

RESOLUTION NO. 1995 - 115

A RESOLUTION ADOPTING THE TAX BUDGET OF THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY FOR THE FISCAL YEAR BEGINNING JANUARY 1, 1996 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, 1996, 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 of 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 12, 1995.

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

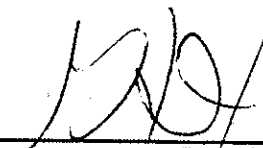
Section 1. That the budget of the Greater Cleveland Regional Transit Authority, for the fiscal year beginning January 1, 1996, heretofore prepared and submitted to this Board of Trustees, copies of which have been and are on file in the Office of the Assistant General Manager - Finance and Administration with any 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, 1996.

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: 1996 Tax Budget Assumptions

Adopted: July 18, 1995



President

Attest: Ronald A. Tolson
General Manager/Secretary Treasurer

Greater Cleveland Regional Transit Authority
1996 TAX BUDGET ASSUMPTIONS

GENERAL FUND ASSUMPTIONS

Inflation

Assumption: 3.0-3.5%

Rationale:

According to the Congressional Budget Office Economic and Budget Outlook, inflation is averaging 3.2%. By the end of 1996, the median forecast shows the consumer price index rising at a rate of about 3.4%, just marginally higher than the rate projected for the second half of 1995. Overall, most economists are placing 1996 inflation in the 3.0-3.5% range.

Interest Rates

Assumption: 5.4-5.9%

Rationale:

During the first quarter of 1995, rising short-term market interest rates resulted in higher investment earnings for RTA. In February, the Federal Reserve Bank boosted the Federal Funds rate to 6%, which represents a 100% increase over the 3% Federal Funds rate during February of the previous year. Yields on two-year Treasury notes closed the month of May at 5.9%. By 1996, federal funds are expected to exceed 5.5%, with the yield on two-year notes rising above 6%.

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 5.4% than 5.9%.

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 1996 available ending cash balance is projected to be about \$15 million. For the third year in a row, 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 satisfied. A combination of strong revenue sources as well as controlled expenditures has reversed the trend of several years of not meeting the one month policy.

REVENUES

Passenger Fares

Assumption: \$43.4 million

Rationale:

Through May 1995, passenger fare revenue collections have increased 2.5% from the same five month period in 1994. These collections are, however, at expected budget levels. At this point, the 1995 estimate remains unchanged from the original budget.

The 1996 estimate assumes a modest 1.3% increase in the customer base. This projection includes the impact of the Waterfront Line's start-up in mid 1996.

Advertising Revenue

Assumption:

\$1,008,000

Rationale:

The re-negotiated contract minimum for the advertising agreement is used for this estimate. It includes one month of receipts at the 1995 level and eleven months at the 1996 rate to express the total on a budget/cash basis.

Sales Tax

Assumption:

\$130.0 million

Rationale:

Modest economic growth and its impact on consumer spending is expected to slow down sales tax growth in 1996, translating into sales tax growth of approximately 3.7% (as compared to 6.3% in 1995).

Federal Operating Assistance

Assumption:

\$4.5 million

Rationale:

Federal Operating Assistance was decreased 8.9% in 1995. A Congressional Conference Committee recommended a reduction of an additional 44% in 1996. This will mean a loss of \$3.5 million. Further reductions are expected in future years, with a complete elimination of Federal Operating Assistance occurring by 1999.

State Operating Assistance

<i>Assumption:</i>	<i>Operating Assistance Elderly and Handicapped</i>	<i>\$6.0 million \$589,500</i>
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Rationale:

Funding levels for 1996 are expected to remain the same as in 1995. 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>\$1.6 million</i>
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Rationale:

An average balance of \$29 million in the General Fund should earn about 5.5% during 1996. For all funds, approximately \$3.4 million should be earned, as capital investment balances were boosted by the recent \$30 million note sale.

Other Revenue

<i>Assumption:</i>	<i>\$1,400,000</i>
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Rationale:

As in 1995, the 1996 Tax Budget assumes no unusual claims or receivables; however, both years reflect a pattern of increased revenue. This revenue category normally consists of rental income, salvage sales, identification card proceeds, and various claim reimbursements.

Reimbursed Expenditures

Assumption:

\$4.0 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 \$1.0 million. The estimate also assumes no net changes in service miles or fuel consumption patterns beyond the impact of the service changes implemented in 1995. In addition, \$3.0 million is budgeted for reimbursements to the General Fund from the Capital Fund for labor related to capital projects.

EXPENDITURES

Personnel Services

Assumption:

\$133.5 million

Rationale:

The 1996 estimate for salaries and fringe benefits is shown at the level projected in the 1995 operating budget which is an increase of 3.8% over 1995 levels. It accounts for negotiated bargaining unit wage increases and a non-bargaining wage adjustment. The estimate also reflects expected increases in health care costs and other fringe benefits.

Other Expenditures

Assumption:

\$47.2 million

Rationale:

In total, this category of operating costs will increase 2.8% in 1996, slightly less than the 3.3% assumed inflation rate. The estimate is derived from 1996 budgeted level projected in the 1995 operating budget.

