

FISCAL YEAR 2014 BUSINESS PLAN & BUDGET



GROWING RIDERSHIP

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President &
Chief Executive
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Thomas C. Lambert

September 12, 2013

Gilbert Andrew Garcia
Chairman of the Board
Metropolitan Transit Authority

Dear Mr. Garcia:

Please find the attached proposed FY2014 Business Plan & Budget for METRO, which includes both the Operating and Capital Budgets, as well as the General Mobility Budget, and the Debt Service Budget.

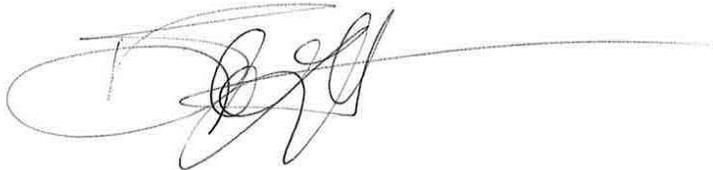
Section 451.102 of the Texas Transportation Code requires the Board of Directors of the Metropolitan Transit Authority of Harris County to adopt an annual budget which specifies major expenditures by type and amount prior to commencement of a fiscal year. In accordance with the code, we have prepared the proposed FY2014 Business Plan & Budget for the Board's consideration at its September meeting.

The annual budgets represent the maximum annual expenditure authorized by the Board to fund METRO's FY2014 business plan. In accordance with Board approved procedures, it is recommended that the Board adopt the following budgets for the Metropolitan Transit Authority of Harris County for Fiscal Year 2014 (October 1, 2013 – September 30, 2014)

Operating Budget	\$ 487,393,187
General Mobility Budget	\$ 160,120,730
Capital Budget	\$ 512,924,000
Debt Service	\$ 80,198,494

A Public Hearing on the proposed FY2014 Business Plan & Budget is scheduled to be held at 8:30am on Thursday, September 26, 2013 in the 2nd Floor Board Room of the METRO Administration Building. The proposed FY2014 Business Plan & Budget is scheduled for approval by the Board at the regular September meeting scheduled later that day, September 26, 2013, at 9:00am.

Sincerely,



Thomas C. Lambert
Interim President & CEO

cc: Board of Directors

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Executive Summary

In FY2014, the New METRO will renew its focus on its most basic task, which is to provide quality transit services within the region.

Ridership, Ridership, Ridership

METRO will take a back to basics approach towards its mission and bolster its core business with tactical investments. This means more investment in fixed-route bus and rail services as well as METROLift, the Authority's paratransit service. METRO will also increase investments in its customer support functions, ensuring that patrons are safe and have the information and resources needed for a first-class customer experience. This also means more investment in security and safety as well as customer information centers, call centers, and information technologies.

Campaigns directly addressing ridership

On top of its financial and internal investments, the New METRO is also actively planning and implementing new market-based strategies in FY2014 to generate ridership. These upcoming initiatives in FY2014 include:

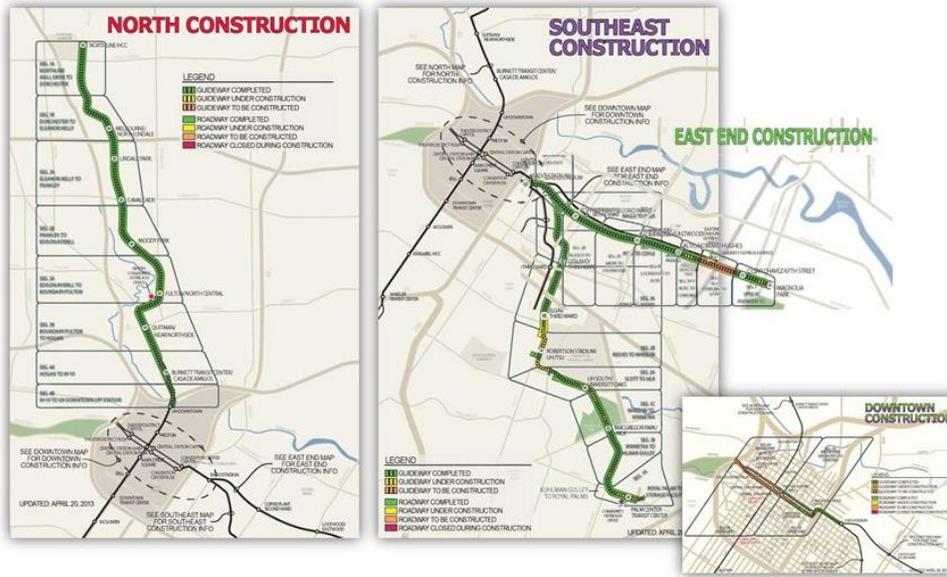
- increasing seating capacity through the re-introduction of articulated buses and additional rail cars;
- the re-introduction of the Day Pass; and
- service adjustments to address customer overloads.



The New METRO will also continue to look at its services and operations from a long-term perspective through its program of System Reimagining which began in FY2013. This endeavor involves a complete rethinking of the local bus network with a "blank slate" approach. The goal is to make sure the New METRO is in tune with the changing demographics and regional trends of its service area and is operating the most optimal types of transit services for the betterment of the region.

Opening three new rail lines

All the above initiatives will of course complement the exciting early openings of the North extension of the Red (Main Street) rail line, scheduled for revenue service in December; as well as the opening of the Green (East End) and Purple (Southeast) rail lines, scheduled for revenue service in the fourth quarter FY2014. The opening of these lines continues to involve focused planning and coordination.



FY2014 Budget Highlights

Sources of METRO Funds (in millions)	Fiscal Year 2014								
	Operations	General Mobility	Debt Service	METROrail Expansion	FY13 Bus Replacements	FY14 Bus/Van Replacements	Capital Improvement	Reserves	TOTAL
Sales Tax	349	160	78				79	3	669
Grants*	62			127		3	53		244
Farebox	70								70
Borrowing				34	52	64			150
Other	6		2						8
Fund Balance				153	(52)			111	213
TOTAL	487	160	80	314	-	67	131	114	1,354

*Many expenses that accounting rules classify as operating costs are eligible as capital expenses in the 5307 formula grant program.

A number of elements regarding the FY2014 Budget merit special notice:

- The total proposed budget for FY2014 including fund balance is \$1.4 billion, a decrease of \$150 million or 10% under the projected FY2013 funding envelope.
- a financial plan based on a conservative 5.75% sales tax growth rate;
- no increase in base fares.

The FY2014 operating budget also proposes a methodical approach towards implementing METRO's business plan, where all increases are evaluated based on:

1. **Budget base:** continuing current operations as-is with any planned programmatic or contractual changes;
2. **Rail increment:** applying additional resources directly related to the opening of the three new rail lines;
3. **New non-rail requirements:** strategic investments in the core business which improve the New METRO's ability to meet its goals.

With this method as a guide to planning this budget:

The total FY2014 proposed workforce is 3,726.

<u>FY2013 Workforce</u>	—————→	<u>Proposed FY2014</u>	
3,610		Base	3,580
		New non-rail requirements	8
		Rail increment	138

The total FY2014 proposed operating budget is \$487.4 million or +9.5% higher than FY2013.

<u>FY2013 Operating Budget</u>	—————→	<u>Proposed FY2014</u>	
\$445 million		Base budget increase	\$21.1 million +4.7%
		New non-rail requirements	5.7 million +1.3%
		Rail increment	15.6 million +3.5%

The total FY2014 proposed Capital Budget is \$512.9 million, which represents a 44% decrease in spending for METRORail Expansion as the Authority moves closer to completing the three new rail lines as well as a 24% increase in the Capital Improvement Program (CIP) as it refocuses on back to basics investments.

The total FY2014 proposed General Mobility Budget is \$160.1 million, which shows a 2% reduction from the prior year since METRO has successfully paid off all the remaining carryover balances to its community partners in FY2013.

The total FY2014 proposed Debt Service Budget is \$80.2 million, a 2% increase from the prior year, which provides funds to make principal and interest payments on METRO's outstanding bonds, contractual obligations, and commercial paper.

In Conclusion

Simply put, the New METRO's top priorities for FY2014 are improving ridership and completing the three light rail lines. METRO staff looks forward to working with the Board in implementing policies and actions to grow ridership in FY2014 while going back to the basics on delivering quality transit services.

Service Summary

Multi-modal System



Local Bus

Park & Ride/
Commuter Services

Bikes on Buses

METROLift

METRO Rail

HOV + HOT Lanes

METRO STAR

Motorist Assistance Program
(MAP)

METRO provides bus, light rail, High Occupancy Vehicle lanes and other transit services to the City of Houston, 14 other incorporated Cities, and parts of unincorporated Harris County, a service area of approximately 3.5 million people. Houston is the nation's fourth largest city and the Houston metro area is the nation's sixth largest metro area.

Transit System

The Authority is organized to develop, operate, and maintain a mass transit system to serve the residents within and visitors to its service area. The focus of the FY2014 Transit Service Plan is to identify operational cost savings and reinvest those savings into expanded and realigned bus service. To achieve this objective, the Plan focuses on reducing duplicate service, matching vehicle type with service needs, and extending existing bus routes to better connect communities to the larger transit network. The plan factors in the three new METRORail lines under construction and begins to realign our bus services to take advantage of these high-quality transit services in the North, East and Southeast areas of Houston. The Authority's transit system is multi-modal, with the following components:

Bus System - The Authority provides public bus service within its service area utilizing a fleet of approximately 1,248 buses, which includes the Greenlink CNG buses, 118 METROLift paratransit service vans, plus passenger facilities, including 9,898 active bus stops, and 34,159 parking spaces. METRO buses ran 58 million revenue miles in a service area of 1,286 square miles with approximately 81 million boardings in FY2013.

HOV/HOT Lane System - The High Occupancy Vehicle (HOV) lane program is a cooperative effort between the Texas Department of Transportation (TxDOT) and METRO, which is funded through a combination of federal, state and local resources. As of September 2013, METRO has 141 miles of HOV/HOT lanes on Houston freeways. For FY2013, the projected HOV/HOT lane ridership is about 26.6 million.

Light Rail System - The Authority's first light rail line began operation on January 1, 2004. This 7.5-mile line originates in the northern part of Houston's Central Business District and continues south through Midtown, the Museum District, the Texas Medical Center and the Reliant Park Complex to the Fannin South Park & Ride Lot. There are 16 stations along the route. The Authority is currently building three additional light rail lines. METRO will open an additional 14.2 miles of light rail lines by fall of 2014, with an additional 1.0 mile on the East End Line upon completion of the Hughes underpass. The North Line will be the first of these new lines to open in December of 2013. With these additional lines, METRO's total light rail miles will be 22.7.

Paratransit Service - The Authority's METROLift paratransit service provided service to 17,745 registrants using both METRO-owned lift-equipped vans and contractor-owned and operated accessible minivans in FY2013.

Commuter Vanpool Service - In FY2013, the Authority's METRO STAR commuter vanpool service had 720 vanpools, taking approximately 2.5 million trips annually with approximately 7,189 riders. In FY2014, the Authority is estimating 2.5 million trips annually, with approximately 7,205 riders; making METRO STAR one of the largest vanpool programs in the nation.

Projected Ridership

Category	FY2014 Budgeted	FY2013 Estimate	Change	% Change
Fixed Routes	85,003,372	80,540,307	+ 4,463,065	+ 5.5%
Customized Services	4,267,518	4,204,031	+ 63,487	+ 1.5%
Total Bus and Rail	89,270,890	84,744,338	+ 4,526,552	+ 5.3%

Note: The chart above measures the change in system ridership between FY2013 estimate and FY2014 budgeted levels.

Boardings by Service Category

	FY2012 Actual	FY2013 Budget	FY2013 Estimate	FY2014 Budget	Budget to Budget Variance	
					#	%
Fixed Route Bus						
Local	58,067,351	55,608,540	60,779,250	63,534,211	7,925,671	14.3%
Park & Ride	7,394,535	7,077,204	7,956,632	8,332,325	1,255,121	17.7%
Subtotal Fixed Route Bus	65,461,886	62,685,744	68,735,882	71,866,536	9,180,792	14.6%
METRO Rail*	11,309,468	11,638,566	11,393,285	12,713,362	1,074,796	9.2%
Subtotal Fixed Route	76,771,354	74,324,310	80,129,167	84,579,898	10,255,588	13.8%
Special Events **	365,548	134,228	411,140	423,474	289,246	215.5%
Total Fixed Route	77,136,902	74,458,538	80,540,307	85,003,372	10,544,834	14.2%
Customized Bus Services						
METRO Lift	1,668,631	1,666,455	1,709,772	1,761,180	94,725	5.7%
METRO STAR Vanpool	2,411,533	2,501,955	2,490,424	2,502,503	548	0.0%
Internal Service	3,777	3,835	3,835	3,835	0	0.0%
Subtotal Customized Bus	4,083,941	4,172,245	4,204,031	4,267,518	95,273	2.3%
Subtotal Bus and Rail	81,220,843	78,630,783	84,744,338	89,270,890	10,640,107	13.5%
HOV/HOT Carpools, Vanpools, and Non-METRO Buses	24,698,658	26,185,422	26,603,100	27,295,000	1,109,578	4.2%

*Increase in rail ridership is due to the early opening of the North Line light rail.

**Special Events is a category that reflects customer service-oriented short-term additional motor bus and rail service provided for events at Reliant Park, such as football games and the Houston Livestock Show and Rodeo.

Note: The chart above measures the change in system ridership between FY2013 estimate and FY2014 budgeted levels.

FY2014 Service Levels Budget

Service Plan

Resources	Fixed Route						Customized Service			
	<u>Contracted</u>	<u>Contracted</u>	<u>Special</u>	<u>Special</u>	<u>Total Bus</u>	<u>Rail</u>	<u>Total Bus</u>	<u>Internal</u>	<u>METROLift</u>	<u>METRO</u>
	<u>METRO Bus</u>	<u>Bus</u>	<u>Alternative*</u>							
Revenue Miles	32,251,511	8,471,942	1,140,385	22,337	41,886,175	1,193,100	43,079,275	4,432	17,410,597	-
Revenue Hours	2,220,527	557,518	83,773	2,259	2,864,077	97,606	2,961,683	643	1,017,409	-
Total Miles	38,276,673	10,536,565	1,303,539	22,337	50,139,114	1,200,534	51,339,648	4,432	20,185,987	-
Total Hours	2,461,291	629,416	90,505	2,259	3,183,471	98,694	3,282,165	643	1,133,794	-
Number of Vans										720

FY2013 Service Levels Estimate

Resources	Fixed Route						Customized Service			
	<u>Contracted</u>	<u>Contracted</u>	<u>Special</u>	<u>Special</u>	<u>Total Bus</u>	<u>Rail</u>	<u>Total Bus</u>	<u>Internal</u>	<u>METROLift</u>	<u>METRO</u>
	<u>METRO Bus</u>	<u>Bus</u>	<u>Alternative*</u>							
Revenue Miles	32,204,903	8,326,244	464,174	22,337	41,017,658	767,122	41,784,780	4,432	16,324,319	-
Revenue Hours	2,236,880	546,567	36,799	2,259	2,822,505	64,970	2,887,475	643	973,185	-
Total Miles	38,070,383	10,290,594	562,492	22,337	48,945,806	773,616	49,719,422	4,432	18,969,348	-
Total Hours	2,470,855	616,679	40,795	2,259	3,130,588	65,846	3,196,434	643	1,084,070	-
Number of Vans										717

FY2013 Service Levels Budget

Resources	Fixed Route						Customized Service			
	<u>Contracted</u>	<u>Contracted</u>	<u>Special</u>	<u>Special</u>	<u>Total Bus</u>	<u>Rail</u>	<u>Total Bus</u>	<u>Internal</u>	<u>METROLift</u>	<u>METRO</u>
	<u>METRO Bus</u>	<u>Bus</u>	<u>Alternative*</u>							
Revenue Miles	32,163,175	8,045,623	737,591	22,337	40,968,726	766,881	41,735,606	4,432	15,870,617	-
Revenue Hours	2,219,698	525,709	58,999	2,259	2,806,665	64,916	2,871,581	643	926,246	-
Total Miles	37,929,699	9,947,939	886,384	22,337	48,786,359	773,443	49,559,802	4,432	18,405,790	-
Total Hours	2,452,467	593,688	65,081	2,259	3,113,496	65,790	3,179,286	643	1,014,985	-
Number of Vans										757

Note: Contracted Alternative service reflects fixed route bus service delivered with the use of smaller, more efficient vehicles.

