

RESOLUTION NO. 2017-121

REPEALING CHAPTER 460 OF THE CODIFIED RULES AND REGULATIONS OF THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY AND ENACTING A NEW FINANCIAL POLICIES CHAPTER 460

WHEREAS, pursuant to Resolution No. 1989-176, the Board of Trustees of the Authority codified the resolutions establishing its policies and procedures; and

WHEREAS, over the years, many of the resolutions have been amended; and

WHEREAS, at the present time, the Authority deems it necessary to review, revise and update the Codified Rules and Regulations of the Greater Cleveland Regional Transit Authority; and

WHEREAS, the Authority has conducted a review and determined that the financial policies chapter should be repealed and a new chapter enacted.

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


Section 1. That Chapter 460 is hereby repealed in its entirety.

Section 2. That the attached financial policies chapter, Chapter 460 Financial Policies, is hereby enacted.

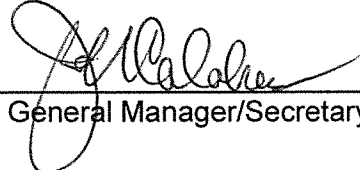
Section 3. That this resolution shall become effective immediately upon its adoption.

Attachment A: Chapter 460 Financial Policies

Adopted: December 19, 2017



President

Attest: 

CEO, General Manager/Secretary-Treasurer

CHAPTER 460
Financial Policies; Funds

- 460.01 Purpose and scope.
- 460.02 General Fund.
- 460.03 Capital Improvement Fund.
- 460.04 Bond Retirement Fund.
- 460.05 Insurance Fund.
- 460.06 Supplemental Pension Fund.
- 460.07 Law Enforcement Fund.
- 460.08 Investment of Authority funds.
- 460.09 Declarations of official intent and allocations re reimbursement of temporary advances for capital expenditures from subsequent borrowings.

CROSS REFERENCES

- Conversion of equipment and facilities loans to grants for public transportation projects - see 49 U.S.C.A. 1602-1
 - National transit database - see 49 U.S.C.A. 4335
 - Ohio R.C. Chapter 306.31 Creation of authority
 - Ohio R.C. Chapter 306.34 Board of Trustees to manage and conduct affairs
 - Ohio R.C. Chapter 306.35 Powers and duties
 - Ohio R.C. Chapter 306.37 Revenue bonds
 - Ohio R.C. Chapter 306.38 Bonds secured by trust agreement
 - Ohio R.C. Chapter 306.40 General obligation bonds; final judgment bonds; use of proceeds; election; tax levy; anticipatory notes; issuance of obligation without vote.
 - Department of Internal Audit - see ADM. Ch. 260
 - Internal audit policies and procedures - see ADM. Ch. 262
 - Finance and Administration Division - see ADM. Ch. 286
 - Contracts and procurements - see FIN. Ch. 410
 - Debt policies - see FIN. Ch. 420
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460.01 PURPOSE AND SCOPE.

(a) The financial policies described herein are designed to provide a comprehensive framework for the management of the revenues and financial resources of the Authority. They provide guidelines for decision-making by the Board of Trustees and management on how the financial resources of the Authority shall be used to achieve the Authority's mission to provide public transportation services; to meet the obligations of the Authority; and to protect the public interest.

- (b) The financial policies established herein cover the following areas:
- (1) General Fund

- (2) Capital Improvement Fund
- (3) Bond Retirement Fund
- (4) Insurance Fund
- (5) Supplemental Pension Fund
- (6) Law Enforcement Fund
- (7) Investment of Authority Funds. (Res. 1998-90. Passed 7-21-98. Res. 2011-79. Passed 9-20-11.)

460.02 GENERAL FUND.

(a) The General Fund will be used to pay the day-to-day operating obligations of the Authority.

(b) The annual appropriation budget shall be approved by the Board of Trustees by December 31 of each year for the ensuing fiscal year.

(c) Policy goals to measure and/or control operating expenses and revenues will be:

- (1) The goal for the operating ratio (operating revenues divided by operating expenses) is to be at or greater than twenty-five percent with a long-range objective of having operating revenue cover an increasing proportion of operating expenses. Operating revenues shall include passenger fare and advertising and sponsorship revenues. Operating expenses, where applicable, shall be defined to include capitalized operating expenses.
- (2) In order to maintain an adequate fund balance to mitigate current and future risks, the Authority's goal shall be to maintain a general fund balance of at least one month's operating expenses.
 - (A) In the event that this goal is not maintained, or if the financial forecast projects the ending balance to be below this level, a plan shall be developed to replenish the fund balance.
- (3) The goal for growth in the cost of delivering a unit of service (cost per service hour) will be to remain at or below the rate of inflation.
- (4) The goal for debt service coverage (total operating revenue minus operating expenditures divided by debt service requirements) will be to remain at a minimum of 1.5.

(d) Management shall provide the Board of Trustees with at least quarterly reports on actual versus budget performance for revenues and expenses.

