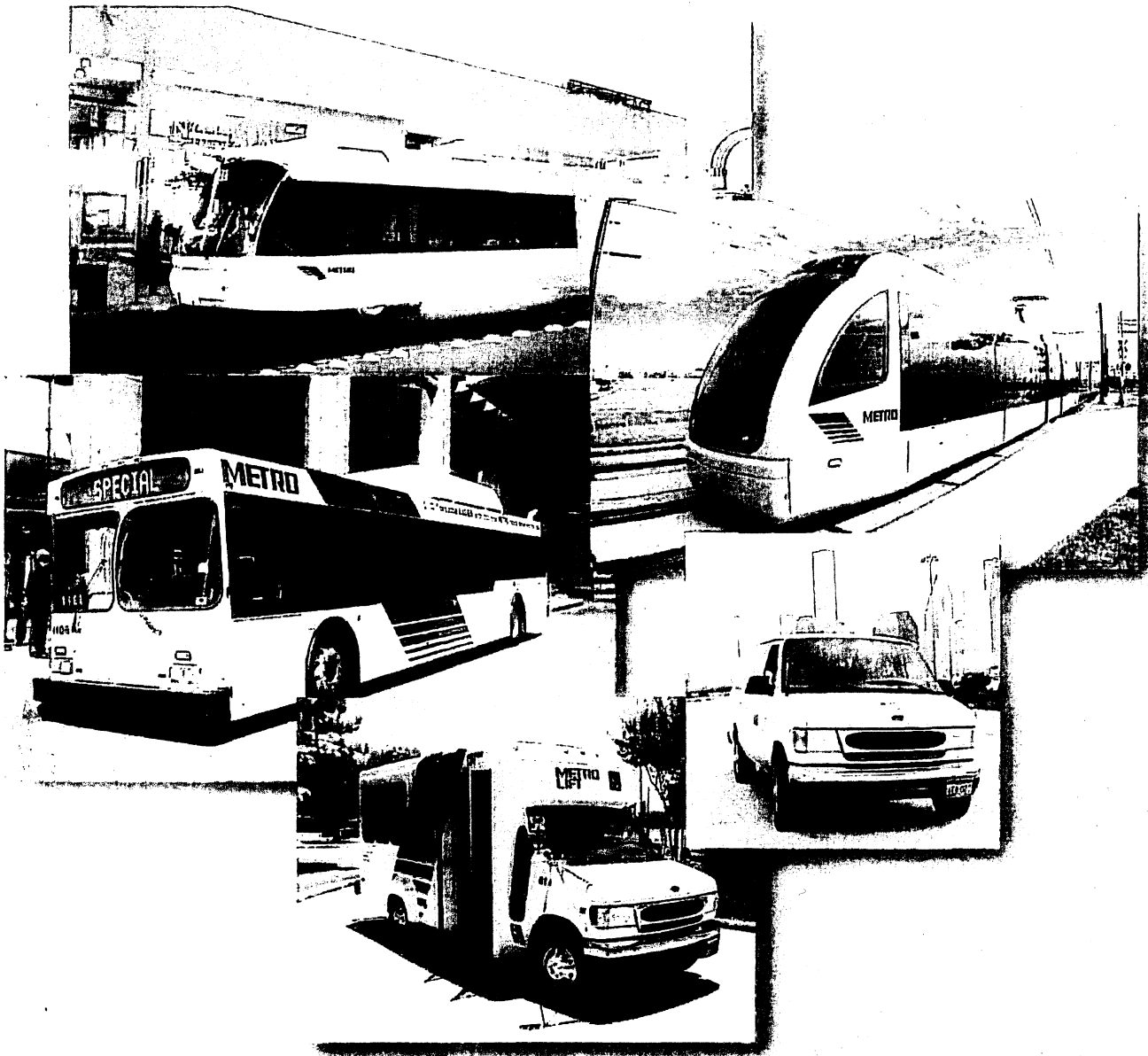


METRO



Operating & Capital Budgets
Fiscal Year 2006

METRO

BUSINESS PLAN BUDGETS

FY2006

SEPTEMBER 2005

METRO

Business Plan Budgets FY2006

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Section I: Introduction

Business Plan Budgets FY2006

Introduction

This document has been titled "Business Plan/Budgets FY2006" to emphasize that the budgets provide the means to implement the Business Plan. A variety of material has been prepared to explain the numbers included in the budgets and to draw attention to major new initiatives the Authority plans to start in FY2006.

The budgets for FY2006 are separated into four components:

Operating Budget	\$273,727,931
Special Events Budget	\$262,074
General Mobility Budget	\$104,585,000
Capital Budget	\$203,152,000

The FY2006 Operating, Special Events, General Mobility and Capital Budgets are a statement of METRO's policy choices, business objectives and priorities.

The cornerstone for this Business 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. These will be reviewed quarterly and performance graded.

METRO's Business Plan gives life to the concept of regional mobility and structure to a multi-modal transportation system fully integrated inside and outside the loop. It will continue to give shape to services and systems that support the economic and social goals of both the City and its surrounding suburbs and communities. The Capital and General Mobility Budgets will more effectively unify roads and rails, highways and transit, and new and in-fill development.

Improving service productivity, cutting costs, streamlining operations, accelerating implementation of the METRO Solutions plan, introducing new initiatives and running METRO like an efficient and effective business enterprise are the overall goals of METRO's FY2006 Business Plan.

Understanding the FY2006 Budgets

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

1. 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.

Business Plan Budgets FY2006

Introduction (Con't)

2. The service plan maintains service quality and increases efficiency through a combination of new or upgraded routes and services and the selective curtailment of highly unproductive services.
3. Systematic functional audits of all major operating units will be continued to ensure value for money, providing incentives for outstanding performance and more effective business practices.
4. Management and operational functions will continue to be realigned to include more effective use of outsourcing, geared to improve service delivery at lower cost.
5. The operating budget in FY2006 will be held to the same level as the FY2005 and the FY2004 operating budgets.
6. Increases in labor, fuel, healthcare, and pension costs will be absorbed through aggressive cost reductions including a reduction in force that took place on August 31, 2005.
7. Common sense and practical decision making will continue to be applied to distinguish between high-yield; mission-critical initiatives and discretionary spending that can be deferred, reduced or avoided without major negative impacts.
8. Capital investment priorities are:
 - Build METRORail and METROBus as outlined in the METRO Solutions plan.
 - Keep existing physical and operating assets in a state of good repair.
 - Invest in technology that directly reduces operating costs and creates dramatically improved travel characteristics.

