FINAL
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METRO BUSINESS PLAN & BUDGET FY2017

FY 2017

SHAPING THE FUTURE

METRO

Metropolitan Transit Authority of Harris County, Texas

September 7, 2016

Ms. Carrin F. Patman
Chair of the Board
Metropolitan Transit Authority

Dear Ms. Patman:

Please find attached the proposed FY2017 Business Plan & Budget for METRO, which includes the Operating, Capital, and Debt Service Budgets, as well as the projected transfer to the General Mobility Program.

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 FY2017 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 FY2017 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 2017 (October 1, 2016 – September 30, 2017).

Operating Budget	$ 568,071,000
Capital Budget	$ 178,220,000
Debt Service Budget	$ 99,308,000
Transfer to the General Mobility Program	$ 169,842,000

A Public Hearing on the proposed FY2017 Business Plan & Budget is scheduled to be held at noon on Wednesday, September 21, 2016, in the Second Floor Board Room of the METRO Administration Building. The proposed FY2017 Business Plan & Budget is scheduled for approval by the Board at the regular September meeting scheduled for Thursday, September 22, 2016 at 10:00am.

Sincerely,

President & Chief Executive Officer

Metropolitan Transit Authority of Harris County, Texas
1900 Main • P.O. Box 61429 • Houston, Texas 77208-1429
713-635-4000 • RideMETRO.org

Board Resolution

RESOLUTION 2016 - 100

A RESOLUTION

APPROVING AND ADOPTING THE BUDGET AND BUSINESS PLAN FOR FISCAL YEAR 2017; AND MAKING FINDINGS AND PROVISIONS RELATED TO THE SUBJECT

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

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

WHEREAS, in compliance with the statutory requirements, cited above, METRO made proposed budgets for fiscal year 2017 available to the public and has held a public hearing regarding these proposed budgets; and

WHEREAS, the Board of Directors has reviewed the proposed budgets for fiscal year 2017 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 the prerequisites required by law for the consideration and adoption of the budgets for fiscal year 2017 have been satisfied.

Section 2. The Board of Directors hereby finds that the Business Plan submitted by the President & CEO includes the appropriate strategic priorities, operating principles and organizational structure necessary to implement this Board's policies for the Metropolitan Transit Authority.

Section 3. The Board of Directors hereby approves and adopts an Operating Budget for fiscal year 2017 totaling $568,071,000.

Section 4. The Board of Directors hereby approves and adopts a Capital Budget for fiscal year 2017 totaling $178,220,000.

Section 5. The Board of Directors hereby approves and adopts a General Mobility Budget for fiscal year 2017 totaling $169,842,000.

Section 6. The Board of Directors hereby approves and adopts a Debt Service Budget for fiscal year 2017 totaling $99,308,000.

Section 7. The Board of Directors will receive reports at least quarterly on budgetary expenditures and fund availability as may occur subsequent to the beginning of the 2017 fiscal year.

Section 8. This Resolution is effective immediately upon passage.

PASSED this 22nd day of September, 2016
APPROVED this 22nd day of September, 2016

ATTEST:

Reca Perry

Reca Perry
Assistant Secretary

Carrin Patman

Carrin F. Patman
Chair

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Executive Summary

Fiscal Year 2017 will be a pivotal year for METRO. With the opening of the Harrisburg Overpass completing the METRORail Green Line, METRO will continue to transition from expanding our system to focus on enhancing it. Following our Board of Directors' guidance, METRO will strive toward these goals in FY2017:

- Attain Universal Accessibility
- Enhance the Customer Experience
- Maintain a State of Good Repair
- Market Our Service
- Plan for the Future

Mindful of these priorities, each department of the Authority has examined its individual projected expenditures for FY2017 from the ground up. This budgeting approach focuses our resources so we are best prepared to shape METRO's future during this upcoming year.

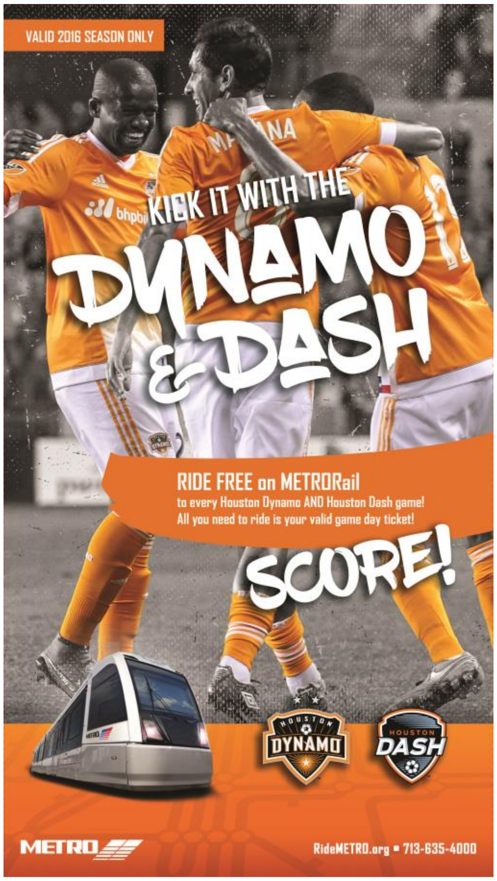
Universal Accessibility refers to ensuring that METRO's facilities and services are usable for all riders. Although METRO's entire fleet of buses and trains are already accessible, improvements to bus stops, bus shelters, and public facilities will make it easier for riders to use the system. These improvements include installing 200 new bus shelters, refurbishing an additional 215 shelters, building an escalator in the Burnett Transit Center, and repairing sidewalks, ADA ramps, bus stop pads, and crosswalks.

Accompanying the improvements to shelters and facilities, METRO will launch a pilot program to provide free service to transport METROLift paratransit customers to transit centers, rail stations, and Park & Ride lots. Termed "feeder service", this program will encourage riders with disabilities to use METRO's fixed-route service wherever possible.

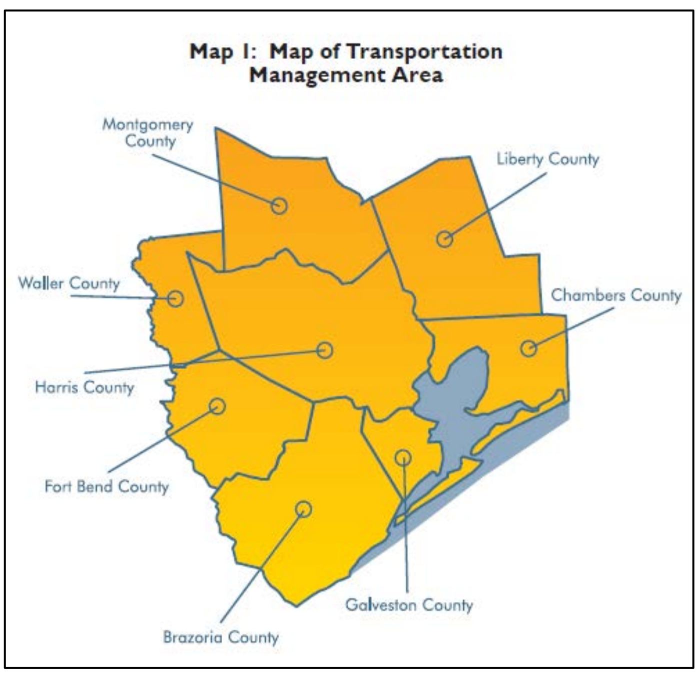
Riders benefit from trips that can be faster and more direct – and are even free during the pilot program – while METRO saves money on every trip due to reduced operating costs.

To introduce METRO's new Local Network, METRO literally put its best foot forward with the group of savvy feet-on-the-street known as the Street Team. Three new employees also joined the staff to make sure riders stay informed via social media of up-to-the-minute delays and changes in bus and train service. In FY2017, we will continue to reach out through the Street Team and social media as part of our efforts to assist riders wherever and whenever they need us. We will also hire additional fare inspectors to provide increased security and assistance along the rail lines. The next phase of mobile ticketing will be implemented, so that even more riders can take advantage of a RideStore in their pocket. All of these efforts will help **enhance the customer experience.**

METRO has a great story to tell, and in FY2017 we will tell that story as many ways and to as many people as possible. We will start with riders telling *their* stories through the "This Is My METRO" campaign. The campaign will feature Frequent Network routes serving key destinations throughout the region and will incorporate new and ongoing METRO partnerships. Radio, TV, print, and online ads will all help **market our services.**



METRO will continue to partner with the Houston Dynamo and Dash, encouraging soccer fans to take METRORail to the BBVA Compass Stadium. And, once again, METRORail will play a part in transporting Super Bowl fans, when Houston hosts Super Bowl LI in February 2017, spreading the word about transit in Houston to residents and visitors alike. That's a win, no matter which teams are playing.



Source: Bridging Our Communities – H-GAC 2040 Regional Transportation Plan

METRO's ability to serve such large events as the Super Bowl is the result of years of planning and building today's transit network. In FY2017, METRO will invest resources in preparing for tomorrow's transit network. Working together with the Houston-Galveston Area Council (H-GAC) and with other area transit providers, METRO will develop a regional transit plan to improve mobility in the eight-county area. Looking at our own service area, METRO will also create a Universal Accessibility Strategic Plan, including the strategic implementation of bus shelters. Other initiatives to anticipate and plan for the future will be spearheaded by the new Office of Innovation, and will include analyzing potential efficiencies from electric and compressed natural gas (CNG) vehicles and exploring new transportation and technological approaches.

