

RESOLUTION NO. 1991 - 149

A RESOLUTION ADOPTING THE TAX BUDGET OF THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY FOR THE FISCAL YEAR BEGINNING JANUARY 1, 1992 AND SUBMITTING THE SAME TO THE COUNTY AUDITOR

WHEREAS, a tax budget for the Greater Cleveland Regional Transit Authority for the fiscal year beginning January 1, 1992, for the purpose of said Authority during such year, and of revenues to be received for such fiscal year, including all general and special taxes, fees, rental, charges, and all other types of classes of revenues, also estimates of all expenditures or charges in or for the purposes of such fiscal year to be paid or met from the said revenues, and otherwise conforming with the requirements of law, has been prepared; and

WHEREAS, said budget has been made conveniently available for public inspection for at least ten (10) days by having at least two (2) copies thereof on file in the office of the Assistant General Manager - Finance and Administration of this Authority; and

WHEREAS, the Board of Trustees on this day has held a public hearing on said budget of which public notice was given by publication in the Plain Dealer on July 11, 1991.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Greater Cleveland Regional Transit Authority, Cuyahoga County, Ohio:

Section 1. That the budget of the Greater Cleveland Regional Transit Authority, for the fiscal year beginning January 1, 1992, heretofore prepared and submitted to this Board of Trustees, copies of which have been and are on file in the Office of the Assistant General Manager - Finance and Administration with the revisions to said tentative budget which are incorporated therein and which are hereby approved, is hereby adopted as the official Tax Budget of said Authority for the fiscal year beginning January 1, 1992.

Section 2. That the Assistant General Manager - Finance and Administration be and he is hereby authorized and directed to have certified a copy of said budget and a copy of this resolution and to transmit the same to the Auditor of Cuyahoga County, Ohio.

Section 3. That this resolution shall be effective immediately upon its adoption.

Adopted: July 23, 1991



President

Attest: 

General Manager/Secretary-Treasurer

Attachment: 1992 Tax Budget and Assumptions

**GREATER CLEVELAND
REGIONAL TRANSIT AUTHORITY**

1992 Tax Budget Assumptions

1992 Tax Budget General Fund Balance Analysis

	1989 Actual	1990 Actual	1991 Estimate	1992 Tax Budget
Beginning Balance	30,913,098	19,467,375	21,209,111	8,561,855
Revenue				
Passenger Fares	35,565,273	38,341,541	42,249,200	44,200,000
Advertising & Concessions	932,412	937,213	912,700	957,800
Sales & Use Tax	93,198,049	99,721,371	101,000,000	106,100,000
Federal Operating Assistance	3,472,433	19,204,925	9,210,635	9,210,600
State Operating Assistance	3,199,724	7,252,585	6,543,279	6,543,300
Ohio Elderly Fare Assistance	965,846	625,614	625,800	630,000
Investment Income	2,720,263	2,161,916	1,500,000	1,000,000
Other Revenue	771,194	2,004,452	1,485,000	912,500
Reimbursed Expenditures	1,627,324	1,774,381	1,869,400	2,000,000
Total Revenue	142,452,518	172,023,998	165,396,014	171,554,200
Total Resources	173,365,616	191,491,373	186,605,125	180,116,055
Operating Expenditures				
Personnel Services	96,729,850	105,783,851	111,496,869	114,284,291
Other Expenditures	39,860,586	43,677,349	45,224,401	46,355,011
Total Operating Expenditures	136,590,436	149,461,200	156,721,270	160,639,302
Transfers				
Bond Retirement Fund	7,988,000	7,648,925	7,422,000	6,686,525
Capital Improvement Funds	4,500,000	6,000,000	700,000	4,100,000
Total Transfers	12,488,000	13,648,925	8,122,000	10,786,525
Total Expenditures	149,078,436	163,110,125	164,843,270	171,425,827
Ending Balance	24,287,180	28,381,248	21,761,855	8,690,228
Capital Improvements Contribution	4,819,805	7,172,137	6,200,000	6,505,000
Cash Balance	19,467,375	21,209,111	15,561,855	2,185,228
Year-End Encumbrances			(7,000,000)	
Available Ending Balance			8,561,855	2,185,228

1992 Tax Budget Financial Indicators

	1989 Actual	1990 Actual	1991 Estimate	1992 Estimate
Operating Ratio	28.7%	27.7%	28.5%	28.7%
Operating Reserve (Months)	1.7	1.7	0.7	0.2
Cost/Hour of Service	\$63.53	\$65.86	\$67.26	\$68.94
Growth per Year		3.7%	2.1%	2.5%
Sales Tax Contribution to Capital	10.0%	13.2%	6.8%	10.0%

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Definitions:

Operating Ratio = Operating Revenue (Fares + Advertising + Interest) / Total Operating Expenditures