Change to Service Levels: FY2013 Estimate to FY2014 Proposed Budget

<u>Resources</u>	<u>Fixed Route</u>					<u>Customized Service</u>				
	<u>METRO Bus</u>	<u>Contracted Bus</u>	<u>Contracted Alternative</u>	<u>Special Events</u>	<u>Total Bus</u>	<u>Rail</u>	<u>Total Bus and Rail</u>	<u>Internal Service</u>	<u>METROLift</u>	<u>METRO STAR</u>
Revenue Miles	46,608	145,698	676,211	-	868,517	-425,978	442,539	-	1,086,278	-
Revenue Hours	-16,353	10,951	46,974	-	41,572	-32,636	8,936	-	44,224	-
Total Miles	206,290	245,971	741,047	-	1,193,308	-426,918	766,390	-	1,216,639	-
Total Hours	-9,564	12,737	49,710	-	52,883	-32,848	20,035	-	49,724	-
Number of Vans										3

<u>Resources</u>	<u>Fixed Route</u>					<u>Customized Service</u>				
	<u>METRO Bus</u>	<u>Contracted Bus</u>	<u>Contracted Alternative</u>	<u>Special Events</u>	<u>Total Bus</u>	<u>Rail</u>	<u>Total Bus and Rail</u>	<u>Internal Service</u>	<u>METROLift</u>	<u>METRO STAR</u>
Revenue Miles	0.14%	1.75%	145.68%	-	2.12%	-55.53%	1.06%	-	6.65%	-
Revenue Hours	-0.73%	2.00%	127.65%	-	1.47%	-50.23%	0.31%	-	4.54%	-
Total Miles	0.54%	2.39%	131.74%	-	2.44%	-55.18%	1.54%	-	6.41%	-
Total Hours	-0.39%	2.07%	121.85%	-	1.69%	-49.89%	0.63%	-	4.59%	-
Number of Vans										0.42%

Change to Service Levels: FY2013 Budget to FY2014 Proposed Budget

<u>Resources</u>	<u>Fixed Route</u>					<u>Customized Service</u>				
	<u>METRO Bus</u>	<u>Contracted Bus</u>	<u>Contracted Alternative</u>	<u>Special Events</u>	<u>Total Bus</u>	<u>Rail</u>	<u>Total Bus and Rail</u>	<u>Internal Service</u>	<u>METROLift</u>	<u>METRO STAR</u>
Revenue Miles	88,336	426,319	402,794	-	917,449	426,219	1,343,669	-	1,539,980	-
Revenue Hours	829	31,809	24,774	-	57,412	32,690	90,102	-	91,163	-
Total Miles	346,974	588,626	417,155	-	1,352,755	427,091	1,779,846	-	1,780,197	-
Total Hours	8,824	35,728	25,424	-	69,975	32,904	102,879	-	118,809	-
Number of Vans										-37

<u>Resources</u>	<u>Fixed Route</u>					<u>Customized Service</u>				
	<u>METRO Bus</u>	<u>Contracted Bus</u>	<u>Contracted Alternative</u>	<u>Special Events</u>	<u>Total Bus</u>	<u>Rail</u>	<u>Total Bus and Rail</u>	<u>Internal Service</u>	<u>METROLift</u>	<u>METRO STAR</u>
Revenue Miles	0.27%	5.30%	-	-	2.24%	55.58%	3.22%	-	9.70%	-
Revenue Hours	0.04%	6.05%	-	-	2.05%	50.36%	3.14%	-	9.84%	-
Total Miles	0.91%	5.92%	-	-	2.77%	55.22%	3.59%	-	9.67%	-
Total Hours	0.36%	6.02%	-	-	2.25%	50.01%	3.24%	-	11.71%	-
Number of Vans										-4.89%

Workforce by Department

Authority	FY2012		FY2013	FY2014
	<u>Auth.</u>	<u>Actual</u>	<u>Current Auth.</u>	<u>Auth.</u>
Executive Office	9	9	8	10
Government & Public Affairs	42	42	41	41
Service Delivery				
Service Delivery Union	2,183	2,166	2,254	2,267
Service Delivery Non-Union	442	438	505	511
Service Design & Development	46	44	31	31
Capital Programs	49	44		
Capital Programs Union	105	102	105	138
Capital Programs Non-Union	84	75	90	95
Chief Admin. Office				
Chief Admin. Officer Union	155	151	50	57
Chief Admin. Officer Non-Union	220	207	161	165
METRO Police	223	206	223	258
Safety	38	35	39	41
Legal	14	14	20	21
Finance	72	71	72	80
Audit	11	11	11	11
Total Union	2,338	2,317	2,409	2,462
Total Non-Union	1,124	1,079	1,201	1,264
Total Workforce	3,462	3,396	3,610	3,726

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

Workforce Summary

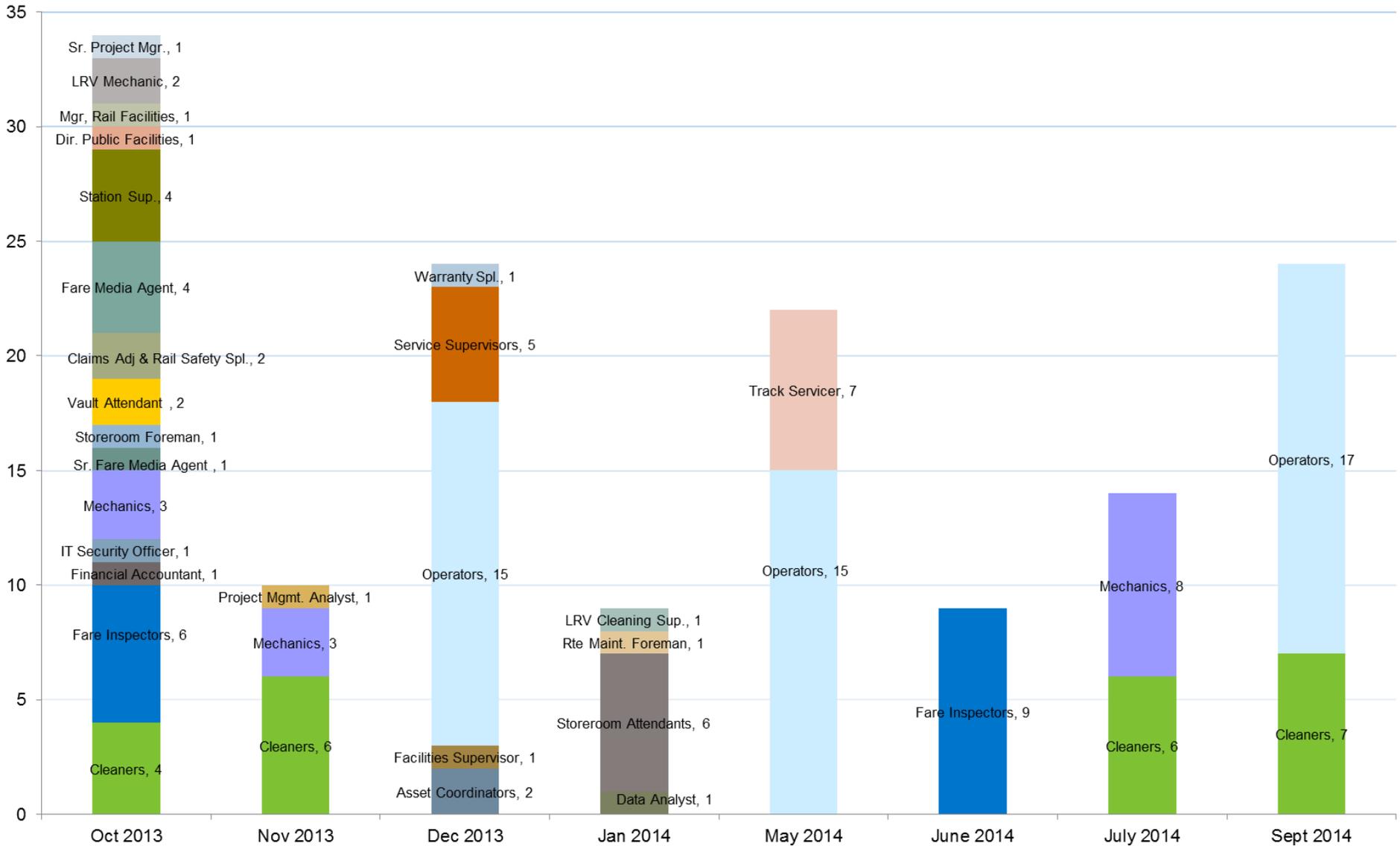
<u>Department</u>	FY2013 EOY <u>Workforce *</u>	FY2014			
		<u>Baseline</u>	<u>Rail Increment</u>	<u>New Requirements</u>	<u>Total</u>
Service Delivery	2,759	2,706	67	5	2,778
Executive VP	211	214	7	1	222
METRO Police	223	243	15		258
Service Design & Development	31	31			31
Government & Public Affairs	41	41			41
Safety	39	39	2		41
Capital Programs	195	193	39	1	233
Finance	72	72	8		80
Legal	20	20		1	21
Audit	11	11			11
Executive	8	10			10
Total Workforce	3,610	3,580	138	8	3,726

The Workforce by Department chart above reflects all positions that will be added to the budget as a result of the implementation of the three new LRT lines from the METRORail Program and to improve the current service levels with Ridership as the focal point throughout FY2014. These increments are predominantly within the Service Delivery Rail Operations Division, METRO Police, Facilities Maintenance and Finance.

FY2014 Operating Budget Workforce Additions

Department	Position	Rail Increment	New Requirements
Service Delivery	LRV Operators	47	
Service Delivery	LRV Servicer	4	
Service Delivery	LRV Mechanic	2	
Service Delivery	LRV Servicer	7	
Procurement & Materials	Storeroom Attendants	6	
Procurement & Materials	Storeroom Foreman	1	
Facilities Maintenance	Cleaners	19	
Facilities Maintenance	Mechanics	14	
	Total Union	100	0
Service Delivery	Warranty Specialist	1	
Service Delivery	Senior Project Mgr.	1	
Service Delivery	Field Supervisor	4	
Service Delivery	LRV Cleaning Supervisor	1	
Service Delivery	Service Supervisor		5
Information Technology	IT Security Officer		1
METRO Police	Fare Inspectors	15	
Facilities Maintenance	Manager, Rail Facilities	1	
Facilities Maintenance	Asset Coordinator	1	
Facilities Maintenance	Route Maintenance Foreman	1	
Facilities Maintenance	Data Analyst	1	
Facilities Maintenance	Director, Public Facilities	1	
Facilities Maintenance	Facilities Supervisor	1	
Safety	Claims Adjuster and Rail Safety Specialist	2	
Finance	Vault Attendant	2	
Finance	Fare Media Agent Field	4	
Finance	Sr. Fare Media Agent	1	
Finance	Financial Accountant	1	
Real Estate	Project Management Analyst		1
Capital Programs	Asset Coordinator		1
	Total Non-Union	38	8
	Subtotal	138	8
	Total Positions	146	

FY2014 METRO New Position Hiring Plan



Authority Budget Summary

	FY2012	FY2013	FY2013	FY2014	Budget-to-Budget Variance	
	<u>Actual</u>	<u>Budget</u>	<u>Estimate</u>	<u>Budget</u>	\$	%
Sales Tax	\$ 593,732,843	\$ 614,750,795	\$ 632,900,000	\$ 669,292,000	\$ 54,541,205	8.9%
Fares	66,887,319	65,000,000	69,194,610	69,700,000	4,700,000	7.2%
Grants	411,829,261	374,393,999	367,459,237	205,746,412	(168,647,587)	(45.0%)
Interest	625,042	450,000	1,032,624	550,000	100,000	22.2%
Miscellaneous	4,700,547	4,860,946	6,962,860	7,683,480	2,822,534	58.1%
Total Revenues	\$ 1,077,775,012	\$ 1,059,455,740	\$ 1,077,549,331	\$ 952,971,893	\$ (106,483,847)	(10.1%)
Operating Expenses						
Wages	\$ 99,899,878	\$ 103,135,921	\$ 102,541,962	\$ 109,561,856	\$ 6,425,935	6.2%
Union Fringe Benefits	46,070,068	56,576,950	54,023,968	59,182,085	2,605,135	4.6%
Subtotal Union Labor	145,969,946	159,712,871	156,565,930	168,743,941	9,031,070	5.7%
Salaries and Non-Union Wages	66,066,278	73,847,798	72,674,425	80,257,978	6,410,180	8.7%
Non-Union Fringe Benefits	31,494,234	32,175,339	31,640,600	36,279,089	4,103,750	12.8%
Subtotal Non-Union Labor	97,560,512	106,023,137	104,315,025	116,537,068	10,513,931	9.9%
Subtotal Labor and Fringe Benefits	243,530,458	265,736,008	260,880,955	285,281,009	19,545,001	7.4%
Services	23,715,308	34,712,488	32,886,892	39,933,471	5,220,983	15.0%
Materials and Supplies	22,170,356	19,689,940	19,501,509	21,115,065	1,425,125	7.2%
Fuel & Utilities	49,512,259	50,104,164	49,075,304	51,522,033	1,417,869	2.8%
Casualty and Liability	(1,424,743)	3,256,864	2,683,660	4,677,577	1,420,713	43.6%
Purchased Transportation	78,384,760	80,895,333	80,719,356	88,591,060	7,695,727	9.5%
Leases, Rentals and Miscellaneous	5,809,236	7,720,430	7,233,711	7,431,621	(288,809)	(3.7%)
Subtotal Non-Labor	178,167,177	196,379,219	192,100,432	213,270,828	16,891,609	8.6%
Subtotal Labor and Non Labor	421,697,635	462,115,227	452,981,387	498,551,837	36,436,610	7.9%
Emergency Fund	-	-	-	1,000,000	1,000,000	-
Contingency	-	4,608,993	-	9,000,000	4,391,007	95.3%
Allocation to Capital and GMP	(14,252,050)	(21,724,220)	(18,087,141)	(21,158,651)	565,569	2.6%
Subtotal Contingency/Allocation	(14,252,050)	(17,115,227)	(18,087,141)	(11,158,651)	5,956,576	34.8%
Total Operating Expenses	\$ 407,445,585	\$ 445,000,000	\$ 434,894,246	\$ 487,393,187	\$ 42,393,187	9.5%
Capital Budget						
METRO Rail Expansion	409,964,187	559,400,000	498,881,000	314,557,000	(244,843,000)	(43.8%)
Capital Improvement Program	79,927,493	159,777,000	120,961,000	198,367,000	38,590,000	24.2%
Total Capital Budget	\$ 489,891,680	\$ 719,177,000	\$ 619,842,000	\$ 512,924,000	\$ (206,253,000)	(28.7%)
General Mobility	\$ 153,787,527	\$ 164,834,000	\$ 160,842,111	\$ 160,120,730	\$ (4,713,270)	(2.9%)
Debt Service	\$ 77,614,000	\$ 78,302,000	\$ 75,000,000	\$ 80,198,494	\$ 1,896,494	2.4%

Financial Summary

Sources of METRO Funds (in millions)	Fiscal Year 2013 Estimate							TOTAL
	Operations	General Mobility	Debt Service	METRO Rail Expansion	FY13 Bus/Van Replacements	Capital Improvement	Reserves	
Sales Tax	300	161	50	-		90	32	633
Grants*	60			261	3	28		352
Farebox	69							69
Borrowing			23	95				118
Other	6		2					8
Fund Balance				142			181	323
TOTAL	435	161	75	499	3	118	213	1,504

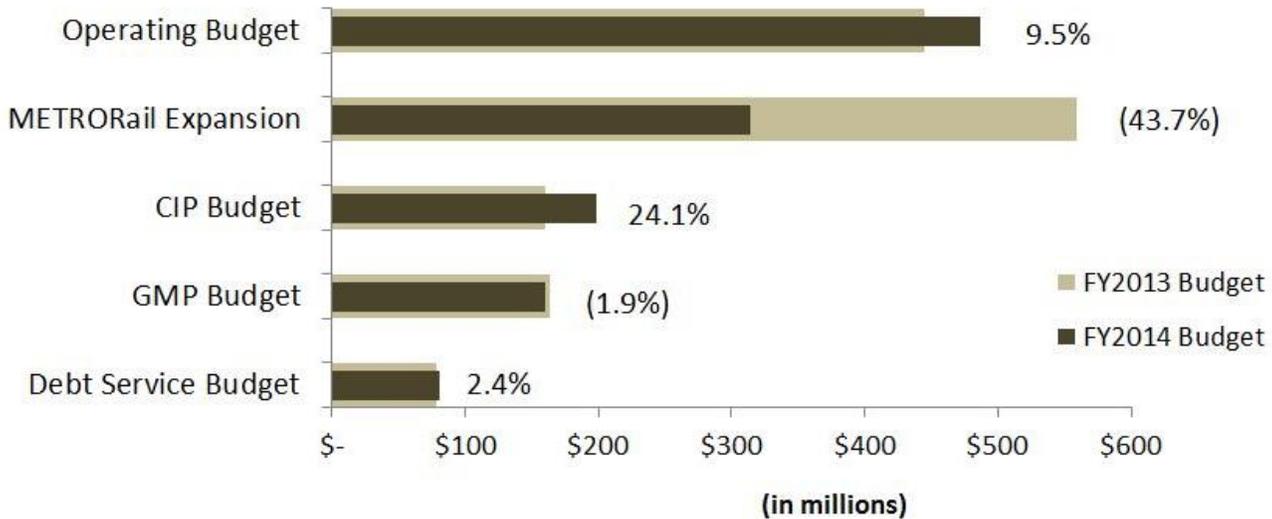
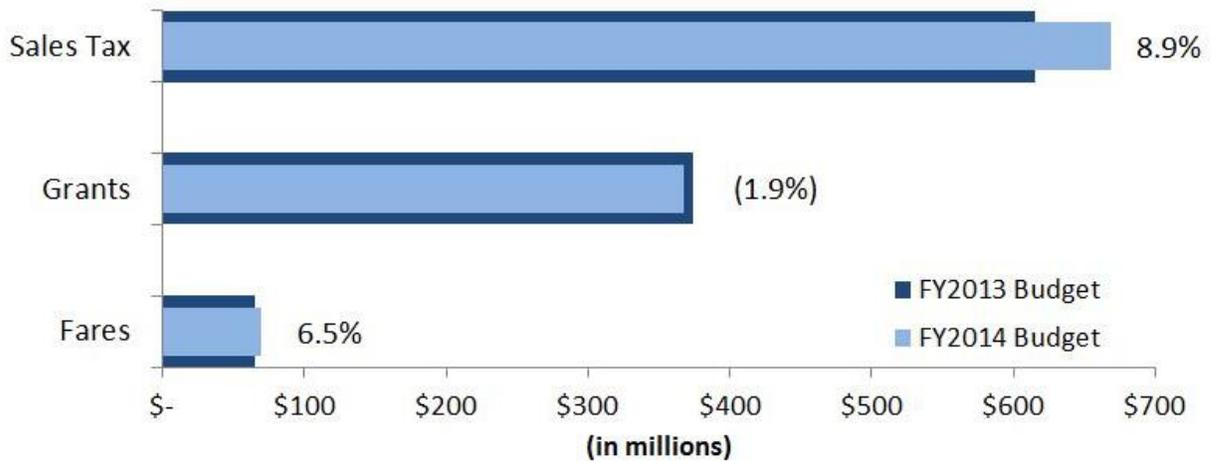
* Many expenses that accounting rules classify as operating costs are eligible as capital expenses in the 5307 formula grant program, including preventative maintenance, expenses (up to 10% of the amount apportioned) for providing non-fixed route paratransit transportation services in accordance with section 223 of the ADA, and mobility management expenses.

