



# YEAR-END FINANCIAL REPORT

The Authority was awarded nearly \$112.0 million through the CARES Act, which is to provide stability from 2020 through 2022. This funding was used to pay for operating expenses (less passenger fares collected) from March through October. The CARES Act funding helped supplement the decline in passenger fares and sales tax receipts, as well as the added expenses due to the pandemic.

The Authority reviewed the recommendations from the Fare Equity and System Redesign Studies and implemented the \$5 All-Day Pass. In December 2020, the Federal Government approved the Coronavirus Response & Relief Supplemental Act (CRRSA). This is a \$900 billion coronavirus relief bill that is part of a larger \$1.4 trillion omnibus spending and appropriations bill. Public Transit was allocated \$14 billion, of which \$74.6 million is allocated to the Cleveland Urbanized Area (UZA), which includes Greater Cleveland RTA, Laketran, Akron Metro, Medina County Public Transit, Portage Area RTA, and Geauga County. This funding will be received in 2021.

In December 2020, Standards & Poor (S&P) Global Ratings raised the Authority's long-term rating from AA+ to AAA on the Authority's sales-tax-supported bonds. The rating action reflects S&P's view of the Authority's strong coverage and general credit quality, as well as the resiliency of the sales tax base during the pandemic.

Unemployment spiked in April due to the coronavirus pandemic. Northeast Ohio lagged behind the U.S. and Ohio unemployment rates. During the second half of 2020, the largest gains in employment were in transportation, construction, manufacturing, warehousing, professional services, business services, and health care. Employment declined in government, hospitality, tourism, and recreation.

During the pandemic, ridership was down as much as 50% when compared to pre-pandemic levels. By year-end, ridership recovered slightly but still remained down 46.1%, on average. This is also seen in Passenger Fare revenue, the Authority's second largest source of revenue. By year-end, Passenger Fare Revenue was down 57.9%. For 2020, Sales Tax totaled \$210.1 million, 0.96% below 2019 levels. Online sales increased 179.2%, compared to 2019 levels. As businesses were either closed or had reduced hours due to the pandemic, many customers chose to shop online rather than in the stores. Motor vehicle sales increased by 3.5% and liquor sales increased by \$0.5 million, compared to 2019. The supplemental unemployment payments were a big factor in the steadiness of the sales tax receipts.

Operating Expenses ended the year 5.9% below budgeted levels and 1.8% above 2019. Service levels were reduced in April by approximately 15% in response to the coronavirus stay-at-home order. As businesses reopened and the stay-at-home order lifted, service was restored to about 97% of pre-COVID-19 levels. Salaried employees had a 27th pay in December, which occurs every 12 years. Total Salaries and overtime for 2020 were nearly \$5 million lower than budget, or about 3.5%. Payroll taxes and fringes ended the year 2.3% lower than budget, but 5.2% higher than 2019 due to increased hospitalization and prescription costs.

The Energy Price Risk Management Program has helped to stabilize fuel costs. The Authority's diesel fuel usage has continued to decrease due to the implementation of additional Compressed Natural Gas (CNG) buses into service and retiring older diesel buses. Additionally, with the restored service levels, fuel costs were held at 7.0% below budgeted levels. Ridership on Paratransit was greatly affected as well and costs in Purchased Transportation ended the year 17.2% below 2019 levels.



# YEAR-END FINANCIAL REPORT CONTINUED

Transfers to other funds are to support the expected expenditures and maintain the recommended balances for the Bond Retirement, Insurance, Supplemental Pension, Capital Improvement, and Reserve Funds. The Authority increased the transfer to the Reserve Fund in December 2020, from \$5.8 million to \$10.8 million. Transfers to other funds totaled \$37.8 million.

The CARES Act funding helped to increase total resources to \$244.1 million. Total expenditures of \$284.5 million against total resources of \$418.1 million left an ending balance of \$133.6 million, or 6.5-month operating reserve.

## OPERATING EFFICIENCY

The policy goal is to maintain an **Operating Ratio** of at least 25 percent. At year end, the Operating Ratio is 11.0%. This ratio shows the efficiency of management by comparing operating expenses to operating revenues (Passenger Fares, Advertising & Concessions, and Investment Income). Ridership dropped by 46.1%, compared to 2019 and Passenger Fares fell by 57.9%. It is going to take a long time for ridership to return to pre-COVID-19 levels.