Operating Reserve = Available Ending Balance / (Total Operating Expenditures/12)

Cost/Hour of Service = Total Operating Expenditures / Total Service Hours

Sales Tax Contribution to Capital = (Capital Improvements Contribution + Capital Improvement Transfers) / Sales & Use Tax Revenue

Greater Cleveland Regional Transit Authority

1992 TAX BUDGET ASSUMPTIONS

GENERAL FUND ASSUMPTIONS

Inflation

Assumption: 4.1%

Rationale:

Inflation can usually be expected to decline during periods of economic recovery. The recession, we are told, is ending and the roughly 5% inflation experienced recently should decline somewhat. This recession was not as deep as those experienced in either 1974 or 1981, when manufacturing capacity, one indicator of the production "slack" in the economy, fell to 70%. Today it stands at 77.1%. Unemployment also stands at levels below those experienced in earlier economic slowdowns. The recovery expected through next year should not drive inflation excessively, and the literature (Kidder Peabody, et. al.) suggests it should trend just above 4% through 1992.

However, for non-consumables, a 3% growth factor will be applied. This conservative approach is due more to resource constraints than to the overall economy. Until sales tax receipts and passenger fare collections rebound to the levels budgeted for 1991 and beyond, the Authority will have to closely contain its costs in order to maintain an acceptable operating reserve and a reasonable contribution to capital.

Interest Rates

Assumption: 6-7%

Rationale:

The Fed funds rate, currently targeted at 5.75%, is not expected to change anytime soon. Two-year treasury notes, currently yielding about 7%, are also expected to stay near current levels. It is unlikely that the Fed will aggressively tighten credit

during a presidential election year, and a relatively modest recovery should remove the economic incentive to do so. The specific rate used to calculate revenue projections will depend on the fund being examined and the terms of matching investment instruments. For example, the General Fund is the most "liquid" fund. Therefore, its investments have the shortest maturities, and its earnings will skirt closer to 6% than 7%.

Encumbrances

These contract and purchase obligations, which restrict the amount of operating cash available, are subtracted from the projected 1991 ending cash balance to yield the available ending balance which carries into the 1992 Tax Budget. It is assumed that roughly \$7.0 million will be restricted. This amount is consistent with the efforts planned for the second half of 1991 to reduce outstanding purchase orders and such carryovers into the new year. At the opening of 1991, \$7.2 million of the General Fund Beginning Balance was encumbered.

Beginning Balance

The beginning balance for each of the four years shown is intended to represent available, unrestricted cash and investments. This amount is typically less than the actual cash balance in our accounting records by a figure equal to reserves for Worker's Compensation, payroll withholdings and amounts due to the General Fund from the RTA Capital Fund. In addition, the 1992 beginning balance includes year-end 1991 encumbrances.

Available Ending Balance

The 1992 available ending cash balance is projected to be about \$2.1 million. Adding year-end 1991 encumbrances of \$7 million, it is expected that the total cash on hand will be over \$9.1 million. From these figures, it is clear that the Authority's policy of maintaining a reserve equal to one month's operating expenses in the General Fund will be difficult to satisfy. The trend in this balance indicates that 1992 will be a difficult budget year as expenses grow in the face of relatively steady revenues.

REVENUES

Passenger Fares

Assumption: **\$44.2 million**

Rationale:

Through May 1991, passenger fare revenue has increased only 6.3% from the same period in 1990, versus the 13.7% assumed in the 1991 Budget. As a result, the 1991 fare revenue estimate has been revised downward from the budgeted \$44.6 million to \$42.2 million. While nearly \$600,000 of this variance is attributable to student fare increases which were budgeted but not implemented, about \$1.8 million in reduced collections is due to planned ridership growth which has not as yet materialized.

Because of the general fare increase enacted in February 1991, and despite the current ridership trends, revenues are running almost \$4 million ahead of 1990 on an annual basis. The 1991 projection assumes actual collections through May 1991, a 10.3% increase in June through August to match the March through May 1991 pattern, and a 15% revenue increase in September through December, all over the same periods, in 1990.

To arrive at a 1992 estimate, the 1991 total was adjusted to assume twelve months of fare collections at the new rates, and the total was then incremented 3% on the assumption that an improving economy would result in a modest ridership gain.

Advertising Revenue

Assumption: **\$957,800**

Rationale:

The contractual minimum for the new advertising agreement is used for this estimate. It includes one month of receipts at the 1991 level and eleven months at the 1992 rate to express the total on a budget/cash basis.

