

# 2016 Budget Guide

## Organization of the Adopted Budget Plan

The purpose of this section is to describe the contents of the 2016 Operating and Capital Budgets (Adopted Budget Plan) for the Greater Cleveland Regional Transit Authority. This section is an aid for those who wish to analyze the book in detail. The Tables of Contents in the beginning of the book and on the tabs in the beginning of each section provide further direction to the reader.

### Transmittal Letter

The Transmittal Letter is the CEO/General Manager's Executive Letter and an overview of the Authority's operations and finances for the upcoming fiscal year. It includes summaries of revenues, expenditures, staffing, and service indicators. The Transmittal Letter also includes attachments of the Fund Statements and Financial Objectives.

### Budget Guide

In addition to providing an outline of the Adopted Budget Plan, the Budget Guide explains the Authority's Financial and Budgetary policies, including the rationale for their adoption and the manner in which they are implemented and monitored. The Budget Guide also contains a description of the Budget Process, a Budget Calendar, Glossary of terms used in the Adopted Budget Plan, and a Profile of the Service Area.

### Fund Budgets

The Fund Budgets section defines the Authority's Fund Structure and the interrelationships between funds. Individual fund statements reflect the trends in revenues, expenditures, ending balances, and transfers between funds over a six-year period. Historical, current, and prospective information is provided. An analysis of the Authority's financial condition is based on these trends.

### Performance Management

This section highlights improvements and efficiencies made through TransitStat, RTA's performance management program, and the 2015-2021 Strategic Plan. GCRTA continues to improve itself as a model transit authority.

### Department Budgets

The Department Budgets present the Adopted Budget Plan by the Operating Budget organizational units. These sections describe the six divisions, their mission, functions, achievements for the past year, and priorities for the current year. Individual budgets, budget implementation narratives, organizational charts, and staffing level summaries are provided for each department.

### Capital Improvement Plan

The Capital Improvement Plan itemizes capital projects approved for 2016 and those planned for 2017 through 2020. This section discusses funding sources, debt limits, capital improvement planning cycle, and the criteria used to establish priorities.

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## Financial Policies

### Introduction

The Authority adopted a set of financial policies in 1989, relating to its overall finances and to particular funds. The policies were amended in July 1998 to include four additional key indicators.

These policies were then amended again in September 2011 to provide a comprehensive framework for the management of revenues and financial resources of the Authority. They provide guidelines for decision-making by the Board of Trustees and management on how the financial resources of the Authority shall be used to achieve the Authority's mission and provide public transportation services.

The new policy objectives are a better indicator of efficiency, effectiveness, and financial condition of the Authority, which ensures the fiscal integrity of the Authority and adherence to laws and regulations. The Authority's purpose, which is to provide a public service, will only be accomplished so long as it remains a financially viable organization. In this vein, a balance of using the funds to provide that service and maintaining a reserve for possible future shortfalls must occur. The new policy objectives to measure and/or control expenses and revenues are:

- Operating Ratio at or above 25%
- Operating Reserve at least 1 month
- Growth in Cost per Service Hour at or below the rate of inflation
- Debt Service Coverage of 1.5
- Sales & Use Tax Revenue (between 10% and 15%) allocated to Capital Improvement on an annual basis
- Capital Maintenance Outlay to Capital Expansion will be a minimum of 75% to a maximum of 90%.

In addition to the elimination of two policy objectives, RTA established reserve funding. The volatility of fuel prices, hospitalization costs and the impact of the Great Recession of 2008-2009 have shown that establishing reserves to help offset the impact of future significant financial disruptions would be especially valuable and prudent. In December 2012, a fourth Operating Reserve for replacement of rolling stock was added. Starting in 2016, funds for the Rolling Stock Reserve are transferred at the end of the year based on the available ending balance. If the available ending balance is above \$5 million, before the Rolling Stock Reserve transfer, 10% of the available ending balance will be transferred into the Rolling Stock Reserve. If the available ending balance is less than \$5 million, only 5% will be transferred. As such, the new policies authorize:

- Operating Reserves
  - Reserve for Fuel
  - Reserve for Compensated Absences
  - Reserve for Hospitalization
  - Reserve for Rolling Stock Replacement

For accounting purposes, the Authority reports the results of its operations in a single enterprise fund, the All Funds Statement. However, for budget purposes, a separate budget must be adopted annually for each fund (see Fund Budgets section). Therefore, the following financial and budgetary policies are organized by Fund, except for those general policies that are applicable to the Authority as a whole.

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## ALL FUNDS

***Policy Statement:*** *Current appropriations in each fund are limited to the sum of available cash, encumbered balances, and revenues estimated to be received in the current budget period.*

**Rationale:** By law, the budget must be balanced and expenditures cannot exceed available resources. A balanced budget occurs when total expenditures equal total revenues. The budget is also balanced in situations where total expenditures are less than total revenues, called a surplus. A third type of a balanced budget is when total resources (previous year balance plus current year revenues) are greater than total expenditures.

**Balanced Budget:**

- A) Total Revenues = Total Expenditures
- B) Total Revenues > Total Expenditures
- C) Total Resources > Total Expenditures

**Implementation:** The Board of Trustees (BOT) has adopted other policy goals that go beyond the statutory requirement listed above and requires certain reserves in each fund. The specific requirements are discussed under the appropriate fund policy statement. The following describes the implementation of this policy for the General Fund.

In the General Fund, for 2016, estimated resources total \$315.0 million: current revenues of \$289.1 million plus an estimated beginning balance of \$25.9 million. Total estimated expenditures for 2016 equal \$308.3 million and are within the estimate of total resources available. The ending balance, \$6.7 million, is under the one-month reserve recommended by the Trustees for the General Fund (see page 25). The Board policy goal is considerably more restrictive and more determinate than the legal demand for balanced appropriations.



***Policy Statement:*** *The Authority's interim funds shall be invested to achieve the maximum financial return consistent with prudent market and credit risks while conforming to applicable State and Federal laws and consistent with the cash flow requirements of the Authority, matching maturities and/or marketability at par, to meet outstanding obligations and financial commitments.*

**Rationale:** With interim funds of more than \$50 million, investment income is a material resource for the Authority and makes funds management a priority. Investment decisions should attempt to increase yields without risking the principal or the liquidity position of the organization. In addition, idle cash balances should be invested whenever possible to maximize investment income.

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**Implementation:** The Ohio Depository Act and the Authority's cash management investment policy allow the Authority to invest in the following types of financial instruments:

- U.S. Government securities, maximum term of three years
- Secured certificates of deposit, maximum term of one year
- U.S. Government Agency securities, maximum term of three years
- Repurchase agreements of U.S. Government and Agency securities, maximum term of thirty days
- State Treasury Asset Reserve of Ohio (STAR Ohio), daily liquidity

Monthly reports summarizing investment transactions and earnings are provided to the Board of Trustees. The Authority was able to achieve a favorable return on its 2015 investments and at the same time meet its outstanding financial commitments with an investment yield of 0.48%.



***Policy Statement:*** *The Authority's personnel, procurement, and other policies are designed and administered to obtain the maximum value for the funds provided by its constituents.*

**Rationale:** As a public agency, the Authority delivers the services for which its taxpayers and users provide resources. The incentive is not to generate an excessive surplus of funds, but rather, to provide the most extensive and cost-effective level and mix of services possible. When services and operations are well managed and costs are contained, the Authority can provide greater services.

**Implementation:** In the General Fund, the growth in the cost of providing services (measured by cost per hour of service) must remain at or below the rate of inflation. This policy goal allows the Authority to maximize the use of its resources and provide the most direct service possible.

The operating expenditures budgeted in 2016 General Fund, which exclude transfers to other funds, are \$267.7 million, which represent an increase of over \$12.6 million, or 4.9%, over 2015 budget. The largest Operating Budget appropriation, \$192.6 million, is for Personnel Services, which accounts for 72.0% of the total operating appropriation. The 2016 appropriation for personnel costs is 5.4% higher than the 2015 budget. This increase is due to the wage increases for ATU, FOP, and non-bargaining personnel, as well as an increase of 17.25 positions. The Operating Expenditures increases include labor and fringe benefits for personnel; diesel fuel and natural gas; and inventory, other utilities, cost of materials, and liability costs are included in the other expenditures.

In the Capital Improvement Fund, economies are sought that minimize the costs of capital projects. Construction management activities ensure the timely completion of these projects at the lowest cost. Cost savings also are possible by planning for the purchase of similar types of equipment in larger quantities. Additionally, capital investment is encouraged where operating cost savings and operational efficiencies result.

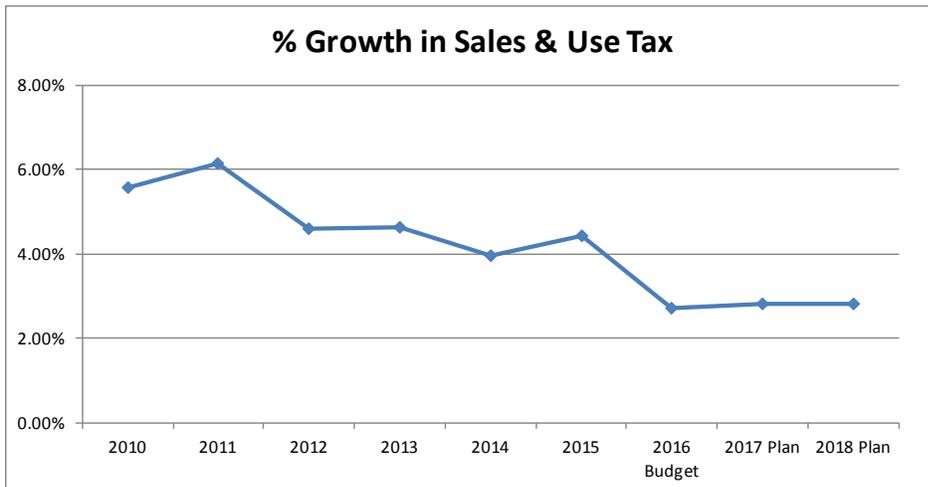


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## GENERAL FUND

***Policy Statement:*** Program demands require that an adequate resource stream be maintained. The Authority must make the hard decisions required to assure a continued flow of resources.