Section II: Authority Level Budgets

Business Plan Budgets FY2006

Financial Budgets Total Expenditures

	FY05	FY06	Change
• Operating	272,160,525	273,727,931	1,567,406
• Special Events	1,829,480	262,074	(1,567,406)
• General Mobility	174,618,000	104,585,000	(70,033,000)
• Capital Budget	266,840,000	203,152,000	(63,688,000)

Business Plan Budgets FY2006

Major Additions and Deletions

Major Additions	\$ Millions
Fuel cost inflation (METRO & Contractors)	10.915
Rate increases for contract bus and METROLift Services (excluding fuel)	2.658
New union Agreement	1.460
Increase in Operator Wages due to labor agreement wage progression	1.623
Salaried Performance Merit	1.381
Salaried Healthcare	0.807
Salaried Pension	0.778
TOTAL	19.622

Major Deletions	\$ Millions
Net reduction of 97 employee positions	4.819
Annualization of FY2005 fixed route service reductions	4.566
Annualization of FY2005 reduction of employee shuttle service	1.741
Savings from move to new Administration Building	1.681
Annualization of FY2005 elimination of standby buses	1.604
Reduction of Special Events	1.567
Reduction METRORail support services reflecting end of Siemens contract	0.652
Reduced legal services (labor negotiations) & legislative coordination (state legislature not in session)	0.483
Cancellation of Relief Operator program - replace using field supervisor overtime with less utilization	0.480
Increased target for subrogation recovery	0.400
Reduction in propulsion power (better estimate of usage)	0.382
Less METROLift budget in FY2006 due to better estimate of cost services	0.315
Reduction in vehicle liability (few accidents expected)	0.155
Savings in lease cost at Transtar Building (less headcount at that location)	0.128
Net of all other additions and reductions	0.649
TOTAL	19.622

Business Plan Budgets FY2006

Manpower Summary

Divisions	FY2005		FY2006	
	Auth.	FTE	Auth	FTE
Operations				
Operations Full – time	2,676	2,742.1	2,619	2,625.2
Operations Part – time	125	65.0	153	75.5
Planning, Engineering & Construction	104	96.7	103	96.7
Police				
Police Full – time	241	222.7	232	229.0
Police Part – time	17	15.5	0	0.0
Procurement & Materials	130	127.3	121	121.0
Human Resource	40	37.9	36	36.0
Communications & Marketing	94	84.0	89	81.0
Information Technology	57	50.0	50	49.3
Finance	141	134.0	131	131.8
Legal	11	10.0	11	11.0
Audit	14	14.3	13	13.0
External Affairs	4	3.5	4	4.0
Government Affairs & Community Relations	12	11.3	10	10.0
Real Estate	4	3.6	4	4.0
System Safety	14	13.1	18	16.3
Executive Office	7	6.4	7	7.0
Total Full-time	3,549	3,556.9	3,448	3,435.3
Total Part-time	142	80.5	153	75.5
TOTAL	3,691	3,637.4	3,601	3,510.8

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.

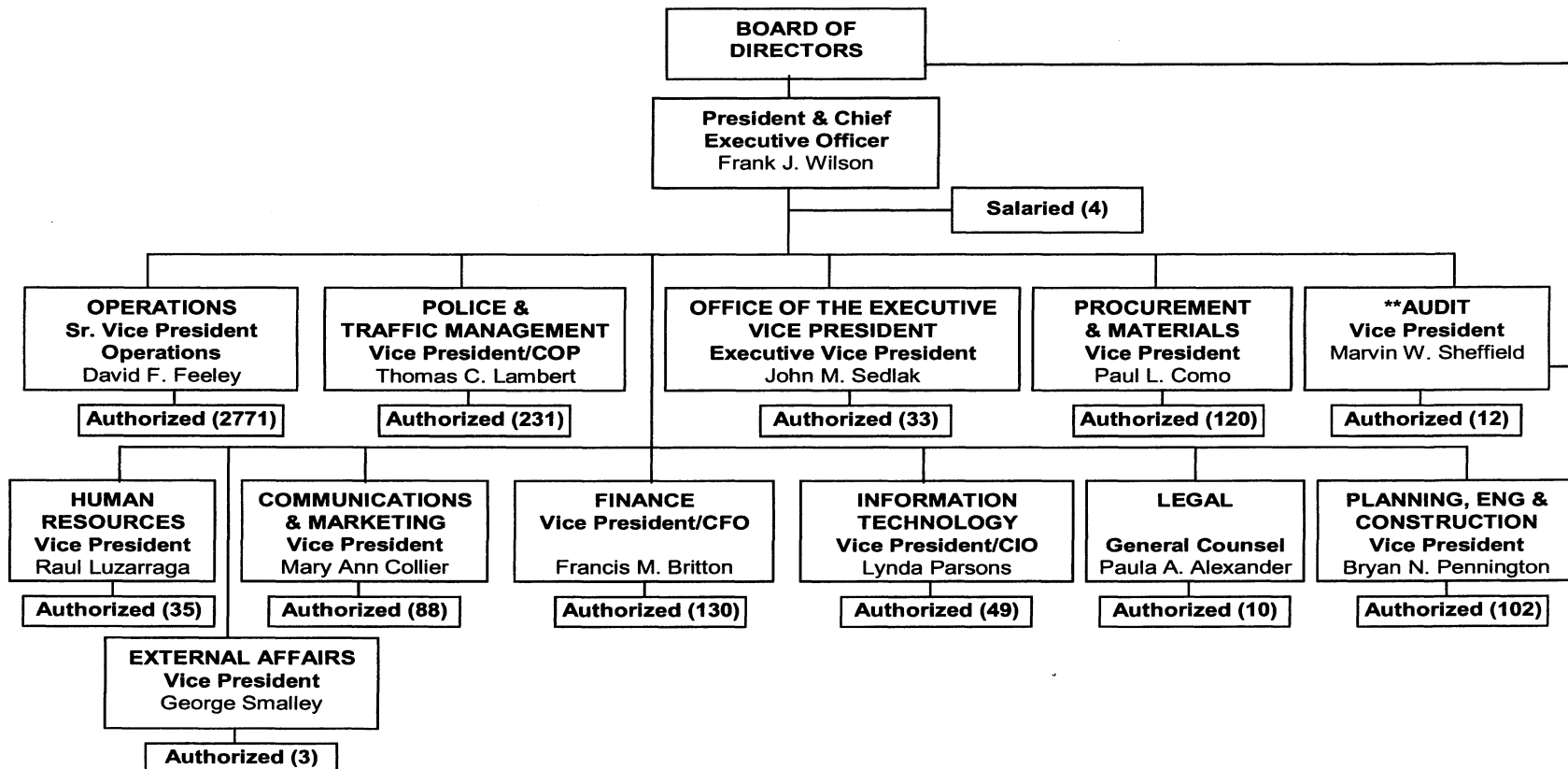
Changes to Authorized Positions FY2005 to FY2006