(e) A Reserve Fund containing sub-accounts may be established and maintained to protect the Authority from economic downturns. The Reserve Fund sub-accounts and criteria for management and balances are below.

- (1) Reserve for fuel: Annual savings resulting when actual expenditures are less than the budgeted line item for fuel may be placed in this sub-account to protect the Authority from a significant and continuing rise in fuel prices.
- (2) Reserve for compensated absences: Excess funds from the General Fund may be placed in this sub-account to ensure payment to employees for vacation time that has been earned. This reserve shall not exceed twenty-five percent of the accrued liability for compensated absences.
- (3) Reserve for hospitalization: Excess funds from the General Fund may be placed in this sub-account to protect against substantial cost increases from unfunded mandates or out of the ordinary costs for catastrophic illnesses. The reserve shall not exceed ten percent of annual hospitalization costs.
- (4) Reserve for 27th Payroll Expense: The authority has two different payroll cycles; one cycle for hourly employees and one for salaried employees. Within each cycle, there is an extra pay date (27th payroll expense) that occurs every twelve years. This reserve shall be funded to the best of the Authority's ability in order to plan for this additional payroll expense.
- (5) A Rolling Stock Replacement Fund account may be established to set aside funds to systematically replace aging revenue vehicles. Funds should be amassed in this replacement fund and then transferred to the Capital Improvement Fund to assist in meeting this major capital requirement.

(f) A Medicaid Sales and Use Tax Transition Fund Account may be established to receive payments from the State of Ohio for the loss of sales and use tax revenue from Medicaid managed health care organizations.

(Res. 2011-79. Passed 9-20-11; Res. 2012-112. Passed 12-18-12. Res. 2017-15 Passed 3-21-17.)

460.03 CAPITAL IMPROVEMENT FUND.

(a) The Capital Improvement Fund shall be used to account for the construction and acquisition of major capital facilities and equipment. It shall include funds to match federal and state grants as well as funds to be used for capital construction and acquisition without the benefit of any grant funding.

(b) The Authority will strive to take advantage of all available state and federal grants and other financing programs for capital improvements including but not

limited to State of Ohio public transportation grants, Federal Highway Administration programs, programs of the Federal Transit Administration, and the Federal Emergency Management Agency.

(c) Items that have a useful life in excess of one year and an acquisition cost in excess of five thousand dollars (\$5,000) are considered to be capital expenditures.

(d) An amount of at least ten percent of sales tax revenues shall be allocated to capital improvement on an annual basis. This amount shall be allocated directly to the Capital Improvement Fund to support budgeted projects or to the Bond Retirement Fund to support debt service payments.

(e) Recognizing that the capital program requires a critical balance between maintenance of existing assets and expansion efforts, the following policy objective will be used to develop the annual capital budget. The goal percent of capital maintenance outlay to capital expansion outlay will be a minimum of seventy-five percent and maximum of ninety percent.

(Res. 2011-79. Passed 9-20-11. Res. 2017-XX Passed XX-XX-17.)

460.04 BOND RETIREMENT FUND.

(a) The Bond Retirement Fund will be used to provide the funds necessary for the payment of principal and interest on debt obligations.

(b) Each month, sales and use tax revenues in an amount, together with anticipated investment earnings on the amounts deposited, calculated to accumulate sufficient funds to meet the next ensuing principal and interest payments due on the Authority's unvoted general obligation notes and bonds, is deposited in the Bond Retirement Fund. The balance in that Fund will drop to a near zero balance once each year in conformance with Federal tax law restrictions on arbitrage earnings.

460.05 INSURANCE FUND.

(a) The Insurance Fund will be used to provide resources to protect against catastrophic or extraordinary losses. It is not used to pay ordinary and routine losses of the Authority incurred on an on-going basis and handled by the Claims Section of the Legal Department of the Authority.

(b) The Authority is insured through both self-insurance and purchased insurance. Purchased insurance for property and equipment losses as well as for liability is to be purchased on the open insurance market. The basis for the Insurance Fund structure and minimum balance shall be determined annually by the Risk

Manager.

(c) The minimum balance to be maintained in the Insurance Fund shall be based on the recommendation of the Risk Manager, taking into consideration the balance between self-insurance and purchased insurance requirements.

(d) Upon attaining the required minimum balance, additional funds will be allocated to the Insurance Fund during the annual budgeting process based upon the results of periodic reviews of the Insurance Fund to assess its sufficiency. Actual placement of additional funds into the Insurance Fund may occur at any time during the fiscal year when cash flow requirements permit same.

(e) In the event that the Insurance Fund is used to pay a catastrophic loss, upon a recommendation by the CEO, General Manager/Secretary-Treasurer, the Board of Trustees will determine and approve a schedule for replenishment of the Fund up to the minimum amount provided for in subsection (c) hereof.

(f) At least every two years, an evaluation, including appropriate actuarial studies of the Authority's loss experience shall be conducted. The evaluation will determine the liability to be reflected on the Authority's balance sheet. (Res. 2011-79. Passed 9-20-11. Res. 2017-XX Passed XX-XX-17.)