**Rationale:** It is the policy of this Authority to take whatever steps are necessary to ensure full and continued funding for the services, programs, and facilities, which the Authority is required or elects to provide. The Authority should actively pursue whatever legitimate revenues it can locate to support the services its constituents demand.



### **Implementation:**

Sales & Use Tax is the largest revenue stream for the Authority. In 2009, Cuyahoga County experienced an historic decline, down 10.9%, nearly \$19 million. That same year, managed health care was added to the Tax base, which helped to increase revenues by \$5

million in 2010. From 2011 through 2014, Sales & Use Tax collections continued to increase, but at a decreasing rate. In 2015, Sales & Use Tax increased by 4.8%, slightly above the rates in 2013 and 2014, but monthly collections have been very inconsistent in 2014 and 2015. For 2016 through 2018, Sales & Use Tax is budgeted around 2.7% each year.

Passenger Fares are the second largest source of revenue. Ridership has slowly been decreasing over the past year. Weather was a major factor in the first quarters of 2014 and 2015 with record snowfall and cold temperatures, which caused ridership to decrease. Monthly collections have been very inconsistent over the past several years and it has been difficult projecting revenue for this category. The 2016 Budget includes plans for a \$0.25 fare increase.

Reimbursed Expenditures, the third largest revenue stream for the Authority, consists of reimbursements for Preventive Maintenance, Fuel Tax, and grant-funded Labor and Material costs. The goal is to keep reimbursed expenditures under \$25 million, with a stretch goal of \$20 million, enabling more funds to be available for capital projects and maintaining a state of good repair on all assets.

Because of the inconsistency in the Sales & Use Tax and Passenger Fare revenue collections, and the fact that Northeast Ohio has not fully recovered from the recessions in 2001 and 2009, the 2016 through 2018 projections for the top three revenue streams are very conservative.



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***Policy Statement:*** *An operating reserve in an amount equal to at least one month's operating expenses shall be budgeted each year to cover unforeseen or extraordinary fluctuations in revenues or expenses.*

**Rationale:** Adequate reserves must be maintained to avoid disruptions in service due to temporary shortages in operating funds or fluctuations in revenue streams or costs.

**Implementation:** This policy was met in 2010, the first time since 1990, at 1.2 months, and continued to be met in 2011 through 2014. The year-end estimate for 2015 projects the operating reserve to be at 1.3 months, again achieving this policy goal. The control in expenditures over the past several years has helped this financial policy to be achieved. This policy goal is not expected to be reached for 2016 through 2018, at 0.3 months, 0.1 months, and 0.0 months, respectively. Additional sources of revenues must be identified and operating expenses must be held under tight control to reach the 1.0 month operating reserve for 2016 and the outlying years.



***Policy Statement:*** *Growth in the cost of delivering a unit of service (cost per service hour) shall be kept at or below the rate of inflation.*

**Rationale:** As a means of measuring cost containment, direct costs should not be permitted to increase faster than overall price levels.

**Implementation:** This policy goal has not been met in 2009 through 2011 because service cuts were decreasing more rapidly than operating expenses. In 2012, service hours were increased to reduce overcrowding on buses and the implementation of three new Trolley Lines, which resulted in the cost per hour of service to be considerably lower than the projected inflation rate, at -7.7%. For 2013, operating expenditures increased at a greater rate than service hours and the growth per year increased to 5.6%. For 2014 and 2015, service hours increased at a greater rate than operating expenditures and the costs per hour are lower than inflation.

Service hours for 2016 through 2018 are budgeted to decrease about 1.0% for each year and operating expenses are projected to increase by 8.3%, -0.1%, and 1.6%, respectively. This policy goal is expected to be met in 2017, at 0.1%. For 2016 and 2018, the policy goal is not expected to be met, as inflation is expected to remain around 2.5% per year for the next decade. The growth is projected at 9.2% for 2016 and 2.7% for 2018. Operating expenses must continue to be maintained in 2016.



***Policy Statement:*** *The Operating Ratio (Operating Revenues divided by Operating Expenses) shall not be allowed to go below 25% with a long-range objective of having Operating Revenues cover an increasing portion of Operating Expenses.*

**Rationale:** A higher Operating Ratio indicates that the Authority is becoming more self-supporting and less reliant on other sources of income. Additionally, a lower Operating Ratio indicates that customers are paying a lower portion of the operating cost of providing the service.

**Implementation:** Operating Revenues include passenger fares, advertising, concessions, and investment income. Operating Expenses include all expenditures of the General Fund less reimbursed labor and transfers to other funds, which are charged to and reimbursed by the Capital Program.

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The ratio in 2011 was 23.8%, although still below the 25% goal. Operating expenses decreased, primarily due to the implementation of the fuel-hedging program which decreased the cost of diesel fuel. In 2012 through 2014, operating expenses have increased at a greater rate than operating revenues. For 2015, operating revenues are projected to increase by 4.3% and operating expenses are decrease slightly, compared to 2014. The Operating Ratio for 2015 is expected to increase to 21.1%, compared to 20.6% in 2014, but still below the goal of 25%. A \$.25 fare increase is budgeted in mid-2016. For 2016, operating revenues are projected to increase by 1.1%, whereas operating expenses are budgeted to increase by 8.3%. The Operating Ratio is budgeted at 19.9%, below 2015 level and below the 25% goal. In 2017 and 2018, with the annualization of the budgeted fare increase, Operating Revenues are planned to increase by 5.7% and 3.4%, respectively and Operating Expenses are budgeted to increase by -0.1% and 1.6%, respectively. The Operating Ratios for 2017 and 2018 are planned at 21.1% and 21.5%, respectively. These ratios are above the budgeted ratio for 2016 but still less than the policy of 25%.



***Policy Statement:*** *Debt service coverage (total operating revenue minus operating expenditures divided by debt service requirements) shall be kept to a minimum of 1.5.*

**Rationale:** The Authority should comfortably support Debt service payments. The excess from general obligations should be used as the measure to not jeopardize the financial condition of the Authority.

**Implementation:** The debt service coverage measure has traditionally been met and the minimum significantly exceeded since the Authority has used debt sparingly. The goal of the debt service coverage is to be above 1.5. After declining to a low of 1.14 at the end of FY 2009, the Debt Service Coverage ratio improved 2010 through 2014 as revenue from the Sales & Use Tax recovered. This ratio again was maintained in 2015 at a projected rate of 2.18. For 2016, at a projected 1.32, the ratio will be slightly below the goal of 1.5. The debt coverage is projected to further decline in 2017 and 2018, at 1.09 and 0.96, respectively, as projected total resources fall within those years.

## **CAPITAL IMPROVEMENT FUNDS**

***Policy Statement:*** *An amount between 10% and 15% of Sales & Use Tax revenues shall be allocated to the Capital Improvement Fund on an annual basis. This allocation shall be used to support budgeted projects in the Capital Improvement Fund or support debt service payments in the Bond Retirement Fund.*

**Rationale:** Capital assets such as facilities, equipment, and vehicles, are essential to the provision of transportation services. Although expensive to sustain, a regular capital investment program lowers operating and capital costs over the long term. The Federal Government funds a substantial portion of capital projects, but the Authority must have adequate local matching funds on hand in order to qualify for FTA grants. State and Federal assistance has shrunk in recent years, leaving the Authority to absorb an increasing share of capital expenditures through 100% local funds.

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**Implementation:** The Authority has combined debt financing and direct allocations of Sales & Use Tax receipts to fulfill its financial commitment to the capital program. In 1995, the definition of contribution to capital was officially broadened from the Transfer to the RTA Capital Fund to also include the Transfer to the Bond Retirement Fund. The Authority provided a contribution to capital equivalent to the minimum of 10% in 1998 through 2002, but growth in Authority-wide capital needs progressively increased this ratio between 2003 and 2011, from 11.4% to 18.4%.

In 2012, capital funding requirements from the General Fund fell to 17.1%, but increased in 2013 to 18.0% of Sales & Use Tax revenue, and again in 2014 to 18.4% or \$36.36 million as additional local funds were transferred to the capital program for the multi-year bus replacement program. In 2015, this rate is expected to remain near 18.4%, but is expected to slightly decrease to 18.2% in 2016 including \$15.58 million for payment of 100% locally funded projects, the local match portion of grant-funded projects, and \$23.01 million to the Bond Retirement Fund for debt service payments. It is expected to remain above the goal of 15% for the foreseeable future though it will decline in 2017, to 15.3% as current debt service is retired and remain near 15.4% in 2018 depending upon how future debt service issuances are structured.



***Policy Statement:*** *Capital Improvement Funds shall be used to account for the construction and acquisition of major capital facilities and equipment.*

**Rationale:** The separation of funds used for day-to-day operations from those employed for capital improvements facilitates the planning process and the management of resources.

**Implementation:** Capital investments are defined as those exceeding \$5,000, where the useful life of the asset exceeds one year. The Capital Improvement Fund includes the RTA Capital Fund and the RTA Development Fund. The Capital Improvement Fund is supported by the Federal and State grants as well as local sources.



