

RESOLUTION NO. 2000 – 104

A RESOLUTION ADOPTING THE TAX BUDGET OF THE
GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
FOR THE FISCAL YEAR BEGINNING JANUARY 1, 2001 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, 2001, 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 7, 2000,

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, 2001, 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, 2001.

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: 2001 Tax Budget Assumptions

Adopted: July 18, 2000



President

Attest: 

CEO General Manager/Secretary-Treasurer

2

0

0

1

GCRTA

2001 Tax Budget

July 6, 2000



Greater Cleveland Regional Transit Authority

Greater Cleveland Regional Transit Authority
2001 TAX BUDGET ASSUMPTIONS

GENERAL FUND ASSUMPTIONS

Inflation

Assumption: **2.3-2.5%**

Rationale:

According to the Congressional Budget Office Economic and Budget Outlook, inflation is averaging 2.5% and is projected to remain constant during the second half of the year. For 2001, as well, the median forecast shows the consumer price index remaining relatively constant with only a slight drop to a rate of 2.4%. Overall, most economists are placing 2001 inflation in the 2.3-2.5% range.

Interest Rates

Assumption: **6.7-6.9%**

Rationale:

At the end of June of 2000, the target rate for federal funds remained constant at 6.5%, while the market yield on 2-year Treasury Notes increased to 6.36%. Interest rates are expected to trend at a slightly higher level through the remainder of 2000 and into 2001. During the first five months of 2000, the Authority earned an average yield of 5.5%. Average yields during the remainder of 2000 are expected to increase slightly; however, much higher yields are expected during 2001.

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 maturities, 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 2001 available ending cash balance is projected to be \$6.7 million. For the fifth 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 relative to expenditure growth, particularly passenger fares 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: ***\$45.1 million***

Rationale:

Through May 2000, passenger fare revenue collections are above the same five-month period in 1999 but significantly below budgeted levels. Thus, the 2000 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 2001 estimate assumes a 4.8% increase in revenue, resulting from a general increase in ridership and an increase in the customer base as well as higher average fares.

Advertising Revenue

Assumption: **\$2.8 million**

Rationale:

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

Sales Tax

Assumption: **\$163.6 million**

Rationale:

Stronger economic growth in late 1999 and early 2000 has resulted in more favorable receipts than anticipated during the first half of 2000. Thus, the estimate for the current year has been adjusted to reflect a 4.5% growth as compared to the 4.0% budgeted. Modest economic growth and its impact on consumer spending, however, is expected to slow down sales tax growth in 2001, translating into a growth rate of approximately 3.5% (consistent with budgeted projections). This small increase is enough to mitigate inflation, but 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

2001. The loss of this one-time significant revenue source continues to negatively impact the Authority's financial condition.

State Operating Assistance

<i>Assumption:</i>	<i>Operating Assistance Elderly and Handicapped</i>	<i>\$ 0 \$570,000</i>
---------------------------	--	----------------------------------

Rationale:

Funding levels for 2001 are expected to remain roughly the same as in 2000 for Elderly and Handicapped Assistance. State Operating Assistance, however, similar to 2000, is not expected, and instead will be given as a capital grant for inventory materials and supplies.

Access to Jobs

<i>Assumption:</i>	<i>\$1.3 million</i>
---------------------------	-----------------------------

Rationale:

The Access to Jobs program was assumed from Cuyahoga County in 1999. Expansion of the program has materialized in 2000 and will continue into 2001 to correspond with Welfare to Work initiatives. Most of the funding for this program in 2001 will be received in the form of grants from TANF, ODOT, and FTA, with relatively a small match required by RTA. Funding in the outyears, however, remains uncertain.

Investment Income

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

Rationale:

An average balance of \$17 million in the General Fund should earn about 6.9% during 2001. For all funds, approximately \$3.2 million should be earned.

Other Revenue

Assumption: **\$1.1 million**

Rationale:

The 2001 Tax Budget assumes no unusual claims or receivables in the other revenue category and therefore mirrors the 2000 estimate adjusted for revenues received from 1999. This revenue category normally consists of various claim reimbursements, rental income, salvage sales, and identification card proceeds.