The major highlights of METRO's FY2017 Business Plan and Budget are as follows:

- **The total FY2017 proposed Revenues available to METRO are $768,597,000,** which represent a 5.2% decrease compared to the FY2016 budget. This forecast is fiscally conservative and is mainly driven by a decline in projected sales tax revenues resulting from the downturn in the energy sector and by a reduction in grant revenue due to decreased capital spending. There will be no increase in fixed-route fares.

- **The total FY2017 proposed Operating Budget is $568,071,000,** which represents a 1.8% increase over the prior year's budget. Growth in baseline operating expenses has been restricted to 1.5% or less; the additional increase is $1.4 million in one-time expenses related to Houston's hosting of Super Bowl LI in February 2017.

- **The total FY2017 proposed Capital Budget is $178,220,000**, which represents an overall decrease of 31.5% over the FY2016 budget. This decrease is partly due to a 43.3% reduction in spending on METRORail as the Authority completes its new rail lines. There is also a 26.0% decrease in the Capital Improvement Program (CIP) reflecting reduced sales tax revenues. Capital investments include new bus shelters and other accessibility improvements, bus acquisitions, State of Good Repair projects, and Park & Ride expansions.

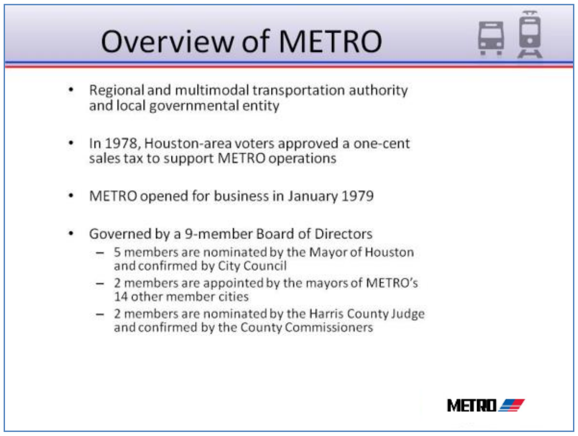
- **The total FY2017 proposed Debt Service Budget is $99,308,000,** which represents a 2.4% increase from the prior year's budget. The increase provides additional funds to make principal and interest payments on METRO's outstanding bonds, contractual obligations, and commercial paper.

- **The total FY2017 proposed transfer to the General Mobility Program is $169,842,000,** which represents a decrease of 1.6% from FY2016. This reflects the Authority's implementation of the voter-mandated referendum on General Mobility, which was held on November 6, 2012. The referendum continues General Mobility funding to member jurisdictions based on sales tax revenues set at the end of September 2014, with any growth in sales tax above that amount split 50/50 with member jurisdictions through December 31, 2025.

- **The total FY2017 proposed workforce is 4,082**, a net increase of 98 positions. Most of these new positions will support METRO's bus and rail network; the remaining increase results from bringing the METRO Star Vanpool program in-house, adding an Urban Designer position, and creating the Office of Innovation.

As always, METRO strives to provide quality transit services. With this Business Plan and Budget for FY2017, we look forward to working with the Board in implementing policies and actions to shape our – and our region's – future.

Preface



The Metropolitan Transit Authority of Harris County, Texas (the "*Authority*" or "*METRO*") is a metropolitan rapid transit authority created pursuant to legislation now codified as Chapter 451, Texas Transportation Code, as amended, and was confirmed at a confirmation and tax election held on August 12, 1978. The Authority provides transit services to, and collects sales and use taxes on taxable transactions in, a 1,303-square mile area with a population of approximately 3.6 million people, including the cities of Houston, Bellaire, Bunker Hill Village, El Lago, Hedwig Village, Hilshire Village, Humble, Hunters Creek Village, Katy, Missouri City, Piney Point Village, Southside Place, Spring Valley Village, Taylor Lake Village, and West University Place, in addition to significant portions of unincorporated Harris County.

METRO Board of Directors

The Board of Directors has nine members. Five are nominated by the mayor of Houston and confirmed by Houston City Council (C). Two are appointed by the mayors of METRO's 14 other member cities (M). Two are appointed by the Harris County Commissioners Court (H).

Carrin F. Patman, Chair (C)
Carrin graduated from Duke University in 1978 (with honors), and from the University of Texas School of Law in 1982 (member, Texas Law Review).

In 1982 she joined Bracewell & Patterson, now Bracewell, and for three decades has been a trial lawyer representing diverse business clients in major litigation involving commercial disputes, securities matters, antitrust and competition issues, and regulatory compliance. Carrin has tried cases before arbitrators, judges, and juries, and has become accomplished at facilitating out-of-court resolutions even among highly antagonistic litigants.

Since 2003, Carrin has regularly earned the annual distinction of Texas Super Lawyer in civil litigation defense. She has spoken at continuing legal education seminars on a variety of topics, and served as director for The Ultimate Trial Notebook, a course on all aspects of trial preparation presented at the State Bar of Texas Convention on June 24, 2004.

Awards and Honors
In 2001, Carrin became the first woman to receive the Karen H. Susman Jurisprudence Award, given each year by the Anti-Defamation League Southwest Region to "an outstanding member of the legal community who exhibits a commitment to equality, justice, fairness, and community service." In 2000, she was selected as a Woman on the Move by the Houston Chronicle, Channel 11 and Texas Executive Women. In 2012, she was inducted into the Greater Houston Women's Chamber of Commerce Hall of Fame, and in 2013, she received the Pacesetter Award given by the Ivy Educational and Charitable Foundation of Houston. All four awards recognize professional achievement combined with community service.

Harvard Advanced Leadership Initiative Fellowship 2014

Carrin recently completed a year-long Advanced Leadership Fellowship at Harvard University. As described on its website, the selective ALI Fellowship "is designed to enhance and leverage the skills of highly accomplished, experienced leaders who want to apply their talents to solve significant social problems…and focus on community and public service in the next phase of their careers." The Fellowship includes, in part: a core curriculum educating Fellows on leadership in the social change arena and key current problems requiring leadership; field experiences to help Fellows understand global and regional issues first-hand; Think Tanks providing "deep dive investigations" into current challenges such as health care and education; and course auditing. The inter-disciplinary curriculum features faculty from Harvard's Business School, Kennedy School, Law School, School of Education, and School of Public Health. One of the "deep dive investigations" during Carrin's Fellowship concerned transportation (including urban transit) and infrastructure.

Prior Civic Involvement

Carrin has been actively involved in community affairs for many years. Her prior activities on behalf of non-profits include, in part:

> **Metropolitan Transit Authority of Houston and Harris County, Board Member and Chair of Public Affairs Committee**
>
> METRO is the region's largest public transit provider. METRO operates bus service, builds and operates light rail lines, and provides other transportation services in Houston, fourteen smaller cities, and Harris County. From 2010 until early 2014, Carrin served on METRO's Board. She served on multiple committees and chaired its Government and Public Affairs Committee.
>
> **Sheltering Arms Senior Services, Executive Committee Member**
>
> Sheltering Arms is dedicated to promoting the dignity and independence of older adults through service, advocacy and support for caregivers. Among its extensive range of programs is a Day Center providing caring supervision and enjoyable recreation for those with Alzheimer's or other forms of dementia.

See extended biography at **http://www.ridemetro.org/Pages/BDCarrinPatman.aspx.**

"It's time to bring together all the stakeholders – businesses that rely on transit, local governments, residents, airport representatives, leaders in the Texas Medical Center and others – to develop a transportation plan that makes sense for the region." ***– Carrin Patman, Chair of the METRO Board***

Jim Robinson, CFE, First Vice-Chair (H)

Jim Robinson, who represents Harris County on the METRO Board of Directors, is deputy director for special projects in Harris County's Budget Management Department. He previously served 23 years as chief appraiser of the Harris County Appraisal District, and has also been executive director of the Texas State Property Tax Board, and a member of the director's staff in the Texas Department of Public Safety.
While with the Texas DPS, he also served as an adjunct faculty member in criminal justice at Southwest Texas State University (now Texas State University).

Robinson began his career as a broadcaster in Houston and Austin, and while still a college student was original owner of what is now Majic 102 FM. He also worked as a correspondent for the Houston Chronicle.

He holds BS and MA degrees from Sam Houston State University, and has done work toward a doctorate in traffic safety education at Texas A&M University. He also graduated from the National Security Management Program of the Industrial College of the Armed Forces.

Robinson served 27 years as a citizen-soldier, and retired as commanding general of the Texas State Guard. He holds numerous military awards and decorations including the Lone Star Distinguished Service Medal and the Texas Medal of Merit.

While living in the Austin area, he was elected to the Round Rock Independent School District Board of Trustees and served as board president. His civic and professional activities include assisting the Houston SPCA with equine rescues, membership in the National Guard Association of Texas, and service as chief of reserve deputies for Harris County Constable Pct. 3. He has been president of the Texas Association of Appraisal Districts, metropolitan jurisdiction chair for the International Association of Assessing Officers, and vice chair of the police public information section of the International Association of Chiefs of Police.

For his pioneering support of the nation's emergency managers weather information network, the National Weather Association presented him its Walter J. Bennett public service award.

He is a Registered Professional Appraiser in the state of Texas, a Master Peace Officer, and a Certified Fraud Examiner.

