

RESOLUTION NO. 1999 – 103

A RESOLUTION ADOPTING THE TAX BUDGET OF THE
GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
FOR THE FISCAL YEAR BEGINNING JANUARY 1, 2000 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, 2000, 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 9, 1999,

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

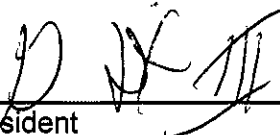
Section 1: That the budget of the Greater Cleveland Regional Transit Authority, for the fiscal year beginning January 1, 2000, heretofore prepared and submitted to this Board of Trustees, copies of which have been and are on file in the office of the Deputy General Manager – Finance and Administration 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, 2000.

Section 2: That the Deputy General Manager – Finance and Administration be 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: 2000 Tax Budget Assumptions

Adopted: July 20, 1999



President

Attest: 

General Manager and Secretary-Treasurer

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GCRTA

2000 Tax Budget

July 13, 1999



Greater Cleveland Regional Transit Authority

Greater Cleveland Regional Transit Authority
2000 TAX BUDGET ASSUMPTIONS

GENERAL FUND ASSUMPTIONS

Inflation

Assumption: **2.6-2.9%**

Rationale:

According to the Congressional Budget Office Economic and Budget Outlook, inflation is averaging 2.4% and is projected to increase to 2.7% during the second half of the year. For 1999, however, the median forecast shows the consumer price index falling slightly to a rate of about 2.6%. Overall, most economists are placing 2000 inflation in the 2.6-2.9% range.

Interest Rates

Assumption: **4.9-5.1%**

Rationale:

At the end of June of 1999, the target rate for federal funds was raised from 4.75 to 5.00%, while the market yield on 2-year Treasury Notes was about 5.68%. Interest rates are expected to trend at a slightly higher level through the remainder of 1999 and into 2000. During the first five months of 1999, the Authority earned an average yield of 4.91%. Average yields during the remainder of 1999 are expected to increase slightly, and similar yields are expected during 2000.

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 RTA Development funds have the shortest average maturity due to the need for these funds to meet current obligations for the Authority operating and capital needs. 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.

Available Ending Balance

The 2000 available ending cash balance is projected to be \$6.0 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 not be satisfied. Slower revenue performance, particularly passenger fares and sales tax, and the effect of the recent elimination of Federal Operating Assistance are primarily responsible for non compliance with this policy indicator.

REVENUES

Passenger Fares

Assumption: ***\$44.9 million***

Rationale:

Through May 1999, passenger fare revenue collections are below the same five month period in 1998 as well as budgeted levels. Thus, the 1999 estimate has been lowered from the original budgeted amount to reflect this decline, but still anticipates favorable growth during the remainder of the year.

The 2000 estimate assumes a 1.7% increase in revenue, resulting from an increase in the customer base as well as a general increase in ridership in some modes of service.

Advertising Revenue

Assumption: **\$2.5 million**

Rationale:

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

Sales Tax

Assumption: **\$157.4 million**

Rationale:

Modest economic growth and its impact on consumer spending is expected to slow down sales tax growth in 2000, translating into a growth rate of approximately 4.0% (as compared to 4.8% projected in 1999). This small increase is enough to mitigate inflation, but still does not leave any 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 in 1999. Therefore, no Federal Operating Assistance is expected in 2000. The loss of this one-time significant revenue source, continues to negatively impact the Authority's financial condition.

Reimbursed Expenditures

Assumption:

\$8.9 million

Rationale:

This category is composed of grant labor and materials reimbursements, and 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 no real changes in service miles or fuel consumption patterns beyond the impact of the service changes implemented in 1999. In addition, \$3.1 million is budgeted for reimbursements to the General Fund from the Capital Fund for labor related to capital projects and \$4.7 is expected for reimbursements for inventory materials and supplies.

EXPENDITURES

Personnel Services

Assumption:

\$154.8 million

Rationale:

The 2000 estimate for salaries and fringe benefits is shown at a lower level than projected in the 1999 operating budget for 2000. It has been adjusted to reflect first quarter and subsequent projections for 1999. 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 this assumption is the continuation of existing service levels with some growth and/or reductions of programs as defined in the 1999 budget for 2000 and equates to a 2.8% increase over 1999 estimated expenditures.

