2010 Fund Budgets

2010 Fund Budgets

The Authority segregates its financial activity into a number of funds. These funds account for all receipts and expenditures for a specific purpose. The **Fund Budgets** chapter describes the fund structure used by the Authority, the sources of revenue and the status of these funds in 2010 and beyond.

Fund Budgets

All Funds

Introduction

The Authority maintains its books of accounts on the accrual basis of accounting, using a single enterprise fund to report the results of its operations. However, separate funds are maintained on the books of the Authority in order to best account for its various revenues that are designated for specific purposes.

Since the Authority is an independent, special purpose political subdivision of the State of Ohio, annual budgets for each fund are prepared on the cash basis of accounting. On the cash basis, revenues are budgeted when they are expected to be received as opposed to when they will be earned and expenditures are budgeted when they are estimated to be paid, encumbered, or obligated as opposed to when the liabilities will be incurred. The Authority uses the following funds to account for its operations:

All Funds
- General Fund
- Bond Retirement Fund
- Insurance Fund
- Supplemental Pension Fund
- Law Enforcement Fund
- Capital Improvement Funds
  - RTA Capital Fund
  - RTA Development Fund

A fund balance is the difference between total resources (beginning cash and investment balance plus total revenues) and total expenditures. In the following presentation, fund balances for the General Fund and RTA Capital Fund represent the unencumbered, unreserved balance (referred to as the available ending balance). These fund balances are shown net of reserves for encumbrances. All other funds are reflected in cash balances.

The ending year balance of a fund provides a measure of a fund or entity's financial health and is useful in spotting negative trends. The following analysis focuses on the Authority's major funds and addresses future trends within those balances. The analysis also presents details on the components of revenue and trends in expenditures.

Fund Budgets

All Funds

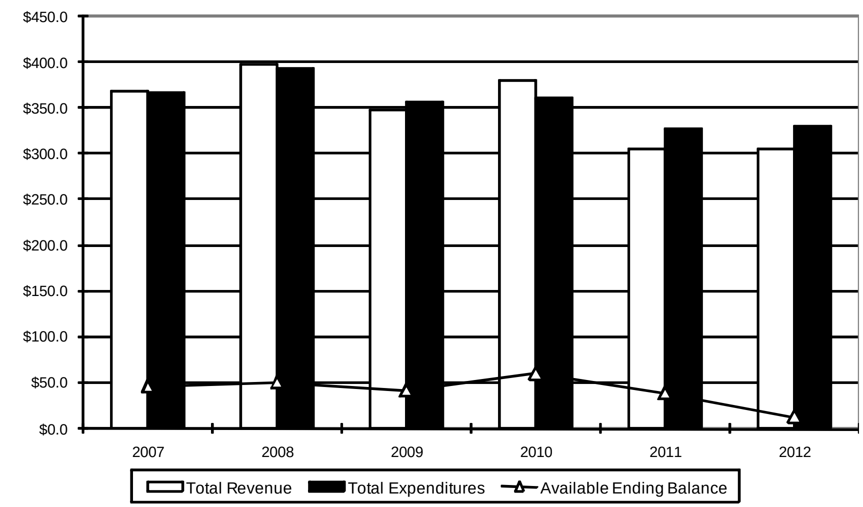
All Funds Balance Analysis

Figure FB-1 presents the combined fund balances of all the Authority's funds. In 2006, the balance increased due to a debt issuance and state grants related to the Authority's capital program. The All Funds Balance again increased by nearly $1.0 million in 2007, to $46.4 million, as a result of a $25.0 million capital lease and increases in other revenue sources that offset an increase in personnel costs, other expenditures and an aggressive capital campaign, including outlays related to ECTP.

Total Resources for 2008 increased by nearly $34.2 million, primarily because of Federal grant funds associated with ECTP, a $35 million debt issuance, and adjustments to the Authority's passenger fare structure. Correspondingly, expenditures increased in 2008 by over $30.5 million, as the ECTP project was finalized and capital projects from past years were completed. In 2009, the All Funds balance decreased to $34.7 million as a result of increasing efforts to reduce expenses and increase revenue. This is reflected in the expenditure figures and subsequent ending balance.

As reflected in Figure FB-1, the ending balance shows cyclical patterns, primarily increasing as a result of debt issuances, and decreasing as those funds are consumed. Overall, the All Funds balance is stable, though the amount of debt issued and the sudden large drop of sales tax revenue are of concern. Service has been realigned and will continue to be realigned and capital expenditures have been reduced in upcoming years as counter measures.

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 FB-1: All Funds Balance Analysis

Fund Budgets

All Funds

All Funds Balance Analysis, cont.

In 2009, sales tax revenue, the largest funding source for both the General Fund and the All Funds, decreased by 11.0 percent, due to on-going economic recession in this area. This is by far the most dramatic decline in Sales Tax in the history of the Authority, the previous worse decline in a year was 1.6%. A recovery is expected for 2010, but based on economic forecasts that increase is projected for 2010 at 1.2% increase over 2009. RTA projects that it will take a minimum of six years to get back to the $173 million Sales Tax generated in 2008.

This trend identifies the challenge that lies ahead: to balance operating requirements versus the local commitment required to support capital improvements. As such, it questions the Authority's ability to maintain current service levels without additional revenue or additional service reductions.

All Funds Revenue

Total All Funds revenue in 2006 increased by $42.6 million, which included $25.0 million in bond proceeds. Sales Tax collections in 2006 though, decreased by nearly $382,000, or 0.2 percent. In 2007, total All Funds Revenue increased by $13.7 million, primarily due to a $25.0 million capital lease, while Sales & Use Tax revenue increased by 1.8 percent and federal capital assistance increased by $2.5 million.

In 2008, the expected Sales & Use Tax revenue remained the Authority's largest source of revenue, representing nearly 42.9 percent, or $172.0 million, of total Authority revenue. Federal capital assistance will account for 20.4 percent, or $71.7 million, of total revenue. When combined with State and Local capital grant assistance, all intergovernmental sources of revenue account for over 25.0 percent, or a total of $100.3 million of revenue flowing through the Authority. Fare revenue, projected at $48.8 million, represents 12.2 percent of the total in 2008. Other revenue, debt proceeds and investment income will account for the remaining 19.9 percent, or $80.0 million.

In 2009, revenues dropped primarily due to the sharp drop in Sales Tax revenue. 2010 projected increases for Sales & Use Tax revenue remain modest, 1.2 percent, but overall will make up nearly 41.0 percent, or $156.4 million, of the Authority's total revenue. Federal and State Capital Assistance will account for 27.9 percent, or $106.1 million of total revenue. Passenger Fares will increase due to the annualization of fare increases implemented in 2008 and will make up to 13.7 percent, or $52.3 million. Other revenue sources and income from investments will comprise the remaining $64.3 million, or 16.8 percent. General Obligation Debt Proceeds will be $20 million. The capital program will require additional debt sales of approximately $20.0 million in 2010 to support planned capital activities.