Net Changes	Salaried Deletions	Salaried Additions	Union Add/Del	Total Change
Operations	-44	5	10	-29
Planning, Engineering & Construction	-25	24	0	-1
Police/Traffic Management	-25	0	-1	-26
Procurement & Materials	-8	1	-2	-9
Human Resources	-4	0	0	-4
Communications & Marketing	-6	1	0	-5
Information Technology	-7	0	0	-7
Finance	-10	0	0	-10
Legal	-1	1	0	0
Audit	-1	0	0	-1
External Affairs	-2	2	0	0
Government Affair & Comm. Relations	-2	0	0	-2
System Safety	-1	5	0	4
Total Net Changes	-136	39	7	-90

Business Plan Budgets FY2006

Organizational Chart

BOARD OF DIRECTORS EXECUTIVE MANAGEMENT TEAM



** Dual reporting position

Business Plan Budgets FY2006

Service Plan

FY2004 and FY2005 were years of extensive change to METRO's fixed route system (bus and rail). In January 2004 the 7.5 mile rail line began revenue service. In May 2004 a major restructuring of bus and rail service was implemented to improve the efficiency of the fixed route system. In this restructuring a number of bus routes were interlined with the rail line via seamless transfers between modes. In October 2005 a large number of long-time poorly performing routes were eliminated. These routes had subsidy levels twice that of comparable routes. During both FY2004 and FY2005, a number of other adjustments were made to individual routes to improve their productivity.

The result of all of these changes is reflected in the revenue hours of service summarized as follows:

	FY05 Budget	FY05 Estimate	FY06 Budget	Difference FY05 Estimate vs. FY06 Budget
Fixed Route: Bus	2,825	2,792	2,718	-74
Fixed Route: Rail	57	58	58	0
Fixed Route: Total	2,882	2,850	2,776	-74
METROLift	771	755	762	7
Special Events	118	60	60	0
Total	3,771	3,665	3,598	-67

The FY2006 Service Plan features the following:

1. During morning and afternoon peaks, a limited bus express service will be added as an overlay on a couple of heavy-use routes. e.g. 82 Westheimer, 2 Bellaire. These will offer limited stops with a fast trip to major activity centers such as Uptown, Texas Medical Center and Downtown.
2. Add new bus route Gears Crosstown (weekday) to tap new markets and increase service connectivity. This is a METRO Solutions route.
3. Add new bus route 53 Westheimer LTD (Sunday).
4. Upgrade the bus route structure of the 53 Westheimer LTD and 82 Westheimer which have 6 branches and duplicate service to make the service more understandable and marketable.

Business Plan Budgets FY2006

Service Plan (Con't)

5. Reduce bus service changes which move routes. Experience has shown that moving routes frequently causes lower ridership. This move will increase stability in the system.
6. Initiate Marketing aimed at existing mature and growth bus routes to try to achieve greater geographic market penetration. (Fill up empty seats on existing strong routes.)
7. Interface one additional bus route with rail to improve connectivity.

The goal is to increase fixed route service (bus and rail) boardings by 2% in FY2006 vs. FY2005's total actual.

METRO's analysis of route performance indicates that there are still a number of routes with poor performance.

Routes	Number of Routes	Subsidy Standard	Subsidy These Routes
Local	20	\$ 5.90	\$6.03+
Express	2	\$ 8.91	10.25+
Park & Ride	3	\$15.08	15.14+

It is expected that during the January service change, at least a few routes will be eliminated. METRO has proposed to the Board that budget dollars saved from further elimination of poorly performing routes be set aside in a service reserve and reinvested in better service at a 3-1 ratio, i.e. for each \$3 saved, \$1 is reinvested. The other \$2 held in the service reserve will allow the new route to be funded for 3 years – the approximate time it takes for a new route to reach maturity. At the end of 3 years, the route will perform as expected or be eliminated.

Business Plan Budgets FY2006

Fare Policy

The Service Plan and fare revenue projections for FY2006 do not include a fare increase. As reported to the Board earlier, METRO staff, with the assistance of a consultant, has a fare study underway examining all aspects of fare policy and fare structure both short-range and long-range. A report will be forthcoming in FY2006.

METRO's current fare media structure is very complex, difficult to communicate to METRO passengers and bus operators, difficult to understand and difficult to enforce.

Fare Structures - Current

Forms of Abuse

- Instrument used by multiple riders
 - Day pass; free three-hour transfers
- Instrument used by ineligible parties
 - Senior, Disabled, Student, Youth
- Patron failure to activate instrument
 - Period Passes

Other Weaknesses of Current Structure

- Inability to use Period Pass on Rail
- Extensive bus operator involvement in fare transactions
- Poor reliability of bus fare boxes
- Inability to control use of Park & Ride facilities by non-METRO patrons

During FY2006 METRO's new Smart Card will be ready to activate. It has been that the Smart Card and simplification of the electronic registering fare boxes will work more effectively if we revise our fare media structure to simplify it.

Following is a description of the fare media restructuring:

Adjustments

- Create Local, Express and Park & Ride fares – related to type of service provided – reduce the variety of media types
- Reduce free-transfer period to one hour
- Improve bus operation speed / reliability
 - Eliminate on-board sales
 - Eliminate use of magnetic stripe instruments
 - Eliminate use of paper currency
 - Perform all fare transactions with coin, token or stored value Smart Cards

	(\$000 omitted)		
	FY2005	FY2006	%
	Estimate	Projection	
Projected Fare Revenue	45,813	46,270	+1%

Business Plan Budgets FY2006

Ridership Targets (Boarding's)
(000's omitted)

SERVICE CATEGORY	FY05 Estimate	FY06 Target	Change FY05 vs. FY06
Fixed Route Bus			
Local	67,452	68,516	1,064 1.58%
Express	5,687	5,728	41 0.72%
Park & Ride	<u>7,579</u>	<u>7,722</u>	<u>143</u> <u>1.89%</u>
Total Fixed Route Buses	80,718	81,966	1,248 1.55%
METRORail	10,364	11,001	637 6.45%
Total Fixed Route Bus and Rail	91,082	92,967	1,885 2.07%
Special Bus Service			
METROLift	1,515	1,542	27 1.78%
Special Events / Charter	1,381	1,288	-93 -6.73%
METROVan	<u>1,662</u>	<u>1,997</u>	<u>335</u> <u>20.16%</u>
Total Special Bus Service	4,558	4,827	269 5.90%
Total All Bus and Rail Services	95,639	97,794	2,154 2.25%
HOV Carpools, Vanpools, and Non-Metro Buses	21,044	21,196	152 0.72%
TOTAL SYSTEM RIDERSHIP	116,683	118,990	2,306 1.98%

