Year-End Financial Report

RTA ("The Authority") made strategic decisions during the year to improve its financial stability and maintain quality service to its customers. Beginning in July 2017, the State of Ohio removed Medicaid Managed Health Care (MCOs) from the Sales & Use Tax base. This resulted in an annualized $18 million shortfall beginning in 4th Quarter 2017, reducing the 2018 estimated revenues to 2015 levels.

In 2016, The Authority executed a 25-cent fare increase and a 3 percent annualized service reduction in August and September, respectively, with another 25-cent fare increase planned for August 2018. The Board of Trustees deferred the 2018 fare increase in order to prepare The Authority for a legislative vote for new revenue. Several studies were commissioned to help identify areas of improvement, create efficiencies, and enhance service. These include the Rail CarStudy, Fare Study, Economic Impact Study, System Redesign Study, and Operational Review and Administrative Efficiency Study. The results of these studies will be available and presented to the Board of Trustees in 2019. The recommendations will then be reviewed and plans of action created for implementation.

The 2018 Operating Revenues were budgeted at $282.9 million. With an estimated carryover of $34.9 million at the end of 2017, total available Resources were budgeted at $317.7 million. In January 2018, the Authority received $10 million of aid from the State of Ohio for the loss of the MCOs. In the 2nd Quarter of 2018, The Authority received an additional $5.1 million of aid from the State. And an additional $3.1 million, budgeted to be received in 2019, was received in September 2018. Total 2018 State aid to offset the MCO loss amounted to $18.3 million. No additional assistance is expected to be received in the future.

By the 3rd Quarter, passenger fares and sales tax receipts were projected to end the year higher than budgeted levels. For Passenger Fares, this increase resulted from a change in the collection of fares on the HealthLine. Prior to 2018, passengers would purchase their fares before boarding the HealthLine and keep the farecard or fare payment voucher as proof of payment. A Cuyahoga County judge ruled that this method was unconstitutional. Since this ruling, customers are required to present or swipe their fare at the farebox after boarding. During 2018, ridership on the HealthLine decreased but passenger fare revenue increased.

Actual sales tax receipts were 3.3 percent higher than budget. Direct Pay Tax Return Payments, which is where the MCO receipts were recorded, dropped $16.4 million by the end of the 3rd Quarter. Twelve of the 23 categories within the sales tax base, including Regular Sales, Return Payments, and Motor Vehicle and Watercraft payments were above 2017 levels. In November and December, sales tax receipts were 6.5 percent and 6.0 percent above 2017 levels, respectively, and receipts totaled $204.3 million at the end of the year, which was $6.5 million better than budget.

To mitigate the effects of the MCO loss of sales tax, the Operating Budget for FY 2018 was reduced by $5 million, from the FY 2017 level. In the 1st Quarter 2018, the General Fund Budget, including transfers to other funds, was further reduced by $12.7 million to align expenses with revenues. One of the Financial Vital Few Objectives is to maintain total monthly expenses under total received revenues. At year end, total General Fund expenses were $291.5 million, 1.4 percent under received revenues.

Salaries & overtime and payroll taxes & fringe benefits are the two largest expenditures within the General Fund, at 46.1 percent and 17.7 percent, respectively. Salaries and overtime ended the year at $134.5 million, 2.7 percent under budget. Given the reduction in budgeted sales tax receipts, open positions were reviewed throughout the year and positions were only filled to maintain and/or enhance service levels, safety, and maintenance needs.
The various wellness programs held throughout the year helped to reduce expenses for medical and other fringe benefits. The goal for personnel expenses was to be 2 percent below budgeted levels. As a result of our efforts, total personnel expenses were 3 percent below the budgeted level at year-end.

Fuel and utility costs are managed by the Energy Manager through the Energy Price Risk Management Program. Fuel represents 2.2 percent of total expenses and ended the year at $6.3 million, or 8.5 percent below budget. The other expenses category includes services, inventory, other utilities, liabilities, and other miscellaneous expenses. This category totals 17.9 percent of total expenses and ended the year at $52.2 million, or 6.1 percent below budgeted levels.