Fund Budgets

All Funds

All Funds Expenditures

An increase of $21.8 million in total expenditures took place in 2007 as a result of Personnel and Capital Outlay costs increasing by over $7.1 million and $8.9 million, respectively. Personnel costs increased because of a three percent wage increase and health care costs. The increases in capital expenditures were primarily a result of the HealthLine/Euclid Corridor project.

Total expenditures increased in 2008 by nearly $30.5 million, or 8.3 percent. Capital Outlays increased by $20.0 million million, or nearly 19.0 percent, mainly as a result of the completion of construction on the HealthLine Project. In addition, Diesel Fuel expenditures decreased by 42.2 million while Personnel Services expenditures increased by $3.3 million.

In 2009, total expenditures decreased by $36.8 million, or 7.9 percent. Outlays for capital projects decreased by $36.6 million, or negative 10.2 percent, as the capital program begins its return to more historical levels following the completion of the HealthLine. In addition, the 2010 Budget includes Personnel Services expenditure decrease over $7.1 million, or 2.7 percent. This includes no increases in personnel costs associated with current collective bargaining agreements, health care cost increases, and increases in pension costs, and includes a reduction of 100 positions. Other expenditure areas include a $7.9 million decrease in the cost of diesel fuel, as the cost decreased from $3.17 per gallon to $2.40-$2.92 per gallon and a reduction in gallons due to a service reduction. Additionally, due to growing capital needs, Debt Service will increase in 2010 by nearly $1.8 million.

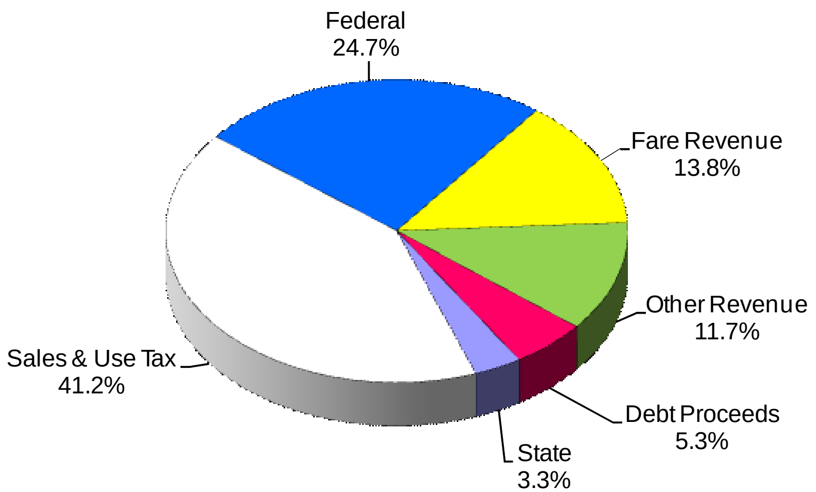
Due to the nature of the services provided by the Authority, Personnel Services remains the largest expenditure category on an All Funds basis. At $169.5 million, these labor and fringe benefits costs will represent nearly 47.0 percent of total expenditures. Capital Outlays will again represent the second largest category of expenditures at $102.8 million, or 28.4 percent of the total. The third largest category of expenditures will be Other Expenditures at $59.0 million, or 16.2 percent, followed by Debt Service at $19.5 million, or 5.3 percent. The smallest category of expenditures remains Diesel Fuel, comprising 4.9 percent of total expenditures in 2010 at $2.5 million.

Over the 2011 to 2012 period, overall expenditures are expected to decrease primarily due to the April 4th, 2010 service reduction and a return to more historical levels of capital activity. Personnel costs are expected to decline in 2011 and 2012 as a result of the service realignment and Other Expenditures are also expected to decline. Debt service costs for 2011 and 2012 reflect existing debt payment schedules and a planned General Obligation debt sale of approximately $20.0 million in 2010.

Fund Budgets

All Funds

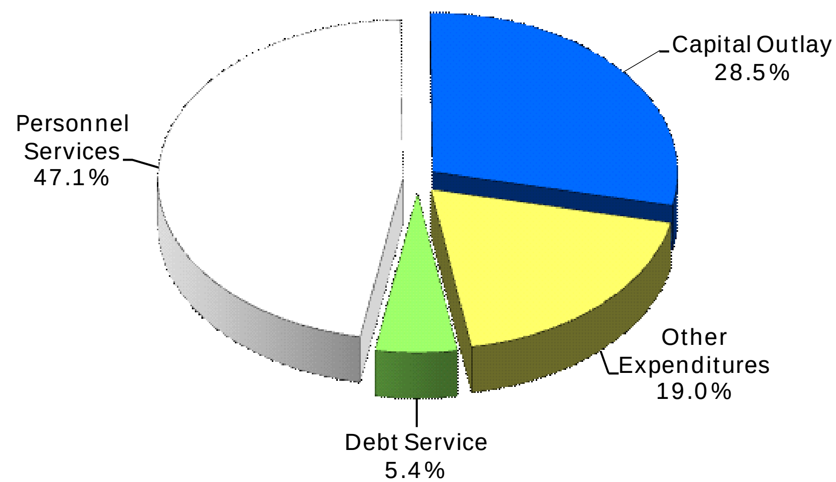
All Funds Revenue by Source (Millions)



	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
Fare Revenue	$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
Federal	$74.3	$86.1	$73.6	$93.5	$53.0	$48.2
State	$10.8	$9.4	$21.7	$12.6	$1.9	$2.0
Other Revenue	$42.5	$44.8	$48.1	$44.4	$38.9	$39.4
Debt Proceeds	$0.0	$35.5	$0.0	$20.0	$0.0	$0.0
Capital Lease	$25.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Revenue	**$367.8**	**$397.6**	**$347.8**	**$379.2**	**$305.5**	**$304.2**

Figure FB-2: All Funds Revenue by Source

All Funds Expenditures by Type (Millions)



	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
Personnel Services	$173.8	$173.0	$176.6	$169.6	$171.2	$173.0
Other Expenditures	$63.4	$70.5	$66.5	$68.4	$61.8	$62.3
Capital Outlay	$113.4	$132.5	$96.0	$102.8	$74.8	$73.6
Debt Service	$16.3	$17.5	$17.7	$19.5	$19.6	$21.0
Total Expenditures	**$366.9**	**$393.5**	**$356.8**	**$360.3**	**$327.4**	**$329.9**

