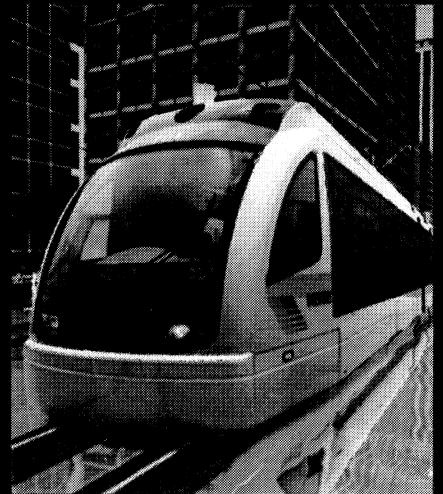


METRO

Operating & Capital Budget Fiscal Year 2005



METRO

OPERATING & CAPITAL BUDGETS FY2005

SEPTEMBER 2004

METRO

Operating and Capital Budgets FY2005

Index

Section I: Introduction

| | |
|--|---|
| Introduction/Understanding the FY2005 Budgets..... | 2 |
|--|---|

Section II: Authority Level Budgets

| | |
|---|----|
| Financial Budgets – Total | 4 |
| Authority-Wide | |
| Mission Statement | 5 |
| FY2005 Goals & Objectives | 5 |
| Organizational Chart | 7 |
| Manpower Summary | 8 |
| METRO FY2005 Service Plan – Ridership Targets | 10 |
| Operating Budget FY2005 - Variance Summary | 13 |

Section III: Financial Proforma

| | |
|--------------------------------------|----|
| Sources and Uses of Funds | 17 |
| Balance Sheet | 18 |
| Statement of Cash Flows | 19 |
| Sales Tax Projection | 20 |
| METRO Solutions Financial Plan | 21 |

Section IV: Capital Budget

| | |
|--|----|
| General Mobility Program – 5 year projection | 23 |
| Capital Budget FY2005 | 24 |

Section V: Resolution

| | |
|--|----|
| Resolution Adopted by the Board of Directors | 30 |
|--|----|

Section 1: Introduction

Introduction

The FY2005 Operating and Capital Budgets are a statement of METRO's policy choices, business objectives and priorities.

The cornerstone for this Spending and Investment Plan is value for money in every aspect of service delivery.

Specific, measurable performance standards will benchmark the progress of each organizational unit and its contribution to the overall mission of METRO.

The efficiency of every dollar spent in the pursuit of expanded utilization of services and infrastructure throughout the METRO service area is the overarching theme for the budget year.

"Doing more with METRO" means less congestion, fewer gaps in the transportation network, lower energy consumption, less unemployment and less hassle getting from one place to another. It also means more travel opportunity and options, more links within the community, and more productivity and connectivity of the entire transportation system, more mobility and higher quality lifestyles.

METRO's budgets will give life to the concept of regional mobility and structure to a multi-modal transportation system fully integrated inside and outside the loop.

This budget will begin to give shape to services and systems that support the economic and social goals of both the City and its surrounding suburbs and communities.

It will more effectively unify roads and rails, highways and transit, and new and in-fill development.

It will work to achieve the full impact and benefits that public transportation typically delivers to world class cities – priming economic engines, promoting job creation and supporting the commercial viability of medical districts, hotels, leisure establishments, sports and cultural venues, convention centers, recreation sites, retail centers of significance and job sites and home fronts.

Understanding the FY2005 Budgets

The policy and business principles that shape the operating and capital spending plans are:

1. Operating expenditures in FY2005 will be held to the level of spending in FY2004 without a general fare increase.
2. The service plan maintains service quality and increases efficiency through a combination of new routes and services and the selective curtailment of highly unproductive services. Efforts and resources are committed to developing customized "life-line" services to ensure that transit dependent customers will not be stranded.

3. Large increases in fuel, healthcare, and pension costs and costs of federal and state regulations will be absorbed without passing them on to METRO customers via higher fares.
4. Administrative and personnel costs will be trimmed without loss of or delay of important programs and quality work standards. This will be achieved through the creative, yet pragmatic use of technology.
5. Common sense and practical decision-making will be applied to distinguish between high yield, mission critical initiatives and discretionary spending that can be deferred, reduced or avoided without major negative impacts.
6. Management and operational functions will be realigned to include more effective use of outsourcing, geared to improve service delivery at lower cost.
7. Systematic functional audits of all major operating units will be performed to ensure value for money, providing incentives for outstanding performance and more effective business practices.
8. Capital investment priorities are:
 - a. Keep existing physical and operating assets in a state of good repair.
 - b. Build METRORail and METROBus as outlined in the METRO Solutions referendum.
 - c. Plan, develop and implement mobility projects that promote a fully integrated multi-modal transportation system.
 - d. Invest in technology that directly reduces operating costs and creates dramatically improved travel characteristics.
9. Direct the General Mobility Program to advance projects and programs that can be used to leverage expanded levels of Federal transportation funding, creating greater local matching capabilities.
10. Operate on a "Safety First" strategy as the first call on operating and capital funding to ensure personal safety and security, safe vehicular operation, and fixed facility conditions.

Section II: Authority Level Budgets

A. Financial Budgets – Total Expenditures

| | <u>FY04 Actual*</u> | <u>FY04 Budget</u> | <u>FY05 Budget</u> |
|-------------|----------------------------|---------------------------|---------------------------|
| • Operating | \$268,990,000 | \$273,990,000 | \$273,990,000 |
| • Capital | <u>\$315,762,000</u> | <u>\$417,041,000</u> | <u>\$441,458,000</u> |
| • TOTAL | \$584,752,000 | \$691,031,000 | \$715,448,000 |

*Projected

B. Authority-Wide

Mission Statement

METRO is a regional transportation organization of dedicated employees committed to partnering with the public and private sectors to provide the safest, highest quality services and innovative mobility solutions that exceed our customers' expectations while creating economic growth throughout the regional service area.

FY2005 GOALS AND OBJECTIVES

- Accelerate implementation of Homeland Security measures.
- Expand the scope of METRO Solutions after evaluation of available technologies.
- Accelerate the implementation of METRORail expansion.
- Convert HOV lanes to HOT lanes over two years.
- Improve METRO facility public identification and wayfaring techniques (HOVs and Park & Rides over two years).
- Conduct market based research to prepare identification and implementation model for future bus service growth.
- Identify new methodologies for reducing or limiting the inflation impacts of market driven prices (fuel, utilities, health insurance, pensions).
- Create new opportunities for increasing revenues (e.g. advertising on passenger shelters).
- Negotiate a fair and affordable labor agreement with the Transport Worker's Union (TWU).
- Secure federal approval of the north and south METRORail extensions.
- FY2005 Service Plan Metrics: (000's omitted)

| | Revenue <u>Hours</u> | Revenue <u>Miles</u> |
|------------------|---------------------------------|---------------------------------|
| Fixed Route Bus | 2,825 | 40,757 |
| Fixed Route Rail | 57 | 790 |
| METROLift | 708 | 14,284 |
| Special Events | <u>118</u> | <u>1,194</u> |
| Total | 3,708 | 57,025 |

