33.0	$30.2	$21.3	$23.3	$23.4
Liabilities & Damages	$5.8	$5.9	$6.1	$6.4	$6.5	$6.6
Purchased Transportation	$3.3	$4.2	$4.6	$4.8	$5.0	$5.0
Transfers	$23.6	$27.8	$31.5	$41.2	$32.8	$34.4
Other	$0.9	$1.3	$1.1	$1.2	$1.2	$1.2
Total	**$257.1**	**$267.8**	**$270.0**	**$267.2**	**$262.9**	**$266.7**

Figure CS-6: General Fund Expenditures by Summary Object Class

General Fund Expenditures

By Division

Operations

Dept. #	Description	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
31	PARATRANSIT DISTRICT	13,459,289	14,530,318	15,957,727	16,703,722	16,964,378	17,103,527
32	RAIL DISTRICT	33,318,007	33,371,509	33,071,349	32,375,480	32,702,411	33,033,501
34	TRANSIT POLICE	7,949,702	8,591,972	9,927,561	11,095,216	11,208,642	11,323,272
35	SERVICE MANAGEMENT	15,898,967	11,203,009	11,785,385	13,155,132	13,260,490	13,366,932
38	SERVICE QUALITY MANAGEMENT	0	5,108,111	5,867,513	5,992,347	6,052,984	6,114,267
39	FLEET MANAGEMENT	40,543,014	46,307,274	41,524,985	34,865,729	37,007,624	37,334,259
43	PASS THRUS	665,335	246,439	231,510	275,000	275,000	275,000
46	HAYDEN DISTRICT	27,798,437	27,724,756	29,309,425	26,101,021	26,363,521	26,628,820
47	HARVARD DISTRICT	29,042,871	28,134,886	29,276,123	27,284,673	27,562,725	27,843,740
49	TRISKETT DISTRICT	30,843,672	29,545,583	27,500,388	21,802,245	22,022,154	22,244,408
	DIVISION TOTALS	**$ 199,519,294**	**$ 204,763,858**	**$ 204,451,965**	**$ 189,650,566**	**$ 193,419,927**	**$ 195,267,725**

Finance & Administration

Dept. #	Description	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
10	OFFICE OF BUSINESS DEVELOPMENT	417,526	430,506	393,147	372,227	376,117	380,048
60	ACCOUNTING	1,331,757	1,523,537	1,603,658	1,772,357	1,790,374	1,808,584
61	INFORMATION TECHNOLOGY	3,411,556	3,605,339	3,588,267	4,014,989	4,040,998	4,067,281
62	SUPPORT SERVICES	1,086,625	1,275,268	1,046,180	1,059,971	1,068,958	1,078,039
64	PROCUREMENT	1,833,520	1,890,397	1,654,540	1,735,857	1,753,981	1,772,298
65	REVENUE	2,191,023	2,266,683	2,346,067	2,616,481	2,639,945	2,663,655
	DIVISION TOTALS	**$ 10,272,008**	**$ 10,991,729**	**$ 10,631,860**	**$ 11,571,882**	**$ 11,670,374**	**$ 11,769,906**

Engineering & Project Management

Dept. #	Description	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
09	EUCLID CORRIDOR	1,072,269	940,585	307,200	0	0	0
55	PROJECT SUPPORT	0	0	321,541	640,155	642,297	644,464
57	PROGRAMMING & PLANNING	767,650	1,012,191	841,290	758,420	760,608	762,821
80	ENGINEERING & PROJECT DEVELOPMENT	1,653,990	1,649,025	1,345,565	1,369,647	1,374,215	1,378,838
	DIVISION TOTALS	**$ 3,493,909**	**$ 3,601,801**	**$ 2,815,596**	**$ 2,768,222**	**$ 2,777,120**	**$ 2,786,124**

General Fund Expenditures
By Division

Legal Affairs

Dept. #	Description	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
15	SAFETY	710,250	728,281	794,060	791,382	796,706	802,087
21	LEGAL	1,588,866	1,483,289	1,336,797	1,626,863	1,643,479	1,660,270
22	RISK MANAGEMENT	7,229,820	7,456,844	7,508,628	8,005,438	8,118,089	8,232,684
	DIVISION TOTALS	$ 9,528,937	$ 9,668,415	$ 9,639,484	$ 10,423,684	$ 10,558,274	$ 10,695,040

Human Resources

Dept. #	Description	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
14	HUMAN RESOURCES	843,975	1,052,602	938,471	1,063,052	1,072,762	1,082,576
18	LABOR & EMPLOYEE RELATIONS	662,181	849,927	1,061,317	1,073,715	1,083,876	1,092,999
30	TRAINING & EMPLOYEE DEVELOPMENT	2,001,240	2,054,054	2,117,260	2,172,411	2,193,671	2,215,157
	DIVISION TOTALS	$ 3,507,397	$ 3,956,583	$ 4,117,049	$ 4,309,178	$ 4,350,309	$ 4,390,731

Executive

Dept. #	Description	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
12	EXECUTIVE	2,323,694	2,047,612	1,925,824	2,018,067	2,024,102	2,030,208
16	SECRETARY/TREASURER - BOARD OF TRUSTEES	298,660	291,048	276,547	343,008	343,444	343,886
19	INTERNAL AUDIT	599,494	588,893	613,142	665,875	667,990	670,129
53	MARKETING & COMMUNICATIONS	3,073,524	3,133,287	3,158,400	3,186,607	3,216,312	3,246,329
67	OFFICE OF MANAGEMENT & BUDGET	946,179	908,886	907,773	1,004,789	1,008,581	1,011,912
99	FUND TRANSFERS	23,581,814	27,819,832	31,497,162	33,210,956	32,845,625	34,477,214
	DIVISION TOTALS	$ 30,823,365	$ 34,789,557	$ 38,378,847	$ 40,429,302	$ 40,106,053	$ 41,779,679

Citizens Summary

Budget Highlights

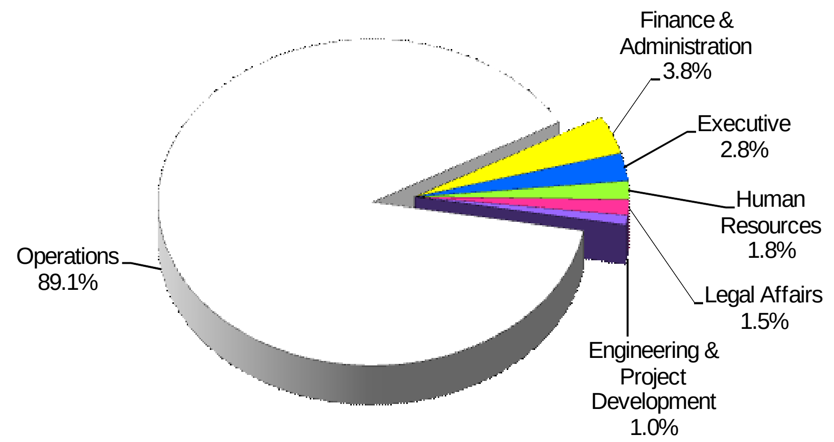
Staffing Analysis

The Authority's budgeted staffing level reached an authorized level of 3,086 employees in 2000. Between 2001 and early 2005, staffing declined to a low of 2,660 positions, though an increase to 2,739 positions was experienced due to the merger of satellite operations with the RTA. The 2008 Operating Budget supported 2,693 positions. The service realignment requires fewer buses to execute the schedule and, thus, staffing levels declined by 116 positions, net, to a total of 2,577.

