

RESOLUTION NO. 1998 - 89

A RESOLUTION ADOPTING THE TAX BUDGET OF THE
GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
FOR THE FISCAL YEAR BEGINNING JANUARY 1, 1999 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, 1999, 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 revenue, 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 Deputy 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, 1998.

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, 1999, heretofore prepared and submitted to this Board of Trustees, copies of which have been and are on file in the office of the Deputy 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, 1999.

Section 2: That the Deputy General Manager - Finance and Administration be and she 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 become effective immediately upon its adoption.

Attachments: 1999 Tax Budget Assumptions

Adopted: July 21, 1998


President

Attest: 
General Manager and Secretary-Treasurer

Greater Cleveland Regional Transit Authority
1999 TAX BUDGET ASSUMPTIONS

GENERAL FUND ASSUMPTIONS

Inflation

Assumption: 2.2-2.7%

Rationale:

According to the Congressional Budget Office Economic and Budget Outlook, inflation is averaging 1.6% and is projected to increase slightly to 1.7% during the second half of the year. For 1999, however, the median forecast shows the consumer price index rising at a rate of about 2.4%. Overall, most economists are placing 1999 inflation in the 2.2-2.7% range.

Interest Rates

Assumption: 5.7-6.0%

Rationale:

During mid-June of 1998, the target rate for federal funds stood at 5.5%, while the market yield on 2-year Treasury Notes was about 5.6%. Interest rates are expected to trend higher during 1998 and into 1999, especially if the Federal Open Market Committee increases the federal funds rate before the end of 1998. During the first five months of 1998, the Authority earned an average yield of 5.69%. Average yields during the remainder of 1998 are expected to increase only slightly, while higher yields (closer to 5.8%) are expected during 1999.

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 and the Local Match funds have the shortest average maturity due to the need for these funds to meet current obligations for the Authority obligations and the local share of federal moneys. Therefore, the investments in these funds have the shortest maturates, and their earnings will be toward the lower end of the range.

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 1999 available ending cash balance is projected to be \$11.2 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 not be satisfied. Slower revenue performance, particularly sales tax, and the reduction of Federal Operating Assistance are primarily responsible for non compliance with this policy indicator.

REVENUES

Passenger Fares

Assumption: *\$45.0 million*

Rationale:

Through May 1998, passenger fare revenue collections have decreased 2.3% from the same five month period in 1997 and are 3% below budget levels. At this point, however, the 1998 estimate remains unchanged from the original projection as collections are expected to increase to budgeted levels by the end of the year.

The 1999 estimate assumes a 2.0% increase in revenue, resulting from a modest increase in the customer base including a significant increase in rail ridership. Also, the COA, which will continue to be implemented in 1999, is expected to produce an overall increase in ridership.

Advertising Revenue

Assumption: *\$1.9 million*

Rationale:

A contractual guarantee in the contract minimum for the advertising agreement is used for this estimate. It includes the third year of a contract with increases projected for each of the five year agreement including revenue for additional painted buses. This revenue source also assumes several other components initiated in 1997 including a Logo Shop and advertising in the Walkway to Gateway.

Sales Tax

Assumption: *\$149.9 million*

Rationale:

Somewhat more modest economic growth and its impact on consumer spending is expected to slow down sales tax growth in 1999, translating into a growth rate of approximately 4.0% (as compared to 5.0% in 1998). This small increase is enough to mitigate inflation, but still does not leave much room for system growth or expansion of services.

Federal Operating Assistance

Assumption: *\$0*

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 of \$3.4 million or 81% was experienced in 1998 with a complete elimination of Federal Operating Assistance expected in 1999. Therefore, the 1999 estimate for Federal Operating Assistance is projected at zero. However, expected increases in federal capital funding will allow for the opportunity to maximize the flexibility which continues to exist for capitalizing operating expenditures.

State Operating Assistance

<i>Assumption:</i>	<i>Operating Assistance Elderly and Handicapped</i>	<i>\$4.7 million \$553,000</i>
--------------------	---------------------------------------------------------	------------------------------------

Rationale:

Funding levels for 1999 are expected to remain roughly the same as in 1998. This amount, however, represents a \$1.0 million reduction from the 1996 level. Although there was an overall increase in the formula amount in 1997, an equivalent amount was cut from the operating allocation and given to the Authority as a capital grant. This action by the State carried forth into 1998 and is projected again in 1999.