- FY2005 Operating Ratio Goal = 15.3%
- FY2005 Authorized Positions

| | <u># of positions at the end of the year</u> |
|--------------------------------------|--|
| Operations | 2,934 |
| Planning, Engineering & Construction | 136 |
| Police/Traffic Management | 263 |
| Procurement & Materials | 130 |
| Human Resources | 35 |
| Communications & Marketing | 98 |
| Information Technology | 57 |
| Finance | 145 |
| Legal | 11 |
| Audit | 14 |
| Executive Office | <u>5</u> |
| TOTAL | 3,828 |

ORGANIZATION CHART (Attached)

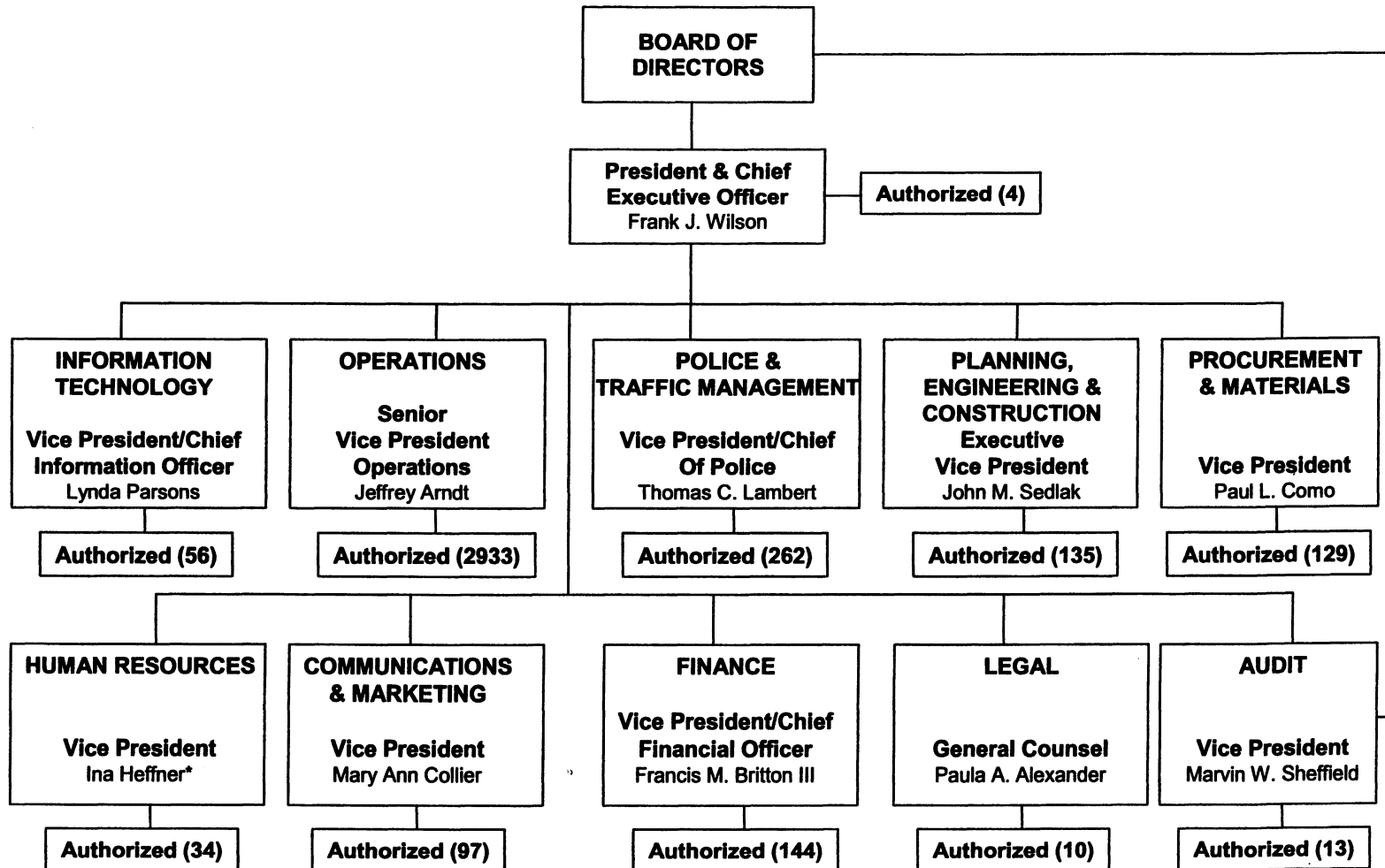
MANPOWER SUMMARY (Attached)

METRO FY2005 SERVICE PLAN (Attached)

OPERATING BUDGET FY2005/VARIANCE SUMMARY (Attached)



**BOARD OF DIRECTORS
EXECUTIVE MILLENNIUM TEAM**



Total Authorized Positions: 3828

*Acting

OPERATING BUDGET FY2005

MANPOWER SUMMARY AUTHORITY TOTAL

| | FY2004 | | FY2005 | |
|--------------------------------------|--------------|----------------|--------------|----------------|
| | Auth. | FTE | Auth. | FTE |
| Operations | | | | |
| Operations Full-time | 2,887 | 3,013.5 | 2,826 | 2,950.1 |
| Operations Part-time | 114 | 60.1 | 108 | 59.7 |
| Planning, Engineering & Construction | 145 | 134.8 | 136 | 135.5 |
| Police/Traffic Management | | | | |
| Police/Traffic Management Full-time | 257 | 247.0 | 246 | 246.0 |
| Police/Traffic Management Part-time | 19 | 11.0 | 17 | 10.0 |
| Procurement & Materials | 136 | 130.4 | 130 | 130.0 |
| Human Resources | 35 | 32.4 | 35 | 35.0 |
| Communications & Marketing | 102 | 99.8 | 98 | 92.2 |
| Information Technology | 60 | 55.0 | 57 | 57.0 |
| Finance | 150 | 142.5 | 145 | 143.9 |
| Legal | 10 | 10.0 | 11 | 11.0 |
| Audit | 15 | 15.0 | 14 | 14.0 |
| Executive Office | 5 | 4.4 | 5 | 5.0 |
| Total Full-time | 3,802 | 3,884.8 | 3,703 | 3,819.7 |
| Total Part-time | 133 | 71.1 | 125 | 69.7 |

Auth. = Number of authorized full-time and part-time positions at the end of the year.

FTE = Full-time equivalent employees in person years for the total fiscal year.

* Part-time personnel work varied hours up to 32 hours per week.

