2012 TRANSMITTAL LETTER

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

Date: November 1, 2011

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

Subject: 2012 Transmittal Letter

EXECUTIVE SUMMARY

I am pleased to report that 2011 was yet another successful year at the GCRTA. Once again the Authority was highly recognized on a national, and international level for its best in industry accomplishments, highlighted by significant gains in ridership and by winning the APTA "Gold" Safety Award for the second consecutive year.

As we continued to manage our infrastructure improvement projects, we were able to cut the ribbon at the Puritas and the East 55th Street Rail Stations and break ground for the Buckeye/Woodhill Station.

In April, the Euclid Corridor HealthLine reached a milestone by serving its 10 millionth customer as it was awarded the American Council of Engineering Outstanding Achievement Award and the award for National Excellence from the Urban Land Institute.

During 2011 we successfully:

- Increased productivity on all modes in terms of customers served per hour of service
- Managed utility and fuel costs through fuel hedging and other innovative programs,
- Were recognized for our strides in sustainability by winning the Green Emerald Award from Crain's Business,
- Were recognized for our accomplishments in diversity by being named "Best In Class" for Senior Management Diversity for a second consecutive year,
- Received the Tech Innovation Award for our TransitStat program from Mass Transit Magazine,
- Won the APTA Grand Prize for our marketing efforts.

We entered 2011 being cautiously optimistic about our future. That optimism was well founded, as it proved to be a year during which much of our hard work paid dividends in the form of financial sustainability, reduced overhead expenses, and additional financial capital resources from the FTA and NOACA.

The divergence between revenues and expenses, which began impacting the GCRTA in 2001, widened dramatically in 2009. The recession of 2008-2009 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. In 2010 RTA took additional action to further reduce expenses to match an increasingly lower revenue base.

RTA cut expenses and reduced service. Administrative positions, which had been reduced in 2009, were cut by another 3% in 2010. Salaried employees took a 3% wage cut for half of 2009 and all of 2010. As the fuel surcharge expired in the first quarter of 2010, the staff recommended that fares be held at the $2.25 base level. Public hearings were held in January 2010 to discuss the fares and a $9 million reduction in service. In consonance with the service reduction, Harvard Garage was closed on weekends and then taken out of operation in August. Fuel costs were reduced by $9.4 million in 2010 due to the use of the Energy Price Risk Management Program. A thorough review of electricity costs and action to reduce those costs resulted in $1.6 million savings. As a result, 2010 operating expenses were reduced by $30 million from 2009 actual costs and at $208 million were equal to 2004 levels. Expenses had been rolled back six years. The Sales & Use Tax revenue also partly recovered and increased by $8.6 million. For the first time since 1990, the end of year balance for 2010 met RTA's financial policy objective of a 30-day operating reserve.

In 2011, operating expenses are again under budget and are expected to finish the year at about $216 million. This is less than the 2005 operating expenditures again maintaining that six-year rollback. Because action was taken in 2008, 2009 and 2010, no fare increases or service cuts were needed in 2011. The recovery of sales tax revenue continued. RTA may approach 2008 collection levels by the end of the year. The financial objective of a 30-day operating balance will be achieved again and the budget is moving toward a sustainable level. Our TransitStat performance management initiatives are improving operating and business practices and have helped to reduce costs.

In recent years, RTA has been an exemplary benchmark for other transit systems. One factor is our demonstrated strategy of sound financial management. The response to dramatically increased fuel prices and lost revenue from sales tax due to the 2008-2009 recession are excellent examples of the execution of that strategy. The actions taken to right size our service, our employment and reduce other costs by finding smarter ways to do business have paid dividends. Those actions helped the Authority survive one of the worst financial periods this community has experienced in the last fifty years. The temporary funds used to survive during this period will end in 2011. We have positioned RTA to maintain financial health with a lower level of revenue. The 2012 Budget does not include any fare increases or service reductions. In fact, service on rail will be significantly increased to reduce overcrowding and for bus an increase of approximately 1.5% will help alleviate overcrowding on some routes and add service in some other areas. In total, about 4.3% of service will be restored.

The Board of Trustees' first review of the 2012 Operating and Capital Budget took place at the Finance Committee meeting on October 11, 2011 with a review of the Capital Budget. The committee will deliberate issues in the Operating requests at subsequent meetings on November 1 and November 15, 2011. At the Board meeting on December 6, 2011, we expect the Finance Committee to present a recommendation to the full Board of Trustees to adopt the proposed 2012 Operating, Capital, and the Other Funds Budgets.

Resources are included to fund rail, bus, and paratransit services and continue rehabilitation and maintenance of equipment and facilities. In preparing the 2012 budget request, staff developed Fund Balance Analysis statements for each major fund group, which summarize financial activity and ending balances. The Finance, Operations, and Planning and Development Committees will review major revenue & expenditure assumptions and trends, financial policy objectives, service & employment levels, strategic and other program initiatives, and capital projects included in the 2012 ï 2016 Capital Improvement Plan (CIP).

The 2012 appropriation for operating expenditures totals $230,907,701. In comparison, the 2009 Budget totaled $246,514,436 and the 2010 Budget appropriated $225,941,877. The amount appropriated for 2011 was $225,874,579. Fuel costs have increased and will remain at higher levels in 2012. About $4 million of service has been added to reduce overcrowding on some routes. The 3% salary reduction was restored for non-bargaining personnel in 2011. Agreement on an innovative contract with FOP tied wage increases for 2011 and 2012 to fare revenue and sales tax revenue increases from the prior year. In September, the FOP and non-bargaining personnel received a 1.75% wage increase. The ATU has yet to agree on a contract for its members. Operating expenses for 2011 are projected to finish the year at $215,336,363, about $10.5 million under budget. The 2012 Budget has an increase in appropriations of approximately $5.0 million. A little over $1.8 million of that increase is due to the increased cost of fuel. Almost $3 million comes from the service adjustment. An additional amount comes from the annualization of the 1.75% wage increase for FOP and non-bargaining personnel and a projected 3% wage increase for those same personnel in March of 2012. These additions mean that other areas of the budget (such as Utilities) are set below the 2011 amount. The Budget includes $169.2 million for Personnel Services: providing salary, overtime, and fringe benefit resources needed to fund 2,282 positions. The authorized employment level for 2012 is an increase of 50 positions from the 2,232 in the 2011 budget. Personnel Services costs are bout $1.4 million higher than the 2011 budgeted amount. Other expenditures have increased by about $3.6 million compared to the 2011 Budget. Most of this is an increase for fuel and for purchased transportation for Paratransit services.

The 2012 Capital Budget includes $61.5 million of combined budget authority for RTA Capital & RTA Development Fund projects. This includes the replacement of equipment, facilities improvements and upgrades, preventive maintenance reimbursements, and other capital projects that will improve or replace the Authorityôs assets. The amount includes $2.1 million, or 3.40% of the total, of 100% locally funded projects within the RTA Capital Fund and $59.4 million, or 96.6%, of grant & locally supported projects within the RTA Development Fund. As in previous years, the goal of the capital program has been to better match budgeted projects with anticipated revenue sources, both for locally and grant funded projects, and to maintain the Authorityôs assets in a State of Good Repair (SGR).

The requested capital budget appropriation of $61.5 million for the upcoming year is significantly lower than the 2011 capital budget of $95.05 million as a result of a reduction of capital projects supported by non-traditional funding sources or competitive grants. Projects included in the 2012 capital budget are primarily supported by the traditional FTA Urban and Rail formula grants, while the 2011 capital budget included $16.80 million for the rehabilitation of the University Circle Heavy Rail Station, a combined $10.09 million of budget authority for three Capital Operating Assistance grants, and $5.56 million of budget authority for various facility & equipment upgrade projects at three bus facilities all supported by earmark or competitive grants and other non-traditional funding sources.

As was done in prior budget years, budget authority for new projects was added to the five-year capital plan through a capital needs review and prioritization process, while budget authority for other projects was deferred and shifted into future years. Due to a reduction in the number of alternative project budgets funded through non-traditional sources, as well as Capital Operating Assistance grants within the requested CIP, the five-year capital plan decreases from $491.5 million for 2011-2015 to $409.0 million over the 2012- 2016 period. Capital financing and the balance between the capital program and operating costs continue to be a major challenge for the Authority. The 2012 Capital budget, though less than in 2011, represents the Authority's efforts to reduce the growth of the capital program to a level that is compatible with anticipated funding levels while meeting the on-going need of maintaining a State of Good Repair.

Due to 100% federal grant funding that did not require a 20% local match, and prudent fiscal management, the Authority has been able to stretch the use of its available bond funds enabling a delay of a planned $25.0 million debt service sale into FY 2012. The planned $25.0 million debt service sale is now planned for the first half of FY 2012 and is expected to meet the Authority's local funding needs for capital projects until early in FY 2015. This action will increase the Authority's debt service payments in 2012 and the following years. The first major repayment of debt happens in 2017. The Authority must work carefully through the next four years to avoid overstressing this area.