Transfers to other funds include transfers from the General Fund to the Reserve Fund, Pension Fund, Capital Improvement Fund, Bond Retirement Fund, and Insurance Fund. A $30 million debt service was scheduled for 1st Quarter 2018, but was deferred until 2019. A resolution was approved in December to increase the transfer appropriations by $15 million, which consisted of a transfer of $5 million to the Capital Improvement Fund to provide funding for the radio/communications project and to purchase a printing press; a transfer of $5 million to the

Insurance Fund to maintain the recommended ending balance; and a third transfer of $5 million to the Reserve Fund for the rail car replacement.

The Authority's Capital Improvement Program (CIP) continued to focus on improving the overall State of Good Repair (SOGR) of the assets and infrastructure. Major project activity in the FY 2018 CIP included purchasing 33 40-foot Compressed Natural Gas (CNG) buses, station reconstruction at East 34th Street and East 116th Street stations, as well as Red Line track work from West 30th Street to West 98th Street and from West 117th Street to West Park station.

Various facility improvement projects were made, including track bridge improvements and repairs of the Viaduct Fender, evaluated construction at Lorain Bridge, and demolition of the west-bound access road bridge at Central Rail Maintenance Facility. Other smaller projects started or completed during the year included Transportation Safety Administration (TSA) Canine/Terrorism Team, Senior Transportation Pass-Through, and a Transit-Oriented Study.

Six financial policy goals are additional measures of budget performance. These are categorized into two sub-categories: Operational Efficiencies (Operating Ratio, Cost per Hour of Service, and Operating Reserve) and Capital Efficiencies (Debt Service Coverage, Sales Tax Contribution to Capital, and Capital Maintenance to Expansion).

The Operating Ratio shows the efficiency of management by comparing operating expenses to operating revenues (Operating Revenues divided by Operating Expenses). The policy goal is to maintain an Operating Ratio of at least 25 percent. The year-end Operating Ratio of 19.9 percent is above the 17.8 percent projected in the FY 2018 Amended Budget.

The Cost per Hour of Service is a measure of service efficiency that compares total operating expenses to total service hours. This measure is then compared to the prior year in determining the Growth per Year, which is the growth in the cost of delivering a unit of service (Cost per Hour), which is to be maintained at or below the rate of inflation, as determined by the Federal Reserve Bank. Factors that impact this indicator include the change of total operating expenses relative to the prior year, annual service levels, and the rate of inflation. At year-end, total operating expenses were $3.3 million less than 2017 levels, or -1.4 percent. Service levels were budgeted at 1.9 million hours but ended the year at 1.8 million hours. The Cost per Hour of Service for FY 2018 was 134.3, or 1.4 percent above 2017 levels, and under the 2 percent inflation rate.

The Operating Reserve is equal to one-month's operating expenses to cover unforeseen or extraordinary fluctuations in revenues or expenses. This is the available cash, or ending balance, in the General Fund. With an ending balance of $39 million, the Operating Reserve equaled 1.9 months, above the 1.4 months in the FY 2018 amended budget.

Debt Service Coverage is a measure of The Authority's ability to meet its annual interest and principal payments on outstanding debt. The goal is to have a Debt Service Coverage of at least 1.5. At year-end, the Debt Service Coverage was 3.76, well above the established goal.

The Sales Tax Contribution to Capital is the percentage of sales tax revenues directly allocated to the Capital Improvement Fund to support budgeted projects or to the Bond Retirement Fund to support debt service payments. This indicator ended the year at 14.6 percent, exceeding the policy goal of at least 10 percent.

The capital program requires a critical balance between maintenance of existing assets and expansion efforts. At 100 percent, the Capital Maintenance Outlay to Capital Expansion Outlay remains above the 75-90 percent range outlined in the board policy and over the FY 2017 level of 97.3 percent. This measure continues to show that The Authority's focus remains on the maintenance or State of Good Repair of its current assets rather than on the expansion of service levels. Given the financial constraints of recent years, this continues to remain the best course available as The Authority continues on its five-year bus replacement program, equipment updates, and infrastructure improvements.

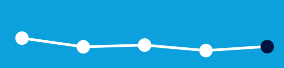
In summary, four of the six policy goals have been met and a fifth goal, operating ratio, is better than budget and higher than FY 2017. An aging rail infrastructure, including cars, track, and signals, is putting great demands on the Capital Improvement Plan. Nationwide, transit authorities are seeing ridership declines. Identifying a new and dedicated revenue stream to replace the MCO loss in the sales tax base is the next hurdle in order to provide quality service and replace rail cars and infrastructure. The Authority has made tremendous strides to provide a sustainable budget, but challenges still remain.