Changes to Authorized Positions FY2004 to FY2005

| | <u>Salaried</u> | <u>Union</u> | <u>Total</u> |
|--------------------------------------|-----------------|--------------|--------------|
| <u>Deletions</u> | | | |
| Operations: | | | |
| Bus | -23 | -32 | -55 |
| METROLift | -4 | 0 | -4 |
| Rail | -5 | 0 | -5 |
| Other/Administration | -16 | 0 | -16 |
| Subtotal | -48 | -32 | -80 |
| Planning, Engineering & Construction | -9 | -1 | -10 |
| Police/Traffic Management | -12 | -1 | -13 |
| Procurement & Materials | -6 | 0 | -6 |
| Communications & Marketing | -4 | 0 | -4 |
| Information Technology | -3 | 0 | -3 |
| Finance | -8 | 0 | -8 |
| Audit | -1 | 0 | -1 |
| Total Deletions | -91 | -34 | -125 |

**METRO
OPERATING BUDGET FY2005**

**MANPOWER SUMMARY
AUTHORITY TOTAL**

| | <u>Salaried</u> | <u>Union</u> | <u>Total</u> |
|--------------------------------------|-----------------|--------------|--------------|
| <u>Additions</u> | | | |
| Operations | | | |
| Bus | 0 | 0 | 0 |
| METROLift | 1 | 0 | 1 |
| METRORail | 8 | 5 | 13 |
| Other/Administration | <u>2</u> | <u>0</u> | <u>2</u> |
| Subtotal | 11 | 5 | 16 |
| | | | 0 |
| Planning, Engineering & Construction | 1 | 0 | 1 |
| Finance | 3 | 0 | 3 |
| Legal | <u>1</u> | <u>0</u> | <u>1</u> |
| Total Additions | 16 | 5 | 21 |
| <u>Net Change</u> | | | |
| Operations | | | |
| Bus | -31 | -32 | -63 |
| METROLift | -3 | 0 | -3 |
| METRORail | 3 | 5 | 8 |
| Other/Administration | <u>-9</u> | <u>0</u> | <u>-9</u> |
| Subtotal | -40 | -27 | -67 |
| Planning, Engineering & Construction | -8 | -1 | -9 |
| Police & Traffic Management | -12 | -1 | -13 |
| Procurement | -6 | 0 | -6 |
| Communications & Marketing | -4 | 0 | -4 |
| Information Technology | -3 | 0 | -3 |
| Finance | -5 | 0 | -5 |
| Legal | 1 | 0 | 1 |
| Audit | <u>-1</u> | <u>0</u> | <u>-1</u> |
| Total Net Change | -78 | -29 | -107 |

METRO FY2005 Service Plan

On January 1, 2004, METRO debuted METRORail – the 7.5 mile light rail line reaching from the University of Houston Downtown to the Fannin South Park & Ride at Fannin and West Bellfort. With 16 rail stations touching many of the commercial, medical, cultural and recreational sites within the heart of the City, METRORail has achieved over 24,000 boardings per day by its 8th month of operation.

METRORail is a local component of METRO's fixed route system – service which operates on predetermined, fixed-time schedules over a prescribed route using specified streets. The system is comprised of 84% local service, 7% express service and 9% park & ride service in terms of riders. In August, 2004, the average daily boardings on the fixed route system were over 324,000. Integrating METRORail into the bus system was a challenge – many routes had to be adjusted so that rail and bus would operate efficiently together to offer more choices to the public. In May, a number of bus routes were restructured to interface with METRORail, some routes gaining service and other routes losing service. One route was discontinued due to parallel bus and rail service. These changes to prevent duplication of service reduced approximately 77,000 bus revenue hours on an annualized basis.

At the same time, a number of new routes were started adding approximately 54,000 bus revenue hours of annualized service. There were also about 17,000 annual bus revenue hours of adjustments to improve productivity on selected routes.

During FY2005, METRORail service will increase by 35% as a full year of the current frequency service will be operated. After three years of intensive analysis, promotion and public interaction, a number of very poorly performing routes will be eliminated in FY2005. These represent service that is so little used by riders that the subsidy per boarding is over twice the service component average – too many empty seats using up too many tax dollars. These discontinuations will reduce fixed route bus service by approximately 148,000 bus revenue hours on an annualized basis. Some new routes will be implemented in FY2005 representing about 19,000 bus revenue hours.

In FY2005, METROLift is expected to add 11,000 bus revenue hours (1.6%) to its service. Special events is expected to decrease 28,000 bus revenue hours due to higher use of rail and less buses for the Rodeo, and no Super Bowl and All Stars events.

METROVan is targeting an increase from 382 vans at the end of FY04 to 430, (+12.6%) at the end of FY2005. Attached is the detailed service revenue hours included in the FY2005 proposed operating budget and the targeted ridership for FY2005.

METRO
FY2005 Service Plan -- Service Projections

| Service Category | <u>Revenue Hours (000's omitted)</u> | | | |
|------------------|--------------------------------------|--------------|-------------------|---------------|
| | <u>FY04</u> | <u>FY05</u> | <u>Difference</u> | |
| Fixed Route | | | | |
| Bus | 3,033 | 2,825 | (208) | -6.86% |
| Rail | <u>42</u> | <u>57</u> | <u>15</u> | <u>35.71%</u> |
| Total | 3,075 | 2,882 | (193) | -6.28% |
| METROLift | 697 | 708 | 11 | 1.58% |
| Special Events | 146 | 118 | (28) | -19.18% |
| TOTAL | 3,918 | 3,708 | (210) | -5.36% |

| | <u>Number of Vans in Service</u> | | | |
|----------|----------------------------------|-------------|-------------------|--------|
| | <u>FY04</u> | <u>FY05</u> | <u>Difference</u> | |
| METROVan | 382 | 430 | 48 | 12.57% |

FY2005 Ridership Targets (Boardings)
(000's omitted)

| <u>Service Category</u> | <u>FY2004 Estimate</u> | <u>FY2005 Target</u> | <u>Change FY2004 vs.FY2005</u> | |
|--|-----------------------------------|---------------------------------|---|-----------------|
| Fixed-Route Bus | | | | |
| Local | 72,926 | 69,214 | -3,712 | -5.09% |
| Express | 6,015 | 6,106 | 91 | 1.51% |
| Park & Ride | <u>7,710</u> | <u>7,735</u> | <u>25</u> | <u>0.32%</u> |
| Total Fixed-Route Bus | 86,651 | 83,055 | -3,596 | -4.15% |
| METRORail | 5,379 | 10,668 | 5,289 | 98.33% |
| Total Fixed-Route Bus and Rail | 92,030 | 93,723 | 1,693 | 1.84% |
| Special Bus Services | | | | |
| METROLift | 1,479 | 1,576 | 97 | 6.56% |
| Special Events/Charter | 1,609 | 1,564 | -45 | -2.80% |
| METROVan | 1,501 | 1,690 | 189 | 12.59% |
| Transportation Management Org. | <u>114</u> | <u>0</u> | <u>-114</u> | <u>-100.00%</u> |
| Total Special Bus Services | 4,703 | 4,830 | 127 | 2.70% |
| Total All Bus and Rail Services | 96,733 | 98,553 | 1,820 | 1.88% |
| HOV Carpools, Vanpools, and Non-METRO Buses | 23,220 | 23,533 | 313 | 1.35% |
| TOTAL SYSTEM RIDERSHIP | 119,953 | 122,086 | 2,133 | 1.78% |

