

RESOLUTION NO. 1996 - 96

**A RESOLUTION ADOPTING THE TAX BUDGET OF THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY FOR THE FISCAL YEAR BEGINNING JANUARY 1, 1997 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, 1997, 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 June 28, 1996.

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, 1997, 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, 1997.

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: 1997 Tax Budget Assumptions

Adopted: July 16, 1996

  
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President

Attest:   
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General Manager/Secretary Treasurer

Greater Cleveland Regional Transit Authority  
1997 TAX BUDGET ASSUMPTIONS

GENERAL FUND ASSUMPTIONS

Inflation

*Assumption:* 2.8-3.3%

*Rationale:*

According to the Congressional Budget Office Economic and Budget Outlook, inflation is averaging 2.8%. By the end of 1997, the median forecast shows the consumer price index rising at a rate of about 3.1%, just marginally higher than the rate projected for the second half of 1996. Overall, most economists are placing 1997 inflation in the 2.8-3.3% range.

Interest Rates

*Assumption:* 5.7-6.0%

*Rationale:*

During mid-June of 1996, the target rate for federal funds stood at 5.25%, while the market yield on 2-year Treasury Notes was about 6.25%. Interest rates are expected to trend higher during 1996 and into 1997, especially after the Presidential election. During the first five months of 1996, the Authority earned an average yield of 5.56%. Average yields during the remainder of 1996 are expected to increase only slightly, while higher yields (closer to 6%) are expected during 1997.

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 5.7% 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 payroll withholdings, amounts due to the General Fund from the RTA Capital Fund, and encumbrances.

Available Ending Balance

The 1997 available ending cash balance is projected to be about \$15.5 million. For the fourth 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 stronger revenue performance as well as controlled expenditures has continued the trend of compliance with this policy indicator.

REVENUES

Passenger Fares

*Assumption:* \$44.1 million

*Rationale:*

Through May 1996, passenger fare revenue collections have increased 1.5% from the same five month period in 1995. These collections are, however, at expected budget levels. At this point, the 1996 estimate remains unchanged from the original budget.

The 1997 estimate assumes a 2.8% increase in revenue, resulting from a modest increase in the customer base and the full year operation of the Waterfront Line.

Advertising Revenue

*Assumption:* \$1.3 million

*Rationale:*

An anticipated increase in the contract minimum for the advertising agreement is used for this estimate. It includes one month of receipts at the 1996 level and eleven months at the 1997 rate to express the total on a budget/cash basis.

Sales Tax

*Assumption:* \$138.3 million

*Rationale:*

Modest economic growth and its impact on consumer spending is expected to slow down sales tax growth in 1997, translating into a growth rate of approximately 4.0% (as compared to 4.7% in 1996).

Federal Operating Assistance

*Assumption:* \$4.2 million

*Rationale:*

Federal Operating Assistance was decreased 47% in 1996 as a result of a reduction recommended by a Congressional Conference Committee. This was a loss of \$3.8 million. An additional reduction was originally expected in 1997 with a complete elimination of Federal Operating Assistance occurring by 1999. However, no further reductions are expected at this time for 1997. Therefore, the 1997 estimate for Federal Operating Assistance remains at the 1996 level of \$4.2 million.

State Operating Assistance

<i>Assumption:</i>	<i>Operating Assistance Elderly and Handicapped</i>	<i>\$5.6 million \$589,000</i>
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*Rationale:*

Funding levels for 1997 are expected to remain the same as in 1996. 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>\$1.4 million</i>
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*Rationale:*

An average balance of \$25 million in the General Fund should earn about 5.7% during 1997. For all funds, approximately \$3.8 million should be earned, as capital investment balances are boosted by debt sales.

Other Revenue

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

The 1997 Tax Budget assumes no unusual claims or receivables in the other revenue category and therefore mirrors the 1996 estimate. This revenue category normally consists of rental income, salvage sales, identification card proceeds, and various claim reimbursements.

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 \$.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 1996. In addition, \$2.5 million is budgeted for reimbursements to the General Fund from the Capital Fund for labor related to capital projects.

