2017 YEAR-END FINANCIAL REPORT

The 2017 Fiscal Year was another successful year for the Authority. The GCRTA received a Gold Level Award for Achievement in Excellence from The Partnership for Excellence, a Baldrige-based awards program. The Authority had a phenomenal year by helping to transport thousands of fans to the CAVS playoff and championship.

Ridership continued to drop as gas prices remain low and choice riders elect to drive rather than take public transit. Last year, the Authority learned the Federal Government mandated that the State of Ohio remove Medicaid Managed Health Care from the Sales & Use Tax base. This would result in an annualized $20 million shortfall starting in late 2017. In order to help mitigate the effect of this revenue reduction, expenses were tightly controlled during the year, encumbrances closed, and funding set aside to increase the ending balance for 2017. The Authority managed expenses and executed the budget very well, increasing the ending balance from the budget of $10.8 million to $34.9 million, which includes a reserve of $17.5 million.

Operating Revenues were budgeted at $289.5 million. With a carryover of $33 million at the end of 2016, total Resources were budgeted at $322.5 million. Total Revenues ended the year at $296.6 million, or 2% over the estimated amount. In turn, Total Resources ended the year at $330 million.

Operating expenses were closely monitored and controlled throughout the year. Prior-year encumbrances were closed and funds set aside. Operating expenses ended the year $19.7 million under budget with overall general fund expenses ending the year at $16.6 million under the budget. This includes an additional $8.3 million transferred to the reserve fund that was not budgeted.

Capital expenditures within the two capital budgets of the Authority, the RTA Capital Fund and RTA Development Fund completed the year a combined $71 million in expenditures. This is a slight increase from prior year.

Nearly $60.8 million, or 86 percent, of all 2017 capital expenditures were generated within three of the eight capital categories: Bus Improvement Program, with $22 million, or 31 percent of all capital expenditures; followed by the Preventative Maintenance/Operating Reimbursements at $20.3 million; and Rail Projects at $18.4 million.

At the end of the year, $ 45.58 million of funding was encumbered for upcoming work within the capital program. Expenditures will likely increase from those in 2017 and will remain at high levels in the future as the Authority's focus continues to be on achieving a state of good repair (SOGR) in its capital assets. Grant funds have re-prioritized from Preventive Maintenance draws in support of Operating Budget activities to a number of needed infrastructure projects over the last several years. This has allowed for the rehabilitation of the Red Line, Cedar University and Little Italy Rapid Station, Clifton Boulevard Enhancement–CSU Line, CNG Loading Stations at Hayden and Central Bus Maintenance, Tower City Track 7 & 8 rehabilitation, and the planned reconstruction of Red Line Track between W. 30th–W. 74th, and East 34th Street Station reconstruction. The Authority continues to make progress on funding projects included within the Authority's Capital Improvement Plan (CIP) and will continue to target both non-traditional as well as formula grant funding sources in the future. The drop in fund balance in the Operating Budget will make it especially difficult to execute the capital budget.

Financial Indicators are another measure of RTA's financial strength. There are a total of six indicators, with an established Board Policy Goal.

The Board Policy Goal for Cost per Hour of Service is to be under the rate of inflation (about 2 percent). In 2017, the Cost per Hour of Service totaled $132.4, a 2 percent decrease from 2016. This is due to keeping operating expenses at 2016 levels.

2017 YEAR-END FINANCIAL REPORT
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At the end of 2017, the Operating Reserve is 1.7 months. This is a slight increase from 2016 at 1.6 months and meets the one month Operating Reserve goal.

The Debt Service Coverage indicator, measuring capital efficiency, also achieved a 7th consecutive year of meeting Board Policy Goal. This indicator completed the year at 4.11, higher than the budgeted amount of 2.06. This is mainly attributed to an increase in operating revenue while also delaying a debt issuance to finance our capital projects.

At 97.3 percent, the Capital Maintenance Outlay to Capital Expansion Outlay ratio remains outside of the 75 percent–90 percent range outlined in the Board Policy Goal and the FY2017 budgeted level of 94.1 percent. As in prior years, this measure continues to show the Authority's focus remains first on the maintenance or SOGR 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 with its five-year bus replacement program, equipment upgrades, and infrastructure improvements.

The Sales Tax Contribution to Capital includes direct support for capital projects, transfers to fund the Authority's bond retirement payments, and has a Board Policy Goal of a minimum 10 percent contribution. The contribution to capital in 2017 had a slight decrease from 2016 levels and finished at 12.2 percent, which meets the policy goal. The decrease in this measure as compared to prior years is due to delaying debt issuances to finance our capital projects which is a result of good financial practices. This indicator will likely remain within the Board Policy Goal in the near future due to the Authority's aggressive Capital program aimed at achieving a State of Good Repair (SOGR) throughout its capital assets.