METRO
Operating Budget FY2005
Authority

| EXPENSE CATEGORY | FY2004 Budget | FY2005 Budget | Variance \$ | % |
|--|--------------------------|--------------------------|------------------------|---------------|
| Wages | 105,984,165 | 96,405,865 | (9,578,300) | -9.04% |
| Salaries | 65,001,809 | 61,728,135 | (3,273,674) | -5.04% |
| Fringe Benefits | 68,347,830 | 69,425,894 | 1,078,064 | 1.58% |
| Total Labor and Fringe Benefits | 239,333,804 | 227,559,894 | (11,773,910) | -4.92% |
| Purchased Transportation | 63,061,763 | 66,611,382 | 3,549,619 | 5.63% |
| Materials and Supplies | 33,863,500 | 33,574,749 | (288,751) | -0.85% |
| Services | 17,243,882 | 16,020,917 | (1,222,965) | -7.09% |
| Utilities | 5,686,510 | 6,106,381 | 419,871 | 7.38% |
| Casualty and Liability | 3,076,694 | 3,325,487 | 248,793 | 8.09% |
| Leases, Rentals and Miscellaneous | 6,352,949 | 4,852,482 | (1,500,467) | -23.62% |
| Total Non-Labor | 129,285,298 | 130,491,398 | 1,206,100 | 0.93% |
| Total Labor and Non-Labor | 368,619,102 | 358,051,292 | (10,567,810) | -2.87% |
| Allowance for Alternative Bus Service | 0 | 2,000,000 | 2,000,000 | - |
| Contingency | 5,000,000 | 7,000,000 | 2,000,000 | 40.00% |
| Cost Recovery | (11,489,010) | (9,003,711) | 2,485,299 | -21.63% |
| Total Operating Expenses | 362,130,092 | 358,047,581 | (4,082,511) | -1.13% |
| Allocation to Capital | (88,139,804) | (84,057,581) | 4,082,223 | -4.63% |
| OPERATING BUDGET | 273,990,288 | 273,990,000 | (288) | 0.00% |

| ALLOCATED EXPENSES BY FUNCTION | FY2004 Budget | FY2005 Budget | Variance \$ | % |
|---------------------------------------|--------------------------|--------------------------|------------------------|---------------|
| TRANSIT | 258,832,925 | 255,314,788 | (3,518,137) | -1.36% |
| TRAFFIC MANAGEMENT | 9,957,363 | 11,475,212 | 1,517,849 | 15.24% |
| EXPENSED SMALL CAPITAL | 200,000 | 200,000 | 0 | 0.00% |
| CONTINGENCY | 5,000,000 | 7,000,000 | 2,000,000 | 40.00% |
| OPERATING BUDGET | 273,990,288 | 273,990,000 | (288) | 0.00% |
| CAPITALIZED EXPENSES | 88,139,804 | 84,057,581 | (4,082,223) | -4.63% |
| TOTAL OPERATING EXPENSES | 362,130,092 | 358,047,581 | (4,082,511) | -1.13% |

| | <u>\$ millions</u> |
|---|---------------------------|
| <u>Major Increases</u> | |
| Bus and Rail Service added FY2004 and FY2005 | 8.001 |
| First Transit contracts rate increases | 3.472 |
| Fringe benefits - union and salaried | 3.168 |
| Enhanced Transit Security and Traffic Management | 2.500 |
| Union wage increase of 3% August 1, 2004 | 2.299 |
| Diesel fuel | 1.073 |
| Utilities | <u>0.307</u> |
| Total | 20.820 |
| <u>Major Reductions</u> | |
| Bus service reduction FY2004 and FY2005 | (13.334) |
| Decrease staff size by 107 positions | (5.915) |
| Decrease in charges to capital (Support of Street Construction) | (2.500) |
| Move to new building | <u>(0.810)</u> |
| Total | (22.559) |
| <u>All Other Net Reductions</u> | <u>(2.344)</u> |
| Net Reduction to Total Operating Expense | (4.083) |

Operating Budget FY2005 Variances Against FY2004

- Wages decrease by 9.04% reflecting a 3% union wage increase effective August 1, 2004, offset by service reductions and the transfer of additional service to First Transit, METRO's contract operator at the Northwest Bus Operating Facility (net reduction of 29 union positions).
- Salaries decrease by 5.04% reflecting the salaried 3% merit program for FY2004 (payout in FY05) and FY2005 (payout in FY05), offset by a net reduction of 78 authorized positions and reduction in overtime to cut costs.
- Fringe benefits increase by 1.58% reflecting union labor agreement increases in health costs from \$505 to \$540, (+6.9%) per employee per month and an increase in the number of retirees and surviving spouses, salaried increases in health costs estimated at 13.0% partially offset by the reduction in service and salaried positions.
- Purchased transportation increases by 5.63%, reflecting the transfer of 10,500 bus revenue hours of service to First Transit to reduce cost, an increase in the First Transit NW BOF contract rate of 4.2%, a 1.58% increase in METROLift bus revenue hours of service, an increase of 4.6% in the METROLift van contract rate and a projected increase of METROVans from 382 to 430, +12.6%.
- Materials and supplies decrease by 0.85% reflecting an increase in diesel fuel prices of 24.4% partially offset by reduced usage as a result of service reductions; 12 months of METRORail operation offset by reduced use of many items due to reduced bus service.
- Services decrease by 7.09%, reflecting reduced service and a reduction in many discretionary items to cut costs.
- Utilities increase by 7.38%, reflecting a full year of METRORail operations at shorter headways, higher expected prices for utilities not under contract (gas & water), and occupancy of the new administration building.
- Casualty and liability increase by 8.09% reflecting a full year of operation of the Rail Operations Center and the METRORail vehicles, the Travis Street RideStore, and the TMC Transit Center, along with expected substantial increases in medical cost rates of 7 - 10% partially offset by reduced service levels.
- Leases, rentals and other decrease by 23.62% reflecting the move to METRO's new headquarters building in April 2005 and the reduction of discretionary items to cut costs.
- The allowance for alternative bus service is set at \$2.0 million. This will be used to initiate a demand response service aimed at providing transit services to lifeline routes at a substantially lower unit subsidy.
- The contingency has been set at \$7.0 million – the same value as the last 3 years.
- Cost recovery is expected to be 21.63% less in FY2005 due to less special event service for the Rodeo, the absence of the Super Bowl and baseball All Star games, partially offset by a higher number of METROVans.
- The allocation to capital is expected to be 4.63% lower in FY2005 due to shifting in the various components which are charged to capital.