Business Plan Budgets FY2006

Financial Operating Budget by Cost Category

EXPENSE CATEGORY	FY2005 Budget	FY2006 Budget	Variance \$	%
Wages	96,407,559	90,999,434	(5,408,125)	-5.61%
Salaries	62,343,037	62,993,270	650,233	1.04%
Fringe Benefits	69,551,592	72,672,579	3,120,987	4.49%
Total Labor and Fringe Benefits	228,302,188	226,665,283	(1,636,905)	-0.72%
Purchased Transportation	66,611,382	67,522,332	910,950	1.37%
Materials and Supplies	16,735,690	15,586,551	(1,149,139)	-6.87%
Services	15,493,458	14,307,038	(1,186,420)	-7.66%
Fuel & Utilities	24,272,630	32,291,714	8,019,084	33.04%
Casualty and Liability	3,325,487	2,842,443	(483,044)	-14.53%
Leases, Rentals and Miscellaneous	4,747,541	2,566,175	(2,181,366)	-45.95%
Total Non-Labor	131,186,188	135,116,253	3,930,065	3.00%
Total Labor and Non-Labor	359,488,376	361,781,536	2,293,160	0.64%
Allowance for Alternative Bus Svc	2,000,000	-	(2,000,000)	-100.00%
Contingency	7,000,000	7,000,000	-	0.00%
Cost Recovery	(9,003,711)	(4,474,611)	4,529,100	-50.30%
Total Operating Expenses	359,484,665	364,306,925	4,822,260	1.34%
Allocation to Capital & GMP	(31,782,643)	(33,729,543)	(1,946,900)	6.13%
Capitalized Operating Expenses	<u>(53,712,017)</u>	<u>(56,849,452)</u>	<u>(3,137,435)</u>	<u>5.84%</u>
Allocation to Capital	(85,494,660)	(90,578,995)	(5,084,335)	5.95%
OPERATING BUDGET	273,990,005	273,727,930	(262,075)	-0.10%

ALLOCATED EXPENSES BY FUNCTION	FY2005 Budget	FY20056 Budget	Variance \$	%
TRANSIT	255,212,296	254,899,462	(312,834)	-0.12%
TRAFFIC MANAGEMENT	11,577,709	11,678,468	100,759	0.87%
EXPENSED SMALL CAPITAL	200,000	150,000	(50,000)	-25.00%
CONTINGENCY	7,000,000	7,000,000	-	0.00%
OPERATING BUDGET	273,990,005	273,727,930	(262,075)	-0.10%
CAPITALIZED EXPENSES	85,494,660	90,578,995	5,084,335	5.95%

Business Plan Budgets FY2006

Financial Operating Budget - Variance Summary

- Wages decrease by 5.61% reflecting increases negotiated in the union agreement effective August 1, 2005, offset by service reductions and transfer of additional bus service to First Transit, elimination of standby buses, reduction in employee shuttle, elimination of operator relief program, elimination of Traffic Checkers, reduction in apprentices, and reduced cleaner staffing ratio.
- Salaries increase by 1.04% reflecting the addition of more highly paid positions in Planning, Engineering & Construction, addition of police officers for expanded Motorist Assistance Programs, the salaried performance 3% merit program for FY2005 (payout in FY2006) and a 4% merit program in FY2006 (payout in FY2006) offset by a net reduction of 97 authorized positions.
- Fringe benefits increase by 4.49% reflecting union labor agreement increases in healthcare cost from \$540 to \$600, (11.1%) per participant per month, increase in the union pension rate, salaried increases in healthcare costs estimated at 6.4%, partially offset by the reduction in salaried positions.
- Purchased transportation increases by 1.37%, reflecting the transfer of 17,700 bus revenue hours of service to First Transit to reduce cost, increase in First Transit contract rate and increase in METROLift contract rate, plus fuel adjustments in both service contracts.
- Fuel and utilities increase by 33.04% reflecting the market-driven increases in the prices of diesel and gasoline partially mitigated by reduced idling and reduced service miles, and reduced propulsion power due to better data for METRORail after a full year of operation. A \$7.1 million contingency for fuel has been established.
- Materials and supplies decrease by 6.87% reflecting reduced usage as a result of bus service reductions, partially offset by increase in METRORail parts as rail cars come out of warranty.
- Services decrease by 7.66% reflecting termination of the METRORail Siemens support contract, reduced legislative coordination, reduced printing costs for public guides due to reformatting, reduced legal expenses due no union negotiations in FY2006, reduced security services through reallocation of METRO Police resources, partially offset by increase in facility maintenance to better maintain facility infrastructure as it ages.
- Casualty and liability decrease by 14.53% reflecting an aggressive increase in the target for subrogation recoveries from \$1 million in FY05 to \$1.4 million in FY06, reduced vehicle liability as result of lower number of accidents, partially offset by increased property insurance premium due to expanded coverage (terrorism, new Administration Building, and TMC Transit Center) and a market-driven rate increase estimated at 10% on 1/1/06.

Business Plan Budgets FY2006

Financial Operating Budget - Variance Summary (Con't)

- Leases, rentals and miscellaneous decrease by 45.95% reflecting the termination of the 1201 Louisiana administration building lease and reduction in discretionary expenses, such as travel, to save money.
- Cost recovery decreases by 50.30% reflecting less special event service, cancellation of the Uptown trolley service in FY05, partially offset by increased recovery for the TMC bus service due to updated cost of service.
- Allocation to capital increases by 5.95% due to increased labor to implement capital projects and the resulting overhead allocations; additional Section 5307 funds being applied to operating expenses to hedge fuel prices; partially offset by the exhaustion of the CMAQ and TERP grants.

Section III: Major Business Initiatives

Business Plan Budgets FY2006

Major Business Initiatives Summary

Executive Office

- Strategic Plan

Communications & Marketing

- Ridership Campaign
- Enhancing Customer Information Center responsiveness
- Regional Vanpool Program consolidation

Executive Vice President

- Real Estate
 - Creating a sense of space corridors
 - Joint Development
 - Encouragement of ridership venue developments
- Safety
 - Build Accident Investigation Corps
- Government Affairs
 - METRO Citizen's Academy
 - Regional Mobility Meeting

External Affairs

- Score card for IPSOS follow-up
- Score card for Booz Allen recommendations

Finance

- Systems communication

Human Resources

- New Labor Agreement

Information Technology

- Systems Disaster Recovery

Police & Traffic Management

- Expansion of MAP
- Improved visibility for System Safety

Procurement & Materials

- Sell inventory for cash
- Consigned Inventory Program

Section IV: Financial Proforma

Business Plan Budgets FY2006

Projected Cash Flow FY2006

Revenues	\$000 omitted
Fares	46,270
Sales Tax Income ⁽¹⁾	379,556
Interest Income	2,917
Grants Income ⁽²⁾	155,195
Other Income	2,000
Commercial Paper	<u>*52,686</u>
Total Revenue FY2006	638,624
Beginning Fund Balance ⁽³⁾	<u>83,317</u>
Total Sources	721,941
Expenditures	
Operating Budget – Transit	254,899
Operating Budget – Traffic Mgmt.	11,679
Capitalized Operating Expenses	56,849
Special Events Budget	262
Expensed Small Capital	150
Operating Contingency	<u>7,000</u>
Total Operating Expenditures	330,839
General Mobility ⁽⁴⁾	104,585
Capital Budget	183,152
Capital Contingency	<u>20,000</u>
Subtotal Capital Expenditures	307,737
Total Expenditures FY06	638,576
Required Ending Fund Balance ⁽³⁾	83,365
Total Uses	721,941

*Commercial paper in the amount of \$52.686 million is required in the cash flow to balance federal grants for capital projects that are expected to be received at a later date. To the extent that the General Mobility carryover from FY1999-2005 (\$100.832 million) is spent by the City of Houston, Harris County and the Multi Cities, additional commercial paper would have to be issued to cover the expenditure.