Indicators

Operating Ratio

19.9%

2017: 19.5%
2016: 20.1%
2015: 19.9%
2014: 20.6%

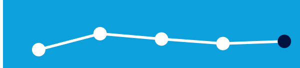


Ratio that shows the efficiency of management by operating expenses to operating revenues. Operating Revenues divided by Operating Expenses.

Cost per Hour of Service

$134.3

2017: $132.4
2016: $135.1
2015: $140.0
2014: $123.6

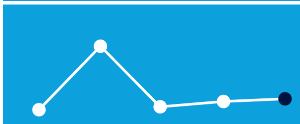


Measure of service efficiency. Total Operating Expenses divided by Total Service Hours.

Growth in Cost per Hour of Service

1.4%

2017: -2.0%
2016: -3.5%
2015: 13.1%
2014: -4.2 %

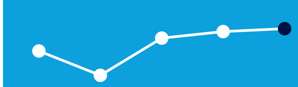


Growth in cost of delivering a unit of service (Cost per Hour), compared to the prior year, to be kept at or below the rate of inflation.

Operating Reserve

1.9 Months

2017: 1.7 Months
2016: 1.6 Months
2015: 0.8 Months
2014: 1.3 Months

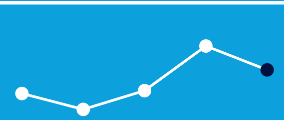


Equal or above one month's operating expenses to cover unforseen or extraordinary fluctuations in revenues or expenses.

Operating Ratio

3.76

2017: 4.11
2016: 2.50
2015: 1.78
2014: 2.37

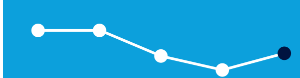


The measure of the Authority's ability to meet annual interest and principal payments on outstanding debts.

Sales Tax Contribution of Capital

14.6%

2017: 12.2%
2016: 14.3%
2015: 18.5%
2014: 18.4%



Sales tax revenues to be allocated directly to the Capital Improvement Fund to support budgeted projects or to the Bond Retirement Fund to support debt service payments.

Growth in Cost per Hour of Service

100%

2017: 97.3%
2016: 96.3%
2015: 98.9%
2014: 95.7%

The capital program requires a critical balance between maintenance of existing assets and expansion efforts. This indicator shows the percentage of projects related to maintenance of existing assets.

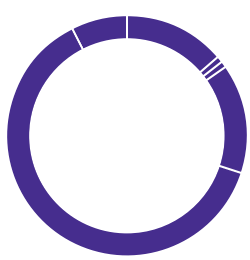
General Fund

Revenue	2017 Actual	2018 Actual	$ Change	% Change	% of Total
Passenger Fares	$ 45,436,326	$ 46,611,350	$ 1,175,024	2.59%	15.77%
Advertising/Concessions	2,389,856	786,836	(1,603,020)	(67.08%)	0.27%
Investment Income	260,016	733,668	473,652	182.16%	0.25%
Total Operating Revenue	**$ 48,086,198**	**$ 48,131,854**	**$ 45,656**	**0.09%**	**16.28%**
Sales/Use Tax	$ 213,718,145	$ 204,331,707	$ (9,386,438)	(4.39%)	69.12%
State Aid for MCO Loss	10,034,083	18,271,169	8,237,086	82.09%	6.18%
Grants	0	0	0		0.00%
Other	24,772,131	24,884,535	112,404	0.45%	8.42%
Total Non-Operating Revenue	**$ 248,524,359**	**$ 247,487,411**	**$ (1,036,949)**	**(0.42%)**	**83.72%**
Total Revenue	**$ 296,610,557**	**$ 295,619,264**	**$ (991,293)**	**(0.33%)**	**100.0%**