***Policy Statement:*** *The percent of capital maintenance to capital expansion outlay will be a minimum of 75% and a maximum of 90%.*

**Rationale:** Transit remains a capital-intensive business and continued quality service relies solidly on maintenance of infrastructure and equipment. Investments must anticipate future service requirements and capacity. Ridership is increased only through a clean, dependable, and well-operated system.

**Implementation:** Recognizing that the capital program requires a critical balance between maintenance of existing assets and expansion efforts, this policy objective has been used in the past to develop the annual capital budget. Between 2010 and 2015, the capital maintenance to expansion ratio has ranged from a low of 84.1% and a high of 99.0% as the focus of the Authority's capital program has been focused on achieving a State of Good Repair through the maintenance, rehabilitation, and replacement or upgrade of existing capital assets rather than on expansion activities. This measure is expected to remain above the 90% maximum goal for the foreseeable future, ranging from 94.2% in 2016, to 94.1% in 2017, and 92.5% in 2018 as the focus of the Authority's capital programs continue to focus on state of good repair (SGR) projects throughout the Authority.

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***Policy Statement:*** *The Authority will strive to take advantage of all available State and Federal grants and other financing programs for capital improvements, including but not limited to, State of Ohio public transportation grants and Federal Highway Administration programs, as well as the programs of the Federal Transit Administration.*

**Rationale:** Various ‘formula’ grants are usually allocated to systems based on service or demographic indicators. Discretionary grants are competitive and require the maintenance of positive relationships, solid planning, and well-conceived projects. The Authority strives to maximize grant funding in order to best leverage local funds to maintain a State of Good Repair (SGR) in its capital assets. Furthermore, as more dollars are needed to support an aggressive Long-Range plan, the Authority will explore and secure other creative and non-traditional revenue sources to meet the needs of its capital program.

**Implementation:** The limited availability of funding at the Federal, State, and Local levels meant the Authority can only focus on the most essential and realistic capital projects during the 2015-19 CIP development process and continue its focus on SGR projects. The Authority will continue to aggressively pursue and explore any and all non-traditional funding opportunities under the pending Fixing America’s Surface Transportation (FAST) Act and will continue to focus on improving our internal capability to plan, finance, and implement its Capital Improvement Plan.

## **SUPPLEMENTAL PENSION FUND**

***Policy Statement:*** *Every two years, an evaluation, including appropriate actuarial studies, shall be made of the Supplemental Pension Fund to determine the amounts required to meet expected obligations of the Fund. Any additional funds determined to be needed will be allocated during the annual budgeting process of the Authority.*

**Rationale:** A periodic evaluation of the pension amount ensures that the Authority has adequate funds to meet expected obligations.

**Implementation:** The Supplemental Pension Fund contains assets held in trust for the payment of pension benefits to certain retired employees of the Authority. Provisions of the plan are delineated in the agreement between RTA and the Amalgamated Transit Union (ATU). Because of low levels of investment income earned over the last few years and increasing expenditures, the fund has required transfers from the General Fund to keep the recommended balance. The transfers from 2008 through 2015 were held at \$100,000 per year. In 2016, 2017, and 2018, \$100,000 transfers will be needed each year to ensure that the Fund remains at the recommended level to meet all obligations.

## **INSURANCE FUND**

***Policy Statement:*** *The Authority is insured through both self-insurance and purchased insurance. Insurance for property and equipment losses as well as liability is to be purchased on the open Insurance market. The Risk Manager determines the basis for the Insurance Fund structure and coverage levels.*

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**Rationale:** The Authority desires to save funds by implementing the most appropriate balance of insurance to solve claims. Sufficient resources have been set aside to provide security against normal business risk, for major property claims, and to purchase specified insurance for these purposes.

**Implementation:** The General and Insurance Funds provide for the payment of the insurance purchased on the open market. Since the hiring of a Risk Manager in 1998, the Insurance Fund was restructured to include a mix of self- and purchased-insurance. This was a major change from the Authority's previous self-insurance position. In 2015, \$0.2 million is projected to be expensed in the General Fund for the payment of ordinary and routine losses in the form of personal injury and property damage claims. An additional \$1.0 million is projected to be expensed in the Insurance Fund for claims outlay and to cover insurance premiums for catastrophic or extraordinary losses. For 2016, 2017, and 2018, about \$2.2 million is budgeted each year for claims outlay and insurance premiums for catastrophic and extraordinary losses.



***Policy Statement:*** *The minimum balance to be maintained in the Insurance Fund shall be determined by the Risk Manager on an annual basis taking into consideration the balance between self-insurance and purchased-insurance requirements. Upon attaining the required minimum balance, additional funds will be allotted to the Insurance Fund during the annual budgeting process based on the results of periodic actuarial studies of the Fund to assess its sufficiency.*

**Rationale:** The intent is to ensure that reserves and insurance levels are sufficient to cover extraordinary or catastrophic losses. The periodic evaluations will determine the sufficiency of the Fund and the cost-effectiveness of maintaining a self-insurance program versus obtaining coverage externally or a combination of the two.

**Implementation:** Ordinary and routine losses are paid through the Risk Management Department's General Fund Budget, whereas claims and insurance premiums for catastrophic and extraordinary losses are budgeted in the Insurance Fund. Since 2004, the Risk Manager requires a minimum \$5 million fund balance. In 2011, a transfer was made to the Insurance Fund in the amount of \$3.2 million. The transfer dropped to \$1.0 million in 2012 and \$1.4 million in 2013 and dropped again in 2014 to \$0.9 million. The transfer to the Insurance Fund in 2015 was \$1.5 million. For 2016, the transfer is budgeted at \$1.2 million and is planned at \$2.0 million for 2017 and \$2.2 million for 2018 in order to maintain the minimum balance of \$5.0 million.

## **BOND RETIREMENT FUND**

***Policy Statement:*** *Principal and interest payments on outstanding bonds will be accounted for in the Bond Retirement Fund. Debt issuances shall comply with pertinent State and Federal laws, finance only long-term capital assets, and supported by adequate debt servicing capacity.*

**Rationale:** It is the intent of the Authority to issue debt in a manner that adheres to State and Federal laws and prudent financial management principles.

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**Implementation:** Historically, the Authority has used debt capacity sparingly due to the benefits of Federal and State grant funding. Reductions in these sources of capital support over the years in combination with an aggressive long-range Capital Improvement Program (CIP), has resulted in more frequent use of debt sales as a revenue source for the Authority's capital needs. The outstanding debt for the Authority totaled \$136.9 million in general obligation (GO) and revenue (RB) bonds at the end of 2015, which will require principal and interest payments of \$23.0 million in 2016. Principal and interest payments are expected to continue to increase in future years due to the on-going needs of the Capital Improvement Plan and additional anticipated debt service requirements.



## Debt Financing

Ohio law permits the Authority to issue both voted and unvoted debt and to levy ad valorem property taxes. Current obligations have not required the use of property taxes for debt service. Debt issuances are subject to three limitations as specified in the Ohio Revised Code and the Ohio Constitution:

1. **Restriction:** Total debt supported by voted and/or unvoted property taxes may not exceed 5 percent of the total assessed valuation of the property within the Authority's territory (Cuyahoga County).

**Impact:** The provision is not currently applicable since debt obligations have not required the use of ad valorem property taxes for debt service payments. Further, the 1.48 mill limitation (based on the county's assessed valuation of \$27.7 billion) is not overly restrictive in view of the Authority's debt requirements.

2. **Restriction:** Annual principal and interest payments on all unvoted general obligation (GO) bonds may not exceed one-tenth of one percent of the total assessed valuation.

**Impact:** The 2008-2010 recession has negatively affected the property valuation for Cuyahoga County. A triennial adjustment was made on the total assessed valuation leading to a decline from \$31.7 billion in 2008 to \$29.8 billion in 2010 to \$27.73 billion at the end of 2014. Based on the valuation, the annual debt service capacity of one-tenth of one percent would be \$27.73 million and apply to all debt issued by the Authority. The next property valuation for a complete reappraisal of every parcel of property was to be completed in 2015.

3. **Restriction:** The total amount of annual debt service on unvoted general obligation (GO) bonds issued by overlapping subdivisions is limited to ten mills of assessed valuation in each political subdivision. Overlapping subdivisions include Cuyahoga County and various municipalities, school districts, and townships within the taxing district.

**Impact:** The ten-mill limit provision pertains to all unvoted debt regardless of the source of payment and historically has been the most restrictive to the Authority. At the end of 2015, the overwhelming majority of political subdivisions in Cuyahoga County have reached the 10-mill limit, leaving 0.00 mills for additional debt issuances. The fact that the 10-mill limit has been exceeded was another factor to be considered as the Authority issued additional debt in FY 2015, resulting in revenue bonds being issued instead of general obligation bonds. This will also affect future debt issuances in the same manner.

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In FY 2012, the Authority issued revenue bonds for \$25.0 million in new debt and \$17.4 million in a refinancing issuance. A refinancing issuance of \$29.7 million was made in 2014. In FY 2015, the Authority issued revenue bonds for \$30 million in new debt and \$20.2 million in a refinancing issue. The next debt issuance is projected for 2017. The Authority currently holds a “AAA: rating with S & P and an “Aa1” rating with Moody’s.