Figure FB-3: All Funds Expenditures by Type

Fund Budgets

General Fund

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**

General Fund

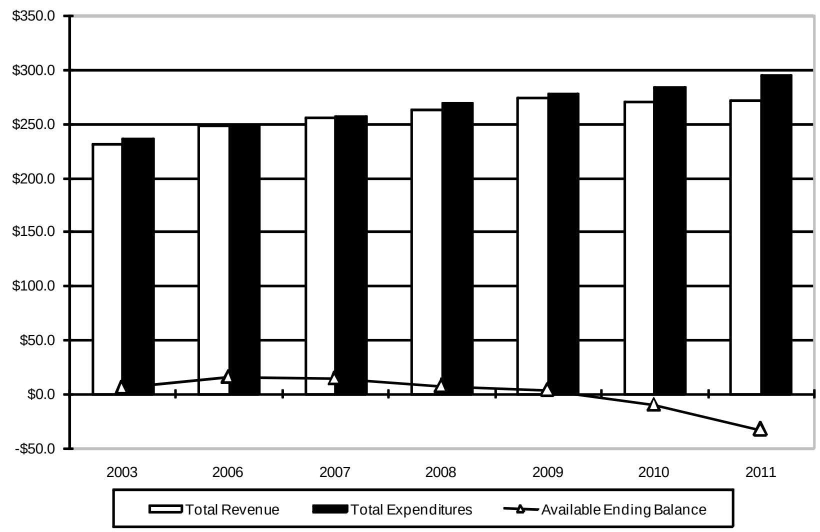
General Fund Balance Analysis

The General Fund is the general operating fund of the Authority and accounts for all revenue and expenditures except for activities related to capital improvements, debt service, catastrophic/extraordinary losses, and supplemental pension benefits. Figure FB-4 highlights the financial stress that is presently being experienced. The combination of stagnant sales tax growth, increasing personnel costs, and volatile fuel/utility costs has created a discouraging outlook.

Over the past three years, the revenue and expense mismatch has been steadily growing. The Authority has had to utilize the fund balance to cover the expenses. In 2006, total expenditures were $400,000 more than that year's revenue. In 2007, the mismatch increased to $1.3 million and further increased in 2008 to $6.6 million with a resulting drawdown of the fund balance to $3.9 million. In 2009, the General Fund balance lowers again to $2.9 million and projected to be $2.3 million in 2010.

As highlighted in the **Citizens Summary**, meeting the one-month reserve policy has been a challenge over the last decade. After several years of declining revenues and forced service and staff reductions in the early 1990's, this goal was last met between 1994 and 1996. Since then the reserve policy has not been met, fluctuating between a low of a 0.3 months reserve in 2003, to a high of a 0.9 months reserve in 2005 and 2006.

General Fund Balance Analysis (Millions)



	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimat
Beginning Balance	$15.8	$14.0	$8.4	$2.9	$2.3	-$10
Total Revenue	**$255.4**	**$262.1**	**$264.5**	**$266.6**	**$249.8**	**$253**
Total Resources	$271.2	$276.2	$272.9	$269.5	$252.1	$242
Operating Expenses	$233.6	$240.0	$238.5	$225.9	$230.0	$232
Fund Transfers	$23.6	$27.8	$31.5	$41.3	$32.9	$34
Total Expenditures	**$257.2**	**$267.8**	**$270.0**	**$267.2**	**$262.9**	**$266**
Available Ending Balance	**$14.0**	**$8.4**	**$2.9**	**$2.3**	**-$10.9**	**-$23**

Figure FB-4: General Fund Balance Analysis

General Fund

General Fund Balance Analysis, cont.

The 2007 reserve of 0.7 months did not meet the goal, nor did the projected 2008 reserve of 0.4 months, but both represent improvements over the budgeted amounts for those years. In 2009, the ending balance did not meet the reserve level of one month. The ending balance has been declining over the past few years, but the drawdown in 2007 and 2008 utilized the ending balance for its intended purpose, to support service levels. Sales tax revenue, the largest revenue source for the Authority, experienced unprecedented decline in 2009 and continues the necessity to drawdown of the fund balance.

The projected reserve for 2010 is 0.1 months. The Authority will again control costs and aggressively execute the budget. In addition to this normal level of activity, the Authority has implemented TransitStat, a data-driven performance management initiative, to review operations, seek improvements, and further reduce costs. Our goal is to at least maintain the 2009 estimated year-end balance at the end of 2010.

The reserve level of the General Fund will be extremely important in the 2011 to 2012 time period, as operating costs continue to decline with service reductions, the capital plan continues to place additional demands on local resources, and historically low sales tax revenue declining rates combine to generate projected negative fund balances. As such, this budget presents a significant concern for the future and challenges the Authority's ability to maintain service levels without additional revenue or significant non-service-related cost reductions.

General Fund Revenue

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

Sales and Use Tax

The Authority's major source of revenue is a one percent Sales and Use Tax on sales of tangible personal property and on other transactions subject to the State Sales and Use Tax within the boundaries of Cuyahoga County. The one percent tax is of unlimited duration and was approved by the voters of Cuyahoga County in July 1975. The tax is levied and collected at the same time and on the same transactions as the permanent five percent Sales and Use Tax levied by the State, plus the one-half percent temporary state sales tax and the one percent tax levied by Cuyahoga County. The tax is administered and enforced by State taxing authorities and is distributed on a monthly basis, approximately two months following the collection of the tax by the State (three months after the tax is paid by consumers).

Beginning in 1989, Board policy required that a minimum of ten percent of annual Sales and Use Tax revenues be dedicated to capital improvements. The presentation of sales tax revenue (as reported in Figure FB-5) indicates total receipts, not the approximately 90 percent that is actually used to fund operations.

Fund Budgets

General Fund

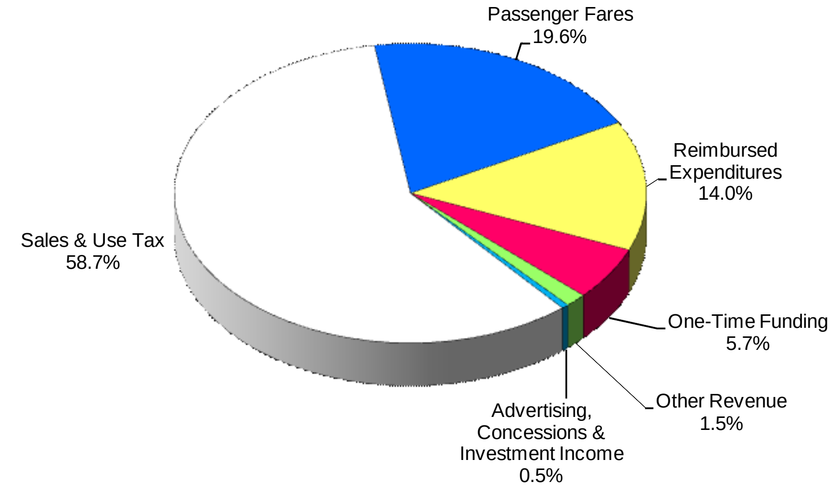
Sales and Use Tax, cont.