The revenue required to support both operating and capital budgets has been a challenge since 2004. The shortfall from our largest revenue source, the Sales & Use Tax, has been limiting the ability to provide service for the last eight years. The dramatic drop in this revenue caused by the 2008-2009 recession severely constrained every aspect of our operation in 2009 and 2010. A change in the Sales & Use Tax base in 2009 added about $5 million in revenue and the recovery, meager as it has been, will restore 2012 sales tax levels to the amount received in 2008.

The 2008-2009 recession made the 2009 Budget the most difficult RTA has ever had to execute. The fuel surcharge and service realignment executed at the end of 2008 and then again in September 2009 avoided a large negative balance. Our diligence in seeking additional funding in 2009 provided temporary relief from the unprecedented decline in Sales Tax Revenue and gave RTA the time needed to adjust service to match revenue. Those one-time funds end this year. The actions taken in 2009 and 2010 caused RTA to end 2010 with a greatly improved year-end balance. That balance carried forward into 2011 improved the projected outcome for the 2011 budget year. Revenues are projected to end the year about $90,000 under budget and expenses are projected $10.5 million under budget. The end of year balance will be improved again. The Board approved the establishment of Reserve Funds for Fuel, Hospitalization and Compensated Balances. These funds will help protect the Authority from drastic downturns in revenue in the future. The one negative to protect against is the proposed federal level of funding in the Transportation Bill where 30% cuts in federal grants are being discussed.

Our objective for 2012 is to maintain the level of service we have with restoration of some service to alleviate overcrowding. This budget meets that objective and allows the Authority to end the year with a thirty-day end of year balance for 2012.

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 2012, 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 2012 budgeting process, the evaluation of requests and the allocation of funding for 2012 initiatives were linked to the business plan and most directly to these two policy goals.

PROGRAM AND PROJECT INITIATIVES

For the past two years the objective for RTA has been to survive the financial turmoil caused by the 2008-2009 recession and to manage the funds received from the American Recovery and Reinvestment Act (ARRA) Grant and to execute the completion of the 17 projects within that program. The Authority used the precepts of TransitStat, our data-driven performance management initiative. By exercising that mantra we rolled back expenses to operating levels last seen six years ago. The goal of ending the year with a 30-day balance has been achieved. RTA has consequently moved in the direction of a sustainable budget, a long time goal. Sixteen of the seventeen ARRA projects are now complete. Major projects to renovate rail infrastructure, rail cars and rail grade crossings have been completed, enhancing the smoothness of the ride, the reliability of our vehicles and the safety of our service. Fifty-seven new Paratransit vehicles were purchased and put into service and the Stephanie Tubbs Jones Transit Center was constructed. The reconstruction of Puritas Station and East 55th Station has been completed and both of these rail stations have been remarkably improved, have been dedicated and put into full service. The reconstruction of Woodhill Station was added to the project list because of savings generated on the other projects. It is the last ARRA project to be completed and is now under construction. Badly needed maintenance and improvements have been completed and the infrastructure of the Authority has been markedly enhanced. In addition, the federal objective of providing additional employment in the Northeast Ohio region was absolutely achieved.

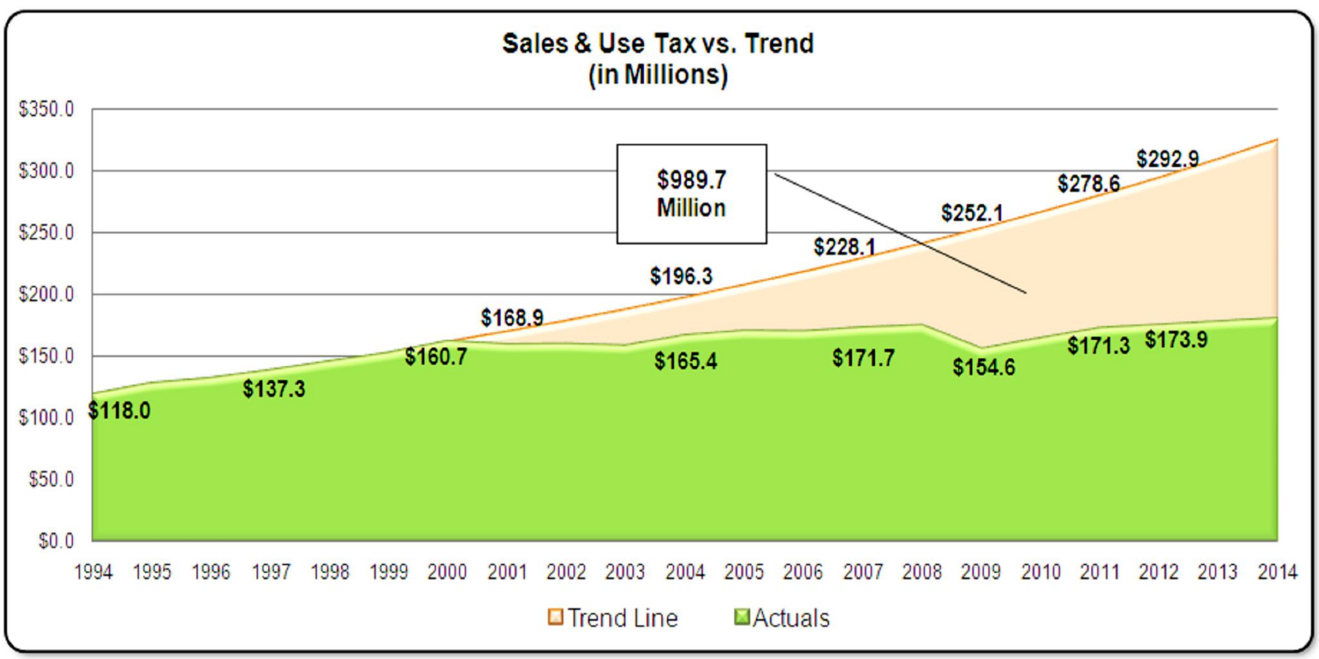
Action to react to a changing financial landscape began in 2001 because of the recession caused by the 9/11/2001 attacks. That action was accelerated in 2008 with the implementation of TransitStat. Drastic measures were required because of the 2008-2009 recession. RTA made the tough decisions needed, used ARRA funds wisely, and repositioned for a new financial reality. Preventive maintenance reimbursements had to be increased to maintain operations in 2008 and 2009. Those reimbursements have been reduced in 2011 and 2012 to allow more capital projects to be funded. The maintenance performed on the Viaduct track was funded from those monies. State of Good Repair Grants have been received and will be used to maintain our equipment and facilities at an acceptable state of readiness. A new rail station will be reconstructed at University Circle due to a federal grant. RTA will continue to actively seek additional grants to allow other capital projects to be moved up in the progression on our Capital Improvement Program. On the operating side we will continue to seek new and better processes to improve our service and manage our costs so that service levels are at least maintained for our customers, so that our employees can envision a stable work environment and fare increases are avoided for as long as possible.

GENERAL FUND

Underperforming Sales & Use Tax

The graph shown in this section presents the major issue affecting the Authority and the region. Revenue from the Sales & Use Tax, from 1992 to 2000, increased about 5.6% per year. Beginning in 2001, local economic activity and sales tax growth flattened. The average annual growth declined to 0.9%. 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 & Use Tax revenue for 2008 was $173.6 million. In 2009, receipts dropped to $154.6 million. This 11% drop sliced $19 million from the Authority's revenue.

This is by far the most dramatic decline in revenue from the Sales & Use Tax in the history of the Authority; the previous worst decline in a year was 1.6%. Sales Tax generated 70% of RTA's revenues in 2000, yet only 58% in 2009. Some recovery was anticipated in 2010. In fact, that recovery was better than expected with Sales & Use Tax revenue of $163.2 million. In spite of continuing high unemployment and only a very modest and fragile recovery, sales tax collections have continued to increase sharply in 2011. We project that end of year collections for 2011 will be $171.3 million, an increase of $8.1 million. Our projection for 2012 is based on a 1.5% increase to $173.9 million. This amount will at least get us back to the amount collected in 2008.