C. Financial Proforma (Attached)

- Sources & Uses of Funds (Income Statement) per GAAP
- Statement of Net Assets (Balance Sheet) per GAAP
- Statement of Cash Flows per GAAP
- Sales Tax Revenue Forecast FY2005-2009
- METRO Solutions Financing Plan

Section III: Financial Proforma

METRO
Sources & Uses of Funds (Income Statement) per GAAP

| (\$000 omitted) | | | | |
|--|----------------|-----------------|-----------------|-----------------------------|
| | FY2004 | | FY2005 | Difference |
| | Budget | Estimate | Projection | FY04 est. vs. FY05 Proj. |
| <u>Revenues</u> | | | | |
| Fares | 49,670 | 46,111 | 47,008 | 897 |
| Sales Tax Income (Accrual Basis) | 377,325 | 379,556 | 379,556 | 0 |
| Interest Income | 3,685 | 2,100 | 1,700 | (400) |
| Grants Income | 217,511 | 138,076 | 191,183 | 53,107 |
| Other Income | <u>25,125</u> | <u>1,893</u> | <u>3,230</u> | <u>1,337</u> |
| TOTAL REVENUES | 673,316 | 567,736 | 622,677 | 54,941 |
| <u>Expenses</u> | | | | |
| Transit Operating | 310,293 | 312,302 | 307,288 | (5,014) |
| Traffic Management Operating | 9,961 | 9,961 | 11,475 | 1,514 |
| Other Operating | <u>7,200</u> | <u>5,200</u> | <u>7,200</u> | <u>2,000</u> |
| Subtotal Operating | 327,454 | 327,463 | 325,963 | (1,500) |
| General Mobility Street Projects | 97,934 | 103,438 | 174,618 | 71,180 |
| Regional Bus Plan Street Projects* | 63,793 | 62,146 | 71,081 | 8,935 |
| Transit Mobility Street Projects* | <u>11,130</u> | <u>3,236</u> | <u>13,763</u> | <u>10,527</u> |
| Subtotal Street Projects | 172,857 | 168,820 | 259,462 | 90,642 |
| TOTAL EXPENSES | 500,311 | 496,283 | 585,425 | 89,142 |
| Net before Depreciation | 173,005 | 71,453 | 37,252 | (34,201) |
| Depreciation and Loss on Disposal of Fixed Assets | <u>104,807</u> | <u>104,807</u> | <u>110,000</u> | <u>5,193</u> |
| Net after Depreciation | 68,198 | (33,354) | (72,748) | (39,394) |

*Streets & RCTSS

Metropolitan Transit Authority
of Harris County, Texas
Estimated and Projected Statement of Net Assets
For the Years Ended September 30, 2004 and 2005
(in Thousands)

| | Estimated September 2004 | Projected September 2005 |
|--|-----------------------------|-----------------------------|
| Assets | | |
| Cash | 5,179 | 4,920 |
| Receivables | 75,804 | 79,260 |
| Inventory | 16,312 | 15,523 |
| Investments | 91,737 | 95,055 |
| Other Assets | 4,153 | 4,357 |
| Property Net of Depreciation | 1,248,048 | 1,320,044 |
| Land & Improvements | 309,299 | 306,684 |
| Total Assets | <u><u>1,750,532</u></u> | <u><u>1,825,843</u></u> |
| Liabilities | | |
| Trade Payables | 76,752 | 221,496 |
| Accrued Payroll | 21,073 | 22,126 |
| Other Current Liabilities | 45,242 | 47,504 |
| Total Liabilities | <u>143,067</u> | <u>291,126</u> |
| Net Assets - Retained | <u>1,607,465</u> | <u>1,534,717</u> |
| Total Liabilities and Net Assets | <u><u>1,750,532</u></u> | <u><u>1,825,843</u></u> |
| September 2003 or 2004 Net Assets | <u>1,640,819</u> | <u>1,607,465</u> |
| Change in Net Assets | <u>(33,354)</u> | <u>(72,748)</u> |

**Metropolitan Transit Authority
of Harris County, Texas
Estimated and Projected Statement of Cash Flows
For The Years Ended September 30, 2004 and 2005
(in Thousands)**

| | Estimated September 2004 | Projected September 2005 |
|---|-----------------------------|-----------------------------|
| Cash flows from operating activities: | | |
| Cash received from customers | 46,111 | 47,008 |
| Cash payments to employees | (219,362) | (220,776) |
| Cash payments to suppliers for goods and services | (108,101) | (108,798) |
| Cash received from special events/programs | 5,000 | 5,250 |
| Net cash used in operating activities | (276,352) | (277,316) |
| Cash flows from noncapital financing activities: | | |
| Sales tax | 379,556 | 379,556 |
| Cash payments for local infrastructure assistance | (170,144) | (174,620) |
| Cash received from rental income | 207 | 210 |
| Cash received from concession sales | 19 | 20 |
| Net cash provided by noncapital financing activities | 209,638 | 205,166 |
| Cash flows from capital and related financing activities: | | |
| Grants | 138,076 | 194,794 |
| Cash received from sale of assets | 1,207 | 1,200 |
| Capital purchases | (148,094) | (122,485) |
| Net cash used in capital and related financing activities | (8,811) | 73,509 |
| Cash flows from investing activities: | | |
| Net proceed from sale and purchase of investments | 77,774 | (3,318) |
| Interest and dividends on investments | 2,100 | 1,700 |
| Net cash flows from (used in) investing activities | 79,874 | (1,618) |
| Net change in cash and cash equivalents | 4,349 | (259) |
| Cash and cash equivalents at beginning of year | 830 | 5,179 |
| Cash and cash equivalents at end of year | 5,179 | 4,920 |
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating Loss | (386,159) | (392,566) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 104,807 | 110,000 |
| Changes in assets and liabilities: | | |
| Account receivables | (657) | (137) |
| Other receivables | 575 | (200) |
| Inventory | (3,830) | 789 |
| Accrued payroll | 2,047 | 1,053 |
| Accounts payable | 6,865 | 3,745 |
| Net cash used in operating activities | (276,352) | (277,316) |
| Fares | 46,111 | 47,008 |
| Operating | (327,463) | (329,574) |
| Depreciation | (104,807) | (110,000) |
| Net loss from operating activity | (386,159) | (392,566) |
| Transit | 146,942 | 181,996 |
| Infrastructure (Street projects) | 168,820 | 259,462 |
| Total capital | 315,762 | 441,458 |
| Amount allocated to reflect net cash expenditures | 2,476 | 144,353 |
| Weighted average percentage of capital | | |
| Transit | 0.47 | 0.41 |
| Infrastructure (Street projects) | 0.53 | 0.59 |
| Transit | 1,152 | 59,511 |
| Infrastructure (Street projects) | 1,324 | 84,842 |
| Reduce capital and transit expenditures and increase Trade Payables | 2,476 | 144,353 |

METRO
Sales Tax Projection FY2005-2009
(\$000's omitted)

| | <u>FY05</u> | <u>FY06</u> | <u>FY07</u> | <u>FY08</u> | <u>FY09</u> | <u>Total</u> |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Sales Tax | 403,164 | 426,185 | 439,823 | 460,099 | 484,870 | 2,214,141 |
| Rate of Change from Prior Year | 6.2% | 5.7% | 3.2% | 4.6% | 5.4% | |

NOTE:

The Sales Tax projection is based on Barton Smith's June 2004 report to METRO. In the financial proforma statements for FY2005, METRO is using the Barton Smith sales tax projection for FY2004, which is \$379,556. This is being done to be very conservative.