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

In the past, even in slower economic growth periods, the sales tax has performed relatively well. Sales tax receipts in 1994 showed an 11.2 percent increase, decreasing to 7.6 percent in 1995 and to 3.2 percent in 1996. A more stable growth pattern was seen between 1997 and 2000 as the growth rate ranged between 4.8 percent and 6.3 percent during these years. Since 2001 though, the picture has been much different with minimal growth rates and some years of negative growth. The last solid increase of 5.3 percent occurred in 2004. This has been followed by a 2.2 percent growth in 2005, a negative 0.2 percent growth in 2006, a 1.8 percent growth in 2007, and a 0.4 percent decline in 2008, and a staggering 11% decline in 2009.

In 2010, sales tax revenue is expected to increase by only 1.2 percent, due to the regional impact of the on-going economic recession. The increases projected for 2011 and 2012 reflect a continuation of this pattern as the growth in sales tax revenue will continue to perform below the level of inflation.

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 & Investment Income	$2.0	$1.6	$1.4	$1.3	$1.3	$1.3
One-time Funding	$0.0	$0.0	$17.8	$15.3	$0.0	$0.0
Other Revenue	$4.0	$2.6	$7.4	$3.9	$3.3	$3.6
Total Revenue	**$255.4**	**$261.6**	**$264.5**	**$266.6**	**$249.8**	**$253.3**

Figure FB-5: General Fund Revenue by Source

Fund Budgets

General Fund

Passenger Fares

Passenger Fares are the second largest source of revenue to the General Fund, comprising 19.6 percent of the total in 2010. Passenger fares consist of cash farebox revenue from Authority trains and buses, charges for elderly, handicapped, and special services, and sales of passes and tickets.

From 2003 to 2008, the Authority registered annual ridership increases each year, bringing the accomplishment to six consecutive years of ridership growth. However, during the period between 2003 and 2005, passenger fare revenue lagged behind ridership due to modifications in the fare policies and changes in customer travel patterns. Therefore, in 2006 the Board of Trustees approved a two-phase fare increase effective in July 2006 and January 2008. This action helped boost fare revenue for 2006 to 2009 and was captured in the 2010 Budget.

In 2010, passenger fares of $52.3 million represent an increase of $2.6 million over the 2009 level. This change is entirely attributable to the annualization of the fuel surcharge as Ridership is expected to decrease by two percent due to the elasticity effects of the fare increase as well as the decrease in fuel costs and the area unemployment rate. Fares are expected to grow by 2.0 percent in 2011 and 2012.

Investment Income

The Authority pursues an aggressive cash management and investment program in order to achieve maximum financial return on all available funds. Idle cash balances are invested at the best interest rates available within the constraints imposed by State law and RTA financial policies. Current policy permits the Investment Officer to invest idle cash in certificates of deposit or repurchase agreements with depositories designated by the Board of Trustees, in U.S. Government securities, in securities of agencies, which are guaranteed by the U.S. Government, and in the State investment pool (Star Ohio).

Investment income steadily increased from 2005 to 2008. This was the result of large ending balances and increasing investment rates. The 2009 actual shows a significant reduction of 80.0% as a result of a lower balance and Federal Reserve actions lowering short-term rates. Investment income for 2010 is estimated flatly at $204,146. The trend of lower balances will be present in the two out-years and result in low investment income in both years. Interests earned on General Fund investments also vary depending upon the timing of revenue receipts, expenditures, and the transfers made to other funds (shifting interest earnings from the General Fund to other funds).

General Fund

Advertising & Concessions

Another source of income is the Authority's contract to place advertisements upon buses and trains. The current contract guarantees $825,000 annually, a decrease due to recent service and bus fleet reductions. In addition, the Authority will receive $175,000 (net) from the HealthLine naming rights deal. In combination with a small amount of concessions revenue, nearly $1.1 million is expected in 2010. The entire category is projected to remain steady in 2011 and 2012, though changes to service levels may have an impact on this amount.

Federal & State Operating Assistance

Federal Operating Assistance

Federal operating grants are no longer received from the Federal Transit Administration (FTA) for general operating assistance. This source of revenue, at one time very significant, was eliminated in 1999 and will not be restored in the foreseeable future.

Prior to 1999, Federal operating grant dollars had been drawn down based on cash flow requirements in the General Fund. The amount and timing of revenue received from this source in any year fluctuated, based on the Authority's ability to drawdown these funds and the amount of the grant.

This source of revenue declined over the last several years of its existence, reaching a low of $773,000 in 1998, which represented less than one percent of all General Fund revenues. This amount had been significantly reduced from the 1997 level of $4.2 million and was nearly a 90 percent reduction from 1995.

This was a result of Congressional action that was to substantially reduce operating assistance to transit agencies eventually leading to the total elimination, which transpired in 1998 for the 1999 budget year.

Although direct Federal Operating Assistance has basically been eliminated, some flexibility has been given to the Authority to use capital grant awards to reimburse the Operating Budget for traditional maintenance expenditures within the Operating Budget. Over the years, the amount of capital funds used for this purpose, Capitalized Operating Assistance (COA), has grown from an initial amount of $15 million per year to the budgeted amount of $28.7 million in 2009 and 31.6 million in 2010. This move has helped to maintain the Authority's level of service, as revenue challenges have arisen and been met over the years, but in the long-term it represents an ongoing disinvestment in the Authority's capital infrastructure in favor of maintaining service levels.

General Fund

Federal & State Op. Assistance, cont.

State operating funds are received from the Ohio Department of Transportation (ODOT) for elderly and handicapped assistance. These funds are awarded annually and correspond to the state fiscal year (July 1 through June 30).

In 1999, nearly $5 million of State Operating Assistance was completely eliminated with an equivalent amount given as a capital grant. The same was true in 2000 – 2004, though flexibility was given to allow the capitalization of operating expenses. Unfortunately though, beginning in 2005, its use in the form of capitalized operating assistance was no longer permitted.

In 2007, $2.2 million was awarded and received from the state for elderly and handicapped fare assistance. In 2008, RTA again expects to receive nearly $2.1 million from the state for this purpose. In 2009, a one-time state award provides the Authority an opportunity to supplement the expected amount of $2.1 million for Ohio Elderly Fare Assistance by nearly $7.2 million of revenue to cover other operating expenses. This includes including transfers to capital, contractual paratransit services, and CNG purchases for the bus fleet. In 2010 and 2011, though, the amount drops back to its normal level of $2.1 million, with an additional award that may be available of $3.5 million for paratransit and CMAQ revenue for reimbursement of the HealthLine. The effect of the long-term elimination of State Operating Assistance remains evident, as budget strains are projected to exist for the foreseeable future. State aid could offer potential support for public transportation services, but it faces financial challenges of its own.

Other Revenue

Reimbursed Expenditures,
Transfers and Other Revenue

The remaining revenue sources to the General Fund contribute $5.6 million in 2010, representing 2.1 percent of total revenue. These remaining funding sources include Access to Jobs grants, grant reimbursements for RTA labor, materials and administration costs associated with capital projects, fuel tax refunds on diesel and gasoline purchases from the State of Ohio, and reimbursements for outlays associated with capitalized operating expenses.

