

RESOLUTION NO. 1994 - 119

**A RESOLUTION ADOPTING THE TAX BUDGET OF THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY FOR THE FISCAL YEAR BEGINNING JANUARY 1, 1995 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, 1995, 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 5, 1994.

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, 1995, 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, 1995.

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: 1995 Tax Budget Assumptions

Adopted: July 26, 1994

  
\_\_\_\_\_  
President

Attest:   
\_\_\_\_\_  
General Manager/Secretary Treasurer

**GREATER CLEVELAND  
REGIONAL TRANSIT AUTHORITY**

**1995 Tax Budget Assumptions**

Greater Cleveland Regional Transit Authority  
1995 TAX BUDGET ASSUMPTIONS

GENERAL FUND ASSUMPTIONS

Inflation

*Assumption:* 3.2%

*Rationale:*

According to the Fourth District Economists' Roundtable, inflation should not deviate from the 3% average trend of the past few years. By the end of 1995, the median forecast shows the consumer price index rising at a rate of about 3.25%, just marginally higher than the rate projected for the second half of 1994.

Interest Rates

*Assumption:* 5.0-6.0%

*Rationale:*

The Federal Reserve Bank began raising short term interest rates in February of 1994, as a pre-emptive strike against future inflation. By May of 1994, the federal funds rate had risen by 125 basis points to 4.25%. Yields on two-year Treasury notes rose above 6%. By 1995, federal funds are expected to exceed 5%, with the yield on two-year notes rising above 6.5%.

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 5.0% than 6.0%.

### 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 1995 available ending cash balance is projected to be about \$5.2 million. Adding year-end encumbrances of \$6.5 million, it is expected that the total cash on hand will be over \$11.7 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 1995.

## REVENUES

### Passenger Fares

*Assumption:* **\$43.6 million**

*Rationale:*

Through May 1994, passenger fare revenue collections have increased 4.6% from the same five month period in 1993. These collections are 2.8% under expected budget levels though. At this point, the 1994 estimate remains unchanged from the original budget. Further adjustment may be required at midyear.

The 1995 estimate assumes a modest 1% increase in the customer base and reflects the full-year impact of the Gateway associated service increases implemented in 1994.

## Advertising Revenue

*Assumption:* **\$989,000**

*Rationale:*

The re-negotiated contract minimum for the advertising agreement is used for this estimate. It includes one month of receipts at the 1994 level and eleven months at the 1995 rate to express the total on a budget/cash basis. The estimate also includes a 5% increase for the anticipated Gateway associated advertising.

## Sales Tax

*Assumption:* **\$115 million**

*Rationale:*

Modest economic growth and inflation rates experienced during 1994 are expected to continue into 1995, translating into sales tax growth of approximately 4% (same as 1994). However, this rate was applied to an adjusted sales tax base for 1994, as actual receipts were distorted due to delays in receiving auto sales taxes during 1993.

## Federal Operating Assistance

*Assumption:* **\$7.8 million**

*Rationale:*

A House proposal will result in a 12.8% decrease in Federal Operating Assistance in 1995. This would mean the loss of more than \$1.1 million. All of the projected \$8.9 million award will be received in 1994.



## Reimbursed Expenditures

*Assumption:* *\$3.3 million*

*Rationale:*

This category is composed of grant labor reimbursements, and federal diesel fuel tax refunds. In this latter category, RTA will recoup \$.22 per gallon from diesel fuel taxes, or \$1.4 million. The estimate also assumes no net changes in service miles or fuel consumption patterns beyond the impact of the service changes implemented in 1994.

## EXPENDITURES

### Personnel Services

*Assumption:* *\$123.9 million*

*Rationale:*

The 1995 estimate for salaries and fringe benefits is shown at the budgeted level projected in the 1994 operating budget which is an increase of 3.7% over 1994 levels. It accounts for negotiated bargaining unit wage increases and a non-bargaining wage adjustment of 4%. The estimate also reflects expected increases in health care costs and other fringe benefits.