Reimbursed Expenditures

Assumption: **\$15.2 million**

Rationale:

This category is composed of grant labor and materials reimbursements, capitalized operating assistance reimbursements, and diesel fuel tax refunds. In this latter category, RTA will recoup \$.21 per gallon from diesel fuel taxes, or \$1.2 million. The estimate also assumes no real changes in service miles or fuel consumption patterns beyond the impact of the service changes implemented in 2000. In addition, \$3.0 million is budgeted for reimbursements to the General Fund from the Capital Fund for labor related to capital projects, \$7.7 million for reimbursements for inventory materials and supplies and \$3.3 million for other capitalized operating expenditures.

EXPENDITURES

Personnel Services

Assumption: **\$159.9 million**

Rationale:

The 2001 estimate for salaries and fringe benefits is shown at a more conservative level than projected in the 2000 operating budget for 2001. It has been adjusted to reflect first quarter and subsequent projections for 2000 which includes a rollback for PERS. Furthermore, it accounts for negotiated bargaining

unit wage increases only. Thus, no increases are included for the ATU or FOP beyond the current contract agreements nor is a non-bargaining wage adjustment included. The estimate also reflects expected increases in health care costs and changes in 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 2000 budget for 2001 and equates to a 3.5% increase over 2000 estimated expenditures.

Other Expenditures

Assumption: ***\$55.3 million***

Rationale:

In total, this category of operating costs will increase 3.9% in 2001 which includes some inflationary increases, continuation of new programming begun in 2000, and trade-offs with existing programming. This estimate is higher than the 2001 budgeted level projected in the 2000 operating budget primarily as a result of higher diesel fuel costs.

Transfers

Assumption: ***Bond Retirement.....\$10.2 million***
Capital Improvements.....\$9.4 million

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 the transfer from the Capital Fund. The interest and principal payments on outstanding bonds are taken from debt amortization schedules. No debt issue is planned for 2001 as \$30 million will be issued in late 2000. This will result in higher debt service payments in 2001 and beyond.

The Contribution to Capital transfers cover 100% locally funded expenditures, as well as required local matches for grant-funded projects. At \$9.4 million, the capital transfers combined with the bond retirement transfer of \$10.2 million will equal 12.0% of sales taxes revenue which is greater than the 10% required to meet board policy. The increased amount is necessary to support more aggressive expenditures in the capital 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 23.0% ratio which is below the policy objective. This indicator continues to be a warning that self-generated revenues are growing at a slower rate than expenditures.

Fare Subsidy (Net Cost) Per Passenger: This indicator, at \$2.74 will not meet the policy ceiling of three times the average fare (.74), again an indication that self-generated revenues are not growing at the same rate as expenditures.

EXPENDITURES

Operating Reserve: At \$6.7 million or 0.4 month, this budget does not meet the policy requirement of a one-month operating reserve (indicator=1.0) which is an indication that overall revenues are not sufficient to cover expenditure growth.

Overhead Cost vs. Total Cost: This indicator, at 13.4%, is well below the policy maximum of 15%, suggesting that overhead costs are being kept low.

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 1.8% growth in the cost per hour which is well below the upper limit of the 2001 inflation rate, thus demonstrating efficiency in service delivery.

DEBT STRUCTURES

Debt Service Coverage: At 1.47, this indicator just misses the policy minimum of 1.50. This is a result of the increase in debt service requirement stemming from higher debt levels relative to the decrease in the ending balance.

CAPITAL OUTLAY

Sales Tax Contribution to Capital: Policy requires that at least 10% of sales tax receipts be applied to capital programs. The 2001 direct contribution to capital funds is planned at \$9.4 million. In addition, \$10.2 million will be set aside for debt service. In total, this \$19.6 million represents a 12.0% contribution level. This higher level is required to support increased debt and capital expenditures.

Capital Maintenance to Expansion: At 58.0%, this ratio is projected to be within policy guidelines of 33% to 67%, indicating an acceptable balance between the two capital expenditure types.