The target of the **Cost per Hour of Service** measure is for such service to be maintained at or below the rate of inflation. The Federal Reserve projected inflation to be between 1.8% and 2.1% for 2020 when the FY 2020 Budget was created. The inflation rate decreased from 1.54% in March to 0.65% in June per the Federal Reserve Bank of Cleveland. The Cost per Hour of Service is a measure of service efficiency, dividing total operating expenses by total service hours. Service hours were temporarily reduced in 2020 due to the pandemic. Total Operating Expenses for 2020 were 1.8% above 2019 but total service hours fell, compared to 2019. This increased the Cost per Service Hour and growth per year, when compared to 2019. The Cost per Service Hour will not meet the Board Policy goal.

**Operating Reserve is targeted for a period of 30 Days or 1 Month**, which requires the available cash and cash equivalents to one month's operating expenses to cover any unforeseen or extraordinary fluctuations in revenues or expenses. With an ending balance of \$133.6 million, the Operating Reserve is 6.5 months, which is in excess of the goal, but will be needed to get us through the pandemic and into economic recovery.

## CAPITAL EFFICIENCY

The **Debt Service Coverage** ratio is the measure of the Authority's ability to meet annual interest and principal payments on its outstanding debt. The goal is 1.5 or above and compares total operating resources (net of operating costs and transfers to the Insurance, Capital, and Pension Funds) with the Authority's debt service needs. At year-end, the Debt Service Coverage is 9.72, exceeding the policy goal.

The **Sales Tax Contribution to Capital** is a measure of the level of commitment to longer-term capital needs by determining the percentage of the sales tax revenues that is to be allocated directly to the Capital Improvement Fund to support budgeted projects or to the Bond Retirement Fund to support debt service payments. This indicator is 13.5% percent, above the policy goal of at least 10 percent.

The **Capital Maintenance Outlay to Capital Expansion Outlay** ratio shows the Authority's focus is on the maintenance or State of Good Repair (SOGR) of its current assets rather than on the expansion of service levels. This continues to remain the best course available as the Authority continues its bus replacement program, equipment upgrades, and plans for rail vehicle replacement and rail infrastructure improvements.



# INDICATORS

## OPERATING EFFICIENCY

### Operating Ratio

# 11.0%

| 2016  | 2017  | 2018  | 2019  |
|-------|-------|-------|-------|
| 20.1% | 19.5% | 19.9% | 19.0% |



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

### Cost per Hour of Service

# \$195.9

| 2016    | 2017    | 2018    | 2019    |
|---------|---------|---------|---------|
| \$135.1 | \$132.4 | \$134.3 | \$130.9 |



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

### Growth per Year

# 49.7%

| 2016  | 2017  | 2018 | 2019  |
|-------|-------|------|-------|
| -3.5% | -2.0% | 1.4% | -2.5% |



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 (Months)

# 6.5 Months

| 2016       | 2017       | 2018       | 2019       |
|------------|------------|------------|------------|
| 1.6 Months | 1.7 Months | 1.9 Months | 2.1 Months |



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



# INDICATORS

## CAPITAL EFFICIENCY

### Debt Service Coverage

# 9.72

| 2016 | 2017 | 2018 | 2019 |
|------|------|------|------|
| 2.5  | 4.11 | 3.76 | 4.5  |



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

### Sales Tax Contribution to Capital

# 13.5%

| 2016  | 2017  | 2018  | 2019  |
|-------|-------|-------|-------|
| 14.3% | 12.2% | 14.6% | 11.9% |



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.

### Capital Maintenance to Expansion

# 100%

| 2016  | 2017  | 2018  | 2019 |
|-------|-------|-------|------|
| 96.3% | 97.3% | 97.3% | 100% |



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.