Operating Ratio fell short of the Board Policy Goal of 25 percent or greater. Comparing operating expenses to operating revenues, the year-end ratio for 2016 was 19.5 percent, below the policy goal, however a slight increase from the budget.

In summary, four of the six Financial Indicators met the Board Policy Goals. The Operating Ratio finished better than budget. RTA continues to improve processes and reduce costs resulting in ending balances slightly higher than a one-month reserve. This will enable the Authority to once again shift gears and review our processes to maintain a balance between operating and capital funds to stay successful and serve the citizens of Cuyahoga County.

RTA made a calculated decision three years ago to reduce PM Reimbursement and increase Capital expenditures. Transit is a capital-intensive business and the Authority has addressed some of the capital needs to ensure a State of Good Repair of its assets. In spite of these efforts, there are well over $500 million of capital projects that need to be funded. Costs are rising, and the projected 2018 fund balance is anticipated to decline due to the loss of the Medicaid Managed Care Organizations from the sales tax base, an annual loss of $20 million. RTA must maintain a reasonable balance of at least 30 days operating reserve to maintain the balance between operating levels and capital needs which will be a challenge with the current financial environment.

2017 INDICATORS

Operating Ratio:

19.5%

2016: 20.1%

2015: 19.9%

2014: 20.6%

2013: 22.0%

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

Cost per Hour of Service:

$132.4

2016: $135.2

2015: $140.0

2014: $123.6

2013: $129.1

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

Growth in Cost per Hour of Service:

-2.0%

2016: -3.4%

2015: 13.2%

2014: -4.2%

2013: 5.6%

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:

1.7 Months

2016: 1.2 Months

2015: 0.8 Months

2014: 1.3 Months

2013: 2.0 Months

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

Debt Service Charge:

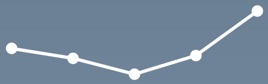
4.11

2016: 2.49

2015: 1.78

2014: 2.37

2013: 2.73



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

Sales Tax Contribution of Capital:

12.2%

2016: 14.3%

2015: 18.5%

2014: 18.4%

2013: 18.0%

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:

97.3%

2016: 96.3%

2015: 98.9%

2014: 95.7%

2013: 84.1%

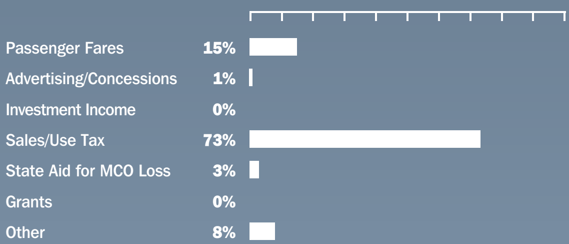
The capital program requires a critical balance between maintenance of existing assets and expansion efforts. This indicator shows the percentage of projects related to maintenance of existing assets.

2017 GENERAL FUND

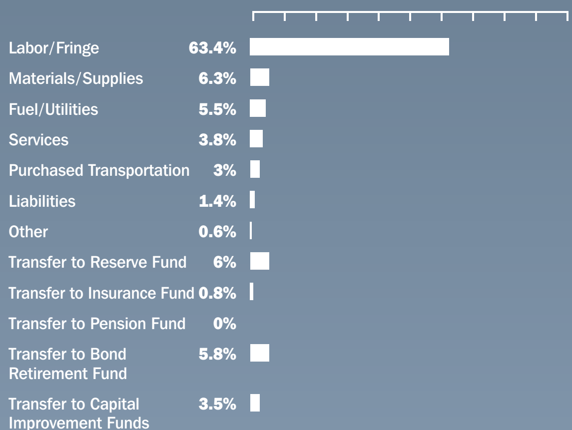
REVENUE	2016 ACTUAL	2017 ACTUAL	$ CHANGE	% CHANGE	% OF TOTAL
Passenger Fares	$ 46,279,344	$ 45,436,326	$ (843,018)	(1.8%)	15.3%
Advertising/Concessions	2,860,267	2,389,856	(470,411)	(16.5%)	0.8%
Investment Income	42,156	260,016	217,860	516.8%	0.1%
Total Operating Revenue	**$ 49,181,767**	**$ 48,086,198**	**$ (1,095,569)**	**(2.2%)**	**16.2%**
Sales/Use Tax	$ 218,749,851	$ 213,718,145	$ (5,031,706)	(2.3)	72.1%
State Aid for MCO Loss	0	10,034,083	10,034,083		3.4%
Grants	0	0	0		0%
Other	26,448,084	24,772,131	(1,675,953)	(6.3%)	8.4%
Total Non-Operating Revenue	**$ 245,197,935**	**$ 248,524,359**	**$ 3,326,424**	**1.4%**	**83.8%**
Total Revenue	**$ 294,379,702**	**$ 296,610,557**	**$ 2,230,855**	**0.8%**	