METRO
METRO Solutions Financing Plan FY2000-2012
(millions of dollars)

| <u>Element</u> | <u>Capital Investment</u> | <u>Funding</u> | | |
|---------------------------------------|---------------------------|-----------------------|--------------------|------------------------|
| | | <u>Federal Grants</u> | <u>Local Bonds</u> | <u>Local Sales Tax</u> |
| North Extension | \$356 | \$356 | | |
| Southeast Extension | \$424 | \$424 | | |
| Harrisburg Extension | \$160 | | \$160 | |
| Westpark Extension | \$439 | | \$439 | |
| METRO Rail - Downtown to Reliant Park | \$324 | | | \$324 |
| METRO Rail - Additional vehicles | \$30 | \$15 | | \$15 |
| Maintenance/Storage | \$70 | \$35 | | \$35 |
| | \$1,803 | \$830 | \$599 | \$374 |
| % of total funds | 100% | 46% | 33% | 21% |

NOTE:

METRO's current bonding authority is \$640 million.

- D. General Mobility Program Projection FY2005-2009 (Attached)**
- E. Capital Budget FY2005 (Attached)**

Section IV: Capital Budget

METRO
General Mobility Program - 5 Year Projection FY2005-2009
(\$000's omitted)

| | <u>FY05</u> | <u>FY06</u> | <u>FY07</u> | <u>FY08</u> | <u>FY09</u> | <u>Total</u> |
|---|---------------|-------------|-------------|-------------|-------------|---------------|
| <u>Program Components</u> | | | | | | |
| City of Houston | | | | | | |
| Designated Projects | 20,310 | 12,000 | 10,000 | 10,000 | 10,000 | 62,310 |
| Future Designated Carryover FY1999-2004 | 28,248 | 56,649 | 60,290 | 63,389 | 67,792 | 276,368 |
| | <u>70,543</u> | | | | | <u>70,543</u> |
| Total | 119,101 | 68,649 | 70,290 | 73,389 | 77,792 | 409,221 |
| Harris County | | | | | | |
| Designated Projects | 18,532 | | | | | 18,532 |
| Future Designated Carryover FY1999-2004 | 8,049 | 16,142 | 17,179 | 18,062 | 19,317 | 78,749 |
| | <u>5,243</u> | | | | | <u>5,243</u> |
| Total | 31,824 | 16,142 | 17,179 | 18,062 | 19,317 | 102,524 |
| Multi-Cities | | | | | | |
| Designated Projects | 14,901 | 12,394 | 12,700 | 13,131 | 13,749 | 66,875 |
| Future Designated Carryover FY1999-2004 | 2,031 | 4,074 | 4,336 | 4,559 | 4,875 | 19,875 |
| | <u>3,943</u> | | | | | <u>3,943</u> |
| Total | 20,875 | 16,468 | 17,036 | 17,690 | 18,624 | 90,693 |
| Areawide Designated Projects | 2,818 | 2,649 | 2,739 | 2,804 | 2,951 | 13,961 |
| Total | | | | | | |
| Designated Projects | 56,561 | 27,043 | 25,439 | 25,935 | 26,700 | 161,678 |
| Future Designated Carryover | 38,328 | 76,865 | 81,805 | 86,010 | 91,984 | 374,992 |
| | <u>79,729</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>79,729</u> |
| Total | 174,618 | 103,908 | 107,244 | 111,945 | 118,684 | 616,399 |

NOTES:

1. Designated projects include those projects approved by the Board when the current agreements were executed in 1999. These have first priority on available general mobility funds.
2. Future Designated projects include those projects nominated by the City, County and Multi-Cities and approved by METRO after 1999.
3. The carryover FY1999-2004 represents general mobility funds not expended by the City of Houston, Harris County and the Multi-Cities. Some of these funds have been approved for named projects.

CAPITAL BUDGET FY2005 (Cash Flow Basis)
PROJECT LISTING
(\$000 Omitted)

| DESCRIPTION | FY2005 BUDGET | FY2005 GRANT REVENUE |
|---|-------------------|----------------------------|
| <u>GENERAL MOBILITY PROGRAM</u> | | |
| TOTAL GENERAL MOBILITY PROGRAM | \$ 174,618 | \$ - |
| <u>REGIONAL BUS PLAN</u> | | |
| FEDERAL COMPONENT | | |
| DOWNTOWN TRANSIT CENTER | \$ 322 | \$ 258 |
| DOWNTOWN/MIDTOWN TRANSIT STREET IMPROV. | \$ 43,297 | \$ 17,731 |
| TEXAS MEDICAL CENTER TRANSIT CENTER | \$ 3,200 | \$ 2,560 |
| 5TH WARD/DENVER HARBOR TRANSIT CENTER MODS. | \$ 1,815 | \$ 1,452 |
| GULFGATE TRANSIT CENTER | \$ 1,580 | \$ 1,264 |
| HOBBY TRANSIT CENTER | \$ 500 | \$ 400 |
| UPTOWN / RICHMOND TRANSIT CENTER | \$ 1,136 | \$ 909 |
| UPTOWN / TRANSIT AMENITIES | \$ 2,787 | \$ 2,230 |
| REGIONAL COMPUTERIZED TRAFFIC SIGNAL SYSTEM | \$ 25,663 | \$ 20,530 |
| INTEGRATED VEHICLE OPERATION MANAGEMENT SYS | \$ 14,960 | \$ 11,968 |
| | \$ 95,260 | \$ 59,301 |
| LOCAL COMPONENT | | |
| TRANSIT STREET IMPROVEMENTS | \$ 1,621 | \$ - |
| SYSTEM ACCESSIBILITY (ADA Compliance) | \$ 500 | \$ - |
| | \$ 2,121 | \$ - |
| TOTAL REGIONAL BUS PLAN | \$ 97,381 | \$ 59,301 |
| <u>2025 PLAN</u> | | |
| METRORAIL PROJECT (payout of 7.5 mile line cost) | \$ 13,217 | \$ - |
| ADVANCED TRANSIT PLAN | | |
| ATP - NEW STARTS - ADVANCED HIGH CAPACITY TRANSIT | | |
| <u>KATY CORRIDOR:</u> | | |
| ADDICKS RAMP REPLACEMENT | \$ 660 | \$ 660 |
| ADDICKS PARK & RIDE MODIFICATIONS | \$ 383 | \$ 383 |
| SCHEMATIC DESIGN (IH-610/SH99) | \$ 170 | \$ - |
| ADVANCED HIGH CAPACITY TRANSIT - PRESERVATION | \$ 3,259 | \$ - |
| <u>WEST LOOP CORRIDOR:</u> | | |
| UPTOWN/WEST LOOP CORRIDOR PRESERVATION | \$ 1,200 | \$ 800 |
| | \$ 5,672 | \$ 1,843 |

