

2017 BUDGET GUIDE

ORGANIZATION OF THE ADOPTED BUDGET PLAN

The purpose of this section is to describe the contents of the 2017 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 the Citizens' Summary which explains the 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, a Profile of the Service Area, and a Glossary of terms used in the Adopted Budget Plan.

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 in the Authority through the 2016-2021 Strategic Plan and TransitStat, GCRTA's performance management program. GCRTA continues to improve itself as a model transit authority through the balanced scorecard within these strategies. Each of the Departments have a direct or indirect link to the Strategic Plan.

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 department budgets, budget implementation narratives, scorecards, organizational charts, and staffing level summaries are provided for each department.

CAPITAL IMPROVEMENT PLAN

The Capital Improvement Plan itemizes capital projects approved for 2017 and those planned for 2018 through 2021. This section discusses funding sources, debt limits, capital improvement planning cycle, and the criteria used to establish priorities.

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 | ≥ 25% |
| • Operating Reserve | ≥ 1 month |
| • Growth in Cost per Service Hour | ≤ rate of inflation |
| • Debt Service Coverage | ≥ 1.5 |
| • Sales & Use Tax Revenue allocated annually to Capital Improvement | 10 – 15% |
| • Capital Maintenance Outlay to Capital Expansion | 75 – 90% |

In addition to the elimination of two policy objectives, RTA established Reserve Funding for Rolling Stock Replacement, hospitalization, absences, 27th pay period, and fuel costs. In December 2012, an Operating Reserve for replacement of rolling stock was added. Starting in 2016, funds for the Reserve Fund 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 Reserve transfer, 10 percent of the available ending balance will be transferred into the Reserve. If the available ending balance is less than \$5 million, only 5 percent will be transferred. As such, the new policies authorize:

- Operating Reserves

For accounting purposes, the Authority reports the results of its operations in a single enterprise fund, the General Fund Statement. Separate funds are maintained on the books of the Authority in order to best account for its various revenues that are designated for specific purposes. 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.

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.*

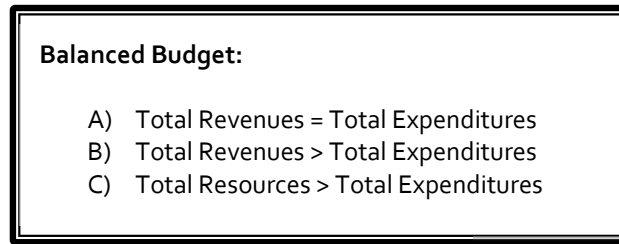


Figure 10

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.

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 2017, estimated resources total \$311.5 million: current revenues of \$289.5 million plus an estimated beginning balance of \$22.0 million. Total estimated expenditures for 2017 equal \$303.0 million and are within the estimate of total resources available. The ending balance, \$8.5 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.

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 2016 investments and at the same time meet its outstanding financial commitments with an investment yield of 0.46 percent.

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 2017 General Fund, which exclude transfers to other funds, are \$267.5 million, which represents a decrease of 157,991 under the 2016 budget. The largest Operating Budget appropriation, \$196.5 million, is for Personnel Services, which includes salaries, overtime, and fringe benefits, and accounts for 73.5 percent of the total operating appropriation. The 2017 appropriation for personnel costs is 2.0 percent higher than the 2016 budget. This increase is due to wage increases for ATU and FOP personnel. The Operating Expenditures include labor and fringe benefits for personnel; diesel fuel and natural gas fuel. Inventory, other utilities, cost of materials and services, 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.

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, the State added Medicaid Managed Health Care to the Sales & Use Tax base. Due to Federal requirements of taxing a subset of Managed Health Care Providers, Medicaid Managed Health Care (MMHC) providers will be removed from the tax base effective July 1, 2017. Under this change, if not mitigated, the State of Ohio will realize a loss of approximately \$500 million annually, Ohio's 88 counties will lose over \$200 million annually, and the 8 transit agencies receiving Sales & Use Tax revenue will lose approximately \$38 million, of which, RTA will lose approximately \$18 million annually.

The Sales & Use Tax revenue lags by 3 months. If the State of Ohio does not create a revenue-neutral fix and Medicaid Managed Health Care is removed from the tax base on July 1, 2017, the effect of this will be experienced starting

October 2017. The Authority is cautiously awaiting the State's decision and budgeted a \$4.5 million loss in Sales & Use Tax revenue for 2017, which is annualized in 2018.

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 low temperatures and snowfall. Monthly collections have been very inconsistent over the past several as ridership has declined. The 2017 Budget includes the annualization of the \$0.25 fare increase implemented in August 2016 and an additional \$0.25 fare increase for Paratransit riders, effective August 2017.