Capitalized Operating Assistance (COA), the largest of the remaining revenue sources, is found in the category of Reimbursed Expenditures. Between 2003 and 2006, this source has reimbursed close to $25 million per year in General Fund expenses. The amount was increased to $27.7 million in 2007, due to a recategorization of bus and rail spare parts from a capital purchase to an inventory item in the General Fund, and again in 2008 when it is expected to reach nearly $29.1 million. The 2009 Budget projects $28.7 million in 2009, and $31.6 million in 2010.

In addition, the Authority will continue to focus on reimbursements to the General Fund for capital project labor expenditures. This source has increased from $700,000 in 1991 to $2.8 million in 1992 and has remained near $4.7 million over the last several years. In 2010, reimbursed labor is projected to generate $4.5 million.

General Fund

Other Revenue, cont.

The largest remaining capital project with reimbursable labor will be the Heavy Rail Vehicle (HRV) Overhaul. The reimbursed labor projection for 2010 and 2011 remain near stable as the level of capital activities returns to normal.

The 2010 Budget projects $1.8 million from the federal government related to the Access to Jobs Program. These funds will be used to reimburse expenses related to reverse commute trips and the RTA vanpool services and are in part 100% ARRA funded. The amount is projected to and hold at $1.2 million in 2011 and 2012.

Other sources of revenue include fuel tax reimbursements of approximately $1.0 million, contractor and hospitalization reimbursements, rent, salvage sales, and claims receipts, among other miscellaneous receipts. The amounts received from these sources have fluctuated over the years due to one-time receipts settlements and miscellaneous reimbursements.

General Fund Expenditures

As discussed in the Citizens Summary, 2010 operating expenditures are expected to decrease by $12.6 million, or 5.3 percent, over 2009. This includes a budgeted 12% service reduction.

The 2009 budget process originally included an 8 percent service reduction. Due to the temporary funding made available by the Governor and NOACA, a three percent reduction was implemented in the 4th quarter 2008 with the remaining five percent implemented in September 2009. The 2010 goal is to minimize the size of the planned April, 2010 service cut.

As a result of the service realignment and other efficiencies, a net decrease of 100 positions are included in the 2010 budget. The 2010 Budget funds 2,477 positions compared to 2,577 in 2009. The Department Budgets chapter provides the details of these General Fund expenditures and staffing levels by department.

Expenditure estimates for 2011 and 2012 include only minimal increases. Personnel estimates include the impact of wage and benefit increases from current negotiated bargaining agreements and projected increases in health care costs. The other operating expenditures reflect an increase to diesel fuel and modest inflation/growth factors for other categories, though adjustments are made based on projected costs and known contracts.

General Fund

General Fund Expenditures, cont.

Any new program(s) or expansion of existing programs are assumed as "trade-offs" thus representing no net increase in cost, demonstrating a commitment to financial control.

Transfers to other funds within the Authority continue to place additional financial pressures on the General Fund. The transfer for bond retirement has grown from $15.5 million in 2007 to a projected $18.4 million in 2010 to cover increases in debt service payments. This transfer will continue to grow in the future, increasing to $18.9 million in 2011 reflecting actual debt payments and another projected debt issuance and to $20.6 million in 2012.

Transfers to support the capital program significantly increased in 2009 to meet the demands for local funding by the Authority's capital program. Though work has been done to bring the Authority's capital program in line with existing grant awards, the need for local match funds has increased. When combined with transfers for debt service payments, the total capital contribution exceeds the maximum 15 percent level prescribed by the Authority's financial policies in 2009 at 18.0 percent, as well as in 2010 and 2011 at 18.8 percent and 18.7 percent respectively. To maintain the proper balance in the Insurance and Pension Funds, transfers of $3.9 million and $100,000, respectively, are needed in 2010. In 2011 and 2012, the Insurance Fund transfer will decrease to $2.9 million in both years and the Pension Fund is projected to need transfers of $100,000 in both years.

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 Marerials 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**	

Figure FB-6: Areas of Expenditure Growth – 2010 Budget

General Fund Balance Analysis

	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**

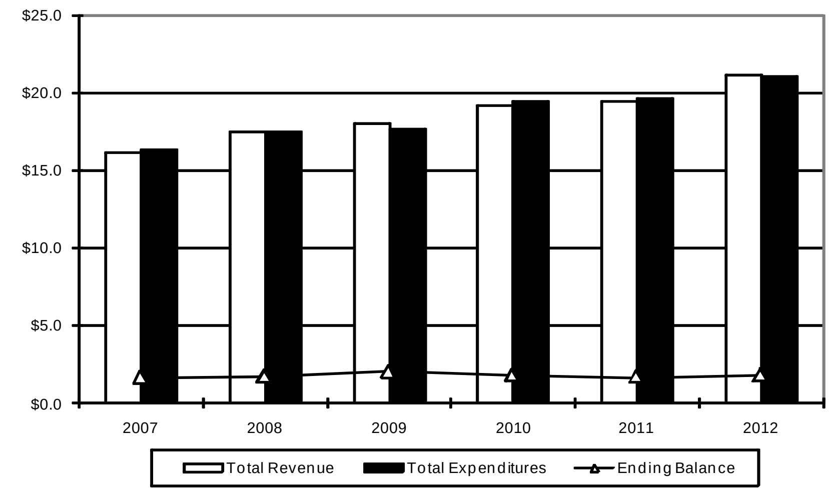
Bond Retirement Fund

The Bond Retirement Fund accounts for resources set aside for the payment of principal and interest on debt obligations. The Authority currently has six General Obligation (G.O.) Bond Issues outstanding, totaling $172.8 million and one State Infrastructure Bank (SIB) loan, totaling nearly $3.6 million as of December 31, 2008. It is the Authority's policy to set aside resources transferred from the General Fund on a monthly basis to meet the current year's annual principal and semiannual interest payments. Under the set-aside system, the balance in the Bond Retirement Fund drops below one thousand dollars each December 1st.

In Figure FB-7, each year's ending balance generally represents one-twelfth of the subsequent year's debt service requirement, which is set-aside on the last day of each year. Thus, the ending balance in this fund remains relatively low at all times. During 2010, the Authority will retire $11.4 million in principal and pay nearly $8.0 million in interest on its current long-term debt and SIB loan.

Long-term debt for the Authority includes both debt and refunding debt sales from 1998 through 2008. These include a $35.0 million issuance and $27.4 million refunding issuance in 2008, a 2006 debt sale of $38.5 million, $67.2 million of debt issued in 2004, $17.5 million of refunding debt issued from 2002, a $20.9 million debt issued in 2001, a refunding debt issue of $29 million and a debt issue of $33 million both done in 1998. Also reflected in this fund is a 1998 SIB loan with an original amount of $6.9 million. The total transfers required from the General Fund to make these payments are reduced by interest earned in the Bond Retirement Fund and transfers from capital. For the 2010 Budget, a transfer of $18.4 million will be required from the General Fund. Overall debt service will continue to increase in both 2011 and 2012, which includes another debt issuance of $20.0 million in 2010.