All changes made in staffing levels for 2009 were linked to changes in methods and levels of service delivery as well as a three percent service cut, enforced in late 2008. The fare enforcement personnel and fare technicians were added to support the new fare collection system and the HealthLine. In 2010, service cuts and organizational re-organization reduce RTA's budgeted positions by another 100 FTE's, down to 2,477.

The large majority of employees (89.1 percent) are assigned to Operations. This proportion has remained fairly constant over the past three years. The Operations Division's staffing includes positions working in bus/rail operator, maintenance, facilities, transit police, and related management functions. Bus and Paratransit Districts dominate with 1,460, or 66.2 percent, of the 2,206 division positions. Rail services and maintenance include 562 budgeted positions, or 25.7 percent of the Operations Division workforce.

Staffing Analysis
2010



	2008	2009	2010
Operations	2,394	2,305	2,206
Finance & Administration	109	98	95
Engineering & Project Development	35	24	24
Legal Affairs	40	39	38
Human Resources	41	41	45
Executive	74	70	69
Total	**2,693**	**2,577**	**2,477**

Figure CS-7: Staffing Analysis

STAFFING LEVEL COMPARISONS

Authorized Staffing Level by Division

	2008	2009	2010	Variance 2010 - 2009
OPERATIONS				
PARATRANSIT DISTRICT	175	182	182	0
RAIL DISTRICT	415	385	383	(2)
TRANSIT POLICE	151	153	148	(5)
SERVICE MANAGEMENT	126	65	64	(1)
SERVICE QUALITY MANAGEMENT	0	67	67	0
FLEET MANAGEMENT	182	177	174	(3)
HAYDEN DISTRICT	425	417	411	(6)
HARVARD DISTRICT	458	447	441	(6)
TRISKETT DISTRICT	462	412	336	(76)
TOTALS	**2,394**	**2,305**	**2,206**	**(99)**
FINANCE & ADMINISTRATION				
OFFICE OF BUSINESS DEVELOPMENT	5	5	4	(1)
ACCOUNTING	23	22	22	0
INFORMATION SYSTEMS	24	23	23	0
SUPPORT SERVICES	10	8	8	0
PROCUREMENT	22	20	18	(2)
REVENUE	25	20	20	0
TOTALS	**109**	**98**	**95**	**(3)**
ENGINEERING & PROJECT MANAGEMENT				
EUCLID CORRIDOR TRANSPORTATION PROJECT	11	2	0	(2)
PROJECT SUPPORT	0	0	7	7
PROGRAMMING & PLANNING	6	6	4	(2)
ENGINEERING & PROJECT DEVELOPMENT	18	16	13	(3)
TOTALS	**35**	**24**	**24**	**0**

LEGAL AFFAIRS				
SAFETY	6	6	6	0
LEGAL	15	15	15	0
RISK MANAGEMENT	19	18	17	(1)
TOTALS	**40**	**39**	**38**	**(1)**
HUMAN RESOURCES				
HUMAN RESOURCES	10	13	15	2
LABOR & EMPLOYEE RELATIONS	6	5	6	1
TRAINING & EMPLOYEE DEVELOPMENT	25	23	24	1
TOTALS	**41**	**41**	**45**	**4**
EXECUTIVE				
EXECUTIVE	13	13	12	(1)
SECRETARY/TREASURER - BOARD OF TRUSTEES	11	11	11	0
INTERNAL AUDIT	7	7	7	0
MARKETING & COMMUNICATIONS	33	30	29	(1)
OFFICE OF MANAGEMENT & BUDGET	10	9	10	1
TOTALS	**74**	**70**	**69**	**(1)**
GRAND TOTAL	**2,693**	**2,577**	**2,477**	**(100)**

Citizens Summary

Budget Highlights

Capital Improvement Plan

The 2010 – 2014 Capital Improvement Plan (CIP) continues to represent a significant reduction from the previously adopted plans. In 2010, the focus will be on the rehabilitation of rail stations and existing asset maintenance. The projected cost of the five-year CIP is $436.4 million. This is an increase of $13.8 million, or nearly three percent, from last year's CIP as the plan continues to be refined to reflect existing financial and operational constraints.

The total 2010 CIP includes $53.3 million in projects and $18.8 in alternate projects (if funding becomes available), for a total of $72.1 million. $2.3 million, or 3.2 percent, is for the RTA Capital Fund Projects and $69.8 million, or 96.8 percent, is for the RTA Development Fund projects. The Development Fund includes the Long Range Plan projects and is primarily supported through Federal and State grant programs; however, local resources are also required. The two largest projects included in the 2010 CIP are Capitalized Operating Expenses, at $27.2 million, or 37.7 percent, and the Overhaul of the Heavy Rail Fleet, at $5.5 million, or 7.7 percent of the total. Further details of the Capital Improvement Plan and the relationships between funds and funding resources, are discussed thoroughly in the last chapter of this document, the **Capital Improvement Plan**.