# FUNDS

| General Fund                             | 2019 Actual          | 2020 Actual           | \$ Change            | % Change        |
|--|----------------------|-----------------------|----------------------|-----------------|
| <b>Beginning Balance</b>                 | \$ 38,959,995        | \$ 41,577,395         | \$ 2,617,400         | 6.7%            |
| <b>Revenues</b>                          |                      |                       |                      |                 |
| <b>Operating Revenue</b>                 |                      |                       |                      |                 |
| Passenger Fares                          | 42,785,750           | 24,044,664            | (18,741,086)         | (43.8%)         |
| Advertising / Concessions                | 2,069,726            | 2,337,735             | 268,009              | 12.9%           |
| Investment Income                        | 910,634              | 698,786               | (211,848)            | (23.3%)         |
| Other Income                             | 2,747,874            | 364,250               | (2,383,624)          | (86.7%)         |
| <b>Total Operating Revenue</b>           | <b>48,513,984</b>    | <b>27,445,435</b>     | <b>(21,068,549)</b>  | <b>(43.4%)</b>  |
| <b>Non-Operating Revenue</b>             |                      |                       |                      |                 |
| Sales / Use Tax                          | 212,192,079          | 210,147,468           | (2,044,611)          | (1.0%)          |
| Reimbursements                           | 25,289,403           | 26,963,719            | 1,674,316            | 6.6%            |
| Federal CARES Act                        | 0                    | 111,977,170           | 111,977,170          | 100.0%          |
| <b>Total Non-Operating Revenue</b>       | <b>237,481,482</b>   | <b>349,088,357</b>    | <b>111,606,875</b>   | <b>47.0%</b>    |
| <b>Total Revenue</b>                     | <b>285,995,466</b>   | <b>376,533,792</b>    | <b>90,538,326</b>    | <b>31.7%</b>    |
| <b>Total Resources</b>                   | <b>324,955,461</b>   | <b>418,111,187</b>    | <b>93,155,726</b>    | <b>28.7%</b>    |
| <b>Expenditures</b>                      |                      |                       |                      |                 |
| <b>Operating Expenditures</b>            |                      |                       |                      |                 |
| Salaries, Payroll Taxes & Fringes        | 184,470,614          | 190,811,330           | 6,340,716            | 3.4%            |
| Fuel & Utilities                         | 14,105,806           | 12,357,057            | (1,748,749)          | (12.4%)         |
| Services, Materials & Inventory          | 29,748,893           | 32,150,974            | 2,402,081            | 8.1%            |
| Purchased Transportation                 | 9,177,877            | 7,599,160             | (1,578,717)          | (17.2%)         |
| Other Expenditures                       | 4,815,590            | 3,783,813             | (1,031,777)          | (21.4%)         |
| <b>Total Operating Expenditures</b>      | <b>242,318,780</b>   | <b>246,702,334</b>    | <b>4,383,554</b>     | <b>1.8%</b>     |
| <b>Transfers</b>                         |                      |                       |                      |                 |
| To (From) Reserve Fund                   | 12,965,059           | 9,428,615             | (3,536,444)          | (27.3%)         |
| To (From) Insurance Fund                 | 2,700,000            | 0                     | (2,700,000)          | (100.0%)        |
| To (From) Pension Fund                   | 50,000               | 50,000                | 0                    | 0.0%            |
| To (From) Bond Retirement Fund           | 13,339,003           | 14,950,956            | 1,611,953            | 12.1%           |
| To (From) Capital Improvement Fund       | 12,005,224           | 13,397,525            | 1,392,301            | 11.6%           |
| <b>Total Transfers</b>                   | <b>41,059,286</b>    | <b>37,827,096</b>     | <b>(3,392,190)</b>   | <b>(7.9%)</b>   |
| <b>Total Expenditures</b>                | <b>283,378,066</b>   | <b>284,529,430</b>    | <b>1,151,364</b>     | <b>0.4%</b>     |
| <b>Excess Revenues over Expenditures</b> | <b>2,617,400</b>     | <b>92,004,362</b>     | <b>89,386,962</b>    | <b>3,415.1%</b> |
| <b>Balance December 31</b>               | <b>\$ 41,577,395</b> | <b>\$ 133,581,757</b> | <b>\$ 92,004,362</b> | <b>221.3%</b>   |

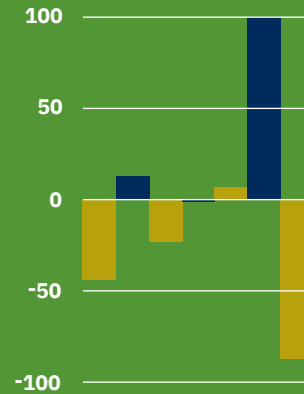


# CHARTS

## GENERAL FUND

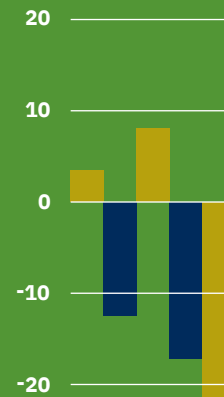
### Revenue

|                         |         |
|-------------------------|---------|
| Passenger Fares         | (43.8%) |
| Advertising/Concessions | 12.9%   |
| Investment Income       | (23.3%) |
| Sales/Use Tax           | (1.0%)  |
| Reimbursements          | 6.6%    |
| Federal CARES Act       | 100.0%  |
| Other Income            | (86.7%) |