Investment Income

<i>Assumption:</i>	<i>\$1.1 million</i>
--------------------	----------------------

Rationale:

An average balance of \$20 million in the General Fund should earn about 5.8% during 1999. For all funds, approximately \$2.9 million should be earned.

Other Revenue

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

Rationale:

The 1999 Tax Budget assumes no unusual claims or receivable in the other revenue category and therefore mirrors the 1998 estimate. This revenue category normally consists of rental income, salvage sales, identification card proceeds, and various claim reimbursements.

Reimbursed Expenditures

Assumption:

\$3.6 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 \$1.1 million. The estimate also assumes very small net changes in service miles or fuel consumption patterns beyond the impact of the service changes implemented in 1998. In addition, \$2.5 million is budgeted for reimbursements to the General Fund from the Capital Fund for labor related to capital projects.

EXPENDITURES

Personnel Services

Assumption:

\$148.6 million

Rationale:

The 1999 estimate for salaries and fringe benefits, with an increase of 3.6%, is shown at a higher level than projected in the 1998 operating budget for 1999. It has been adjusted to reflect first quarter and subsequent projections for 1998. It accounts for negotiated and tentative bargaining unit wage increases and a non-bargaining wage adjustment. The estimate also reflects expected increases in health care costs and other fringe benefits. The basis for the 1999 personnel services assumption is the continuation of existing service levels with some growth and/or reductions of programs as defined in the 1998 budget for 1999.

Other Expenditures

Assumption:

\$48.7 million

Rationale:

In total, this category of operating costs will increase 4.0% in 1999 which includes some inflationary increases, limited new programming, and trade-offs with existing programming. This estimate is lower than the 1999 budgeted level projected in the 1998 operating budget as a result of lower inflation rates, diesel fuel costs and lower first quarter projections for 1998. This estimate is also less the amount of projected capitalized operating expenses as allowable at the Federal and State levels.

Transfers

<i>Assumption:</i>	<i>Bond Retirement.....</i>	<i>\$8.3 million</i>
	<i>Capital Improvements.....</i>	<i>\$6.7 million</i>
	<i>Insurance Fund.....</i>	<i>\$3.0 million</i>

Rationale:

Figures shown for the bond retirement "set-aside" are simply debt service less both the investment income earned in the Bond Retirement Fund and less the transfer from the Capital Fund. The interest and principal payments on outstanding bonds and notes are taken from debt amortization schedules. No debt issues are planned for 1999.

The Contribution to Capital transfers cover local Asset Maintenance and Routine Capital purchases, as well as required local matches for grant-funded projects. At \$6.7 million, the capital transfers combined with the bond retirement transfer of \$8.3 million will equal 10.0% of sales taxes revenue which is required to meet board policy.

The transfer from the Insurance Fund to the General Fund is necessary to cover expenditures due to projected slowed revenue receipts. The \$3.0 million transfer will leave a balance of \$5.1 in the Insurance Fund. This amount is expected to meet the required balance resulting from restructuring of the insurance fund.

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 25.0% ratio, with 30% being the long-term objective. The tax budget yields a 24.5% ratio which is slightly below the policy objective.

Operating Reserve: At 0.7, this budget does not meet 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 3.8% growth in the cost per hour, an amount above the upper limit of the 1999 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 1999 direct contribution to capital funds is planned at \$6.7 million. In addition, \$8.3 million will be set aside for debt service. In total, this \$15.0 million represents a 10.0% contribution level.

BOND RETIREMENT FUND

The General Fund will be the primary source of fund transfers necessary to make scheduled interest and principal payments on the \$103 million in debt which will remain outstanding at the end of 1998. The last series of existing long-term debt will expire in 2018. An additional \$33 million of debt was issued in 1998 and no new issues are planned for 1999. Interest earned in the Capital Improvement Fund on the investment of new bond proceeds will be transferred to the Bond Retirement Fund during 1999.

INSURANCE FUND

The Authority is currently self-insured in all areas except personal property and equipment. Activity expected in 1999 includes investment income at an average rate of about 6.0% and claims outlay estimated at \$600,000. Also, \$3.0 million is projected to be transferred to the General Fund. This will bring the balance in this fund to \$5.1 million by the end of 1999. The Insurance Fund will be restructured in 1998 to reflect a combination of self and purchased insurance coverage.