NOTES

- (1) Capped at Barton Smith Sales Tax Projection for FY2004. June 2005 projection for FY2006 is \$418.340 million (+\$38.784 million)
- (2) Includes capital projects and capitalized operating expenses
- (3) METRO Board approved Debt Policy adopted June 2005 sets target fiscal year ending fund balance (cash and investment portfolio) at 25% of the forward 12 month operating expenditures: (Includes Board established funded reserves)
Set = to 25% X Barton Smith FY06 sales tax projection; carryover from FY1999-2005 of \$100.832 million not budgeted in FY06

Business Plan Budgets FY2006

Sales Tax Projection FY2005 - FY2009 (\$000's omitted)

	FY05	FY06	FY07	FY08	FY09	Total
Sales Tax	398,837	418,340	434,572	460,516	489,662	2,201,927
Rate of Change from Prior Year	4.4%	4.9%	3.9%	6.0%	6.3%	

Note

The Sales Tax projection is based on Barton Smith's June 2005 report to METRO. In the financial proforma statements for FY2005 and FY2006, METRO is using the Barton Smith sales tax projection for FY2004, which is \$379,556. This is being done to be very conservative.

Business Plan Budgets FY2006

Sources & Uses of Funds (Income Statement) per GAAP Format
(\$000 omitted)

	FY2005		FY2006	FY05 vs. FY06
	Budget	Estimate	Projection	Projection Difference
<u>Revenues</u>				
Fares	47,008	45,813	46,270	457
Sales Tax Income (Accrual Basis)	379,556	379,556	379,556	0
Interest Income	1,700	2,652	2,917	265
Grants Income	191,183	189,686	155,195	(34,491)
Other Income	<u>3,230</u>	<u>3,230</u>	<u>2,000</u>	<u>(1,230)</u>
TOTAL REVENUES	622,677	620,937	585,938	(34,999)
<u>Expenses</u>				
Transit Operating	307,288	309,027	311,861	2,834
Traffic Mgmt. Operating	11,475	11,475	11,828	353
Other Operating	<u>7,200</u>	<u>7,200</u>	<u>7,150</u>	<u>(50)</u>
Subtotal Operating	325,963	327,702	330,839	3,137
General Mobility St. Projects	174,618	86,694	104,585	17,891
Regional Bus Plan St. Projects*	71,081	63,567	16,941	(46,626)
Transit Mobility St. Projects*	<u>13,763</u>	<u>6,910</u>	<u>5,636</u>	<u>(1,274)</u>
Subtotal Street Projects	259,462	157,171	127,162	(30,009)
TOTAL EXPENSES	585,425	484,873	458,001	(26,872)
Net before Depreciation	37,252	136,064	127,937	(8,127)
Depreciation and Loss on Disposal of Fixed Assets				
Fixed Assets	110,000	110,000	121,000	11,000
Net after Depreciation	(72,748)	26,064	6,937	(19,127)

*Streets and RCTSS

Business Plan Budgets FY2006

Balance Sheet (GAAP)

Metropolitan Transit Authority Estimate and Projected Statements of Net Assets for
Years Ended September 30, 2005 and 2006 (in Thousands)

	Estimated September 2005	Projected September 2006
Assets		
Cash	4,293	4,920
Receivables	89,486	79,260
Inventory	24,851	20,000
Investments	89,136	91,992
Other Assets	4,749	4,357
Property Net of Depreciation	1,017,150	1,032,227
Land & Improvements	<u>464,428</u>	<u>462,000</u>
Total Assets	1,694,093	1,694,756
Liabilities		
Trade Payables	35,000	25,000
Accrued Payroll	22,000	22,126
Other Current Liabilities	<u>32,000</u>	<u>35,600</u>
Total Liabilities	89,000	82,726
Net Assets - Retained	<u>1,605,093</u>	<u>1,612,030</u>
Total Liabilities and Net Assets	1,694,093	1,694,756
September 2004 or 2005 Net Assets	<u>1,579,029</u>	<u>1,605,093</u>
Change in Net Assets	<u>26,064</u>	<u>6,937</u>

(1) On a year vs. year proforma basis, net assets increased by .04% to 1.695 million, primarily due to General Mobility and Regional Bus Plan Transit Street Expenditures. These expenditures are budgeted in the capital budget but are written off to operating expense as grants to other governmental entities in accord with GAAP/FASB requirements. These projects are a major contribution to enhanced mobility and reduced congestion in the METRO service area.

Section V: Capital Budget

Business Plan Budgets FY2006

General Mobility Budget FY2006

A. FY2005 Projected Expenditures versus Budget (\$000 omitted)

Program Components	Budget FY2005	Estimate FY2005	Difference
City of Houston			
Designated Projects	20,310	10,084	-10,226
Future Designated	28,248	27,810	-438
Carryover FY1999-2004	<u>70,543</u>	<u>0</u>	<u>-70,543</u>
Total	119,101	37,894	-81,207
Harris County			
Designated Projects	18,532	12,940	-5,592
Future Designated	8,049	7,150	-899
Carryover FY1999-2004	<u>5,243</u>	<u>0</u>	<u>-5,243</u>
Total	31,824	20,090	-11,734
Multi-Cities			
Designated Projects	14,901	12,583	-2,318
Future Designated	2,031	6,510	+4,479
Carryover FY1999-2004	<u>3,943</u>	<u>0</u>	<u>-3,943</u>
Total	20,875	19,093	-1,782
Area-wide Designated Projects	2,818	9,617	+6,799
Total			
Designated Projects	56,561	45,224	-11,337
Future Designated	38,328	41,470	+3,142
Carryover FY1999-2004	<u>79,729</u>	<u>0</u>	<u>-79,729</u>
Total	174,618	86,694	-87,924

During FY2005 it is estimated that the General Mobility Program will under-spend the budget by \$87.924 million, -50.4%. The vast bulk of the under-run is in the category labeled "carryover FY1999-2004". This is previously budgeted funds not expended and carried over to FY2005 per the 1999 Master Agreement. It represents 90.7% of the under-run.