Cindy Siegel, Second Vice-Chair (M)

Cindy Siegel joined the METRO Board of Directors in March 2012 after being appointed by the mayors of the 14 Multi-Cities in the METRO service area.

Ms. Siegel is a Certified Public Accountant with almost 30 years of experience. She owns a public accounting firm, Cynthia Siegel, CPA, that provides accounting and tax services for small businesses and individuals. Prior to starting her accounting firm in 1991, Ms. Siegel worked at JPMorgan Chase Bank (formerly Texas Commerce Bank) in the trust department as Vice President of Tax Reporting for the Corporate Taxable Bond Division.

She started her accounting career at Arthur Andersen & Co. in 1983 followed by tenure at a local Houston firm and Ernst and Young LLP. Ms. Siegel is a member of the American Institute of CPAs, the Texas Society of CPAs, and the Houston Chapter of CPAs.

Ms. Siegel served as Mayor of Bellaire for eight years from 2004 until January 2012. Prior to serving as Mayor, she served on Bellaire City Council as a councilman from 1998 until her election as mayor. She also has served on the Bellaire Planning and Zoning Commission and was Chairman of the Bellaire Parks and Recreation Advisory Board and Bellaire's representative to the Houston-Galveston Area Council General Assembly.

Ms. Siegel has been an active volunteer for various organizations serving children and the elderly in the community. Currently, Ms. Siegel serves as a board member of the Julia C. Hester House, the Senior Resource Directory Board, the Evelyn's Park Conservancy, Patrons for Bellaire Parks and the Nature Discovery Center's Advisory Board. She is a past member of the Aged and Disability Advisory Board to the Texas Department of Human Services and a prior board member and officer for the Houston Alzheimer's Association and the Texas Coalition of Alzheimer's Associations and a past board member of the Nature Discovery Center. Ms. Siegel has also served on the Board of Trustees for Duchesne Academy of the Sacred Heart. She is also a graduate of the American Leadership Forum Class XXVIII. In 2009, Ms. Siegel was selected as one of the Houston 50 Most Influential Women by the Houston Woman Magazine.

Ms. Siegel has a Bachelor of Science degree in Business from Kansas State University and a Masters in Business Administration specializing in accounting and finance from the University of Houston.

Troi Taylor, Secretary (C)

At age 34, Troi Taylor – President, along with his wife, Kelley Taylor – CEO, started Taylor Construction Management (TCM) – a facilities project management consulting firm. In 5-years, the company grew from 1 to 12 associates. TCM is currently responsible for managing more than $1B in active construction projects in Texas alone. The company maintains a strong presence in Mainland China and also has an expanding office in Dallas, Texas. Troi is passionate about project management because he connects the mega capital improvement assignments down to the simplest components: people must understand the big picture and be motivated to exceed their own expectations. His dedication and success has garnered acclaim on the national and international platform.

Troi received a Bachelor of Science degree in Chemical Engineering from Prairie View A&M University. He received an MBA degree from the University of Houston-Victoria. Troi is a native Houston – graduating from Milby Sr. High School in the Houston ISD.

Under the leadership of Kelley and Troi, TCM is currently managing projects across various industries: Education, Transportation, Life Science, and Healthcare. Some of their noteworthy clients include Houston ISD, Texas A&M University System, Houston Airport System, Fort Bend County Toll Road Authority, and several others.

In addition to his METRO Board appointment by Mayor Sylvester Turner, Troi also serves on the Houston Mayor's Office of Business Opportunity (OBO) Advisory Board as well as on the Board of Directors for the Houston Minority Supplier Development Council (HMSDC).

Through philanthropy, diligence, and maintaining a spiritual compass, Troi has been recognized by several organizations in recent years:

- Emerging 10 Award (HMSDC) 2012
- Upstart Award (Greater Houston Black Chamber) 2013
- International Rising Star (International Trade Development Council) 2014
- Med-Week 2014 MBE Company of the Year
- Top 40 Under 40 Award (Houston Business Journal) 2015
- Minority Contractor of the Year (Houston Area Urban League) 2015.

Troi and Kelley live in Spring, Texas. They have two children: Joshua and Laila Taylor. He is an active presence in his neighborhood. He serves on the steering committee for the Scholar Athletes Amateur Athletes Union. Additionally, he is an active volunteer at Holy Trinity Episcopal School as well as the Star of Hope Homeless Shelter. Finally, Troi can often be found facilitating leadership discussions for at-risk inner city youth at various Greater Houston school districts.

Don Elder Jr. (M)

Don Elder Jr. was raised on a rice farm and ranch in Katy, Texas, where his dad and two uncles farmed for over 33 years. Don graduated from Katy High School and attended Sam Houston State University where he received Bachelor of Science and Master of Education degrees. Upon graduation, he was a professor at both Sam Houston and Hill College. At Hill College, he had his own local sports radio program and served as the athletic public relations director. Following teaching, Don worked in sales/marketing in the Ready-Mix business for over 30 years. He now owns Elder Consulting where he works with school and governmental entities.

Don served on the Katy Independent School District Board of Trustees for two terms. After that, he was elected to the Harris County Department of Education (HCDE) County Board. He served on this Board for ten years, two terms as president. He was on the Katy City Council for five years. He resigned from Katy City Council to run for Mayor and was elected May 12, 2007. He ran unopposed in the May 2009 election and was re-elected for a second term. The Mayor again ran unopposed in May 2011 and his term expired in 2013. The mayor's position in Katy is term-limited.

Don serves on the Talent Committee of the Economic Development Board as well as the Governing Board of the EDC. He has served on the Business Development Board of Sterling Bank and presently serves on the Development Board for Houston Community College (HCC). Some of Don's other community involvement, to name a few, are Past member of the Katy Athletic Booster Club; Past president of Katy High School Alumni Association; Honorary member of Katy FFA, as well as other schools in the district; Member of the Katy FFA Sales Committee; Past member of Board of Directors for Katy Area A & M Club; Past president of Katy Area A & M Club; past member of Board of Directors for Katy FFA Rodeo Committee; Member of the 12th Man Foundation, Texas A & M University.

Don is married to Katy native, Ida Faye Moore Elder. They have one son, Shane, who is married to Maddie. They live in Boerne, Texas. Don and Ida Faye are active members of the Katy First United Methodist Church. He enjoys hunting, visiting the Hill Country and attending Texas A&M and UTSA football games.

Lex Frieden (C)

Lex Frieden is Professor of Biomedical Informatics and Rehabilitation at The University of Texas Health Science Center at Houston (UTHealth) and he is adjunct Professor of Physical Medicine and Rehabilitation at Baylor College of Medicine. Mr. Frieden also directs the ILRU – Independent Living Research Utilization Program at TIRR Memorial Hermann in Houston. ILRU is a research, training and technical assistance program on independent living for people with disabilities and older adults.

Mr. Frieden has served as chairperson of the National Council on Disability, president of Rehabilitation International, and chairperson of the American Association of People with Disabilities. He is recognized as one of the founders of the independent living movement by people with disabilities in the early 1970's, and he was instrumental in conceiving and drafting the Americans with Disabilities Act (ADA) of 1990.

Mr. Frieden holds degrees in psychology from the University of Tulsa and the University of Houston and he has been awarded an honorary doctorate in law (LL.D.) by the National University of Ireland. He has received two Presidential Citations for his work in the field of disability.

Mr. Frieden is the author of more than 100 published contributions to the literature. He has given more than 1,000 lectures and presentations at events throughout the US and internationally. Mr. Frieden is currently leading a national research study to evaluate the impact of the ADA and to identify population group disparities related to employment, transportation, housing and community living.

Lisa Castañeda (H)

Lisa Castañeda, P.E., is the deputy director for the Harris County Toll Road Authority (HCTRA). In her role in senior management, Ms. Castañeda is a key member of a leadership team which defines the vision for HCTRA's growth to ensure that regional, multi-modal mobility needs are addressed in a way that supports regional economic development, prioritizes resident and business safety and mobility, and strategically plans for system growth.

Ms. Castañeda is a graduate in Civil Engineering from Texas A & M University. She is experienced in toll systems technology, inter-operational and jurisdictional tolling capabilities.

Ms. Castañeda also has working design experience in highway, bridge, traffic, drainage, utility relocation, multi-modal transportation system development, right-of-way acquisition, and toll systems engineering. This background gives her a unique understanding of the needs and issues faced by the region's transportation and infrastructure agencies.

Sanjay Ramabhadran (Ram), P.E. (C)

Sanjay Ramabhadran has provided engineering, management and master planning services to the Industrial and Governmental market segments for 20 years. As Vice President & Board Member of a Texas based infrastructure and environmental consulting company, he previously directed a Corporate Practice focused on water and infrastructure across the firm's offices. Prior to that, he was Principal-In-Charge of a $1 billion global consulting firm, where he managed an Infrastructure Business Practice across multiple states.

His civic involvement has included serving as Chairman of the Board of Directors of LEADERSHIP HOUSTON; Director in the Texas Lyceum – state-wide leadership group focused on public policy issues impacting Texas; Steering Committee Member – Houston General Plan; Senior Fellow – American Leadership Forum; President of the HESS Club; President of the Indo-American Chamber of Commerce of Greater Houston; Chairperson of the Houston Mayor's International Trade & Development Council (South Asia); City of Houston – Building & Standards Commission; Greater Houston Partnership's Public Safety Task Force; Connecting Communities Initiative at Rice University's Kinder Institute; Co-Chair of the Civic Engagement Advisory Committee for the City of Houston – Public Library; Advisory Council – Houston Arts Alliance; President of the Indo-American Political Action Committee; and Board of Directors of the Indo-American Charity Foundation.