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 Passenger Fare revenue collections and the awaited decision on the Sales & Use Tax base, and the fact that Northeast Ohio has not fully recovered from the recessions in 2001 and 2009, the 2017 through 2019 projections for the top three revenue streams are very conservative.

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 through 2014. The beginning balance for 2015 was \$11 million less than 2014 with an increase of \$7 million in revenues and \$6 million in expenses. The year ended with a reserve of 0.8 months. The control in expenditures over the past year has projected this financial policy to be achieved again in 2016. This policy goal is not expected to be reached for 2017 through 2019, at 0.4 months, -0.5 months, and -1.3 months, respectively, as the Medicaid Managed Health Care will be removed from the Sales & Use Tax revenue stream beginning July 1, 2017, which will be realized in October 2017 and annualized in 2018. 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 2017 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: Service hours for 2017 are budgeted to decrease by 1.6 percent as a 3 percent service reduction is annualized in 2017 for bus and rail. For 2018 and 2019, service hours are budgeted at the same service level as 2017. This policy goal is expected to be met in 2017, at 0.1 percent. For 2017, the growth per year is projected at 12.3 percent and the policy goal is not expected to be met, as inflation is expected to remain around 2.5 percent per year for the next decade. The growth per year for 2018 projected at -4.0 percent, which will meet the policy goal. For 2019, the growth is projected at 8.0 percent, which will not meet the policy goal.

POLICY STATEMENT: *The Operating Ratio (Operating Revenues divided by Operating Expenses) shall not be allowed to go below 25 percent 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.

In 2014 and 2015, operating expenses have increased at a greater rate than operating revenues. For 2016, operating revenues are projected to decrease by 8.3 percent and operating expenses are projected to increase slightly, just under 0.2 percent. The Operating Ratio for 2016 is expected to fall to 18.2 percent, from 19.9 percent in 2015. The Operating Ratio for 2017 is expected to remain at 18.2 percent, but still below the goal of 25 percent. A \$.25 fare increase was implemented in the third quarter of 2016 and annualized in 2017. For 2017, operating revenues are projected to increase by 5.7 percent. Operating expenses are budgeted to increase by 6.1 percent.

In 2018 and 2019, with the annualization of the budgeted fare increase, Operating Revenues are planned to increase by 3.6 percent and 4.8 percent, respectively. Operating Expenses are budgeted to increase by 0.6 percent and 2.0 percent, respectively. The Operating Ratios for 2018 and 2019 are planned at 18.7 percent and 19.1 percent, respectively. These ratios are above the budgeted ratio for 2017 but still less than the policy of 25 percent.

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 rate of 1.8. The estimate for 2016 is projected at 2.1. The debt coverage is projected fall to 1.48 in 2017 as another debt issuance of \$30 million is expected and the Sales & Use Tax is expected to fall by \$4.5 million in the Fourth Quarter due to the Medicaid Managed Health Care being removed from the tax base. The debt service coverage is expected to further decline in 2018 and 2019, at 0.38 and -0.66, respectively, as projected total resources fall within those years.

CAPITAL IMPROVEMENT FUNDS

POLICY STATEMENT: *An amount between 10 percent and 15 percent 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 percent local funds.

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 percent in 1998 through 2002, but growth in Authority-wide capital needs progressively increased this ratio between 2003 and 2011, from 11.4 percent to 18.4 percent.

In 2015, the Sales Tax Contribution to Capital increased slightly to 18.5 percent. The contribution is expected to decrease to 14.4 percent in 2016, within the goal. It is expected to remain just at the goal of 15 percent for 2017 and just over 15 percent for 2018 and 2019, 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 percent and a maximum of 90 percent.*

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 percent and a high of 98.9 percent 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 95 percent in 2016 and remain above the 90 percent maximum goal for 2017 through 2019, ranging from 94.1 percent in 2017, to 92.5 percent in 2018 and 2019, as the focus of the Authority's capital programs continue to focus on state of good repair (SGR) projects throughout the Authority.

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 2017-2021 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 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 2014 through 2016 were held at \$100,000 per year. In 2017, 2018, and 2019, \$75,000 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.*

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 2014 and 2015, \$0.9 million and \$1.5 million was transferred, respectively, from the General Fund for the payment of ordinary and routine losses in the form of personal injury and property damage claims. For 2016, a transfer of \$500,000 is projected to cover claims outlay and insurance premiums for catastrophic or extraordinary losses. For 2017, 2018, and 2019, about \$2.4 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. The transfer to the Insurance Fund in 2016 was dropped to \$0.5 million to reduce the ending balance back toward \$5 million. For 2017, the transfer is budgeted at \$2.4 million and is planned at \$2.3 million for 2018 and \$2.5 million for 2019 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.