Fare Structure

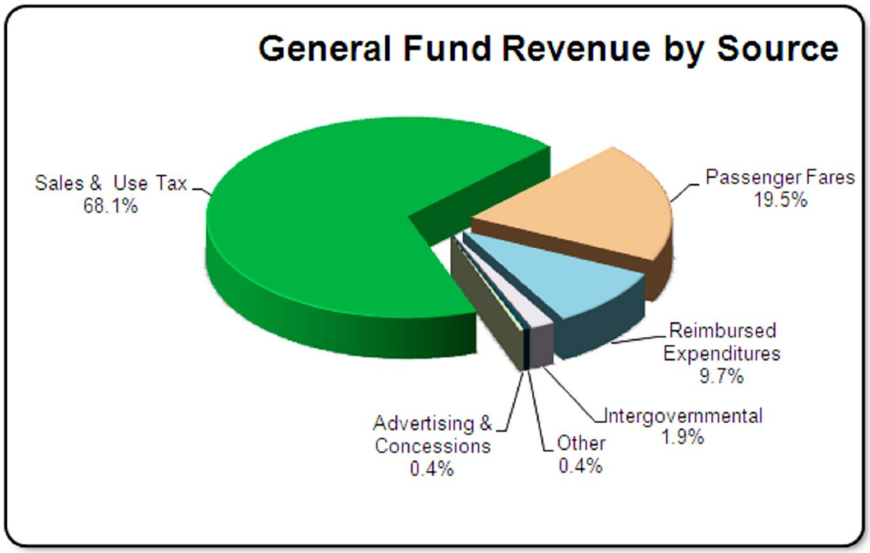
The financial constraint the economy has imposed over the last 10 years has required RTA to reduce service. Fares were maintained for as long as possible. After thirteen years with no increase, the Authority had to raise fares in 2006. The RTA Board elected to execute the increase over an eighteen-month period with a 25-cent increase in July 2006 and another 25-cent increase in January 2008. The result was a $1.75 base fare. The dramatic increase in diesel fuel cost in 2008 (fuel jumped from $2.50 per gallon to $4.18 per gallon) added $7.4 million to RTA expenses. Consequently, in October 2008 RTA added a 25-cent fuel surcharge to fares with an additional 25-cent increase deferred until September 2009. RTA had hoped to avoid the imposition of the second 25 cents.

In 2008 the economy began to lag and by June the U.S. was in recession. In September the additional $0.25 of the fuel surcharge and a deferred service cut had to be implemented. This pushed base fares to $2.25. The fuel surcharge was to be eliminated if fuel prices went down. The meltdown of the U.S. financial markets occurred in the fall of 2008. Accordingly, the U.S. fell into a deeper recession while fuel prices dropped. However, the loss of nearly $19 million in Sales & Use Tax revenue caused by that deep recession imposed another financial hurdle. In February 2010, the Board had little choice but to vote to maintain the $2.25 base fare. Holding the base fare at $2.25 still meant a 12% service reduction had to be made to balance the budget. Our objective for 2011 was to maintain service at the current level and to avoid any further increase in fares. That has been accomplished. That is also the objective for 2012 and 2013. This budget has no fare increase and service will actually be enhanced to alleviate overcrowding.

Revenue

The current 2011 estimate projects $261.2 million in General Fund revenue and total resources of $281.6 million. This is an $11.5 million increase in total resources, which resulted from the reduction in expenses from 2010. Total revenue for 2012 will drop to $255.4 million as the CMAQ Trolley and CMAQ Healthline grants both close. Total Resources will increase as expenses for 2011 are projected to end the year $10.5 million below budget. This will increase the carry forward for 2012. Total resources of $286.7 million are budgeted.

The key to any budget is a realistic estimate of revenues that will be available to support operations. This is particularly true of a public entity such as a transportation authority, which can only provide the level of service its revenues will support. The General Fund Balance Analysis, included as Attachment A, presents the 2012 Operating Budget in summary. The specific assumptions and calculations for the revenues included there are as follows:



Passenger Fares **$49.9 Million**

Rationale:

Ridership through September 2011 was 2.1% above the same period in 2010. The recession in 2008-2009, led to a double-digit unemployment rate in the region, which resulted in lower ridership. The Authority provided service for approximately 51.3 million riders in 2009 and collected fare revenue of $49.7 million. Ridership and passenger fares dipped again in 2010, collecting $47.2 million. We have since seen an increase in ridership with the economy in the region rebounding.

The HealthLine ridership through the third quarter has increased 6.4%, compared to the same period in 2010, an increase of over 201,000 passengers. In the three months of the third quarter alone the HealthLine was 8.9% above the third quarter of 2010. Our largest increase in passengers has been seen on the Heavy Rail, with an increase of 14.6% through the third quarter of 2011, compared to the same period in 2010. This is an increase of over 530,000 passengers, again showing a rebound in the economy and more people are using transit to get to work. The one negative is that the CMSD is cutting its transportation budget and plans to use $1.5 million less RTA service. We are estimating an increase of 1.5% in passenger fare revenue for 2012, an increase of $736,919 compared to the projected revenue for 2011.

Sales & Use Tax Revenue **$173.9 Million**

Rationale:

The economic crisis in late 2008 and 2009 had unparalleled effects on Sales & Use Tax revenue across the entire U.S. Cuyahoga County experienced an historic decline from $173.6 million in 2008 to $154.6 million in 2009. Economists indicated this recession was deep and would be longer-lasting than any other that has affected the U.S. in the last 70 years. Part of that rationale was the damage caused in the finance and banking industry. The indication was that the Sales & Use Tax revenue would not recover in the short term and would not return to the $173 million mark generated in 2008 until 2015.

Late in 2009 the State Legislature added Managed Care to the Sales Tax base. For 2010 this change added about $5 million in Sales Tax collections for RTA. Collections for 2010 jumped to $163.2 million. Only $3.6 million of this increase was credited to an improved economy. For 2011, collections continued to be above expectation. Through October, RTA has received $144.2 million. August and September collections were particularly robust due a large jump in Motor Vehicle Tax payments. October collections dropped decidedly because Motor Vehicle Tax payments dropped by nearly $750,000. Our projection for 2011 is $171.3 million. Most economists project a very modest growth in GDP in 2012 with continuing high unemployment. As such, we have projected a 1.5% increase in Sales Tax to $173.9 million. This figure is just slightly above the 2008 collection of $173.6 million, and the recovery has been much faster than expected. The change in the tax base to add managed care has accounted for $11.6 million of the $16.7 million increase in the last two years. Without that change it would have taken at least three more years to reach the 2008 level.

MONTH RECEIVED	4 -Year Average 2007-2010	2011 Budget	2011 Actual	2011 Variance	2011 % Variance
JANUARY	$13,059,653	$13,185,888	$13,325,298	$139,410	1.057%
FEBRUARY	$13,739,006	$13,394,710	$13,789,418	$394,708	2.947%
MARCH	$17,740,770	$16,935,530	$17,691,208	$755,678	4.462%
APRIL	$12,145,203	$12,408,978	$12,510,833	*$101,855*	*0.821%*
MAY	$12,993,638	$12,211,002	$12,938,264	$727,262	5.956%
JUNE	$14,086,777	$14,325,717	$15,707,246	$1,381,529	9.644%
JULY	$13,235,919	$12,858,238	$12,737,308	-$120,930	-0.940%
AUGUST	$13,538,002	$13,705,300	$14,562,037	$856,737	6.251%
SEPTEMBER	$14,827,733	$15,100,664	$16,413,110	$1,312,446	8.691%
OCTOBER	$13,640,094	$14,147,637	$14,515,151	$367,514	2.598%
NOVEMBER	$13,262,353	$13,323,305	*$0*	*$0*	*0.000%*
DECEMBER	$13,490,152	$13,131,326	*$0*	*$0*	*0.000%*
TOTAL	**$165,759,299**	**$164,728,295**	**$144,189,872**	**$5,916,208**	

Advertising & Concessions	**$900 Thousand**

Advertising Contract	**$700K**
HealthLine (net)	**$125K**
Other	**$ 75K**
Total	**$900K**

Rationale:

The 2012 Budget Advertising and Concessions Category consists of three subcategories. The first is the current advertising contract. As the fleet size reduced due to the service reductions in 2008, 2009, and 2010, the advertising contract's annual guarantee shrunk from $1,000,000 to $525,000. In 2012, with a new advertising contract in place, the contract's annual guarantee has risen. The second is the HealthLine naming rights contract that will net the Authority $125,000 in 2012. The other subcategory is composed of various concession and vending arrangements and is expected to generate $75,000 in the upcoming year.

Intergovernmental	**$ 4.9 Million**

Temporary State Funding	**$ 3.1M**
Elderly and Disabled Fare Assistance	**$ 0.0M**
Access to Jobs Revenue (JARC)	**$ 1.8M**
Total	**$ 4.9M**

Rationale:

Temporary State funding helped eliminate the $24 million gap during the 2008-2009 recession and the financial struggle in 2010. Expenses were reduced, but without the temporary funding from the State of Ohio, the service reductions would have been even more severe. Temporary funding for ADA Paratransit operations will provide $3.089 million for the next three years. In 2011, $11.3 million was budgeted for this area. The CMAQ Healthline and CMAQ Trolley grants have expired.