OPERATING EXPENDITURES	2016 ACTUAL	2017 ACTUAL	$ CHANGE	% CHANGE	% OF TOTAL
Labor/Fringe	$ 182,444,567	$ 187,067,570	$ 4,623,003	2.5%	63.4%
Materials/Supplies	18,628,669	18,561,773	(66,896)	(0.4%)	6.3%
Fuel/Utilities	18,148,023	16,234,143	(1,913,880)	(10.6%)	5.5%
Services	12,932,550	11,296,555	(1,635,995)	(12.7%)	3.8%
Purchased Transportation	8,270,695	8,828,341	557,646	6.7%	3.0%
Liabilities	4,118,341	4,056,370	(61,971)	(1.5%)	1.4%
Other	1,375,328	1,674,185	298,857	21.7%	0.6%
Total Operating Expenditures	**$ 245,981,173**	**$ 247,718,937**	**$ 1,800,764**	**0.7%**	**84.0%**
Transfer to Reserve Fund	$ 0	$ 17,554,922	$ 17,554,922		6.0%
Transfer to Insurance Fund	500,000	2,400,000	1,900,000	380.0%	0.8%
Transfer to Pension Fund	100,000	75,000	(25,000)	(25.0%)	0.0%
Transfer to Bond Retirement Fund	21,877,562	17,045,783	(4,841,779)	(22.1%)	5.8%
Transfer to Capital Improvement Fund	9,472,060	10,271,331	799,271	8.4%	3.5%
Total Non-Operating Expenditures	**$ 31,959,622**	**$ 47,347,036**	**$ 15,387,414**	**48.2%**	**16.1%**
Total Expenditures	**$ 277,877,795**	**$ 295,065,973**	**$ 17,188,178**	**6.2%**	
Reserved Funds	8,776,432	0			
Revenue/Expeditures	$ 16,501,907	$ 1,544,584			
Balance January 1	$ 16,822,906	$ 33,324,813			
Balance December 31	$ 33,324,813	$ 34,869,398			

Revenue



Expenditures

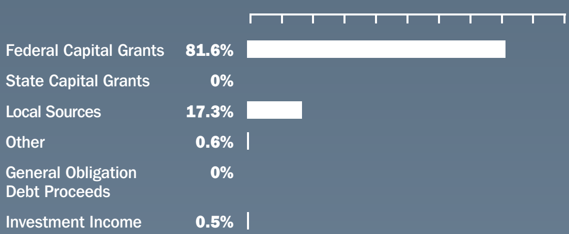


2017 CAPITAL FUND

REVENUE	2016 ACTUAL	2017 ACTUAL	$ CHANGE	% CHANGE	% OF TOTAL
Federal Capital Grants	$ 47,732,909	$ 48,455,538	$ 722,629	1.5%	81.6%
State Capital Grants	110,699	0	(110,699)	(100.0%)	0.0%
Local Sources	9,477,322	10,271,331	794,009	8.4%	17.3%
Other	0	329,920	329,920		0.6%
General Obligation Debt Proceeds	0	0	0		0.0%
Investment Income	286,670	326,189	39,519	13.8%	0.5%
Total Revenue	**$ 57,607,600**	**$ 59,382,978**	**$ 1,775,378**	**3.1%**	**100.0%**

OPERATING EXPENDITURES	2016 ACTUAL	2017 ACTUAL	$ CHANGE	% CHANGE	% OF TOTAL
RTA Development Fund Projects	$ 65,901,230	$ 65,815,495	$ (85,735)	(0.1%)	92.6%
RTA Capital Fund Projects	3,203,466	5,243,359	2,039,893	63.7%	7.4%
Other			0		0.0%
Transfer to Bond Retirement Fund			0		0.0%
Total Operating Expenditures	**$ 69,104,697**	**$ 71,058,855**	**$ 1,954,158**	**2.8%**	**88.5%**
Revenue Expenitures	(11,497,097)	(11,675,877)			
Balance January 1	$ 25,434,449	$ 44,613,977			
Balance December 31	$ 13,937,353	$ 32,938,101			

Revenue



Expenditures