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 \$120.0 million in general obligation (GO) and revenue (RB) bonds at the end of 2016, which will require principal and interest payments of \$16.9 million in 2017. For 2017, a \$30 million debt issuance is budgeted. 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 1.38 mill limitation (based on the county's assessed valuation of \$27.6 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 2017 valuation, the annual debt service capacity of one-tenth of one percent would be \$27.62 million and apply to all debt issued by the Authority.

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 beginning of 2017, the overwhelming majority of political subdivisions in Cuyahoga County have reached the 10-mil limit, leaving 0.00 mills for additional debt issuances. The fact that the 10-mil limit has been exceeded is another factor to be considered as the Authority is budgeted to issue additional debt in FY 2017, resulting in revenue bonds being issued instead of general obligation bonds. This will also affect future debt issuances in the same manner. 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.
- 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.

BUDGET MONITORING AND CONTROL

The Office of Management and Budget monitors revenues and expenses monthly, as well as projects year-end estimates for the Authority’s top two revenues (Passenger Fares and Sales and Use Tax) and the top 3 expenditures (Personnel, Fringe Benefits, and Fuel/Utilities). Quarterly financial reports allow the CEO/General Manager Secretary—Treasurer 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 Secretary-Treasurer has the authority to transfer appropriations within and between departments, which are reported monthly to the Board of Trustees (BOT). 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 Secretary-Treasurer 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 Secretary-Treasurer flexibility in making staff decisions. If an increase in budgeted positions is needed during the year, approval by the BOT would be needed.