In 2009, the Authority received $2.1 million from the State of Ohio for elderly and disabled fare assistance for 2008 and 2009. The State of Ohio tax receipts were reduced by the recession and in 2010 RTA received only $619,057 in this category. In 2011 we will not receive any funding from the State in this category and the same for the near future.

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 to $1.4 million per year. An additional $700,000 from Federal funds and $700,000 from ODOT were received in 2009 and 2010, respectively, totaling $1.4

million. Then RTA received an ARRA grant for $1.863 million with no match requirement. About $300,000 of these funds was used in the end of 2009. The remaining $1.5 million from this grant were used in 2010 and then supplemented with funds from grants previously received. Remaining funds from these grants will be used in 2011, totaling about $2.0 million. The projection for 2012 is for $1.8 million.

Other Revenue **$1.0 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 no longer received as our CNG fleet has been retired. In 2011, we are projecting $1.17 million and $1.0 million for 2012.

Investment Income **$110 Thousand**

The available 2011 General Fund cash balances have been improved. The Fed has kept interest rates at all time lows in an attempt to spur the economy. Income from this source dropped 76% in 2009 and 64% in 2010. The Fed has demonstrated it intends to keep interest rates low for at least the next nine months. As a result, the projection for this revenue for 2011 is $121,564 and 2012 at $110,000.

Reimbursed Expenditures **$24.8 Million**

Preventive Maintenance Reimbursements	**$21.8M**
Fuel Tax Reimbursement	**$ 1.3M**
Reimbursed Labor & Material	**$ 1.7M**
Total	**$24.8M**

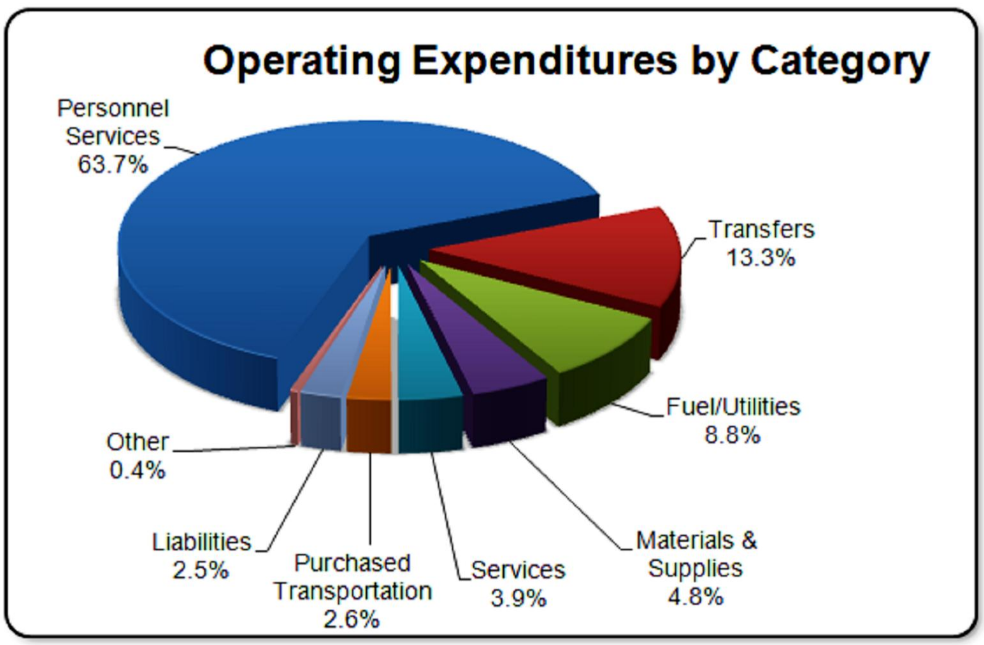
Rationale:

This category primarily is composed of preventive maintenance reimbursements, fuel tax reimbursements, grant funded labor costs, and material reimbursements. In 2009, this category was $33.5 million. This is about $3.6 million less than was projected because four Federal grants with expected receipts in 2009 were not finalized until after the close of the fiscal year, which contained over $10 million in revenue expected for 2009. Much of this revenue was received and reimbursed in 2010. This explains the higher than usual amount in reimbursed expenditures for 2010, totaling $39.2 million. ARRA project force account labor also added to the higher than usual total.

This category will decline in 2011 to $24.0 million due to several factors. Service has been reduced and the amount of preventive maintenance has been reduced because we are maintaining fewer buses and with the closure of Harvard Garage, one less facility. ARRA force account labor will also be ending and the only real amount of force account labor will be the $1.8 million for the heavy rail vehicle overhaul. The final factor for the reduction is the reduction in the indirect rate. The FTA evaluated our Cost Allocation Plan for 2010 through a private auditing firm. The auditing firm recommended a change in our methodology, which reduced our indirect rate about 57%. This change has reduced the amount of force account labor that can be charged and has reduced the total reimbursed expenditures for 2011 to $24.0 million and 2012 to $24.8 million.

Expenditures

The Operating Expenditures for 2012 include the appropriation and expenditure changes as described below. As with revenues, expenditures are estimated not only for the 2012 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 2012 Budget (collective bargaining agreements, service changes, requirements of the Capital Improvement Plan, etc.).



The chart on page TL-17 summarizes the budgeted increases/reductions in expenditures for 2012. The chart highlights the ardent effort by management to align the Authority's expenditures with the projected revenue. As a result of the efforts made in 2009, 2010 and 2011 to control and reduce expenditures and the improvement in Sales Tax collections, the Authority was able to avoid a service reduction in 2011 and will do so again in 2012.

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 in labor and fringe benefits were realized in 2011 from the annualization of costs for employees from the reductions in positions in operational support personnel, reduction in personnel due to the 2010 service reduction and the closing of Harvard Garage. Those reductions will carry forward into 2012.

For 28 months GCRTA has attempted to negotiate contract agreements with the unions. The contract for ATU 268 expired July 31, 2009 and the contract for FOP expired in March 2010. Agreement was reached with the FOP on an innovative approach that tied a wage increase in 2011 to the revenue increase for fare revenue and Sales Tax from 2010 and will use the increase in fare revenue and Sales Tax from 2011 to establish the wage increase for 2012. The Health Care contribution will increase from 12% to 14% but non-smoking employees receive a 1% credit and employees who get an annual physical can also receive a 1% credit. The FOP received a 1.75% wage increase in September. Non-bargaining personnel received the same increase in August. We currently project the increase in Sales Tax and fare revenue from 2011 will result in the maximum increase agreed to in the FOP contract. Therefore, a 3% increase for 2012 has been budgeted for FOP and non-bargaining personnel. No agreement has as yet been reached with the ATU.

The plunge in revenue from the Sales & Use Tax due to the 2008-2009 recession and in fare revenue due to high unemployment caused by that recession meant RTA had to become a smaller organization. The rightsizing we have done in 2008, 2009 and 2010 is now leading the RTA in the direction of a sustainable budget. Service reductions were made from 2007 through 2010. Personnel were eliminated with each of these cuts. In 2007, RTA had 2,744 budgeted positions. The number of positions budgeted for 2012 is 2,282. In addition, a selective hiring freeze was employed for 2008, 2009, 2010 and 2011. Personnel Services costs for 2009 were $176.6 million. Those costs were cut to $157.0 million in 2010. We project costs of $158.9 million in 2011. We are budgeting for personnel costs of $169.6 million. This amount includes the 1.75% and 3% wage increase, the service increase and vacancies and automatic step increases.

Fuel costs have been stabilized. Fuel prices were out of control in 2008 and RTA had to find a better process to purchase fuel because this is our second highest cost area. 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 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.

The average price/gallon for diesel in 2008 was $3.57 and for 2009 it was $3.17. In early 2009, RTA purchased future contracts on 88% of its 2010 fuel requirements and about 25% of the 2011 requirement. As opportunities to purchase at advantageous prices materialized more fuel futures were purchased. The budget for 2010 was $9.39 million versus the $17.4 million paid in 2009. We ended the year with costs under $8 million, $1.39 million under budget and $9.4 million below 2009. Our net cost/gallon was $1.76. For 2011, the budget for diesel was $10.972 million. Prices for diesel rose from $2.30/gallon in September 2010 to $3.39/gallon in April 2011. The Energy Price Risk Management Program has insulated RTA from that price increase because we had contracts purchased 27 months into the future. Consequently, we project costs of about $10.250 million, about $720,000 under budget. Our net cost/gallon will be about $2.25. We are budgeted at $2.35/gallon. For 2012, 84% of our projected fuel use is hedged. Our budgeted cost is $12.803 million. Our net cost/gallon is budgeted at $2.70/gallon.