Other Expenditures

Assumption: **\$51.2 million**

Rationale:

In total, this category of operating costs will increase 4.5% in 2000 which includes some inflationary increases, continuation of new programming begun in 1999, and trade-offs with existing programming. This estimate is higher than the 2000 budgeted level projected in the 1999 operating budget as a result of higher inflation rates, diesel fuel costs and the Access to Jobs Program assumed by the Authority in 1999.

Transfers

Assumption:	Bond Retirement.....	\$7.7 million
	Capital Improvements.....	\$8.0 million
	Insurance Fund.....	\$0

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. A \$60 million debt issue is planned for 2000 with the increase in debt service deferred until 2001.

The Contribution to Capital transfers cover local Asset Maintenance and Routine Capital purchases, as well as required local matches for grant-funded projects. At \$8.0 million, the capital transfers combined with the bond retirement transfer of \$7.7 million will equal 10.0% of sales taxes revenue which is required to meet board policy.

A transfer from the Insurance Fund to the General Fund is not planned in 2000. The Insurance Fund was restructured in early 1999 and the remaining balance of \$5.0 million will be required to meet the needs of the Insurance program.

FINANCIAL INDICATORS

The General Fund statement presented in this Tax Budget results in the following performance against the Authority's financial policies.

REVENUES

Operating Ratio: The policy requires a 25.0% ratio. The tax budget yields a 23.4% ratio which is slightly below the policy objective.

Fare Subsidy (Net Cost) Per Passenger: This indicator, at \$2.63 will not meet policy ceiling of three times the average fare(.73).

EXPENDITURES

Operating Reserve: At 0.3, this budget does not meet the policy requirement of a one-month operating reserve (indicator=1.0).

Overhead Cost vs. Total Cost: This indicator, at 13.5%, is well below the policy maximum of 15%.

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 2.7% growth in the cost per hour, below the upper limit of the 2000 inflation rate.

DEBT STRUCTURES

Debt Service Coverage: At 1.53, although a significant drop from 1999, this indicator still meets the policy minimum of 1.50.

CAPITAL OUTLAY

Sales Tax Contribution to Capital: Policy requires that at least 10% of sales tax receipts be applied to capital programs. The 2000 direct contribution to capital funds is planned at \$7.7 million. In addition, \$8.0 million will be set aside for debt service. In total, this \$15.7 million represents an 10.0% contribution level.

Capital Maintenance to Expansion: At 38.6%, this ratio is projected to be within policy guidelines of 33% to 67%.

BOND RETIREMENT FUND

The General and Capital Funds will be the sources of fund transfers necessary to make scheduled interest and principal payments on the \$99 million in debt which will remain outstanding at the end of 1999. The last series of existing long-term debt will expire in 2018. An additional \$60 million of debt is planned to be issued in the second half of 2000.

INSURANCE FUND

The Insurance Fund was restructured in 1999 to reflect a combination of self and purchased insurance coverage. Activity expected in 2000 includes investment income of \$300,000, claims outlay estimated at \$450,000 and premium payments of \$359,000. This will leave the balance in this fund at \$5.0 million by the end of 2000.

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 at \$55,000 in 2000 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 1999 and 2000 RTA Capital Fund outlays are based on current and expected expenditure levels.

The estimated capital outlays are predicated on year-to-date outlays, obligations and projected commitments as well as the approved six-year Capital Improvement Plan. Grant revenue projected includes current as well as expected grant awards. In 2000, projects under construction will 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 2000 at this time.