Transfers

<i>Assumption:</i>	<i>Bond Retirement</i>	<i>\$7.7 million</i>
	<i>Capital Improvements</i>	<i>\$8.3 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 debt issue is planned for 1996. \$30 million of this issue will go to retire the short-term notes issued in 1995 which will come due in April of 1996.

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. At \$8.3 million, the contribution to capital will equal 6.4% of sales taxes revenue, well below the 10% required to meet board policy.

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 25.8%, a decrease from the 26.9% level projected in 1995.

Operating Reserve: At 1.0, this budget meets the policy requirement of a one-month operating reserve (indicator=1.0).

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 3.8% growth in the cost per hour, an amount greater than the 1996 inflation rate, due both to inflationary cost increases and to wage and benefit cost increases.

Sales Tax Contribution to Capital: Policy requires that 10% of sales tax receipts be applied to capital programs. The 1996 direct contribution to capital funds is planned at \$8.3 million. In addition, \$7.7 million will be set aside for debt service. In total, this \$16 million represents a 12.3% contribution level (6.4% in direct contribution to capital).

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 1996 is investment income, at an average rate of about 5.9% and claims outlay estimated at \$150,000. This will bring the balance in this fund to \$10.8 million by the end of 1996. Reorganization of our overall risk management program is the subject of a 1995 study.

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 5.9% in 1996, 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.

BOND RETIREMENT FUND

In 1996, the General Fund will be the sole source of all fund transfers necessary to make scheduled interest and principal payments on the \$45 million in debt which will remain outstanding at the end of 1995. The last series of long-term debt will expire in 1998. Also, the Authority has issued \$30 million of short-term Bond Anticipation Notes (BAN's) in 1995 in support of its CIP, most notably for the Waterfront Line and other near-term bus and rail projects. These notes mature in April 1996 at which time long-term debt will be issued. 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 1995 and 1996 RTA Capital Fund outlays are based on current and expected expenditure levels.

The estimated 1995 grant-funded capital outlays are predicated on year-to-date outlays and obligations. The 1996 projection includes projects approved in the six-year Capital Improvements Plan. In 1996, the Waterfront Line will be the largest project under construction along with track, bridge, and station rehabilitation which will continue.

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 1996 as of this time.

General Fund Balance Analysis

	1993 Actual	1994 Actual	1995 Estimate	1996 Tax Budget
Beginning Balance	9,061,117	8,000,673	14,536,995	19,312,376
Revenue				
Passenger Fares	41,295,969	43,249,873	42,810,000	43,375,000
Advertising & Concessions	967,196	960,440	989,000	1,008,000
Sales & Use Tax	105,192,077	117,959,938	125,400,000	130,000,000
Federal Operating Assistance	8,952,934	8,985,173	7,952,000	4,453,000
State Operating Assistance	0	5,886,040	6,030,000	6,030,000
Ohio Elderly Fare Assistance	267,376	822,652	589,000	589,000
Investment Income	724,214	1,042,089	1,600,000	1,600,000
Other Revenue	1,161,720	1,270,753	1,400,000	1,400,000
Reimbursed Expenditures	3,462,755	2,784,098	3,650,000	4,000,000
Transfer From Insurance Fund	270,000	0	0	0
Worker's Compensation Deposit	0	0	2,400,000	0
Total Revenue	162,294,241	182,961,056	192,820,000	192,455,000
Total Resources	171,355,368	190,961,729	207,356,995	211,767,376
Operating Expenditures				
Personnel Services	112,379,092	116,700,346	127,019,550	133,501,252
Other Expenditures	42,618,748	42,942,439	45,903,069	47,225,795
Total Operating Expenditures	154,997,840	159,642,785	172,922,619	180,727,047
Transfers				
Bond Retirement Fund	4,356,845	5,081,949	5,322,000	7,759,000
Capital Improvement Funds	2,940,000	11,700,000	9,800,000	4,000,000
Total Transfers	7,296,845	16,781,949	15,122,000	11,759,000
Total Expenditures	162,294,685	176,424,734	188,044,619	192,486,047
Ending Balance	9,060,673	14,536,995	19,312,376	19,281,329
Capital Improvements Contribution	1,060,000	0	0	4,300,000
Available Ending Balance	8,000,673	14,536,995	19,312,376	14,981,329

1996 TAX BUDGET Financial Indicators

	1991 Actual	1992 Actual	1993 Actual	1994 Actual	1995 Estimate	1996 Tax Budget
Operating Ratio	27.4%	25.8%	28.2%	28.6%	26.9%	25.8%
Operating Reserve (Months)	0.4	0.7	0.6	1.1	1.4	1.0
Cost/Hour of Service	\$66.91	\$70.35	\$73.24	\$76.07	\$78.04	\$81.02
Growth per Year	1.8%	5.1%	4.1%	3.9%	2.6%	3.8%
Sales Tax Contribution to Capital	6.8%	3.9%	3.8%	9.9%	7.8%	6.4%

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.