The volatility experienced in the past has been eradicated. Costs have been stabilized for 2010, 2011 and 2012. Those amounts are less than the Authority paid for fuel in 2007. We have purchased 27% of our 2013 requirement.

Cost Reduction Measures will continue to result in significant savings. End of year encumbrances for 2009 were held to less than $3.6 million. This is the lowest amount in the last 20 years. For 2010, RTA held that level. We expect to do the same in 2011. Encumbrance carry-over probably cannot be reduced further.

In addition, the Authority closely reviewed utility usage, completely auditing the electricity accounts. In 2009, we went out on the open market and solicited bids for our electricity rate. The rate quotes received lowered our cost by 2 cents per kilowatt-hour (kWh) and resulted in savings of over $1.127 million. All electricity accounts were reconciled and all meters are now read by CEI monthly and the meters are reset every month. These actions further reduced costs by $504,000. RTA applied for and received rate changes for our rail sub stations that have reduced costs by another $324,000 annually. We bid electricity again in May 2011 and lowered our rate/kWh again. We have a three-year contract for electricity at a very favorable rate. The TIGGER Energy Retrofit grant will reduce electricity usage at our facilities by approximately $499,000 annually. We bid Natural gas in July and lowered our rate by $.43/MCF. We have locked up natural gas rates for the next three years at the lowest rates in the last five years.

We continue to use TransitStat to control costs such as overtime, inventory costs, towing and workers compensation costs. We continue to enhance customer service with improved operation of our telephone information center and improved on time performance. The actions taken in that forum will affect our operations for as long as we continue to relentlessly follow up on what we have already done and continue to address other areas into the future.

<u>Transfer to the Insurance Fund</u>

In 2009, a transfer from the General Fund of $3.52 million was made, but due to large claims payments that year, the transfer was not enough to maintain the Insurance Fund at the established balance of $5.0 million. In 2010, an additional $3.2 million was transferred from the General Fund that restored the $5.0 million balance in the Insurance Fund. Through transfers from the General Fund of $2.3 million in 2010 and $2.25 million in 2011, the fund balance has been maintained and projected transfers in 2012, 2013 and 2014 will maintain this fund at the appropriate level. The actual level of claims will dictate the transfers needed to maintain the current balance.

Transfer to the Supplemental Pension Fund

As in previous budget years, the 2012 budget estimates that the Supplemental Pension Fund will need transfers of $100,000 for 2012 and in the following two years in order to maintain the necessary balance within this fund as identified in a bi-annual actuarial study.

Transfers to Capital

This measure, calculated as a percentage of Sales & Use Tax revenue, has remained well above the Board goal of a maximum of 15% due to the significant decrease in this revenue source occurred in 2009 and to the inclusion of a number of capital grants to reimburse Operating Expenses that requires a local match from this source.

In the 2011 Budget Year, Transfers to Capital increased by $1.26 million above budget due to a strategic decision to pre-pay the outstanding balance in a State Infrastructure Bank (SIB) loan. This step will lower the annual debt service payments of the Authority and in turn the Transfers to Capital by $660,000 during the 2012, 2013 and 2014 budget years.

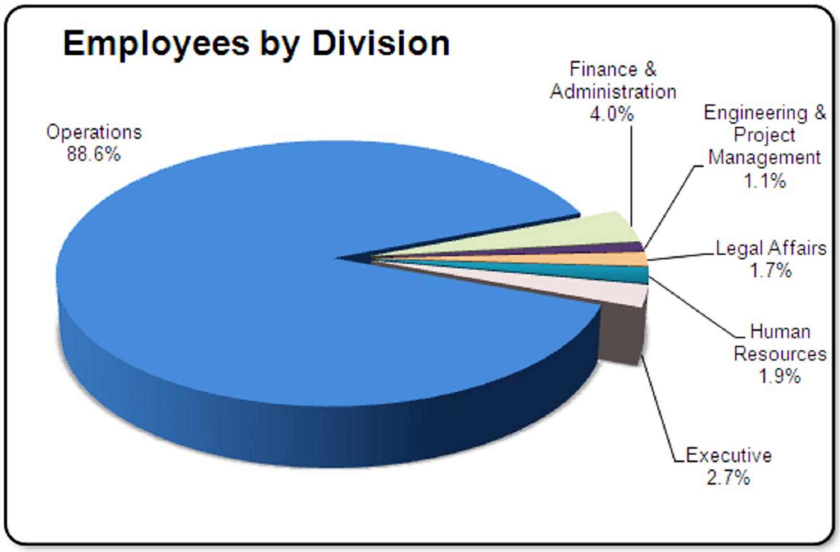
As a percentage of Sales & Use Tax Revenue, increases in this measure since 2009 stabilized during the 2011 Budget Year as this revenue regained some of its losses. In 2012, Transfers to Capital will total $32.5 million and equal 18.7% of the Sales & Use Tax revenue. This Transfer amount includes $20.74 million for the Bond Retirement Fund for debt service payments associated with existing debt and a planned $25.0 million G.O. debt sale early in the year. An additional $11.78 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.

The transfer is anticipated to decline in each of the two out-years to 18.2% and 17.9% due to the pre-payment of the SIB loan and projected increases in revenue from the Sales & Use Tax, but the high level of this measure continues to highlight the difficulty created by increased capital and debt service needs in a time of constrained revenue.

Areas of Expenditure Growth
2012 Budget

2011 Projected Operating Expenses		**$215,366,363**	
Compensation Issues		**$ 10,730,160**	**4.98%**
Service Increase (Labor)	$ 2,626,897		
Hourly & Salary Labor Increase	$ 4,202,977		
Fringe Benefits	$ 3,961,434		
Unemployment Compensation	$ (61,148)		
Fuel / Utilities		**$ 1,681,305**	**0.78%**
Diesel Fuel	$ 2,380,752		
Other Fuel / Utilities	$ (699,447)		
Service Opportunities		**$ 2,784,194**	**1.29%**
ADA Purchased Transportation	$ 1,487,043		
Services	$ 737,332		
Materials & Supplies	$ 559,819		
Inventory	$ -		
Administration Changes		**$ 345,680**	**0.16%**
Workers' Compensation	$ 333,442		
Property Tax	$ 3,270		
Other (Net)	$ 8,968		
Expenditure Growth		**$ 15,541,339**	**7.22%**
2012 Budgeted Operating Expenditures		**$230,907,702**	

Employment Level Analysis



The chart below summarizes changes in staffing from the 2011 Budget to the level included in the 2012 Budget.

The 2012 Budget reflects staffing of 2,282, an overall increase of 50 positions.

The pie chart demonstrates relative employment levels within each division.

In 2010 we eliminated 10 administrative support positions and 235 operating positions due to the April service reduction and closing of Harvard Garage. In 2012, we are adding Business Analysts and key positions to the operating budget to increase our efficiencies within the departments and to increase service levels. We have also realigned the divisions by moving the District General Managers from the Executive Department to their appropriate division.

2012 Budget		
2011 Budget		**2,232**
Operations		**46**
Key Personnel	40	
Support Personnel	6	
Service / Support		**3**
DGM / Staff Reorganization	3	
Administrative Staff		**1**
DGM / Staff Reorganization	6	
Key Personnel	4	
Reduction in Executive	(9)	
2012 Budget		**2,282**

SERVICE LEVELS

The recession of 2008-2009 reduced revenues for the Authority, particularly from our largest revenue sources, the Sales and Use Tax and Passenger Fares. As the unemployment levels rose, fewer people were taking transit, which then contributed to a decrease in Passenger Fare revenue. This combined with increasing operating costs, limits the ability to provide service at levels RTA would like to provide for our customers.

Service Levels	2011	2012	% Change (2012-2011)
Service Hours	1,690,674	1,789,039	5.8%
Service Miles	22,632,473	24,306,850	7.4%

In 2008, 2009 and 2010 service levels were reduced to more accurately reflect customer demand and to maintain RTA's fiscal integrity. More than 20% of service was reduced during this period as RTA had to become smaller to stay within budget. Sales Tax has improved and the initiatives taken to reduce costs have further added to the bottom line. Consequently some service can now be restored. Almost 60,000 service hours are being added to bus and rail lines in 2012. The budgeted miles and hours include the annualized effect of service enhancements that will be made this year. The changes include route enhancements for higher utilized bus routes traveling from suburban areas into downtown, as well as some changes made on other routes to lessen crowding. The frequencies for rail services have been adjusted in peak and off-peak hours and service enhancements will be implemented in 2012.

Service for all modes has been increased for 2012, including Paratransit ADA service. Paratransit services continue to increase. RTA will continue our commitment to ADA service and requirements.