2017 OPERATING BUDGET CALENDAR

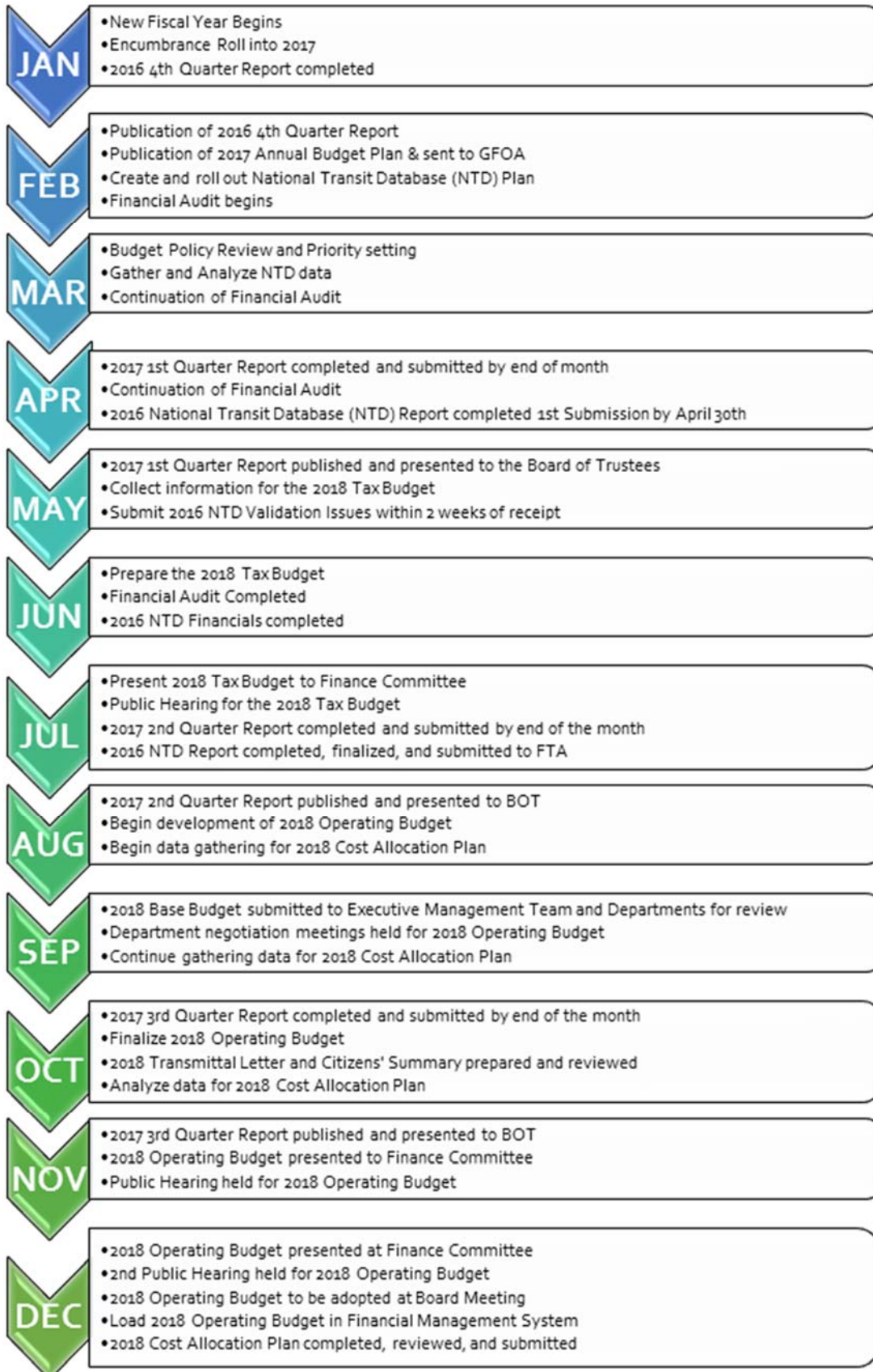


Figure 11

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**.

MISSION:

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

VITAL FEW OBJECTIVES (VFOS)

- Increase Revenue
- Reduce Expenses
- Expand Advocacy
- Enhance Customer Experience
- Increase Service Efficiency
- Achieve State of Good Repair
- Advance & Improve Technology
- Achieve a Safety Culture
- Improve Employee Development

CHANGE MANAGEMENT INITIATIVES & ACTION PLANS

- **Implement Fare Changes & Define Medicaid Reimbursement Strategy**
- **Improve Specification Writing and Funds Owed processes**
- **Engage newly elected leaders and reintroduce the RTA's Speaker's Bureau**
- **Maximize ridership growth and experience**
- **Implement Predictive Maintenance Program with Triskett Garage and Electronic Repair with a 3-Year Budget Program**
- **Implement Priorities for State of Good Repair (SOGR)**
- **Continue implementing IT Strategic Priorities**
- **Improve Safety for Customer and Employees using DriveCam and implementing Safety Drills**
- **Improve Most Crucial Communication Issues**
- **Establish Leadership & Management Goals for Executive Management Team**
- **Continue Implementing Succession Plan and Deploying Annual Employee Satisfaction & Engagement Survey**

VALUES:

- **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.