Mr. Ramabhadran was honored as one of the 2012 Ten Outstanding Young Americans (TOYA) by the United States Junior Chamber. He was previously selected as one of Five Outstanding Young Texans in 2011 by the Texas Jaycees and one of Five Outstanding Young Houstonians for the year 2010 by the Houston Jaycees. Selected as an ASIA 21 Young Leader, he represented the United States at the 2010 Global Asia 21 Leadership Summit in Jakarta, Indonesia.

A graduate of BITS-Pilani and Texas A&M University, he is a registered Professional Engineer.

Sanjay and his wife live in Houston and their sons attend public schools. His interests include cycling, traveling, and public policy.

Christof Spieler (C)

Christof Spieler, P.E., LEED AP is Vice President at Morris. He is Director of Planning for the Houston office, working on a variety of public and private planning projects, and heads firm-wide efforts on Building Information Modeling (BIM). He has spoken extensively on BIM at regional and national conferences.

Previous to joining Morris, Mr. Spieler worked as a consulting structural engineer. His projects have won multiple American Institute of Architects awards and have been featured on the cover of national engineering magazines.

Mr. Spieler teaches structures at the Rice University School of Architecture and advises student design-build programs at Rice and the University of Houston. He is a licensed professional engineer in the State of Texas.

Mr. Spieler has written and spoken extensively on transit and urban planning and has helped Houston neighborhoods shape transportation projects. His articles have appeared in Cite Magazine (where he served on the editorial committee from 1998 to 2010, including 2 years as chair), the Houston Chronicle, and Architecture Magazine; he also covered Houston transportation in his blog, Intermodality. He has spoken to national conferences such as Greenbuild, Railvolution, and New Partners for Smart Growth, organizations including the Texas Society of Architects, the Texas Economic and Demographic Association, COMTO, and the Greater Houston Partnership, classes at Texas Southern University, the University of Houston, and Rice University, and numerous civic clubs. He also organized and lead bus tours of the Houston freight rail system and bike tours in Houston and Galveston. He serves as a member of the American Public Transit Association's Sustainability and Urban Design Working Group, a member of Central Houston's Transportation Committee, and a member of the UGBC Houston's LEED-ND committee. He has worked extensively with the Citizens' Transportation Coalition, the East End Chamber of Commerce Rail Subcommittee, the Super Neighborhood 22 Transportation Committee, and Richmondrail.org.

Mr. Spieler lives Downtown with his wife, Kimberly. They share one car, and he relies on METRO for most of his daily trips. He holds a Bachelor of Science and a Master of Science in Civil Engineering from Rice University. He was named one of Mass Transit Magazine's "40 under 40" in 2013, Rice's Outstanding Young Engineering Alumnus in 2009, and one of Building Design and Construction Magazine's "40 under 40" in 2008.

METRO's Executive Leadership Team

Thomas C. Lambert
President & Chief Executive Officer
713-615-6409

Tom Jasien
Deputy CEO
713-739-4008

James Carroll
Vice President & Chief Auditor
713-739-4851

Rosa Diaz
Director, Board Support
713-739-4834

Terence Fontaine
Executive Vice President & Chief Innovation Officer
713-739-4655

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713-739-6057

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General Counsel
713-739-3866

Roberto Treviño
Executive Vice President, Planning, Engineering & Construction
713-739-6062

Service Summary

METRO provides bus, light rail, paratransit, High Occupancy Vehicle/Toll (HOV/HOT) lanes, and other transit services to approximately 3.6 million people. METRO's service area spans 1,303 square miles and includes the City of Houston, 14 other incorporated cities, and parts of unincorporated Harris County. Houston is the nation's fourth most populous city and the Houston metropolitan area is the nation's fifth largest.

Transit System

The Authority's purpose is to develop, operate, and maintain a mass transit system to serve the residents within and visitors to its service area. The goal of the FY2017 Transit Service Plan is to deploy METRO's resources effectively to meet its customers' needs by implementing the following goals:

- Attain Universal Accessibility
- Enhance the Customer Experience
- Maintain a State of Good Repair
- Market Our Service
- Plan for the Future

The Authority's transit system has these components:

Bus System - The Authority provides public bus service utilizing a fleet of approximately 1,233 buses, including 635 Diesel, 7 Greenlink CNG, 437 40/45-foot hybrid buses, and 34 ARBOC alternative service vehicles, as well as 166 METROLift paratransit service vans. Its passenger facilities include 8,899 active bus stops and 33,271 parking spaces. METRO buses will have run 43.1 million revenue miles and will have had an estimated 66.8 million boardings by the end of FY2016.

HOV/HOT Lane System - The High Occupancy Vehicle/Toll (HOV/HOT) 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. There are 139.1 miles of HOV/HOT lanes in Houston freeways, of which METRO operates 101.9 miles. For FY2016, the projected HOV/HOT lane ridership is approximately 28 million.

Light Rail System - The Red Line, the Authority's first light rail line, began operation on January 1, 2004. Now extended to 12.8 miles, the line begins at the Northline Transit Center, serving HCC Northeast and Northline Commons mall, and then continues south through Houston's Central Business District, Midtown, the Museum District, Rice University, the Texas Medical Center and the NRG (formerly Reliant) Park Complex to the Fannin South Transit Center.

The Authority opened two additional light rail lines in FY2015, the Purple (Southeast) and Green (East End) Lines. Destinations served by these new lines include Texas Southern University, the University of Houston, BBVA Compass Stadium, and the Theater District. These new lines added another 8.9 miles of light rail lines, with an additional mile on the East End Line upon completion of the Harrisburg Overpass, which will extend the line to the Magnolia Park Transit Center. In total, METRO will operate 22.7 miles of light rail service. METRO will reach approximately 26.8 million light rail boardings in FY16.

Paratransit Service - The Authority's METROLift paratransit service will have provided 1.6 million trips to 16,500 eligible riders in FY2016, using both METRO-owned lift-equipped vans and contractor-owned and operated accessible minivans. In FY2014, METRO changed its paratransit policies in order to provide more efficient and sustainable service. The revised "No Show" policy went into effect in June 2014. At that time, METRO had 400 violators. As of June 2016, the number of violators had fallen to 153 and on-time performance equaled 90.4%.

Commuter Vanpool Service – During FY2016, the Authority's METRO STAR commuter vanpool service averaged 612 vans. Projected FY2016 ridership amounts to 2.23 million trips with approximately 6,114 riders. In FY2017, the Authority is estimating 2.10 million trips annually with approximately 6,232 riders, making METRO STAR one of the largest vanpool programs in the nation.

Projected Ridership

Category	FY2016 Estimate	FY2017 Budget	Change	% Change
Fixed-Route Service*	85,557,893	88,233,969	+2,676,076	+3.1%
Customized Services**	4,396,224	4,100,304	-295,920	-6.7%
Total Fixed-Route and Customized Services	**89,954,117**	**92,334,273**	**+2,380,156**	**+2.6%**

Note: The chart above measures the change in system ridership between the FY2016 estimate and FY2017 budgeted levels.

* Includes Special Events

**Includes METROLift, METRO STAR Vanpool, and Internal Service.

Boardings by Service Category

	FY2015 Actual	FY2016 Estimate	FY2017 Budget	Budget-to-Estimate Variance #	%
Fixed-Route Services					
Local Network					
Local	57,872,142	58,601,574	60,298,775	1,697,201	2.9%
METRORail	15,280,311	18,514,157	19,625,658	1,111,501	6.0%
Subtotal Local Network	**73,152,453**	**77,115,731**	**79,924,433**	**2,808,702**	**3.6%**
Commuter					
Park & Ride	8,395,814	8,242,009	8,162,991	(79,018)	-1.0%
Subtotal Fixed-Route Service	**81,548,267**	**85,357,740**	**88,087,424**	**2,729,684**	**3.2%**
Special Events*	212,265	200,153	146,545	(53,608)	-26.8%
Total Fixed-Route	**81,760,532**	**85,557,893**	**88,233,969**	**2,676,076**	**3.1%**
Customized Bus Services					
METROLift	1,901,731	1,960,062	1,959,013	(1,049)	-0.1%
METRO STAR Vanpool	2,479,392	2,237,123	2,100,827	(136,296)	-6.1%
Internal Service	829	199,039	40,464	(158,575)	-79.7%
Subtotal Customized Bus	**4,381,952**	**4,396,224**	**4,100,304**	**(295,920)**	**-6.7%**
HOV/HOT Carpools, Vanpools, and Non-METRO Buses	25,903,688	28,019,600	28,299,700	280,100	1.0%
Total System	**112,046,172**	**117,973,717**	**120,633,973**	**2,660,256**	**2.3%**

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

FY2017 Service Levels Budget

Service Plan

	Fixed Route							Customized Service		
Resources	**METRO Bus**	**Contracted Bus**	**Contracted Alternative**	**Special Events**	**Total Bus**	**Rail**	**Total Bus and Rail**	**Internal Service**	**METROLift**	**METRO STAR**
Revenue Miles	35,967,114	8,092,730	0	147,037	44,206,881	2,165,939	46,372,820	1,362	18,451,934	-
Revenue Hours	2,665,823	566,809	0	11,968	3,244,600	206,424	3,451,024	180	1,131,524	-
Total Miles	42,128,287	9,720,718	0	147,037	51,996,042	2,180,824	54,176,866	1,362	28,690,845	-
Total Hours	2,908,382	626,869	0	11,968	3,547,219	208,894	3,756,113	180	1,415,599	-
Number of Vans										617