### Other Expenditures

*Assumption:* *\$46.3 million*

*Rationale:*

In total, this category of operating costs will increase 3.0% in 1995, slightly less than the 3.2% assumed inflation rate. The estimate is derived from 1995 budgeted level projected in the 1994 operating budget.

Transfers

<i>Assumption:</i>	<i>Bond Retirement</i>	<i>\$6.7 million</i>
	<i>Capital Improvements</i>	<i>\$6.0 million</i>
<i>Rationale:</i>		

Figures shown for the Bond Retirement Fund are simply debt service less the investment income earned in the fund. The interest and principal payments on outstanding bonds and notes are taken from debt amortization schedules. A \$35 to \$45 million debt issue is planned for 1995.

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



## 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 27.3%, a decrease from the 27.8% level projected in 1994.

**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 1.2% growth in the cost per hour, an amount less than the 1995 inflation rate of 3.2%, 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:** Policy requires that 10% of sales tax receipts be applied to capital programs. The 1995 direct contribution to capital funds is planned at \$6 million. In addition, \$6.7 million will be paid for debt service. In coming years, it can be expected that the direct contribution will run about 5% - 6% of sales tax receipts, but the Capital Improvements Program (CIP) will demand increasing support from notes, bonds, or other financings. Overall contributions to the capital program will easily match or exceed the 10% policy requirement.

**Operating Reserve:** At .36, this budget does not meet the policy requirement of a one-month operating reserve (indicator=1.0) indicating a need for further cost containment in the final 1995 operating budget to be formulated later this year.

## 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 1995 is investment income, at an average rate of about 5% and claims outlay estimated at \$150,000. This will bring the balance in this fund to \$10.8 million by the end of 1995. Reorganization of our overall risk management program is the subject of a 1994 study, currently underway.

## 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 5% in 1995, as investment maturities are shortened in anticipation of restructuring the financing for the Authority's supplemental pension plans. This program is also currently under review, and the future delivery of pension benefits may be restructured in late 1994.

## BOND RETIREMENT FUND

In 1995, the General Fund will be the sole source of all fund transfers necessary to make scheduled interest and principal payments on the \$17 million in debt which remains outstanding at the end of 1994. The last series of long-term debt will expire in 1998. Also, the Authority plans to issue \$35-\$45 million of debt in 1995 in support of its CIP, most notably for the Waterfront Line and other near term bus and rail projects. Interest earned in the Capital Improvement Fund on investment of new bond proceeds will be transferred to the Bond Retirement Fund during 1995.

## CAPITAL IMPROVEMENT FUNDS

Funds needed to meet the local share requirements of federal grants and those needed for locally-funded capital projects are provided through the retention of investment earnings and contributions from sales tax proceeds in addition to debt sales. The 1994 and 1995 RTA Capital Fund outlays are based on current and expected expenditure levels.

The estimated 1994 grant-funded capital outlays are predicated on year-to-date outlays and obligations. The 1995 projection includes projects approved in the six-year Capital Improvements Plan. In 1995, the Waterfront Line will be the largest project under construction along with track, bridge, and station rehabilitation which will continue.

The state capital grant estimates consider approved grants only. However, it is expected that the state will provide funding for approximately 50% of the Waterfront Line project.

