

# Year-End Financial Report

In 2019, the Authority completed the Pillar Studies, Red Line west rail reconstruction projects, S-Curve retaining wall project, service for the All-Star Game and week, and selection of three new Paratransit contracts. A \$30 million debt issuance was completed in the 2nd Quarter and the Authority received excellent ratings from Standards & Poor's (AA+) and Moody's (Aa1).

The year ended with Total Revenues at approximately \$286 million compared to the 2019 Budget of \$281 million. The largest component of revenues are receipts from Sales and Use Taxes. Revenues from the Sales and Use Tax amounted to \$212.1 million compared to the budget of \$207.4 million, representing an increase of \$4.7 million over the budgeted amount.

As anticipated, Passenger Fare Revenue declined during 2019. In addition to declining ridership trends across the U.S., fares were further impacted due to the Red Line west reconstruction project, as well as emergency repairs to the S-Curve. As a result, Passenger Fare Revenues decreased by \$3.8 million, or 8.2 percent, when compared to 2018.

A measure of fiscal responsibility is to maintain Operating Expenditures below the Total General Fund Revenues. 2019 Operating Expenditures of \$242.3 million were lower than Total General Fund Revenues by \$43.7 million. Personnel costs, which includes salaries, overtime, payroll taxes, and fringes, were 0.8 percent lower than 2018 actuals. The Non-Bargaining and FOP employees received a 3 percent wage increase. The Amalgamated Transit Union (ATU) finalized negotiations in December 2019 with a new agreement. As part of this agreement, a 3 percent wage increase was approved retroactive to February 2019. This retroactive payment was made in February 2020.

Fuel and utility costs, managed through the Energy Price Risk Management Program, represents 3.2 percent of total expenses and ended the year at \$8.9 million, a 4.3 percent decrease from 2018. New 3-year contracts were negotiated in June for ADA Purchased Transportation. The new contracts included a dynamic scheduling system with electronic manifests using Samsung tablets and DriverMate technology. Scheduling is continually optimized throughout the day, evaluating runs for efficiency and effectiveness. Purchased transportation costs for 2019 totaled \$9.2 million, a 7.6 percent decrease from 2018 expenses.

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 accomplishments in 2019 included:

- Red Line west track rehabilitation that included work on 3.6 miles of track with replacement of over 12,000 timber cross ties, improved track drainage, and improved signal systems
- W. 65th St. substation replacement
- Station rehabilitations and ADA compliance of E. 34th, E. 116th, and Farnsleigh
- Completion of a comprehensive rail car replacement study
- S-Curve retaining wall emergency project, including 75 steel beam frames along the 300-ft wall
- E. 105 Quincy Station upgrade, building a second entrance and extending the platform as part of the Opportunity Corridor
- Radio replacement and on-board computer equipment on buses at Paratransit, Hayden, and Triskett

# Year-End Financial Report

Continued

## Financial Goals

The Operating Ratio shows the efficiency of management by comparing operating expenditures to operating revenues (Operating Revenues divided by Operating Expenditures). The policy goal is to maintain an Operating Ratio of at least 25 percent. The year-end Operating Ratio of 19.0 percent is below that goal.

The Cost per Hour of Service is to be maintained at or below the rate of inflation (2.1 percent 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. The 2019 year-end Cost per Hour of Service is \$130.9, or a decrease of 2.5 percent, when compared to 2018.

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 available ending balance, in the General Fund. With an ending balance of \$41.6 million, the Operating Reserve equaled a 2.1-month reserve.

Debt Service Coverage is a measure of the Authority's ability to meet 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 4.50, well above the established goal.

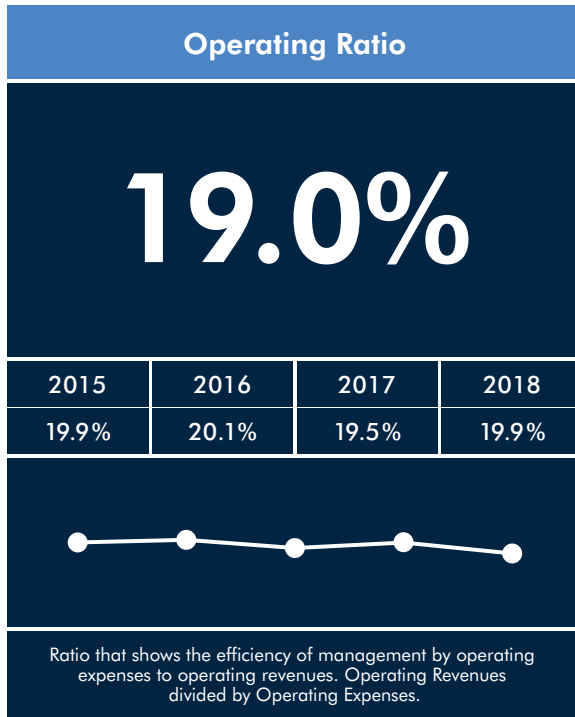
The Sales Tax Contribution to Capital is the percentage of sales tax revenues directly allocated to the Capital Improvement Fund to support budgeted projects and to the Bond Retirement Fund to support debt service payments. This indicator ended the year at 11.9 percent, exceeding the policy goal of a minimum of 10 percent.