Financial Summary (continued)

Sources of METRO Funds (in millions)	Fiscal Year 2014								TOTAL
	Operations	General Mobility	Debt Service	METRO Rail Expansion	FY13 Bus Replacements	FY14 Bus/Van Replacements	Capital Improvement	Reserves	
Sales Tax	349	160	78				79	3	669
Grants*	62			127		3	53		244
Farebox	70								70
Borrowing				34	52	64			150
Other	6		2						8
Fund Balance				153	(52)			111	213
TOTAL	487	160	80	314	-	67	131	114	1,354

* Many expenses that accounting rules classify as operating costs are eligible as capital expenses in the 5307 formula grant program, including preventative maintenance, expenses (up to 10% of the amount apportioned) for providing non-fixed route paratransit transportation services in accordance with section 223 of the ADA, and mobility management expenses.

Year-to-Year Budget Comparisons



Financials

Development Guidelines

METRO is committed to being a responsible steward of public funds and to financial sustainability. To meet these goals, METRO's FY2014 Business Plan was developed using the following guidelines:

- Estimates of sales tax growth will be consistent with Dr. Robert W. (Bill) Gilmer's growth estimates, reduced by approximately 1% in the first year of the estimate and applying the forecasted growth rate for the out years.
- METRO will support financial sustainability by managing the growth of non-start-up operating expenses to no more than the estimated sales tax growth rate.
- No fixed-route fare increases will be proposed for FY2014.
- METRO will present the Five Year Cash Flow model annually, clearly specifying all sources and uses of revenue. (The model will be updated periodically as required).
- METRO will position itself for optimum receipt of Federal grants.
- METRO will allocate sufficient resources to complete, start-up, and operate the three new rail lines while continuing to provide high quality service to all other modes.
- Capital expenditures must be supported upon project completion by a sustainable revenue source (e.g. sales tax revenue, fare revenue).
- Employee health care, pensions, and salaries will be reviewed periodically to ensure that they are commensurate with the industry.
- Requests to expand service or improve service quality for the current year will require a cost/benefit analysis, which will include changes to future operating cost.

Net Summary

Section 451.102 of the Texas Transportation Code requires the Board of Directors of the Metropolitan Transit Authority to adopt an annual budget which specifies major expenditures by type and amount prior to the commencement of a fiscal year.

The total proposed budget for FY2014 is \$1,240.6 million, a decrease of \$166.6 million or 12% from the approved FY2013 budget. The table below shows the four major expenditures by type – Operating, Capital, General Mobility and Debt Service.

Net Summary Proposed FY2014 Annual Budget

(in millions)

Description	Approved FY13 Budget	Proposed FY14 Budget	Increase
Operating Budget	\$ 445.0	\$ 487.4	\$ 42.4 10%
GMP Budget	164.8	160.1	(4.7) (3%)
Capital Budget	719.2	512.9	(206.3) (29%)
Debt Service	78.3	80.2	1.9 2%
Total	\$ 1,407.3	\$ 1,240.6	\$ (166.6) (12%)

Operating Budget

The proposed Operating budget is \$487.4 million, an increase of \$42.4 million or 10% from the FY2013 approved budget level.

General Mobility Program Budget

The FY2014 General Mobility program budget is \$160.1 million, a decrease of \$4.7 million or 2.8% from the prior year. The decrease reflects the completion of funding for unexpended carryover of prior years to the City of Houston and Harris County. Thus the \$160.1 million includes provisions for the 25% sales tax commitment that METRO makes to the GMP escrow account.

Capital Budget

The current Capital budget reflects a decrease of \$206.3 million or 29% over the FY2013 approved budget level. This decline is largely due to a \$244.8 million or 44% decrease in METRORail Expansion (MRE) expenditures, offset by a \$38.5 million or 24% increase in planned Capital Improvement Program (CIP) expenditures.

Capital Program
Proposed FY2014 Annual Budget
 (in millions)

Description	Approved FY13 Budget	Proposed FY14 Budget	Increase	
<u>METRO Rail Expansion Program (MRE)</u>				
LRT Lines	\$ 511.858	\$ 304.488	\$ (207.370)	(41%)
Main Street Vehicles & Other	47.542	10.069	(37.473)	(79%)
Total MRE	559.400	314.557	(244.843)	(44%)
<u>Capital Improvement Program (CIP)</u>				
Main Street Upgrades and Other MRE-related projects	6.378	15.308	8.930	140%
<i>State of Good Repair</i>				
Bus and Van Acquisitions	60.617	67.324	6.707	11%
State of Good Repair Projects	56.360	61.895	5.535	10%
Total State of Good Repair	116.977	129.219	12.242	10%
Enhancement of Existing Assets (Less MRE related projects)	27.386	21.389	(5.997)	(22%)
Service Expansion	9.035	32.451	23.416	259%
Total CIP	159.776	198.367	38.591	24%
TOTAL Capital Program	\$ 719.176	\$ 512.924	\$ (206.252)	(29%)

The proposed Capital budget of \$512.9 million is allocated in two program categories – the METRO Rail Expansion (MRE) program and the Capital Improvement Program (CIP). The FY2014 budget allots \$314.6 million for MRE program expenditures, specifically, \$304.5 million for the LRT lines, \$10.1 million for Main Street rail vehicle procurements, on-board equipment expenditures, and other related expenses, \$198.4 million for the CIP program: specifically, \$15.3 million for Main Street upgrades and other MRE-related projects (considered separate from the MRE program), \$129.2 million for State of Good Repair projects (including bus acquisitions, METROLift van replacements, bus and facilities improvements and support vehicles), \$21.4 million for projects that enhance existing assets and \$32.5 million for projects relating to service expansion.

Debt Service

The proposed budget for debt service is \$80.2 million, an increase of \$1.9 million or 2.4% from FY2013 approved budget level.

The debt service budget includes principal and interest payments and required deposits to the debt service reserve fund.

A detailed table of METRO’s debt position is provided in the Debt Service section of this book.

Sources & Uses of Funds

The FY2014 budget calls for \$1.240 billion to fund Operating Expenditures, Debt Service, General Mobility Program (GMP), Capital Improvement Projects (CIP) and the METRORail Expansion (MRE) program. The table below summarizes the Sources and Uses of Funds for the FY2014 budget. It segregates the Authority's operations into two parts - the Operating and Capital Improvement Program and METRORail Expansion (MRE).

Sources & Uses of Funds (in millions)

	Operating & CIP	METRORail Expansion	TOTAL
SOURCES OF FUNDS			
Beginning Fund Balance	\$ 59.756	\$ 153.476	\$ 213.232
<u>Revenues:</u>			
Sales Tax	669.292		669.292
Transportation Fares	69.700	-	69.700
Grants	117.548	126.645	244.193
Other Income	8.233	-	8.233
Total Revenues	864.773	126.645	991.418
<u>Debt Funding</u>			
Proceeds from Borrowing	115.787	33.853	149.640
Total Sources of Funds	\$ 1,040.316	\$ 313.974	\$ 1,354.290
USES OF FUNDS			
<u>Expenses:</u>			
Operating Budget	\$ 487.393	\$ -	\$ 487.393
General Mobility Program	160.121	-	160.121
Capital Improvement Projects*	198.368	-	198.368
MRE Expenditures	-	313.974	313.974
Debt Service	80.198	-	80.198
Total FY14 Expenses	926.081	313.974	1,240.055
Ending Fund Balance	114.235	-	114.235
Total Uses of Funds	\$ 1,040.316	\$ 313.974	\$ 1,354.290
<i>* Includes only Non-MRE projects</i>			

Funding of Operating and Capital Improvement Projects

The Operating Budget of \$487.4 million, General Mobility Program of \$160.1 million, Capital Projects \$198.4 million and Debt Service expenses of \$80.2 million, will be funded from several revenue sources (including sales tax receipts, transportation fares, operating and capital grants and other income) totaling \$864.773 million and proceeds received from borrowing of \$115.787 million. In addition, the METRO Board-approved Debt Policy adopted in June 2005 sets the minimum target fiscal year ending fund balance (cash and investment portfolio) at 15% of the forward 12 month operating expenditures. Thus, the FY2015 beginning fund balance reserved for operations of \$114.2 million includes a reserved amount of \$73.1 million, which will be available to assist in the funding of the operating and non-MRE capital expenditures while maintaining the minimum target fiscal year fund balance required for forward 12 month operating period expenditures.

Funding of the METRORail Expansion Program

The FY2014 budget for the METRORail Expansion is \$314.0 million. The funding sources for this program include proceeds of borrowing (contractual obligations and bond issuances) totaling \$33.9 million and grant revenues of \$126.645 million. An additional \$153.5 million will be used from the fund balance to cover the remaining expenditures.

Statement of Net Assets

The table below shows the Authority's Statement of Net Assets as of fiscal years ending September 30, 2012, 2013, and 2014.

Statement of Net Assets (in millions)

	FY12	FY13	FY13	FY14
	Actual	Budget	Estimate	Budget
	9/30/2012	9/30/2013	9/30/2013	9/30/2014
Assets				
Cash	\$ 1.769	\$ 2.500	\$ 2.826	\$ 2.900
Receivables	143.418	322.793	127.867	173.000
Inventory	17.533	18.500	21.018	18.500
Investments	525.403	481.085	482.541	490.000
Other Assets	98.194	225.113	99.101	100.000
Debt Issuance Costs	8.100	8.500	8.100	8.100
Property Net of Depreciation	2,580.101	2,787.033	2,841.485	2,979.000
Total Assets	\$ 3,374.517	\$ 3,845.523	\$ 3,582.938	\$ 3,771.500
Liabilities				
Trade Payables	\$ 125.067	\$ 130.000	\$ 125.067	\$ 130.000
Accrued Payroll	23.759	24.600	25.000	25.000
Short-Term Debt	162.400	189.000	187.000	185.130
Long-Term Liabilities	1,299.441	903.740	1,046.633	1,007.847
Other Liabilities	230.592	252.000	13.197 *	20.000
Total Liabilities	\$ 1,530.034	\$ 1,499.340	\$ 1,396.898	\$ 1,367.977
Net Assets - Retained	\$ 1,844.484	\$ 2,346.183	\$ 2,186.040	\$ 2,403.523
Total Liabilities and Net Assets	\$ 3,374.517	\$ 3,845.523	\$ 3,582.938	\$ 3,771.500

*Reporting of deferred rental payments reclassified to Long term Liabilities in FY2013

Five Year Cash Flow Projections

The table below shows cash flow projections for the next five years to FY2018.

Five Year Cash Flow Projections

(in millions)

	FY2013 Estimate	FY2014	FY2015	FY2016	FY2017	FY2018
SOURCES:						
Beginning Fund Balance	\$ 323.446	\$ 213.232	\$ 114.235	\$ 78.226	\$ 80.008	\$ 81.497
Sales Tax	632.900	669.292	724.174	771.607	813.274	857.028
Fare Revenue	69.195	69.700	73.185	77.576	81.455	84.713
Grant Revenue	352.182	244.193	103.221	91.973	104.733	100.716
Proceeds from Borrowing	118.289	149.640	86.437	53.062	94.699	51.399
Other Revenues	7.995	8.233	9.233	9.233	9.233	9.233
Total Sources	\$ 1,504.007	\$ 1,354.290	\$ 1,110.485	\$ 1,081.677	\$ 1,183.402	\$ 1,184.586
USES:						
Operating Budget Expenditures	\$ 434.894	\$ 487.393	\$ 511.141	\$ 521.164	\$ 533.387	\$ 543.315
General Mobility Program	160.842	160.121	174.177	180.106	185.314	190.783
Capital Programs						
<u>METRORail Expansion</u>						
LRT Lines	459.708	306.038	52.631	15.001	32.148	25.914
Main St. Vehicles	39.370	7.936	-	-	-	-
<i>Sub-Total MRE</i>	499.078	313.974	52.631	15.001	32.148	25.914
<u>Capital Improvement Projects</u>						
Main St. Upgrades & Other MRE-related projects	8.251	15.308	9.587	5.793	-	-
State of Good Repair	96.784	129.219	120.097	102.156	108.600	78.170
Enhancement of Existing Assets (Excludes MRE-related projects)	15.328	21.389	17.852	16.159	16.691	13.803
Service Expansion						
Park & Rides and Signature Bus	0.598	32.451	47.606	39.774	25.511	10.000
<i>Sub-Total Capital Improvement Projects</i>	120.961	198.368	195.142	163.882	150.802	101.973
Total Capital Programs	620.039	512.342	247.773	178.883	182.950	127.887
Debt Service	75.000	80.198	99.168	112.591	120.853	132.053
Available for New Projects	-	-	-	8.924	79.401	106.241
Ending Fund Balance	213.232	114.235	78.226	80.008	81.497	84.307
Total Uses	\$ 1,504.007	\$ 1,354.290	\$ 1,110.485	\$ 1,081.677	\$ 1,183.402	\$ 1,184.586

Statement of Revenues, Expenses, and Changes in Net Assets

The table below – Statement of Revenues, Expenses and Changes in Net Assets – uses the Comprehensive Annual Financial Report (CAFR) format and is prepared using the economic resources focus and the accrual basis of accounting – revenues are recognized when earned and expenses are recognized when incurred. In other words, all the current year’s revenues and expenses are included regardless of when the cash is received or paid.