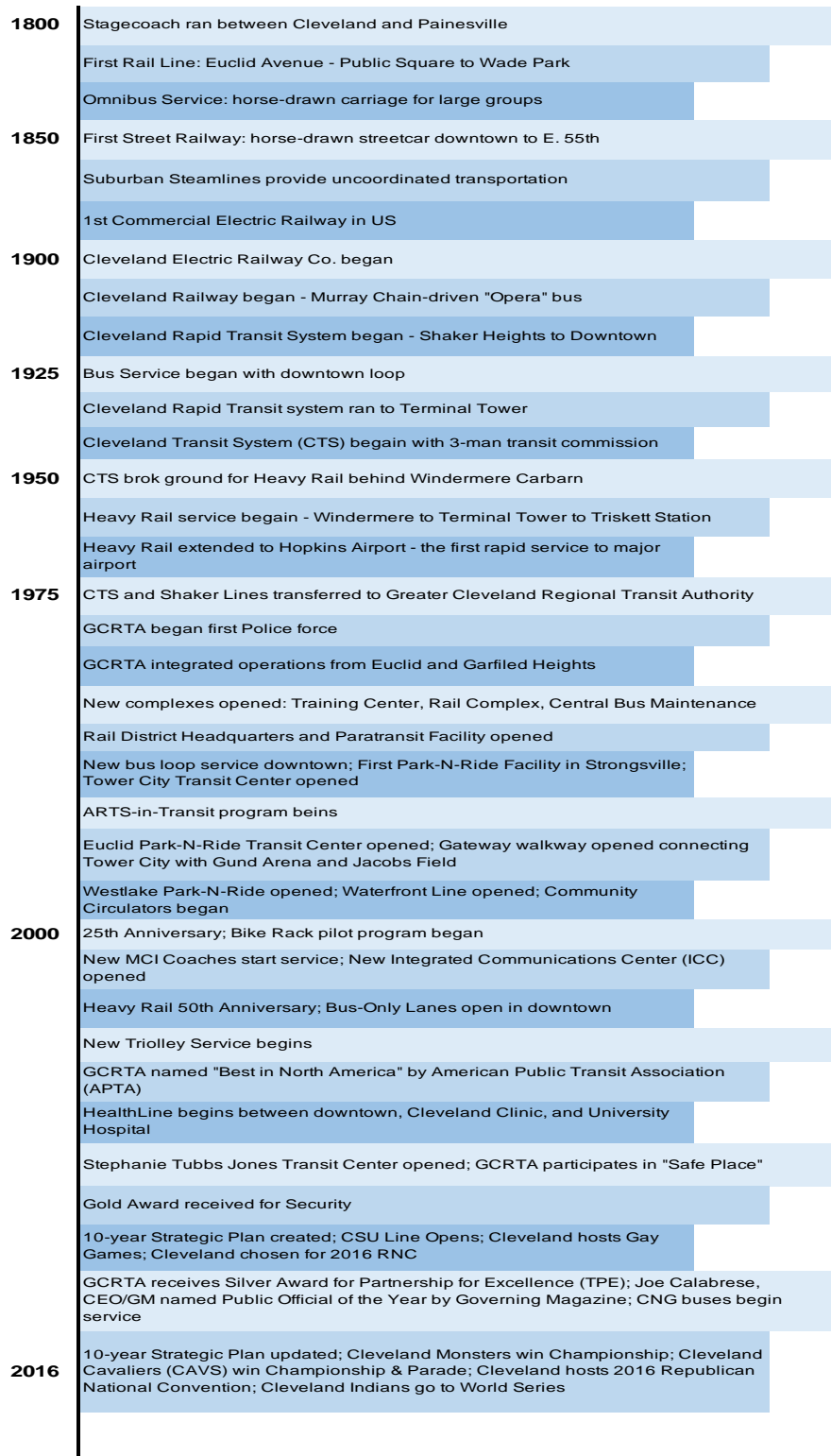


Figure 12

(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.

| | | | percent Change prior year |
|---|---|---------------|---------------------------------|
| Population | 2015 Census (estimate) | 1,255,921 | -0.4 percent |
| | percent Change from 2010 Census | 2 percent | 0 |
| | Projected 2020 Population | | |
| | Land Area (square miles) (2015) | 1,209,550 | 0 |
| | percent Female (2015) | 458.3 | 0 |
| | Persons per Square Mile (2015) | 52.7 percent | 0 |
| | 2,747 | 0 | |
| | percent White (2015) | 65.7 percent | -0.2 |
| | percent Black (2015) | 31.2 percent | 0.1 |
| | percent Hispanic/Latino (2015) | 5.3 percent | 0.2 |
| | percent Asian (2015) | 2.8 percent | 0.1 |
| | percent American Indian/Alaskan Native (2015) | 0.3 percent | 0.0 |
| Housing | Persons per household, 2015 | 2.45 | -0.01 percent |
| | # Housing Units (2014) | 619,303 | -560 |
| | Home Ownership rate (2009-2013) | 60.9 percent | -0.7 percent |
| | Median value of owner-occupied housing units (2009-2013) | \$125,700 | -\$9,200 |
| | Median Household Income (2015) | \$44,190 | -\$13 |
| | percent Under Poverty Level (2015) | 14.5 percent | 0 percent |
| | Cost of Living Index 2013 (U.S. Avg.: 100) | 95.9 | -7.6 |
| Largest Cities (2015) (# of Residents) | City of Cleveland | 388,072 | -1,788 |
| | Parma | 79,937 | -119 |
| | Lakewood | 50,656 | -297 |
| | Euclid | 47,676 | -242 |
| | Cleveland Heights | 44,962 | -243 |
| | Strongsville | 44,668 | -9 |
| | Westlake | 32,428 | -14 |
| | North Olmsted | 32,004 | -143 |
| | North Royalton | 30,311 | -30 |
| | Garfield Heights | 28,097 | -147 |
| Land Use/Land Cover (2014) | Urban (Residential, Commercial, Industrial, Transportation, etc.) | 66.85 percent | 0 |
| | Cropland | 0.99 percent | 0 |
| | Pasture | 0.03 percent | 0 |
| | Forest | 30.95 percent | 0 |
| | Open Water | 0.65 percent | 0 |
| | Wetlands | 0.37 percent | 0 |
| | Bare/Mines | 0.17 percent | 0 |

| | | | |
|---|--------------------------------------|--------------|---------|
| State Parks, Forests, Nature Preserves, and Wildlife Areas | Areas, Facilities | 1 | 0 |
| | Acreage | 13.5 | 0 |
| Education | 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 Branch Libraries | 9 63 | 0 0 |
| Means of Transportation to Work | 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 |
| Travel time to Work (16 yrs old and older) (2014) | Less than 15 minutes | 23.9 percent | 0.7 |
| | 15 to 29 minutes | 42.7 percent | 0.6 |
| | 30 to 44 minutes | 23.3 percent | -0.6 |
| | 45 to 59 minutes | 5.6 percent | 0.2 |
| | 60 minutes or more | 4.5 percent | 0.0 |
| Major Employers 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, 2011-2015 American Community Survey

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

Ohio Department of Job and Family Services-- 2016 Cuyahoga County Profile Statistical and Demographic Data