460.06 SUPPLEMENTAL PENSION FUND.

(a) The Supplemental Pension Fund will be used to account for the assets held by the Authority in a trustee capacity for payment of benefits relating primarily to certain retired employees of the Authority.

- (b) Employees covered by the Supplemental Pension Fund include:
- (1) Retirees with pension credit from Cleveland Railway Company;
 - (2) Retirees and current employees who later retire from the Authority, having left a predecessor agency to serve in the Armed Forces and resuming employment with that predecessor or the Authority within the time specified;
 - (3) Certain retirees on disability pension who retired before August 1, 1982;
 - (4) All covered retirees and current employees who later retire from the Authority to the extent of a pension of three dollars (\$3.00) per month;
 - (5) Certain surviving spouses of deceased retirees under options selected at retirement.
- (c) Every two years an evaluation, including appropriate actuarial studies, shall

be made of the Supplemental Pension Fund to determine the amounts required to meet expected obligations of the Fund. Any additional funds determined to be needed will be allocated during the annual budgeting process of the Authority.

(Res. 2011-79. Passed 9-20-11.)

460.07 LAW ENFORCEMENT FUND.

(a) The Law Enforcement Fund will be used to account for monies received from the federal government as a result of GCRTA participation in federal law enforcement efforts leading to the seizure and forfeiture of property.

(b) The expenditure of monies from the Law Enforcement Fund shall be in accordance with the guidelines established by the United States Attorney General on seizure and forfeiture of property, and shall be limited to expenditures not otherwise budgeted.

(Res. 2011-79. Passed 9-20-11. Res. 2017-XX Passed XX-XX-17.)

460.08 INVESTMENT OF AUTHORITY FUNDS.

(a) Objective. Achieve the maximum financial return for the Authority consistent with prudent market and credit risks while conforming to applicable State and Federal laws and consistent with the cash flow requirements of the Authority, matching maturities and/or marketability at par, to meet outstanding obligations and financial commitments.

(b) Selection of instruments of investment is governed by the Ohio Depository Act (Ohio Revised Code Section 135). Instruments available for investment include, but are not limited to:

- (1) Repurchase agreements of U.S. Government securities and Government-guaranteed agency securities.
- (2) Secured certificates of deposit.
- (3) U.S. Government securities (Treasury bills, notes and bonds).
- (4) Securities of U.S. Government agencies or instrumentalities, such as FNMA (Federal National Mortgage Association), GNMA (Government National Mortgage Association), FHLMC (Federal Home Loan Mortgage Corporation) and FFCB (Federal Farm Credit Bank).
- (5) State Treasury Asset Reserve of Ohio (Star Ohio) and other funds which may be permitted under Ohio Law.
- (6) Bonds, or other obligations of the State of Ohio, or the political subdivisions of this state, provided that these bonds comply with Ohio Revised Code 135.14.
- (7) No-load money market mutual funds consisting exclusively of obligations described in b(1) and b(3) above.

- (8) Commercial paper provided that it complies with Ohio Revised Code 135.14.
- (9) Bankers acceptances of banks that are insured by the federal deposit insurance corporation with a maximum maturity of 180 days.

(c) Detailed records of all transactions concerning the investment of Authority funds shall be maintained. These records will be maintained in accordance with Chapter 216, Public Records.

(d) Appropriate checks and balances shall be maintained in the decision-making process concerning investment transactions to ensure adequate protection of the public interest and minimize the potential for fraud.

(e) Each month a report summarizing investment transactions and earnings will be prepared for submission to the Board of Trustees.

(Res. 2011-79. Passed 9-20-11. Res. 2017-XX Passed XX-XX-17.)

460.09 DECLARATIONS OF OFFICIAL INTENT AND ALLOCATIONS RE REIMBURSEMENT OF TEMPORARY ADVANCES FOR CAPITAL EXPENDITURES FROM SUBSEQUENT BORROWINGS.

(a) Definitions. As used in this section:

- (1) "Allocation" means written evidence that proceeds of obligations issued subsequent to the payment of a capital expenditure are to effect the reimbursement of the Authority for such payments.
- (2) "Authorized officer" means the CEO, General Manager/Secretary-Treasurer of the Authority and any person with authority at the time to exercise functions of the respective office.
- (3) "Capital expenditures" means any expense for an item that is properly depreciable or amortizable or is otherwise treated as a capital expenditure for purposes of the Internal Revenue Code of 1986, as amended (hereinafter "the Code"), as well as any costs of issuing reimbursement bonds.
- (4) "Declaration of official intent" means a written declaration that the Authority intends to fund a capital expenditure with an issue of reimbursement bonds and reasonably expects to be reimbursed from the proceeds of such an issue.
- (5) "Issuer" means either a governmental unit that is reasonably expected to issue obligations or a governmental entity or 501(c)(3) organization that is reasonably expected to borrow funds from the actual issuer of the obligations.