Statement of Revenues, Expenses and Changes in Net Assets

(in millions)

	FY2012 Actual	FY2013 Budget	FY2013 Estimate	FY2014 Estimate
REVENUES				
Operating Revenues:				
<u>Revenues:</u>				
Transportation Fares	66.469	65.000	69.195	69.700
HOT Lane Revenues	0.418	1.500	3.240	4.000
Total Operating Revenues	66.887	66.500	72.434	73.700
Operating Expenses:				
Transit Operating	436.406	445.000	434.894	487.393
Depreciation and Amortization	137.095	112.121	125.700	125.700
Total Operating Expenses	573.501	557.121	560.595	613.094
Operating Loss	\$ (506.614)	\$ (490.621)	\$ (488.160)	\$ (539.394)
Non-Operating Revenues (Expenses):				
Sales Tax	\$ 593.733	\$ 614.751	\$ 632.900	\$ 669.292
Investment Income	0.625	0.450	1.033	0.550
Inter-Government Revenue	1.986	1.986	1.986	1.986
Interest Expense	(13.720)	-	-	-
Other Income	3.031	1.374	1.737	1.697
Grant Proceeds - Operating	56.460	71.068	60.281	61.794
Local Infrastructure Assistance/GMP	(222.054)	(164.834)	(160.121)	(160.842)
Loss on Sale for Disposal of Assets	(0.316)	-	-	-
Total Non-Operating Revenues	\$ 419.745	\$ 524.796	\$ 537.816	\$ 574.477
Gain/(Loss) before Capital Grants	\$ (86.869)	\$ 34.174	\$ 49.655	\$ 35.084
Capital Grant Proceeds	355.459	303.326	291.901	182.399
Changes in net assets	268.590	337.500	341.556	217.483
Net Assets - beginning of the year	1,575.894	2,008.682	1,844.484	2,186.040
Net Assets - end of the year	1,844.484	2,346.183	2,186.040	2,403.523

FY2014 Operating Budget Proposal

▶ **Baseline Operating Budget:**

■	FY2013 Operating Budget	\$	445,000,000
■	FY2014 Proposed Operating Budget		
■	Base	\$	466,095,947
■	Budget-to-Budget Variance	\$	21,095,947
■	Workforce Increase/(Decrease)		(30)

▶ **Proposed New Requirements (non-rail):**

■	Budget Increase	\$	5,676,145
■	Workforce Increase		8

▶ **Proposed Rail Increment:**

■	Budget Increase		\$15,621,095
■	Workforce Increase		138

▶ **Total FY2014 Proposed Operating Budget:** **\$487,393,187**

Increases & Decreases

**FY2014 Operating Budget
Summary**

FY2014 Board Approved Operating Budget	\$ 445,000,000
Net Increases from FY2014	45,974,663
Net Decreases from FY2014	<u>(3,581,476)</u>
FY2014 OPERATING BUDGET	<u>\$ 487,393,187</u>
Net Increase in Operating Budget	42,393,187

MAJOR INCREASES & DECREASES	
<u>Increases</u>	
Implementation of 3 new rail lines	\$ 15,621,095
Restoring operating contingency to \$9 million level	4,391,007
Increased METROLift costs associated with contractual rate increases, increased ridership, and continued investment in improvement of on-time performance	4,133,886
Increased wage and healthcare costs resulting from the collective bargaining agreement	2,862,028
Operating expenses associated with initiatives to increase the ridership on fixed route, e.g., providing the new service to address overloads, improving customer service with bilingual operators, improving OTP, and promoting service to key demographics	2,648,155
Increased rates and hours of service for contracted fixed route service	2,583,273
Increased contract rate and service in alternative fixed routes	1,826,953
Increase in operating expenses due to lower capitalization	1,561,453
Increased usage of gasoline primarily associated with more non-revenue & revenue vehicles	1,219,967
Increased extended warranty expense reflecting additional buses coming out of initial warranty period	1,122,324
Increased expense in vehicle liability associated with insurance for new rail cars	1,060,438
Increased operating expense related to expected growth in retirees	1,047,688
Establishing an Emergency Fund	1,000,000
Increased software expense reflecting more maintenance, support & licenses	978,500
Increased healthcare cost for non-union employees due to rate increases and additional employees	937,585
Investment in a new risk management information system	550,000
Increase contract rate for HOT lanes	501,686
Increased contract rate for bus tire leases	485,078
Increased expenses related to diesel fuel delivery cost	414,855
Increase in vanpool leases and Harris County toll fees	351,880
Investments in new positions in IT, Capital Programs and Real Estate	288,992
Increased investment in organizational development & training of employees	178,061
Annualization of Pay-for-Performance & salary adjustments	146,449
Other miscellaneous increases from annualizations, contracts, and other	63,309
Total Increases	<u>\$ 45,974,663</u>

Decreases

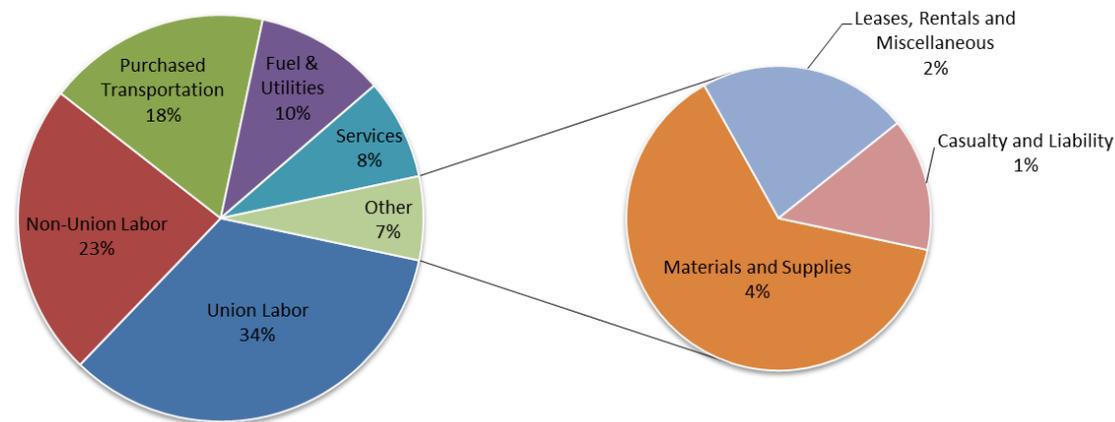
Legal expenses associated with the FY2013 General Mobility referendum	(1,231,314)
Lower METRO Q® support cost in FY2014	(1,000,000)
Lower electric power, natural gas, and telephone expenses reflecting new contract rates	(742,406)
Lower legislative coordination fees	(580,000)
Other decreases in the Authority	(27,756)
Total Decreases	\$ (3,581,476)

Operating Budget by Cost Category

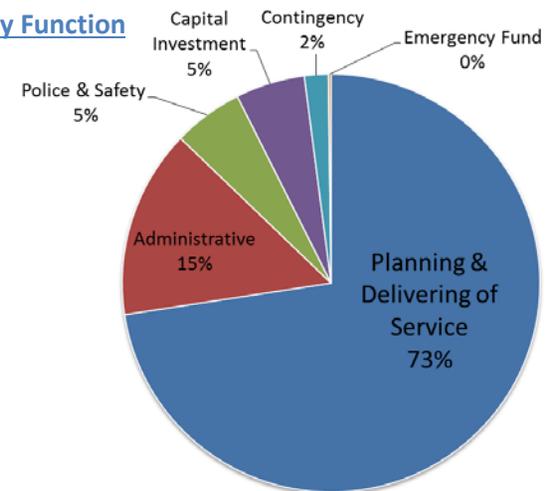
	FY2012		FY2013		FY2013		FY2014		Budget-to-Budget Variance		
	<u>Actual</u>		<u>Budget</u>		<u>Estimate</u>		<u>Budget</u>		<u>\$</u>	<u>%</u>	
Wages	\$	99,899,878	\$	103,135,921	\$	102,541,962	\$	109,561,856	\$	6,425,935	6.2%
Union Fringe Benefits		46,070,068		56,576,950		54,023,968		59,182,085		2,605,135	4.6%
Subtotal Union Labor		145,969,946		159,712,871		156,565,930		168,743,941		9,031,070	5.7%
Salaries and Non-Union Wages		66,066,278		73,847,798		72,674,425		80,257,978		6,410,180	8.7%
Non-Union Fringe Benefits		31,494,234		32,175,339		31,640,600		36,279,089		4,103,750	12.8%
Subtotal Non-Union Labor		97,560,512		106,023,137		104,315,025		116,537,067		10,513,930	9.9%
Subtotal Labor and Fringe Benefits		243,530,458		265,736,008		260,880,955		285,281,008		19,545,000	7.4%
Services		23,715,308		34,712,488		32,886,892		39,933,471		5,220,983	15.0%
Materials and Supplies		22,170,356		19,689,940		19,501,509		21,115,065		1,425,125	7.2%
Fuel & Utilities		49,512,259		50,104,164		49,075,304		51,522,033		1,417,869	2.8%
Casualty and Liability		(1,424,743)		3,256,864		2,683,660		4,677,577		1,420,713	43.6%
Purchased Transportation		78,384,760		80,895,333		80,719,356		88,591,060		7,695,727	9.5%
Leases, Rentals and Miscellaneous		5,821,341		7,720,430		7,233,711		7,431,624		(288,806)	(3.7%)
Subtotal Non-Labor		178,179,281		196,379,219		192,100,432		213,270,830		16,891,611	8.6%
Subtotal Labor and Non Labor		421,709,739		462,115,227		452,981,387		498,551,838		36,436,611	7.9%
Emergency Fund		-		-		-		1,000,000		1,000,000	-
Contingency		-		4,608,993		-		9,000,000		4,391,007	95.3%
Allocation to Capital and GMP		(14,252,050)		(21,724,220)		(18,087,141)		(21,158,651)		565,569	2.6%
Total Operating Expenses	\$	407,457,689	\$	445,000,000	\$	434,894,246	\$	487,393,187	\$	42,393,187	9.5%

FY2014 Operating Budget Breakdown

By Cost Category

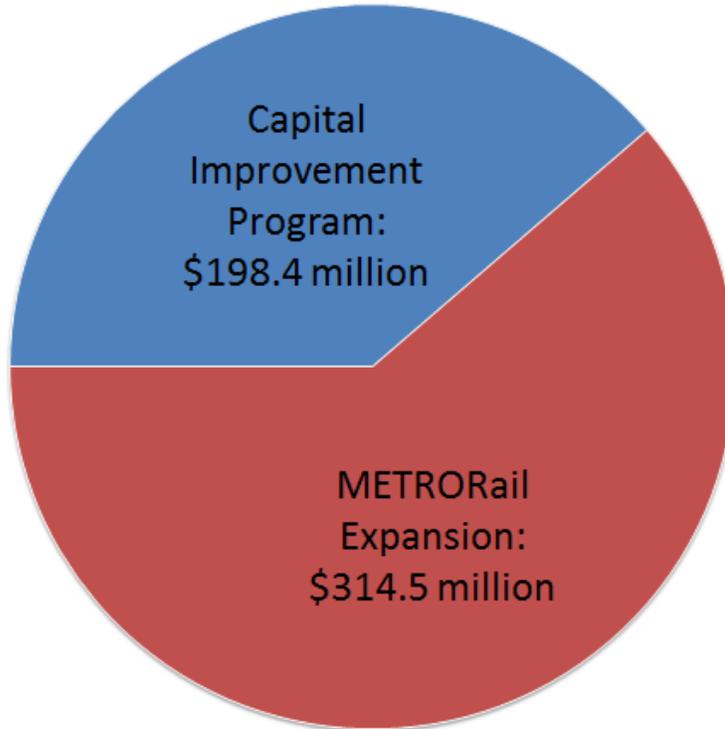


By Function



Capital Programs

METRO's Capital Programs consist of METRORail Expansion (MRE) and the Capital Improvement Program (CIP).



METRO's
 FY2014 Capital
 Programs

\$512.9 million

Capitalization Policy

The Authority's overall capitalization policy requires expenditures to be capitalized when they exceed \$5,000 and (a) the useful life of the asset acquired exceeds one year and/or (b) the useful life of an existing asset is increased beyond its original useful life.

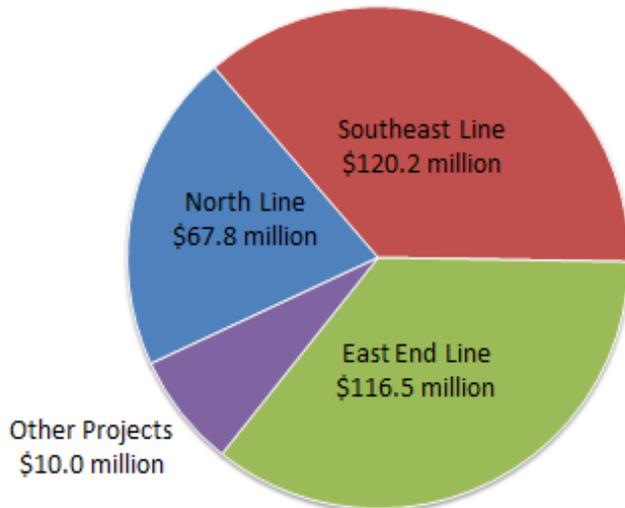
(in millions)

PROJECTS	FY2014	FY2015*	FY2016*	FY2017*	FY2018*
METRORail Expansion	\$ 314.5	\$ 118.8	\$ 18.7	\$ 32.1	\$ 25.9
Capital Improvement Program	198.4	195.1	163.9	150.8	102.0
Total Projects	\$ 512.9	\$ 313.9	\$ 182.6	\$ 182.9	\$ 127.9

*Estimates to be updated in future budgets.

METRORail Expansion

FY2014 METRORail Expansion Budget: \$314.5 million



METRORail Expansion (MRE) is a Light Rail Transit (LRT) infrastructure plan to expand the existing LRT system by adding three additional lines (North, Southeast, and East End). This program includes the design and construction of approximately 15 miles of LRT, 24 LRT stations, a storage facility at the Southeast line, a service and inspection facility at the East End line, and the procurement of 39 Light Rail Vehicles (LRV) for the opening-day fleets. The expansion also includes the capacity to increase the existing Main Street Red Line fleet by procuring 19 additional vehicles and expansion of the existing Rail Operations Center (ROC). Other costs included are MRE pre-design/build program development, planning, engineering, and land acquisition.

(in thousands)

FY2014 METRORail Expansion	Budget	Grant	Local
Purple Line - Southeast Corridor	\$ 120,236	\$ 62,949	\$ 57,287
Green Line - East End Corridor	116,494		116,494
Red Line Extension - North Corridor	67,758	40,246	27,512
Other	10,069	3,278	6,791
Total MRE	\$ 314,557	\$ 106,473	\$ 208,084

Capital Improvement Program (Non-MRE)

The Capital Improvement Program (CIP) provides for the capital needs that are outside the scope of the METRORail Expansion (e.g. bus replacement, facility renovations, procurement of equipment, etc.).

The Authority’s funding of its capital improvement plan is subject to available funding sources and access to the financial markets. METRO launched capital improvement projects that will help preserve its capability for high-quality service delivery over a ten-year range.

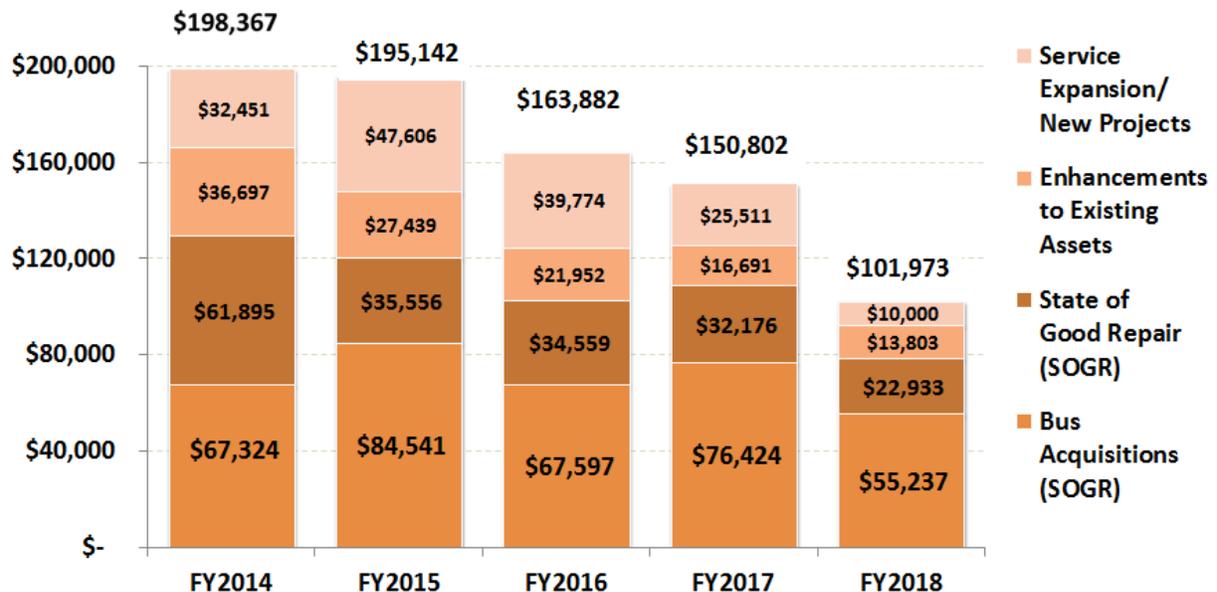
The infrastructure supported by the FY2014 CIP budget includes facilities (maintenance and administrative support), revenue rolling stock (rail cars, buses and paratransit vans), rail system infrastructure including rail stations, and a vast array of tools and equipment. Maintenance of these assets is critical to ensure a high level of service, reliability and optimized operating costs. There are three project types: State of Good Repair Projects, Enhancements to Existing Assets, and Service Expansion / New Assets.

