

RESOLUTION NO. 1993 -118

A RESOLUTION ADOPTING THE TAX BUDGET OF THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY FOR THE FISCAL YEAR BEGINNING JANUARY 1, 1994 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, 1994, 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 or 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 8, 1993.

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, 1994, 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, 1994.

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.

Attachments: 1994 Tax Budget Assumptions

Adopted: July 20, 1993



President

Attest: 

General Manager/Secretary Treasurer

**GREATER CLEVELAND
REGIONAL TRANSIT AUTHORITY**

1994 Tax Budget Assumptions

Greater Cleveland Regional Transit Authority
1994 TAX BUDGET ASSUMPTIONS

GENERAL FUND ASSUMPTIONS

Inflation

Assumption: 3.8%

Rationale:

After sinking to an annual rate of 2.9% during 1992, consumer inflation is expected to average about 3.5% during 1993, and continue trending higher during 1994. Since the Federal Reserve appears committed to keeping inflation below 4%, a 3.8% rate is assumed for 1994.

Interest Rates

Assumption: 4.0-5.0%

Rationale:

Various economic indicators were reviewed to determine interest rate trends into 1994. The Fed funds rate, currently targeted at 3.00%, is expected to move up by 50 basis points before the end of this year. Yields on two-year treasury notes recently rose above 4% and are expected to rise above 5% during 1994. Overall, interest rates are expected to fall between 4.0% and 5.0% in 1994. The specific rate used in calculating revenue projections depends on the fund being examined and the terms of the 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 4.0% than 5.0%.

Beginning Balance

The beginning balance for each of the four years shown is intended to represent 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, amounts due to the General Fund from the RTA Capital Fund, and encumbrances.

Available Ending Balance

The 1994 available ending cash balance is projected to be about \$5.3 million. Adding year-end encumbrances of \$6.5 million, it is expected that the total cash on hand will be over \$11.8 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. Once again, the performance of the major revenue sources will drive our ability to achieve an acceptable ending balance in 1994.

REVENUES

Passenger Fares

Assumption: *\$43.4 million*

Rationale:

Through May 1993, passenger fare revenue collections have increased 5.5% from the same period in 1992. These collections are 2.2% under expected budget levels though. At this point, the 1993 estimate remains unchanged from the original budget. Further adjustment may be required at midyear.

The 1994 estimate assumes a modest .6% increase in the customer base and reflects the full-year impact of the fare increases and service changes implemented in 1993.

Advertising Revenue

Assumption: \$914,000

Rationale:

The re-negotiated contract minimum for the advertising agreement is used for this estimate. It includes one month of receipts at the 1993 level and eleven months at the 1994 rate to express the total on a budget/cash basis.

Sales Tax

Assumption: \$110.2 million

Rationale:

An uneven but modest economic rebound is now in progress, and is expected to continue into 1994. A conservative 4% increase is assumed in 1994 sales tax collections over the 1993 first quarter estimate of \$106 million. Changes to State sales tax laws that were effective in early 1993 should result in a growth rate slightly higher than the rate of inflation.

Federal Operating Assistance

Assumption: \$8.9 million

Rationale:

At present this source is projected at 1993 levels. If adopted, a House proposal would result in a 6.2% decrease in Federal Operating Assistance in 1994. This would mean the loss of \$560,000. All of the projected \$8.9 million award will be received in 1994.

State Operating Assistance

<i>Assumption:</i>	<i>Operating Assistance Elderly and Handicapped</i>	<i>\$6.1 million \$535,000</i>
--------------------	---	------------------------------------

Rationale:

Funding levels for 1994 are expected to remain the same as in 1993. State budget allocations for operating assistance have not been finalized, but funding levels are not expected to be reduced.

Investment Income

<i>Assumption:</i>	<i>\$600,000</i>
--------------------	------------------

Rationale:

After the direct contribution of 10% of Sales Tax collections to capital funds, the average General Fund daily balance is projected to be \$15.0 million for 1994 compared to more than \$17.0 million in 1993. This figure should earn about 4.0%. For all funds, about \$1.9 million will be earned next year, a reduction in revenue from last year due to lower fund balances, and lower average returns.