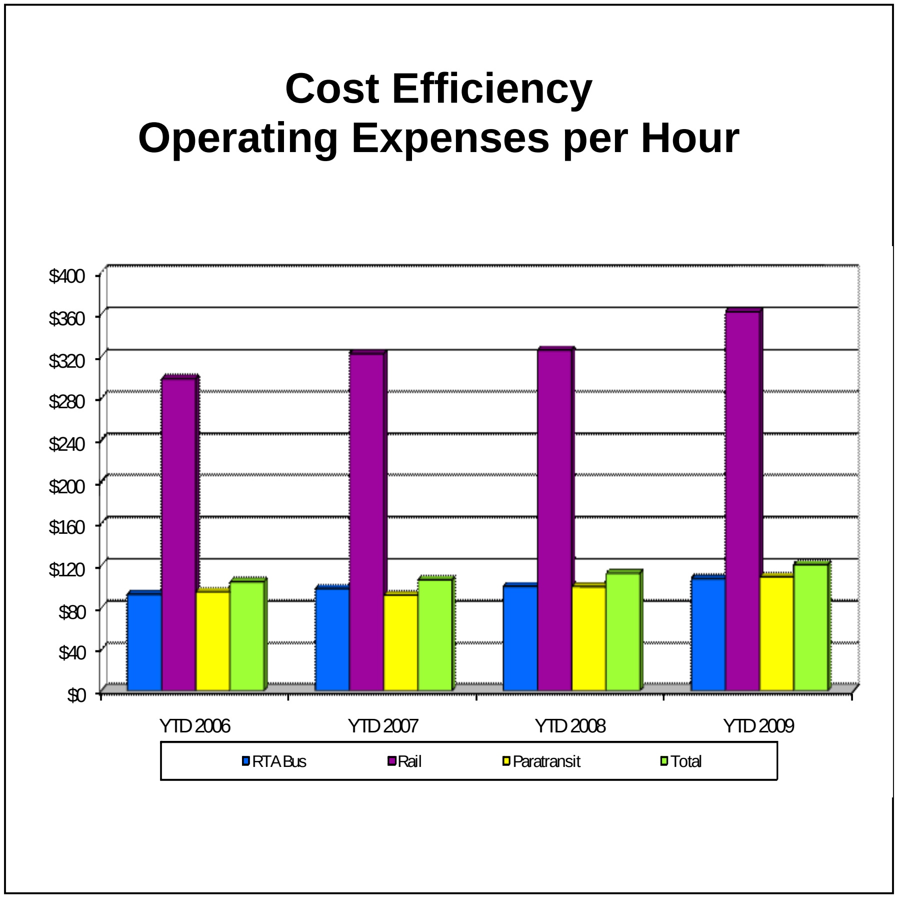
Service Indicators

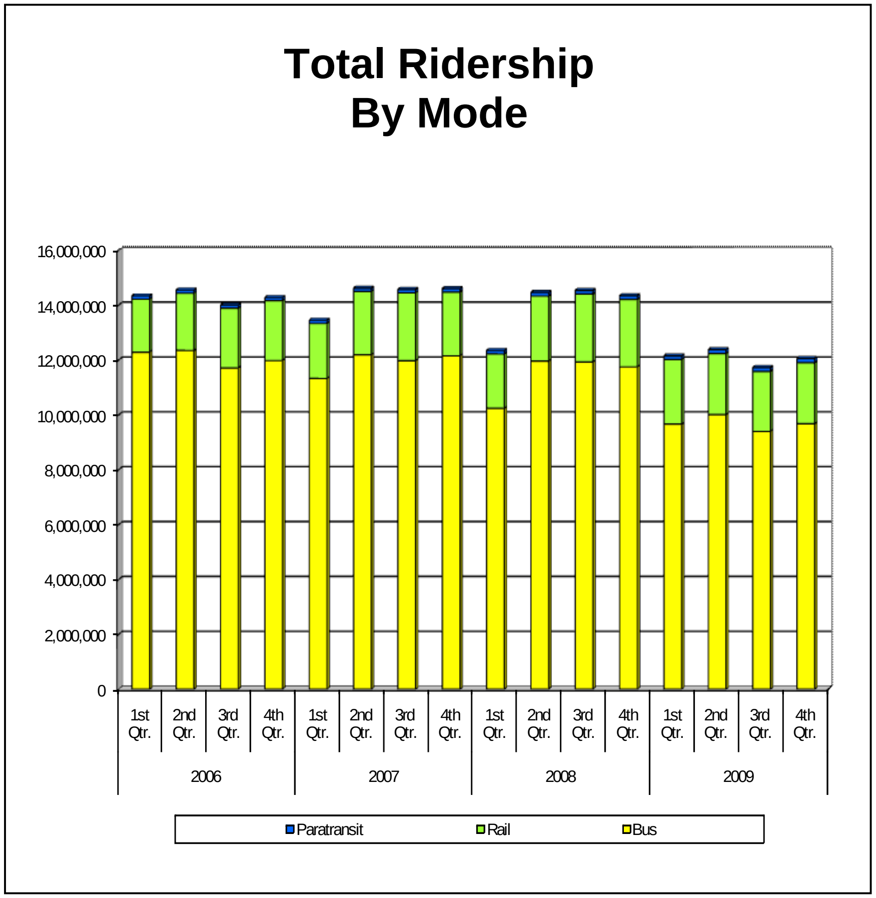
The **Transmittal Letter** provided a discussion of ridership trends and the anticipated impact of service efficiencies in 2010. The next page presents graphs on cost efficiency and ridership by mode over the last four years. The 2010 Budget continues efforts to better match service levels with customer demand. In the mid-1990's, much service was added, some of which was positively received and utilized. Significant efforts have been made in recent years to reevaluate and improve the alignment of supply to demand. The 2010 Budget continues these efforts and reduces service levels by about twelve percent. Current sales tax revenues have significantly underperformed compared to 1992 – 2000 receipts. Even with efficiencies to offset the gap in revenue that has developed, current funds were not sufficient to support past service levels. The 2010 Budget shows a 12.0 percent decrease in service, effective on April 1st, 2010.

Cost efficiency is typically measured by operating expenses per total vehicle hours or total vehicle miles. Cost models are maintained that capture the total (fully-loaded) costs of operations and the incremental (variable) costs associated with increases in service levels. This effort is reflected in the graph indicating fully loaded costs per hour, by mode. Updates on these and other service indicators are included in the Authority's Quarterly Management Reports. Additional indicators are provided on the department level, in the **Department Budget** section.

Citizens Summary

Budget Highlights





GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
TABLE OF ORGANIZATION
AS OF 2010 BUDGET ADOPTION

- BOARD OF TRUSTEES
  - INTERNAL AUDIT — *Anthony Garofoli*
  - EXECUTIVE — CEO, GENERAL MANAGER/ SECRETARY-TREASURER — *Joseph Calabrese*
    - OFFICE OF EXTERNAL AFFAIRS — *Taras Szmagala*
    - MARKETING & COMMUNICATIONS — *Stephen Bitto*
    - OFFICE OF MGMT. & BUDGET — *Gale Fisk*
    - OPERATIONS DIVISION — *Michael York*
      - TRANSIT POLICE — *John Joyce*
      - SERVICE MANAGEMENT — *Alan Erenrich*
      - SERVICE QUALITY — *Floun'say Caver*
      - FLEET MANAGEMENT — *Douglas Seger*
      - DISTRICT MANAGEMENT — *Michael Hargrove*, *Melvin Clark*, *Kevin Vest*, *Dennis Rehfuss*, *William Eltrich*
    - FINANCE & ADMINISTRATION DIVISION — *Loretta Kirk*
      - OFFICE OF BUSINESS DEVELOPMENT — *Steven Sims*
      - ACCOUNTING — *Glenn Hendrix*
      - INFORMATION TECHNOLOGY — *Hamid Manteghi*
      - SUPPORT SERVICES — *Carol Thomas*
      - PROCUREMENT — *Frank Polivka*
      - REVENUE — *Scott Uhas*
    - ENGINEERING & PROJECT MANAGEMENT DIVISION — *Michael Schipper*
      - PROJECT SUPPORT — *Larry DiLoreto*
      - PROGRAMMING & PLANNING — *Maribeth Feke*
      - ENGINEERING & PROJECT DEVELOPMENT — *Joseph Shaffer*
    - LEGAL AFFAIRS DIVISION — *Sheryl King Benford*
      - SAFETY — *Pamela McCombe*
      - LEGAL — *Kathleen Minahan*, *Kenneth Banks*, *Edward Opett*
      - RISK MANAGEMENT — *Judy Lincoln*
    - HUMAN RESOURCES DIVISION — *Bruce E. Hampton*
      - HUMAN RESOURCES — *Bruce E. Hampton*
      - LABOR & EMPLOYEE RELATIONS — *Scott Ferraro*
      - TRAINING & EMPLOYEE DEVELOPMENT — *Robert Baggs*

Citizens Summary
Profile of Service Area (Cuyahoga County)

AREA & TRANSPORTATION STATISTICS:	
Registered Motor Vehicles (2009)	1,058,471
Registered Passenger Cars (2009)	869,877
Mean Travel Time (in minutes)	24.4
Square Miles	458.49
Municipalities	57
Townships	2
School Districts	33
Colleges and Universities	8
Largest City	Cleveland
Miles of County & Municipal Maintained Roads	1020

POPULATION:	1990 Census	2000 Census
Total Population	1,412,140	1,393,978
Percent Minorities	28.4%	34%
Percent Over Age 64	15.70%	15.60%
Percent Under Age 25	33.30%	32.90%
Persons per Square Mile	3,081	3,040
Total Households	563,243	571,457
Population Per Household	2.46	2.39
Median Household Income	$35,749	$36,754
Per Capita Money Income	$14,912	$15,067

CUYAHOGA COUNTY LEADING SOCIO/ECONOMIC INDICATORS BY YEAR:

	2004	2005	2006	2007	2008	2009
Unemployment Rate	6.2%	5.7%	5.3%	6.1%	7.0%	8.90%
Assessed Valuation $(000s)	30,647,572	30,646,005	33,158,047	32,460,486	31,880,330	29,633,695
Growth in Sales Tax Receipts	5.30%	2.20%	-0.20%	1.80%	1.11%	-10.94%

OVERVIEW OF 2009:

- In 2009, assessed valuation in Cuyahoga County decreased from $31.9 million in 2008 to $29.6 million.
- Sales tax has consistently decreased over a short period time. Year-end 2009 collections for sales tax were 10.9% lower than 2008.
- In 2009, the average unemployment rate for Cuyahoga County increased to nearly 8.9% compared to 2008. The U.S. unemployment rate escalated in December to 10% for 2009 from 7.4% in 2008. Ohio's unemployment rate in December increased to 10.9% in 2009 compared to 7.4% in 2008.