METRO does not control the expenditure of General Mobility Funds. This is driven by the implementation of projects by the City of Houston, Harris County, and the Multi Cities. At this time METRO has been unable to obtain projected cash flows for FY2006.

Business Plan Budgets FY2006

General Mobility Budget FY2006 (Con't)

B. FY2006 General Mobility Capital Budget

METRO's General Mobility Capital Budget for FY2006 is \$205.417 million. The following table gives the exact breakdown in summary:

• 25% of FY2006 projected sales tax (Barton Smith June 2005 Projection)	\$104.585 million
• Carryover budgeted funds not spent FY1999-2005	100.832 million
Total	\$205.417 million

Over the 5 year period ending in FY2005, the General Mobility Program expenditure has only been 59% of the budget amounts. Staff and the METRO board do not believe that the partners will spend \$205.417 million for FY2006. Accordingly, in the Board budget workshops it has been recommended that the General Mobility Budget for FY2006 be set at \$104.585 million.

If the City of Houston, Harris County and the Multi-Cities expend more than the budgeted amount for FY2006, the Board will consider amending the General Mobility Budget for FY2006 to add funds. Added funds will cause METRO to increase its use of commercial paper to cover the expenditures.

Following is a 5 year projection of the budgets for General Mobility:

Assumptions

- FY2005 = METRO estimate based on expenditures and invoices in process
- FY2006 = 25% sales tax projection Barton Smith June 2005 plus \$33.607 million (33% of the carryover FY1999-2005)
- FY2007-2009 = 25% Barton Smith June 2005 Sales Tax Projection

Business Plan Budgets FY2006

General Mobility Five (5) Year Projection

Program Components	FY05	FY06	FY07	FY08	FY09	Total
City of Houston						
Designated Projects	10,084	23,027	13,770	10,000	10,000	66,881
Future Designated	27,810	33,235	53,757	54,709	65,293	236,978
Carryover FY1999-2005	0	0	28,689	28,689	28,689	86,069
Total	37,894	59,525	95,128	93,398	103,982	389,928
Harris County						
Designated Projects	12,940	9,217	1,530	8,130	0	31,817
Future Designated	7,150	10,400	15,318	15,898	18,605	66,750
Carryover FY1999-2005	0	0	4,893	4,893	4,893	14,679
Total	20,090	19,617	21,431	28,612	23,498	113,246
Multi-Cities						
Designated Projects	12,583	16,073	13,453	14,085	14,794	70,988
Future Designated	6,510	2,625	3,788	3,934	4,695	21,552
Carryover FY1999-2005	0	0	28	28	28	84
Total	19,093	18,547	17,269	18,047	19,517	92,624
Area-wide Designated Projects	9,621	6,745	8,424	8,683	9,028	42,501
Total						
Designated Projects	45,228	55,062	37,177	40,898	33,822	212,186
Future Designated	41,470	49,523	71,465	74,232	88,593	325,283
Carryover	0	0	33,610	33,610	33,610	100,830
Total	86,698	104,585	142,252	148,740	156,025	638,300

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 FY1999-2005 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.

Business Plan Budgets FY2006

Capital Budget FY2006 Project Listing (\$000 omitted)

(\$000 omitted)

DESCRIPTION	FY2006 Budget	FUNDING SOURCES FY2006		
		Federal Grants	Local Grants	Comm. Paper
<u>REGIONAL BUS PLAN</u>				
FEDERAL COMPONENT				
DT/MIDTOWN TRANSIT ST IMPROV.	13,790			
TX MEDICAL CENTER TRANSIT CENTER	564			
EASTEX HOV LANE EXT TO KINGWOOD	900			
EASTEX HOV RAMP AT TOWNSEN P& R	528			
EASTEX HOV TERMINUS AT KINGWOOD	247			
5TH WARD/DVR HARBOR TRANSIT CTR	2,000			
HOBBY TRANSIT CENTER	110			
REG COMPUTERIZED TRAFFIC SIGNAL	1,500			
RBP ALLOWANCE FOR OVERHEAD ADJ	<u>6,039</u>			
	\$25,678	\$ 11,848	\$13,830	\$-
LOCAL COMPONENT				
TRANSIT STREET IMPROVEMENTS	1,551		1,551	
SYSTEM ACCESSIBILITY	<u>100</u>		<u>100</u>	
	\$1,651	\$-	\$1,651	\$-
TOTAL - REGIONAL BUS PLAN	\$ 27,329	\$11,848	\$15,481	\$-
<u>ADVANCED TRANSIT PLAN (ATP)</u>				
MAIN ST. STARTER LINE	\$ 200	\$ -	\$ -	\$ 200
ADVANCED TRANSIT PLAN (ATP)				
NEW STARTS - ADVANCED HIGH CAPACITY TRANSIT				
KATY CORRIDOR				
TXDOT COORDINATION ACTIVITIES	121	-	-	121
ADDICKS RAMP REPLACEMENT	1,925	1,540	-	385
ADDICKS PARK & RIDE MOD.	121	229	-	(108)
IH-610/NWTC RAMP PROVISIONS	<u>1,000</u>	-	-	<u>1,000</u>
	\$3,167	\$1,769	\$-	\$1,398
DISCRETIONARY BUS				
WEST BELLFORT PARK & RIDE EXP	109	-	-	109
CYPRESS PARK & RIDE	8,000	6,400	-	1,600
GULF CORRIDOR PARK & RIDE	<u>535</u>	<u>428</u>	-	<u>107</u>
	\$ 8,644	\$ 6,828	\$ -	\$1,816
TOTAL - ATP	\$12,011	\$ 8,597	\$ -	\$ 3,414

Business Plan Budgets FY2006

Capital Budget FY2006 Projected Listing (Con't) (\$000 omitted)

DESCRIPTION	FY2006 Budget	FUNDING SOURCES Federal Grants	Local Grants	FY2006 Comm. Paper
<u>TRANSITWAYS AND RELATED FACILITIES</u>				
TRANSITWAYS				
SOUTHWEST TRANSITWAY				
SEGMENT V-B	4,314	-	4,314	
	\$ 4,314	\$ -	\$4,314	\$ -
FIXED GUIDEWAY MODERNIZATION				
T-RAMP CONTROL SIGNALS	1,370	1,096	274	
SLIP RAMP CLOSURE SYSTEMS	129	-	129	
SIGN STANDARDIZATION	1,781	1,425	356	
GEOMETRIC IMPROVEMENTS	163	130	33	
TRANSTAR INTEGRATION	4,000	3,200	140	660
FIXED GUIDEWAY REHABILITATION	1,218	974	244	
CCTV PH. 2	1,713	1,370	(0)	343
	\$10,374	\$ 8,196	\$1,175	\$1,003
TOTAL - TRANSITWAYS & RELATED FAC.	\$14,688	\$ 8,196	\$5,489	\$1,003
<u>BUSES AND SUPPORT EQUIPMENT</u>				
PASSENGER SHELTERS				
SHELTERS & LIGHTING	200	106	94	
	\$200	\$106	\$94	\$-
REVENUE VEHICLES				
BUS ACQUISITION	TBD	TBD	TBD	
BUS IMPROVEMENTS				
ENGINES				
NEW FLYER 29' S-40	223		223	
NEW FLYER 40' S-50 (4000-4156)	784		784	
NEW FLYER 40' S-50 (2800)	937		937	
NEW FLYER 40' CUMMINS	1,887		1,887	
NEOPLAN 45' 6V92	192		192	
NEW FLYER 45' S-60	335		335	
MCI 45' S-60	120		120	
	\$4,478	\$-	\$4,478	\$-