(in thousands)

FY2014 CIP Program (Non-MRE)	Grant	Local	Total
Bus Acquisitions	\$ -	\$ 67,324	\$ 67,324
State of Good Repair	20,132	41,763	61,895
Enhancement to Existing Assets	13,147	23,550	36,697
Service Expansion / New Assets	4,200	28,251	32,451
Total	\$ 37,479	\$ 160,888	\$ 198,367

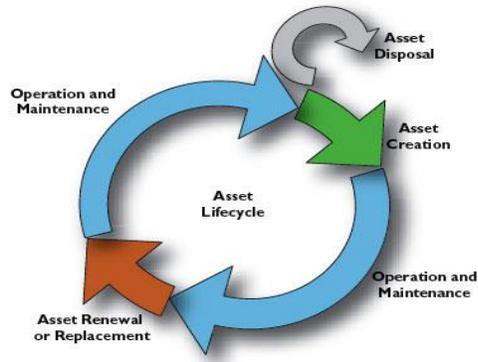
5 Year Capital Improvement Program

(in thousands)

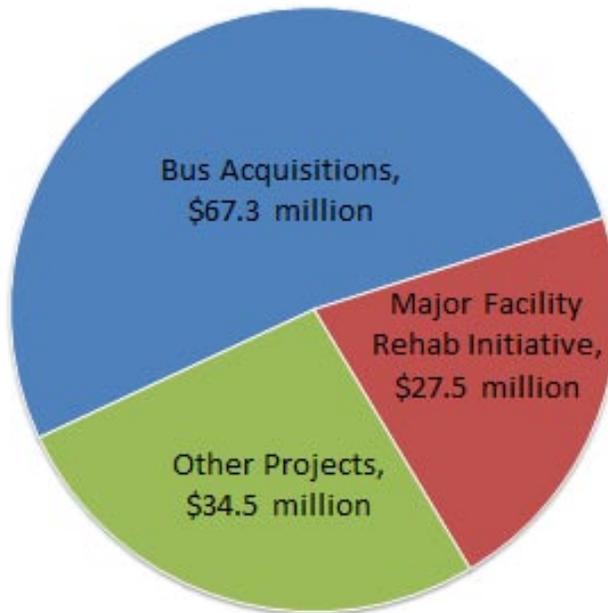


State of Good Repair (SOGR)

A state of good repair standard is where all capital assets are functioning at their ideal capacity within their design life. -- Federal Transit Administration (FTA)



FY2014 State of Good Repair Projects
\$129.3 million

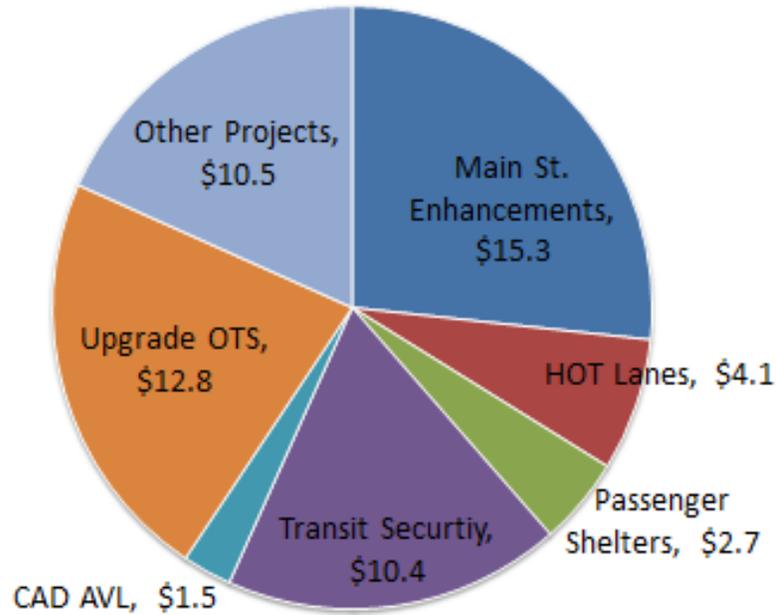


- Reflects a comprehensive understanding of the system and its condition, and the strategic direction of the system and agency;
- Supports the enhancement of the transit service to our customers while maintaining the overall condition of the basic infrastructure;
- Prioritizes expenditures so that there is a maximum return on investment; and
- Supports the transition of our system from one in a start-up mode to one in a renewal mode.

STATE OF GOOD REPAIR PROJECTS (in thousands)	Budget FY2014	Grant FY2014	Local FY2014
Clean Diesel Buses (45' Commuter Buses)	\$ 44,334	\$ -	\$ 44,334
40' transit buses - Clean Diesel	19,574		19,574
LRV Truck Overhaul verify	4,373	1,550	2,823
Engine Assemblies	3,656		3,656
METROLIFT Vans	3,416	2,835	581
Hiram Clark BOF Rehab - Local	3,350		3,350
Hiram Clarke BOF Resurface/Recoat Interior	3,321	2,415	906
Mult Facilities Renovations	3,184		3,184
Northwest BOF Resurface/Recoat Exterior	3,040	2,078	962
FSC Tools/Equipment	2,815		2,815
Passenger Safety Initiative	2,500		2,500
Non Revenue Vehicles	2,498		2,498
Polk BOF Resurface/Recoat Exterior	2,168	1,576	592
Kashmere BOF Renovations Upgrade	2,167	1,734	433
METRONet	2,101		2,101
Multi Facilities Bus Wash Systems Replacement	2,100	1,520	580
Multi Facilities Outdoor Lighting LED Retrofit	2,000	1,440	560
Rail Tie Upgrade; Redline 4 Crossing	1,888	1,510	378
Data Center Management	1,722		1,722
Treasury Vault Room Expansion	1,650		1,650
Yard Rail Tie Upgrade	1,000	800	200
Transmission assemblies	981		981
Couplers	934	747	187
Auxiliary Power System	908		908
Seats - MCI Passenger Seating Rebuild	842		842
State of Good Repair Database - EAM Database	821	657	164
Field Service Center Renovation	693		693
Multi Facilities Oil Water Separator Rehabilitation	660	480	180
Bus Axles	628		628
Multi Facilities Replace Shop Flooring FSC, Polk, NW	597	478	119
Capital BOF tools and equipment	488		488
Drainage Improvements Between Naomi And I-610	483		483
Hybrid bus batteries	377		377
West BOF Generator Replacement	375		375
Multi Facilities Elevators Rehabilitation	375		375
TMC MPD Obsevation Station	340		340
Fallbrook BOF	330		330
Multi Facilities Security Systems Access Control/Keys Repl.	330	240	90
New Bus make ready	278		278
Plano Disaster Recovery Site Improvements - Generator	202		202
Event Recorder	163		163
NorthLine Transit Center Rehab	140		140
SE Motorola Handhelds	138		138
EE Motorola Handhelds	125		125
Central Stores FACP Replacement	125		125
Kashmere BOF Fire/Life Safety System Rehabilitation	110		110
Central Stores Replace Generator	100	72	28
Kashmere BOF Crane Rehab	72		72
Hybrid bus parts	68		68
Rail Ops Center Trash Compactor Replacement	66		66
Northwest BOF Chassis Wash Removal	66		66
New Bus make ready METROLift	45		45
K-9 Replacements	16		16
TOTAL STATE OF GOOD REPAIR	\$ 129,344	\$ 20,132	\$ 109,212

FY2014 Enhancement to Existing Assets

FY2014 Enhancement to Existing Assets: \$36.7 million



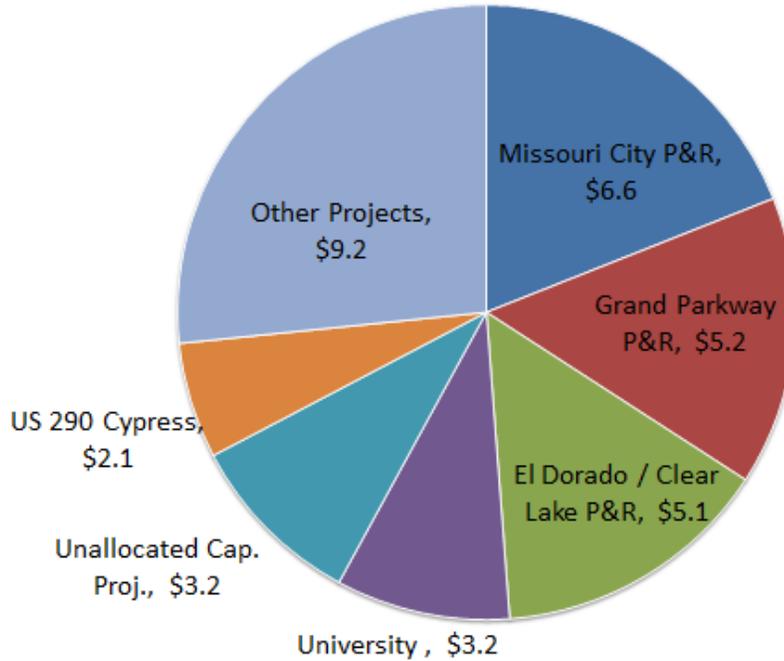
ENHANCEMENT TO EXISTING ASSETS PROJECTS (in thousands)	Budget	Grant	Local
	FY2014	FY2014	FY2014
MAIN STREET ENHANCEMENTS			
Burnett Plaza TC - Street Improvements	\$ 5,233	\$ 4,186	\$ 1,047
Systems Upgrades for Tie-in to New Corridors	5,120	4,098	1,022
Facility Network Fiber Field Hardening	1,931		1,931
MOW	1,693		1,693
Red Line Splice	1,248		1,248
806 Main Street Pole relocation	83		83
SUBTOTAL MAIN ST. ENHANCEMENTS	\$ 15,308	\$ 8,284	\$ 7,024

OTHER ENHANCEMENT PROJECTS (in thousands)	Budget	Grant	Local
	FY2014	FY2014	FY2014
Buffalo Bayou Midday Lot	\$ 10,092	\$ -	\$ 10,092
Buffalo Bayou Midday Lot - Reimbursement HCFCO	(10,092)		(10,092)
HOT Lane Conversion, Phase 1B	4,061	3,249	812
Passenger Bus Shelter Program	2,691	1,027	1,664
Transit Center Security Improvements METRONet	1,500		1,500
CAD AVL	1,479		1,479
Upgrade OTS	1,200		1,200
CAD/RMS Refresh	1,110		1,110
Upgrade Oracle Financials	1,000		1,000
Bus Stop Accessibility Site Improvement	930		930
Fiber Hardening	800		800
Access System Migration	700		700
Electronic Records Management	650		650
290 Pinemont T-Ramp - Demolition	636		636
Police Vehicle Technology Refresh	540		540
HOT Lane Trail Blazer Signs	468	374	94
Laptops w/ IVOMS, MS Office, and Inter/Intranet	446		446
Passenger Shelter Lighting Program	372		372
20 Signature Shelters	349		349
Transit Corridor Preservation Project - Kirby Street	294		294
Marketing - Boardroom Equipment	200		200
Upgrade IVR	200		200
Implement Self Service Password Reset Tool	200		200
HOT Lane Shepard Ramp Improvement	155	124	31
Purchase two Rapid Assessment Vehicles	136		136
Bus Simulators Upgrade	128		128
New Office Building at Fannin P&R	123		123
Trapeze Online Bidding	120		120
Upgrade Police radios to include GPS	120		120
HOT Lane Enforcement Areas	114	91	23
Time Approval (ESS/MSS)	100		100
Trip Planner Kiosks	100		100
Time Clocks	100		100
Purchase two Portable Video Trailers	90		90
Currency Counter & Coin Sorter	75		75
Integration of Bus and Police AVL	75		75
New Radios	73		73
LUKE Fare Parking Control System	43		43
Purchase two Bomb Tool Backpacks	11		11
SUBTOTAL OTHER ENHANCEMENT PROJECTS	\$ 21,389	\$ 4,865	\$ 16,524
TOTAL ENHANCEMENT PROJECTS	\$ 36,697	\$ 13,149	\$ 23,548

Service Expansion/ New Projects

FY2014 Service Expansion / New Projects

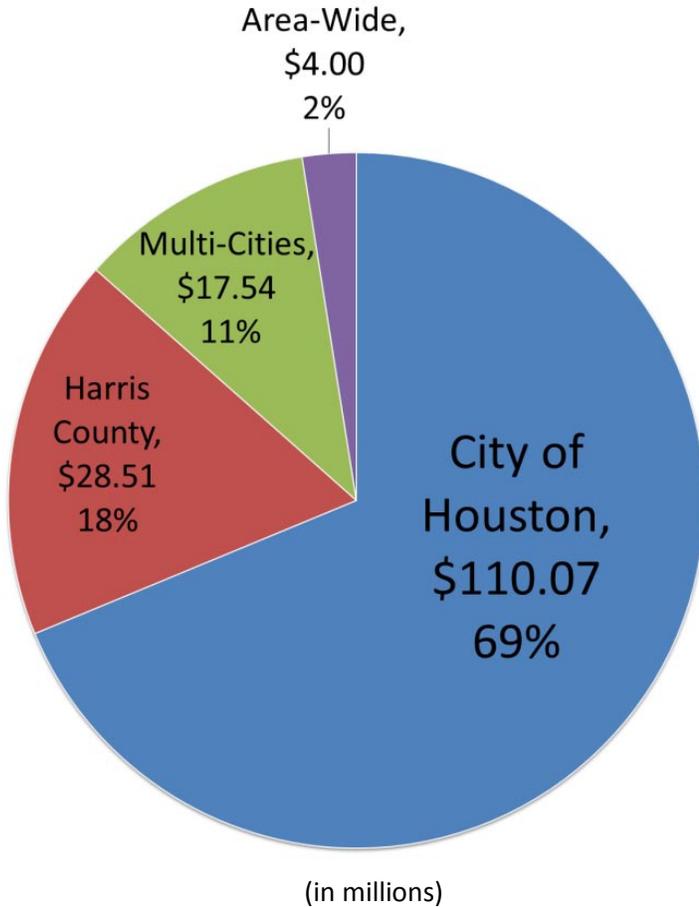
\$32.5 million



SERVICE EXPANSION PROJECTS (in thousands)

	<u>Budget</u>	<u>Grant</u>	<u>Local</u>
	<u>FY2014</u>	<u>FY2014</u>	<u>FY2014</u>
Missouri City P&R	\$ 6,550	\$ -	\$ 6,550
Grand Parkway P&R	5,232		5,232
El Dorado / Clear Lake Park and Ride	5,054	3,791	1,263
University Corridor	3,157		3,157
Unallocated Capital Project Funding	3,229		3,229
US 290 Cypress P&R T-Ramp ROW Acquisition	2,100		2,100
West Loop Bus Lane	1,764		1,764
90A Southwest Commuter Rail	1,000		1,000
Tools & Equipment - MRE - All Corridors	816		816
Uptown BRT NWTC Reconfiguration & Parking Upgrade	703		703
Magnolia transit Center Expansion	583		583
MLK Memorial - SE Local	533		533
SH 288 / Brazoria County Park and Ride	511	409	102
Uptown/Bellaire Transit Center	501		501
Bike Transit Access Program SD&D	418		418
Grand Parkway P&R Acquisition & Design	300		300
TOTAL SERVICE EXPANSION PROJECTS	\$ 32,451	\$ 4,200	\$ 28,251

General Mobility



FY2014 General Mobility Program
 Budget

\$160.12 million

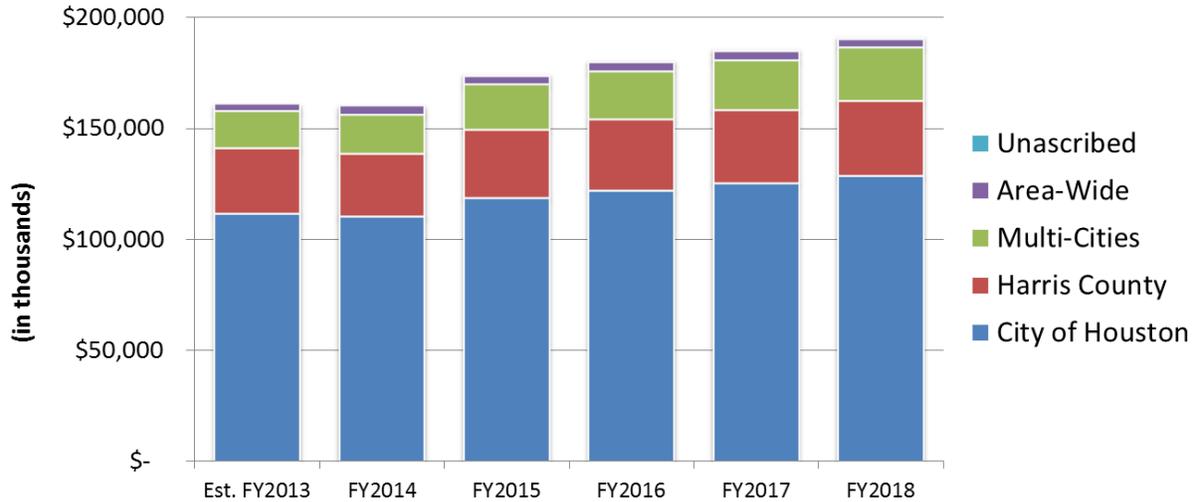
METRO’s enabling legislation authorizes the Authority to construct or maintain streets, roads, traffic signals, sidewalks, and hike and bike trails or perform these functions through agreements with other government agencies. As early as 1982, METRO began to participate in and contribute funds for various “joint construction projects” with the City of Houston, Harris County and the 14 Multi-Cities within its service area. In 1988, this use of METRO’s sales tax revenues was formalized into the General Mobility Program (GMP), dedicating 25% of its sales tax revenues to its constituent entities for General Mobility projects. These dedicated funds and their associated projects are locally known as the General Mobility Program.

