

PUBLIC HEARING

Greater Cleveland Regional Transit Authority 2017 Budget Tuesday, December 20, 2016

This is the second public hearing for the Proposed 2017 Budget for the Greater Cleveland Regional Transit Authority.

The proposed Budget has been made available for public inspection for at least 10 days in the Office of Management & Budget of this Authority. Public notice of this hearing was made by the publication of a legal advertisement in the Cleveland Plain Dealer on Wednesday November 23, 2016. In addition, notice was posted in the first floor lobby of the Authority's Main Office Building.

In developing the proposed Budget we have attempted to maintain our financial health while providing effective public transportation. Our financial status and end-of-year fund balances have been maintained over the last several years and we will continue to work towards achieving a long-term sustainable financial position. Of primary concern for the upcoming budget year is how or what the State will do to address the pending removal of Medicaid Managed Health Care providers from the Sales & Use Tax base which, if nothing is done, will occur on July 1, 2017 and result in the loss of \$4.5 million in Sales & Use Tax revenue in 2017 which would annualize to a loss of approximately \$18 - \$20 million of revenue in 2018 and beyond.

Of significant importance is the fact that the GCRTA will end 2016 approximately \$15.3 million to the good of budget meeting our policy goal of a one-month operating reserve.

Some highlights of the 2017 Budget are as follows:

- The General Fund budget request includes total expenditures of \$302.9 million against estimated revenues of \$289.5 million. Expenditures are expected to be \$16.4 million more than the projected year-end 2016 Budget. Total expenditures include \$267.5 million in operating expenditures, and transfers of \$19.3 million to the Bond Retirement Fund for debt service payments, \$13.3 million in earmarked Sales & Use Tax receipts to the Capital Improvement Funds, \$2.4 million to the Insurance Fund, and \$75,000 to the Pension Fund.
- Personnel costs in 2017 are budgeted \$7.9 million above projected 2016 year-end costs. The increase comes from a projected 2.4 percent increase in Fringe Benefits, a 2.75 percent wage increase for ATU and FOP employees based on their current contracts plus programmed position step increases, and from the projected filling of now vacant budgeted positions. No salary increases were included in the 2017 Budget for SNB positions or for union employees beyond the current contracts. A total of 2,332 positions are budgeted in 2017 compared to 2,362 in 2016.

- Overall, service will be maintained at current levels with no changes of significance anticipated in 2017.
- The GCRTA will continue to strive in the upcoming years to increase its productivity and efficiency. Implementation of a predictive maintenance program has made dramatic improvements in the reliability of our bus fleet, TransitStat, the Authority's data driven performance management initiative, will continue its focus on improving the Authority's processes and reducing costs, and the GCRTA just submitted its second full application in pursuit of our continuous improvement journey against the Baldrige Criteria.
- Effective budget execution, solid management, a commitment from our employees, and a desire to seek out and implement process improvements throughout the Authority has allowed the GCRTA to maintain its financial position in recent years. The uncertainty raised by actions the State may or may not take regarding the removal of Medicaid Managed Health Care providers from the Sales & Use Tax base suggests the upcoming budget year will be extremely challenging, but GCRTA intends to again achieve positive results in the execution of the proposed budget.