TRANSMISSIONS

NEW FLYER 29' B300
NEW FLYER 40' B400

197
404

197
404

Business Plan Budgets FY2006

Capital Budget FY2006 Projected Listing (Con't) (\$000 omitted)

DESCRIPTION	FY2006 Budget	FUNDING SOURCES FY2006		
		Federal Grants	Local Grants	Comm. Paper
NEW FLYER 40' ZF592	890		890	
NEOPLAN 45'/60' 748	76		76	
NEW FLYER 45' ZF602	217		217	
NEOPLAN 60'/MCI 45'/NF 45' B500	331		331	
	\$ 2,115	\$-	\$2,115	\$-
WHEELCHAIR LIFTS				
NEOPLAN 60' (1450-1503)	52		52	
NEOPLAN 60' (4400-4500)	44		44	
	\$ 96	\$-	\$96	\$-
	\$ 6,689	\$-	\$6,689	\$-
COLLECTION & MANAGEMENT SYSTEMS				
BUS SMART CARD TECHN #2 + FB MODS	16,000	12,800	-	3,200
	\$16,000	\$12,800	\$ -	\$3,200
SUBTOTAL - REVENUE VEHICLES	\$22,689	\$12,800	\$6,689	\$3,200
SUPPORT EQUIPMENT AND SYSTEMS				
SUPPORT VEHICLES	788		788	
TOOLS & EQUIPMENT	1,676		1,676	
	\$ 2,464	\$-	\$2,464	\$-
TOTAL - BUSES AND SUPPORT EQUIP	\$25,353	\$12,906	\$ 9,247	\$ 3,200
<u>OPERATING FACILITIES AND UPGRADES</u>				
OPERATING FACILITIES				
ADMINISTRATION OFFICE BUILDING	4,008	3,200	808	
MINUTE MAID PARK TRANSIT CTR PHASE 2	253		253	
	\$ 4,261	\$ 3,200	\$1,061	\$ -
FACILITY UPGRADES / MFRI				
MAJOR FAC. REHAB. INITIATIVE				
BUS ROUTE SIGN UPGRADE	318		318	
ROOF UPGRADES	917		917	
CANOPY UPGRADES	960		960	
SHELTER UPGRADES	220		220	

CONCRETE PAVEMENT	600	600
REPLACEMENT EQUIPMENT	529	529
PUBLIC FACILITY AMENITIES	110	110

Business Plan Budgets FY2006

Capital Budget FY2006 Projected Listing (Con't) (\$000 omitted)

DESCRIPTION	FY2006 Budget	FUNDING SOURCES FY2006		
		Federal Grants	Local Grants	Comm. Paper
RESURFACING & RECOATINGS	311		311	
FLOORING	200		200	
HVAC	1,506		1,506	
LIFTS	499		499	
LIGHTING	300		300	
RENOVATIONS	75		75	
LANDSCAPING	157		157	
FUEL SYSTEMS	50		50	
PROJECT DEVELOPMENT - MFRI	202	100	102	
MFRI CONTINGENCY	<u>124</u>		<u>124</u>	
	\$7,078	\$100	\$6,978	\$-
FURNITURE & EQUIPMENT	<u>200</u>		<u>200</u>	
TOTAL - OPERATING FAC & UPGRADES	\$11,539	\$3,300	\$8,239	\$-
<u>INTELLIGENT TRANSPORTATION SYSTEM</u>				
PRIORITY CORRIDOR PROGRAM			(371)	
	(371)			
POLICE AUTOMATION PROGRAM	<u>288</u>		<u>288</u>	
TOTAL - INTELLIGENT TRANS SYSTEMS	\$(83)	\$-	\$(83)	\$-
<u>INFORMATION TECHNOLOGY</u>				
DISASTER RECOVERY	1,100		1,100	
UNIX AND INTEL SERVERS	1,899		1,899	
FORTIFY NETWORK COMMUNICATIONS	847		847	
ARCS DISPATCH TERMINAL	80		80	
CORE APPLICATIONS	2,374		2,374	
TRIP PLANNER	1,464		1,464	
END USER WORKSTATION	1,505		1,505	
SEMA	407		407	
SEMA GET WELL	1,245		1,245	
METRONET	<u>6,600</u>		-	<u>6,600</u>
TOTAL - INFORMATION TECHNOLOGY	\$17,521	\$-	\$ 10,921	\$6,600
<u>HOMELAND SECURITY</u>				

EXPLOSIVE DEVICE/CHEM-BIO EQUIP	60
COMPUTER AIDED DISP UPGRADE	229
POLICE	

Business Plan Budgets FY2006

Capital Budget FY2006 Projected Listing (Con't) (\$000 omitted)

DESCRIPTION	FY2006 Budget	FUNDING SOURCES FY2006		
		Federal Grants	Local Grants	Comm. Paper
CCTV AT TRANSIT CENTERS	50			
INTERNAL INTRUSION DETECTION SYS	-			
URBAN AREA SECURITY INITIATIVE	21			
URBAN AREA SECURITY INITIATIVE	12			
URBAN AREA SECURITY VEHICLES -	348			
BLACKBERRY DEVICES & SATELLITE	19			
TACTICAL BODY ARMOR - UASI 2004	88			
PREDATOR IMAGE DETECTION	1,038			
BALLISTIC SHIELDS	5			
POLICE TASERS	<u>180</u>			
TOTAL - HOMELAND SECURITY	\$2,050	\$891	\$1,159	\$-
<u>TRANSIT MOBILITY PROGRAM</u>				
BUS PADS / BUS LANES	336		336	
CURB CUTS / INTERSECTION IMPROV.	300		300	
RCTSS - OUTSIDE BELTWAY	<u>5,000</u>	<u>4,000</u>	-	<u>1,000</u>
TOTAL - TRANSIT MOBILITY PROGRAM	\$5,636	\$4,000	\$636	\$1,000
<u>DEVELOPMENT FUND, LAND & CONTINGENCY</u>				
DEVELOPMENT PROJECTS - PE&C				
AIR QUALITY TRANS CONFORMITY	58		58	
ENGINEERING STUDIES	300		300	
CAPITAL & ENVIRONMENTAL STUDIES	250		250	
INTERAGENCY COORDINATION	175		175	
TRAVEL MODEL ADAPT HGAC	425		425	
ENGINEERING STUDIES - CORRIDOR P	200		200	
FORENSIC ENGINEERING	200		200	
GIS SYSTEM UPGRADE	104		104	
IN-GROUND LIGHTED PAVEMENT MARKING	50		50	
HOV TO HOT LANES CONVERSION - PROC	545		545	
MANAGED LANES EXPANSION PLAN	<u>525</u>		<u>525</u>	
	\$2,832	\$-	\$2,832	\$-
DEVELOPMENT PROJECTS - REAL ESTATE				
REAL ESTATE SVC MANAGEMENT	(272)		(272)	
CONSULTANT				