2012 Budgeted Service Levels By Mode
Compared to 2011 Budgeted Service Levels by Mode

Service Mode	Service Hours				Service Miles			
	2011 Budget	2012 Budget	Variance	Percent Variance	2011 Budget	2012 Budget	Variance	Percent Variance
Rail								
Heavy Rail(Red)	72,135	98,791	26,656	37.0%	1,570,110	2,164,503	594,393	37.9%
Light Rail(Blue/Green)	56,970	76,075	19,105	33.5%	700,390	937,480	237,090	33.9%
Total Rail	**129,105**	**174,866**	**45,761**	**35.4%**	**2,270,500**	**3,101,983**	**831,483**	**36.6%**
Bus								
RTA	1,219,314	1,233,446	14,132	1.2%	14,982,400	15,175,476	193,076	1.3%
Van Pool	25,500	29,000	3,500	13.7%	557,000	680,000	123,000	22.1%
Total Bus	**1,244,814**	**1,262,446**	**17,632**	**1.4%**	**15,539,400**	**15,855,476**	**316,076**	**2.0%**
Paratransit								
In-House	209,123	201,881	(7,242)	-3.5%	3,169,700	3,042,177	(127,523)	-4.0%
Contract	107,632	149,846	42,214	39.2%	1,652,873	2,307,214	654,341	39.6%
Total Paratransit	**316,755**	**351,727**	**34,972**	**11.0%**	**4,822,573**	**5,349,391**	**526,818**	**10.9%**
Grand Totals	**1,690,674**	**1,789,039**	**98,365**	**5.8%**	**22,632,473**	**24,306,850**	**1,674,377**	**7.4%**

POLICY COMPLIANCE

The discussion in this section focuses on the financial status of GCRTA as it relates to the Authority's basic adopted financial policy objectives. These objectives 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:

Operating Efficiency

For 2012, Operating Revenues will account for 22.2% of total operating expenses. This ratio is under the **Operating Ratio** policy goal of 25% and slightly less than the Operating Ratio in 2010 of 23.8% and 2011 of 23.3%. The decrease of operating expenses in 2010 and 2011 boosted the ratio from the 21.8% it was in 2009 to the current level. The Fuel Surcharge, implemented in 2008 and 2009, helped to stabilize the Fare revenue, even though we have had a decrease of ridership in 2009. This ratio does not meet the objective but comes very close.

The goal that is most easily understood and tracked is the **One-Month Operating Reserve**. Quite simply this objective states that the Authority should have an end of year balance equal to one months operating costs. This objective was met in 2010 for the first time since 1990 and will be met again in 2011. The reduction in expenditures over the last two years is the reason this objective has been achieved. We project that it will be attained again in 2012 marking three straight years of meeting the goal.

Another measure of operating efficiency is the **Cost per Hour of Service.** The growth in cost of delivering an hour of service is to be held at or below the rate of inflation. This goal has not been met for the past three years because service cuts were moving down more rapidly than expenses. This cost has moved downward steadily from 9.1% in 2009 to 4.2% projected for 2011. We expect to meet this goal at 1.0% in 2012 and again in 2013 and 2014 at 0.6% for both years.

Capital Efficiency

The Debt Service Coverage should be above 1.5. After declining to a low of 1.14 at the end of Fiscal Year (FY) 2009, the **Debt Service Coverage** ratio improved to 2.05 in 2010 as revenue from the Sales & Use Tax recovered. This ratio is projected to improve further to 2.57 in 2011 and though it will decline in 2012 due to an additional $25.0 million debt service, it will again exceed the goal at 1.99. The improvement in Sales Tax receipts is part of the reason. The Authority also stretched the use of its 2008 borrowing for four years and paid off a State Infrastructure Bank loan in 2011. At a projected 1.57 in 2013, it will again meet the coverage measure, but will decline to 1.15 in 2014 as total resources within the General Fund decline.

Our goal is also to contribute a minimum of 10% and up to 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. The **Contribution to Capital** has been well above the maximum of 15% for the last three years. The reason is quite simple. Sales Tax collections plummeted in 2009 losing 11% of revenue. The Authority has cut capital expenditures but could not make cuts of that magnitude and still maintain the service needs of the Authority. This outlay continues to support 100% locally funded RTA Capital projects, provides the local match for projects funded by grants, and funds the Authority's debt service requirements. The contribution to capital is expected to improve slightly to 18.7% in 2012 and then decline further toward the 15% maximum in 2013 and 2014 as Sales Tax continues to recover.

The ratio of **Capital Maintenance Outlay to Capital Expansion Outlay** is estimated at 96.9% for 2011 and is outside of the Board Policy goal of between 75% and 90%. It decreases from that projected level to 83.3% in 2012 and at that level it will be within goal. The Authority continues to focus on maintaining and rehabilitating existing assets, rather than on expansion projects. This action has been taken in deference to lower revenues available. This measure is again expected to be within goal during 2013 with a ratio of 88.1%, but then decreases below the goal to 69.1% in 2014 due to the inclusion of budget authority for a possible extension to the Blue Line Light Rail line.

Four of the six financial objectives will be met in 2012 and a fifth will be very close to goal. This is a significant improvement from the difficult 2009 fiscal year when none of the objectives were met.

The Board also voted to add Reserve Funds for Fuel, Compensated Absences and Hospitalization. These reserve funds will protect against the volatility associated with fuel costs, the significant increases that have been the recent norm for Hospitalization and will meet a suggested best practice for compensated absences. We expect the Reserve for Fuel to be near $2 million, for Hospitalization to be $2 million and for Compensated Absences to be about $1.88 million.

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 2012 through 2016. 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 2012 Capital Improvement Budget. The upcoming Fiscal Year continues the focus of supporting the Operating Budget through the reimbursement of preventive maintenance and other Operating Budget expenses and meeting the on-going rehabilitation and maintenance of the Authorityõs existing assets.

The 2011 budget for Preventive Maintenance was $30.2 million, which has been reduced in the 2012 budget to $20.7 million. One of our objectives has been to reduce Preventive Maintenance and direct more funding towards infrastructure improvements. That objective is being met in the 2012 CIP.

Though subject to changes in upcoming budgets, the four out-years of the CIP outline the longer-term plans of the organization. The 2012-16 CIP includes $409.0 million of budget authority, a decrease of $82.5 million or 16.8%, from the 2011-15 CIP, but it continues to reflect the existing financial and operational constraints facing the Authority and focuses the capital program on maintaining a State of Good Repair throughout the Authority.

Capital projects supported by this budget authority allocation are categorized into seven areas as shown in the 2012 ï 16 Capital Improvement Plan on the following page. Some of the larger programs/projects included in the five-year plan are:

- Preventive Maintenance Activities $121.9 million
- Blue Line (Light Rail) Extension $63.7 million
- Operating Expense Reimbursements $46.2 million
- Bus & Paratransit Bus Programs $39.9 million
- Rail Station Rehabilitations $31.8 million
- Track & Rail Infrastructure Rehabilitation $27.7 million

2012-2016 CAPITAL IMPROVEMENT PLAN

BUDGET AUTHORITY

PROJECT CATEGORY	Budget 2012	Prog. 2013	Prog. 2014	Prog. 2015	Prog. 2016	TOTAL
Bus Garages	$0	$0	$0	$0	$0	$0
Buses	$0	$13,705,000	$13,705,000	$12,500,000	$0	$39,910,000
Equipment & Vehicles	$3,029,500	$4,159,000	$1,580,000	$2,003,000	$829,500	$11,601,000
Facilities Improvements	$3,955,900	$4,194,250	$6,075,000	$4,105,100	$4,980,000	$23,310,250
Preventive Maintenance	$20,695,140	$25,270,528	$25,183,893	$25,428,193	$25,364,143	$121,941,897
Other Projects	$12,212,892	$12,213,792	$12,269,242	$12,269,242	$12,269,242	$61,234,410
Rail Projects	$13,665,155	$13,310,465	$41,247,250	$45,187,350	$26,934,600	$140,344,820
Transit Centers	$7,918,300	$1,707,000	$338,000	$345,000	$338,000	$10,646,300
TOTALS	$61,476,887	$74,560,035	$100,398,385	$101,837,885	$70,715,485	$408,988,677

In 2012, the total Capital Improvement Budget is $61.5 million, of which $2.1 million, or 3.4%, is for RTA Capital Fund projects and $59.4 million, or 96.6%, is for RTA Development Fund projects. The shift of some activities from the locally supported RTA Capital Fund to grant funded RTA Development projects in 2012 and continuing into the out years, reflects that needs are accumulating faster than the growth in revenue from the Sales & Use Tax can support.

Budget authority is also provided in 2012 for the following projects with identified grant funding sources:

- $7.7 million for the Clifton Transit Enhancement project;
- $2.5 million for the on-going Light Rail Crossings Improvement program;
- Payment of bi-annual Fare Collection Equipment Lease at $2.4 million; and
- $2.3 million to replace building roofs at the Central Rail Facilities.