- (6) "Reimbursement" means the restoration to the Authority of money temporarily advanced from other funds of the Authority to pay for capital expenditures before the issuance of obligations intended to fund such capital expenditure. "To reimburse" means to make such a restoration.
- (7) "Reimbursement bonds" means obligations that are issued to reimburse the Authority for capital expenditures previously paid by or for the Authority.
- (8) "Reimbursement regulations" means Treasury Regulations §150-2 and any amendments thereto or superseding regulations, whether in proposed, temporary or final form, as applicable, prescribing conditions under which the proceeds of obligations, when allocated or applied to a reimbursement, will be treated as "spent" for purposes of Sections 103 and 141 to 150 of the Code.

(b) Authorization to Make Declarations of Official Intent and Allocations. Each authorized officer is hereby authorized to make declarations of official intent, which satisfy the reimbursement regulations, on behalf of the Authority, with respect to capital expenditures to be paid from moneys temporarily available that are reasonably expected to be reimbursed (in accordance with applicable authorizations, policies and practices) from the proceeds of reimbursement bonds, and to make timely allocations, which satisfy the reimbursement regulations, of the proceeds of such reimbursement bonds to reimburse prior capital expenditures, and to take or cause to be taken any other actions that may be appropriate to satisfy the requirements of the reimbursement regulations, or any other Treasury regulations, so that proceeds used for reimbursement will be treated as "spent" on the prior capital expenditures for purposes of Sections 103 and 141 to 150 of the Code. All declarations of official intent and allocations heretofore made on behalf of the Authority are hereby ratified and adopted.

(Res. 1994-226. Passed 12-20-94; Res. 1999-147. Passed 10-26-99.)



TITLE/DESCRIPTION: REPEALING CHAPTER 460 OF THE CODIFIED RULES AND REGULATIONS OF THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY AND ENACTING A NEW FINANCIAL POLICIES CHAPTER 460.	Resolution No.: 2017-121
	Date: December 14, 2017
	Initiator: Legal
ACTION REQUEST: <input checked="" type="checkbox"/> Approval <input type="checkbox"/> Review/Comment <input type="checkbox"/> Information Only <input type="checkbox"/> Other _____	

- 1.0 PURPOSE/SCOPE: This resolution will repeal Chapter 460 and also enact a new Financial Policies chapter of the Codified Rules and Regulations ("Code") of the Greater Cleveland Regional Transit Authority.
- 2.0 DESCRIPTION/JUSTIFICATION: The Policies and Procedures of the Board of Trustees were codified in 1989, pursuant to Resolution 1989-176. The code book has been updated periodically. It is now time for a comprehensive review and update so that the updated Code will conform to the current structure and operations of the Authority.

A new Financial Policies chapter is being enacted to update the policies, and to move certain language that belongs in Chapter 420 Debt Policies to Chapter 420. This chapter was reviewed by GCRTA's outside financial advisor and outside bond counsel.
- 3.0 PROCUREMENT BACKGROUND: Does not apply.
- 4.0 AFFIRMATIVE ACTION/DBE BACKGROUND: Does not apply.
- 5.0 POLICY IMPACT: Adoption of the resolution will result in a clear, accurate and current policy.
- 6.0 ECONOMIC IMPACT: Does not apply.
- 7.0 ALTERNATIVES: Not adopting this resolution. Not adopting this resolution would result in the Code remaining out of date.
- 8.0 RECOMMENDATION: It is recommended that this resolution be adopted.
- 9.0 ATTACHMENT: A. Redline of Chapter 460

Recommended and certified as appropriate to the availability of funds, legal form and conformance with the Procurement requirements.

CEO, General Manager/Secretary-Treasurer

CHAPTER 460
Financial Policies and Procedures; Funds

- ~~460.01~~—~~Adoption.~~
~~460.02~~460.01 Purpose and scope.
~~460.03~~—~~Legal authority.~~
~~460.04~~460.02 General Fund.
~~460.05~~460.03 Capital Improvement Fund.
~~460.06~~460.04 Bond Retirement Fund.
~~460.07~~460.05 Insurance Fund.
~~460.08~~460.06 Supplemental Pension Fund.
~~460.09~~460.07 Law Enforcement Fund.
~~60.10~~460.08 Investment of Authority funds.
~~460.11~~—~~Periodic review and amendment.~~
~~460.12~~460.09 Declarations of official intent and allocations re reimbursement of temporary advances for capital expenditures from subsequent borrowings.

CROSS REFERENCES

Conversion of equipment and facilities loans to grants for public transportation projects - see 49 U.S.C.A. 1602-1

~~Appropriations~~ National transit database - see 49

U.S.C.A. ~~1603(b)~~4335 et seq.

Ohio R.C. Chapter 306.31 Creation of authority

Ohio R.C. Chapter 306.34 Board of Trustees to manage and conduct affairs

Ohio R.C. Chapter 306.35 Powers and duties

Ohio R.C. Chapter 306.37 Revenue bonds

Ohio R.C. Chapter 306.38 Bonds secured by trust agreement

Ohio R.C. Chapter 306.40 General obligation bonds; final judgment bonds; use of proceeds; election; tax levy; anticipatory notes; issuance of obligation without vote.