### 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 1995 as of this time.

# 1995 Tax Budget

## General Fund Balance Analysis

	1992 Actual	1993 Actual	1994 Estimate	1995 Tax Budget
<b>Beginning Balance</b>	5,177,343	9,061,117	8,000,673	9,221,298
<b>Revenue</b>				
Passenger Fares	38,619,932	41,295,969	43,139,000	43,560,000
Advertising & Concessions	586,384	967,196	914,000	989,000
Sales & Use Tax	102,195,800	105,192,077	111,800,000	115,000,000
Federal Operating Assistance	9,145,526	8,952,934	8,918,000	7,776,496
State Operating Assistance	12,682,137	0	5,901,200	5,901,000
Ohio Elderly Fare Assistance	836,067	267,376	868,037	589,500
Investment Income	727,317	724,214	700,000	1,000,000
Other Revenue	2,787,336	1,161,720	950,000	950,000
Reimbursed Expenditures	4,130,441	3,462,755	3,500,000	3,300,000
Transfer From Insurance Fund	1,233,000	270,000	0	0
<b>Total Revenue</b>	<b>172,943,940</b>	<b>162,294,241</b>	<b>176,690,237</b>	<b>179,065,996</b>
<b>Total Resources</b>	<b>178,121,283</b>	<b>171,355,358</b>	<b>184,690,910</b>	<b>188,287,294</b>
<b>Operating Expenditures</b>				
Personnel Services	113,267,091	112,379,092	119,477,542	123,858,342
Other Expenditures	45,023,270	42,618,748	44,966,070	46,315,294
<b>Total Operating Expenditures</b>	<b>158,290,361</b>	<b>154,997,840</b>	<b>164,443,612</b>	<b>170,173,636</b>
<b>Transfers</b>				
Bond Retirement Fund	6,769,805	4,356,845	5,326,000	6,969,000
Capital Improvement Funds	4,000,000	2,940,000	5,700,000	2,000,000
<b>Total Transfers</b>	<b>10,769,805</b>	<b>7,296,845</b>	<b>11,026,000</b>	<b>8,969,000</b>
<b>Total Expenditures</b>	<b>169,060,166</b>	<b>162,294,685</b>	<b>175,469,612</b>	<b>179,142,636</b>
<b>Ending Balance</b>	9,061,117	9,060,673	9,221,298	9,144,658
<b>Capital Improvements Contribution</b>	0	1,060,000	0	4,000,000
<b>Available Ending Balance</b>	<b>9,061,117</b>	<b>8,000,673</b>	<b>9,221,298</b>	<b>5,144,658</b>

# 1995 Tax Budget Financial Indicators

	1992 Actual	1993 Actual	1994 Budget	1995 Estimate
Operating Ratio	25.8%	28.2%	27.8%	27.3%
Operating Reserve (Months)	0.7	0.6	0.5	0.4
Cost/Hour of Service	\$70.35	\$73.24	\$77.54	\$78.48
Growth per Year	5.1%	4.1%	5.5%	1.2%
Sales Tax Contribution to Capital*	3.9%	3.8%	5.1%	5.2%

### 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 / Sales & Use Tax Revenue

### Notes:

\* This calculation does not include transfers from the general fund for debt service or proceeds from debt sales.

## Bond Retirement Fund Balance Analysis

	1992 Actual	1993 Actual	1994 Estimate	1995 Tax Budget
<b>Beginning Balance</b>	593,000	393,180	443,779	666,600
<b>Revenue</b>				
Transfer from General Fund	6,769,805	4,356,845	5,175,000	6,969,000
Transfer from Local Match	0	350,007	254,600	911,600
Investment Income	137,500	60,830	80,596	108,000
<b>Total Revenue</b>	6,907,305	4,767,682	5,510,196	7,988,600
<b>Total Resources</b>	7,500,305	5,160,862	5,953,975	8,655,200
<b>Operating Expenditures</b>				
Debt Service				
Principal	5,100,000	2,700,000	3,700,000	5,750,000
Interest	2,007,125	2,017,083	1,587,375	1,920,000
<b>Total Expenditures</b>	7,107,125	4,717,083	5,287,375	7,670,000
<b>Ending Balance</b>	393,180	443,779	666,600	985,200

## Insurance Fund Balance Analysis

	1992 Actual	1993 Actual	1994 Estimate	1995 Tax Budget
<b>Beginning Balance</b>	12,014,326	10,182,613	10,164,711	10,444,711
<b>Revenue</b>				
Investment Income	762,485	467,562	430,000	550,000
<b>Total Revenue</b>	762,485	467,562	430,000	550,000
<b>Total Resources</b>	12,776,811	10,650,175	10,594,711	10,994,711
<b>Expenditures</b>				
Claims Outlay	1,361,198	215,464	150,000	150,000
Transfer to General Fund	1,233,000	270,000	0	0
<b>Total Expenditures</b>	2,594,198	485,464	150,000	150,000
<b>Ending Balance</b>	10,182,613	10,164,711	10,444,711	10,844,711