WEST BELT P&R - LAND	(2,766)	(2,766)
JOINT DEVELOPMENT - TMC	175	175
JOINT DEVELOPMENT - STUDIES	175	175
JOINT DEVELOPMENT - WHEELER/BLODGETT	175	175

Business Plan Budgets FY2006

Capital Budget FY2006 Projected Listing (Con't) (\$000 omitted)

DESCRIPTION	FY2006 Budget	FUNDING SOURCES FY2006		
		Federal Grants	Local Grants	Comm. Paper
JOINT DEVELOPMENT - GULF CORR	42		42	
JOINT DEVEL - RICHMOND/W PK CORR	176		176	
JOINT DEV - N. INTERMODAL TRANSIT	100		100	
JOINT DEVELOPMENT - N RAIL CORR	140		140	
JOINT DEVELOPMENT - SO RAIL CORR	140		140	
JOINT DEVELOPMENT - FANNIN SO P&R	64		64	
	\$(1,851)	\$-	\$(1,851)	\$ -
OTHER DEVELOPMENT PROJECTS				
METRO WEBSITE UPGRADE	25		25	
FEDERAL SMALL BUSINESS PROGRAM	79	54	25	
	<u>\$104</u>	<u>\$54</u>	<u>\$50</u>	<u>\$ -</u>
TOTAL - DEVELOPMENT PROJECTS	\$1,085	\$54	\$1,031	\$ -
ALLOWANCE FOR CAPITAL RPLMT/CONT.	20,000	10,169	-	9,831
TOTAL - DEVELOPMENT FUND, LAND & CONTINGENCY	\$21,085	\$10,223	\$1,031	\$ 9,831
<u>METRO SOLUTIONS</u>				
METRO SOLUTIONS - PLANNING / AA/DEIS				
AA/DEIS	5,000			
MISC. CORRIDOR COSTS	<u>1,000</u>			
	\$6,000	\$4,320	\$ -	\$1,680
METRO SOLUTIONS - PHASE II IMPLEMENTATION PLAN				
MAIN ST. STARTER LINE - RESP TO SERVICE DEMANDS				
8 ADDITIONAL VEHICLES	2,000			
FACILITY ENHANCEMENTS				
TRACK SWITCH MACHINE	1,200			
STRAY CURRENT/SPEC	1,500			
TRACKWORK CORROSION				
SCADA	500			
SIGNALS	1,250			
SAWCUT/GRIND CONCRETE	125			

MODIFY TRAIN DETECTION SYS AT	100
YARD/TEST TRACK	1,095

Business Plan Budgets FY2006

Capital Budget FY2006 Projected Listing (Con't) (\$000 omitted)

DESCRIPTION	FY2006 Budget	FUNDING SOURCES FY2006		
		Federal Grants	Local Funds	Comm. Paper
IN-PAVEMENT LIGHTING	<u>2,000</u> \$7,770	\$-	\$-	\$-
SUBTOTAL - MAIN ST. STARTER LINE	\$ 9,770	\$-	\$-	\$-
URBAN LRT				
NORTH - UH DOWNTOWN TO N. INTERMODAL	2,437			
UNIVERSITY - S. RICE TC TO UH CENTRAL	<u>4,122</u> \$6,559	\$-	\$-	\$-
BRT LINES				
NORTH - INTERMODAL TO NORTHLINE TC	4,353			
SOUTHEAST - CBD TO GRIGGS/I610	6,630			
HARRISBURG - DOWLING TO MAGNOLIA TC	3,550			
UPTOWN - SOUTH RICE TC TO NORTHWEST TC	2,266			
SIGNATURE EXPRESS/SUBURBAN BRT	<u>150</u> \$16,949	\$-	\$-	\$-
COMMUTER RAIL TRANSIT				
CRT 90A - MISSOURI CITY - FANNIN SOUTH	185			
CRT 290 - FAIRFIELD TO INTERMODAL	<u>60</u> \$ 245	\$-	\$ -	\$-
TERMINALS & TRANSIT CENTERS	\$23,500			
HOT LANE PROGRAM	\$3,000			
SUBTOTAL - PHASE II IMPLEMENTATION	<u>\$60,023</u>	<u>\$34,065</u>	<u>\$-</u>	<u>\$25,958</u>
TOTAL - METRO SOLUTIONS	\$66,023	\$38,385	\$-	\$27,638
TOTAL CAPITAL BUDGET FY2006	<u>\$203,152</u>	<u>\$98,346</u>	<u>\$52,120</u>	<u>\$ 52,686</u>

Section VI: Resolution

A RESOLUTION

APPROVING AND ADOPTING THE BUDGETS FOR FISCAL YEAR 2006; 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 budgets available for public review prior to holding a public hearing on the proposed budget; and

WHEREAS, in compliance with the cited statutory requirements, METRO has released proposed budgets for fiscal year 2006 and has held a public hearing regarding these proposed budgets; and

WHEREAS, the Board of Directors has reviewed the proposed budgets for fiscal year 2006 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 budgets for fiscal year 2006 have been satisfied.

Section 2. The Board of Directors hereby approves and adopts an Operating Budget for fiscal year 2006 totaling \$273,727,931.00.

Section 3. The Board of Directors hereby approves and adopts a Capital Budget for fiscal year 2006 totaling \$203,152,000.00.

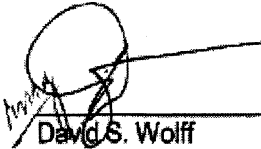
Section 4. The Board of Directors hereby approves and adopts Special Event and General Mobility budgets for \$262,074.00 and \$104,585,000.00, respectively, for fiscal year 2006.

Section 5. This resolution is effective immediately upon passage.

PASSED this 22nd day of September, 2005
APPROVED this 22nd day of September, 2005

ATTEST


Assistant Secretary


David S. Wolff
Chairman