General Fund Balance Analysis

	1997 Actual	1998 Actual	1999 Estimate	2000 Tax Budget
Beginning Balance	16,187,395	12,183,385	11,753,987	10,305,858
Revenue				
Passenger Fares	43,783,824	43,227,213	44,170,000	44,920,000
Advertising & Concessions	1,304,619	1,709,744	2,000,000	2,500,000
Sales & Use Tax	137,291,286	144,399,201	151,350,000	157,400,000
Federal Operating Assistance	4,166,235	773,143	0	0
State Operating Assistance	4,399,025	4,829,592	0	0
Ohio Elderly Fare Assistance	544,898	828,832	553,000	553,000
Access to Jobs Grants	0	0	282,000	1,030,300
Investment Income	1,384,306	1,255,358	1,100,000	900,000
Other Revenue	1,589,223	977,805	1,200,000	1,200,000
Reimbursed Expenditures	3,430,474	3,521,411	8,348,000	8,948,000
Transfer From Insurance Fund	0	1,850,000	4,250,000	0
Worker's Compensation Deposit	0	0	0	0
Total Revenue	197,893,890	203,372,299	213,253,000	217,451,300
Total Resources	214,081,285	215,555,684	225,006,987	227,757,158
Operating Expenditures				
Personnel Services	135,004,571	142,889,592	150,566,344	154,778,686
Other Expenditures	50,435,072	46,472,184	48,999,785	51,209,773
Total Operating Expenditures	185,439,643	189,361,776	199,566,129	205,988,459
Transfers				
Bond Retirement Fund	8,904,958	8,496,339	8,300,000	7,700,000
Capital Improvement Funds	3,549,289	5,514,184	6,216,871	3,762,841
Total Transfers	12,454,247	14,010,523	14,516,871	11,462,841
Total Expenditures	197,893,890	203,372,299	214,083,000	217,451,300
Ending Balance	16,187,395	12,183,385	10,923,987	10,305,858
Capital Improvements Contribution	4,004,010	429,398	618,129	4,277,159
Available Ending Balance	12,183,385	11,753,987	10,305,858	6,028,699

Financial Indicators

	1997 Actual	1998 Actual	1999 Estimate	2000 Tax Budget
REVENUES				
Operating Ratio	25.2%	24.2%	23.5%	23.4%
Fare Subsidy (Net Cost) Per Passenger	\$2.31	\$2.44	\$2.59	\$2.63
Average Fare	\$0.72	\$0.71	\$0.73	\$0.73
EXPENDITURES				
Operating Reserve (Months)	0.8	0.7	0.6	0.3
Overhead Cost vs. Total Cost	11.8%	12.1%	13.0%	13.5%
Cost/Hour of Service	\$77.70	\$75.67	\$79.28	\$81.38
Growth per Year	-2.7%	-2.6%	2.0%	2.7%
DEBT STRUCTURES				
Debt Service Coverage	2.27	2.27	2.08	1.53
CAPITAL OUTLAY				
Sales Tax Contribution to Capital	12.0%	10.0%	10.0%	10.0%
Capital Maintenance to Expansion	64.5%	56.1%	60.4%	38.6%

Definitions:

Operating Ratio = Operating Revenue (Fares + Advertising + Interest) / Total Operating Expenditures

Fare Subsidy (Net Cost) Per Passenger = (Total Operating Expenditures/Ridership) - (Fares/Ridership)

Operating Reserve = Available Ending Balance / (Total Operating Expenditures/12)

Overhead Cost vs. Total Cost = Operating Overhead Cost / Total Operating Cost

Cost/Hour of Service = Total Operating Expenditures / Total Service Hours

Debt Service Coverage = (Total Operating Revenues - Total Operating Expenditures) / Debt Service

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

Capital Maintenance to Expansion = Capital Maintenance Outlay / Total Capital Outlay

Bond Retirement Fund Balance Analysis

	1997 Actual	1998 Actual	1999 Estimate	2000 Tax Budget
Beginning Balance	966,784	817,725	937,769	831,531
Revenue				
Transfer from General Fund	8,904,958	8,496,340	8,300,000	7,700,000
Transfer from RTA Development Fund	0	0	350,000	1,400,000
Investment Income	233,921	185,924	200,000	200,000
Note Premium	0	0	0	0
Total Revenue	9,138,879	8,682,264	8,850,000	9,300,000
Total Resources	10,105,663	9,499,989	9,787,769	10,131,531
Expenditures				
Debt Service				
Principal	4,855,000	3,328,930	3,620,000	3,835,000
Interest	4,432,938	5,233,290	5,336,238	5,118,763
Total Expenditures	9,287,938	8,562,220	8,956,238	8,953,763
Ending Balance	817,725	937,769	831,531	1,177,768