## Supplemental Pension Fund Balance Analysis

	1992 Actual	1993 Actual	1994 Estimate	1995 Tax Budget
<b>Beginning Balance</b>	1,880,281	1,826,281	1,730,037	1,645,037
<b>Revenue</b>				
Investment Income	105,000	56,323	60,000	80,000
<b>Total Revenue</b>	105,000	56,323	60,000	80,000
<b>Total Resources</b>	1,985,281	1,882,604	1,790,037	1,725,037
<b>Expenditures</b>				
Benefit Payments	159,000	152,567	145,000	140,000
<b>Total Expenditures</b>	159,000	152,567	145,000	140,000
<b>Ending Balance</b>	1,826,281	1,730,037	1,645,037	1,585,037



## Law Enforcement Fund Balance Analysis

	1992 Actual	1993 Actual	1994 Estimate	1995 Tax Budget
<b>Beginning Balance</b>	41,846	55,329	65,160	15,660
<b>Revenue</b>				
Law Enforcement Revenue	21,209	8,000	0	0
Investment Income	1,874	1,831	2,500	3,000
<b>Total Revenue</b>	23,083	9,831	2,500	3,000
<b>Total Resources</b>	64,929	65,160	67,660	18,660
<b>Expenditures</b>				
Capital	9,600	0	52,000	0
<b>Total Expenditures</b>	9,600	0	52,000	0
<b>Ending Balance</b>	55,329	65,160	15,660	18,660

## RTA Capital Fund Balance Analysis

	1992 Actual	1993 Actual	1994 Estimate	1995 Tax Budget
<b>Beginning Balance</b>	8,148,917	6,009,747	6,088,764	2,827,723
<b>Revenue</b>				
Transfer from General Fund	4,000,000	4,000,000	5,700,000	6,000,000
Investment Income	420,310	252,987	240,000	279,000
<b>Total Revenue</b>	4,420,310	4,252,987	5,940,000	6,279,000
<b>Total Resources</b>	12,569,227	10,262,734	12,028,764	9,106,723
<b>Expenditures</b>				
Routine Capital	3,029,463	1,489,172	3,367,541	2,904,665
Asset Maintenance	3,530,017	2,684,798	2,333,500	3,041,850
<b>Total Expenditures</b>	6,559,480	4,173,970	5,701,041	5,946,515
<b>Ending Balance</b>	6,009,747	6,088,764	6,327,723	3,160,208
<b>Year-End Encumbrances</b>	0	0	-3,500,000	0
<b>Available Ending Balance</b>	6,009,747	6,088,764	2,827,723	3,160,208

## Grant Funds Balance Analysis (Local Match and Grant Funds)

	1992 Actual	1993 Actual	1994 Estimate	1995 Estimate
<b>Beginning Balance</b>	23,901,846	22,370,460	15,115,631	7,011,031
<b>Revenue</b>				
Bond Proceeds	9,917,250	0	0	45,000,000
Reimbursement from Grants & General Fund	511,678	0	0	0
Investment Income	1,218,196	803,193	550,000	1,000,000
Federal Capital Grants	26,970,372	25,521,829	33,600,000	33,328,000
State Capital Grants	403,245	919,645	1,000,000	11,000,000
Other	0	0	0	5,000,000
<b>Total Revenue</b>	39,020,741	27,244,667	35,150,000	95,328,000
<b>Total Resources</b>	62,922,587	49,615,127	50,265,631	102,339,031
<b>Expenditures</b>				
Capital Outlay	38,062,922	34,149,489	43,000,000	63,000,000
ODOT Reimbursement	2,489,205	0	0	0
Transfer to Bond Retirement Fund	0	350,007	254,600	911,600
<b>Total Expenditures</b>	40,552,127	34,499,496	43,254,600	63,911,600
<b>Ending Balance</b>	22,370,460	15,115,631	7,011,031	38,427,431