## Budget Management Process

### Introduction

As the Authority’s finances become tighter, increased emphasis has been placed on the budget management process. The following procedures were instituted to strengthen this process:

- The Board of Trustees (BOT) developed a set of financial policies, starting on page 38, to guide the development of the budget plan and articulate the Authority’s operating guidelines.
- The Authority’s performance is measured against the standards established by the BOT.
- A formal budget document is produced, providing clear, timely, and accurate budget information to officials and the public.
- The expenditures are tracked against appropriations and available resources.
- Performance indicators are used to assess the containment of costs and the effectiveness of service delivery.
- The Citizen’s Advisory Board (CAB) meets monthly to provide the pulse of the community in matters of fare changes, Long Range Plan updates, capital projects, and service changes.

### The Budget Cycle

For the Authority, the fiscal and calendar year coincide. The budget process for the forthcoming fiscal year begins in June with the development of the Tax Budget for the following year. Although not necessary, the Authority prepares a Tax Budget as a valuable tool for estimating budget year resources and performing appropriations planning.

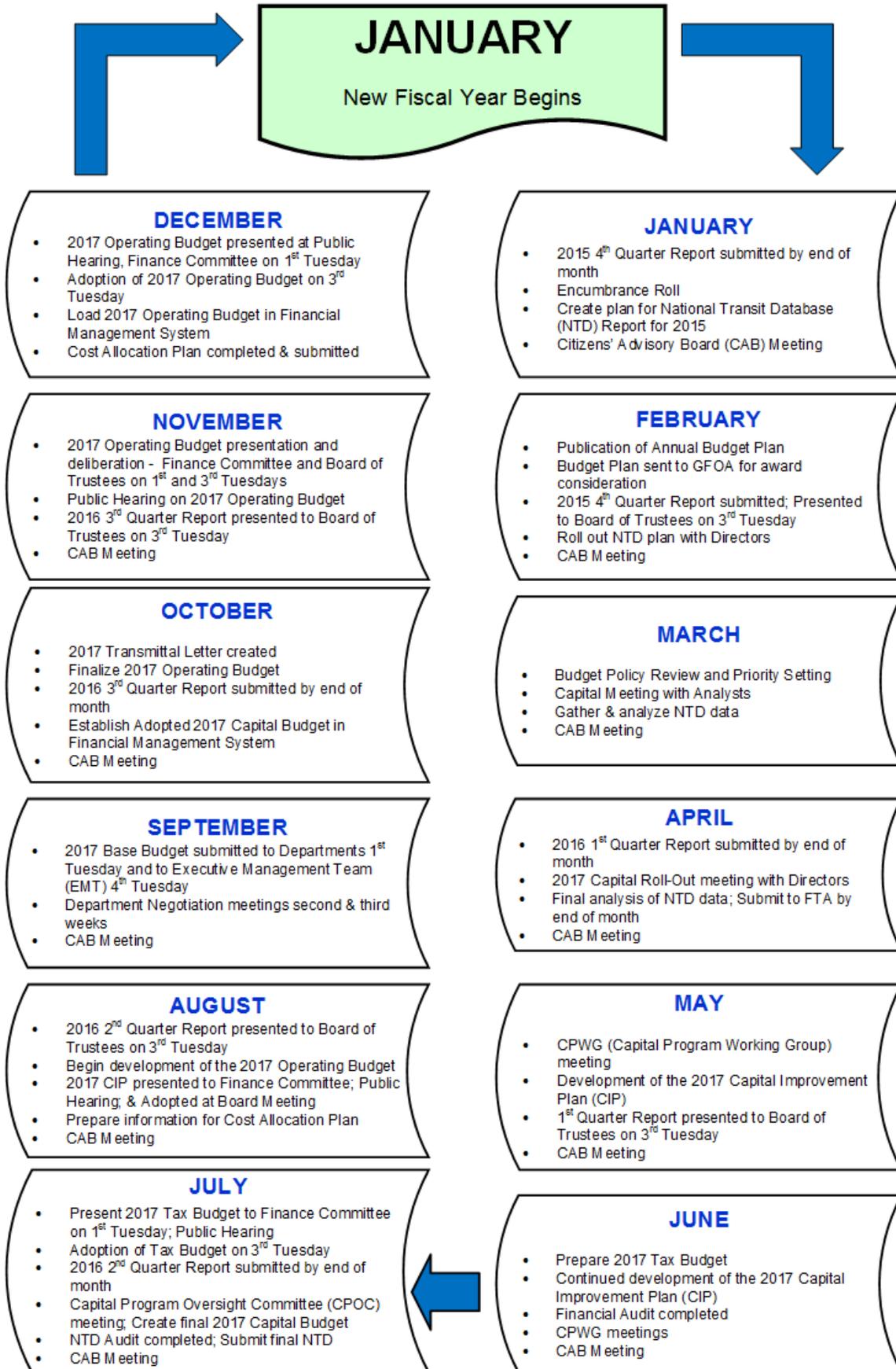
Around the same time, a mid-year review of spending patterns and budget variances is conducted. The mid-year review and the following year’s Tax Budget are essential components of the base level appropriations assumed for the succeeding budget cycle. The development of this ‘base’ budget begins the annual budget process, which proceeds as follows:

- A budget basis (or starting point) is selected, usually based on the mid-year estimate or the original appropriation level.
- The Office of Management and Budget (OMB) staff adjusts the budget basis for any nonrecurring costs, contracts, or binding commitments, or inflation. The product is called the Base Budget.
- After receiving the Base Budget, Departments submit their requests for adjustments.

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- Negotiations between OMB and the Departments refine the Base Budget.
- When completed, the Base Budget includes commitments, recurring costs, and any approved new projects and initiatives.
- The finalized CEO/General Manager's Recommended Budget:
  - Is the sum of the refined Base Budgets and Adjustments
  - Is limited to estimated available resources
  - Satisfies the Authority's financial policies to the best extent possible
  - Supports the Authority's mission and strategic direction as embodied in the Board Policy Goals and outlined in the Strategic Planning Process
- The CEO/General Manager's Recommended Budget is presented to the Executive Management Team (EMT) in October
- The CEO/General Manager's Recommended Budget is presented to the Board of Trustees (BOT) in November and December and is made available to the public.
- At least one budget hearing in November and/or December is scheduled for the BOT and the general public, which includes public discussion of the budget.
- The review process culminates in the formal adoption of a budget resolution at the December Board Meeting. It is the Trustees' practice to finalize appropriations before the new fiscal year begins.

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## Management Policies

The Authority continues to operate under the Quality Management System (QMS) through the TransitStat program. The Board of Trustees (BOT), Executive Management Team (EMT) and key stakeholders in RTA created a new strategic plan for short-term and long-term of the RTA. This includes a new Mission Statement and ten Priority Policy Initiatives essential for growth and progress in RTA. These are reviewed annually and modified if necessary. Budget decisions are made with the overall strategic planning process in mind. These policies are discussed in further detail in the **Performance Management Section**.

### **The Mission Statement is:**

To provide safe, reliable, clean, and courteous public transportation

### **The Management Policy Initiatives are:**

- **Educate Key Decision Makers to Act on Behalf of Public Transportation**
- **Maximize Ridership Growth Opportunities**
- **Identify Top Opportunities to Enhance Riding Experience**
- **Implement Predictive Maintenance Program**
- **Analyze Paratransit Practices**
- **Assess Top Priorities for State of Good Repair (SOGR)**
- **Advance and Improve Technology**
- **Define and Implement Plan to Improve Safety for Customer and Employees**
- **Identify and Improve Most Crucial Communication Issues**
- **Refine Human Resources Policies and Practices**

### **The RTA Values identified by the new Strategic Plan are:**

- **Safety:** The safety of our passengers, employees, and the general public is our top priority.
- **Ethics & Integrity:** We are dedicated to high ethical standards, including uncompromising honesty and integrity in our daily activities.
- **Service Excellence:** We will provide safe, clean, reliable, on-time, courteous service that our customers will view as outstanding.
- **Fiscal Responsibility:** We are committed to manage every taxpayer and customer-generated dollar as if it were coming from our own pocket.
- **Teamwork:** We believe in teamwork and will foster a spirit of cooperative effort within RTA and with our partners.
- **Responsibility & Accountability:** Every individual is accountable. Meeting our individual responsibilities will ensure that collectively RTA is a high-performing organization. We will meet all regulations and commitments and continually strive to improve.
- **Respect:** We will treat all members of the RTA family, customers, and the general public with dignity and respect.

# 2016 Budget Guide

## Budget Monitoring and Control

Quarterly financial reports allow the CEO/General Manager and the Board of Trustees (BOT) to monitor actual performance throughout the year. This report is used to determine if adjustments are needed to realign the budget. Interdepartmental transfers are the main method to adjust the Operating Budget. The CEO/General Manager has the authority to transfer appropriations within and between departments, which are reported monthly to the Trustees. In rare occasions, an increase to the overall budget appropriation may be needed. Any increase to the Authority's total budget requires BOT approval.

The CEO/General Manager also has the authority to upgrade or reclassify staff positions. Positions may be reallocated between departments and divisions, providing the overall staffing level remain at the level approved by the BOT for the budgeted year. This allows the CEO/General Manager flexibility in making staff decisions. If an increase in budgeted positions is needed during the year, approval by the BOT would be needed.