FY2016 Service Levels Estimate

	Fixed Route							Customized Service		
Resources	**METRO Bus**	**Contracted Bus**	**Contracted Alternative**	**Special Events**	**Total Bus**	**Rail**	**Total Bus and Rail**	**Internal Service**	**METROLift**	**METRO STAR**
Revenue Miles	36,768,632	8,188,956	104,748	144,154	45,206,490	2,101,851	47,308,341	1,335	18,554,172	-
Revenue Hours	3,154,279	577,619	8,851	11,734	3,752,483	206,160	3,958,643	176	1,140,424	-
Total Miles	50,544,907	9,851,130	131,592	144,154	60,671,782	2,105,251	62,777,033	1,335	28,896,776	-
Total Hours	3,440,854	639,056	9,967	11,734	4,101,611	208,028	4,309,639	176	1,427,863	-
Number of Vans										612

FY2016 Service Levels Budget

	Fixed Route							Customized Service		
Resources	**METRO Bus**	**Contracted Bus**	**Contracted Alternative**	**Special Events**	**Total Bus**	**Rail**	**Total Bus and Rail**	**Internal Service**	**METROLift**	**METRO STAR**
Revenue Miles	34,710,303	8,032,276	418,994	155,174	43,316,747	2,103,151	45,419,898	4,432	18,463,096	-
Revenue Hours	2,557,601	565,100	35,405	12,959	3,171,065	206,156	3,377,221	643	1,139,707	-
Total Miles	40,409,216	9,665,454	526,367	155,174	50,756,211	2,114,455	52,870,666	4,432	21,815,168	-
Total Hours	2,781,583	625,257	39,868	12,959	3,459,667	208,029	3,667,697	643	1,274,733	-
Number of Vans										735

Change to Service Levels: FY2016 Estimate to FY2017 Proposed Budget

Resources	METRO Bus	Contracted Bus	Contracted Alternative	Special Events	Total Bus	Rail	Total Bus and Rail	Internal Service	METROLift	METRO STAR
	Fixed Route								Customized Service	
Revenue Miles	-801,518	-96,226	-104,748	2,883	-999,609	64,088	-935,521	27	-102,238	-
Revenue Hours	-488,456	-10,810	-8,851	235	-507,882	264	-507,618	4	-8,900	-
Total Miles	-8,416,620	-130,412	-131,592	2,883	-8,675,741	75,573	-8,600,168	27	-205,931	-
Total Hours	-532,472	-12,187	-9,967	235	-554,391	866	-553,525	4	-12,264	-
Number of Vans										5

Resources	METRO Bus	Contracted Bus	Contracted Alternative	Special Events	Total Bus	Rail	Total Bus and Rail	Internal Service	METROLift	METRO STAR
	Fixed Route								Customized Service	
Revenue Miles	-2.18%	-1.18%	-100.00%	2.00%	-2.21%	3.05%	-1.98%	2.00%	-0.55%	-
Revenue Hours	-15.49%	-1.87%	-100.00%	2.00%	-13.53%	0.13%	-12.82%	2.00%	-0.78%	-
Total Miles	-16.65%	-1.32%	-100.00%	2.00%	-14.30%	3.59%	-13.70%	2.00%	-0.71%	-
Total Hours	-15.47%	-1.91%	-100.00%	2.00%	-13.52%	0.42%	-12.84%	2.00%	-0.86%	-
Number of Vans										0.82%

Change to Service Levels: FY2016 Budget to FY2017 Proposed Budget

Resources	METRO Bus	Contracted Bus	Contracted Alternative	Special Events	Total Bus	Rail	Total Bus and Rail	Internal Service	METROLift	METRO STAR
	Fixed Route								Customized Service	
Revenue Miles	1,256,811	60,454	-418,994	-8,137	890,134	62,788	952,921	-3,070	-11,162	-
Revenue Hours	108,222	1,709	-35,405	-991	73,535	268	73,804	-463	-8,183	-
Total Miles	1,719,071	55,264	-526,367	-8,137	1,239,830	66,369	1,306,199	-3,070	6,875,677	-
Total Hours	126,799	1,612	-39,868	-991	87,552	865	88,416	-463	140,866	-
Number of Vans										(118)

Resources	METRO Bus	Contracted Bus	Contracted Alternative	Special Events	Total Bus	Rail	Total Bus and Rail	Internal Service	METROLift	METRO STAR
	Fixed Route								Customized Service	
Revenue Miles	3.62%	0.75%	-100.00%	-5.24%	2.05%	2.99%	2.10%	-69.28%	-0.06%	-
Revenue Hours	4.23%	0.30%	-100.00%	-7.65%	2.32%	0.13%	2.19%	-72.01%	-0.72%	-
Total Miles	4.25%	0.57%	-100.00%	-5.24%	2.44%	3.14%	2.47%	-69.28%	31.52%	-
Total Hours	4.56%	0.26%	-100.00%	-7.65%	2.53%	0.42%	2.41%	-72.01%	11.05%	-
Number of Vans										(16.05%)

Workforce by Department

Authority		FY2016 End of Year Authorized Headcount	FY2016 Projected	FY2017 End of Year Authorized Headcount
Operations, Public Safety and Customer Service		**3,339**	**3,262**	**3,442**
EVP Operations, Public Safety, & Customer Service		9	9	9
Operations		2,952	2,900	3,047
	Union FT	2,361	2,332	2,424
	Union PT	79	76	85
	Non-Union FT	511	491	534
	Non-Union PT	1	1	4
Public Safety		305	283	313
	Non-Union FT	295	273	303
	Non-Union PT	10	10	10
Customer Service		73	70	73
	Non-Union FT	73	70	73
	Non-Union PT	0	0	0
Finance		**81**	**77**	**80**
VP & CFO		3	2	3
Finance		78	75	77
Administration		**231**	**230**	**233**
EVP Administration		3	2	3
Procurement & Materials		117	117	119
	Union FT	59	59	61
	Non-Union FT	58	58	58
Information Technology		70	70	70
Human Resources		41	41	41
Planning, Engineering & Construction		**249**	**235**	**242**
Facility Maintenance		185	178	178
	Union FT	134	128	126
	Non-Union FT	51	50	52
EVP Planning, Engineering & Construction		2	2	2
Engineering and Construction		30	26	30
Planning		32	29	32
Gov't Public Affairs		**37**	**35**	**37**
Mktg & Corporate Communications		24	24	24
Public Engagement		5	3	5
Stakeholder Affairs		6	6	6
Government Affairs		2	2	2
Legal		**17**	**16**	**17**
Legal		15	14	15
Records Management		2	2	2
Audit		**11**	**10**	**11**
Executive & Board		**16**	**16**	**17**
Office of Innovation		**3**	**3**	**3**
Total Union		**2,633**	**2,595**	**2,696**
Total Non-Union		**1,351**	**1,289**	**1,386**
Total Workforce		**3,984**	**3,884**	**4,082**

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

	FY2016 End of Year Authorized Headcount	FY2016 Projected	FY2017 End of Year Authorized Headcount
Total Part-Time Workforce (Union and Non-Union)	90	87	99
Total Full Time Workforce (Union and Non-Union)	3,894	3,797	3,983