Other Revenue

<i>Assumption:</i>	<i>\$950,000</i>
--------------------	------------------

Rationale:

As in 1993, the 1994 Tax Budget assumes no unusual claims or receivables. This revenue category normally consists of rental income, salvage sales, identification card proceeds, and various claims reimbursements.

In 1991 and 1992 there were several unusual, one-time receipts which accounts for the large drop off in 1993 and 1994.

Reimbursed Expenditures

Assumption: *\$3.5 million*

Rationale:

This category is composed of grant labor reimbursements, and federal diesel fuel tax refunds. In this latter category, RTA will recoup \$.21 per gallon from diesel fuel taxes, or \$1.3 million. The estimate also assumes no net changes in service miles or fuel consumption patterns beyond the impact of the service changes implemented in 1993.

EXPENDITURES

Personnel Services

Assumption: *\$115.5 million*

Rationale:

The 1994 estimate for salaries and fringe benefits is about 2.2% over the First Quarter 1993 projection and is about 40% less than the expected rate of inflation for 1994. It includes the annualized impact of the March and June service changes, funds staffing at 1993 approved levels, and accounts for currently-negotiated bargaining and non-bargaining unit wage increases. The estimate also reflects expected increases in health care costs and other fringe benefits that will average 7.1% over 1993 levels.

Other Expenditures

Assumption: *\$46.4 million*

Rationale:

In total, this category of operating costs will increase 4.0% in 1994, slightly greater than the 3.8% assumed inflation rate. Projections again include the annualized impact of 1993 service changes, particularly the estimate for diesel fuel, which includes an additional \$.02 per gallon increase for the purchase of low sulfur fuel.

Transfers

<i>Assumption:</i>	<i>Bond Retirement</i>	<i>\$5.2 million</i>
	<i>Capital Improvements</i>	<i>\$11.0 million</i>
<i>Rationale:</i>		

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 Authority last issued debt in 1992, a \$10 million bond sale.

The contribution to Capital Improvement Funds covers local Asset Maintenance and Routine Capital purchases, as well as required local matches for grant-funded projects. Beginning with 1989, it became RTA policy to contribute at least 10% of Sales Tax receipts to these purposes. The 1994 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 28.2%, a slight decrease from the 28.7% level in 1993.

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 4.4% growth in cost, an amount slightly greater than the 1994 inflation rate of 3.8%, due both to inflationary cost increases and to wage and benefit cost increases that are combined with a reduction in service hours.

Sales Tax Contribution to Capital: The tax budget achieves the minimum 10% contribution of Sales Tax receipts to capital funds at \$11.0 million.

Operating Reserve: At .40, this budget does not meet the policy requirement of a one-month operating reserve (indicator=1.0).

INSURANCE FUND

The Authority is self-insured in all areas except personal property and equipment. The Authority's financial policies require a minimum balance of \$10.0 million be available for this purpose, based on an actuarial analysis. The only activity expected in 1994 is investment income, at an average rate of about 4.5%. This will bring the balance in this fund to \$10.5 million by the end of 1994.

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 4.5% in 1994, as investment maturities are shortened in anticipation of restructuring the financing for the Authority's supplemental pension plans.

BOND RETIREMENT FUND

In 1994, the General Fund will be the sole source of all fund transfers necessary to make scheduled interest and principal payments on the \$20.7 million in debt outstanding at the end of 1993. The last series of long-term debt will expire in 1998. Investment income is based on rates of 3.75% through 1994.

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 1993 and 1994 RTA Capital Fund outlays are based on current and expected expenditure levels.

The estimated 1993 grant-funded capital outlays are predicated on year-to-date outlays and obligations. The 1994 projection includes projects approved in the six-year Capital Improvements Plan. In 1994, the new bus garage and Gateway Accessway projects will be in full swing and track, bridge, and station rehabilitation, among other projects, will continue.

The state capital grant estimates consider approved grants only. No additional grants are assumed or expected in 1994.