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 1999 with benefit payments at \$160,000.

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 1998 and 1999 RTA Capital Fund outlays are based on current and expected expenditure levels.

CAPITAL IMPROVEMENT FUNDS - Con't

The estimated 1999 grant-funded capital outlays are predicated on year-to-date outlays, obligations and projected commitments. The 1999 projection includes projects approved in the six-year Capital Improvements Plan. In 1998, 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 1999 at this time.

General Fund Balance Analysis

	1996 Actual	1997 Actual	1998 Estimate	1999 Tax Budget
Beginning Balance	19,129,640	16,187,395	12,183,385	12,274,949
Revenue				
Passenger Fares	42,993,320	43,783,824	44,120,000	45,000,000
Advertising & Concessions	1,052,553	1,304,619	1,800,000	1,880,000
Sales & Use Tax	131,024,347	137,291,286	144,160,000	149,930,000
Federal Operating Assistance	4,167,000	4,166,235	773,000	0
State Operating Assistance	5,635,168	4,399,025	4,748,000	4,748,000
Ohio Elderly Fare Assistance	537,504	544,898	553,000	553,000
Investment Income	1,419,265	1,384,306	1,200,000	1,100,000
Other Revenue	1,262,743	1,589,223	1,400,000	1,400,000
Reimbursed Expenditures	4,698,822	3,430,474	3,600,000	3,600,000
Transfer From Insurance Fund	0	0	3,100,000	3,000,000
Worker's Compensation Deposit	0	0	0	0
Total Revenue	192,790,722	197,893,890	205,464,000	211,211,000
Total Resources	211,920,362	214,081,285	217,637,385	223,485,949
Operating Expenditures				
Personnel Services	131,016,576	135,004,571	143,409,056	148,607,063
Other Expenditures	48,041,391	50,435,072	47,537,380	48,685,942
Total Operating Expenditures	179,057,967	185,439,643	190,946,436	197,293,005
Transfers				
Bond Retirement Fund	7,778,599	8,904,958	8,950,000	8,300,000
Capital Improvement Funds	6,516,108	3,549,289	5,466,000	5,617,995
Total Transfers	14,294,707	12,454,247	14,416,000	13,917,995
Total Expenditures	193,352,674	197,893,890	205,362,436	211,211,000
Ending Balance	18,567,688	16,187,395	12,274,949	12,274,949
Capital Improvements Contribution	2,380,293	4,004,010	0	1,075,005
Available Ending Balance	16,187,395	12,183,385	12,274,949	11,199,944

Financial Indicators

	1996 Actual	1997 Actual	1998 Estimate	1999 Tax Budget
Operating Ratio	26.0%	25.4%	25.0%	24.6%
Operating Reserve (Months)	1.1	0.8	0.8	0.7
Cost/Hour of Service	\$79.89	\$77.19	\$79.24	\$81.90
Growth per Year	2.4%	-3.4%	2.7%	3.4%
Sales Tax Contribution to Capital	12.7%	12.0%	10.0%	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

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

Notes:

* Total Operating Expenditures are net capital expenditures.

Bond Retirement Fund Balance Analysis

	1996 Actual	1997 Actual	1998 Estimate	1999 Tax Budget
Beginning Balance	1,127,835	645,113	496,054	758,631
Revenue				
Transfer from General Fund	7,778,600	8,904,958	8,950,000	8,300,000
Transfer from Local Match	360,758	0	0	500,000
Investment Income	308,177	233,921	220,000	230,000
Note Premium	0	0	0	0
Total Revenue	8,447,535	9,138,879	9,170,000	9,030,000
Total Resources	9,575,370	9,783,992	9,666,054	9,788,631
Expenditures				
Debt Service				
Principal	4,750,000	4,855,000	3,655,000	3,555,000
Interest	4,180,257	4,432,938	5,252,423	5,432,479
Total Expenditures	8,930,257	9,287,938	8,907,423	8,987,479
Ending Balance	645,113	496,054	758,631	801,152