CAPITAL BUDGET FY2005 (Cash Flow Basis)
PROJECT LISTING
(\$000 Omitted)

| DESCRIPTION | FY2005 BUDGET | FY2005 GRANT REVENUE |
|--|----------------------------|----------------------------|
| ATP - DISCRETIONARY BUS | | |
| WEST BELLFORT PARK & RIDE EXPANSION | \$ 1,904 | \$ 336 |
| CYPRESS PARK & RIDE | \$ 1,700 | \$ 1,275 |
| GRACE COMMUNITY CHURCH DEMO PROJECT | \$ 195 | \$ - |
| | <u>\$ 3,799</u> | <u>\$ 1,611</u> |
| SUBTOTAL - ADVANCED TRANSIT PLAN | <u>\$ 9,471</u> | <u>\$ 3,454</u> |
| METRO SOLUTIONS | | |
| RAIL | | |
| DOWNTOWN TO NORTHLINE | \$ 8,101 | \$ 8,101 |
| DOWNTOWN TO SOUTHEAST (GRIGGS/610) | \$ 9,921 | \$ 9,921 |
| HARRISBURG: DOWLING TO MAGNOLIA TC | \$ 530 | \$ 530 |
| WESTPARK: WHEELER TO HILLCROFT TC | \$ 999 | \$ 999 |
| ADVANCED TRANSPORTATION TECH FORUM - 1A | \$ 133 | \$ - |
| FUTURE PROJECTS | \$ 5,000 | \$ 5,000 |
| | <u>\$ 24,684</u> | <u>\$ 24,551</u> |
| TOTAL 2025 PLAN | \$ 47,372 | \$ 28,005 |
| <u>TRANSITWAYS AND RELATED FACILITIES</u> | | |
| TRANSITWAYS | | |
| SOUTHWEST TRANSITWAY | | |
| SEGMENT V-B - EAST OF MANDELL TO SMITH ST. | \$ 5,690 | \$ 621 |
| | <u>\$ 5,690</u> | <u>\$ 621</u> |
| FIXED GUIDEWAY MODERNIZATION | | |
| T-RAMP CONTROL SIGNALS | \$ 900 | \$ 720 |
| SLIP RAMP CLOSURE SYSTEMS | \$ 5,462 | \$ 4,370 |
| SIGN STANDARDIZATION | \$ 200 | \$ 160 |
| FIXED GUIDEWAY REHABILITATION | \$ 1,600 | \$ 1,280 |
| FUTURE PROJECTS | \$ 5,000 | \$ 4,000 |
| | <u>\$ 13,162</u> | <u>\$ 10,530</u> |
| TOTAL TRANSITWAYS AND RELATED FACILITIES | \$ 18,852 | \$ 11,151 |
| <u>BUSES AND SUPPORT EQUIPMENT</u> | | |
| PASSENGER SHELTERS | | |
| SHELTERS & LIGHTING | \$ 100 | \$ 80 |
| | <u>\$ 100</u> | <u>\$ 80</u> |

CAPITAL BUDGET FY2005 (Cash Flow Basis)**PROJECT LISTING****(\$000 Omitted)**

| DESCRIPTION | FY2005 BUDGET | FY2005 GRANT REVENUE |
|---|--------------------------|-------------------------------------|
| REVENUE VEHICLES | | |
| BUS IMPROVEMENTS | | |
| ENGINES | | |
| NEW FLYER 29' S-40 | \$ 371 | \$ - |
| NEW FLYER 40' S-50 (4000-4156) | \$ 741 | \$ - |
| NEW FLYER 40' S-50 (2800) | \$ 635 | \$ - |
| NEW FLYER 40' CUMMINS | \$ 1,228 | \$ - |
| NEOPLAN 45' 6V92 | \$ 373 | \$ - |
| NEW FLYER 45' S-60 | \$ 186 | \$ - |
| TRANSMISSIONS | | |
| NEW FLYER 40' B400 | \$ 416 | \$ - |
| NEW FLYER 40' ZF592 | \$ 584 | \$ - |
| NEOPLAN 45'/60' 748 | \$ 163 | \$ - |
| NEW FLYER 45' ZF602 | \$ 115 | \$ - |
| NEOPLAN 60'/MCI 45'/NEW FLYER 45' B500 | \$ 487 | \$ - |
| WHEELCHAIR LIFTS | | |
| NEOPLAN 60' (1450-1503) | \$ 24 | \$ - |
| NEOPLAN 60' (4400-4500) | \$ 30 | \$ - |
| BUS CAMPAIGN PROJECTS | | |
| DIGITAL ARTIC. CONTROL KITS 60' NEOPLAN (54) | \$ 15 | \$ - |
| BUS SMART CARD TECHNOLOGY | \$ 3,138 | \$ 1,994 |
| CLEAN VEHICLE PROGRAM | | |
| 386 40-FOOT BUSES EGRS | \$ 3,633 | \$ 2,033 |
| 157 60-FOOT BUSES REPOWER/EGR | \$ 6,082 | \$ 4,460 |
| METROLIFT VAN REPLACEMENTS | \$ 8,200 | \$ 6,673 |
| SUBTOTAL - REVENUE VEHICLES | \$ 26,421 | \$ 15,160 |
| SUPPORT EQUIPMENT AND SYSTEMS | | |
| SUPPORT VEHICLES | \$ 1,500 | \$ - |
| TOOLS & EQUIPMENT | \$ 1,500 | \$ - |
| | \$ 3,000 | \$ - |
| TOTAL BUSES AND SUPPORT EQUIPMENT | \$ 29,521 | \$ 15,240 |
| <u>OPERATING FACILITIES AND UPGRADES</u> | | |

CAPITAL BUDGET FY2005 (Cash Flow Basis)
PROJECT LISTING
(\$000 Omitted)

| DESCRIPTION | FY2005 BUDGET | FY2005 GRANT REVENUE |
|---|------------------|----------------------------|
| OPERATING FACILITIES | | |
| ADMINISTRATION OFFICE BUILDING | \$ 23,706 | \$ 12,213 |
| MINUTE MAID PARK TRANSIT CENTER PHASE 2 | \$ 295 | |
| | \$ 24,001 | \$ 12,213 |
| FACILITY UPGRADES / MFRI | | |
| PRIORITY 1 ENVIRONMENTAL & REGULATORY | | |
| OIL/WATER SEP.-IWTP-NW | \$ 715 | \$ - |
| INSTALL DIESEL STORAGE TANK - BB | \$ 25 | \$ - |
| REMOVE & DISPOSE OF LNG FUELING SYSTEM - FB | \$ 127 | \$ - |
| PRIORITY 1 MISSION | | |
| UPGRADE S & C LANES - K | \$ 1,450 | \$ - |
| NEW ENGINE DYNO - K | \$ 699 | \$ - |
| CONSTRUCT PAINT BOOTH - HC | \$ 400 | \$ - |
| INSTALL VEHICLE LIFTS - FSC | \$ 76 | \$ - |
| INSTALL PIT SAFETY NETS - ALL BOFS | \$ 184 | \$ - |
| INSTALL FLOOR GRATES - ROC | \$ 142 | \$ - |
| INSTALL RAIL SIMULATOR - ROC | \$ 40 | \$ - |
| METRORAIL UPGRADES | \$ 3,000 | \$ - |
| MAJOR FAC. REHAB. INITIATIVE | | |
| BUS ROUTE SIGN UPGRADE | \$ 318 | \$ - |
| ROOF UPGRADES | \$ 1,037 | \$ 607 |
| CANOPY UPGRADES | \$ 40 | \$ - |
| SHELTER UPGRADES | \$ 220 | \$ - |
| CONCRETE PAVEMENT | \$ 1,014 | \$ 606 |
| REPLACEMENT EQUIPMENT | \$ 294 | \$ - |
| PUBLIC FACILITY AMENITIES | \$ 110 | \$ - |
| RESURFACING & RECOATINGS | \$ 220 | \$ - |
| FLOORING | \$ 380 | \$ - |
| BUS WASH SYSTEMS | \$ 172 | \$ - |
| ELECTRIC SYSTEMS | \$ 30 | \$ - |
| HVAC | \$ 441 | \$ - |
| LIFTS | \$ 260 | \$ - |
| LIGHTING | \$ 320 | \$ - |
| RENOVATIONS | \$ 100 | \$ - |
| SECURITY SYSTEMS | \$ 80 | \$ - |
| LANDSCAPING | \$ 137 | \$ - |
| PROJECT DEVELOPMENT - MFRI | \$ 103 | \$ - |
| PROJECT DEVELOPMENT - ALL | \$ 100 | \$ - |