EXPENDITURESPersonnel Services

*Assumption:* \$135.7 million

*Rationale:*

The 1997 estimate for salaries and fringe benefits is shown at the level projected in the 1996 operating budget which is an increase of 3.9% over 1996 levels. It has been adjusted, however, to reflect first quarter projections for 1996. 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:* \$49.8 million

*Rationale:*

In total, this category of operating costs will increase 3.6% in 1997 which includes inflationary increases as well as new programming. This estimate is the 1997 budgeted level projected in the 1996 operating budget adjusted to reflect the impact of first quarter projections for 1996.

Transfers

<i>Assumption:</i>	<i>Bond Retirement</i>	<i>\$10.7 million</i>
	<i>Capital Improvements</i>	<i>\$8.6 million</i>

*Rationale:*

Figures shown for the bond retirement "set-aside" are simply debt service less the investment income earned in the Bond Retirement Fund. The interest and principal payments on outstanding bonds and notes are taken from debt amortization schedules and include the \$70 million 1996 debt issue. A debt issue is planned for 1997 in the amount of \$20 million.

The Contribution to Capital transfers cover local Asset Maintenance and Routine Capital purchases, as well as required local matches for grant-funded projects. At \$8.6 million, the capital transfers combined with the bond retirement transfer of \$10.7 million will equal 13.9% of sales taxes revenue, well above 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 a 25.6% ratio and is within the policy objective.

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

**Cost/Hour:** This policy requires that growth in the cost per hour of service from year to year be kept at or below the rate of inflation. This budget assumes a 3.6% growth in the cost per hour, an amount slightly above the upper limit of the 1997 inflation rate, due both to inflationary cost increases and to wage and benefit cost increases.

**Sales Tax Contribution to Capital:** Policy requires that at least 10% of sales tax receipts be applied to capital programs. The 1997 direct contribution to capital funds is planned at \$8.6 million. In addition, \$10.7 million will be set aside for debt service. In total, this \$19.3 million represents a 13.9% contribution level.



## 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 1997 is investment income, at an average rate of about 6.0% and claims outlay estimated at \$150,000. This will bring the balance in this fund to \$11.5 million by the end of 1997.

## 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. Investment rates are estimated to run about 6.0% in 1997.

## BOND RETIREMENT FUND

The General Fund will be the sole source of all fund transfers necessary to make scheduled interest and principal payments on the \$78.5 million in debt which will remain outstanding at the end of 1996. The last series of existing long-term debt will expire in 1998. Also, the Authority has issued \$70 million of short-term Bond Anticipation Notes (BAN's) in 1996 in support of its CIP, most notably for the Waterfront Line and other near-term bus and rail projects. These notes mature in October 1996 at which time long-term debt will be issued. An additional \$20 million of debt will be issue in 1997. Interest earned in the Capital Improvement Fund on the investment of new bond proceeds will be transferred to the Bond Retirement Fund during 1996.

## 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 1996 and 1997 RTA Capital Fund outlays are based on current and expected expenditure levels.

The estimated 1996 grant-funded capital outlays are predicated on year-to-date outlays and obligations. The 1997 projection includes projects approved in the six-year Capital Improvements Plan. In 1996, projects under construction include track, bridge, and station rehabilitations.