OUTLOOK FOR 2010-2012:

- In 2009, total assessed valuation decreased from $31.9 million to $29.6 million or by -7.2%. Contributing factors to the decline were phasing out of collections on tangible property tax, a historic recession, and the collapse of the local real estate market.
- The 2010 GCRTA estimate anticipates a projected increase by 1.2% over 2009 Sales and Use Tax revenues, generated in latter part of the year.
- Leading economic indicators suggest that employment will increase at a steady pace toward the end of 2010 and into 2011 and national unemployement will remain moderately high close to 10%. This region's economy will conintue to be sluggish compared to the National growth.

Downtown Cleveland

Rapid Transit & Connecting Routes

Public Square Bus Stops

Bus Route - Bus Stops

B-Line (62)- 18, 19, 22, 24, 29
E-Line (61)- 14, 15, 16, 18, 19, 29, 31, 34,

1- 1, 3, 6, 11
3- 15, 16, 17, 22, 23, 27
4- 15, 17, 22, 23, 35
6- 12, 30, 31, 34, 39, 44
7X- 3, 4, 9, 13, 18, 25, 33
8- 18, 26, 28, 39, 42, 44, 46
9X- 3, 4, 9, 13, 18, 25, 33
11- 7, 10, 21, 26, 37, 39, 42, 44, 46
12- 7, 10, 21, 26, 37, 39, 42, 44, 46
13- 7, 10, 21, 26, 37, 39, 42, 44, 46
14- 2, 6, 9, 26, 37, 39, 42, 44, 46
15- 2, 6, 9, 26, 37, 39, 42, 44, 46
17- 2, 4, 9, 13, 36, 37, 39, 42, 44, 46
19- 2, 6, 9, 26, 37, 40, 41
20A- 14, 16, 17, 18, 20, 22
22- 14, 16, 17, 18, 20, 22
23- 7, 10, 13, 22, 23, 36, 40, 41
25- 14, 16, 17, 18, 20, 22
26- 14, 15, 16, 17, 18, 20, 22
32X- 3, 4, 9, 13, 18, 25, 33
33- 18, 26, 28, 42, 44, 46
35- 14, 16, 17, 18, 20, 22
38- 15, 17, 22, 23, 35
39/39F- 2, 9, 15, 17, 32, 37
45Y/R- 14, 16, 17, 18, 20, 22
47- 1, 6, 12
51X/F- 7, 10, 13, 22, 23, 36, 40, 41
55/55F- 5, 8, 17, 19, 22
75X- 5, 8, 17, 19, 22
76F- 7, 10, 13, 22, 23, 33, 39, 42, 44, 46
76X- 7, 10, 13, 22, 23, 38, 41, 45
77F- 2, 4, 13, 33, 37, 39, 42, 44, 46

79A/B- 6, 7, 10, 13, 14, 15, 18, 20, 22
81- 2, 6, 9, 13, 36, 37, 41, 43
86F- 15, 17, 18, 20, 21, 22, 35, 43
87F- 15, 17, 19, 22, 35, 40

88X- 7, 10, 13, 22, 23, 38, 41, 45
90F- 4, 13, 38, 45
96F- 15, 17, 19, 22, 35, 40
135- 7, 10, 13, 22, 23, 36, 40, 41

145Y/R- 15, 17, 18, 20, 22, 35, 43
239- 2, 9, 15, 17, 32, 37
246- 15, 17, 19, 22, 35, 43
251- 7, 10, 13, 22, 23, 36, 40, 41

University Circle Area

Citizens Summary

Performance Management

TransitStat

Over the past decade, many organizations have embraced the use of data, statistics, and metrics as their means to exceed customer expectations, as well as achieve operational excellence. Six Sigma and the Balanced Scorecard are popular examples of proven management techniques in the private sector. In government, Performance Stat programs have proven to be very effective tools.

Performance Stat programs are structured continuous management processes, which entail the frequent gathering, reviewing, and analyzing of day-to-day government performance. CompStat, credited as the first government stat program, was developed in the NYPD. Its goals were to infuse timely information and accountability into the police department's management and culture. The program used computer mapping and statistical data to capture crime trends at their highest levels, how many officers were on duty, and where their officers were located during those times. By placing officers at the high crime areas, this technique was widely credited with contributing to the dramatic reduction in New York City's crime levels.

Building on the success of CompStat, the City of Baltimore developed CitiStat. Whereas, CompStat was utilized mainly in police departments, CitiStat brought its tenets and strategies to general government. CitiStat tracks performance in waste collection, road repairs, housing enforcement, etc. The city holds bi-weekly meetings lead by the mayor's executive team to review performance, understand trends, and make necessary adjustments to ensure that immediate and long-term goals are met. Since then, other cities and states have adopted Performance Stat programs, including Maryland, Atlanta, San Francisco, and Washington State. These governments have reported immediate success with their Stat programs.

In December 2007, RTA adapted the Performance Stat model to a transit environment and titled our program TransitStat. It is a critical link to achieving high-level performance directed towards the Authority's three most critical goals:

1. **Maintain Financial Health**
2. **Improve Customer Service**
3. **Enhance the Image of RTA**

TransitStat is characterized with bi-weekly performance monitoring forums. The TransitStat leadership team includes the Chief Executive Officer (CEO), Deputy General Manager (DGM) – Operations, DGM – Human Resources, Director of Procurement, Executive Director – Internal Audit, and Executive Director – Office of Management and Budget (OMB). In 2009, we incorporated Administrative TransitStat to our already running TransitStat program. Administrative TransitStat focuses on the performance monitoring of the Administrative Departments and the leadership team includes the TransitStat Panel as well as DGM – Finance & Administration, DGM – Engineering & Project Development, DGM – Legal Affairs, and the Director of Marketing & Communications. The meetings are coordinated and directed by OMB. Other members with information pertaining to the topic of interest are also invited. The forum ensures that the people needed to address issues are at the table, therefore expediting action and eliminating excuses.