~~-~~Department of Internal Audit - see ADM. Ch. 260

Internal audit policies and procedures - see ADM. Ch. 262

Finance and Administration Division - see ADM. Ch. 286

Contracts and procurements - see FIN. Ch. 410

Debt policies - see FIN. Ch. 420

~~460.01~~—~~ADOPTION.~~

~~The financial policies set forth in this chapter are hereby adopted as official policy of the Authority.~~

~~(Res. 1998-90. Passed 7-21-98.)~~

~~460.02~~460.01 PURPOSE AND SCOPE.

(a) The financial policies described herein are designed to provide a comprehensive framework for the management of the revenues and financial resources of the Authority. They provide guidelines for decision-making by the Board of Trustees and management on how the financial resources of the Authority shall be used to achieve the Authority's mission to provide public transportation services; to meet the obligations of the Authority; and to protect the public interest.

- (b) The financial policies established herein cover the following areas:
- (1) General Fund
 - (2) Capital Improvement Fund
 - (3) Bond Retirement Fund
 - (4) Insurance Fund
 - (5) Supplemental Pension Fund
 - (6) Law Enforcement Fund
 - (7) Investment of Authority Funds. (Res. 1998-90. Passed 7-21-98. Res. 2011-79. Passed 9-20-11.)

~~460.03~~ LEGAL AUTHORITY.

~~Ohio R.C. Chapter 306 Regional Transit Authority as follows:~~

~~306.31 Creation of authority~~

~~306.34 Board of Trustees to manage and conduct affairs~~

~~306.35 Powers and duties~~

~~306.37 Revenue bonds~~

~~306.38 Bonds secured by trust agreement~~

~~306.40 General obligation bonds; final judgment bonds; use of proceeds; election; tax levy; anticipatory notes; issuance of obligation without vote.
(Res. 2011-79. Passed 9-20-11.)~~

~~460.04~~460.02 GENERAL FUND.

(a) The General Fund will be used to pay the day-to-day operating obligations of the Authority.

(b) ~~The annual~~Annual appropriation budget shall be approved by the Board of Trustees by December 31 of each year for the ensuing fiscal year.

(c) Policy ~~objectives~~ goals to measure and/or control operating expenses and revenues will be:

- (1) The goal for the operating ratio (operating revenues divided by operating expenses) ~~shall not be allowed is~~ to be below at or greater than twenty than twenty-five five percent with a long-range objective of having operating

revenue cover an increasing proportion of operating expenses. Operating revenues shall include passenger fare and advertising and sponsorship revenues. Operating expenses, where applicable, shall be defined to include capitalized operating expenses.

- (2) In order to maintain an adequate fund balance to mitigate current and future risks, An operating reserve the Authority's goal shall be to maintain a general fund balance in an amount equal to or at least one month's operating expenses, shall be budgeted each year to cover unforeseen or extraordinary fluctuations in revenue or expenses.
 - (A) In the event that this goal is not maintained, or if the financial forecast projects the ending balance to be below this level, a plan shall be developed to replenish the fund balance.
- (3) The goal for Growth-growth in the cost of delivering a unit of service (cost per service hour) shall be kept will be to remain at or below the rate of inflation.
- (4) The goal for Debt-debt service coverage (total operating revenue minus operating expenditures divided by debt service requirements) shall be kept will be to remain at a minimum of 1.5.

Note: ~~Operating expenses, where applicable, shall be defined to include capitalized operating expenses.~~

(d) Management shall provide the Board of Trustees with at least quarterly reports on actual versus budget performance for revenues and expenses.

(e) A Reserve Fund containing sub-accounts may be established and maintained to protect the Authority from economic downturns. The Reserve Fund sub-accounts and criteria for management and balances are ~~as follows below:~~

- (1) Reserve for fuel: Annual savings resulting when actual expenditures are less than the budgeted line item for fuel may be placed in this sub-account to protect the Authority from a significant and continuing rise in fuel prices.
- (2) Reserve for compensated absences: Excess funds from the General Fund may be placed in this sub-account to ensure payment to employees for vacation time that has been earned. This reserve shall not exceed twenty-five percent of the accrued liability for compensated absences.
- (3) Reserve for hospitalization: Excess funds from the General Fund may be placed in this sub-account to protect against substantial cost increases from unfunded mandates or out of the ordinary costs for catastrophic illnesses. The reserve shall not exceed ten percent of annual

hospitalization costs.

- (4) Reserve for 27th Payroll Expense: The authority has two different payroll cycles; one cycle for hourly employees and one for salaried employees. Within each cycle, there is an extra pay date (27th payroll expense) that occurs every twelve years. This reserve shall be funded to the best of the Authority's ability in order to plan for this additional payroll expense.

- (~~5~~) –A Rolling Stock Replacement Fund account may be established to set aside funds to systematically replace aging revenue vehicles. Funds should be amassed in this replacement fund and then transferred to the Capital Improvement Fund to assist in meeting this major capital requirement.