### 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 1997 at this time.

## General Fund Balance Analysis

	1994 Actual	1995 Estimate	1996 Estimate	1997 Tax Budget
<b>Beginning Balance</b>	8,000,673	14,536,995	20,450,074	19,838,940
<b>Revenue</b>				
Passenger Fares	43,249,873	42,455,659	42,855,000	44,057,000
Advertising & Concessions	960,440	936,401	1,200,000	1,300,000
Sales & Use Tax	117,959,938	126,969,593	133,000,000	138,320,000
Federal Operating Assistance	8,985,173	7,954,319	4,167,000	4,167,000
State Operating Assistance	5,886,040	6,029,882	5,635,000	5,635,000
Ohio Elderly Fare Assistance	822,652	274,781	903,219	589,000
Investment Income	1,042,089	1,795,331	1,600,000	1,430,000
Other Revenue	1,123,363	989,433	1,400,000	1,400,000
Reimbursed Expenditures	2,931,488	3,134,906	4,000,000	3,500,000
Worker's Compensation Deposit	0	2,400,000	0	0
<b>Total Revenue</b>	<b>182,961,056</b>	<b>192,940,305</b>	<b>194,760,219</b>	<b>200,398,000</b>
<b>Total Resources</b>	<b>190,961,729</b>	<b>207,477,300</b>	<b>216,210,293</b>	<b>220,236,940</b>
<b>Operating Expenditures</b>				
Personnel Services	116,700,346	124,470,396	130,652,102	135,747,534
Other Expenditures	42,942,439	44,759,486	48,044,251	49,773,844
<b>Total Operating Expenditures</b>	<b>159,642,785</b>	<b>169,229,882</b>	<b>178,696,353</b>	<b>185,521,378</b>
<b>Transfers</b>				
Bond Retirement Fund	5,081,949	5,297,344	7,375,000	10,672,875
Capital Improvement Funds	11,700,000	12,500,000	8,689,000	4,204,000
<b>Total Transfers</b>	<b>16,781,949</b>	<b>17,797,344</b>	<b>16,064,000</b>	<b>14,876,875</b>
<b>Total Expenditures</b>	<b>176,424,734</b>	<b>187,027,226</b>	<b>194,760,353</b>	<b>200,398,253</b>
<b>Ending Balance</b>	14,536,995	20,450,074	20,449,940	19,838,687
<b>Capital Improvements Contribution</b>	0	0	611,000	4,387,000
<b>Available Ending Balance</b>	<b>14,536,995</b>	<b>20,450,074</b>	<b>19,838,940</b>	<b>15,451,687</b>

# 1997 Tax Budget Financial Indicators

	1994 Actual	1995 Estimate	1996 Estimate	1997 Budget
Operating Ratio	28.6%	27.0%	26.0%	25.6%
Operating Reserve (Months)	1.1	1.5	1.4	1.0
Cost/Hour of Service	\$76.07	\$78.33	\$78.27	\$81.05
Growth per Year	3.9%	3.0%	-0.1%	3.6%
Sales Tax Contribution to Capital	14.2%	14.0%	12.5%	13.9%

**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

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

**Notes:**

\* Total Operating Expenditures are net capital expenditures.

## Bond Retirement Fund Balance Analysis

	1994 Actual	1995 Estimate	1996 Estimate	1997 Tax Budget
<b>Beginning Balance</b>	443,779	418,353	1,127,188	1,052,833
<b>Revenue</b>				
Transfer from General Fund	5,081,949	5,297,344	7,314,000	10,672,875
Transfer from Local Match	76,000	281,186	425,000	1,003,000
Investment Income	104,000	146,784	302,000	297,000
Note Premium	0	4,521	0	0
<b>Total Revenue</b>	5,261,949	5,729,835	8,041,000	11,972,875
<b>Total Resources</b>	5,705,728	6,148,188	9,168,188	13,025,708
<b>Expenditures</b>				
Debt Service				
Principal	3,700,000	3,750,000	4,750,000	4,850,000
Interest	1,587,375	1,271,000	3,365,355	5,822,875
<b>Total Expenditures</b>	5,287,375	5,021,000	8,115,355	10,672,875
<b>Ending Balance</b>	418,353	1,127,188	1,062,833	2,352,833

## Insurance Fund Balance Analysis

	1994 Actual	1995 Estimate	1996 Estimate	1997 Tax Budget
<b>Beginning Balance</b>	10,164,711	10,412,711	10,718,396	11,068,396
<b>Revenue</b>				
Investment Income	439,000	554,044	550,000	600,000
<b>Total Revenue</b>	439,000	554,044	550,000	600,000
<b>Total Resources</b>	10,603,711	10,966,755	11,268,396	11,668,396
<b>Expenditures</b>				
Claims Outlay	191,000	248,359	200,000	150,000
Transfer to General Fund	0	0	0	0
<b>Total Expenditures</b>	191,000	248,359	200,000	150,000
<b>Ending Balance</b>	10,412,711	10,718,396	11,068,396	11,518,396