The $409.0 million of capital projects included in the 2012 through 2016 CIP continue to focus on the maintenance and rehabilitation of existing capital assets of the Authority, especially during in the first several years of the proposed CIP, while meeting the operational needs of the Authority. The GCRTA remains committed to its policy goals of Customer Service and Improving Financial Health by continuing to develop a more realistic capital program that both meets the Authority's needs as well as its ability to finance it.

CONCLUSION

The lack of growth in sales tax continuously affected the RTA budget from 2001-2007. The increase in fuel prices had a major impact on the budget in 2008. The Great Recession of 2008-2009 had an even greater effect in 2009. The net effect is the RTA has fewer funds to use to provide service. We have taken the action necessary over the years to manage our finances. We cut service in 2008, 2009 and 2010. We raised fares in 2006, 2008 and 2009. Implementing TransitStat reduced costs for overtime, inventory management, towing and workers compensation. It also improved customer service, safety and on time performance. Improving processes such as fuel purchasing and electricity usage also reduced costs. Expenditures for projects and capital upkeep were held to a minimum. The ARRA funds authorized in 2009 provided the bulk of our infrastructure maintenance in 2010. The Capital Improvement Program has been supplemented by grants for TIGGER, State of Good Repair and the University Circle earmark grants. The funds borrowed in 2008 were tightly rationed and will last four years instead of the customary two. All of these actions have been taken to ensure the Authority got the maximum it could out of each dollar of revenue available. We have become a smaller, leaner entity.

The temporary funds used from ARRA for operating funds and grants from NOACA provided supplemental funding to get through 2009 and allow us the time to adjust our operations for the future. The tough decisions required have been made. Service has been reduced to match our funds. Long-term changes have been made to our cost structure. RTA has rolled back its expenses to where they were six years prior. We are now in a financial position to withstand another financial setback. As such, we are adjusting again and restoring some service to reduce overcrowding and match service with funds available. There is one dark cloud on the horizon. The Transportation Bill has not been renewed and reductions in grants of up to 30% are now being discussed in the U.S. legislature. RTA cannot continue to provide the service we currently do and certainly cannot restore service if another $15 million in funds is eliminated.

ATTACHMENT A

General Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Beginning Balance	**8,401,085**	**2,880,104**	**20,373,004**	**31,302,261**	**20,469,158**	**11,912,694**
Revenue						
Passenger Fares	49,757,083	47,153,709	49,127,933	49,864,852	50,612,825	51,372,017
Advertising & Concessions	1,197,713	956,688	741,500	900,000	900,000	900,000
Sales & Use Tax	154,586,220	163,220,649	171,305,869	173,875,457	176,483,589	179,130,843
Operating Assistance - ARRA Federal Grants	0	3,196,015	0	0	0	0
Short Term Notes	8,000,000	0	0	0	0	0
CMAQ Reimbursement for the Healthline	1,930,603	1,069,397	8,605,000	0	0	0
Operating Assistance - Paratransit Operations	0	4,320,000	3,109,000	3,089,000	3,089,000	3,089,000
Ohio Elderly Fare Assistance	2,756,762	619,057	0	0	0	0
State Funding Fuel Initiative	7,875,683	1,165,200	0	0	0	0
Operating Assistance - Trolley Operations	0	1,765,764	980,980	0	0	0
Access to Jobs Program	2,697,111	2,399,907	2,034,466	1,800,000	2,034,466	2,034,466
Investment Income	198,200	71,468	121,564	110,000	143,000	185,900
Other Revenue	2,053,241	1,862,101	1,167,500	1,000,000	1,000,000	1,000,000
Reimbursed Expenditures	33,461,105	39,212,130	24,000,000	24,750,000	28,000,000	28,000,000
Weekly Shopper Service	0	30,000	0	0	0	0
Total Revenue	**264,513,721**	**267,042,085**	**261,193,812**	**255,389,309**	**262,262,880**	**265,712,226**
Total Resources	**272,914,806**	**269,922,189**	**281,566,816**	**286,691,570**	**282,732,038**	**277,624,920**
Operating Expenditures						
Personnel Services	176,631,322	156,964,659	158,877,298	169,607,459	172,999,608	176,459,600
Diesel Fuel	17,357,364	7,463,127	10,423,161	12,803,912	14,084,303	14,365,989
Other Expenditures	44,548,954	43,686,705	46,065,904	48,496,330	48,544,826	48,593,371
Total Operating Expenditures	238,537,640	208,114,491	215,366,363	230,907,701	235,628,738	239,418,961
Short Term Notes Payment	0	8,254,743	0	0	0	0
Transfer to the Insurance Fund	3,520,000	3,203,000	2,250,000	2,700,000	2,900,000	3,050,000
Transfer to the Pension Fund	100,000	100,000	100,000	100,000	100,000	100,000
Transfers to Capital						
Bond Retirement Fund	17,327,062	17,351,950	19,793,855	20,736,892	20,706,092	20,735,276
Capital Improvement Fund	10,550,000	12,525,000	12,754,337	11,777,818	11,484,515	11,275,406
Total Transfers to Capital	27,877,062	29,876,950	32,548,192	32,514,710	32,190,607	32,010,682
Total Expenditures	**270,034,702**	**249,549,185**	**250,264,555**	**266,222,411**	**270,819,344**	**274,579,642**
Ending Balance	2,880,104	20,373,005	31,302,261	20,469,158	11,912,694	3,045,278
Reserved Funds	0	4,639,000	5,869,000	5,869,000	5,869,000	5,869,000
Available Ending Balance	**2,880,104**	**15,734,004**	**25,433,261**	**14,600,158**	**6,043,694**	**-2,823,722**

ATTACHMENT B

2012 Budget

Financial Policy Objectives

		Description	Goal	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Operating Efficiency	**Operating Ratio**	*Ratio that shows the efficiency of management by comparing operating expenses to operating revenues. Operating Revenues divided by Operating Expenses*	**> 25%**	21.8%	23.8%	23.3%	22.2%	22.2%	22.2%
	Cost/Hour of Service	*Measure of service efficiency. Total Operating Expenses divided by Total Service Hours*		$115.0	$121.6	$126.8	$128.1	$128.9	$129.7
	Growth per Year	*Growth in the cost of delivering a unit of service (Cost per Hour), compared to the prior year, to be kept at or below the rate of inflation.*	**< Rate of Inflation**	9.1%	5.7%	4.2%	**1.0%**	**0.6%**	**0.6%**
	Operating Reserve (Months)	*Equal or above one month's operating expenses to cover unforseen or extraordinary fluctuations in revenues or expenses.*	**> 1 month**	0.1	**1.2**	**1.8**	**1.1**	0.6	0.2
Capital Efficiency	**Debt Service Coverage**	*The measure of the Authority's ability to meet annual interest and principal payments on outstanding debts.*	**> 1.5**	1.14	**2.05**	**2.57**	**1.99**	**1.57**	1.15
	Sales Tax Contribution to Capital	*Sales tax revenues to be allocated directly to the Capital Improvement Fund to support budgeted projects or to the Bond Retirement Fund to support debt service payments.*	**10% - 15%**	18.0%	18.3%	19.0%	18.7%	18.2%	17.9%
	Capital Maintenance to Expansion	*The capital program requires a critical balance between maintenance of exisiting assets and expansion efforts.*	**75% - 90%**	95.6%	99.0%	96.9%	**83.3%**	**88.1%**	69.1%
End of Year Reserved Funds	**Fuel Reserve Funds**	*A reserve designated to protect the Authority from a significant and continuing rise in fuel prices. (In Millions)*	**Fuel Budget less Annual Expenditures**	$0.0	$1.39	$1.99	$1.99	$1.99	$1.99
	Compensated Absences Reserve Funds	*Ensure payment of over $9 million in charges the Authority will need to pay to employees for vacation that has been earned. (In Millions)*	**< 25% of Accrued Liability**	$0.0	$1.25	$1.88	$1.88	$1.88	$1.88
	Hospitalization Reserve Funds	*Protect against substantial cost increases from unfunded mandates or out of the ordinary costs for catastrophic illnesses. (In Millions)*	**< 10% of Annual Hospitalization Costs**	$0.0	$2.00	$2.00	$2.00	$2.00	$2.00