Operating Expenditures	2017 Actual	2018 Actual	$ Change	% Change	% of Total
Labor/Fringe	$ 187,067,570	$ 185,937,726	$ (1,129,844)	(0.60%)	63.78%
Materials/Supplies	18,561,773	16,460,426	(2,101,347)	(11.32%)	5.65%
Fuel/Utilities	16,234,143	13,947,428	(2,286,715)	(14.09%)	4.78%
Services	11,296,555	13,143,766	1,847,211	16.35%	4.51%
Purchased Transportation	8,828,341	9,934,312	1,105,971	12.53%	3.41%
Liabilities	4,056,370	3,659,307	(397,063)	(9.79%)	1.26%
Other	1,674,185	1,270,714	(403,471)	(24.10%)	0.44%
Total Operating Expenditures	**$ 247,718,937**	**$ 244,353,679**	**$ (3,365,259)**	**(1.36%)**	**83.82%**
Transfer to Reserve Fund	$ 17,554,922	$ 7,368,662	$ (10,186,260)	(58.03%)	2.53%
Transfer to Insurance Fund	2,400,000	7,250,000	4,850,000	202.08%	2.49%
Transfer to Pension Fund	75,000	60,000	(15,000)	(20.00%)	0.02%
Transfer to Bond Retirement Fund	17,045,783	17,236,407	190,624	1.12%	5.91%
Transfer to Capital Improvement Fund	10,271,331	15,259,919	4,988,588	48.57%	5.23%
Total Non-Operating Expenditures	**$ 47,347,036**	**$ 47,174,988**	**$ (172,048)**	**(0.36%)**	**16.18%**
Total Expenditures	**$ 295,065,973**	**$ 291,528,667**	**$ (3,537,307)**	**(1.20%)**	**100.0%**
Reserved Funds	$ 0	$ 0			
Revenue/Expenditures	1,544,584	4,090,598			
Balance January 1	33,324,813	34,869,398			
Balance December 31	34,869,398	38,959,997			

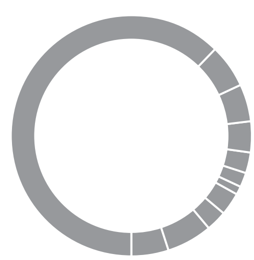
Revenue

Passenger Fares	15.8%
Advertising/Concessions	0.3%
Investment Income	0.3%
Sales/Use Tax	69.1%
State Aid for MCO Loss	6.2%
Grants	0.0%
Other	8.4%



Expenditures

Labor/Fringe	63.8%
Materials/Supplies	5.7%
Fuel/Utilities	4.8%
Services	4.5%
Purchased Transportation	3.4%
Liabilities	1.3%
Other	0.4%
Transfer to Reserve Fund	2.5%
Transfer to Insurance Fund	2.5%
Transfer to Pension Fund	0.0%
Transfer to Bond Retirement Fund	5.9%
Transfer to Capital Improvement Fund	5.2%



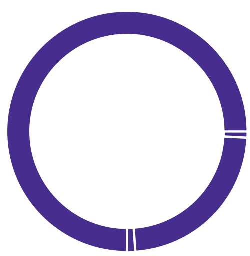
Capital Fund

Revenue	2017 Actual	2018 Actual	$ Change	% Change	% of Total
Federal Capital Grants	$ 48,455,538	$ 56,531,115	$ 8,075,577	16.7%	75.5%
State Capital Grants	0	827,365	827,365		1.1%
Local Sources	10,271,331	17,259,919	6,988,588	68.0%	23.0%
Other	329,920	(30,675)	(360,595)	(109.3%)	0.0%
General Obligation Debt Proceeds	0	0	0		0.0%
Investment Income	326,189	320,733	(5,456)	(1.7%)	0.4%
Total Revenue	**$ 59,382,978**	**$ 74,908,457**	**$ 15,525,479**	**26.1%**	**100.0%**

Operating Expenditures	2017 Actual	2018 Actual	$ Change	% Change	% of Total
RTA Development Fund Projects	$ 65,815,495	$ 71,055,623	$ 5,240,128	8.0%	94.7%
RTA Capital Fund Projects	5,243,359	3,974,604	(1,268,755)	(24.2%)	5.3%
Other			0		0.0%
Transfer to Bond Retirement Fund			0		0.0%
Total Operating Expenditures	**$ 71,058,855**	**$ 75,030,228**	**$ 3,971,373**	**5.6%**	**100.0%**
Revenue/Expenditures	$ (11,675,877)	$ (121,771)			
Balance January 1	25,434,449	44,613,977			
Balance December 31	13,758,573	44,492,207			

Revenue

Federal Capital Grants	75.5%
State Capital Grants	1.1%
Local Sources	23.0%
Other	0.0%
General Obligation Debt Proceeds	0.0%
Investment Income	0.4%



Expenditures

RTA Development Fund Projects	94.7%
RTA Capital Fund Projects	5.3%
Others	0.0%
Transfer to Bond Retirement Fund	0.0%