## Supplemental Pension Fund Balance Analysis

	1994 Actual	1995 Estimate	1996 Estimate	1997 Tax Budget
Beginning Balance	1,730,037	1,657,037	1,467,071	1,374,071
Revenue				
Investment Income	71,000	98,004	75,000	74,000
<b>Total Revenue</b>	<b>71,000</b>	<b>98,004</b>	<b>75,000</b>	<b>74,000</b>
<b>Total Resources</b>	<b>1,801,037</b>	<b>1,755,041</b>	<b>1,542,071</b>	<b>1,448,071</b>
Expenditures				
Benefit Payments	144,000	287,970	168,000	140,000
<b>Total Expenditures</b>	<b>144,000</b>	<b>287,970</b>	<b>168,000</b>	<b>140,000</b>
<b>Ending Balance</b>	<b>1,657,037</b>	<b>1,467,071</b>	<b>1,374,071</b>	<b>1,308,071</b>

## Law Enforcement Fund Balance Analysis

	1994 Actual	1995 Estimate	1996 Estimate	1997 Tax Budget
<b>Beginning Balance</b>	65,160	79,160	155,691	120,691
<b>Revenue</b>				
Law Enforcement Revenue	11,000	86,566	10,000	0
Investment Income	3,000	7,456	5,000	4,000
<b>Total Revenue</b>	14,000	94,022	15,000	4,000
<b>Total Resources</b>	79,160	173,182	170,691	124,691
<b>Expenditures</b>				
Capital	0	17,491	50,000	0
<b>Total Expenditures</b>	0	17,491	50,000	0
<b>Ending Balance</b>	79,160	155,691	120,691	124,691



## RTA Capital Fund Balance Analysis

	1994 Actual	1995 Estimate	1996 Estimate	1997 Tax Budget
<b>Beginning Balance</b>	6,088,764	6,129,557	10,096,557	5,900,557
<b>Revenue</b>				
Transfer from General Fund	5,700,000	12,500,000	7,300,000	8,591,000
Investment Income	271,000	529,000	425,000	340,000
<b>Total Revenue</b>	<b>5,971,000</b>	<b>13,029,000</b>	<b>7,725,000</b>	<b>8,931,000</b>
<b>Total Resources</b>	<b>12,059,764</b>	<b>19,158,557</b>	<b>17,821,557</b>	<b>14,831,557</b>
<b>Expenditures</b>				
Routine Capital	2,513,508	1,330,000	2,863,000	2,873,000
Asset Maintenance	1,542,699	1,232,000	3,558,000	3,599,000
Transfer to Local Match Fund	1,500,000	6,500,000	2,000,000	4,000,000
Reimbursement to FTA	374,000	0	0	0
<b>Total Expenditures</b>	<b>5,930,207</b>	<b>9,062,000</b>	<b>8,421,000</b>	<b>10,472,000</b>
<b>Ending Balance</b>	<b>6,129,557</b>	<b>10,096,557</b>	<b>9,400,557</b>	<b>4,359,557</b>
<b>Year-End Encumbrances</b>	<b>0</b>	<b>0</b>	<b>-3,500,000</b>	<b>0</b>
<b>Available Ending Balance</b>	<b>6,129,557</b>	<b>10,096,557</b>	<b>5,900,557</b>	<b>4,359,557</b>

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

	1994 Actual	1995 Estimate	1996 Estimate	1997 Tax Budget
<b>Beginning Balance</b>	15,115,631	1,221,534	9,682,348	12,582,348
<b>Revenue</b>				
Debt Proceeds	0	30,000,000	40,000,000	20,000,000
Transfer from RTA Capital Fund	1,500,000	6,500,000	2,000,000	4,000,000
Transfer from the General Fund	6,000,000	0	0	0
Investment Income	487,000	211,000	935,000	1,057,257
Federal Capital Grants	37,058,000	19,434,000	34,978,000	71,901,000
State Capital Grants	1,282,000	765,000	500,000	29,680,000
State Funds for Waterfront Line	0	18,327,000	3,000,000	0
Other	0	0	0	6,200,000
<b>Total Revenue</b>	46,327,000	75,237,000	81,413,000	132,838,257
<b>Total Resources</b>	61,442,631	76,458,534	91,095,348	145,420,605
<b>Expenditures</b>				
Capital Outlay	60,145,097	66,495,000	78,088,000	135,087,000
Transfer to Bond Retirement Fund	76,000	281,186	425,000	1,003,000
<b>Total Expenditures</b>	60,221,097	66,776,186	78,513,000	136,090,000
<b>Ending Balance</b>	1,221,534	9,682,348	12,582,348	9,330,605