Sales Tax

Assumption: **\$106.1 million**

Rationale:

The full effects of the recession, which began during the latter part of 1990, were felt during 1991. Reduced consumer spending during the last quarter of 1990 resulted in depressed sales tax receipts during the first quarter of 1991. As the recession continued into the first half of 1991, our annual sales tax estimate was revised downward to \$101 million. The gradual economic rebound now in progress is expected to continue into 1992. The 5% increase assumed in 1992 sales tax collections over 1991 combines the effect of inflation (4.1%) with a presumed accelerated demand for higher priced consumables, most notably automobiles, which should be reflected in 1992 sales.

Federal Operating Assistance

Assumption: **\$9.2 million**

Rationale:

Operating assistance for 1992 was estimated at \$9.2 million in the Transportation Improvement Program, but has yet to be confirmed by UMTA. All of this award will be received in 1992. While operating support will remain static, more federal capital assistance should be available in 1992.

State Operating Assistance

Assumption:

Operating Assistance	\$6,543,300
Elderly and Handicapped	630,000

Rationale:

Funding levels for 1992 are expected to remain the same as in 1991. State budget allocations for operating assistance have not been finalized. There are proposals to trim these grants, but the final determination has yet to be made.

Investment Income

Assumption: **\$1,000,000**

Rationale:

After the direct contribution of 10% of Sales Tax collections to capital funds, the average General Fund daily balance is projected to be \$15.6 million for 1992 compared to more than \$20 million in 1991 and about \$25 million in 1990. This figure should earn between 6% and 6.5%. For all funds, about \$4 million will be earned next year given current circumstances.

Other Revenue

Assumption: **\$912,500**

Rationale:

In 1990, the Authority received favorable judgements in two court cases which garnered about \$1,000,000 in other revenue. In 1991, about \$500,000 from the health insurance rate stabilization account was returned to Authority custody, again inflating Other Revenue above the norm. For 1992, a more typical collection rate is expected, and no unusual claims or receivables are anticipated.

Reimbursed Expenditures

Assumption: **\$2.0 million**

Rationale:

This category is composed of grant labor reimbursements, expected to grow slightly in 1992, and federal diesel fuel tax refunds. In this latter category, RTA will recoup \$.21 per gallon of diesel fuel consumed from January through June. The rate for the last half of 1992 will be \$.23 per gallon. The estimate also assumes no net changes in service miles or fuel consumption patterns.

EXPENDITURES

Personnel Services

Assumption: **\$114.3 million**

Rationale:

This estimate for salaries and fringe benefits is about 2.5% over the current 1991 projection and is well below the 1992 rate of inflation (4.1%). It is conservative and driven as much by resource constraints as by operating requirements. No significant service additions are planned for next year under this scenario.

Fringe benefits account for much of the increase. In 1992, 31.2% of gross salaries, on the average, will be paid to cover employer contributions to the Public Employees Retirement System (PERS) and medicare, health care benefits, longevity payments, and attendance bonuses, among other employee benefits. Health care costs are expected to increase by more than 20% in 1992. Actual fringe benefit rates will vary by department.

Salary estimates reflect the full year cost impact of positions filled in 1991.

Other Expenditures

Assumption: **\$46.4 million**

Rationale:

The projected growth of only 2.5% in 1992 will be difficult to achieve. Services will have to remain budgeted at 1991 levels, commodity costs will grow at a rate approximating inflation (4.1%), and diesel fuel should stabilize at around \$.60 per gallon, a small increase over the \$.57 paid currently.

TRANSFERS

Figures shown for the Bond Retirement Fund are simply debt service less the investment earnings already in the fund. The interest and principal payments on outstanding bonds and notes are taken from debt amortization schedules. The payments are declining as outstanding bonds are being retired. The Authority has incurred no new debt since 1986.

The contribution to Capital Improvement Funds covers local Asset Maintenance and Routine Capital purchases, as well as required local matches of grant-funded projects. Beginning with 1989, it became RTA policy to contribute at least 10% of Sales Tax receipts to these purposes. The 1992 Tax Budget meets the 10% minimum contribution level.

FINANCIAL INDICATORS

The General Fund statement presented in this Tax Budget results in the following performance against the Authority's financial policies.

Operating Ratio: The policy requires a 25% ratio, with 30% being the long-term objective. The tax budget yields 28.7%, very slightly improved over 1991, and a full 1% better than achieved in 1990.

Cost/Hour: Our policy requires that growth in the cost per hour from year to year be kept below the rate of inflation. This budget assumes a 2.5% growth in cost, well below even conservative estimates of 1992 inflation.

Sales Tax Contribution to Capital: The tax budget achieves a 10% contribution of Sales Tax receipts to capital funds.

Operating Reserve: This budget does not meet the policy requirement of a one month operating reserve (indicator=1.0). The balance achieved (\$2.1 million) would not be sufficient, on a long-term basis, to comfortably assure budget and fiscal security.