Bond Retirement Fund Balance Analysis (Millions)



	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
Beginning Balance	$1.8	$1.7	$1.7	$2.1	$1.8	$1.7
Revenue	$0.3	$0.6	$0.0	$0.1	$0.1	$0.1
Fund Transfers	$15.9	$16.9	$18.0	$19.1	$19.4	$21.1
Total Revenue	**$16.2**	**$17.5**	**$18.0**	**$19.2**	**$19.5**	**$21.2**
Total Resources	**$18.0**	**$19.2**	**$19.8**	**$21.3**	**$21.3**	**$22.9**
Total Expenditures	**$16.3**	**$17.5**	**$17.7**	**$19.5**	**$19.6**	**$21.1**
Ending Balance	**$1.7**	**$1.7**	**$2.1**	**$1.8**	**$1.7**	**$1.8**

Figure FB-7: Bond Retirement Fund Balance Analysis

Bond Retirement Fund Balance Analysis

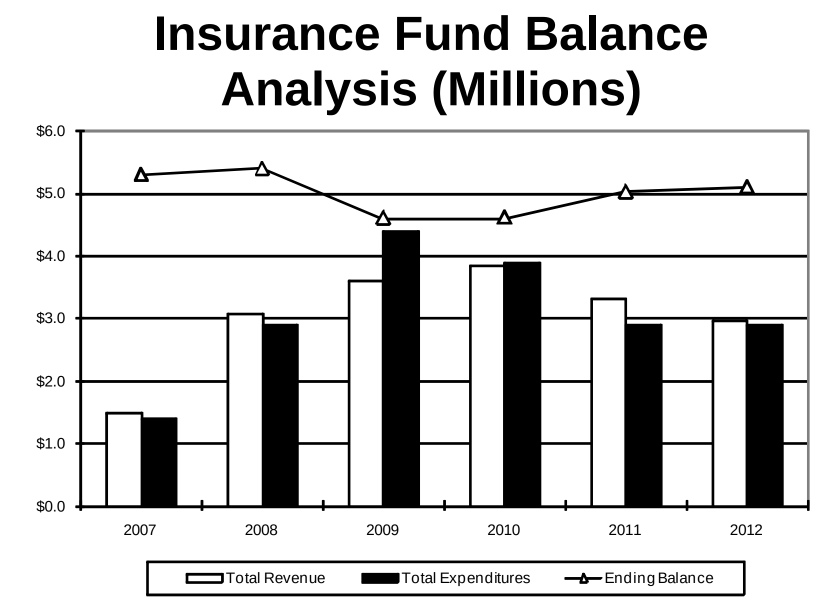
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Budget	2012 Budget
Beginning Balance	**1,510,792**	**1,764,973**	**1,727,210**	**1,733,884**	**2,084,582**	**1,771,731**	**1,703,022**
Revenue							
Transfer from General Fund	14,700,000	15,456,127	14,753,950	17,327,062	18,428,168	18,927,476	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**

Insurance Fund

The Insurance Fund is used to account for resources, which have been reserved to protect the Authority against future catastrophic or extraordinary losses, since the Authority is currently self-insured in all areas except personal property and equipment. A portion of the self-insurance fund was liquidated and replaced with purchased insurance coverage in 1999. According to the Authority's financial policies, the Risk Manager on an annual basis determines the minimum balance required in the Insurance Fund. The minimum balance in the Insurance Fund decreased from $7.5 to $5.0 million in 2005 and has remained until 2009. It 2009, it was necessary to allow the balance to fall to $4.3 million for cash flow purposes. It is anticipated that the fund balance will remain near that level from 2010 through 2011.

In the late-nineties, expenditures for the settlement of unusual or extraordinary claims as well as for insurance premiums stressed this fund. Transfers to the General Fund totaling $6.2 million were made in 1998-1999 to clear the excess amount in the fund above the required $5.0 million, representing a change in the structure of this fund. Unfortunately, unexpected claims costs and a decision to increase the fund balance back to $7.5 million resulted in the necessity to infuse $6.2 million back into the Insurance Fund from the General Fund between 2000 through 2003 to maintain the required minimum balance.

A planned 2004 transfer from the General Fund totaling $1.0 million was not made as a process to reduce the required fund balance back to $5.0 million was initiated. In 2005, no transfer was made due to a third party settlement. In 2006, a $750,000 transfer to the Insurance Fund was needed to cover unbudgeted claims followed by an increase to $1.2 million in 2007 and to $2.9 million in 2008. In 2009 the transfer from the General Fund was $3.5 million. The 2010 budget will require a transfer of $3.7 million.



	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
Beginning Balance	$5.2	$5.3	$5.4	$4.6	$4.6	$5.0
Investment Income	$0.3	$0.2	$0.1	$0.2	$0.1	$0.2
Transfers	$1.2	$2.9	$3.5	$3.7	$3.2	$2.8
Total Revenue	**$1.5**	**$3.1**	**$3.6**	**$3.9**	**$3.3**	**$3.0**
Total Resources	**$6.7**	**$8.3**	**$9.0**	**$8.5**	**$7.9**	**$8.0**
Claims & Premium Outlay	$1.4	$2.9	$4.4	$3.9	$2.9	$2.9
Total Expenditures	**$1.4**	**$2.9**	**$4.4**	**$3.9**	**$2.9**	**$2.9**
Ending Balance	**$5.3**	**$5.4**	**$4.6**	**$4.6**	**$5.0**	**$5.1**

Figure FB-8: Insurance Fund Balance Analysis

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**

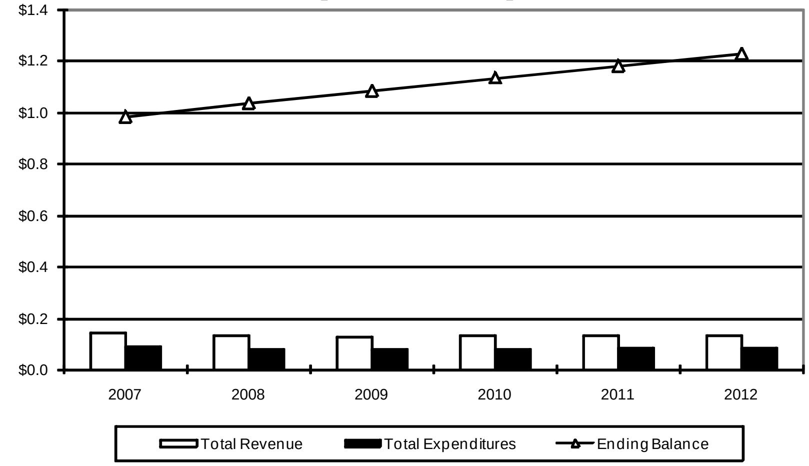
Supplemental Pension Fund

The Supplemental Pension Fund (Pension/Deferred Compensation Trust and Agency Fund) was established to account for assets held by the Authority in a trustee capacity for payments of benefits relating primarily to certain retired employees of the Authority and its predecessor transit systems. Since 1986, the Pension Fund also has been used to account for funds on deposit with the Ohio Public Employees Deferred Compensation Board. The Authority has no control over these funds, but is required to account for them in a trust and agency fund according to governmental accounting standards.