# Transit Service Profile

## GCRTA History

1818	Stagecoach ran between Cleveland and Painesville
1834-42	First rail line: along Euclid Avenue from Public Square to Wade Park
1841	Omnibus service: horse drawn carriage for large groups
1859	First street railway – horse-drawn streetcar: downtown to E. 55 <sup>th</sup>
1860s & 70s	Suburban steam lines provided uncoordinated transportation
1884-1901	Consolidated electric transportation system – 1 <sup>st</sup> commercial electric railway in U.S.
1903	Similar lines were consolidated as Cleveland Electric Railway Co.
1904	Cleveland Railway began – Murray chain-driven “Opera” bus
1913-20	Cleveland Rapid Transit System began – Shaker Heights to downtown
1925	Cleveland started Bus service with a downtown loop
1930	Shaker Rapid cars ran from Shaker Heights to Terminal Tower
1942	Cleveland Transit System (CTS) formed with 3-man transit commission
1952	CTS broke ground for heavy rail line behind Windermere Car barn
1955	Heavy Rail service began from Terminal Tower to Windermere
	Heavy Rail service began on West side to W. 117 <sup>th</sup> Street & Madison
1958	Heavy Rail service extended to Triskett Station
1968	Federal grant received to extend Heavy Rail to Hopkins Int. Airport making Cleveland the first city in Western Hemisphere to offer direct rapid service to major airport
1970	Legislation passed permitting communities to create regional transit authorities
1974	Last full year of operation of CTS
	December: Legislation adopted by county commissioners and city council to establish Greater Cleveland Regional Transit Authority (GCRTA)
1975	CTS transferred to GCRTA
	Cleveland and Shaker Rapid Lines merged
1977	GCRTA began first police force
1979	GCRTA integrated operations from City of Euclid
1980	GCRTA integrated Garfield Heights Transit
1983	New facilities opened: training center, rail complex, central bus maintenance
1984	Rail District Headquarters and maintenance facility opened; Red-Line rehabilitation began; Paratransit facility opened
1987	New downtown loop bus service began; new fareboxes installed
1990	First Park-N-Ride lot opened in Strongsville; Tower City Transit Center opened
1991	ARTS-in-Transit program began
1993	Park-N-Ride lot opened on St. Clair near Babbitt Road
1994	Walkway to Gateway opened connecting Tower City to Gund Arena and Jacobs Field
1995	20 <sup>th</sup> Anniversary; Rock & Roll Hall of Fame opened; Westlake Park-N-Ride opened
1996	Waterfront Line opened
1998	Community Circulators began service
1999	Assumed management of Cuyahoga County Work Access Program
2000	25 <sup>th</sup> Anniversary; Bike Rack pilot program began
2001	New MCI coaches began service
2003	New ICC (Integrated Communications Center) opened
2005	50 years of Heavy Rail service; Bus-Only lanes opened in downtown
2006	New Trolley service began downtown
2007	GCRTA named “Best in North America” by American Public Transit Association (APTA)
2008	HealthLine began between downtown to Cleveland Clinic to University Hospital; TransitStat begins
2009	GCRTA faces major budget challenges
2010	GCRTA participates in “Safe Place”; Stephanie Tubbs Jones Transit Center opens
2012	GCRTA receives Gold Award for Security
2013	GCRTA purchases new CNG buses
2014	Cleveland hosts Gay Games & chosen for 2016 RNC; new CSU Line opens
2015	GCRTA receives Silver Award for Partnership for Excellence; Joe Calabrese, CEO/GM named Public Official of the Year by Governing Magazine

# Transit Service Profile

## Economic Profile

(U.S. Census Bureau)

The Service Profile depicts the economic and service activity as it impacts the organization on operational and financial levels. The provided information highlights trends regarding items that have direct effect on how RTA develops, supports, and implements services.

			% Change prior year
<b>Population</b>	2014 Census (estimate)	1,259,828	-0.3%
	% Change from 2010 Census	1.6%	0
	Projected 2020 Population	1,209,550	0
	Land Area (square miles)	457.2	-0.1%
	(2010)	52.4%	0
	% Female (2014)	2,800	0
	Persons per Square Mile (2010)		
	% White (2014)	64.4%	-0.2
	% Black (2014)	30.3%	0.1
	% Hispanic/Latino (2014)	5.4%	0.2
	% Asian (2014)	3.0%	0.1
	% American Indian/Alaskan Native (2014)	0.3%	0.0
<b>Housing</b>	Persons per household, 2009-2013	2.33	-0.01%
	# Housing Units (2014)	618,803	-3,285
	Home Ownership rate (2009-2013)	60.9%	-0.7%
	Median value of owner-occupied housing units (2009-2013)	\$125,700	-\$9,200
	Median Household Income (2009-2013)	\$43,804	-\$284
	% Under Poverty Level (2009-2013)	18.3%	1.2%
	Cost of Living Index 2013 (U.S. Avg.: 100)	95.9	-7.6
<b>Largest Cities (2012)</b> (# of Residents)	City of Cleveland	389,521	-592
	Parma	80,015	-414
	Lakewood	50,926	-217
	Euclid	47,893	-246
	Cleveland Heights	45,181	-213
	Strongsville	44,654	-76
	Westlake	32,424	-47
	North Olmsted	32,130	-162
	North Royalton	30,327	-40
	Garfield Heights	28,229	-149
<b>Land Use/Land Cover (2014)</b>	Urban (Residential, Commercial, Industrial, Transportation, etc.)	66.85%	0
		0.99%	0
	Cropland	0.03%	0

# Transit Service Profile

	Pasture	30.95%	0
	Forest	0.65%	0
	Open Water	0.37%	0
	Wetlands	0.17%	0
	Bare/Mines		

<b>State Parks, Forests, Nature Preserves, and Wildlife Areas</b>	Areas, Facilities	1	0
	Acreage	13.5	0
<b>Education</b>	Public Schools	366	0
	Non-Public Schools	131	0
	4-Year Public Universities	1	0
	2-Year Public Colleges	3	2
	Private Universities & Colleges	5	0
	Public Libraries	9	0
	Branch Libraries	63	0
<b>Means of Transportation to Work</b>	Drive Alone	458,685	-10,153
	Carpool	38,940	-5,006
	Public Transportation	29,205	149
	Walk	17,179	17,099
	Other	6,872	107
	Work from Home	21,760	19,961
<b>Travel time to Work</b> (16 yrs old and older) (2014)	Less than 15 minutes	23.9%	0.7
	15 to 29 minutes	42.7%	0.6
	30 to 44 minutes	23.3%	-0.6
	45 to 59 minutes	5.6%	0.2
	60 minutes or more	4.5%	0.0
<b>Major Employers</b> Type of Employment (Non-Government)	Cleveland Clinic	Health Care	
	University Hospital Health System	Health Care	
	Progressive Corp.	Insurance	
	MetroHealth	Health Care	
	KeyCorp	Finance	
	Swagelok	Manufacturer	
	Giant Eagle, Inc.	Grocer	
	Sherwin Williams	Manufacturer	
	Lincoln Electric	Manufacturer	
	Nestle USA	Manufacturer	
American Greetings	Manufacturer		

Sources:

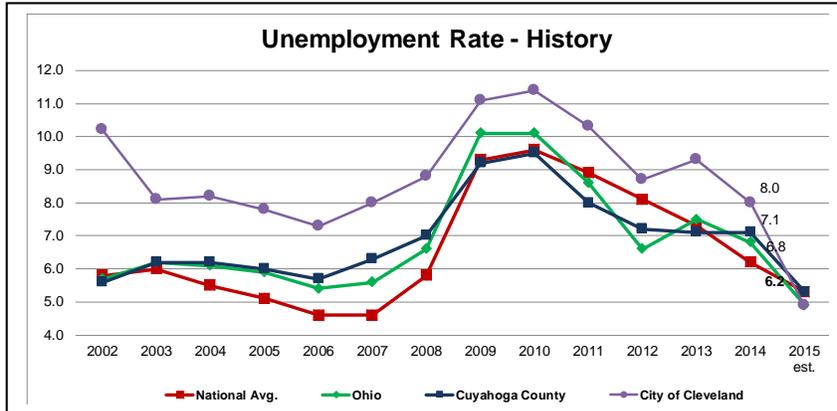
U.S. Department of Commerce (United States Census Bureau) Town & County Quick Facts

U.S. Census Bureau, 2009-2014 American Community Survey

Ohio Department of Development --Office of Policy, Research & Strategic Planning Ohio County Profiles

Ohio Department of Job and Family Services-- 2013 Cuyahoga County Profile Statistical and Demographic Data

# Transit Service Profile



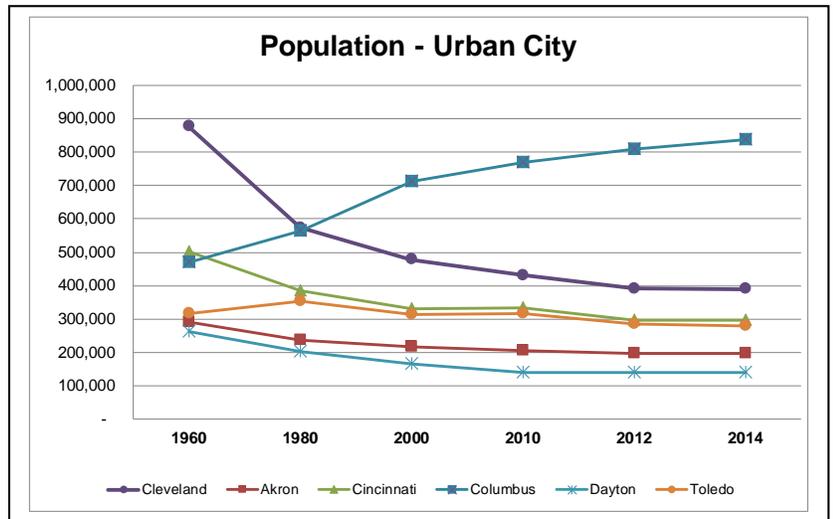
Trends of North East Ohio compared to the State and National Averages

The Population in Cleveland has been steadily decreasing since the 1980s

and Cuyahoga County has been decreasing since 2000. The economic crisis in 2008 and 2009 hit Cuyahoga County, City of Cleveland, and North East Ohio hard. The unemployment rate was already higher than the national average at this point in time. Unemployment remains high in the City of Cleveland. Unemployment in Ohio and Cuyahoga County are also higher than the national average.