LAW ENFORCEMENT FUND

In 1988, RTA became involved with the multi-jurisdictional Caribbean/Gang Task Force. RTA's involvement was prompted by the increased gang activity found in and around the rail system and the need to obtain intelligence in this area. In addition to the benefits of intelligence gathering and improved inter-department relations, RTA derives revenue from seized and confiscated moneys and/or properties of convicted drug dealers prosecuted by the Task Force. Revenue obtained through the Task Force can be expended for non-budgeted police items. The Authority uses these proceeds for unbudgeted capital items. Furthermore, certain guidelines have been instituted by the State Attorney General's Office for the reporting of and disbursement of funds. No expenditures are assumed in 1994 as of this time.

1994 TAX BUDGET

General Fund Balance Analysis

	1991 Actual	1992 Actual	1993 Estimate	1994 Tax Budget
Beginning Balance	14,441,686	5,177,343	9,061,117	8,199,349
Revenue				
Passenger Fares	40,213,168	38,619,932	42,837,000	43,442,000
Advertising & Concessions	657,622	586,384	918,000	914,000
Sales & Use Tax	98,551,334	102,195,800	106,000,000	110,200,000
Federal Operating Assistance	9,210,635	9,145,526	8,939,000	8,939,000
State Operating Assistance	6,568,279	12,682,137	0	6,089,000
Ohio Elderly Fare Assistance	310,846	836,067	535,000	535,000
Investment Income	1,646,729	727,317	725,000	600,000
Other Revenue	1,520,652	2,787,336	950,000	950,000
Reimbursed Expenditures	2,475,603	4,130,441	3,800,000	3,500,000
Transfer From Insurance Fund	0	1,233,000	270,000	0
Transfer From Pension Fund	0	0	200,000	0
Total Revenue	161,154,868	172,943,940	165,174,000	175,169,000
Total Resources	175,596,554	178,121,283	174,235,117	183,368,349
Operating Expenditures				
Personnel Services	109,236,547	113,267,091	113,068,525	115,534,066
Other Expenditures	47,117,135	45,023,270	44,580,243	46,366,430
Total Operating Expenditures	156,353,682	158,290,361	157,648,768	161,900,496
Transfers				
Bond Retirement Fund	7,410,391	6,769,805	4,387,000	5,190,000
Capital Improvement Funds	0	4,000,000	3,140,000	8,070,000
Total Transfers	7,410,391	10,769,805	7,527,000	13,260,000
Total Expenditures	163,764,073	169,060,166	165,175,768	175,160,496
Ending Balance	11,832,481	9,061,117	9,059,349	8,207,853
Capital Improvements Contribution	6,655,138	0	860,000	2,950,000
Available Ending Balance	5,177,343	9,061,117	8,199,349	5,257,853

1994 TAX BUDGET

Financial Indicators

	1991 Actual	1992 Actual	1993 Estimate	1994 Tax Budget
Operating Ratio	27.4%	25.8%	28.7%	28.2%
Operating Reserve (Months)	0.40	0.70	0.63	0.40
Cost/Hour of Service	\$66.91	\$70.35	\$74.84	\$78.10
Growth per Year	1.8%	5.1%	6.4%	4.4%
Sales Tax Contribution to Capital	6.8%	3.9%	3.8%	10.0%

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 Transfer) / Sales & Use Tax Revenue

Notes:

* Total Operating Expenditures are net capital expenditures.

Insurance Fund Balance Analysis

	1991 Actual	1992 Actual	1993 Estimate	1994 Tax Budget
Beginning Balance	11,566,303	12,014,326	10,266,023	10,050,023
Revenue				
Investment Income	902,835	762,485	550,000	450,000
Total Revenue	902,835	762,485	550,000	450,000
Total Resources	12,469,138	12,776,811	10,816,023	10,500,023
Expenditures				
Claims Outlay	454,812	1,277,788	496,000	0
Transfer to General Fund	0	1,233,000	270,000	0
Total Expenditures	454,812	2,510,788	766,000	0
Ending Balance	12,014,326	10,266,023	10,050,023	10,500,023