Insurance Fund Balance Analysis

	1996 Actual	1997 Actual	1998 Estimate	1999 Tax Budget
Beginning Balance	10,718,061	11,328,779	11,403,378	8,273,378
Revenue				
Investment Income	653,903	663,728	570,000	390,000
Total Revenue	653,903	663,728	570,000	390,000
Total Resources	11,371,964	11,992,507	11,973,378	8,663,378
Expenditures				
Claims Outlay	43,185	589,129	600,000	600,000
Transfer to General Fund	0	0	3,100,000	3,000,000
Total Expenditures	43,185	589,129	3,700,000	3,600,000
Ending Balance	11,328,779	11,403,378	8,273,378	5,063,378

Supplemental Pension Fund Balance Analysis

	1996 Actual	1997 Actual	1998 Estimate	1999 Tax Budget
Beginning Balance	1,467,373	1,369,432	1,278,162	1,186,162
Revenue				
Investment Income	77,463	68,141	68,000	63,000
Total Revenue	77,463	68,141	68,000	63,000
Total Resources	1,544,836	1,437,573	1,346,162	1,249,162
Expenditures				
Benefit Payments	175,404	159,411	160,000	160,000
Total Expenditures	175,404	159,411	160,000	160,000
Ending Balance	1,369,432	1,278,162	1,186,162	1,089,162

Law Enforcement Fund Balance Analysis

	1996 Actual	1997 Actual	1998 Estimate	1999 Tax Budget
Beginning Balance	155,521	149,121	154,931	122,931
Revenue				
Law Enforcement Revenue	6,348	5,803	10,000	10,000
Investment Income	8,752	9,766	8,000	7,000
Total Revenue	15,100	15,569	18,000	17,000
Total Resources	170,621	164,690	172,931	139,931
Expenditures				
Capital	21,500	9,759	50,000	0
Total Expenditures	21,500	9,759	50,000	0
Ending Balance	149,121	154,931	122,931	139,931

RTA Capital Fund Balance Analysis

	1996 Actual	1997 Actual	1998 Estimate	1999 Tax Budget
Beginning Balance	10,097,607	12,725,966	8,522,859	2,235,859
Revenue				
Transfer from General Fund	8,896,400	7,553,299	5,466,000	6,693,000
Investment Income	716,988	537,847	400,000	140,000
Total Revenue	9,613,388	8,091,146	5,866,000	6,833,000
Total Resources	19,710,995	20,817,112	14,388,859	9,068,859
Expenditures				
Routine Capital	1,531,451	2,516,472	2,414,000	2,766,050
Asset Maintenance	3,453,578	1,977,781	3,139,000	2,405,700
Transfer to Local Match Fund	2,000,000	7,800,000	3,100,000	1,000,000
Reimbursement to FTA	0	0	0	0
Total Expenditures	6,985,029	12,294,253	8,653,000	6,171,750
Ending Balance	12,725,966	8,522,859	5,735,859	2,897,109
Year-End Encumbrances	0	0	-3,500,000	0
Available Ending Balance	12,725,966	8,522,859	2,235,859	2,897,109

Grant Funds Balance Analysis (Local Match and Grant Funds)

	1996 Actual	1997 Actual	1998 Estimate	1999 Tax Budget
Beginning Balance	9,683,415	14,810,915	2,208,541	24,000,761
Revenue				
Debt Proceeds	40,000,000	0	33,000,000	0
Transfer from RTA Capital Fund	2,000,000	7,800,000	3,100,000	1,000,000
Transfer from the General Fund	0	0	0	0
Investment Income	1,196,287	407,546	720,000	940,000
Federal Capital Grants	21,055,010	55,066,568	39,462,122	67,257,200
State Capital Grants	1,748,085	294,935	5,549,000	5,537,000
State Funds for Waterfront Line	1,250,191	1,354,412	0	0
Other	0	5,000,000	1,600,000	8,380,000
Total Revenue	67,249,573	69,923,461	83,431,122	83,114,200
Total Resources	76,932,988	84,734,376	85,639,663	107,114,961
Expenditures				
Capital Outlay	61,761,315	82,525,835	61,638,902	97,108,750
Transfer to Bond Retirement Fund	360,758	0	0	500,000
Total Expenditures	62,122,073	82,525,835	61,638,902	97,608,750
Ending Balance	14,810,915	2,208,541	24,000,761	9,506,211