Unemployment Rates - History				
Year	National Avg.	Ohio	Cuyahoga County	City of Cleveland
2002	5.8	5.7	5.6	10.2
2003	6.0	6.2	6.2	8.1
2004	5.5	6.1	6.2	8.2
2005	5.1	5.9	6.0	7.8
2006	4.6	5.4	5.7	7.3
2007	4.6	5.6	6.3	8.0
2008	5.8	6.6	7.0	8.8
2009	9.3	10.1	9.2	11.1
2010	9.6	10.1	9.5	11.4
2011	8.9	8.6	8.0	10.3
2012	8.1	6.6	7.2	8.7
2013	7.3	7.5	7.1	9.3
2014	6.2	6.8	7.1	8.0

Population - Census - Cities						
Year	Cleveland	Akron	Cincinnati	Columbus	Dayton	Toledo
1960	876,050	290,351	502,550	471,316	262,332	318,003
1980	573,882	237,177	385,457	564,871	203,371	354,635
2000	478,403	217,074	331,285	711,470	166,179	313,619
2010	431,363	207,216	333,013	769,360	141,527	316,238
2012	390,928	198,549	296,550	809,798	141,359	284,012
2014	389,521	197,859	298,165	835,957	141,003	281,031



Within the region, however, there has been considerable shifting of the population. Here are how the counties have changed since 2000.

- Ashtabula County - 99,811, down 2.8 percent from 102,728
- Cuyahoga County - 1,263,154, down 9.4 percent from 1,393,979.
- Geauga County - 93,972, down 0.8 percent from 94,753.
- Lake County - 229,857, up 1.0 percent from 227,511.
- Lorain County - 302,827, up 6.4 percent from 284,664.
- Medina County - 174,915, up 15.8 percent from 151,095.
- Portage County - 163,862, up 7.8 percent from 152,061.
- Summit County - 541,824, down 0.2 percent from 542,899.

Population - Census - Metro Areas						
Year	Cleveland Metro	Akron Metro	Cincinnati Metro	Columbus Metro	Dayton Metro	Toledo Metro
1990	2,102,248	657,575	1,844,915	1,405,168	843,835	654,157
2000	2,148,017	694,962	2,009,654	1,612,844	848,155	659,185
2010	2,088,291	698,553	2,155,137	1,773,120	836,544	649,104
2014	2,063,598	703,825	2,149,449	1,994,536	800,836	607,456

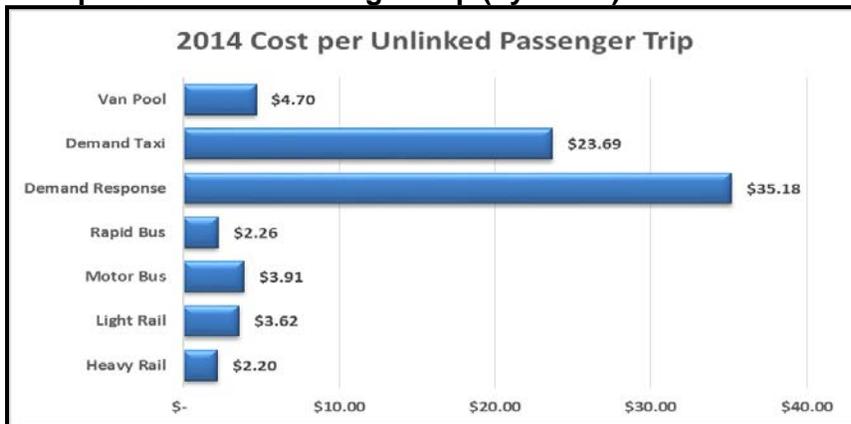
# Transit Service Profile

## National Transit Trends

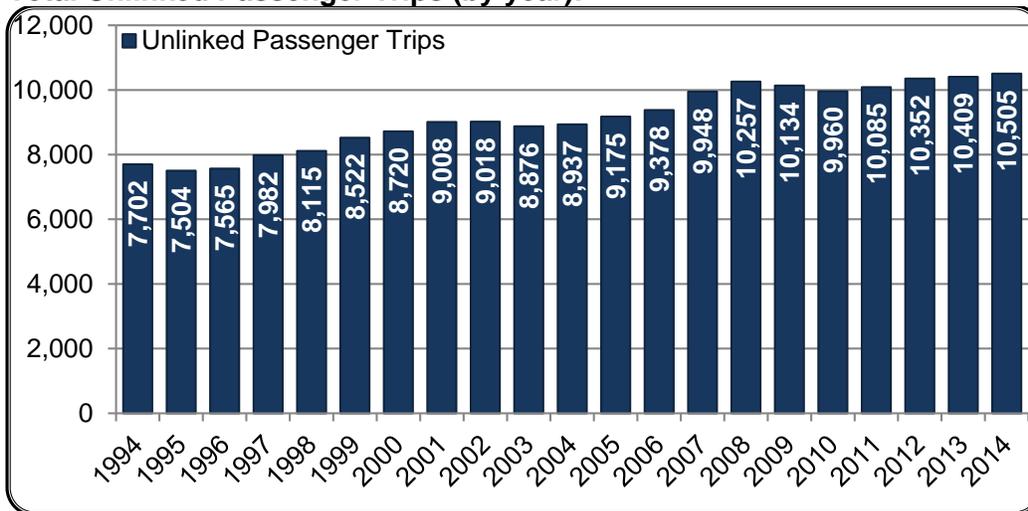
A total of 858 Agencies are included in the National Transit Database (NTD) for 2014. The National Transit Database was established by Congress to be the Nation's primary source of information and statistics on the transit system of the United States. Recipients of grants from the Federal Transit Administration (FTA) are required by statute to submit data to the NTD. The NTD is used to help meet the needs of individual public transportation systems, the US Government, State, and Local governments, and the public for information on which to base public transportation service planning. ([www.ntdprogram.gov/ntdprogram/](http://www.ntdprogram.gov/ntdprogram/))

The Unlinked Passenger Trips are part of service consumed; the goal of transit service is to transport passengers from one place to another. Operating cost per passenger unit is slightly different than passenger miles traveled. Vanpool (VP) service, for example, may carry fewer people, but it carries them a consistently longer distance per trip. The opposite is true of trolleybuses, which carry many people in dense urban settings, but not very far. From this perspective Demand Response is the most expensive mode followed by Demand Taxi and Van Pool.

### Cost per Unlinked Passenger Trip (by mode):



### Total Unlinked Passenger Trips (by year):



Source: NTD

# Transit Service Profile

Source: National Transit Summaries and Trends for the 2013 National Transit Database Report Year

## Ohio Transit Trends 32 Agencies reported data in the National Transit Database in 2014

The Nine Largest Agencies in Ohio – data listed below

Agency	Sq. Mi	Pop	Mode	Unlinked Passenger Trips	Annual Passenger Miles	Vehicle Revenue Miles	Vehicles in Max Service	Vehicles Available for Max Service
Akron (Metro)	420	542,899	Bus	5,082,892	17,601,659	3,451,204	101	125
			DR	238,834	1,515,778	1,965,950	79	98
			Commuter Bus	106,203	2,920,583	266,469	7	8
Canton (SARTA)	567	375,586	Bus	2,552,821	12,789,633	2,208,234	34	38
			DR	138,209	1,283,190	1,138,653	23	42
Cincinnati (SORTA)	262	845,303	Bus	16,769,004	81,125,391	9,464,791	297	355
			DR	177,004	1,964,744	1,315,545	48	61
Cleveland (GCRTA)	458	1,412,140	Bus	34,325,962	144,546,103	12,968,260	350	391
			RB	4,854,519	12,837,586	648,031	16	21
			HR	6,423,366	44,109,511	2,414,910	20	60
			LR	2,897,940	17,332,817	785,351	14	48
			DR	704,502	4,964,438	4,978,261	131	146
Columbus (COTA)	337	1,081,405	Bus	18,472,039	71,591,337	10,241,965	261	313
			DR	277,467	2,846,852	3,276,594	60	66
Dayton (GDRTA)	274	559,062	Bus	7,307,141	37,161,954	5,200,980	90	109
			DR	217,454	2,099,089	1,995,492	57	90
			TB	2,217,979	6,793,518	895,136	26	35
Lake County (Laketran)	227	229,885	Bus	329,885	1,583,447	509,092	10	18
			DR	224,241	2,272,121	1,815,885	61	77
Toledo (TARTA)	149	407,784	Bus	3,128,592	13,302,704	2,733,036	78	107
			DR	320,157	2,655,414	2,038,430	67	68
Youngstown (WRTA)	452	238,823	Bus	1,431,514	4,294,542	1,062,593	35	45
			DR	47,280	297,864	481,501	15	19
Hillsborough Area Regional Transit Authority (HART) (Tampa & St. Petersburg, FL)	957	2,441,770	Bus	14,314,610	73,017,436	7,477,638	153	208
			DR	128,777	984,116	1,226,710	30	43
			SC Rail	306,247	523,031	67,599	3	10
Kansas City Area Transportation Authority (KCATA) (Kansas City, MO & Kansas City, KS)	678	1,519,417	Bus	15,988,034	58,638,621	7,794,854	195	248
			DR	461,541	3,800,900	3,837,516	76	100
			DR-Taxi	6,505	102,655	97,569	9	9
			Vanpool	61,626	2,330,242	484,237	31	36

DR	Demand Response
DR-Taxi	Demand Response - Taxi
HR	Heavy Rail
LR	Light Rail
RB	Bus Rapid Transit
TB	Trolley Bus

# Glossary

**Accrual Accounting** – A method of financial accounting where revenues are recorded when earned, however, the revenue does not have to be received in the same reporting period. Similarly, expenditures are recorded as soon as the goods or services are received; the payment of the expenditure does not have to be made in the same reporting period.