Citizens Summary

Performance Management

Performance Stat programs' center on four principles:

1. **Provide timely, accurate, and relevant data.**
2. **Analyze data and develop effective solutions that respond to emerging issues.**
3. **Deploy resources quickly to address issues.**
4. **Relentless follow-up and assessment.**

In 2008, we implemented TransitStat in the Authority's Operations Division and identified four target areas: overtime (non-operator), inventory management, service reliability, and District scorecards. In 2009, in addition to the Operation Division, we also implemented Administrative TransitStat. Both programs focused on the FAST approach (a strategic development process):

- **F – <u>Focus</u>** (What will the Authority look like in 1-10 years?)
- **A – <u>Accelerate</u>** (Identify 2-3 operating initiatives would accelerate the movement toward the preferred future)
- **S – <u>Strengthen</u>** (What major organizational objectives might prevent the Authority from moving forward to achieve the goals?)
- **T – <u>Tie it all together</u>** (Integrate the preceding activities and refine them)

We identified the HOT Target Areas for both the Operations and Administrative programs:

Administrative TransitStat:

1. Capital Plan Execution
2. Stimulus Package Execution
3. Customer Service Performance
4. Revenue/Vaulting Procedures
5. Ridership Reporting
6. Purchasing Card Enhancements
7. Employee Injuries
8. Collision Reduction
9. Strategic Healthcare Plan
10. Electricity Audit
11. Healthcare Audit
12. Energy Price Risk Management

Operations TransitStat

1. Paratransit Part-Time Operators
2. Inventory EOQ – Top 50 FAD items
3. Utilities/Energy Conservation
4. Brand Management
5. Training Initiatives
6. Shift Changes
7. Vehicle Reliability
8. Scorecards

Citizens Summary

Performance Management

Successes

In non-operator overtime, the Authority saved $2.3 million in 2008, compared to 2007. This was achieved through detailed analysis of overtime cost drivers, developing more effective ways to dispense overtime, effectively managing and monitoring the times to complete tasks, and maximizing use of the UltraMain maintenance and material system. The challenge for 2009 was to continue managing the non-operator overtime. Through the third quarter, we maintained the $2 million savings from 2008 and will continue to manage the non-operator overtime.

Taking a similar approach as the NYPD, our Transit Police Department has reviewed the fare evasion on the Red Line and traffic citations on the HealthLine. Figures PM-5 and PM-6 show the percentage of fare evasion and traffic citations at several stations.

Since July 2008, Vehicle Reliability was added to the District Scorecards. RTA began monitoring the number, cost, and reason for towed vehicles, among other indicators. Since then, RTA has reduced the towing charges by over $102,000. Figure PM-7 shows the monthly charges of towing for 2008 and 2009.

Starting in July 2008, the Maintenance Planners conducted a comprehensive analysis on maintenance, productivity, and performance of the bus equipment maintenance sections. They compared the labor scheduled with the availability of the buses. They also analyzed failure modes, labor productivity, shift productivity, maintenance effectiveness, and reevaluated the work processes and shift schedules. What they found was that most of the bus maintainers and supervisors were scheduled during the first shift however, most of the buses were available during the third shift. (Figure PM-8). In order to increase wrench time and optimize the performance standards, the shift times would need to be changed and most of the bus maintainers and supervisors would need to work the third shift (7:30pm to 4:00am). These new shifts were implemented mid 2009 among all the bus districts.

As part of their scorecard, CBM has been monitoring the progress of their safety campaigns by District. Figure PM-9 shows the Safety Campaign for Hayden District.

With the inclusion of Administrative TransitStat, several of the Administrative Departments have been analyzing data and monitoring performance. One Department is Risk Management. One of the areas this Department is monitoring is the number of claims submitted each month, the reason for the claims, and the type of claims. Figure PM-10 displays one of their performance indicators showing the claims that are Medical only and those that are Lost Time only.

Marketing & Communications has been monitoring the performance of the Telephone Information Center (TIC). Figure PM-11 shows one of their indicators – Average Talk Time and Average Speed of Answer. They have significantly decreased their Average Speed of Answer from over 3 minutes down to 1 minute and Average talk time from just under 2 minutes to 1.38 minutes.

Due to high costs of diesel fuel in 2008, RTA positioned itself to mitigate the risk of the volatility through an Energy Price Risk Management Program. This program will enable RTA to reduce its diesel fuel costs from $16.6M in 2009 to $9.4M in 2010. Additional information about this program is on PM-12.

Citizens Summary

Performance Management

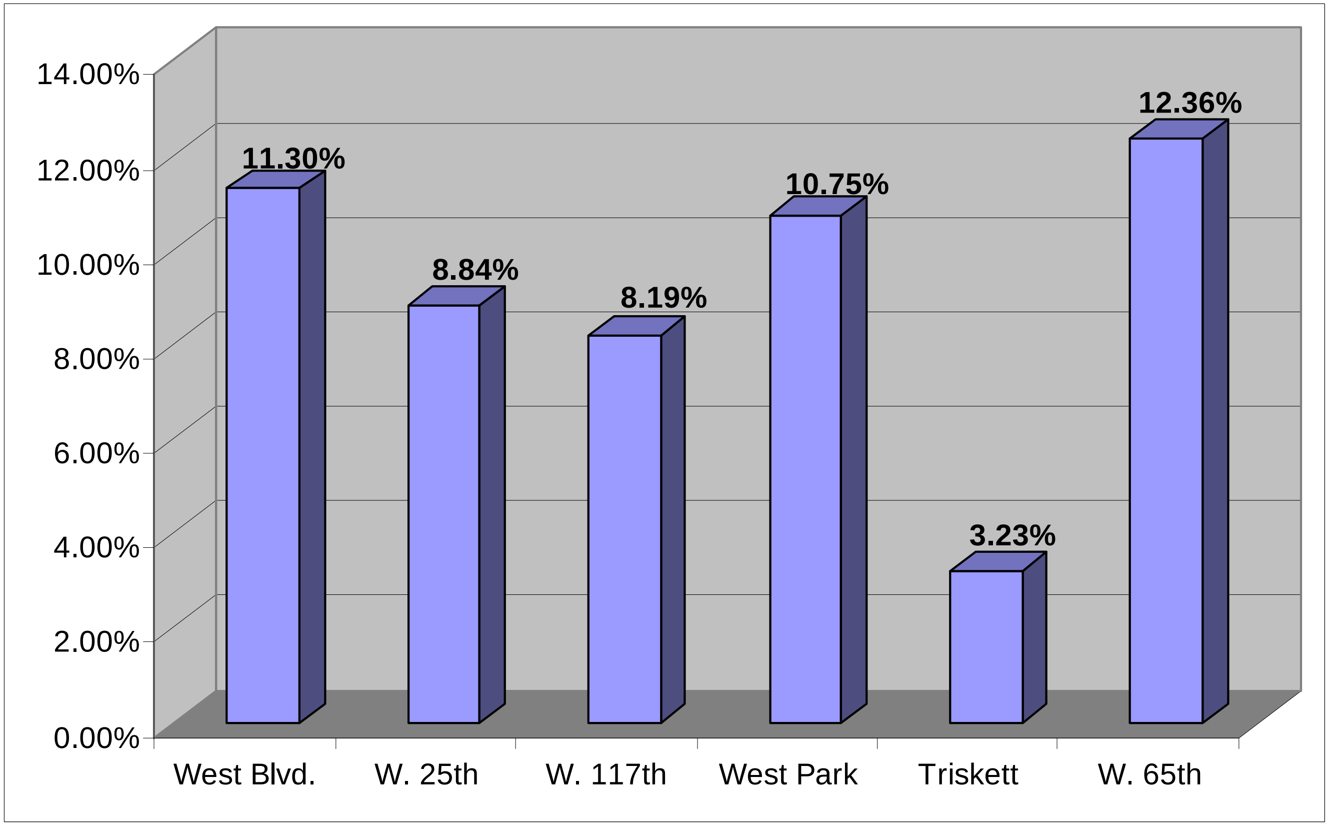
TransitStat Going Forward

In 2010, TransitStat will continue performance monitoring of the Administrative and Operations divisions. We will use the program to focus our actions on critical initiatives that can better position RTA to address impending sales tax and other economic threats. TransitStat is our scorecard and RTA will continue to use its efforts to achieve breakthrough performance.