(~~6~~) A Medicaid Sales and Use Tax Transition Fund Account may be established to receive payments from the State of Ohio for the loss of sales and use tax revenue from Medicaid managed health care organizations.

(Res. 2011-79. Passed 9-20-11; Res. 2012-112. Passed 12-18-12. Res. 2017-15 Passed 3-21-17.)

~~460.05460.03~~ CAPITAL IMPROVEMENT FUND.

(a) The Capital Improvement Fund shall be used to account for the construction and acquisition of major capital facilities and equipment. It shall include funds to match federal and state grants as well as funds to be used for capital construction and acquisition without the benefit of any grant funding.

(b) The Authority will strive to take advantage of all available state and federal grants and other financing programs for capital improvements including but not limited to State of Ohio public transportation grants, ~~and Federal Highway Administration programs, as well as the programs of the Federal Transit Administration, and the Federal Emergency Management Agency.~~

(c) Items that have a useful life in excess of one year and an acquisition cost in excess of ~~one five~~ thousand dollars (~~\$5~~1,000) are considered to be capital expenditures to be paid for out of the Capital Improvement Fund.

(d) An amount ~~equivalent to~~ at least ten percent ~~but not more than fifteen percent~~ of sales tax revenues shall be allocated to the capital improvement on an annual basis. This amount shall be allocated directly to the Capital Improvement Fund to support budgeted projects or to the Bond Retirement Fund to support debt service payments.

(e) Recognizing that the capital program requires a critical balance between maintenance of existing assets and expansion efforts, the following policy objective will be used to develop the annual capital budget. The goal percent of capital maintenance outlay to capital expansion outlay will be a minimum of seventy-five percent and maximum of ninety percent.

(Res. 2011-79. Passed 9-20-11. Res. 2017-XX Passed XX-XX-17.)

460.06460.04 BOND RETIREMENT FUND.

(a) The Bond Retirement Fund will be used to provide the funds necessary for the payment of principal and interest on debt obligations.

~~(b) Payment of debt service on the outstanding unvoted general obligation bonds of the Authority is secured by a pledge of all revenues of the Authority, except those specifically limited to another use or prohibited from that use by the Ohio Constitution, state or federal law, or any revenue bond trust agreement that the Authority might enter into. While in practice that debt service has been and is paid from the receipts of the Authority's sales and use tax, that debt service is also payable, in the event it is not paid from other sources, from the proceeds of the levy by the Authority of ad valorem taxes within the ten-mill limitation imposed by Ohio law. The Authority can also, with the approval of the voters of the Authority, issue general obligation bonds secured by a pledge of and the authority to levy and collect ad valorem property taxes that are unlimited as to amount or rate. [DT1]~~

~~(c) The limits for general obligation debt of the Authority payable from voted or unvoted property taxes are governed by Ohio law which provides that the net principal amount of that debt may not exceed five percent of the total assessed valuation of properties within the territory of the Authority. The Authority's current outstanding debt is exempt from this limitation because, as provided by Ohio law applicable to unvoted general obligation bonds of a regional transit authority, the Authority's fiscal officer in connection with each issue of its unvoted general obligation bonds certified that revenues of the Authority from sources other than property taxes, after paying operation and maintenance expenses of the facilities financed by those bonds and any money required for the payment of any revenue bonds of the authority, would be sufficient to pay the debt service on those bonds.~~

~~There are two indirect limits for unvoted exempt debt, such as the outstanding debt of the Authority. First, the debt service (principal and interest) in any year may not exceed one-tenth of one percent of the total assessed valuation of the properties within Cuyahoga County. Second, this unvoted debt plus other similar debt of all overlapping jurisdictions in the county cannot require a tax rate in excess of ten mills, whether or not a tax is actually levied.~~

~~None of the above debt limitations apply to revenue bonds, which are secured only~~

~~by a pledge of and a lien on the revenues of the Authority, or to notes issued in anticipation of the collection of current revenues, which notes have a maximum six months' maturity.~~ [DT3]

(db) Each month, as required by a resolution of the Board of Trustees, sales and use tax revenues in an amount, together with anticipated investment earnings on the amounts deposited, calculated to accumulate sufficient funds to meet the next ensuing principal and interest payments due on the Authority's unvoted general obligation notes and bonds, is deposited in the Bond Retirement Fund. The balance in that Fund will drop to a near zero balance once each year in conformance with Federal tax law restrictions on arbitrage earnings.

~~(c) Debt financing may be used only under the following conditions:~~

- ~~(1) For major capital projects with a useful life of not less than five years or when the useful life of the project will exceed the term of the debt by a factor of one and one-half;~~
- ~~(2) When expected future revenues are projected to be sufficient to cover principal and interest payments; and in the case of unvoted general obligations, when the certification described in subsection (c) hereof can be made;~~
- ~~(3) That the amount of total outstanding debt or debt service payments for the Authority shall not exceed statutory limitations;~~
- ~~(4) When a thorough study has been made of the best debt financing vehicles or structure available;~~

~~(Res. 2011 79. Passed 9-20-11.)~~ |

[DT3]

460.07460.05 INSURANCE -FUND.

(a) The Insurance Fund will be used to provide resources to protect against catastrophic or extraordinary losses. It is not used to pay ordinary and routine losses of the Authority incurred on an on-going basis and handled by the Claims Section of the Legal Department of the Authority.