FY2017 Operating Budget Workforce Additions/Deletions

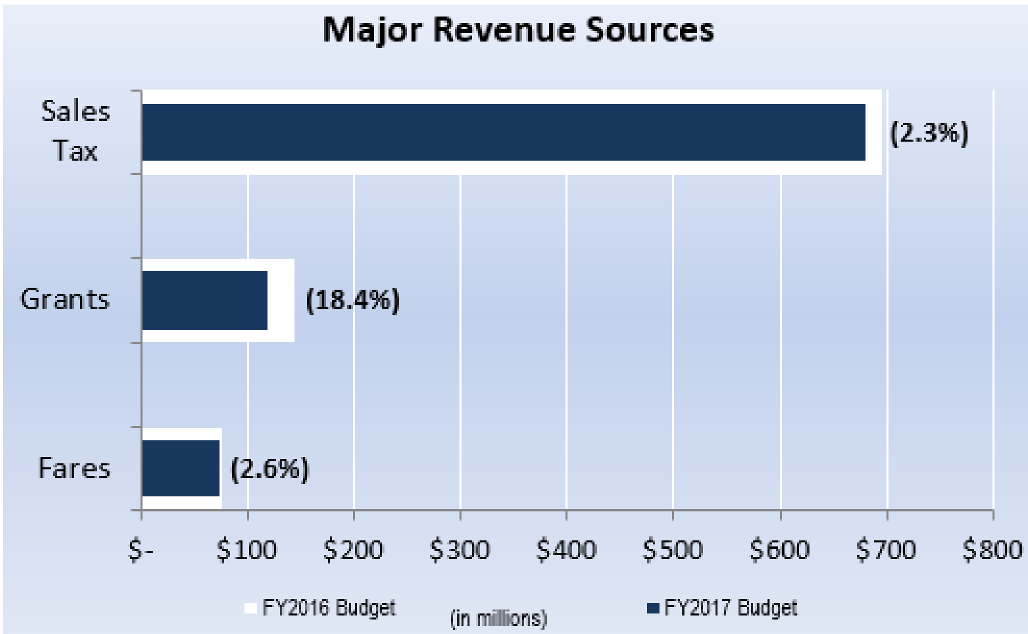
Category	Department	Position	Additions	Deletions
Bus Ops	Operations: Transportation	Bus Operators	10	
Bus Ops	Operations: Transportation	Bus Operators (PT)	6	
Bus Ops	Operations: Transportation	Bus Operator Trainees	35	
Rail Ops	Operations: Rail Operations	LRT Operators	8	
Rail Ops	Operations: Rail Operations	LRT Operator Trainees	10	
Other	Procurement and Materials: Materials	Storeroom Attendant	2	
Other	Planning, Eng. & Construction: Facilities Maintenance	Cleaner		(8)
		Total Union	**71**	**(8)**
METROLift	Operations: METROLift	Operations Supervisor	1	
Vanpool	Operations: Vanpool Services	Mgr. Fin & Rptg	1	
Vanpool	Operations: Vanpool Services	Mgr. Sales & Svc	1	
Vanpool	Operations: Vanpool Services	Spvsr. Cust Svcs & Fleet	1	
Vanpool	Operations: Vanpool Services	Spvsr. Cust Billing	1	
Vanpool	Operations: Vanpool Services	Mkt Dev Coord	1	
Vanpool	Operations: Vanpool Services	Vanpool Acct Mgr III	1	
Vanpool	Operations: Vanpool Services	Vanpool Acct Mgr II	2	
Vanpool	Operations: Vanpool Services	Vanpool Acct Mgr I	2	
Vanpool	Operations: Vanpool Services	Fleet Coord	2	
Vanpool	Operations: Vanpool Services	Route Dev Coord	1	
Vanpool	Operations: Vanpool Services	Fare Clerk III	1	
Vanpool	Operations: Vanpool Services	Fare Clerk II	2	
Vanpool	Operations: Vanpool Services	Fare Clerk I	1	
Vanpool	Operations: Vanpool Services	Sr Vanpool Spec	1	
Vanpool	Operations: Vanpool Services	Vanpool Event Coord (PT)	1	
Vanpool	Operations: Vanpool Services	Vanpool Spec II	2	
Vanpool	Operations: Vanpool Services	Vanpool Spec I	2	
Vanpool	Operations: Vanpool Services	Vanpool Spec I (PT)	2	
Rail Ops	Facilities Maintenance: Rail Facilities	Facility Supervisor	1	
Rail Ops	METRO Police Department (MPD): Rail Operations	Civilian Fare Inspector	6	
Rail Ops	METRO Police Department (MPD): Rail Operations	Lead Fare Inspector	1	
Rail Ops	METRO Police Department (MPD): Rail Operations	Sergeant	1	
Other	Finance	Vault Attendant		(1)
Other	Executive & Board	Urban Designer	1	
		Total Non-Union	**36**	**(1)**

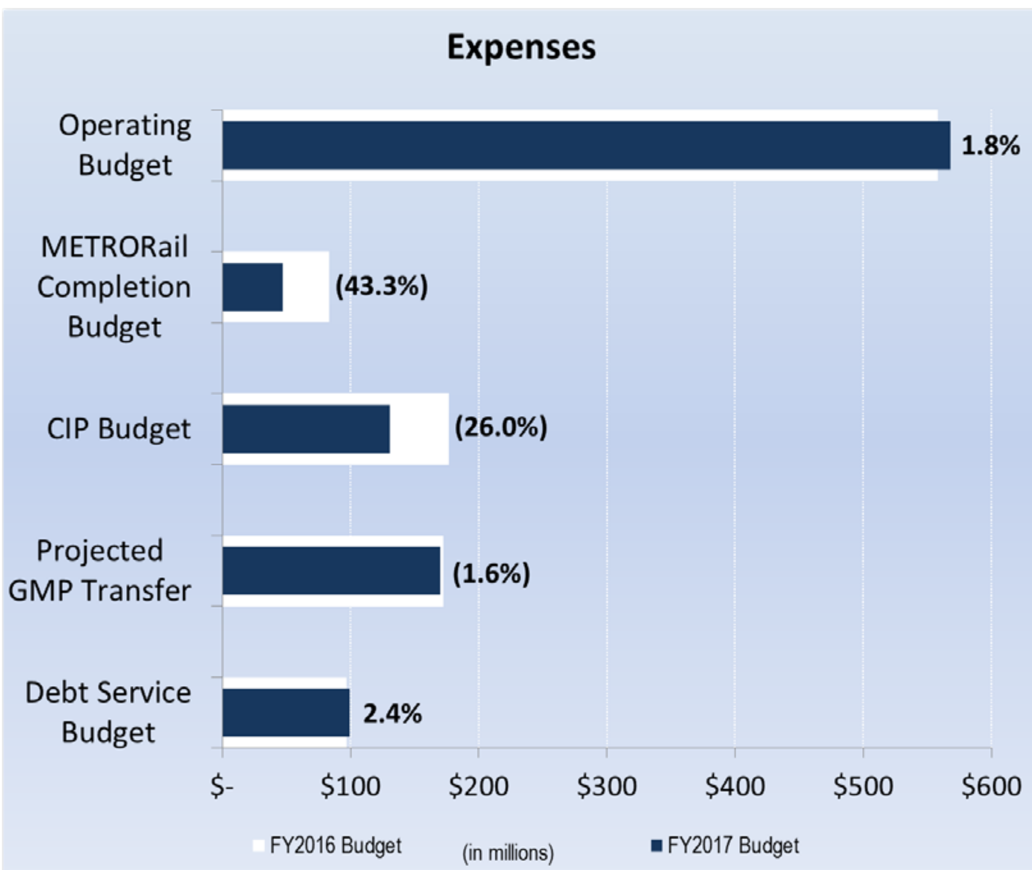
Total	**107**	**(9)**
Total Year-Over-Year Change in Authorized Positions	**98**	

Authority Budget Summary

	FY2016 Budget	FY2016 Estimate	FY2017 Budget	Budget-to-Budget Variance $	%
Sales Tax	$ 695,359,459	$ 689,083,000	$ 679,367,000	$ (15,992,459)	(2.3%)
Transfer to GMP	(172,586,519)	(171,802,000)	(169,842,000)	2,744,519	(1.6%)
Sales Tax (net GMP Transfer)	$ 522,772,940	$ 517,281,000	$ 509,525,000	$ (13,247,940)	(2.5%)
Fares	70,274,000	65,896,000	67,729,000	(2,545,000)	(3.6%)
Vanpool	4,867,000	-	5,466,000	599,000	12.3%
HOT Lane Revenue	6,920,000	8,050,000	8,453,000	1,533,000	22.2%
Grants	145,318,000	119,660,000	118,629,000	(26,689,000)	(18.4%)
Interest	300,000	2,000,000	2,000,000	1,700,000	566.7%
Miscellaneous	3,959,060	16,343,000	5,442,000	1,482,940	37.5%
Bond Proceeds	56,462,000	-	51,353,000	(5,109,000)	(9.0%)
Total Revenues	**$ 810,873,000**	**$ 729,230,000**	**$ 768,597,000**	**$ (42,276,000)**	**(5.2%)**
Operating Expenses					
Wages	131,210,740	130,400,821	135,663,916	4,453,176	3.4%
Union Fringe Benefits	70,145,039	71,227,416	75,396,739	5,251,700	7.5%
Subtotal Union Labor	**201,355,779**	**201,628,237**	**211,060,655**	**9,704,876**	**4.8%**
Salaries and Non-Union Wages	91,363,017	89,879,408	96,203,788	4,840,771	5.3%
Non-Union Fringe Benefits	38,947,817	38,819,019	41,462,422	2,514,605	6.5%
Subtotal Non-Union Labor	**130,310,834**	**128,698,427**	**137,666,210**	**7,355,376**	**5.6%**
Subtotal Labor and Fringe Benefits	**331,666,613**	**330,326,664**	**348,726,865**	**17,060,252**	**5.1%**
Services	42,779,211	40,720,210	45,233,070	2,453,859	5.7%
Materials and Supplies	24,871,902	24,696,392	26,321,541	1,449,639	5.8%
Fuel & Utilities	49,403,346	49,106,582	42,583,501	(6,819,845)	(13.8%)
Casualty and Liability	4,910,742	5,065,773	4,260,078	(650,664)	(13.2%)
Purchased Transportation	99,584,504	95,507,478	99,478,010	(106,494)	(0.1%)
Leases, Rentals and Miscellaneous	9,099,282	8,890,214	10,176,997	1,077,715	11.8%
Subtotal Non-Labor	**230,648,987**	**223,986,649**	**228,053,197**	**(2,595,790)**	**(1.1%)**
Subtotal Labor and Non Labor	**562,315,600**	**554,313,313**	**576,780,062**	**14,464,462**	**2.6%**
Contingency	10,938,323	-	2,500,000	(8,438,323)	-77.1%
Allocation to Capital & GMP and Cost Recovery	(14,982,923)	(15,538,313)	(11,209,062)	3,773,861	25.2%
Subtotal Contingency/Allocation	**(4,044,600)**	**(15,538,313)**	**(8,709,062)**	**(4,664,462)**	**(115.3%)**
Total Operating Expenses	**$ 558,271,000**	**$ 538,775,000**	**$ 568,071,000**	**$ 9,800,000**	**1.8%**
Capital Expenses					
METRORail Expansion/ Completion	83,208,000	67,001,000	47,183,000	(36,025,000)	(43.3%)
Capital Improvement Program	176,983,000	81,521,000	131,037,000	(45,946,000)	(26.0%)
Total Capital Budget	**$ 260,191,000**	**$ 148,522,000**	**$ 178,220,000**	**$ (81,971,000)**	**(31.5%)**
Debt Service	**$ 96,941,601**	**$ 94,749,000**	**$ 99,308,000**	**$ 2,366,399**	**2.4%**