INSURANCE FUND

Typically, the only activity has been investment income. However, in 1990, a diesel fuel tank leak occurred and the costly environmental cleanup costs are reflected in 1990 thru 1992.

SUPPLEMENTAL PENSION FUND

Authority employees who were employed by predecessor transit systems are covered by supplemental benefit payments. Since the plan is fully funded, the only activity is investment income and benefit payments. Interest rates are estimated to run about 7% in 1991 and 1992.

BOND RETIREMENT FUND

In 1992 the General Fund will be the sole source of all fund transfers necessary to make scheduled interest and principal payments. The last series of long-term debt will expire in 1998. Investment income is based on rates slightly less than 7% through 1991 and 1992.

CAPITAL IMPROVEMENT FUNDS

Funds needed to meet the local share requirements of federal grants and funds for locally-funded capital projects are provided through the retention of investment earnings and contributions from sales tax proceeds. The 1991 and 1992 RTA Capital Fund outlays are based on current and historical expenditure levels.

The estimated 1991 grant-funded capital outlays are predicated on year-to-date outlays and obligations. The 1992 projection includes projects approved in the six-year Capital Improvements Plan. It is expected that activity will fall off after the completion of the Tower City project and will increase again in 1992 as the new bus garage is started and the Red Line track, bridge, and station rehabilitation and other projects move forward.

The state capital grant estimates consider applications which are pending with ODOT and a reduced contribution from prior years due to state budget constraints.

Insurance Fund Balance Analysis

	1989 Actual	1990 Actual	1991 Estimate	1992 Tax Budget
Beginning Balance	10,487,782	11,541,287	11,630,847	12,036,357
Revenue				
Transfer from General Fund	0	64,544	0	0
Investment Income	1,053,505	941,426	825,000	864,000
Total Revenue	1,053,505	1,005,970	825,000	864,000
Total Resources	11,541,287	12,547,257	12,455,847	12,900,357
Expenditures				
Claims Outlay	0	916,410	419,490	1,500,000
Total Expenditures	0	916,410	419,490	1,500,000
Ending Balance	11,541,287	11,630,847	12,036,357	11,400,357

Bond Retirement Fund Balance Analysis

	1989 Actual	1990 Actual	1991 Estimate	1992 Tax Budget
Beginning Balance	690,648	663,901	642,000	592,900
Revenue				
Transfer from General Fund	7,984,000	7,768,924	7,421,400	6,686,525
Transfer from Grant Fund	0	0	0	0
Investment Income	267,003	280,300	228,000	170,700
Total Revenue	8,251,003	8,049,224	7,649,400	6,857,225
Total Resources	8,941,651	8,713,125	8,291,400	7,450,125
Operating Expenditures				
Debt Service				
Principal	4,600,000	4,917,138	5,100,000	5,100,000
Interest	3,677,750	3,153,987	2,598,500	2,007,125
Total Expenditures	8,277,750	8,071,125	7,698,500	7,107,125
Ending Balance	663,901	642,000	592,900	343,000

Supplemental Pension Fund Balance Analysis

	1989 Actual	1990 Actual	1991 Estimate	1992 Tax Budget
Beginning Balance	2,094,548	2,022,019	1,941,304	1,860,304
Revenue				
Transfer from General Fund	0	0	0	0
Investment Income	160,306	141,956	140,000	135,000
Total Revenue	160,306	141,956	140,000	135,000
Total Resources	2,254,854	2,163,975	2,081,304	1,995,304
Expenditures				
Service Credit Cost	0	0	0	0
Benefit Payments	232,835	222,671	221,000	220,000
Total Expenditures	232,835	222,671	221,000	220,000
Ending Balance	2,022,019	1,941,304	1,860,304	1,775,304

Capital Improvement Funds Balance Analysis

	1989 Actual	1990 Actual	1991 Estimate	1992 Tax Budget
Beginning Balance	33,416,574	38,450,029	31,638,565	29,126,019
Revenue				
Transfer from General Fund	9,319,805	13,172,137	6,900,000	7,225,000
Investment Income	3,026,075	3,355,161	1,973,000	1,740,000
Federal Capital Grants	34,068,770	44,413,691	33,386,000	42,108,300
State Capital Grants	3,375,754	2,074,498	2,906,803	2,018,741
Local Match - UDAG	1,619,199	854,956	2,090,801	0
Other	18,058	32,027	0	0
Total Revenue	51,427,661	63,902,470	47,256,604	53,092,041
Total Resources	84,844,235	102,352,499	78,895,169	82,218,060
Expenditures				
Capital Outlay	46,394,206	70,713,934	49,769,150	61,192,500
Transfer to Bond Retirement	0	0	0	0
Total Expenditures	46,394,206	70,713,934	49,769,150	61,192,500
Ending Balance	38,450,029	31,638,565	29,126,019	21,025,560