**Ad Valorem Tax** – A tax based on the value (or assessed value) of property.

**Amalgamated Transit Union (ATU)** – The largest transit union in North America.

**American Recovery and Reinvestment Act (ARRA)** – An economic stimulus package enacted by the 111<sup>th</sup> U.S. Congress in February 2009 in response to the Great Recession. The primary objective for ARRA was to save and create jobs; the secondary objectives were to provide temporary relief programs for those impacted by the recession and invest in infrastructure, education, health, and renewable energy.

**Americans with Disabilities Act (ADA)** – of 1990, requires that public entities, which operate non-commuter fixed route transportation services, also provide complementary Paratransit service for individuals unable to use the fixed route system.

**Appropriation** – A financial authorization granted by the Board of Trustees to cover expenditures and incur obligations.

**Arbitrage** – Investment earnings representing the difference between interest paid on bonds and the interest earned on the investments made utilizing bond proceeds.

**Assessed Valuation** – The value of property against which an ad valorem tax is levied. Valuations are conducted by the County Auditor and reflect a percentage of the true or market value of the property.

**Asset Maintenance** – This category of capital projects refers to projects where 100% of the funding is provided by local sources (versus grant funded sources) and represents expenses incurred to maintain or improve the Authority's assets.

**Balanced Budget** – The Authority considers the budget balanced when total expenditures equal total revenues. The budget is also balanced in situations where total expenditures are less than total revenues, which is called a surplus. There are also few instances where the Authority might plan to spend fund balances from previous years on one-time or non-routine expenditures, provided the funding from previous years is available. The Authority, however, must have a plan in place to not build ongoing expenditures into this type of funding.

**Base Budget** – The total appropriation for maintaining the Authority's daily operations, authorized by the Board of Trustees.

**Bond** – The written evidence of the debt issued by the Authority. It bears a stated rate of interest and maturity date on which a fixed sum of money plus interest is payable to the holder.

**Bond Counsel** – A lawyer or law firm, which delivers an opinion regarding the legality of a debt issuance or other matters.

**Budget Basis** – The starting point for budget deliberations, usually the current budget year appropriation, or the Midyear Review estimate of expenses.

# Glossary

**Budget Deficit** – Usually, this is a projection of expenditures exceeding appropriations. It is normally determined during a quarterly review. The budget is controlled so that expenditures plus encumbrances should not exceed appropriations.

**Bus Rapid Transit (BRT)** – A broad term given to transit systems that use buses to provide a service that is of a higher quality than an ordinary bus line. See HealthLine.

**CAFR** – Comprehensive Annual Financial Report, contains audited financial statements, financial notes, and related materials.

**Capital Expenditures** – Funds in the Capital Improvement Program are used to account for the acquisition, construction, replacement, repair and renovation of capital facilities, assets, and equipment. Under Routine Capital Fund, local fund are used for the purchase of vehicles and equipment, where each unit has a value of at least \$5,000 and a useful life of greater than a year. Asset Maintenance expenditures are locally funded projects that maintain, repair, or rehabilitate an existing capital asset of the Authority. These projects are of smaller duration, scope, and expense than those indicated in the RTA Development Fund. The duration of these projects is often less than one year with a cost generally not exceeding \$150,000 and a useful life of less than five years. The RTA Development Fund includes both a majority of the larger rehabilitation projects and Authority's Long Range projects. These projects are greater than \$150,000 and have a useful life of more than five years. The RTA Development Fund is primarily, but not exclusively, supported through Federal grant awards.

**Capital Improvement Budget** – The current year estimated revenues and expenses of construction projects and capital equipment purchases in the Capital Improvement Plan. The Capital Budget includes maintenance and expansion projects that are funded through grants and local sources.

**Capital Improvement Plan (CIP)** – A five to ten year plan for constructing, acquiring, or maintaining capital assets.

**Cash Accounting** – A major accounting method that recognizes revenues and expenses at the time physical cash is actually received or paid out.

**Cash Deficit** – Occurs when a fund is carrying a negative cash balance. This situation typically requires a cash transfer to remedy.

**Closed Circuit TV (CCTV)** – Video cameras transmit a signal to a specific or limited set of monitors. CCTV is used for surveillance in areas that need security, such as rapid stations, transit facilities, Park-N-Rides, and the airport.

**Comprehensive Annual Financial Report** – See CAFR

**Computer Integrated Transit Maintenance Environment (CITME)** – A computer program, created by UltraMain, purchased to assist in modernizing maintenance and inventory operations through management by data.

**Controlled-Access Right-of-Way (ROW)** – Lanes restricted for a portion of the day for use by transit vehicles and other high occupancy vehicles (HOV).

# Glossary

**Cost Ceiling** – A limit on the reimbursed costs for federally supported capital projects.

**Debt Limit** – A statutory or constitutional limit on the principal amount of debt that an issuer may incur or have outstanding at one time.

**Debt Service** – Principal and interest paid on bonds and notes.

**Debt Service Coverage** – The measure of the Authority's ability to meet annual interest and principal payments on outstanding debts.

**Decision Issue** – A budget request for new or increased funding of projects or programs, which exceeds base budget requests. Use of decision issues aids the process of allocating financial resources and provides for the comparison and prioritization of existing programs and services relative to the need for new programs and services.

**Depreciation** – The reduction in value of a capital asset due to use, age, or wear.

**Disadvantaged Business Enterprise (DBE)** – A program intended to ensure nondiscrimination in the award and administration of the Authority's programs and contracts.

**Door-to-Door Service** – Paratransit Service where drivers have been instructed to pick-up and drop-off passengers at the front door of places of residence, at the front door of the apartment buildings in which they live, or front door of destination.

**Encumbrances** – A budgetary technique for recording unperformed contracts for goods and services. Use of encumbrances restricts the balance in each fund so that total commitments (expenditures plus encumbrances) will not exceed appropriations.

**Exclusive Right-of-Way (ROW)** – Roadway or other right-of-way (ROW) lanes reserved at all times for transit use and / or other high occupancy vehicles (HOV).

**Executive Management Team (EMT)** – The General Manager's first level of management, which includes Deputy General Managers and Executive Directors.

**Expenditure** – An expense that a business incurs as a result of performing its normal business operations.

**Family and Medical Leave Act (FMLA)** – To grant employees temporary medical leave under certain circumstances.

**FAST (Fixing America's Surface Transportation) Act** – The new Federal Transportation Act that will replace the MAP-21 Act with approval expected in December, 2015. This act is will continue many of the programs changes included in the MAP-21 legislation including Federal formula calculations, the 2010 Census data in the determination of those formula grants, and incorporation of operating statistics relative to all Transit Agencies as well as provide an increase in Federal funding for needed State of Good Repair projects.

# Glossary

**Federal Highway Administration (FHA)** – Supports all of America’s roads and highways and ensures them to be the safest and most technologically up-to-date. Although State, local, and tribal governments own most of the Nation’s highways, the FHA provides financial and technical support to them for constructing, improving, and preserving America’s highway system.

**Federal Transit Administration (FTA)** – Supports a variety of locally planned, constructed, and operated public transportation systems throughout the U.S., including buses, subways, light rail, commuter rail, streetcars, monorail, passenger ferry boats, inclined railways, and people movers.

**Financial Management System (FMS)** – The information system software that houses all financial data and includes the General Ledger, Procurement, and Budget Modules.

**Fiscal Year** – The 12-month period that the Authority uses for accounting purposes. The Fiscal Year for the Authority is concurrent with the Calendar Year.

**Fixed Guideway (FG)** – A separate right-of-way (ROW) for the exclusive use of public transportation vehicles. The Heavy Rail and Light Rail modes operate exclusively on fixed guideway (FG).

**Fraternal Order of Police (FOP)** – The world's largest organization of sworn law enforcement officers, committed to improving the working conditions of law enforcement officers and the safety of those we serve through education, legislation, information, community involvement, and employee representation.

**Full-Time Equivalent (FTE) Position** – A part-time position converted to the decimal equivalent of a full-time position based on 2,080 hours per year for 40 hours per week employees.

**Fund** – A reserve of money set-aside for a specific purpose. The RTA has specific funds set up for Operating (General), Capital, Insurance, Bonds, Pension, and Law Enforcement. There are also reserve funds in place for diesel fuel, compensated absences, hospitalization, and the lightning strike at Brookpark Substation.

**Fund Deficit** – An excess of expenditures over revenues during a fiscal year. This is not an acceptable condition and must be addressed by transferring revenue to the fund in deficit. See Balanced Budget.

**Fund Type** – See Fund.

**GAAP** – Generally Accepted Accounting Principles. These principles are guidelines and rules for use by accountants in preparing financial statements.

**General Obligation (GO) Bond** – A bond that is secured by the full faith and credit of the Authority. The GCRTA pledges to utilize its taxing power (almost always Sales Tax proceeds) to pay debt service.