An actuarial evaluation is performed every two years to assess the adequacy of the fund balance. This Budget increases and maintains the fund balance at levels recommended in the last actuarial evaluation. Transfers of $100,000 will be made from the General Fund to support this effort in 2010, 2011, and 2012, but these amounts may change with the results of the next actuarial study.

Benefit payments from this fund between 2005 and 2009 have ranged from a low of nearly $88,000 in 2005 to a high of just under $95,000 in the following year. In 2010, payments will be approximately $81,907, increasing to $84,000 in 2011 and 2012. The ending balance in the fund is projected to be stable at nearly $1.0 million over the next three years.

Supplemental Pension Fund Balance Analysis (Millions)



	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
Beginning Balance	$0.9	$1.0	$1.0	$1.1	$1.1	$1.2
Total Revenue	**$0.1**	**$0.1**	**$0.1**	**$0.1**	**$0.1**	**$0.1**
Total Resources	**$1.1**	**$1.1**	**$1.2**	**$1.2**	**$1.3**	**$1.3**
Total Expenditures	**$0.1**	**$0.1**	**$0.1**	**$0.1**	**$0.1**	**$0.1**
Ending Balance	**$1.0**	**$1.0**	**$1.1**	**$1.1**	**$1.2**	**$1.2**

Figure FB-9: Supplemental Pension Fund Balance Analysis

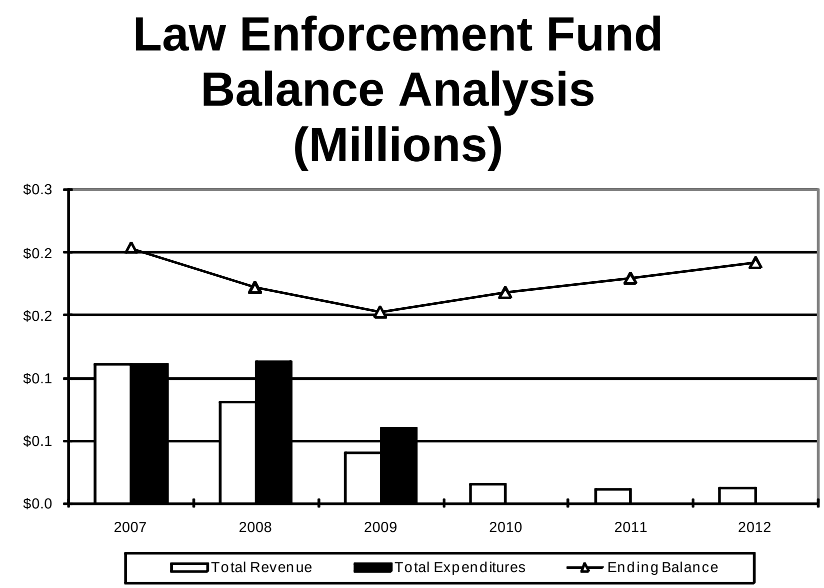
Supplemental Pension Fund Balance Analysis

	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**

Law Enforcement Fund

In 1988, RTA became involved with the multi-jurisdictional Caribbean/Gang Task Force. RTA's involvement was prompted by the increasing gang activity found in and around the rail system and the need to obtain intelligence in this area. In addition to the benefits of intelligence gathering and improved inter-department relations, the GCRTA derives revenue from seized and confiscated moneys and/or properties of convicted drug dealers prosecuted by the Task Force.

Revenue obtained through the Task Force can be expended for non-budgeted police items. The Authority primarily uses these proceeds for unbudgeted capital items. Furthermore, certain guidelines have been instituted by the State Attorney General's Office for the reporting of and disbursement of funds. Expenditures within this fund have varied over the years, ranging from over $112,829 in 2008 to $60,318 in 2009 depending upon the levels of revenue obtained through the Task Force. These expenditures funded security items, protective equipment, and technical training equipment. At present, no expenditures are assumed in 2010, 2011 or in 2012.



	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
Beginning Balance	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2
Total Revenue	**$0.1**	**$0.1**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Total Resources	$0.3	$0.3	$0.2	$0.2	$0.2	$0.2
Total Expenditures	**$0.1**	**$0.1**	**$0.1**	**$0.0**	**$0.0**	**$0.0**
Ending Balance	**$0.2**	**$0.2**	**$0.2**	**$0.2**	**$0.2**	**$0.2**

Figure FB-10: Law Enforcement Fund Balance Analysis

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**

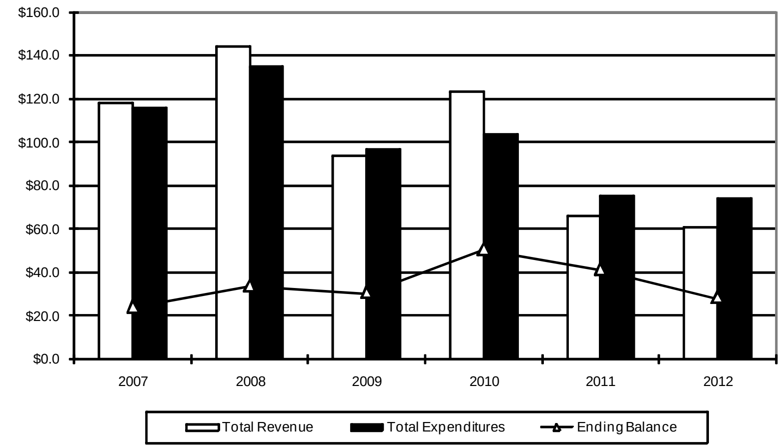
Capital Improvement Fund

Capital Improvement Fund Balance Analysis

The Authority's Capital Improvement Fund is used to account for the acquisition, construction, replacement, repair, and renovation of major capital facilities and equipment. The Capital Improvement Plan is composed of both grant-funded projects as well as 100 percent locally funded items.

These projects are included in one of two funds: the RTA Development Fund which includes the majority of the larger projects, including rehabilitations, expansions and large equipment purchases, and the RTA Capital Fund, a smaller fund for more routine expenditures that support daily operational activities. Generally, projects in the RTA Development Fund are greater than $150,000, have a useful life of greater than five years, and are predominantly, although not exclusively, supported through grants. Projects from the Authority's Long Range Plan are included in this area. Grant projects include those where grant funding already has been approved or will be submitted for approval in future years. The projects included in the RTA Capital Fund are generally less than $150,000, have a useful life of less than 5 years, and are routine in nature. Unlike the RTA Development Fund, where the majority of projects are funded with grants, the RTA Capital Fund is financed entirely through local dollars in the form of sales tax contributions.