CAPITAL BUDGET FY2005 (Cash Flow Basis)
PROJECT LISTING
(\$000 Omitted)

| DESCRIPTION | FY2005 BUDGET | FY2005 GRANT REVENUE |
|--|--------------------------|-------------------------------------|
| MINOR MODIFICATIONS & EQUIPMENT INSTALLATION | \$ 215 | \$ - |
| SUBTOTAL - FACILITY UPGRADES / MFRI | \$ 12,449 | \$ 1,213 |
| FURNITURE & OFFICE EQUIPMENT | \$ 100 | |
| TOTAL OPERATING FACILITIES AND UPGRADES | \$ 36,550 | \$ 13,426 |
| <u>INTELLIGENT TRANSPORTATION SYSTEMS</u> | | |
| ONBOARD VIDEO SURVEILLANCE | \$ 48 | \$ - |
| PRIORITY CORRIDOR PROGRAM | \$ (13) | \$ - |
| RESEARCH CENTER OF EXCELLENCE | \$ 123 | \$ - |
| TOTAL INTELLIGENT TRANSPORTATION SYSTEMS | \$ 158 | \$ - |
| <u>INFORMATION TECHNOLOGY</u> | | |
| IT OPERATIONS, PLAN, ENG. & CONSTR., RAIL, P&TM | \$ 5,469 | \$ - |
| IT FINANCIAL/ADMINISTRATION SYSTEMS | \$ 3,715 | \$ - |
| IT INFRASTRUCTURE, DBAS & TELECOMMUNICATIONS | \$ 2,816 | \$ - |
| TOTAL INFORMATION TECHNOLOGY | \$ 12,000 | \$ - |
| <u>HOMELAND SECURITY</u> | | |
| EXPLOSIVE DEVICE / CHEM-BIO EQUIPMENT | \$ 111 | \$ 111 |
| COMPUTER AIDED DISPATCH (CAD) UPGRADE FOR POLICE | \$ 380 | \$ 380 |
| TRANSIT VEHICLE REAL-TIME VIDEO | \$ 182 | \$ 182 |
| CCTV AT TRANSIT CENTERS | \$ 57 | \$ 57 |
| INTERNAL INTRUSION DETECTION SYSTEM (IDS) | \$ 275 | \$ 275 |
| URBAN AREA SECURITY INITIATIVE TRAINING | \$ 54 | \$ 54 |
| PREDATOR IMAGE DETECTION | \$ 2,000 | |
| TOTAL HOMELAND SECURITY | \$ 3,059 | \$ 1,059 |
| <u>TRANSIT MOBILITY PROGRAM</u> | | |
| BUS PADS / BUS LANES | \$ 100 | \$ - |
| CURB CUTS / INTERSECTION IMPROVEMENTS | \$ 100 | \$ - |
| RCTSS - OUTSIDE BELTWAY | \$ 12,319 | \$ 9,855 |
| SPUR 527 MITIGATION PROGRAM | \$ 1,244 | \$ 1,106 |
| WILLOWBROOK MINI-TERMINAL | \$ 100 | \$ - |
| TOTAL TRANSIT MOBILITY PROGRAM | \$ 13,863 | \$ 10,961 |

CAPITAL BUDGET FY2005 (Cash Flow Basis)
PROJECT LISTING
(\$000 Omitted)

| DESCRIPTION | FY2005 BUDGET | FY2005 GRANT REVENUE |
|--|--------------------------|-------------------------------------|
| <u>DEVELOPMENT FUND, LAND & CONTINGENCY</u> | | |
| FEDERAL SMALL BUSINESS PROGRAM | \$ 84 | \$ 67 |
| CAPITAL PROGRAM CONTINGENCY | \$ 8,000 | \$ - |
| TOTAL DEVELOPMENT FUND, LAND & CONTINGENCY | \$ 8,084 | \$ 67 |
| GRAND TOTAL - CAPITAL IMPROVEMENT PROGRAM | \$ 441,458 | \$ 139,210 |

Section V: Resolution

A RESOLUTION

APPROVING AND ADOPTING OPERATING AND CAPITAL BUDGETS FOR FISCAL YEAR 2005; AND MAKING FINDINGS AND PROVISIONS RELATIVE TO THE SUBJECT.

WHEREAS, Section 451.102(a), Texas Transportation Code, requires that the Board of Directors adopt an annual budget specifying major expenditures by type and amount prior to the expenditures of any funds in the budget year; and

WHEREAS, Section 451.102(b), Texas Transportation Code, requires that METRO make the proposed budget available for public review prior to holding a public hearing on the proposed budget; and

WHEREAS, in conformance with the cited statutory requirements, METRO has released a proposed budget for fiscal year 2005 and has held a public hearing regarding this proposed budget; and

WHEREAS, the Board of Directors has reviewed the proposed Operating and Capital Budgets for fiscal year 2005 and has considered the public comments thereon;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE METROPOLITAN TRANSIT AUTHORITY THAT:

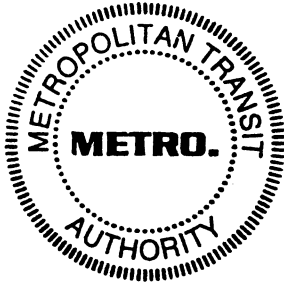
Section 1. The Board of Directors hereby finds and declares that all prerequisites required by law for the consideration and adoption of the Operating and Capital budgets for fiscal year 2005 have been satisfied.

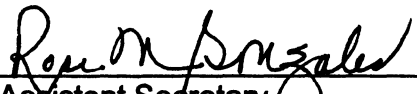
Section 2. The Board of Directors hereby approves and adopts an Operating Budget for fiscal year 2005 totaling \$273,990,000.00

Section 3. The Board of Directors hereby approves and adopts a Capital Budget for fiscal year 2005 totaling \$441,458,000.00

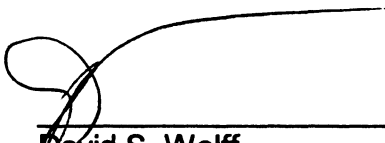
Section 4. This resolution is effective immediately upon passage.

ATTEST:




Assistant Secretary

PASSED this 15th day of September, 2004
APPROVED this 15th day of September, 2004


David S. Wolff
Chairman