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 |
| 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 |
| 2015 | 5.3 | 4.9 | 5.3 | 4.9 |
| 2016 est. | 4.9 | 4.9 | 5.3 | 5.2 |

Figure 13

| County Population Changes | | | | |
|---------------------------|-----------|-----------|---------|-------|
| | 2015 Est. | 2010 | Diff. | % |
| Ashtabula | 98,632 | 101,497 | -2,865 | -2.8% |
| Cuyahoga | 1,255,921 | 1,280,109 | -24,188 | -1.9% |
| Geauga | 94,102 | 93,410 | 692 | 0.7% |
| Lake | 229,245 | 230,038 | -793 | -0.3% |
| Lorain | 305,147 | 301,356 | 3791 | 1.3% |
| Medina | 176,395 | 172,333 | 4062 | 2.4% |
| Portage | 162,275 | 161,421 | 854 | 0.5% |
| Summit | 541,968 | 541786 | 182 | 0.0% |

Figure 14

| Population - Census - Cities | | | | | | |
|------------------------------|-----------|---------|------------|----------|---------|---------|
| Year | Cleveland | Akron | Cincinnati | Columbus | Dayton | Toledo |
| 1900 | 381,768 | | 325,902 | 125,560 | 85,333 | 131,822 |
| 1920 | 796,841 | 208,435 | 401,247 | 237,031 | 152,559 | 243,164 |
| 1940 | 878,336 | 244,791 | 455,610 | 306,087 | 210,718 | 282,349 |
| 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 |
| 2015 Est. | 396,697 | 199,092 | 298,550 | 850,106 | 140,599 | 279,789 |

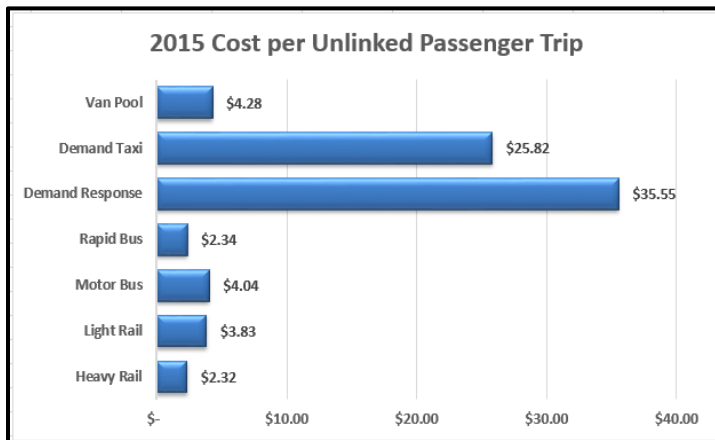
Figure 15

Source: United States Census Bureau. U.S

NATIONAL TRANSIT TRENDS

A total of 866 Agencies are included in the National Transit Database (NTD) for 2015. 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/)

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):

Figure 16

Total Unlinked Passenger Trips (by year):

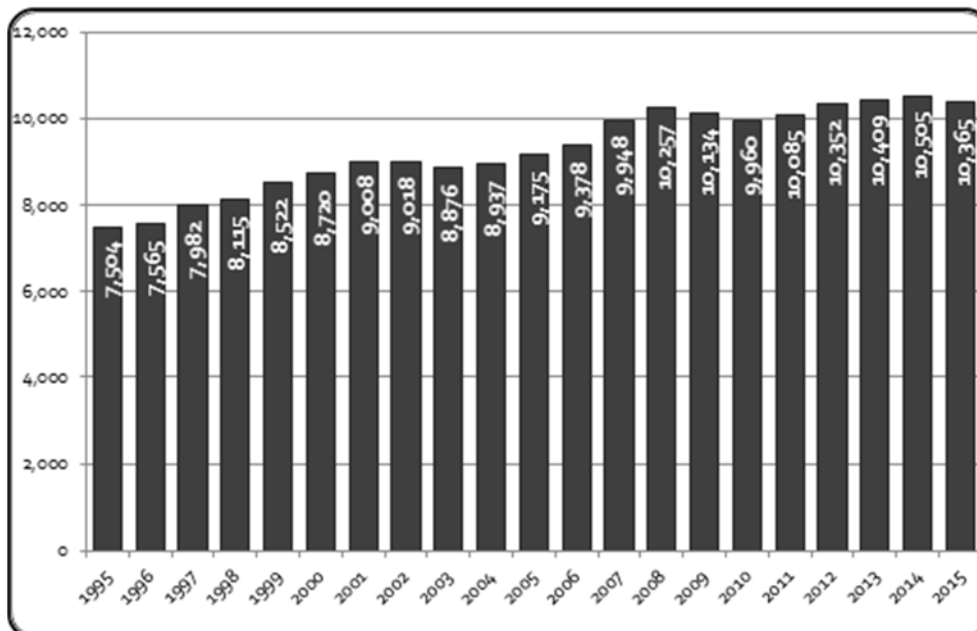


Figure 17

Source: National Transit Summaries and Trends for the 2015 National Transit Database Report Year