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 \$98 million in current debt which will remain outstanding at the end of 2000. The last series of existing long-term debt will expire in 2018. An additional \$30 million of debt is planned to be issued in the fourth quarter of 2000 which will require nearly \$2.6 million of increased debt service payments in 2001.

INSURANCE FUND

The Insurance Fund was restructured in 1999 to reflect a combination of self and purchased insurance coverage. Activity expected in 2001 includes investment income of \$290,000, claims outlay estimated at \$450,000 and premium payments of \$359,000. This will leave the balance in this fund at \$4.4 million by the end of 2001 which is below the current required level of \$5.0 million.

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 \$68,000 in 2001 with benefit payments at \$140,000.

CAPITAL IMPROVEMENT FUNDS

Funds needed to meet the local share requirements of federal and other grants as well as funds 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 2000 and 2001 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 2001, construction projects include track, bridge, and station rehabilitations and major equipment purchases include buses.

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 2001 at this time.

2001 Tax Budget General Fund Balance Analysis

	1998 Actual	1999 Actual	2000 Estimate	2001 Tax Budget
Beginning Balance	12,183,385	11,753,987	11,051,834	10,688,041
Revenue				
Passenger Fares	43,227,213	41,790,115	43,030,000	45,080,000
Advertising & Concessions	1,709,744	1,855,374	2,600,000	2,800,000
Sales & Use Tax	144,399,201	151,265,961	158,070,000	163,600,000
Federal Operating Assistance	773,143	0	0	0
State Operating Assistance	4,829,592	0	0	0
Ohio Elderly Fare Assistance	828,832	567,579	570,000	570,000
Access to Jobs Grants	0	91,508	1,000,000	1,310,000
Investment Income	1,255,358	905,016	900,000	1,150,000
Other Revenue	977,805	838,316	1,200,000	1,100,000
Reimbursed Expenditures	3,521,411	12,231,597	15,848,000	15,200,000
Transfer From Insurance Fund	1,850,000	4,250,000	0	0
Total Revenue	203,372,299	213,795,466	223,218,000	230,810,000
Total Resources	215,555,684	225,549,453	234,269,834	241,498,041
Operating Expenditures				
Personnel Services	142,889,592	150,565,118	154,495,509	159,852,517
Other Expenditures	46,472,184	48,797,501	53,279,284	55,342,421
Total Operating Expenditures	189,361,776	199,362,619	207,774,793	215,194,938
Transfers				
Bond Retirement Fund	8,496,339	8,756,263	8,350,000	10,250,000
Capital Improvement Funds	5,514,184	5,676,584	7,093,207	5,365,062
Total Transfers	14,010,523	14,432,847	15,443,207	15,615,062
Total Expenditures	203,372,299	213,795,466	223,218,000	230,810,000
Ending Balance	12,183,385	11,753,987	11,051,834	10,688,041
Capital Improvements Contribution	429,398	702,153	363,793	4,016,938
Available Ending Balance	11,753,987	11,051,834	10,688,041	6,671,103

2001 Tax Budget Financial Indicators

	1998 Actual	1999 Actual	2000 Estimate	2001 Tax Budget
REVENUES				
Operating Ratio	24.2%	22.5%	22.6%	23.0%
Fare Subsidy (Net Cost) Per Passenger	\$2.44	\$2.63	\$2.71	\$2.74
Average Fare	\$0.71	\$0.70	\$0.72	\$0.74
EXPENDITURES				
Operating Reserve (Months)	0.7	0.7	0.6	0.4
Overhead Cost vs. Total Cost	12.1%	11.9%	13.2%	13.4%
Cost/Hour of Service	\$75.67	\$77.85	\$78.26	\$79.67
Growth per Year	-2.6%	2.9%	0.5%	1.8%
DEBT STRUCTURES				
Debt Service Coverage	2.27	2.21	2.13	1.47
CAPITAL OUTLAY				
Sales Tax Contribution to Capital	10.0%	10.0%	10.0%	12.0%
Capital Maintenance to Expansion	56.1%	86.3%	74.9%	58.0%