(b) The Authority is insured through both ~~self-insurance~~self-insurance and purchased insurance. Purchased insurance for property and equipment losses as well as for liability is to be purchased on the open insurance market. The basis for the Insurance Fund structure and ~~coverage levels~~minimum balance shall be determined annually by the Risk Manager.

(c) The minimum balance to be maintained in the Insurance Fund shall be ~~determined by~~based on the recommendation of the Risk Manager, ~~on an annual basis~~

taking into consideration the balance between ~~self-insurance~~self-insurance and purchased insurance requirements.

(d) Upon attaining the required minimum balance, additional funds will be allocated to the Insurance Fund during the annual budgeting process based upon the results of periodic ~~actuarial studies~~reviews of the Insurance Fund to assess its sufficiency. Actual placement of additional funds into the Insurance Fund may occur at any time during the fiscal year when cash flow requirements permit same, ~~provided that such placement shall occur by no later than September 1 of each year.~~

(e) In the event that the Insurance Fund is used to pay a catastrophic loss, upon a recommendation by the CEO, General Manager/Secretary-Treasurer, the Board of Trustees will determine and approve a schedule for replenishment of the Fund up to the minimum amount provided for in subsection (c) hereof.

(f) ~~Every~~At least every two years, an evaluation, including appropriate actuarial studies, ~~of the of the Authority's loss experience Insurance Fund shall be conducted. The evaluation will determine the liability to be reflected on the Authority's balance sheet.:~~

- ~~(1) If the Fund as constructed herein is sufficient to provide adequate protection to the interests of the Authority.~~
- ~~(2) If conditions in the open insurance market have changed so as to make the purchase of total insurance coverage a viable, cost-effective alternative to the continued existence of the Fund.~~

(Res. 2011-79. Passed 9-20-11. Res. 2017-XX Passed XX-XX-17.)

~~460.08~~460.06 SUPPLEMENTAL PENSION FUND.

(a) The Supplemental Pension Fund will be used to account for the assets held by the Authority in a trustee capacity for payment of benefits relating primarily to certain retired employees of the Authority.

(b) Employees covered by the Supplemental Pension Fund include:

- (1) Retirees with pension credit from Cleveland Railway Company;
- ~~(2) Retirees with pension credit from Cleveland Interurban Railroad;~~
- (3) Retirees and current employees who later retire from the Authority, having left a predecessor agency to serve in the Armed Forces and resuming employment with that predecessor or the Authority within the time specified;
- ~~(4) One retiree with a contractual arrangement for a special pension as a deferred compensation;~~
- (5) Certain retirees on disability pension who retired before August 1, 1982;
- (6) All ~~other covered~~ retirees and current employees who later retire

from the Authority to the extent of a pension of three dollars (\$3.00) per month;

(75) Certain surviving spouses of deceased retirees under options selected at retirement.

(c) Every two years an evaluation, including appropriate actuarial studies, shall be made of the Supplemental Pension Fund to determine the amounts required to meet expected obligations of the Fund. Any additional funds determined to be needed will be allocated during the annual budgeting process of the Authority.

(Res. 2011-79. Passed 9-20-11.)

~~460.09~~460.07 LAW ENFORCEMENT FUND.

(a) The Law Enforcement Fund will be used to account for monies received from the ~~Federal Government~~federal government as a result of GCRTA participation in ~~Federal~~federal law enforcement efforts leading to the seizure and forfeiture of property.

(b) The expenditure of monies from the Law Enforcement Fund shall be in accordance with the guidelines established by the United States Attorney General on seizure and forfeiture of property, and shall be limited to expenditures not otherwise budgeted~~or~~ed.

(Res. 2011-79. Passed 9-20-11. Res. 2017-XX Passed XX-XX-17.)

~~460.10~~460.08 INVESTMENT OF AUTHORITY FUNDS.

(a) Objective. Achieve the maximum financial return for the Authority consistent with prudent market and credit risks while conforming to applicable State and Federal laws and consistent with the cash flow requirements of the Authority, matching maturities and/or marketability at par, to meet outstanding obligations and financial commitments.

(b) Selection of instruments of investment is governed by the Ohio Depository Act (Ohio Revised Code Section 135). Instruments available for investment include, but are not limited to:

- (1) Repurchase agreements of U.S. Government securities and Government-guaranteed agency securities.
- (2) Secured certificates of deposit.
- (3) U.S. Government securities (Treasury bills, notes and bonds).
- (4) Securities of U.S. Government agencies or instrumentalities, such as FNMA (Federal National Mortgage Association), and GNMA (Government National Mortgage Association), FHLMC (Federal Home Loan Mortgage Corporation) and FFCB (Federal Farm Credit Bank).