Year-to-Year Budget Comparisons





Financials

Development Guidelines

METRO is committed to being a responsible steward of public funds and to financial sustainability. Accordingly, METRO's FY2017 Business Plan was developed using these Board-approved guidelines:

- Estimates of sales tax growth will be consistent with the growth estimates provided by Dr. Robert W. (Bill) Gilmer, Director of the Institute for Regional Forecasting at the University of Houston. The growth rate will be reduced by the following annual percentage factors:

  FY2017: -1.00%
  FY2018: -1.00%
  FY2019: -0.75%
  FY2020: -0.50%
  FY2021: -0.25%

- No fixed-route fare increases will be proposed for FY2017.
- METRO will present the Five Year Cash Flow model on a yearly basis, 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 operate the extension of the METRORail Green Line while continuing to provide high-quality service on all Light Rail Lines.
- METRO will allocate sufficient resources to operate METRO Core Services.
- METRO will support financial sustainability by managing the growth of "baseline" operating expenses to no more than 1.5% annually.
- METRO will ensure that capital expenditures are supported upon project completion by a sustainable revenue source (e.g. sales tax) and that future operating costs have been included.
- Employee health care, pensions, and salaries will be reviewed periodically to ensure that they are commensurate with the industry. In addition, METRO will continue developing its succession planning program to develop and retain qualified employees to provide future leadership.
- Requests to improve service or service quality will require a cost/benefit analysis, which will include changes to future operating cost.

Debt service expenses, transfer of General Mobility funds, and operating expenditures received the first priority in allocating available funds, followed by capital expenses. METRO will retain fund balances in accordance with Debt Policy requirements (15% of Operating Expenses), Emergency Reserve requirements (10% of Operating Expenses), and an additional $10,000,000 as directed by the Board. The total of these reserves in FY2017 is projected to be $152 million.

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 table below shows the four major expenditures by type – Operating, Capital, General Mobility and Debt Service.

Net Summary
Proposed FY2017 Annual Budget
(in millions)

Description	Approved FY2016 Budget	Proposed FY2017 Budget	Change	
Operating Budget	$ 558.3	$ 568.1	$ 9.8	1.8%
Projected Transfer to GMP	172.6	169.8	(2.7)	(1.6%)
Capital Budget	260.2	178.2	(82.0)	(31.5%)
Debt Service Budget	96.9	99.3	2.4	2.4%
Total	**$ 1,088.0**	**$ 1,015.4**	**$ (72.6)**	**(6.7%)**

Operating Budget

The proposed Operating budget is $568,071,000, an increase of $9.8 million or 1.8% from the FY2016 approved budget level.

General Mobility Program Transfer

The FY2017 projected General Mobility Program (GMP) transfer is $169,842,000, a decrease of $2.7 million or 1.6% from the prior year. Funds for this budget are deposited monthly into a METRO escrow account as sales tax revenue is collected; GMP partners are then paid from this account as invoices are received.

Capital Budget

The current Capital budget of $178,220,000 reflects a decrease of $82.0 million or 32% from the FY2016 approved budget level. This decline is largely due to a $36.0 million or 43.3% decrease in METRORail Completion (MRC) expenditures and a $45.9 million or 26.0% decrease in planned Capital Improvement Program (CIP) expenditures.

Capital Program
Proposed FY2017 Annual Budget
(in millions)

Description	Approved FY2016 Budget	Proposed FY2017 Budget	Change	
METRORail Completion Program (MRC)				
LRT Lines	$ 79.657	$ 46.523	$ (33.134)	(42%)
Main Street Vehicles & Other	3.551	0.660	(2.891)	(81%)
Total MRC	**83.208**	**47.183**	**(36.025)**	**(43.3%)**
Capital Improvement Program (CIP)				
State of Good Repair				
Bus and Van Acquisitions	65.398	54.531	(10.867)	(17%)
State of Good Repair Projects	57.877	27.210	(30.667)	(53%)
Total State of Good Repair	**123.275**	**81.741**	**(41.534)**	**(34%)**
Enhancement of Existing Assets	18.997	11.986	(7.011)	(37%)
Universal Accessibility Projects	5.064	4.000	(1.064)	n/a
Total Enhancement of Existing Assets and Universal Accessibility Projects	**24.061**	**15.986**	**(8.075)**	**(34%)**
Service Expansion	29.647	30.282	0.635	2.1%
Total CIP	**176.983**	**128.009**	**(48.974)**	**(28%)**
Non-Obligated Capital Project Fund	-	3.028	3.028	N/A
TOTAL Capital Program	**$ 260.191**	**$ 178.220**	**$ (81.971)**	**(32%)**

The proposed Capital budget of $178.2 million is allocated in two program categories – the METRORail Completion (MRC) program and the Capital Improvement Program (CIP). The FY2017 budget allots $47.2 million for MRC program expenditures and $131.0 million for the CIP program: specifically, $81.7 million for State of Good Repair projects (including bus acquisitions, METROLift van replacements, bus and facilities improvements and support vehicles), $16.0 million for projects that enhance existing assets, support the Universal Accessibility Projects and $30.3 million for projects relating to service expansion, and $3.0 million of unallocated funding for projects that are currently not under contract or otherwise obligated.

Debt Service Budget

The proposed budget for debt service is $99.3 million, an increase of $2.4 million or 2.4% from the FY2016 approved budget level. The debt service budget includes principal and interest payments as well as all administrative costs associated with METRO' debt program, including line of credit fees and dealer fees associated with its Commercial Paper program.

METRO's current 5-year plan calls for financing future annual bus purchases through additional senior-lien debt (i.e., contractual obligations). In addition, any prospects to decrease METRO's interest expenses through refunding or refinancing are considered on a case by case basis as market opportunities present themselves.

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

Sources & Uses of Funds

The FY2017 budget requires $1.015 billion to fund Operating Expenditures, Debt Service, General Mobility Program (GMP), Capital Improvement Projects (CIP) and the METRORail Completion (MRC) program. The table below summarizes the Sources and Uses of Funds for the FY2017 budget. It categorizes the Authority's operations into two parts - the Operating & Capital Improvement Program and METRORail Completion (MRC). Fund Balances carrying over from the previous year are considered sources of funds.

Sources & Uses of Funds
(in millions)

	Operating & CIP	METRORail Completion	TOTAL
SOURCES OF FUNDS			
Beginning Fund Balance	$ 258.438	$ 25.413	$ 283.851
Revenues:			
Sales Tax	679.367	-	679.367
Transportation Fares*	67.729	-	67.729
Hot Lanes	8.453	-	8.453
Vanpool	5.466	-	5.466
Grants	96.859	21.770	118.629
Other Income	7.442	-	7.442
Total Revenues	865.316	21.770	887.086
Debt Funding			
Proceeds from Borrowing	51.353	-	51.353
Total Sources of Funds	**$ 1,175.107**	**$ 47.183**	**$ 1,222.290**
USES OF FUNDS			
Expenses:			
Operating Budget	$ 568.071	-	$ 568.071
General Mobility Program Transfer	169.842	-	169.842
Capital Improvement Projects**	131.037	-	131.037
MRC Expenditures	-	47.183	47.183
Debt Service	99.308	-	99.308
Total FY2017 Expenses	968.257	47.183	1,015.440
Ending Fund Balance	206.848	-	206.848
Total Uses of Funds	**$ 1,175.107**	**$ 47.183**	**$ 1,222.290**

** Includes Fixed Route and METROLift Revenues*

** * Includes only Non-METRORail projects such as Universal Accessibility Projects*

Funding of Operating and Capital Improvement Projects

The Operating Budget of $568.1 million, GMP transfer of $169.8 million, Capital Projects including Universal Accessibility Projects of $178.2 million and Debt Service expenses of $99.3 million will be largely funded from several revenue sources (including sales tax receipts, transportation fares, vanpool revenues, operating and capital grants and other income) totaling $887.1 million and proceeds received from borrowing of $51.35 million. The METRO Board-approved Debt Policy, which can be found in the Appendix, 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 projected FY2017 year-end general fund of $206.8 million includes a total of $85.2 million, a reserve available to assist in the funding of the operating and non-MRC capital expenditures. In addition, the METRO Board requested an additional 10% of the forward 12 month operating expenditures to be reserved and another $10 million reserve as directed by the board. Thus the FY2017 year-end general fund balance also includes an additional $66.8 million similarly available to assist with the funding of such expenditures. In total, METRO has earmarked $152.0 million to be available in the event of an emergency.

Funding of the METRORail Completion Program

The FY2017 budget for METRORail Completion is $47.2 million. The funding sources are grant revenues of $21.8 million and the balance of $25.4 million to be drawn from the fund balance.