Citizens Summary

Performance Management

TransitStat
Transit Police
Fare Evasion Comparison
Red Line - 2009



Citizens Summary

Performance Management

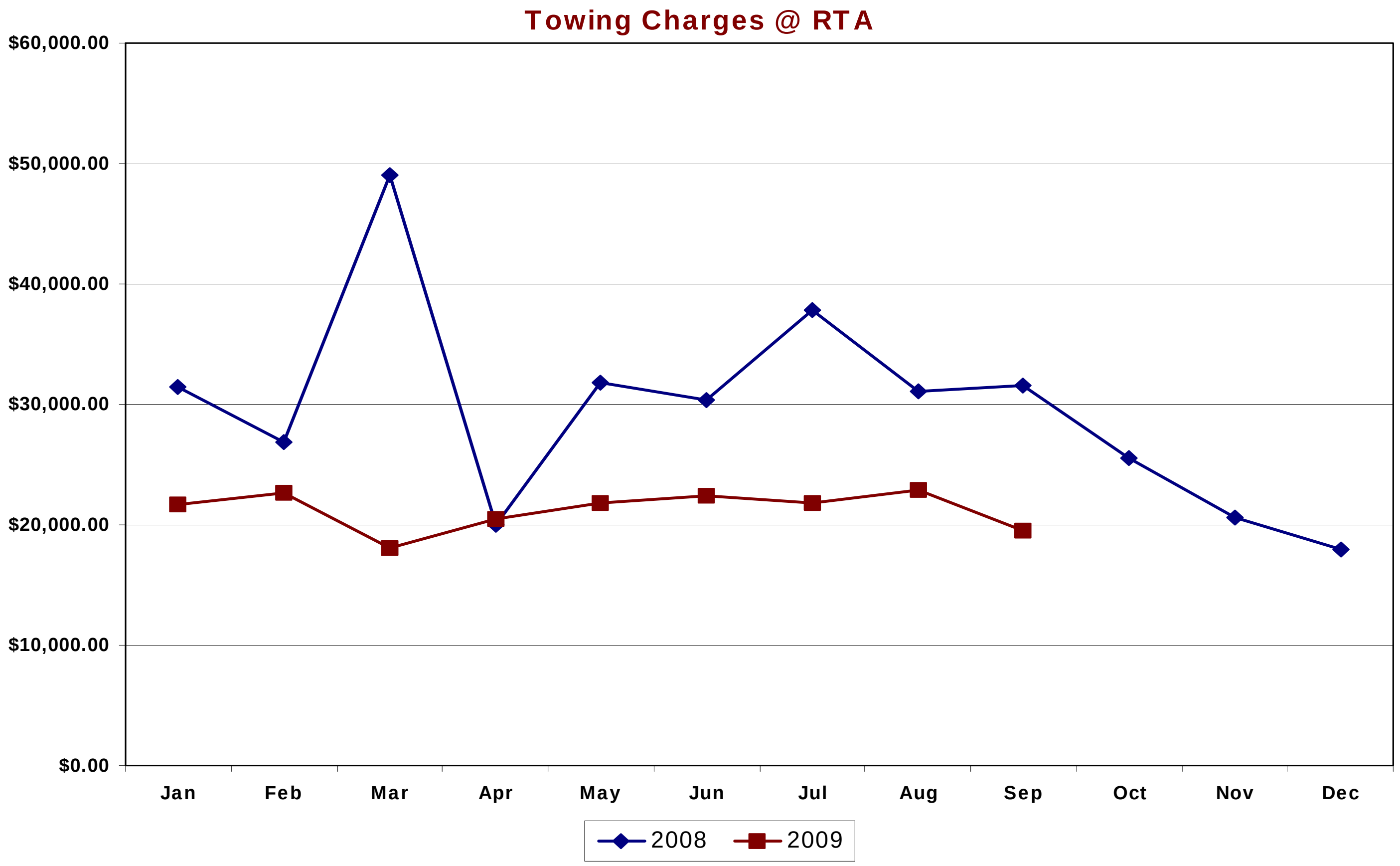
TransitStat
Transit Police
Traffic Citations – Health Line
2009

YTD		
Location	**Accidents**	**Citations**
Ontario - Euclid	4	0
E. Roadway - Euclid	3	0
E. 6th - Euclid	4	14
E. 55th - Euclid	3	34
E. 100th - Euclid	4	60

Citizens Summary

Performance Management

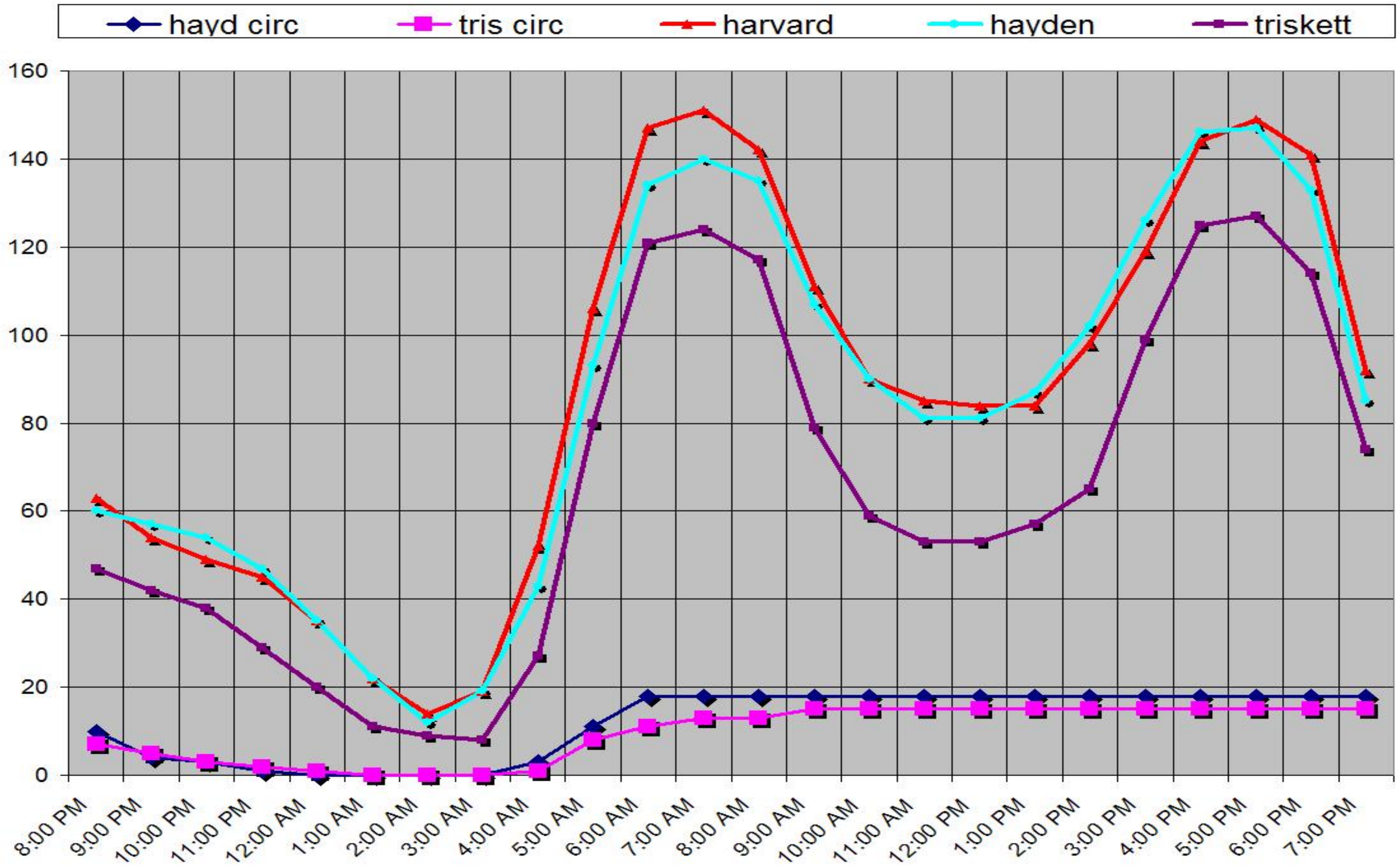
TransitStat
Number of Tows Per Month
2008 vs. 2009