32 Agencies reported data in the National Transit Database in 2015

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 | Spare Ratio (%) |
|------------------------|--------|-----------|--------------|--------------------------|------------------------|-----------------------|-------------------------|------------------------------------|-----------------|
| Akron (Metro) | 420 | 541,824 | Bus | 4,946,568 | 19,291,615 | 3,900,456 | 111 | 139 | 25.2 |
| | | | DR | 268,843 | 1,846,489 | 1,593,690 | 91 | 121 | 33.0 |
| | | | Commuter Bus | 106,287 | 3,284,268 | 272,257 | 7 | 8 | 14.3 |
| Canton (SARTA) | 581 | 375,087 | Bus | 2,542,598 | 16,184,514 | 2,247,849 | 33 | 35 | 6.1 |
| | | | DR | 152,069 | 1,221,319 | 1,189,185 | 30 | 38 | 26.7 |
| Cincinnati (SORTA) | 262 | 845,303 | Bus | 15,964,372 | 97,051,405 | 9,558,810 | 298 | 357 | 19.8 |
| | | | DR/PT | 210,381 | 2,259,492 | 1,431,799 | 48 | 56 | 16.7 |
| Cleveland (GCRTA) | 458 | 1,412,140 | Bus | 32,810,537 | 143,016,054 | 13,416,573 | 350 | 375 | 7.1 |
| | | | RB | 4,461,433 | 10,538,255 | 600,242 | 16 | 21 | 31.3 |
| | | | HR | 6,438,252 | 43,869,205 | 2,528,661 | 20 | 40 | 100.0 |
| | | | LR | 2,608,770 | 15,113,234 | 844,272 | 14 | 34 | 142.9 |
| | | | DR | 357,677 | 2,936,439 | 2,534,482 | 73 | 80 | 9.6 |
| | | | DR/PT | 344,871 | 3,053,183 | 2,777,455 | 74 | 79 | 6.8 |
| Columbus (COTA) | 337 | 1,081,405 | Bus | 18,920,014 | 71,677,603 | 11,443,670 | 284 | 341 | 20.1 |
| | | | DR/PT | 282,515 | 2,975,485 | 3,495,999 | 77 | 78 | 1.3 |
| Dayton (GDRTA) | 274 | 559,062 | Bus | 7,821,464 | 37,925,993 | 5,648,454 | 96 | 111 | 37.8 |
| | | | DR | 211,860 | 1,902,661 | 1,881,496 | 56 | 77 | 37.5 |
| | | | TB | 2,315,532 | 6,355,010 | 897,787 | 26 | 39 | 50 |
| Lake County (Laketran) | 227 | 229,230 | Bus | 327,708 | 1,578,626 | 532,979 | 10 | 16 | 60 |
| | | | DR | 246,902 | 2,433,535 | 2,127,909 | 64 | 75 | 17.19 |
| Toledo (TARTA) | 140 | 366,314 | Bus | 2,764,640 | 13,243,688 | 3,015,497 | 100 | 120 | 20 |
| | | | DR | 304,096 | 2,862,011 | 2,065,173 | 62 | 81 | 30.65 |
| | | | DR/PT | 18,785 | 103,416 | 169,308 | 15 | 143 | 853.3 |
| Youngstown (WRTA) | 216 | 238,823 | Bus | 1,501,210 | 5,059,078 | 1,105,887 | 35 | 45 | 18.6 |
| | | | DR | 46,371 | 324,597 | 391,277 | 17 | 22 | 29.4 |

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

Figure 18

Data Source: 2015 National Transit Database

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.

Advocacy – Public support for a cause or policy, specifically for public transportation.

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

American Bus Benchmarking Group (ABBG) – A consortium of mid-sized bus agencies in North America, est. in 2011 to benchmark performance and share best practices.

American Recovery and Reinvestment Act (ARRA) – An economic stimulus package enacted by the 111th 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 percent of the funding is provided by local sources (versus grant funded sources) and represents expenses incurred to maintain or improve the Authority's assets.

Asset Management – A systematic approach to procuring, operating, maintaining, upgrading or replacing transit assets in a manner that reduces risk and costs while improving operational performance.

Average Cost per [Paratransit] Trip – Average cost to provide Paratransit Services to the ADA community using RTA vehicles and operators or contracted vehicles and operators.

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.

Balanced Scorecard – Tool to measure progress and metrics in performance management.

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.

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.