The Capital Maintenance to Expansion 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 car replacement and rail infrastructure improvements.

In summary, four of the six policy goals have been met. An aging rail infrastructure, including cars, track, and signals, is putting great demands on the Capital Improvement Plan. The Authority has made tremendous strides to provide the local match for the rail car replacement and maintain a stable budget.

# Indicators

## Operating Efficiency



# Indicators

## Capital Efficiency



# Funds

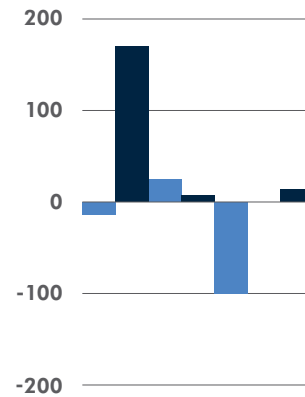
General Fund	2018 Actual	2019 Actual	\$ Change	% Change
<b>Beginning Balance</b>	\$ 34,869,397	\$ 38,959,995	\$ 4,090,598	11.7%
<b>Revenues</b>				
<b>Operating Revenue</b>				
Passenger Fares	46,611,350	42,785,750	(3,825,600)	(8.2%)
Advertising / Concessions	786,836	2,069,726	1,282,890	163.0%
Investment Income	733,668	910,634	176,966	24.1%
<b>Total Operating Revenue</b>	<b>48,131,854</b>	<b>45,766,110</b>	<b>(2,365,744)</b>	<b>(4.9%)</b>
<b>Non-Operating Revenue</b>				
Sales / Use Tax	204,331,707	212,192,079	7,860,372	3.8%
State Aid for MCO Loss	18,271,169	0	(18,271,169)	(100.0%)
Grants	0	0	0	0.0%
Other	24,884,535	28,037,277	3,152,742	12.7%
<b>Total Non-Operating Revenue</b>	<b>247,487,411</b>	<b>240,229,356</b>	<b>(7,258,055)</b>	<b>(2.9%)</b>
<b>Total Revenue</b>	<b>295,619,265</b>	<b>285,995,466</b>	<b>(9,623,799)</b>	<b>(3.3%)</b>
<b>Total Resources</b>	<b>\$ 330,488,662</b>	<b>\$ 324,955,461</b>	<b>\$ (5,533,201)</b>	<b>(1.7%)</b>
<b>Expenditures</b>				
<b>Operating Expenditures</b>				
Salaries & Overtime	\$ 134,480,231	\$ 134,891,187	\$ 410,956	0.3%
Payroll Taxes & Fringes	51,457,495	49,579,426	(1,878,069)	(3.6%)
Fuel (Bus, Rail, and Paratransit)	9,351,736	8,950,522	(401,214)	(4.3%)
Utilities	4,557,351	5,155,284	597,933	13.1%
Inventory	12,961,263	11,226,105	(1,735,158)	(13.4%)
Services, Materials, Supplies	16,642,929	18,522,788	1,879,859	11.3%
Purchased Transportation	9,934,312	9,177,877	(756,435)	(7.6%)
Other	4,968,362	4,815,591	(152,771)	(3.1%)
<b>Total Operating Expenditures</b>	<b>244,353,679</b>	<b>242,318,780</b>	<b>(2,034,899)</b>	<b>(0.8%)</b>
<b>Transfers</b>				
Transfer to Reserve Fund	7,368,662	12,965,059	5,596,397	75.9%
Transfer to Insurance Fund	7,250,000	2,700,000	(4,550,000)	(62.8%)
Transfer to Pension Fund	60,000	50,000	(10,000)	(16.7%)
Transfer to Bond Retirement Fund	17,236,407	137,339,003	(3,897,404)	(22.6%)
Transfer to Capital Improvement Funds	15,259,919	12,005,224	(3,254,695)	(21.3%)
<b>Total Transfers</b>	<b>47,174,988</b>	<b>41,059,286</b>	<b>(6,115,702)</b>	<b>(13.0%)</b>
<b>Total Expenditures</b>	<b>291,528,667</b>	<b>283,378,066</b>	<b>(8,150,601)</b>	<b>(2.8%)</b>
<b>Excess Revenues over Expenditures</b>	<b>4,090,598</b>	<b>2,617,400</b>	<b>(1,473,198)</b>	<b>(36.0%)</b>
<b>Balance December 31</b>	<b>\$ 38,959,995</b>	<b>\$ 41,577,395</b>	<b>\$ 2,617,400</b>	<b>6.7%</b>