Citizens Summary

Performance Management

TransitStat
Coaches on Road - Weekday
By Hour



Citizens Summary

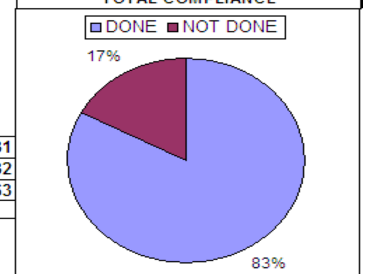
Performance Management

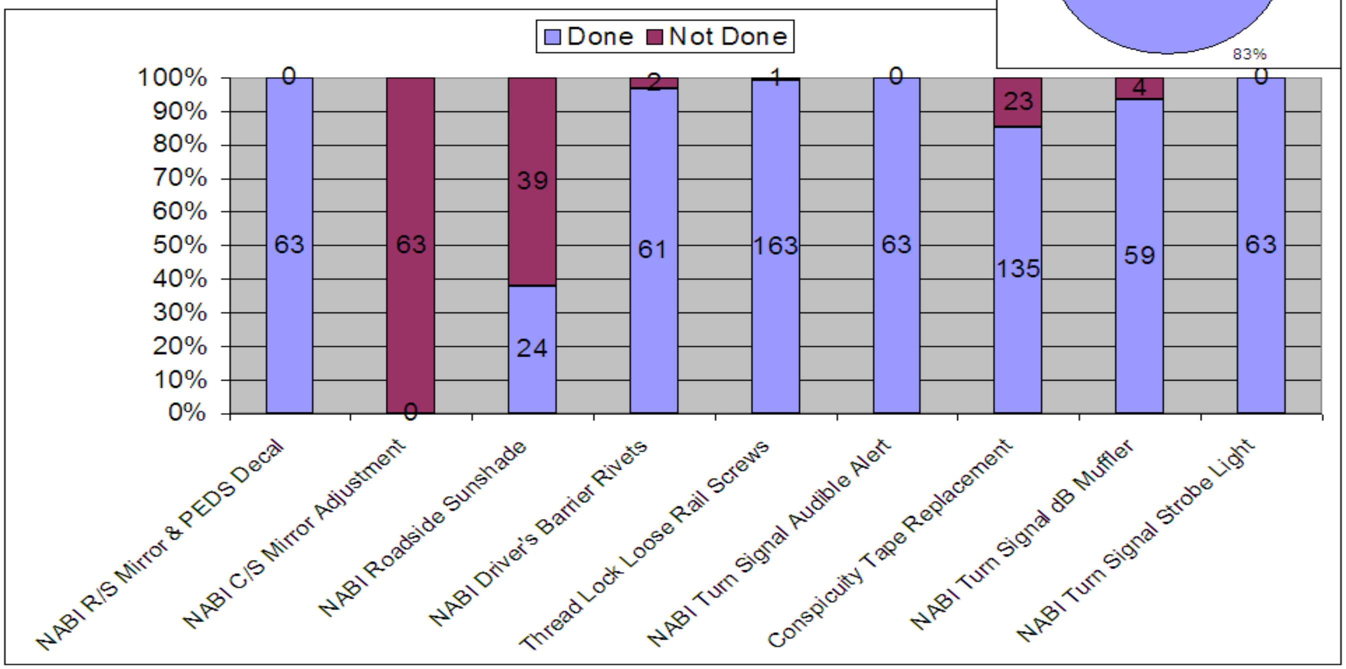
TransitStat
CBM
Safety Campaigns

HAYDEN - AS OF 10-07-2009

		Done	Not Done	Total		
TSB-2009-002 & TSB-2009-0(	NABI R/S Mirror & PEDS Decal	63	0	63		
TSB-2009-003	NABI C/S Mirror Adjustment	0	63	63		
TSB-2009-004	NABI Roadside Sunshade	24	39	63		
TSB-2009-005	NABI Driver's Barrier Rivets	61	2	63		
TSB-2009-012	Thread Lock Loose Rail Screws	163	1	164		
TSB-2009-014	NABI Turn Signal Audible Alert	63	0	63		
TSB-2009-015	Conspicuity Tape Replacement	135	23	158	DONE	631
TSB-2009-016	NABI Turn Signal dB Muffler	59	4	63	NOT DONE	132
TSB-2009-017	NABI Turn Signal Strobe Light	63	0	63	TOTAL	763