Capital Improvement Fund Balance Analysis (Millions)



	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Estimate	2012 Estimate
Beginning Balance	$21.7	$24.2	$33.8	$30.7	$50.5	$41.3
Total Revenue	**$118.4**	**$144.6**	**$93.6**	**$123.3**	**$66.1**	**$61.0**
Total Resources	$140.1	$168.8	$127.4	$154.0	$116.6	$102.3
Total Expenditures	**$115.9**	**$135.1**	**$96.7**	**$103.5**	**$75.3**	**$74.0**
Ending Balance	**$24.2**	**$33.8**	**$30.7**	**$50.5**	**$41.3**	**$28.3**

Figure FB-11: Capital Improvement Fund Balance Analysis

Capital Improvement Fund

Capital Improvement Fund Balance Analysis, cont.

Detailed discussions of the fund balances in these funds are presented in the Capital Improvement Plan. Figure FB-11 provides a consolidated look at all Capital Improvement Funds. The fund balance alternates years of increases and decreases as planned activities are balanced with cash infusions. Overall, the balance has been generally decreasing since 1990. Periodic increases over the years have been a direct result of cash infusion from debt sales or from other irregular one-time revenue, such as an infusion from a $15.0 million “Sale to Lease” transaction in 2002 or a $25.0 million Capital Lease transaction in 2007.

After increasing by nearly $8.6 million in 2006 due to a $25.0 million debt issuance that partially offset an increase in capital expenditures, the available balance in this fund again increased in 2007 due to a $25.0 million capital lease for revenue collection equipment. In 2008, the ending balance is projected to increase to $34.3 million, due to the infusion of funds from a $35 million debt issuance and to a high level of Federal Capital Grant resources associated with the recently opened HealthLine/Euclid Corridor Project. In 2009, the balance declined due to the lateness of receipt of the Federal Capital Grants. The balance rebounds in 2010 due to the next planned debt issuance, and receipt of ARRA funds, then decreases again in 2012.

Capital activity by the Authority increased in the early 1990s, as the GCRTA completed work on the Tower City Rail Station, bus purchases, and Red Line improvements, among other projects. The high level of capital activity continued until recently with such projects as construction of the Harvard and Triskett Garages, rehabilitation of the Hayden Garage, the opening of Light Rail Waterfront Line, the HealthLine along Euclid Avenue, a mid-life overhaul of the Authority’s Light Rail Fleet, as well as the reconstruction of multiple Rail Stations. Funds set aside for these projects were drawn against, as part of a planned drawdown of the fund balance. Beginning in 2008, the capital budget process stressed the need to balance the ambitious capital program with available grant funding and to minimize, where possible, the use of local funds. This resulted in few new projects being added to the budget, a process that was continued during through the 2009, and 2010 budget process.

The Authority’s infrastructure needs continue to exceed the amount of available grant funding and will likely require continued high levels of local financial support. In 2010, the Capital Budget request totals $72.1 million for equipment, services, and construction projects to improve, replace or upgrade the Authority’s facilities and infrastructure. Proceeds from debt sales, as well as from sales tax contributions, will be used to fulfill the Local Match requirement on grant funded projects as well as for 100 percent locally funded projects. The 2010 Contribution to Capital from the General Fund is budgeted at $11.0 million and is expected to slightly decrease in 2011 to $10.7 million and to $10.5 million in 2012. Efforts continue relative to securing additional federal and state resources, tapping into the increased funding flexibility provided under the newly adopted Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), and becoming more creative with the use of debt and other financing.

Fund Budgets

Capital Improvement Fund

Capital Improvement Fund Revenue

The Authority receives various capital grants from the Federal Transit Administration (FTA). Funds are requested from FTA, as needed, to meet obligations, via wire transfer. The timing of the receipt of federal capital revenue is directly related to costs invoiced by contractors/vendors, since these funds must be disbursed within three days after receipt. FTA grants normally cover approximately 80 percent of project costs, the remaining cost being absorbed by the Authority's local match revenue, which consist of interest income, transfers from other funds and sales of bonds and notes. In some cases FTA grants are awarded with a 100 percent Federal share. This includes funding from the American Recovery & Reinvestment Act of 2009 (ARRA) and from the Transportation Investment Generating Economic Recovery (TIGER) program. State capital assistance is seen in the form of State capital grants from the Ohio Department of Transportation (ODOT) and loans from the State Infrastructure Bank (SIB).

The RTA Capital Fund was established in 1988, and receives sales and use tax proceeds as part of the minimum 10 percent contribution to capital requirement as described under General Fund Revenue. Interest earned on the investment of those sales tax proceeds is the only other income credited to the RTA Capital Fund.

Transfers from General Fund revenue to the RTA Capital Fund have been growing in recent years just as the growth rate in revenue from the Sales & Use Tax stagnated and decreased. Transfers have risen from $6.6 million in 2005, to $7.1 million in 2006, $6.8 million in 2007, to $10.1 million in 2008, and to $10.6 million in 2009 as demands from the on-going capital program increased the need for local funds. For the 2010 Budget Year, the Transfer from the General Fund will again need to increase, to a planned $11.0 million, to meet the needs of the capital program. This amount, when combined with the expected $18.4 million transfer to the Bond Retirement Fund will produce a total contribution of Sales & Use Tax revenue to capital of 18.8 percent, significantly exceeding the maximum goal of 15 percent.

In 2011 and 2012, contributions will again exceed the maximum goal at 18.7 and 19.4 percent respectively due to the cost of the Authority's long-range Capital Plan. The expected growth in the contribution to capital, as well as it remaining well above the maximum goal of 15.0, highlights the growing problem of meeting the operating needs of the Authority while maintaining the Authority's assets as well. Meeting both will significantly challenge the overall financial stability of the Authority, particularly in light of the current economic situation and the decrease in revenue from the Sales & Use Tax.

Capital Improvement Fund Balance Analysis

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Budget	2012 Budget
Beginning Balance	**12,818,403**	**21,684,192**	**24,211,812**	**33,755,518**	**30,706,082**	**50,520,518**	**41,321,001**
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	1,278,176	940,802	1,737,653	272,360	326,500	425,000	425,000
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
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
Other Revenue	500,000	2,810,906	1,837,731	0	1,000,000	1,000,000	1,000,000
Total Revenue	**111,783,356**	**118,429,488**	**144,594,119**	**93,632,596**	**123,327,523**	**66,057,471**	**61,026,130**
Total Resources	**124,601,759**	**140,113,680**	**168,805,931**	**127,388,114**	**154,033,606**	**116,577,989**	**102,347,131**
Expenditures							
Capital Outlay	102,057,253	113,391,482	132,464,854	95,982,032	102,813,088	74,806,988	73,587,000
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	**102,917,567**	**115,901,868**	**135,050,413**	**96,682,032**	**103,513,088**	**75,256,988**	**74,037,000**
Available Ending Balance	**21,684,192**	**24,211,812**	**33,755,518**	**30,706,082**	**50,520,518**	**41,321,001**	**28,310,131**