Projected Funding

(in thousands)

	Est. FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Pre-Agreement Projects						
City of Houston	10,000	10,000	10,000	10,000	10,000	10,000
Multi-Cities	16,740	17,537	20,298	21,586	22,717	23,905
Area-Wide	3,226	4,000	4,000	4,000	4,000	4,000
Subtotal	\$ 29,966	\$ 31,537	\$ 34,298	\$ 35,586	\$ 36,717	\$ 37,905
Future Designated Projects						
City of Houston	101,447	100,070	108,364	111,960	115,118	118,435
Harris County	29,429	28,514	30,885	31,910	32,810	33,756
Unascribed	-	-	629	650	669	688
Subtotal	\$ 130,876	\$ 128,583	\$ 139,879	\$ 144,520	\$ 148,597	\$ 152,878
Total Commitment						
City of Houston	111,447	110,070	118,364	121,960	125,118	128,435
Harris County	29,429	28,514	30,885	31,910	32,810	33,756
Multi-Cities	16,740	17,537	20,298	21,586	22,717	23,905
Area-Wide	3,226	4,000	4,000	4,000	4,000	4,000
Unascribed	-	-	629	650	669	688
Total GMP Budget	\$ 160,842	\$ 160,121	\$ 174,177	\$ 180,106	\$ 185,314	\$ 190,783

5-Year General Mobility Projected Funding



Debt Service

(in millions)

Debt Service Category	Projected					
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Bonds & KOs	\$ 69.3	\$ 74.8	\$ 90.5	\$ 101.0	\$ 106.9	\$ 115.5
<u>Commercial paper</u>						
Fees/Interest	3.7	3.5	3.4	3.4	3.3	3.3
Payoff - per Debt Policy	2.0	1.9	1.9	1.8	1.7	1.6
Payoff - 1/2 GMP Referendum Increment	-	-	3.4	6.4	9.0	11.7
Total	\$ 75.0	\$ 80.2	\$ 99.2	\$ 112.6	\$ 120.9	\$ 132.1

FY2014 PROPOSED DEBT SERVICE PAYMENTS

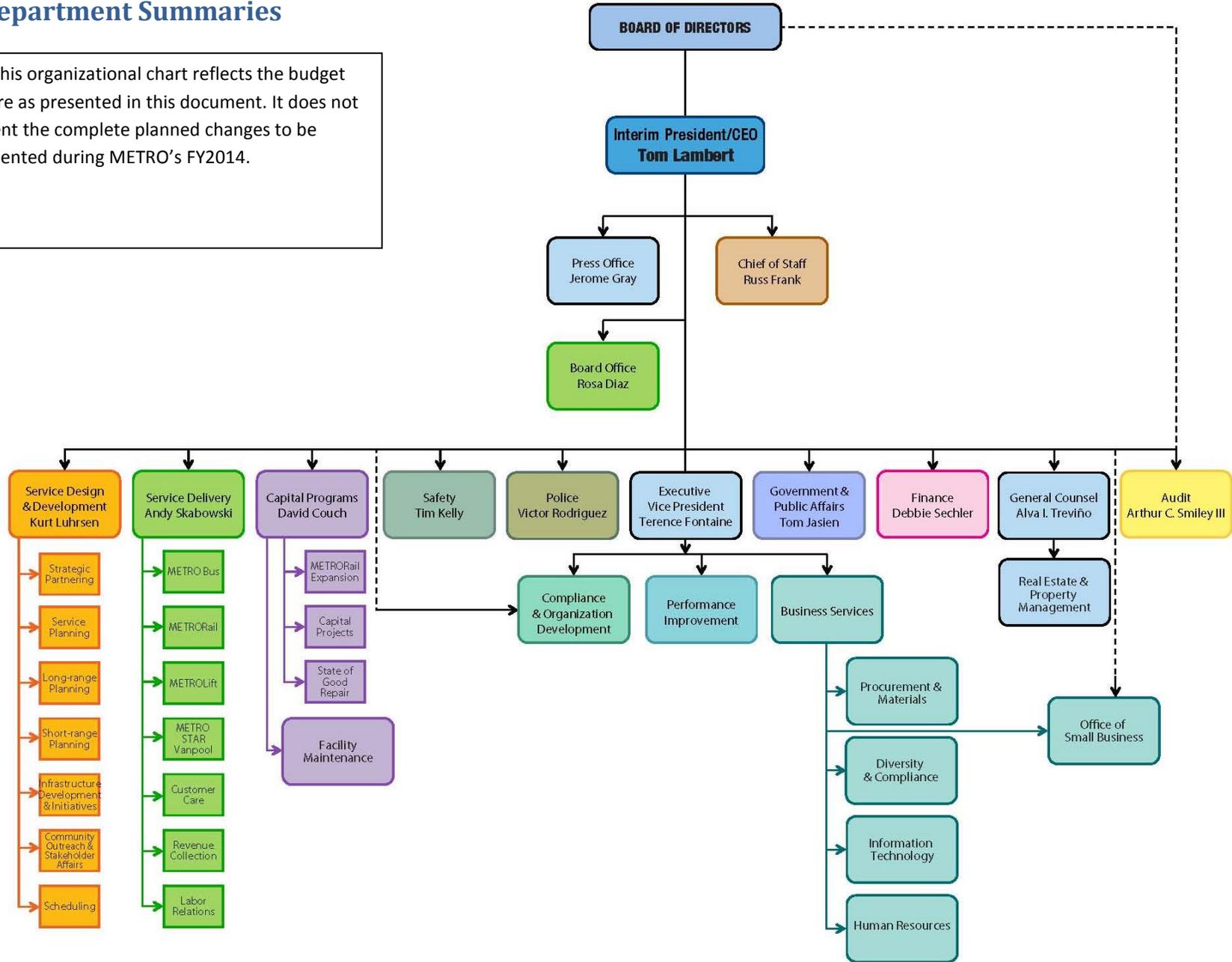
Series	Source	Principal	Interest	Debt Service Reserve	Fees	TOTAL
<u>Certificates of Participation (COPS)</u>						
2008A	Sales Tax	\$ 4,770,000	\$ 1,958,863			\$ 6,728,863
2008B	Sales Tax	3,290,000	1,910,625			5,200,625
<u>Contractual Obligations (KOs)</u>						
2009B	Sales Tax	1,214,071	1,759,088			2,973,158
2009D	Sales Tax	2,766,500	1,035,525			3,802,025
2010A	Sales Tax	2,971,538	1,465,100			4,436,638
2011B	Sales Tax	3,523,333	1,820,317	879,267		6,222,917
2013 LRVs	Sales Tax					-
2013 Buses & ARBOC	Sales Tax	-	668,506	688,082		1,356,587
2014 Buses			824,680	848,827		1,673,507
2012>2014 East LRVs		-	755,294	294,672		1,049,966
<u>Voted Sales Tax</u>						
2009A	Sales Tax / Grants	3,395,321	4,116,854			7,512,175
2011A	Sales Tax / Grants	-	23,050,500	5,102,957		28,153,457
2009C	Sales Tax / Grants/ Subsidy	-	5,675,656			5,675,656
<u>Commercial Paper</u>						
Principal		1,870,000				1,870,000
Interest			2,314,125			2,314,125
<u>Fees</u>						
LOC Fees					1,045,000	1,045,000
Dealer Fees					64,796	64,796
Legal Fees - Extensions / AG / Rating Agencies					119,000	119,000
Total Debt Service		\$23,800,763	\$47,355,131	\$ 7,813,804	\$1,228,796	\$ 80,198,494

**Metropolitan Transit Authority of Harris County Texas
Debt Report
As of July 31, 2013**

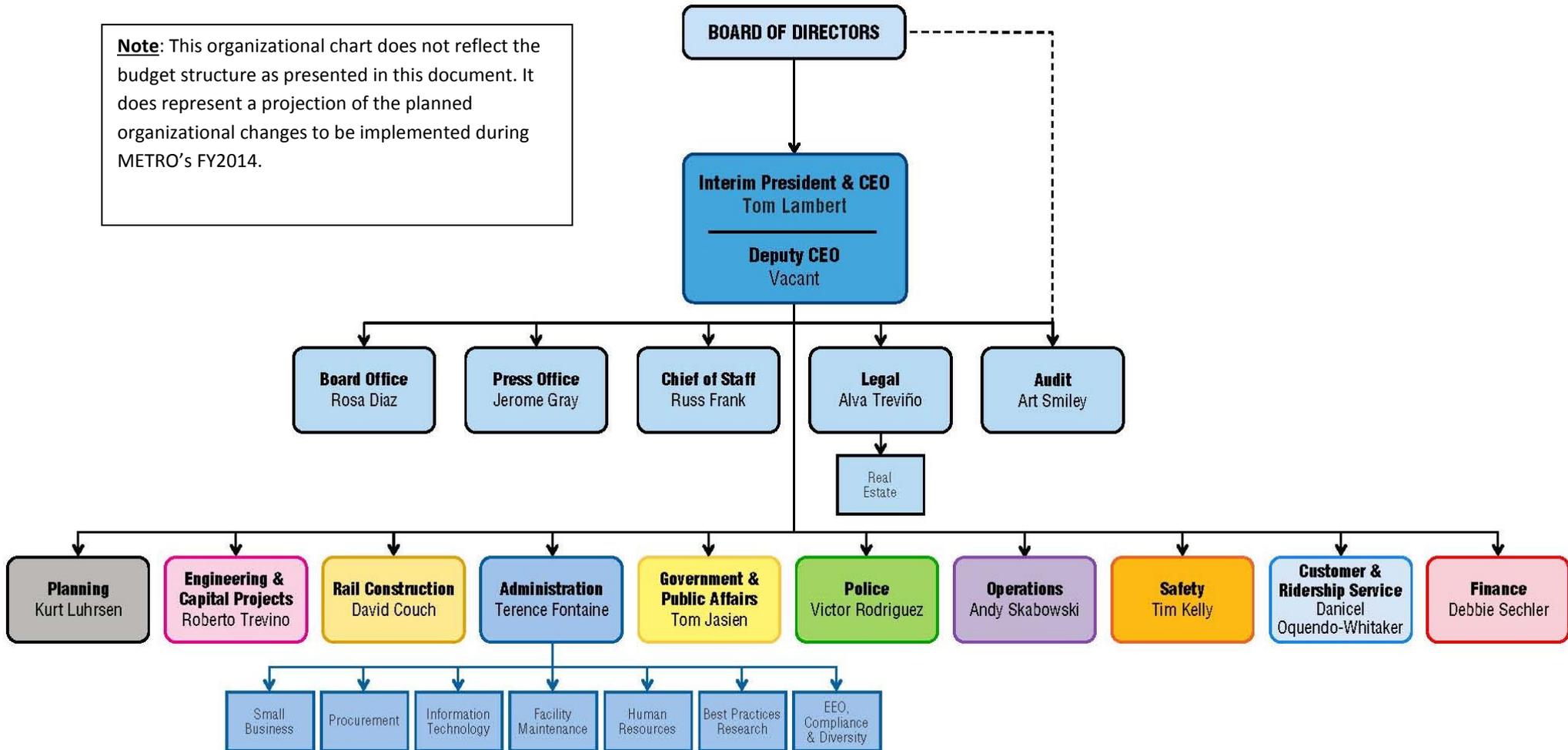
Type of Debt	Purpose	Par Value	Average Rate	Issuance Date	Maturity / Term	Cost of Issuance	Interest Earned on Proceeds	Disbursements from Proceeds	Outstanding Balance
Commercial Paper	General Mobility	\$ 169,402,000	Wtd. Avg 0.175658%	Program Inception 10-Jan-06	Current Wtd. Avg 116.8 days	\$ 7,014,204	\$ 241,452	\$ 169,402,000	\$ 166,402,000
Sales & Use Tax Contractual Obligations Series 2009D	40 Orion HEV Buses 20 MCI HEV Buses	\$ 35,050,000	4.204%	30-Dec-09	1-Nov-21	\$ 175,686	\$ 8,913	\$ 35,612,306	\$ 27,650,000
Sales & Use Tax Contractual Obligations Series 2010A	80 Orion HEV Buses	\$ 40,290,000	3.101%	23-Jun-10	1-Nov-22	\$ 186,496	\$ 27,485	\$ 41,902,115	\$ 34,855,000
Sales & Use Tax Contractual Obligations Series 2011B	100 Orion HEV Buses	\$ 49,405,000	2.320%	28-Sep-11	1-Nov-23	\$ 93,614	\$ 7,784	\$ 53,007,784	\$ 46,110,000
Certificates of Participation (COPS) Series 2008A	46 Orion HEV Buses 52 MCI HEV Buses	\$ 62,255,000	4.413%	15-Jul-08	1-Nov-20	\$ 215,568	\$ 420,316	\$ 61,959,754	\$ 44,920,000
Certificates of Participation (COPS) Series 2008B	10 Signature Orions 50 MCI HEV	\$ 45,785,000	4.965%	9-Dec-08	1-Nov-21	\$ 151,402	\$ 97,461	\$ 41,937,000	\$ 36,920,000
Total Non-METRORail Expansion		\$ 402,187,000	2.220%			\$ 7,836,970	\$ 803,411	\$ 403,820,959	\$ 356,857,000
Sales & Use Tax Contractual Obligations Series 2009B	Rail Vehicles & Set-Up	\$ 42,780,000	4.476%	11-Jun-09	1-Nov-33	\$ 253,994	\$ 83,868	\$ 42,161,735	\$ 39,430,000
Sales & Use Tax Bonds Series 2009A	North and Southeast Corridor Expansion	\$ 94,465,000	4.963%	11-Jun-09	1-Nov-29	\$ 560,859	\$ 145,597	\$ 96,578,261	\$ 85,330,000
Sales & Use Tax Bonds Series 2009C - Build America Bonds	North and Southeast Corridor Expansion	\$ 82,555,000	4.559%	11-Jun-09	1-Nov-38	\$ 440,193	\$ 222,578	\$ 77,116,267	\$ 82,555,000
Commercial Paper	METRORail Expansion Real Estate	\$ 20,598,000	Wtd. Avg 0.17684%	Program Inception 10-Jan-06	Current Wtd. Avg 115 days	\$ 852,967	\$ 29,362	\$ 20,598,000	\$ 20,598,000
Sales & Use Tax Bonds Series 2011A	North and Southeast Corridor Expansion	\$ 461,010,000	4.264%	28-Sep-11	1-Nov-41	\$ 869,366	\$ 285,759	\$ 461,295,758	\$ 461,010,000
Total METRORail Expansion		\$ 701,408,000	4.281%			\$ 2,977,379	\$ 767,164	\$ 697,750,021	\$ 688,923,000
Total Debt		\$1,103,595,000	3.530%			\$ 10,814,349	\$ 1,570,574	\$ 1,101,570,980	\$1,045,780,000

Department Summaries

Note: This organizational chart reflects the budget structure as presented in this document. It does not represent the complete planned changes to be implemented during METRO's FY2014.



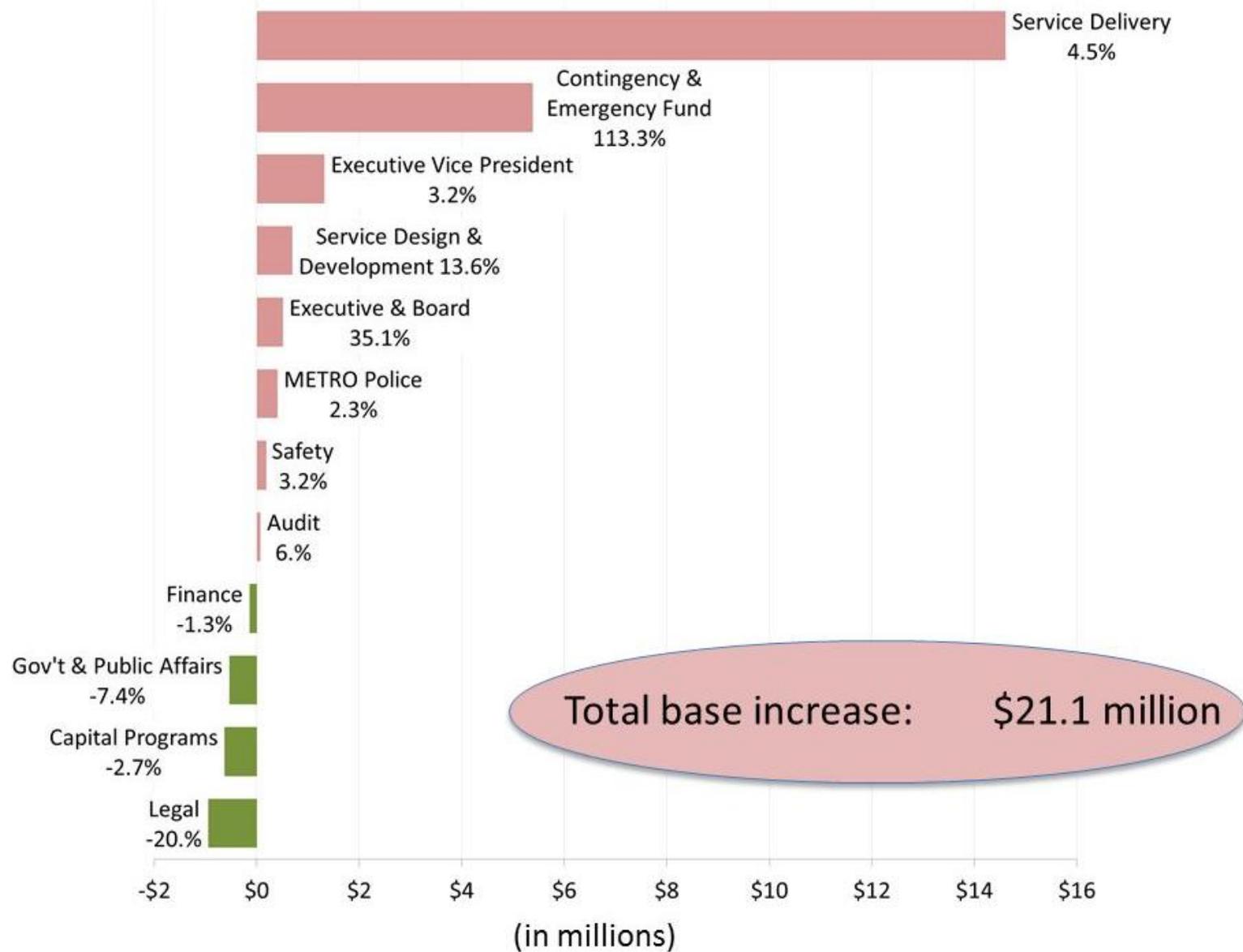
Note: This organizational chart does not reflect the budget structure as presented in this document. It does represent a projection of the planned organizational changes to be implemented during METRO's FY2014.