TOTAL COMPLIANCE

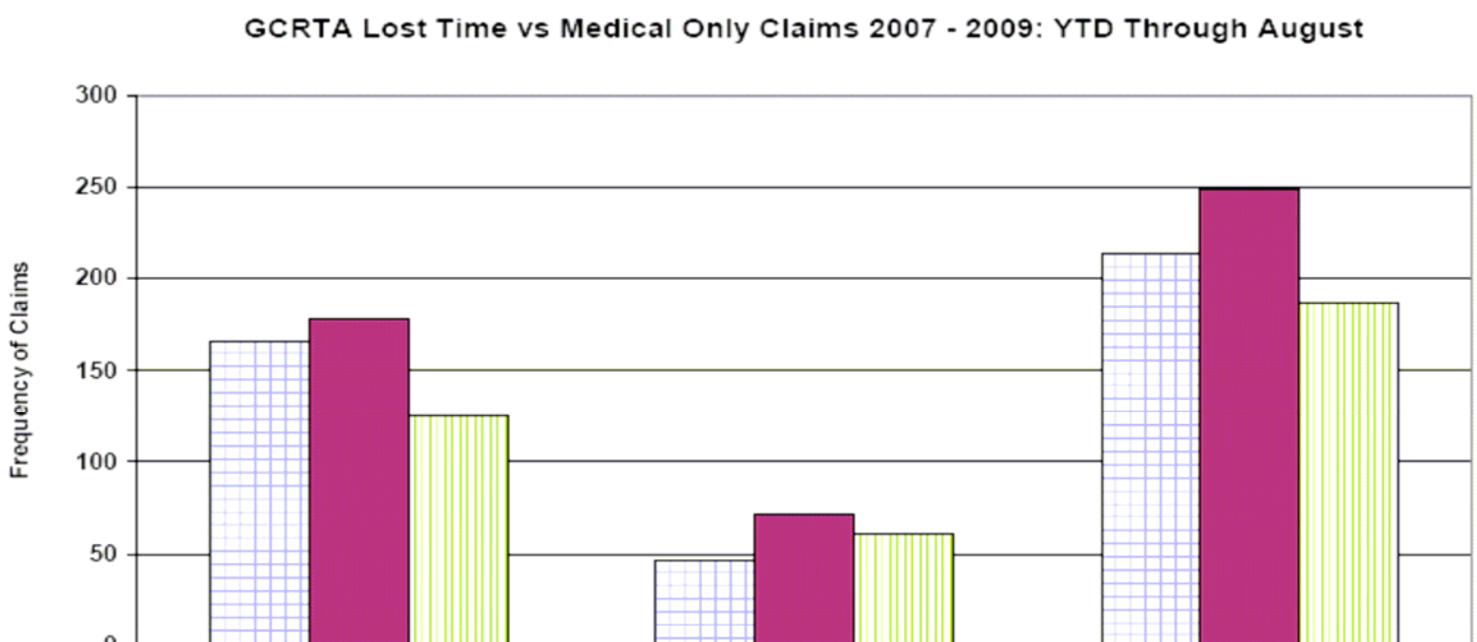




Citizens Summary

Performance Management

Administrative TransitStat
Risk Management
Lost Time vs. Medical Only Claims



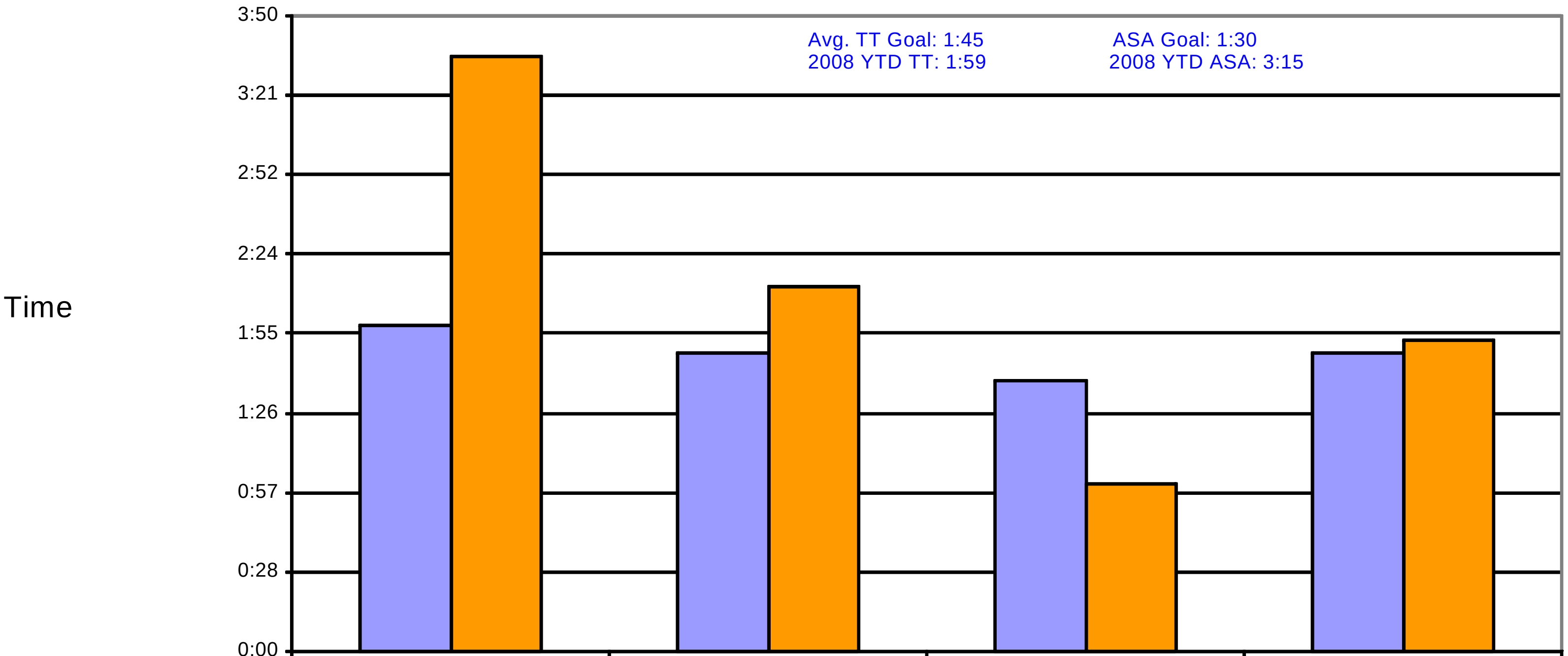
	Lost Time	Medical Only	Grand Total
2007	166	47	213
2008	178	71	249
2009	125	61	186
% Diff 09 vs 08	-30%	-14%	-25%

Citizens Summary

Performance Management

Administrative TransitStat
Marketing & Communications

Average Talk Times and Speeds of Answer



	Aug	Sep	Oct MTD	YTD (10/17)
Avg. Talk Time	1:58	1:48	1:38	1:48
Avg. Speed of Answer	3:36	2:12	1:01	1:53

Citizens Summary

Performance Management

Energy Price Risk Management

In 2008, RTA experienced record highs in fuel cost as well as extreme volatility. The cost per gallon for diesel fuel ranged from $2.54 to $4.18. As a result of the high costs, our total diesel fuel expense increased by nearly $7.4 million, compared to 2007. This amount was $3.6 million above RTA's 2008 budget. With this as the new reality for fuel, the Authority sought to use tools to ensure better performance in the management of it's fuel costs, which resulted in the creation of an energy price risk management program (fuel hedging program).

The fuel hedging program's strategy uses a process:

1. That addresses market opportunities and market risk;
2. That holds the risk of exceeding budget at or below an acceptable level;
3. That uses historical pricing ranges as pricing parameters;
4. That is continuous;
5. That will use a dollar cost averaging tool;
6. That mitigates transaction-timing risk by making numerous smaller volume transactions (i.e. 42,000 gallons per transaction).

The strategy has been accomplished in concert with an Advisor, who is responsible for daily execution of the program, including the execution of transactions, generating reports on the programs status and results, and monitoring the program and energy markets. The hedging instruments include purchases of home heating oil futures (the diesel fuel correlate) traded on the Exchange, as well as, purchases of derivatives with financial institutions that are certified by the International Swaps and Derivative's Association (ISDA). The RTA policy dictates that the maximum hedge ration will not be more than 90 percent of the forecasted consumption and that hedges can only go out to 36 months in advance.

The Authority began positioning itself in the first quarter of 2009. By April, the Authority had nearly 3.9 million gallons of the 5 million gallon usage, purchased for 2010. The performance objective is to establish a 2010 fuel cost at or below $2.20 per gallon. Regular reports and tracking are included in the 2009 and 2010 budget execution.

The overall objective of the program is to decrease energy volatility, increase the certainty of future fuel costs, stabilize and control the budget and finally to lower overall long term energy costs.

In 2008, fuel costs were $19.4 million. Using a firm fixed price contract for 2009, those costs were reduced to a projected $16.6 million. For 2010, the projected cost for fuel is $9.390 million with a variance of no more than $131,000 either way. This meets our objective of stabilizing budgeted costs and then goes on to significantly reduce overall costs. Beyond that, almost 70% of 2011 fuel costs have been hedged and are projected at $11.3 million.