Continual Process Improvement – Measuring efficiency of resources used for process investments.

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).

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

Cost per Hour of Service – Rate of cost for each hour of revenue service.

Customer Engagement – Customer’s investment or commitment or loyalty to RTA’s brand and services.

Customer Satisfaction – A measure of how transit services meet or surpass customers’ expectations.

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.

Displaced Emissions / Displacement – Reduced emissions of private vehicles on a regional or national level through increased use of public transit services.

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.

DriveCam – System installed on revenue fleets to monitor driver behaviors, coach unsafe behavior, and reduce accidents and incidents.

Employee Engagement – The emotional and intellectual commitment of an employee, or segment of employees, committed to accomplishing RTA’s strategic objectives, mission, and vision.

Employee Injury Rates – Metric monitoring rate of employee injuries or accidents; 1 occurrence per 200,000 hours worked.

Employee Satisfaction – When employees are happy with their workplace and benefits provided by the organization; including incentives, recognition, and events.

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.

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 Vision – Objectives identified to achieve financial stability and fiscal responsibility.

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

Fiscal Responsibility – Commitment to managing financial resources as if they were from our own pocket.

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.

Functional Testing – Quality assurance testing process of customers used to determine physical ability to use fixed route services.

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 replacement train cars.

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.

Greenhouse Gas Emissions – Atmospheric gases contributing to the greenhouse effect; includes carbon dioxide, methane, nitrous oxide, and water vapor.

Growth Strategy – Objectives focused on improving Advocacy, Service Usage, and Passenger Satisfaction.

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.

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.

Information Technology (IT) Environment – Applications and systems needed to support business operations; impact of systems on efficiencies of an operating environment.

Innovation, Learning, & Growth – Efficiency measures of people investments; mainly Employee Satisfaction and Employee Engagement indicators.

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).

Management Development Program (MDP) Succession planning program to integrate external talent throughout the organization.

MAP-21 (Moving Ahead for Progress in the 21st 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.

Material Issues – Topics of highest importance in consensus identified by internal and external stakeholders.

Materiality Assessment – Defining the social, economic, and environmental topics that matter most to RTA and RTA’s stakeholders.

Miles Between Service Interruptions (MBSI) – Measured by miles; total service delivered before a vehicle breakdown that causes a service interruption.

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.

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.

On-Time Performance – Schedule adherence; ability to deliver service as scheduled.

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 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.

People Investments – Resources allocated to developing and supporting workforce capabilities.

Performance Management – Culture of continual improvement of transit services, operational processes, and administrative processes; fostered by collecting, sharing, and analysis of data and reported through various mechanisms like TransitStat, Executive Safety Committee, Quarterly Management Meetings, and other forums.

Preventive Maintenance – Regularly performance maintenance on vehicles, equipment, or facilities to reduce probability of failure.

Predictive Maintenance – Defining the condition of assets in order to predict maintenance; cost savings through time-based maintenance best practices.

Preventable Collision Rates – Metric monitoring rate of collisions defined as preventable; 1 occurrence per 100,000 miles.

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

Process Investments – Committing resources to improving priority, value-creation processes.

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

Public Transit Management Academy (PTMA) – RTA program in partnership with Cleveland State University (CSU), which provides leadership development across all workforce segments.

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.

Ridership – Number of people using a transit service, generally aggregated over a given period of time across several modes or services.

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 Capacity – The comparison of scheduled miles to actual, delivered miles optimized by available operators and vehicles.

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

Standard Operating Procedure (SOP) – Methods followed routinely for performance of defined operations or situations.

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.

Strategic Plan – Process outlining RTA’s Vital Few Objectives (VFOs) and prioritized Changed Initiatives (CIs).

Strategy Map – Tool aligning and prioritizing key objectives for implementing the Strategic Plan.

Succession Planning – Program in place to develop future leaders for RTA.

Sustainability – Ability to continue a defined behavior or process indefinitely; maintain availability of natural and human capital for the foreseeable future.

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.

Tons CO₂e – Measure of greenhouse gas impact on climate change as referenced through concentration levels of CO₂.

TransitStat – The Greater Cleveland Regional Transit Authority's performance monitoring program. It is characterized with frequently scheduled performance monitoring forums, embracing the use of data, statistics, and metrics as a means to exceed customers' expectations, as well as achieve operational excellence. It is a critical link to achieving high-level performance directed towards the Authority's Mission, Vision, and Values.

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.

Unlinked Passenger Trip – A one-way ride on a transit vehicle, not including transfers, and despite fare type.

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.

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.

Vehicle Reliability – Minimize the impact of vehicle defects on On-Time Performance through improved maintenance practices for vehicles and equipment.

Voice of Customer – Process for collecting customer-focused information.

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