Bond Retirement Fund Balance Analysis

	1993 Actual	1994 Actual	1995 Estimate	1996 Tax Budget
Beginning Balance	393,180	443,779	418,353	1,127,353
Revenue				
Transfer from General Fund	4,356,845	5,081,949	5,322,000	7,759,000
Transfer from Local Match	350,007	76,000	266,000	367,000
Investment Income	60,830	104,000	137,479	179,688
Note Premium	0	0	4,521	0
Total Revenue	4,767,682	5,261,949	5,730,000	8,305,688
Total Resources	5,160,862	5,705,728	6,148,353	9,433,041
Expenditures				
Debt Service				
Principal	2,700,000	3,700,000	3,750,000	4,750,000
Interest	2,017,083	1,587,375	1,271,000	3,814,688
Total Expenditures	4,717,083	5,287,375	5,021,000	8,564,688
Ending Balance	443,779	418,353	1,127,353	868,353

Insurance Fund Balance Analysis

	1993 Actual	1994 Actual	1995 Estimate	1996 Tax Budget
Beginning Balance	10,182,613	10,164,711	10,412,711	10,392,711
Revenue				
Investment Income	467,562	439,000	430,000	450,000
Total Revenue	467,562	439,000	430,000	450,000
Total Resources	10,650,175	10,603,711	10,842,711	10,842,711
Expenditures				
Claims Outlay	215,464	191,000	450,000	150,000
Transfer to General Fund	270,000	0	0	0
Total Expenditures	485,464	191,000	450,000	150,000
Ending Balance	10,164,711	10,412,711	10,392,711	10,692,711

Supplemental Pension Fund Balance Analysis

	1993 Actual	1994 Actual	1995 Estimate	1996 Tax Budget
Beginning Balance	1,826,281	1,730,037	1,657,037	1,572,037
Revenue				
Investment Income	56,323	71,000	60,000	60,000
Total Revenue	56,323	71,000	60,000	60,000
Total Resources	1,882,604	1,801,037	1,717,037	1,632,037
Expenditures				
Benefit Payments	152,567	144,000	145,000	140,000
Total Expenditures	152,567	144,000	145,000	140,000
Ending Balance	1,730,037	1,657,037	1,572,037	1,492,037

Law Enforcement Fund Balance Analysis

	1993 Actual	1994 Actual	1995 Estimate	1996 Tax Budget
Beginning Balance	55,329	65,160	79,160	118,160
Revenue				
Law Enforcement Revenue	8,000	11,000	86,000	0
Investment Income	1,831	3,000	5,000	7,000
Total Revenue	9,831	14,000	91,000	7,000
Total Resources	65,160	79,160	170,160	125,160
Expenditures				
Capital	0	0	52,000	0
Total Expenditures	0	0	52,000	0
Ending Balance	65,160	79,160	118,160	125,160

RTA Capital Fund Balance Analysis

	1993 Actual	1994 Actual	1995 Estimate	1996 Tax Budget
Beginning Balance	6,009,747	6,088,764	6,129,557	4,135,557
Revenue				
Transfer from General Fund	4,000,000	5,700,000	9,800,000	8,300,000
Investment Income	252,987	271,000	376,000	209,000
Total Revenue	4,252,987	5,971,000	10,176,000	8,509,000
Total Resources	10,262,734	12,059,764	16,305,557	12,644,557
Expenditures				
Routine Capital	1,489,172	2,513,508	2,512,000	2,732,800
Asset Maintenance	2,684,798	1,542,699	2,358,000	2,986,500
Transfer to Local Match Fund	0	1,500,000	3,800,000	2,000,000
Reimbursement to FTA	0	374,000	0	0
Total Expenditures	4,173,970	5,930,207	8,670,000	7,719,300
Ending Balance	6,088,764	6,129,557	7,635,557	4,925,257
Year-End Encumbrances	0	0	-3,500,000	0
Available Ending Balance	6,088,764	6,129,557	4,135,557	4,925,257

Grant Funds Balance Analysis (Local Match and Grant Funds)

	1993 Actual	1994 Actual	1995 Estimate	1996 Estimate
Beginning Balance	22,370,460	15,115,631	1,221,534	9,595,534
Revenue				
Bond Proceeds	0	0	30,000,000	35,000,000
Reimbursement from Grants & General Fund	0	7,500,000	3,800,000	2,000,000
Investment Income	803,193	487,000	556,000	935,000
Federal Capital Grants	25,521,829	37,058,000	46,640,000	78,703,000
State Capital Grants	919,645	1,282,000	4,500,000	30,251,000
State Funds for Waterfront Line	0	0	16,000,000	2,000,000
Other	0	0	0	8,750,000
Total Revenue	27,244,667	46,327,000	101,496,000	157,639,000
Total Resources	49,615,127	61,442,631	102,717,534	167,234,534
Expenditures				
Capital Outlay	34,149,489	60,145,097	92,549,000	158,224,000
Transfer to Bond Retirement Fund	350,007	76,000	573,000	516,000
Total Expenditures	34,499,496	60,221,097	93,122,000	158,740,000
Ending Balance	15,115,631	1,221,534	9,595,534	8,494,534