Insurance Fund Balance Analysis

	1997 Actual	1998 Actual	1999 Estimate	2000 Tax Budget
Beginning Balance	11,328,779	11,403,378	10,228,659	5,519,909
Revenue				
Investment Income	663,728	675,281	550,000	300,000
Total Revenue	663,728	675,281	550,000	300,000
Total Resources	11,992,507	12,078,659	10,778,659	5,819,909
Expenditures				
Claims and Premium Outlay	589,129	0	1,008,750	809,000
Transfer to General Fund	0	1,850,000	4,250,000	0
Total Expenditures	589,129	1,850,000	5,258,750	809,000
Ending Balance	11,403,378	10,228,659	5,519,909	5,010,909

Supplemental Pension Fund Balance Analysis

	1997 Actual	1998 Actual	1999 Estimate	2000 Tax Budget
Beginning Balance	1,369,432	1,278,162	1,187,483	1,087,483
Revenue				
Investment Income	68,141	64,499	60,000	55,000
Total Revenue	68,141	64,499	60,000	55,000
Total Resources	1,437,573	1,342,661	1,247,483	1,142,483
Expenditures				
Benefit Payments	159,411	155,178	160,000	160,000
Total Expenditures	159,411	155,178	160,000	160,000
Ending Balance	1,278,162	1,187,483	1,087,483	982,483

Law Enforcement Fund Balance Analysis

	1997 Actual	1998 Actual	1999 Estimate	2000 Tax Budget
Beginning Balance	149,121	154,931	177,504	139,504
Revenue				
Law Enforcement Revenue	5,803	55,812	10,000	10,000
Investment Income	9,766	6,811	9,000	8,000
Total Revenue	15,569	62,623	19,000	18,000
Total Resources	164,690	217,554	196,504	157,504
Expenditures				
Capital	9,759	40,050	57,000	0
Total Expenditures	9,759	40,050	57,000	0
Ending Balance	154,931	177,504	139,504	157,504

RTA Capital Fund Balance Analysis

	1997 Actual	1998 Actual	1999 Estimate	2000 Tax Budget
Beginning Balance	12,725,966	8,522,859	6,809,597	2,427,597
Revenue				
Transfer from General Fund	7,553,299	5,943,582	6,835,000	8,040,000
Investment Income	537,847	439,922	320,000	240,000
Total Revenue	8,091,146	6,383,504	7,155,000	8,280,000
Total Resources	20,817,112	14,906,363	13,964,597	10,707,597
Expenditures				
Routine Capital	2,516,472	2,521,611	4,402,700	3,613,190
Asset Maintenance	1,977,781	1,945,452	2,134,300	2,567,600
Transfer to RTA Development Fund	7,800,000	3,629,703	1,000,000	2,000,000
Total Expenditures	12,294,253	8,096,766	7,537,000	8,180,790
Ending Balance	8,522,859	6,809,597	6,427,597	2,526,807
Year-End Encumbrances	0	0	-4,000,000	0
Available Ending Balance	8,522,859	6,809,597	2,427,597	2,526,807

RTA Development Fund Balance Analysis

	1997 Actual	1998 Actual	1999 Estimate	2000 Tax Budget
Beginning Balance	14,810,915	2,208,541	22,503,127	9,607,695
Revenue				
General Obligation Debt Proceeds	0	33,000,000	0	60,000,000
State Infrastructure Bank Loan	0	0	2,250,000	4,350,000
Transfer from RTA Capital Fund	7,800,000	3,629,703	1,000,000	2,000,000
Investment Income	407,546	1,114,250	960,000	1,610,000
Federal Capital Grants	55,066,568	34,257,862	47,391,173	86,547,931
State Capital Grants	294,935	813,041	9,274,153	17,987,384
State Funds for Waterfront Line	1,354,412	0	0	0
Access to Jobs Grants	0	0	160,000	160,000
Other	5,000,000	93,181	80,000	100,000
Total Revenue	69,923,461	72,908,037	61,115,326	172,755,315
Total Resources	84,734,376	75,116,578	83,618,453	182,363,010
Expenditures				
Capital Outlay	82,525,835	52,613,451	73,660,758	135,481,684
Transfer to Bond Retirement Fund	0	0	350,000	1,400,000
Total Expenditures	82,525,835	52,613,451	74,010,758	136,881,684
Ending Balance	2,208,541	22,503,127	9,607,695	45,481,326