- (5) State Treasury Asset Reserve of Ohio (Star Ohio) and other funds which may be permitted under Ohio Law.
- (6) Bonds, or other obligations of the State of Ohio, or the political subdivisions of this state, provided that these bonds comply with Ohio Revised Code 135.14.
- (7) No-load money market mutual funds consisting exclusively of obligations described in b(1) and b(3) above.
- (8) Commercial paper provided that it complies with Ohio Revised Code 135.14.
- (9) Bankers acceptances of banks that are insured by the federal deposit insurance corporation with a maximum maturity of 180 days.

(c) Detailed records of all transactions concerning the investment of Authority funds shall be maintained. These records will be ~~subject to periodic review. Duplicate records will be kept in two locations to protect against loss or damage~~maintained in accordance with Chapter 216, Public Records.

(d) Appropriate checks and balances shall be maintained in the decision-making process concerning investment transactions to ~~insure~~ensure adequate protection of the public interest and minimize the potential for fraud.

(e) Each month a report summarizing investment transactions and earnings will be prepared for submission to the Board of Trustees.
(Res. 2011-79. Passed 9-20-11. Res. 2017-XX Passed XX-XX-17.)

~~460.11 PERIODIC REVIEW AND AMENDMENT.~~

~~(a) The financial policies delineated herein shall be subject to review and revision by the Board of Trustees every three years. This does not preclude the Board of Trustees from revising specific policies included herein or from adding additional policies should the Board of Trustees determine that the best interests of the public and/or the Authority would be served by making such a revision.~~

~~(b) Amendments or revisions to these financial policies can be initiated or proposed by any member of the Board of Trustees or by the General Manager of the Authority.~~

~~(c) Proposed amendments or revisions to these financial policies shall be subject to review and study by the Finance Committee of the Board of Trustees. The Finance Committee will make recommendations on any proposed amendment or revision to the Board of Trustees. The Board of Trustees must approve any amendment or revision by majority vote, as defined in the by laws, before said amendment or revision will~~

~~460.12~~460.09 DECLARATIONS OF OFFICIAL INTENT AND
ALLOCATIONS RE REIMBURSEMENT OF TEMPORARY
ADVANCES FOR CAPITAL EXPENDITURES FROM
SUBSEQUENT BORROWINGS.

(a) Definitions. As used in this section:

- (1) "Allocation" means written evidence that proceeds of obligations issued subsequent to the payment of a capital expenditure are to effect the reimbursement of the Authority for such payments.
- (2) "Authorized officer" means the CEO, General Manager/Secretary-Treasurer of the Authority and any person with authority at the time to exercise functions of the respective office.
- (3) "Capital expenditures" means any expense for an item that is properly depreciable or amortizable or is otherwise treated as a capital expenditure for purposes of the Internal Revenue Code of 1986, as amended (hereinafter "the Code"), as well as any costs of issuing reimbursement bonds.
- (4) "Declaration of official intent" means a written declaration that the Authority intends to fund a capital expenditure with an issue of reimbursement bonds and reasonably expects to be reimbursed from the proceeds of such an issue.
- (5) "Issuer" means either a governmental unit that is reasonably expected to issue obligations or a governmental entity or 501(c)(3) organization that is reasonably expected to borrow funds from the actual issuer of the obligations.
- (6) "Reimbursement" means the restoration to the Authority of money temporarily advanced from other funds of the Authority to pay for capital expenditures before the issuance of obligations intended to fund such capital expenditure. "To reimburse" means to make such a restoration.
- (7) "Reimbursement bonds" means obligations that are issued to reimburse the Authority for capital expenditures previously paid by or for the Authority.
- (8) "Reimbursement regulations" means Treasury Regulations §150-2 and any amendments thereto or superseding regulations, whether in proposed, temporary or final form, as applicable, prescribing conditions under which the proceeds of obligations, when allocated or applied to a reimbursement, will be treated as "spent" for purposes of Sections 103 and 141 to 150 of the Code.

(b) Authorization to Make Declarations of Official Intent and Allocations. Each authorized officer is hereby authorized to make declarations of official intent, which satisfy the reimbursement regulations, on behalf of the Authority, with respect to capital expenditures to be paid from moneys temporarily available that are reasonably expected to be reimbursed (in accordance with applicable authorizations, policies and practices) from the proceeds of reimbursement bonds, and to make timely allocations, which satisfy the reimbursement regulations, of the proceeds of such reimbursement bonds to reimburse prior capital expenditures, and to take or cause to be taken any other actions that may be appropriate to satisfy the requirements of the reimbursement regulations, or any other Treasury regulations, so that proceeds used for reimbursement will be treated as "spent" on the prior capital expenditures for purposes of Sections 103 and 141 to 150 of the Code. All declarations of official intent and allocations heretofore made on behalf of the Authority are hereby ratified and adopted.

(Res. 1994-226. Passed 12-20-94; Res. 1999-147. Passed 10-26-99.)