Budget by Department

Departments	FY2013		FY2013		FY2014		Budget-to-Budget Variance		
		Budget		Estimate		Budget	\$	%	
Service Delivery	\$	321,954,700	\$	319,470,507	\$	348,001,686	\$	26,046,986	8.1%
Executive Vice President		41,672,793		40,179,579		44,863,672		3,190,879	7.7%
Capital Programs / Facilities Maintenance		23,404,811		26,193,069		25,966,583		2,561,772	10.9%
METRO Police		17,339,396		16,940,330		18,984,924		1,645,528	9.5%
Finance		10,682,255		9,265,920		10,873,352		191,097	1.8%
Contingency & Emergency Fund		4,608,993		-		10,000,000		5,391,007	117.0%
Government & Public Affairs		6,960,231		5,376,308		8,249,678		1,289,447	18.5%
Safety		5,725,726		5,378,806		7,350,816		1,625,090	28.4%
Legal		4,715,714		5,109,176		3,859,386		(856,328)	(18.2%)
Service Design & Development		5,099,818		4,260,976		5,798,912		699,094	13.7%
Executive & Board		1,456,366		1,588,643		1,982,269		525,903	36.1%
Audit		1,229,197		1,130,934		1,311,911		82,714	6.7%
Small Capital Expenses		150,000		-		150,000		-	0.0%
TOTAL NET OPERATING	\$	445,000,000	\$	434,894,246	\$	487,393,187	\$	42,393,187	9.5%

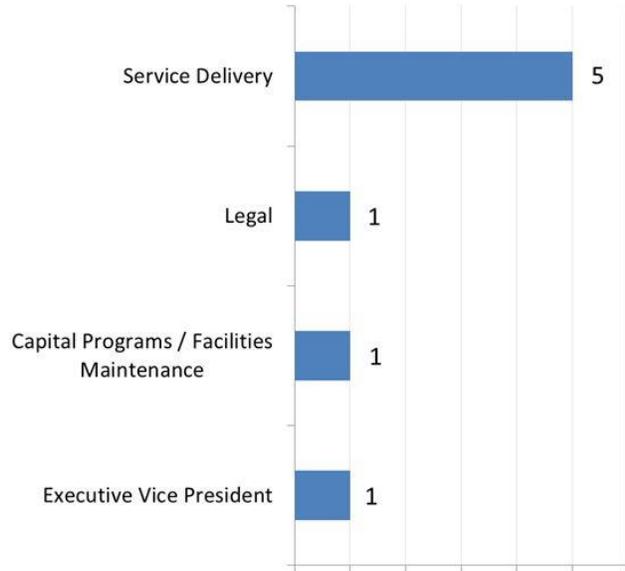
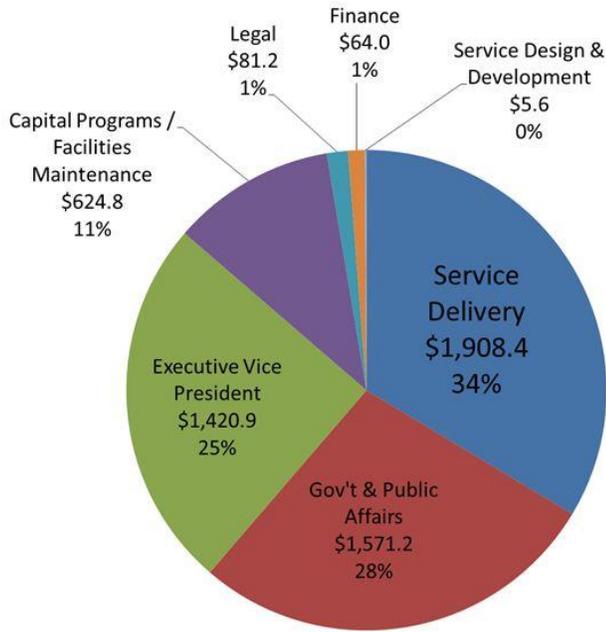
Base Breakdown by Department



New Requirements Breakdown by Department

Budget: +\$5.7 million

Workforce: +8

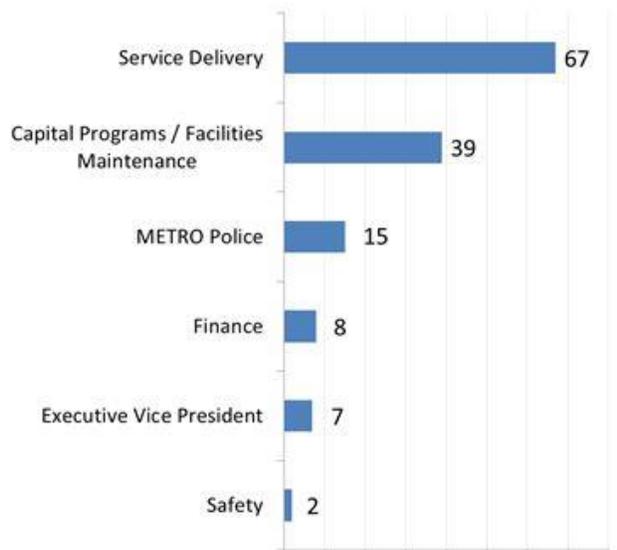
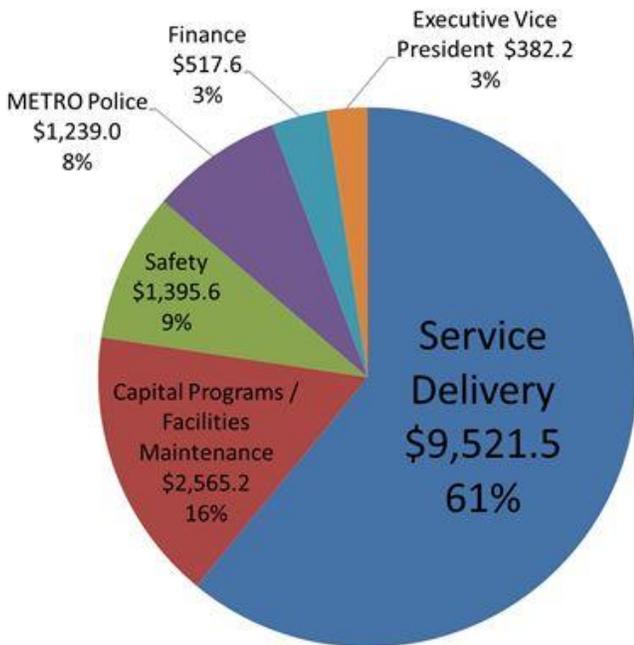


(in thousands)

Increment for Rail Expansion Breakdown by Department

Budget: +\$15.6 million

Workforce: +138



(in thousands)

Executive & Board

	<u>FY2013 Budget</u>	<u>FY2013 Estimate</u>	<u>FY2014 Budget</u>	<u>Budget to Budget Variance</u>	
				<u>\$</u>	<u>%</u>
Wages	\$ -	\$ -	\$ -	\$ -	N/A
Union Fringe Benefits	3,695	1,622	2,548	(1,147)	(31.0%)
Subtotal Union Labor	3,695	1,622	2,548	(1,147)	(31.0%)
Salaries and Non-Union Wages	971,929	1,009,522	1,249,186	277,257	28.5%
Non-Union Fringe Benefits	231,107	256,128	375,319	144,212	62.4%
Subtotal Non-Union Labor	1,203,036	1,265,650	1,624,505	421,469	35.0%
Subtotal Labor and Fringe Benefits	1,206,731	1,267,272	1,627,053	420,322	34.8%
Services	119,632	193,442	119,630	(2)	(0.0%)
Materials and Supplies	3,096	4,131	3,100	4	0.1%
Fuel & Utilities	10,692	10,601	11,705	1,013	9.5%
Leases, Rentals and Miscellaneous	193,392	168,000	220,781	27,389	14.2%
Subtotal Non-Labor	326,812	376,174	355,216	28,404	8.7%
Subtotal Labor and Non Labor	1,533,543	1,643,446	1,982,269	448,726	29.3%
Allocation to Capital and GMP	(77,177)	(54,803)	-	77,177	100.0%
Total Operating Expenses	\$ 1,456,366	\$ 1,588,643	\$ 1,982,269	\$ 525,903	36.1%

Service Delivery

	<u>FY2013 Budget</u>	<u>FY2013 Estimate</u>	<u>FY2014 Budget</u>	<u>Budget to Budget Variance</u>	
				<u>\$</u>	<u>%</u>
Wages	\$ 96,435,758	\$ 95,973,723	\$101,874,086	\$ 5,438,328	5.6%
Union Fringe Benefits	44,446,394	42,306,120	46,035,248	1,588,854	3.6%
Subtotal Union Labor	140,882,152	138,279,843	147,909,334	7,027,182	5.0%
Salaries and Non-Union Wages	26,057,549	26,480,973	29,891,288	3,833,739	14.7%
Non-Union Fringe Benefits	10,059,529	10,157,720	11,764,952	1,705,423	17.0%
Subtotal Non-Union Labor	36,117,078	36,638,693	41,656,240	5,539,162	15.3%
Subtotal Labor and Fringe Benefits	176,999,230	174,918,535	189,565,574	12,566,344	7.1%
Services	9,880,920	8,313,096	11,538,632	1,657,712	16.8%
Materials and Supplies	16,183,158	16,118,209	17,208,311	1,025,153	6.3%
Fuel & Utilities	42,347,699	42,355,008	44,223,099	1,875,400	4.4%
Casualty and Liability	1,103,456	599,226	1,430,210	326,754	29.6%
Purchased Transportation	80,895,333	80,719,356	88,591,060	7,695,727	9.5%
Leases, Rentals and Miscellaneous	965,652	1,242,748	745,979	(219,673)	(22.7%)
Subtotal Non-Labor	151,376,218	149,347,643	163,737,291	12,361,073	8.2%
Subtotal Labor and Non Labor	328,375,448	324,266,178	353,302,865	24,927,417	7.6%
Allocation to Capital and GMP	(6,420,748)	(4,795,672)	(5,301,179)	1,119,569	17.4%
Total Operating Expenses	\$321,954,700	\$319,470,507	\$348,001,686	\$ 26,046,986	8.1%

Capital Programs / Facilities Maintenance

	<u>FY2013 Budget</u>	<u>FY2013 Estimate</u>	<u>FY2014 Budget</u>	<u>Budget to Budget Variance</u>	
				<u>\$</u>	<u>%</u>
Wages	\$ 4,461,742	\$ 4,269,919	\$ 5,085,070	\$ 623,328	14.0%
Union Fringe Benefits	2,309,730	2,019,278	2,675,567	365,837	15.8%
Subtotal Union Labor	6,771,472	6,289,197	7,760,637	989,165	14.6%
Salaries and Non-Union Wages	7,184,549	6,951,896	7,736,163	551,614	7.7%
Non-Union Fringe Benefits	2,536,738	2,420,571	2,837,151	300,413	11.8%
Subtotal Non-Union Labor	9,721,287	9,372,466	10,573,314	852,027	8.8%
Subtotal Labor and Fringe Benefits	16,492,759	15,661,663	18,333,951	1,841,192	11.2%
Services	6,620,111	10,052,066	7,957,654	1,337,543	20.2%
Materials and Supplies	1,418,528	1,398,132	1,585,561	167,033	11.8%
Fuel & Utilities	5,526,419	4,978,110	5,337,440	(188,979)	(3.4%)
Casualty and Liability	-	(2,973)	-	-	N/A
Leases, Rentals and Miscellaneous	254,893	148,450	163,446	(91,447)	(35.9%)
Subtotal Non-Labor	13,819,951	16,573,784	15,044,101	1,224,150	8.9%
Subtotal Labor and Non Labor	30,312,710	32,235,447	33,378,052	3,065,342	10.1%
Allocation to Capital and GMP	(6,907,899)	(6,042,379)	(7,411,469)	(503,570)	(7.3%)
Total Operating Expenses	\$ 23,404,811	\$ 26,193,069	\$ 25,966,583	\$ 2,561,772	10.9%

Service Design & Development

	<u>FY2013 Budget</u>	<u>FY2013 Estimate</u>	<u>FY2014 Budget</u>	<u>Budget to Budget Variance</u>	
				<u>\$</u>	<u>%</u>
Wages	\$ -	\$ -	\$ -	\$ -	N/A
Union Fringe Benefits	14,022	3,397	14,261	239	1.7%
Subtotal Union Labor	14,022	3,397	14,261	239	1.7%
Salaries and Non-Union Wages	2,345,714	2,305,409	2,327,195	(18,519)	(0.8%)
Non-Union Fringe Benefits	785,527	803,687	835,036	49,509	6.3%
Subtotal Non-Union Labor	3,131,241	3,109,096	3,162,231	30,990	1.0%
Subtotal Labor and Fringe Benefits	3,145,263	3,112,493	3,176,492	31,229	1.0%
Services	2,330,664	1,553,457	2,866,665	536,001	23.0%
Materials and Supplies	4,708	1,366	1,260	(3,448)	(73.2%)
Fuel & Utilities	14,329	13,383	5,428	(8,901)	(62.1%)
Leases, Rentals and Miscellaneous	88,478	69,663	99,866	11,388	12.9%
Subtotal Non-Labor	2,438,179	1,637,868	2,973,219	535,040	21.9%
Subtotal Labor and Non Labor	5,583,442	4,750,361	6,149,711	566,269	10.1%
Allocation to Capital and GMP	(483,624)	(489,385)	(350,799)	132,825	27.5%
Total Operating Expenses	\$ 5,099,818	\$ 4,260,976	\$ 5,798,912	\$ 699,094	13.7%

Executive Vice President

	FY2013 <u>Budget</u>	FY2013 <u>Estimate</u>	FY2014 <u>Budget</u>	Budget to Budget Variance	
				\$	%
Wages	\$ 2,238,421	\$ 2,298,320	\$ 2,602,700	\$ 364,279	16.3%
Union Fringe Benefits	9,561,329	9,466,304	10,194,557	633,228	6.6%
Subtotal Union Labor	11,799,750	11,764,624	12,797,257	997,507	8.5%
Salaries and Non-Union Wages	12,463,633	11,785,165	12,500,855	37,222	0.3%
Non-Union Fringe Benefits	7,876,474	7,476,892	8,544,911	668,437	8.5%
Subtotal Non-Union Labor	20,340,107	19,262,057	21,045,766	705,659	3.5%
Subtotal Labor and Fringe Benefits	32,139,857	31,026,681	33,843,023	1,703,166	5.3%
Services	5,582,469	4,948,715	5,974,475	392,006	7.0%
Materials and Supplies	249,963	590,560	236,105	(13,858)	(5.5%)
Fuel & Utilities	2,048,249	1,560,475	1,787,407	(260,842)	(12.7%)
Leases, Rentals and Miscellaneous	4,469,123	3,940,665	5,596,578	1,127,455	25.2%
Subtotal Non-Labor	12,349,804	11,040,415	13,594,565	1,244,761	10.1%
Subtotal Labor and Non Labor	44,489,661	42,067,096	47,437,588	2,947,927	6.6%
Allocation to Capital and GMP	(2,816,868)	(1,887,517)	(2,573,916)	242,952	8.6%
Total Operating Expenses	\$ 41,672,793	\$ 40,179,579	\$ 44,863,672	\$ 3,190,879	7.7%

METRO Police

	FY2013 <u>Budget</u>	FY2013 <u>Estimate</u>	FY2014 <u>Budget</u>	Budget to Budget Variance	
				\$	%
Wages	\$ -	\$ -	\$ -	\$ -	N/A
Union Fringe Benefits	216,523	208,450	232,770	16,247	7.5%
Subtotal Union Labor	216,523	208,450	232,770	16,247	7.5%
Salaries and Non-Union Wages	12,137,624	11,666,740	13,130,958	993,334	8.2%
Non-Union Fringe Benefits	5,849,447	5,927,056	6,616,955	767,508	13.1%
Subtotal Non-Union Labor	17,987,071	17,593,796	19,747,913	1,760,842	9.8%
Subtotal Labor and Fringe Benefits	18,203,594	17,802,245	19,980,683	1,777,089	9.8%
Services	1,381,659	1,336,197	1,832,610	450,951	32.6%
Materials and Supplies	294,789	294,789	360,126	65,337	22.2%
Fuel & Utilities	113,420	86,123	96,992	(16,428)	(14.5%)
Leases, Rentals and Miscellaneous	48,857	33,082	62,485	13,628	27.9%
Subtotal Non-Labor	1,838,725	1,750,191	2,352,213	513,488	27.9%
Subtotal Labor and Non Labor	20,042,319	19,552,436	22,332,896	2,290,577	11.4%
Allocation to Capital and GMP	(2,702,923)	(2,612,107)	(3,347,972)	(645,049)	(23.9%)
Total Operating Expenses	\$ 17,339,396	\$ 16,940,330	\$ 18,984,924	\$ 1,645,528	9.5%