ATTACHMENT C

RTA Development Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Beginning Balance	**33,485,254**	**30,508,300**	**21,135,307**	**22,411,472**	**37,363,463**	**27,176,954**
Revenue						
General Obligation Debt Proceeds	0	0	0	25,000,000	0	0
Transfer from RTA Capital Fund	8,346,054	9,275,000	9,601,441	9,620,255	9,434,255	9,409,255
Investment Income	271,990	244,766	218,841	235,000	245,000	245,000
Federal Capital Grants (Including ARRA)	73,648,082	81,487,975	59,179,088	70,625,000	65,512,500	61,125,000
State Capital Grants	9,162,154	1,807,284	6,776,795	1,971,736	1,971,736	1,971,736
Other Revenue	0	0	0	0	0	0
Total Revenue	**91,428,280**	**92,815,025**	**75,776,165**	**107,451,991**	**77,163,491**	**72,750,991**
Total Resources	**124,913,534**	**123,323,325**	**96,911,472**	**129,863,463**	**114,526,954**	**99,927,946**
Expenditures						
Capital Outlay	93,705,234	101,488,018	74,500,000	92,500,000	87,350,000	81,500,000
Other Expenditures	0	0	0	0	0	0
Transfer to Bond Retirement Fund	700,000	700,000	0	0	0	0
Total Expenditures	**94,405,234**	**102,188,018**	**74,500,000**	**92,500,000**	**87,350,000**	**81,500,000**
Ending Balance	**30,508,300**	**21,135,307**	**22,411,472**	**37,363,463**	**27,176,954**	**18,427,946**

ATTACHMENT D

RTA Capital Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Beginning Balance	**270,264**	**197,782**	**814,717**	**2,143,191**	**2,126,405**	**1,977,314**
Revenue						
Transfer from General Fund	10,550,000	12,525,000	12,754,337	11,777,818	11,484,515	11,275,406
Investment Income	370	235	578	650	650	650
Other Revenue	0	41	0	0	0	0
Total Revenue	**10,550,370**	**12,525,276**	**12,754,915**	**11,778,468**	**11,485,165**	**11,276,056**
Total Resources	**10,820,634**	**12,723,058**	**13,569,632**	**13,921,660**	**13,611,569**	**13,253,370**
Expenditures						
Asset Maintenance	1,197,531	1,703,742	1,075,000	1,250,000	1,250,000	1,250,000
Routine Capital	1,079,267	929,599	750,000	925,000	950,000	950,000
Transfer to RTA Development Fund	8,346,054	9,275,000	9,601,441	9,620,255	9,434,255	9,409,255
Total Expenditures	**10,622,852**	**11,908,341**	**11,426,441**	**11,795,255**	**11,634,255**	**11,609,255**
Ending Balance	**197,782**	**814,717**	**2,143,191**	**2,126,405**	**1,977,314**	**1,644,115**

ATTACHMENT E

Bond Retirement Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Beginning Balance	**1,733,884**	**2,084,582**	**1,790,289**	**1,737,272**	**1,791,788**	**1,796,303**
Revenue						
Transfer from General Fund	17,327,062	17,351,950	19,793,855	20,736,892	20,706,092	20,735,276
Transfer from RTA Development Fund	700,000	700,000	0	0	0	0
Investment Income	36,270	26,959	38,707	42,500	42,500	42,500
Other Revenue	0	4,519	0	0	0	0
Total Revenue	**18,063,332**	**18,083,428**	**19,832,562**	**20,779,392**	**20,748,592**	**20,777,776**
Total Resources	**19,797,216**	**20,168,010**	**21,622,851**	**22,516,664**	**22,540,380**	**22,574,079**
Expenditures						
Debt Service						
Principal	10,012,244	11,108,564	13,139,510	13,424,544	13,918,126	14,518,051
Interest	7,700,390	7,269,157	6,746,069	7,297,833	6,823,451	6,239,276
Other Expenditures	0	0	0	2,500	2,500	2,500
Total Expenditures	**17,712,634**	**18,377,721**	**19,885,579**	**20,724,876**	**20,744,077**	**20,759,827**
Ending Balance	**2,084,582**	**1,790,289**	**1,737,272**	**1,791,788**	**1,796,303**	**1,814,252**

ATTACHMENT F

Insurance Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Beginning Balance	**5,432,199**	**4,634,855**	**5,448,731**	**5,561,422**	**5,513,922**	**5,531,922**
Revenue						
Investment Income	75,515	70,551	96,150	97,500	97,500	97,500
Transfer from General Fund	3,520,000	3,203,000	2,250,000	2,700,000	2,900,000	3,050,000
Other Revenue	0	0	0	0	0	0
Total Revenue	**3,595,515**	**3,273,551**	**2,346,150**	**2,797,500**	**2,997,500**	**3,147,500**
Total Resources	**9,027,714**	**7,908,406**	**7,794,881**	**8,358,922**	**8,511,422**	**8,679,422**
Expenditures						
Claims and Premium Outlay	4,392,859	2,459,675	2,233,459	2,845,000	2,979,500	3,111,500
Total Expenditures	**4,392,859**	**2,459,675**	**2,233,459**	**2,845,000**	**2,979,500**	**3,111,500**
Ending Balance	**4,634,855**	**5,448,731**	**5,561,422**	**5,513,922**	**5,531,922**	**5,567,922**

ATTACHMENT G

Supplemental Pension Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Beginning Balance	**1,036,017**	**1,083,091**	**1,121,472**	**1,164,077**	**1,204,227**	**1,244,827**
Revenue						
Investment Income	28,441	17,532	22,195	19,250	19,500	19,500
Transfer from General Fund	100,000	100,000	100,000	100,000	100,000	100,000
Total Revenue	**128,441**	**117,532**	**122,195**	**119,250**	**119,500**	**119,500**
Total Resources	**1,164,458**	**1,200,623**	**1,243,667**	**1,283,327**	**1,323,727**	**1,364,327**
Expenditures						
Benefit Payments	81,366	79,151	79,590	79,100	78,900	78,500
Other Expenditures	0	0	0	0	0	0
Total Expenditures	**81,366**	**79,151**	**79,590**	**79,100**	**78,900**	**78,500**
Ending Balance	**1,083,091**	**1,121,472**	**1,164,077**	**1,204,227**	**1,244,827**	**1,285,827**

ATTACHMENT H

Law Enforcement Fund Balance Analysis

	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Beginning Balance	**172,193**	**152,517**	**191,563**	**250,374**	**220,674**	**211,024**
Revenue						
Law Enforcement Revenue	11,280	2,340	0	0	0	0
Investment Income	425	171	219	300	350	350
Other Revenue	28,937	126,011	141,092	55,000	55,000	55,000
Total Revenue	**40,642**	**128,522**	**141,311**	**55,300**	**55,350**	**55,350**
Total Resources	**212,835**	**281,039**	**332,874**	**305,674**	**276,024**	**266,374**
Expenditures						
Capital & Related Items	60,318	89,476	82,500	85,000	65,000	65,000
Total Expenditures	**60,318**	**89,476**	**82,500**	**85,000**	**65,000**	**65,000**
Ending Balance	**152,517**	**191,563**	**250,374**	**220,674**	**211,024**	**201,374**

ATTACHMENT I

All Funds Balance Analysis

	2009 Actual	2010 Actual	2011 Estimate	2012 Budget	2013 Budget	2014 Budget
Beginning Balance	**50,530,896**	**41,541,232**	**50,875,084**	**64,570,070**	**68,689,638**	**49,796,040**
Revenue						
Passenger Fares	49,757,083	47,153,709	49,127,933	49,864,852	50,612,825	51,372,017
Sales & Use Tax	154,586,220	163,220,649	171,305,869	173,875,457	176,483,589	179,130,843
Federal (Including ARRA)	73,648,082	84,683,990	59,179,088	70,625,000	65,512,500	61,125,000
State	21,725,202	8,980,938	18,490,795	5,060,736	5,060,736	5,060,736
Investment Income	611,211	431,682	498,254	505,200	548,500	591,400
Other Revenue	47,449,387	46,359,501	29,065,538	28,505,000	31,934,466	31,934,466
General Obligation Debt Proceeds	0	0	0	25,000,000	0	0
Total Revenue	**347,777,185**	**350,830,469**	**327,667,477**	**353,436,245**	**330,152,616**	**329,214,462**
Total Resources	**398,308,081**	**392,371,701**	**378,542,561**	**418,006,315**	**398,842,254**	**379,010,502**
Expenditures						
Personnel Services	176,631,322	156,964,659	158,877,298	169,607,459	172,999,608	176,459,600
Diesel Fuel	17,357,364	7,463,127	10,423,161	12,803,912	14,084,303	14,365,989
Other Expenditures	49,083,497	54,569,750	48,461,453	51,507,930	51,670,726	51,850,871
Capital Outlay	95,982,032	104,121,359	76,325,000	94,675,000	89,550,000	83,700,000
Debt Service	17,712,634	18,377,721	19,885,579	20,722,376	20,741,577	20,757,327
Total Expenditures	**356,766,849**	**341,496,617**	**313,972,491**	**349,316,677**	**349,046,214**	**347,133,788**
Available Ending Balance	**41,541,232**	**50,875,084**	**64,570,070**	**68,689,638**	**49,796,040**	**31,876,714**