

RESOLUTION NO. 2020-97

AMENDING SECTIONS 460.02 AND 460.03 OF THE CODIFIED RULES AND REGULATIONS OF THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

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

WHEREAS, the financial policies were last updated in 2017; and

WHEREAS, the Authority has determined that revisions to Sections 460.02 and 460.03 are needed to bring the financial policies in line with current practices.

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

Section 1. That Sections 460.02 and 460.03 are hereby amended to read as specified in Attachment A hereto.


Section 2. That the remainder of Chapter 460 will be re-numbered to account for the removal of the provisions regarding the reserve fund from Section 460.02 to a new Section 460.03 and the re-numbering of Section 460.03 to 460.04.

Section 3. That the Board of Trustees hereby waives the fourteen-day period provided for in Article XI, Section 2 of the Bylaws.

Section 4. That this resolution shall become effective immediately upon its adoption.

Attachment: A. Sections 460.02, 460.03 and 460.04

Adopted: December 15, 2020



President

Attest: 

Interim Secretary-Treasurer

ATTACHMENT A TO RESOLUTION

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. (Res. 2011-79. Passed 9-20-11; Res. 2012-112. Passed 12-18-12. Res. 2017-15. Passed 3-21-17; Res. 2017-80. Passed 9-19-17; Res. 2017-121. Passed 12-19-17. Res. 2020-XXX. Passed XX-XX-XX.)

460.03 RESERVE FUND

- (a) A Reserve Fund containing sub-accounts may be established and maintained to protect the Authority from economic downturns.
- (b) 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.

460.04 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. The Capital Improvement Fund will consist of the RTA Capital Fund and the RTA Development Fund.

(b) Projects that are locally-funded, smaller and more routine in nature, generally less than one-hundred-fifty thousand dollars (\$150,000) and have a useful life not exceeding five (5) years will primarily be budgeted in the RTA Capital Fund.

(c) The RTA Development Fund will consist of projects that are larger, greater than one-hundred-fifty thousand dollars (\$150,000) and have a useful life greater than five (5) years. These projects can be supported through local, federal, and state funding, of which, federal and state funding may require a local match.

(d) 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.

(e) 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.

(f) 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.

(g) 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. 2017-121. Passed 12-19-17. Res. 2020-XXX. Passed XX-XX-XX.)



TITLE/DESCRIPTION: AMENDING SECTIONS 460.02 AND 460.03 OF THE CODIFIED RULES AND REGULATIONS OF THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY	Resolution No.: 2020- 97
	Date: December 10, 2020
	Initiator: Finance & Administration
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 amend Sections 460.02 and 460.03 of the Codified Rules and Regulations ("Code") of the Greater Cleveland Regional Transit Authority.
- 2.0 DESCRIPTION/JUSTIFICATION: The financial policies were last updated in 2017. The proposed revisions to Section 460.02 will remove the Medicaid Sales and Use Tax Transition Fund from the code. This fund was originally established to receive a one-time payment from the State of Ohio to compensate for the removal of Medicaid managed care organizations from the sales tax base. It is being eliminated because there is no longer a need for this fund. The provision for the reserve fund is being moved to a separate section to more closely align with the Authority's financial statements. The proposed revision to Section 460.03 will clarify that the Capital Improvement Fund consists of the RTA Capital Fund and the RTA Development Fund.
- 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 bring the Authority's financial policies up to date to be consistent with current practices.
- 6.0 ECONOMIC IMPACT: Does not apply.
- 7.0 ALTERNATIVES: Not adopting this resolution. Not adopting this resolution would result in financial policies that remain out of date.
- 8.0 RECOMMENDATION: This resolution was discussed at the December 1, 2020 Committee of the Whole meeting and recommended for consideration by the full Board of Trustees. It is recommended that this resolution be adopted.
- 9.0 ATTACHMENTS: A. Red-line of Sections 460.02 and 460.03

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

General Manager, Chief Executive Officer

ATTACHMENT A TO STAFF SUMMARY

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.~~

~~(a) 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; Res. 2017-80. Passed 9-19-17; Res. 2017-121. Passed 12-19-17. [Res. 2020-XXX](#). Passed XX-XX-XX.)~~

460.03 RESERVE FUND

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(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.

460.03460.04 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. The Capital Improvement Fund will consist of the RTA Capital Fund and the RTA Development Fund.

(b) Projects that are locally-funded, smaller and more routine in nature, generally less than one-hundred-fifty thousand dollars (\$150,000) and have a useful life not exceeding five (5) years will primarily be budgeted in the RTA Capital Fund.

(c) The RTA Development Fund will consist of projects that are larger, greater than one-hundred-fifty thousand dollars (\$150,000) and have a useful life greater than five (5) years. These projects can be supported through local, federal, and state funding, of which, federal and state funding may require a local match.

~~(b)~~(d) 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.

~~(e)~~(e) 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)~~(f) 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)~~(g) 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. 2017-121. Passed 12-19-17. [Res. 2020-XXX](#).
[Passed XX-XX-XX.](#))