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

	1998 Actual	1999 Actual	2000 Estimate	2001 Tax Budget
Beginning Balance	817,725	779,459	758,930	975,166
Revenue				
Transfer from General Fund	8,496,339	8,756,263	8,350,000	10,250,000
Transfer from RTA Development Fund	0	0	650,000	1,100,000
Investment Income	185,924	179,447	170,000	220,000
Total Revenue	8,682,263	8,935,710	9,170,000	11,570,000
Total Resources	9,499,988	9,715,169	9,928,930	12,545,166
Expenditures				
Debt Service				
Principal	3,655,000	3,620,000	3,835,000	4,795,000
Interest	5,065,529	5,336,239	5,118,764	6,718,707
Total Expenditures	8,720,529	8,956,239	8,953,764	11,513,707
Ending Balance	779,459	758,930	975,166	1,031,459

Insurance Fund Balance Analysis

	1998 Actual	1999 Actual	2000 Estimate	2001 Tax Budget
Beginning Balance	11,403,378	10,228,659	5,471,928	4,932,928
Revenue				
Investment Income	675,281	464,303	270,000	290,000
Total Revenue	675,281	464,303	270,000	290,000
Total Resources	12,078,659	10,692,962	5,741,928	5,222,928
Expenditures				
Claims and Premium Outlay	0	971,034	809,000	809,000
Transfer to General Fund	1,850,000	4,250,000	0	0
Total Expenditures	1,850,000	5,221,034	809,000	809,000
Ending Balance	10,228,659	5,471,928	4,932,928	4,413,928

Supplemental Pension Fund Balance Analysis

	1998 Actual	1999 Actual	2000 Estimate	2001 Tax Budget
Beginning Balance	1,278,162	1,187,483	1,107,662	1,020,662
Revenue				
Investment Income	64,499	65,528	58,000	68,000
Total Revenue	64,499	65,528	58,000	68,000
Total Resources	1,342,661	1,253,011	1,165,662	1,088,662
Expenditures				
Benefit Payments	155,178	145,349	145,000	140,000
Total Expenditures	155,178	145,349	145,000	140,000
Ending Balance	1,187,483	1,107,662	1,020,662	948,662

Law Enforcement Fund Balance Analysis

	1998 Actual	1999 Actual	2000 Estimate	2001 Tax Budget
Beginning Balance	154,931	177,504	116,332	134,332
Revenue				
Law Enforcement Revenue	55,812	6,931	10,000	10,000
Investment Income	6,811	8,073	8,000	10,000
Total Revenue	62,623	15,004	18,000	20,000
Total Resources	217,554	192,508	134,332	154,332
Expenditures				
Capital	40,050	76,176	0	0
Total Expenditures	40,050	76,176	0	0
Ending Balance	177,504	116,332	134,332	154,332

RTA Development Fund Balance Analysis

	1998 Actual	1999 Actual	2000 Estimate	2001 Tax Budget
Beginning Balance	2,208,541	23,190,813	13,958,367	29,511,658
Revenue				
General Obligation Debt Proceeds	33,000,000	0	30,000,000	0
State Infrastructure Bank Loan	0	0	6,000,000	5,000,000
Transfer from RTA Capital Fund	3,629,703	2,300,000	3,000,000	3,000,000
Investment Income	1,114,250	1,076,664	650,000	1,100,000
Federal Capital Grants	34,257,862	27,196,159	55,246,459	79,684,055
State Capital Grants	1,500,727	10,300,506	14,197,206	29,705,378
Other	93,181	44,843	4,700,000	4,800,000
Total Revenue	73,595,723	40,918,172	113,793,665	123,289,433
Total Resources	75,804,264	64,108,985	127,752,532	152,801,091
Expenditures				
Capital Outlay	52,613,451	50,150,118	97,590,874	149,334,637
Transfer to Bond Retirement Fund	0	0	650,000	1,100,000
Total Expenditures	52,613,451	50,150,118	98,240,874	150,434,637
Ending Balance	23,190,813	13,958,867	29,511,658	2,366,454