Safety

	<u>FY2013 Budget</u>	<u>FY2013 Estimate</u>	<u>FY2014 Budget</u>	<u>Budget to Budget Variance</u>	
				<u>\$</u>	<u>%</u>
Wages	\$ -	\$ -	\$ -	\$ -	N/A
Union Fringe Benefits	3,958	4,604	3,260	(698)	(17.6%)
Subtotal Union Labor	3,958	4,604	3,260	(698)	(17.6%)
Salaries and Non-Union Wages	2,439,750	2,436,373	2,762,650	322,900	13.2%
Non-Union Fringe Benefits	977,494	920,342	1,102,502	125,008	12.8%
Subtotal Non-Union Labor	3,417,244	3,356,715	3,865,152	447,908	13.1%
Subtotal Labor and Fringe Benefits	3,421,202	3,361,319	3,868,412	447,210	13.1%
Services	366,174	26,601	507,405	141,231	38.6%
Materials and Supplies	23,171	7,398	19,290	(3,881)	(16.7%)
Fuel & Utilities	17,376	20,787	23,300	5,924	34.1%
Casualty and Liability	2,153,408	2,087,408	3,247,367	1,093,959	50.8%
Leases, Rentals and Miscellaneous	54,204	45,376	55,655	1,451	2.7%
Subtotal Non-Labor	2,614,333	2,187,570	3,853,017	1,238,684	47.4%
Subtotal Labor and Non Labor	6,035,535	5,548,889	7,721,429	1,685,894	27.9%
Allocation to Capital and GMP	(309,809)	(170,083)	(370,613)	(60,804)	(19.6%)
Total Operating Expenses	\$ 5,725,726	\$ 5,378,806	\$ 7,350,816	\$ 1,625,090	28.4%

Government & Public Affairs

	<u>FY2013 Budget</u>	<u>FY2013 Estimate</u>	<u>FY2014 Budget</u>	<u>Budget to Budget Variance</u>	
				<u>\$</u>	<u>%</u>
Wages	\$ -	\$ -	\$ -	\$ -	N/A
Union Fringe Benefits	3,281	3,377	3,183	(98)	(3.0%)
Subtotal Union Labor	3,281	3,377	3,183	(98)	(3.0%)
Salaries and Non-Union Wages	2,838,949	2,713,369	2,713,205	(125,744)	(4.4%)
Non-Union Fringe Benefits	1,157,784	1,068,276	1,086,833	(70,951)	(6.1%)
Subtotal Non-Union Labor	3,996,733	3,781,645	3,800,038	(196,695)	(4.9%)
Subtotal Labor and Fringe Benefits	4,000,014	3,785,022	3,803,221	(196,793)	(4.9%)
Services	2,951,200	1,827,113	4,381,227	1,430,027	48.5%
Materials and Supplies	499,112	415,590	579,763	80,651	16.2%
Fuel & Utilities	4,728	4,305	12,334	7,606	160.9%
Leases, Rentals and Miscellaneous	135,479	68,706	117,084	(18,395)	(13.6%)
Subtotal Non-Labor	3,590,519	2,315,714	5,090,408	1,499,889	41.8%
Subtotal Labor and Non Labor	7,590,533	6,100,736	8,893,629	1,303,096	17.2%
Allocation to Capital and GMP	(630,302)	(724,428)	(643,951)	(13,649)	(2.2%)
Total Operating Expenses	\$ 6,960,231	\$ 5,376,308	\$ 8,249,678	\$ 1,289,447	18.5%

Legal

	<u>FY2013 Budget</u>	<u>FY2013 Estimate</u>	<u>FY2014 Budget</u>	<u>Budget to Budget Variance</u>	
				<u>\$</u>	<u>%</u>
Wages	\$ -	\$ -	\$ -	\$ -	N/A
Union Fringe Benefits	2,036	3,063	2,148	112	5.5%
Subtotal Union Labor	2,036	3,063	2,148	112	5.5%
Salaries and Non-Union Wages	1,741,557	1,728,572	1,820,170	78,613	4.5%
Non-Union Fringe Benefits	560,929	495,392	571,716	10,787	1.9%
Subtotal Non-Union Labor	2,302,486	2,223,964	2,391,886	89,400	3.9%
Subtotal Labor and Fringe Benefits	2,304,522	2,227,027	2,394,034	89,512	3.9%
Services	1,692,403	2,079,358	1,657,219	(35,184)	(2.1%)
Materials and Supplies	6,000	5,077	6,000	-	0.0%
Fuel & Utilities	14,052	39,561	16,527	2,475	17.6%
Leases, Rentals and Miscellaneous	1,263,772	1,468,985	71,363	(1,192,409)	(94.4%)
Subtotal Non-Labor	2,976,227	3,592,981	1,751,109	(1,225,118)	(41.2%)
Subtotal Labor and Non Labor	5,280,749	5,820,008	4,145,143	(1,135,606)	(21.5%)
Allocation to Capital and GMP	(565,035)	(710,832)	(285,757)	279,278	49.4%
Total Operating Expenses	\$ 4,715,714	\$ 5,109,176	\$ 3,859,386	\$ (856,328)	(18.2%)

Finance

	<u>FY2013 Budget</u>	<u>FY2013 Estimate</u>	<u>FY2014 Budget</u>	<u>Budget to Budget Variance</u>	
				<u>\$</u>	<u>%</u>
Wages	\$ -	\$ -	\$ -	\$ -	N/A
Union Fringe Benefits	14,940	7,296	17,477	2,537	17.0%
Subtotal Union Labor	14,940	7,296	17,477	2,537	17.0%
Salaries and Non-Union Wages	4,777,416	4,778,593	5,224,101	446,685	9.3%
Non-Union Fringe Benefits	1,805,165	1,808,565	2,185,594	380,429	21.1%
Subtotal Non-Union Labor	6,582,581	6,587,158	7,409,695	827,114	12.6%
Subtotal Labor and Fringe Benefits	6,597,521	6,594,454	7,427,172	829,651	12.6%
Services	3,701,276	2,495,736	3,013,455	(687,821)	(18.6%)
Materials and Supplies	1,006,815	666,049	1,114,950	108,135	10.7%
Fuel & Utilities	6,000	6,052	6,240	240	4.0%
Leases, Rentals and Miscellaneous	84,700	45,287	136,840	52,140	61.6%
Subtotal Non-Labor	4,798,791	3,213,125	4,271,485	(527,306)	(11.0%)
Subtotal Labor and Non Labor	11,396,312	9,807,579	11,698,657	302,345	2.7%
Allocation to Capital and GMP	(714,057)	(541,659)	(825,305)	(111,248)	(15.6%)
Total Operating Expenses	\$ 10,682,255	\$ 9,265,920	\$ 10,873,352	\$ 191,097	1.8%

Audit

	FY2013 <u>Budget</u>	FY2013 <u>Estimate</u>	FY2014 <u>Budget</u>	Budget to Budget Variance	
				\$	%
Wages	\$ -	\$ -	\$ -	\$ -	N/A
Union Fringe Benefits	1,042	459	1,065	23	2.2%
Subtotal Union Labor	1,042	459	1,065	23	2.2%
Salaries and Non-Union Wages	889,128	817,814	902,209	13,081	1.5%
Non-Union Fringe Benefits	335,145	305,971	358,120	22,975	6.9%
Subtotal Non-Union Labor	1,224,273	1,123,785	1,260,329	36,056	2.9%
Subtotal Labor and Fringe Benefits	1,225,315	1,124,244	1,261,394	36,079	2.9%
Services	85,980	61,112	84,500	(1,480)	(1.7%)
Materials and Supplies	600	207	600	-	0.0%
Fuel & Utilities	1,200	899	1,560	360	30.0%
Leases, Rentals and Miscellaneous	11,880	2,749	11,545	(335)	(2.8%)
Subtotal Non-Labor	99,660	64,967	98,205	(1,455)	(1.5%)
Subtotal Labor and Non Labor	1,324,975	1,189,211	1,359,599	34,624	2.6%
Allocation to Capital and GMP	(95,778)	(58,277)	(47,688)	48,090	50.2%
Total Operating Expenses	\$ 1,229,197	\$ 1,130,934	\$ 1,311,911	\$ 82,714	6.7%

Key Performance Indicators

Performance Statistics: Safety & Security, Service & Reliability, and Customer Service

	FY2012 Actual	FY2013 Goal	FY2013 Estimate	FY2014 Goal
• On-Time Performance (Service Reliability)				
◊ Bus – Local	71%	67%	72%	70%
◊ Bus - Park & Ride	78%	75%	78%	75%
◊ Bus - Weighted Average	78%	69%	73%	71.5%
◊ Rail	97%	95%	98%	95%
◊ METROLift	82%	85%	85%	87%
• Mean Distance Between Mechanical Failures (all buses) ⁽¹⁾	9,664	7,000	9,962	8,375
• Mean Distance Between Service Interruptions (Rail)	16,752	12,000	14,209	12,000
• Mean Distance Between Mechanical Failures (METROLift)	11,264	11,500	13,071	11,750
• Bus Accidents				
◊ Absolute Number	498	528	482	500
◊ Per 100,000 Vehicle Miles	0.73	0.79	0.72	0.72
• Rail Accidents				
◊ Absolute Number	33	43	40	79
◊ Per 100,000 Vehicle Miles	3.65	5.56	5.17	6.58
• Complaint Contacts				
◊ Absolute Number	22,751	21,230	20,028	22,449
◊ Per 100,000 Boardings	29.00	27.94	24.47	26.00
• Major Security Incidents				
◊ Total	509	540	522	540
◊ Per 100,000 Boardings	0.628	0.687	0.660	0.640
• Major Security Incidents – METRO Properties				
◊ Total	216	336	232	336
◊ Per 100,000 Boardings	0.267	0.427	0.290	0.397
• Average Call Center Answer Delay	109 seconds	≤ 120 seconds	97 seconds	≤ 120 seconds

⁽¹⁾ The FY2014 goal for MDBF of 8,375 is a weighted average based on monthly targets. In the months of October – April, the goal is 9,000; and in the months of May – September, the goal is 7,500.

The primary element in the success METRO has had in building a first-rate transit system has been the dedication to the quality of its service. METRO has devoted itself to bringing transit passengers service that is safe, clean, comfortable, reliable, attractive, and economical.

To maintain a sharp focus on quality, a number of quality indicators are tracked, monitored, and reported throughout the year. Eight (8) of these quality indicators focusing on different aspects of transit service are reported to the Board on a monthly basis:

On-Time Performance (OTP): A local bus is considered on-time if it does not leave early and is within a five (5) minute window after the scheduled departure time. A Park & Ride bus is considered on-time if it does not depart early (except in the morning when a bus can leave from a Park & Ride lot when full) and is within a five (5) minute window after the scheduled departure time, with measurements during peak hours. OTP is measured by the IVOMS system which calculates data to the second, and the five (5) minute window is defined as anything less than six (6) minutes. For METRORail, a train departing from the beginning of the line or arriving at the end of the line less than five (5) minutes after the scheduled time is considered on-time.

Mean Distance Between Mechanical Failures (MDBF): MDBF mechanical roadcalls are defined as any mechanical issue encountered during operation of the vehicle in revenue service that requires a maintenance action resulting from a mechanical failure. Mechanical failures include warranty and fleet defects but exclude accidents. This indicator is for the bus system but excludes METROLift.

Bus and Rail Accidents: An accident is a transit incident with passenger injuries that require immediate medical treatment away from the scene or a collision between a revenue vehicle and an object such that the amount of damage exceeds \$1,000. Bus accidents (which include METROLift) and rail accidents are reported separately and in terms of the absolute number of accidents and the relative number of accidents per 100,000 vehicle miles. A rail accident is defined as any physical contact between a rail vehicle and another vehicle (including another rail vehicle, car, truck, or motorcycle), a pedestrian, or bicyclist along the main rail line.

Complaint Contacts: Patrons contact METRO's Customer Information Center to express dissatisfaction with METRO. Contacts made via telephone and over the Internet which result in a complaint record being generated in the Public Comment System are reported both in terms of the absolute number of contacts received and the number of contacts as a percentage of total boardings.

Major Security Incidents: The total "Major Security Incidents" is based on two industry standards: the Federal Bureau of Investigation (FBI) Uniform Crime Report and the National Transit Database (NTD) Report issued by the Federal Transit Administration (FTA). The eight (8) categories included are: homicide, forcible rape, robbery, aggravated assault, burglary, larceny and theft, motor vehicle theft, and arson. This metric is reported both in terms of the absolute number of incidents and the number of incidents per 100,000 boardings.

Major Security Incidents – METRO Properties: The total "Major Security Incidents – METRO Properties" is the number of incidents that occur at Park & Ride lots, Transit Centers, onboard buses and trains, and on Light Rail Vehicle (LRV) platforms. This metric is reported both in terms of the absolute number of incidents and the number of incidents per 100,000 boardings.

Average Call Center Answer Delay:

METRO is committed to providing customers with accurate, customer-friendly bus and service information in a timely manner. Customers may obtain bus information over METRO's website and by telephone using an interactive voice response system without speaking to a representative and with no customer wait time. For those customers who prefer to speak with a representative, METRO's goal is to answer their call in 120 seconds or less. In addition to bus information, METRO's Customer Service/Information Center provides general information, supports METRO Q® Fare Card requests, documents and researches public comments, aids with Lost and Found inquiries, and provides general vanpool and HOV information.

Current Year's Recent Monthly Status Report

MONTHLY BOARD REPORT
July 2013
Performance Statistics

Benchmark Met Benchmark Missed

Fiscal Year 2013																	
SAFETY & SECURITY	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	FY2013 Monthly Target	FY2013 YTD GOAL	FY2013 YTD	YTD % Change	
	Bus Accidents	40	27	47	30	34	40	48	43	43	39			≤ 44	≤ 440	391	11.1%
Bus Accidents per 100,000 vehicle miles	0.69	0.51	0.89	0.54	0.65	0.71	0.86	0.75	0.80	0.68			≤ 0.79	≤ 0.79	0.71	10.5%	
Rail Accidents	2	2	4	4	3	3	2	3	7	3			≤ 4	≤ 35	33	5.7%	
Rail Accidents per 100,000 vehicle miles	2.46	2.60	5.24	5.22	3.95	3.11	2.42	3.52	7.92	3.08			≤ 5.56	≤ 5.56	3.94	29.1%	
Major Security Incidents - total	47	35	35	34	26	50	41	45	47	63			≤ 45	≤ 450	423	6.0%	
Major Security Incidents per 100,000 boardings	0.612	0.515	0.571	0.505	0.396	0.707	0.596	0.653	0.739	0.950			≤ 0.670	≤ 0.670	0.624	6.8%	
Major Security Incidents - METRO properties	16	18	10	17	16	32	17	22	17	26			≤ 28	≤ 280	191	31.8%	
Major Security Incidents per 100,000 boardings	0.307	0.356	0.212	0.352	0.339	0.653	0.355	0.444	0.371	0.582			≤ 0.417	≤ 0.417	0.282	32.4%	
SERVICE & RELIABILITY	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	FY2013 Monthly Target	FY2013 YTD GOAL	FY2013 YTD	YTD % Change	
Bus On-Time Performance																	
Local Bus OTP	71%	71%	72%	73%	71%	71%	72%	71%	72%	72%			≥ 67%	≥ 67%	72%	6.8%	
Park & Ride Bus OTP	79%	78%	77%	80%	78%	78%	78%	79%	78%	77%			≥ 75%	≥ 75%	78%	4.1%	
Weighted Average Bus OTP	73%	73%	73%	74%	73%	73%	73%	73%	74%	74%			≥ 69%	≥ 69%	73%	6.2%	
Rail On-Time Performance	98%	97%	98%	99%	97%	98%	98%	98%	97%	92%			≥ 95%	≥ 95%	98%		
MDBF (Mean Distance Between Mechanical Failures) - All Buses	9,664	10,539	11,233	10,463	11,540	10,660	10,479	9,158	8,180	8,895			≥ 7,000	≥ 7,000	9,962	42.3%	
CUSTOMER SERVICE	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	FY2013 Monthly Target	FY2013 YTD GOAL	FY2013 YTD	YTD % Change	
*Complaint Contacts per 100,000 boardings	24.97	23.62	26.97	22.96	27.74	22.85	25.31	24.76	23.60	23.83			≤ 27.00	≤ 27.00	24.64	8.8%	
Commendations	240	208	258	290	210	295	389	366	441	602			≥ 209	≥ 2083	3,299	58.4%	
Average Call Center Answer Delay (Sec.)	93	93	93	115	113	90	81	87	99	102			≤ 120	≤ 120	97	19.5%	

* Note: Starting in FY13 the reporting of Complaint Contacts per 100,000 boardings is modified to be consistent with Service Delivery's internal FY13 Scorecard reporting.