# Charts

## General Fund

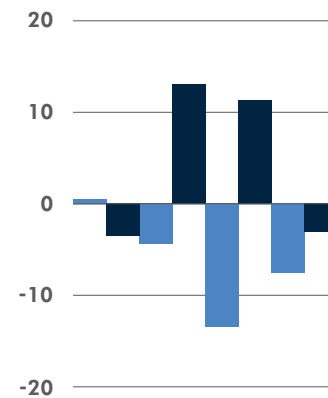
### Revenue

Passenger Fares	(8.2%)
Advertising/Concessions	163.0%
Investment Income	24.1%
Sales/Use Tax	3.8%
State Aid for MCO Loss	(100.0%)
Grants	0.0%
Other	8.4%



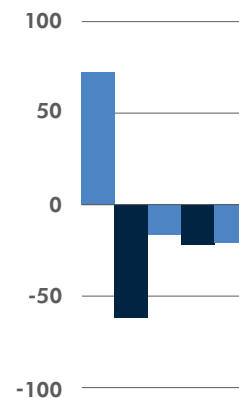
### Expenditures

Salaries and Overtime	0.3%
Payroll Taxes and Fringes	(3.6%)
Fuel(Bus, Rail, Paratransit)	(4.3%)
Utilities	13.1%
Inventory	(13.4%)
Services, Materials, Supplies	11.3%
Purchased Transportation	(7.6%)
Other Expenses	(3.2%)



### Transfers

Transfer to Reserve Fund	75.9%
Transfer to Insurance Fund	(62.8%)
Transfer to Pension Fund	(16.7%)
Transfer to Bond Retirement Fund	(22.6%)
Transfer to Capital Improvement Fund	(21.3%)



# Funds

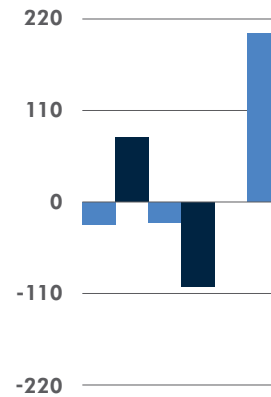
<b>Capital Fund</b>	<b>2018 Actual</b>	<b>2019 Actual</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Beginning Balance</b>	\$ 21,435,742	\$ 19,313,973	\$ (2,121,769)	(9.90%)
<b>Revenues</b>				
Federal Capital Grants	56,531,115	42,082,188	(14,448,927)	(25.6%)
State Capital Grants	827,365	1,384,658	557,293	67.4%
Local Sources	15,259,919	12,005,224	(3,254,695)	(21.3%)
Other	(30,675)	0	30,675	(100.0%)
General Obligation Debt Proceeds	0	30,000,000	30,000,000	0.0%
Investment Income	320,733	979,003	658,270	205.2%
<b>Total Revenues</b>	<b>72,908,458</b>	<b>86,451,073</b>	<b>(2,365,744)</b>	<b>18.6%</b>
<b>Total Resources</b>	<b>\$ 94,344,200</b>	<b>\$ 105,765,045</b>	<b>\$ 11,420,846</b>	<b>12.1%</b>
<b>Expenditures</b>				
RTA Development Fund Projects	\$ 71,055,622	\$ 51,219,600	\$ (19,836,022)	(27.9%)
RTA Capital Fund Projects	3,974,604	3,378,212	(596,392)	(15.0%)
Other	0	0	0	0%
Transfer to Bond Retirement Fund	0	0	0	0%
<b>Total Expenditures</b>	<b>75,030,227</b>	<b>54,597,813</b>	<b>(20,432,414)</b>	<b>(2.8%)</b>
<b>Excess Revenues over Expenditures</b>	<b>(2,121,769)</b>	<b>31,853,259</b>	<b>33,975,029)</b>	<b>(1,601.3%)</b>
<b>Balance December 31</b>	<b>\$ 19,313,973</b>	<b>\$ 51,167,232</b>	<b>\$ 31,853,2598</b>	<b>164.9%</b>

# Charts

## Capital Fund

### Revenue

Federal Capital Grants	(25.6%)
State Capital Grants	67.4%
Local Sources	(21.3%)
Other	(100.0%)
General Obligation Debt Proceeds	0.0%
Investment Income	205.2%



### Expenditures

RTA Development Fund Projects	(27.9%)
RTA Capital Fund Projects	(15.0%)
Other	0.0%
Transfer to Bond Retirement Fund	0.0%