**Goal** – A statement of direction, purpose, or intent based on the needs of the community. A goal is not concerned with a specific achievement in a given time period.

**Guideway** – A separate right-of-way (ROW) or rail system for the exclusive use of public transportation including the buildings and structures dedicated for the operation of transit vehicles. Includes tunnels, subways, bridges, tracks, and power systems.

# Glossary

**HealthLine** – A route providing service along Euclid Avenue that is of a higher quality than an ordinary bus line. This service improves transit, as well as supports increased development along Euclid Avenue with links to medical, educational, and cultural centers in Greater Cleveland.

**Heavy Rail Vehicle (HRV)** – Operate on the Red Line, from the Airport to Windermere Rapid Station. Heavy Rail is a transit mode that is an electric railway with the capacity for a heavy volume of traffic.

**Indirect Costs** – The expenses of doing business that are not readily identified with the Authority's transportation, but rather with the general operation of the organization, such as finance, accounting, engineering, legal, and human resources.

**Interactive Voice Response (IVR)** – A phone technology that allows a computer to detect voice and touch tones using a normal phone call. The IVR system can respond with pre-recorded or dynamically generated audio to further direct callers on how to proceed.

**Interest** – The amount paid for the use of money.

**Interest Expense** – The charges for the use of borrowed capital incurred by the transit agency, including Interest on long term and short-term debt obligations.

**Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA)** – A legislative initiative setting policy guidance and providing funding for highway, transit, and safety programs. It expired in 1998.

**Key Transit 2025** – The long-range plan to help guide the future development of public transit in Cuyahoga County, which focuses on bringing RTA's transit infrastructure up to higher standards and encouraging transit-oriented design, or TOD. Related to nationwide efforts towards Smart Growth, TOD encourages locating transit and development in close proximity in order to reduce auto dependency and improve transit access.

**Legal Millage Rate** – The stated rate, in mills, for levying real and personal property taxes.

**Light Rail Vehicle (LRV)** – Operate on the Blue, Green, and Waterfront Lines. Light Rail is a transit mode that typically is an electric railway with a light volume traffic capacity, compared to Heavy Rail (HR).

**MAP-21 (Moving Ahead for Progress in the 21<sup>st</sup> Century)** – A new Federal Transportation Act that replaces the SAFETEA-LU and TEA-21 Acts. This act changed the Federal formula calculations, includes the Census 2010 data in the determination of those formula grants, and incorporates operating statistics relative to all Transit Agencies.

**Market Value** – The County Auditor's estimate of the true or fair value of real or personal property. In accounting, it is the price that a good or service would command on the open market.

**Mill** – The equivalent of \$1 of tax for each \$1,000 of assessed value of real or personal property.

**Mixed Traffic Right-of-Way (ROW)** – Roadways that have no time restrictions nor restrictions on what type of vehicles may use them.

# Glossary

**Mode** – A general term for the different kinds of transportation used to transport people.

**NOACA** – Northeast Ohio Areawide Coordinating Agency. It is the federally designated Metropolitan Planning Organization (MPO) for five counties of Northeast Ohio, which include Greater Cleveland and the Lorain area. Its chief functions are to perform long- and short-range transportation planning, transportation-related air quality planning, and areawide water quality management planning, as defined by federal and Ohio mandates.

**Notes** – Short-term promises to pay specified amounts of money, secured by specific sources of future revenue.

**Revenue** – The amount of money that a company actually receives during a specific period, usually a year.

**Object** – A commodity-based expenditure classification which describes articles purchased or services obtained. It represents the lowest degree of expenditure summary and budgetary control.

**Objective** – Desired output-oriented accomplishments, which can be measured and achieved within a given time frame.

**Office of Business Development (OBD)** – Engage, support, and assist the local disadvantaged business community to help ensure fair and representative participation in procurement opportunities at RTA and within the community at-large. The primary function of the Office of Business Development (OBD) is to administer RTA's Disadvantaged Business Enterprise (DBE) Program.

**Official Statement** – A document prepared by the Authority when issuing debt that gives financial and statistical information to potential investors and others.

**Ohio Depository Act** – Requires a written investment policy that is approved by the treasurer of a political subdivision or governing board, or by the investing authority of a county, to be on file with the State Auditor. The policy must provide that all entities conducting investment business with a subdivision treasurer or governing board or county investment authority sign the investment policy of that subdivision or county.

**ODOT (Ohio Department of Transportation)** – State operating and capital subsidies are distributed to the Authority by ODOT.

**Operating Budget** – Current year estimated revenues and expenses that provide for the day-to-day operations of the Authority.

**Operating Deficit** – The sum of all operating revenues minus operating expenses. See Balanced Budget.

**Operating Ratio** – A ratio that shows the efficiency of management by comparing operating expenses to fare revenues.

**Operating Reserve** – The available ending balance. A reserve is maintained as a safeguard to protect the organization in times of cyclical economic downturns and will be replenished as the economy improves. The Board Policy requires at least one month's

# Glossary

operating reserve. RTA recently added three reserves for fuel, medical, and compensated absences.

**Outlays** – The payments on obligations in the form of cash, checks, the issuance of bonds or notes, or the maturing of interest coupons.

**Park-N-Ride** – Parking lots owned by the GCRTA to provide rail and/or bus services for all major commuter corridors in Cuyahoga County.

**Pass-Thru** – A situation where the Authority functions as a channel for the expenditure of funds from another source without authorization to decide the use of the funds.

**Principal** – The face amount of a bond, which the issuer promises to pay at maturity.

**Program** – A group of related activities performed by one or more organizational units for the purpose of accomplishing an objective.

**Ratings** – Designations used by ratings services to indicate the financial health of the issuers of debt.

**Reimbursed Expenditures** – Operating fund reimbursements related to: capital grants for force account labor, project expenses, administration, and overhead costs; fuel tax refunds on diesel and gasoline purchases; and Federal and State operating assistance.

**Repurchase Agreement** – A money market transaction in which one party sells securities to another while agreeing to repurchase those securities at a later date.

**Resolution** – A legal and public declaration by the Board of Trustees of intent, policy, or authorization. Resolutions are the legislation of the Authority.

**Resolution Category** – One of two cost categories at which the Board of Trustees controls operating budget expenditures. These include Personnel Services and Other Expenditures.

**Revenue Bond** – A bond on which the debt service is payable solely from the revenue generated from the operation of the project being financed.

**Routine Capital** – Budgeted expenses for equipment, where the useful life of which is a year or more and the unit cost is at least \$1,000. These expenses are locally, not grant, funded.

**Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)** – A legislative authorization for transit approved in 2005. It is a six-year initiative, which replaces the expired Transportation Equity Act for the Twenty-First Century (TEA-21).

**Senior Transportation Connection (STC)** – Of Cuyahoga County is designed to be the centralized coordinating unit for senior transportation services in Cuyahoga County. The STC's mission is to provide comprehensive, efficient, and affordable transportation for senior adults in the county.

**Service Indicator** – An output measure showing a statistical workload change or the degree to which program objectives are achieved.

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**State Infrastructure Bank (SIB)** – A funding initiative administered by the State of Ohio, Department of Transportation. The SIB provides low-cost loans for transportation infrastructure projects.

**State of Good Repair (SOGR)** – A Federal initiative to identify and maintain the nation's assets for bus and rail systems. This is essential for delivering safe and reliable transit service to millions of daily riders and one of the FTA's highest priorities.

**Temporary Assistance for Needy Families (TANF)** – Provides grants to states to fund a wide array of benefits and services, primarily to low-income families with children. It is best known for funding cash welfare benefits to needy families with children, but it also is used to fund transportation aid and assistance.

**Tax Levy** – The total amount to be raised by general property taxes for purposes specified in the Tax Budget.

**Threat and Vulnerability Assessment (TVA)** – Analyzes all the aspects of security: physical, personnel, information, and communication. It measures the current threat capabilities against emplaced security measures and operating procedures to identify vulnerabilities.

**TransitStat** – The Greater Cleveland Regional Transit Authority's performance monitoring program. It entails frequent gathering, reviewing, analyzing, and monitoring of critical success measures.

**Transportation Equity Act for the Twenty-First Century (TEA-21)** – A legislative authorization for transit originally approved in mid-1998. It is a five-year initiative, which originally expired in 2003, but was extended by Congress pending an agreement on new transit legislation. It expired in 2005.

**Transportation Improvement Plan (TIP)** – The official listing of highway, transit, bikeway, airport, and harbor projects covering a five-year period.

**Transportation Review Advisory Council (TRAC)** – Created by the Ohio General Assembly in 1997 to bring an open, fair, numbers-driven system to choosing major new transportation projects.

**U-Pass (Universal Pass)** – offers university students a discounted transportation pass. Currently students at Case Western Reserve University (CWRU), Cleveland State University (CSU), Cleveland Institute of Art, and Cleveland Institute of Music have U-Passes.

**Urban Mass Transportation Act (UMTA) of 1964** – As amended, an Act of Congress providing funds to the Authority under various programs:

**Section 5309 (formerly Section 3)** – A Federal discretionary program directed primarily to those rail modernization and major bus projects that require funding beyond that available under Section 9.

**Section 5307 (formerly Section 9)** – A Federal formula program which makes resources available to urbanized areas for planning, capital, and operating assistance purposes. Funding allocations are earmarked by Congress.

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**Title 23 Interstate Transfer Fund** – Federal funding which had been made available for alternative projects due to the elimination of Interstate 490 from the Federal Interstate Highway Program. Funding for this program was split between highway and transit projects. Also established by Section 134, Title 23 of the United States Code. All funds have been exhausted at this time.

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