Supplemental Pension Fund Balance Analysis

	1991 Actual	1992 Actual	1993 Estimate	1994 Tax Budget
Beginning Balance	1,941,304	1,880,281	1,826,281	1,520,281
Revenue				
Investment Income	154,589	105,000	50,000	67,500
Total Revenue	154,589	105,000	50,000	67,500
Total Resources	2,095,893	1,985,281	1,876,281	1,587,781
Expenditures				
Benefit Payments	215,612	159,000	156,000	155,000
Transfer to General Fund	0	0	200,000	0
Total Expenditures	215,612	159,000	356,000	155,000
Ending Balance	1,880,281	1,826,281	1,520,281	1,432,781

Bond Retirement Fund Balance Analysis

	1991 Actual	1992 Actual	1993 Estimate	1994 Tax Budget
Beginning Balance	642,001	593,000	393,173	440,090
Revenue				
Transfer from General Fund	7,410,390	6,769,805	4,387,000	5,190,000
Transfer from Local Match			325,000	0
Investment Income	239,109	137,493	52,000	75,000
Total Revenue	7,649,499	6,907,298	4,764,000	5,265,000
Total Resources	8,291,500	7,500,298	5,157,173	5,705,090
Operating Expenditures				
Debt Service				
Principal	5,100,000	5,100,000	2,700,000	3,700,000
Interest	2,598,500	2,007,125	2,017,083	1,587,375
Total Expenditures	7,698,500	7,107,125	4,717,083	5,287,375
Ending Balance	593,000	393,173	440,090	417,715

RTA Capital Fund Balance Analysis

	1991 Actual	1992 Actual	1993 Estimate	1994 Tax Budget
Beginning Balance	11,879,835	7,942,917	5,803,747	1,094,893
Revenue				
Transfer from General Fund	6,655,138	4,000,000	4,000,000	11,000,000
Investment Income	795,258	420,310	205,000	240,000
Total Revenue	7,450,396	4,420,310	4,205,000	11,240,000
Total Resources	19,330,231	12,363,227	10,008,747	12,334,893
Expenditures				
Routine Capital	5,989,276	3,029,463	2,318,354	2,530,960
Asset Maintenance	3,324,225	3,530,017	2,495,500	2,627,300
Transfer to Local Match	0	0	0	5,000,000
UMTA Reimbursement	2,073,813	0	0	0
Total Expenditures	11,387,314	6,559,480	4,813,854	10,158,260
Ending Balance	7,942,917	5,803,747	5,194,893	2,176,633
Year-End Encumbrances	0	0	-4,100,000	0
Available Ending Balance	7,942,917	5,803,747	1,094,893	2,176,633

Grant Funds Balance Analysis (Local Match and Grant Funds)

	1991 Actual	1992 Actual	1993 Estimate	1994 Tax Budget
Beginning Balance	27,156,845	23,901,846	24,323,671	16,483,535
Revenue				
Bond Proceeds	0	9,917,250	0	0
Transfer from RTA Capital Fund	0	0	0	5,000,000
Reimbursement from Grants and General Fund	0	506,984	0	0
Investment Income	1,925,676	1,218,196	700,000	500,000
Federal Capital Grants	24,234,364	27,406,421	32,122,424	48,094,573
State Capital Grants	9,800	184,152	2,167,338	1,550,000
Local Match - UDAG	2,089,844	0	0	0
Other	0	0	0	6,000,000
Total Revenue	26,259,684	39,233,003	34,989,762	61,144,573
Total Resources	55,416,529	63,134,849	59,313,433	77,628,108
Expenditures				
Capital Outlay	31,514,683	36,758,444	42,829,898	70,126,097
ODOT Reimbursement	0	2,052,734	0	0
Total Expenditures	31,514,683	38,811,178	42,829,898	70,126,097
Ending Balance	23,901,846	24,323,671	16,483,535	7,502,011

Law Enforcement Fund Balance Analysis

	1991 Actual	1992 Actual	1993 Estimate	1994 Tax Budget
Beginning Balance	0	41,846	55,329	57,329
Revenue				
Law Enforcement Revenue	40,280	21,209	0	0
Interest Income	1,566	1,874	2,000	2,300
Total Revenue	41,846	23,083	2,000	2,300
Total Resources	41,846	64,929	57,329	59,629
Expenditures				
Capital	0	9,600	0	0
Total Expenditures	0	9,600	0	0
Ending Balance	41,846	55,329	57,329	59,629