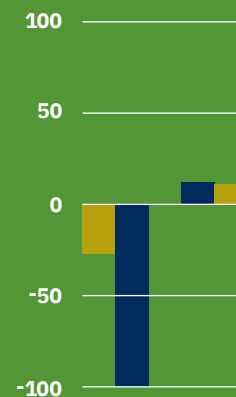
### Expenditures

|                                   |         |
|-----------------------------------|---------|
| Salaries, Payroll Taxes & Fringes | 3.4%    |
| Fuel & Utilities                  | (12.4%) |
| Services, Materials & Inventory   | 8.1%    |
| Purchased Transportation          | (17.2%) |
| Other Expenditures                | (21.4%) |



### Transfers

|                                      |          |
|--------------------------------------|----------|
| Transfer to Reserve Fund             | (27.3%)  |
| Transfer to Insurance Fund           | (100.0%) |
| Transfer to Pension Fund             | 0.0%     |
| Transfer to Bond Retirement Fund     | 12.1%    |
| Transfer to Capital Improvement Fund | 11.6%    |





# FUNDS

| Capital Fund                             | 2019 Actual          | 2020 Actual          | \$ Change              | % Change        |
|--|----------------------|----------------------|------------------------|-----------------|
| <b>Beginning Balance</b>                 | \$ 19,313,973        | \$ 42,377,784        | \$ 23,063,811          | 119.4%          |
| <b>Revenues</b>                          |                      |                      |                        |                 |
| Federal Capital Grants                   | 33,292,740           | 42,000,277           | 8,707,537              | 26.2%           |
| Federal CARES Act                        | 0                    | 111,977,170          | 111,977,170            | 100.0%          |
| State Capital Grants                     | 1,384,658            | 2,702,681            | 1,318,023              | 95.2%           |
| Local Sources                            | 12,005,224           | 13,397,525           | 1,392,301              | 11.6%           |
| Other                                    | 0                    | 12,800               | 12,800                 | 100.0%          |
| General Obligation Debt Proceeds         | 30,000,000           | 0                    | (30,000,000)           | (100.0%)        |
| Investment Income                        | 979,003              | 1,079,699            | 100,696                | 10.3%           |
| <b>Total Revenues</b>                    | <b>77,661,625</b>    | <b>171,170,152</b>   | <b>93,508,527</b>      | <b>120.4%</b>   |
| <b>Expenditures</b>                      |                      |                      |                        |                 |
| RTA Development Fund Projects            | 51,219,600           | 68,810,841           | 17,591,241             | 34.3%           |
| RTA Capital Fund Projects                | 3,378,214            | 2,322,633            | (1,055,581)            | (31.2%)         |
| CARES Act                                | 0                    | 111,977,170          | 111,977,170            | 100.0%          |
| <b>Total Expenditures</b>                | <b>54,597,814</b>    | <b>183,110,644</b>   | <b>128,512,830</b>     | <b>235.4%</b>   |
| <b>Excess Revenues over Expenditures</b> | <b>23,063,811</b>    | <b>(11,940,492)</b>  | <b>(35,004,303)</b>    | <b>(151.8%)</b> |
| <b>Balance December 31</b>               | <b>\$ 42,377,784</b> | <b>\$ 30,437,292</b> | <b>\$ (11,940,492)</b> | <b>(28.2%)</b>  |

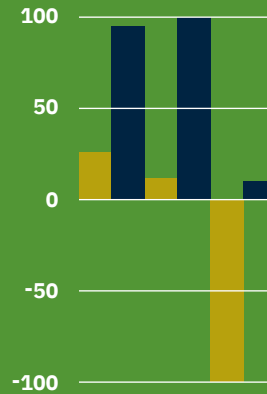


# CHARTS

## CAPITAL FUND

### Revenue

|                                  |          |
|----------------------------------|----------|
| Federal Capital Grants           |          |
| Federal CARES Act                | 26.2%    |
| State Capital Grants             | 95.2%    |
| Local Sources                    | 11.6%    |
| Other                            | 100.0%   |
| General Obligation Debt Proceeds | (100.0%) |
| Investment Income                | 10.3%    |



### Expenditures

|                               |         |
|-------------------------------|---------|
| RTA Development Fund Projects | 34.3%   |
| RTA Capital Fund Projects     | (31.2%) |
| CARES Act                     | 100.0%  |