Sources of METRO Funds (in millions)	Fiscal Year 2017							
	Operations	General Mobility	Debt Service	METRORail Completion	Bus/Van Replacements	Capital Improvement	Reserves	TOTAL
Sales Tax	411	170	99					679
Farebox	68							68
HOT Lanes	8							8
Vanpool	5							5
Grants	69			22	3	25		119
Borrowing					51			51
Other	6		1					7
Fund Balance				25		52	207	284
TOTAL	568	170	100	47	54	77	207	1,222

Statement of Net Assets

The table below shows the Authority's Statement of Net Assets as of fiscal years ending September 30, 2015, 2016, and 2017.

Statement of Net Assets

(in millions)

	FY2015 Actual 9/30/2015	FY2016 Budget 9/30/2016	FY2016 Estimate 9/30/2016	FY2017 Estimate 9/30/2017
Assets				
Cash	$ 5.426	$ 4.000	$ 5.746	$ 5.000
Receivables	142.111	190.000	158.019	137.411
Inventory	28.997	28.000	33.742	30.000
Investments	506.653	405.000	404.040	310.000
Other Assets	10.893	50.000	11.724	12.000
Debt Issuance Costs	-	8.500	-	-
Property Net of Depreciation	2,758.947	2,800.000	2,725.647	2,693.625
Land & Improvements	380.649	350.000	376.305	380.000
Total Assets	**$ 3,833.675**	**$ 3,835.500**	**$ 3,715.224**	**$ 3,568.036**
Deferred Outflow of Resources*	47.426	2.500	66.912	62.000
Liabilities				
Trade Payables	$ 114.457	$ 56.000	$ 68.335	$ 80.000
Accrued Payroll	30.140	27.000	29.480	30.000
Short-Term Debt	121.300	117.646	117.400	113.825
Long-Term Liabilities	1,561.596	1,336.289	1,540.602	1,430.556
Other Liabilities	70.514	40.000	47.766	50.000
Total Liabilities	**$ 1,898.007**	**$ 1,576.935**	**$ 1,803.583**	**$ 1,704.381**
Deferred Inflow of Resources	-	-	-	-
Net Assets - Retained	**$ 1,983.094**	**$ 2,261.065**	**$ 1,978.553**	**$ 1,925.655**
Total Liabilities and Net Assets	**$ 3,881.101**	**$ 3,838.000**	**$ 3,782.136**	**$ 3,630.036**

Note:

** A deferred outflow of resources is defined by the Governmental Accountability Standards Board as "a consumption of net assets by the government that is applicable to a future reporting period," and a deferred inflow of resources is defined as "an acquisition of net assets by the government that is applicable to a future reporting period."*

The deferred outflow for FY2016 includes [1] Mark-to-Market (MTM) values of outstanding diesel fuel SWAP agreements at the fiscal year end ($15,041,432), [2] defined benefit pension plan contributions made between january and september ($32,384,271), and [3] the net difference between the defeased liabilities, related investment issuance costs and new liabilities ($19,486,401). These items will be recognized as expenses in future periods to which they relate.

Five Year Sources and Uses Summary

The table below shows an overall financial projection for the next five years to FY2021.

Five Year Sources and Uses Summary

($ in Thousands)

	2016	2017	2018	2019	2020	2021
SOURCES OF FUNDS						
Revenues						
Base Sales Tax	$ 688,615	$ 679,367	$ 686,890	$ 730,118	$ 766,787	$ 800,911
2012 Referendum Increment	469	-	222	6,398	11,636	16,511
Total Sales Tax	689,083	679,367	687,112	736,515	778,423	817,422
Less: General Mobility Transfer	(171,802)	(169,842)	(171,556)	(177,731)	(182,969)	(187,844)
Net Sales Tax Available to METRO	**517,281**	**509,526**	**515,557**	**558,784**	**595,454**	**629,578**
Farebox	65,896	67,729	69,761	71,854	74,010	76,230
Vanpool	-	5,466	5,466	6,049	6,049	6,049
HOT Lanes	8,050	8,453	8,875	9,319	9,785	10,274
Surplus Property Sales	12,000	-	-	-	-	-
Transfer of Unascribed GMP funds		1,000				
Misc Revenue (includes Build America Bond Interest Subsidy)	6,342	6,442	6,542	6,642	6,742	6,842
Grants						
Service-Related Grants	76,874	69,460	65,394	64,484	64,484	64,484
Capital Grants	28,992	27,399	25,373	20,000	20,000	20,000
FFGA	13,794	21,770	14,811	7,004	6,185	22,736
FFGA True-up	-	-	-	-	-	(1,731)
Bonds						
Bond Proceed Draws (primarily Buses)	-	51,353	56,711	74,293	61,838	56,891
TOTAL ANNUAL SOURCES OF FUNDS	**$ 729,230**	**$ 768,597**	**$ 768,489**	**$ 818,429**	**$ 844,546**	**$ 891,353**
USES OF FUNDS						
Debt Service Expense						
Voter Sales Tax Bonds	$ 37,207	$ 43,481	$ 43,482	$ 43,501	$ 43,519	$ 43,095
KOs & COPs	48,671	48,164	54,668	62,659	72,801	80,065
2015 Series A Bonds	2,565	4,088	12,772	21,032	23,008	-
CP Program & Administration	6,305	3,575	3,603	3,745	3,657	9,412
	$ 94,749	**$ 99,308**	**$ 114,525**	**$ 130,936**	**$ 142,985**	**$ 132,572**
Operating Expenses						
General Bus Current Service	$ 384,558	$ 410,397	$ 420,597	$ 430,376	$ 436,831	$ 443,384
Bus Service - GMP Referendum Increment	117	117	-	56	1,599	2,909
Traffic Management	1,438		-	-	-	-
MetroLift	63,585	66,343	67,338	68,349	69,374	70,414
Star Van Pool	7,310	12,933	13,127	13,324	13,524	13,727
Rail	52,176	63,849	64,806	65,778	66,765	67,766
HOT Lanes	8,533	8,947	9,081	9,217	9,356	9,496
METRO Bus Network Costs	21,058	4,125	3,470			
Incremental Uptown Dedicated Bus Lanes Operation				2,000	4,000	
Allowance for Super Bowl	-	1,360	-	-	-	-
Allowance for East End east of Altic						
Unallocated Funding	-	-	-	-	-	-
Total Operating Expenses	**$ 538,776**	**$ 568,072**	**$ 578,420**	**$ 589,100**	**$ 601,450**	**$ 607,697**
NET PRIOR TO CAPITAL EXPENSES	**$ 95,706**	**$ 101,219**	**$ 75,544**	**$ 98,393**	**$ 100,112**	**$ 151,084**
Capital Program Expenses						
METRORail Completion	$ 67,001	$ 47,183	$ 25,955	$ 12,533	$ 10,623	$ 40,115
Capital Improvement Program	78,110	127,037	80,133	80,042	80,764	80,002
Uptown Dedicated Bus Lane Vehicles			125	14,291		
Universal Accessibility Projects	3,411	4,000	6,173	4,092	5,557	4,605
Capital Investment (Bus) from GMP Referendum Increment	-	-	-	-	-	-
Total Capital Program Expenses	**148,522**	**178,220**	**112,386**	**110,958**	**96,944**	**124,722**
TOTAL ANNUAL USES OF FUNDS	**$ 782,046**	**$ 845,599**	**$ 805,331**	**$ 830,994**	**$ 841,378**	**$ 864,990**
NET FLOW OF FUNDS	**$ (52,816)**	**$ (77,001)**	**$ (36,841)**	**$ (12,564)**	**$ 3,170**	**$ 26,363**

Five Year Sources and Uses Summary continued

($ in Thousands)

	2016	2017	2018	2019	2020	2021
RECONCILIATION OF CASH POSITION						
BEGINNING CASH BALANCE	**$ 336,666**	**$ 283,850**	**$ 206,848**	**$ 170,007**	**$ 157,442**	**$ 160,610**
NET FLOW OF FUNDS	**(52,817)**	**(77,001)**	**(36,841)**	**(12,564)**	**3,170**	**26,363**
ENDING CASH BALANCE (includes Operating Reserves)	**$ 283,850**	**$ 206,848**	**$ 170,007**	**$ 157,442**	**$ 160,610**	**$ 186,973**
Required Fund Balance - 15% Minimum Operating Reserves	80,816	85,211	86,763	88,365	90,217	91,154
Additional Fund Balance - 10% Operating Reserves	53,878	56,807	57,842	58,910	60,145	60,770
Additional Op Reserve	10,000	10,000	10,000	10,000	10,000	10,000
Total Operating Reserves	144,694	152,018	154,605	157,275	160,362	161,923
Cash Available for Investments	**$ 139,156**	**$ 54,830**	**$ 15,402**	**$ 167**	**$ 246**	**$ 25,049**

DEBT RECAP

	2016	2017	2018	2019	2020	2021
BUS DEBT OUTSTANDING	**303,028**	**322,523**	**343,305**	**376,832**	**391,714**	**397,705**
RAIL DEBT OUTSTANDING	**622,133**	**608,348**	**593,876**	**578,672**	**562,862**	**546,699**
2015 SERIES A BONDS OUTSTANDING	**52,575**	**51,116**	**40,899**	**21,913**	**-**	**-**
COMMERCIAL PAPER OUTSTANDING	**117,400**	**116,200**	**115,000**	**113,900**	**112,800**	**105,900**
TOTAL DEBT OUTSTANDING	**$1,095,136**	**$1,098,187**	**$1,093,080**	**$1,091,316**	**$1,067,375**	**$1,050,304**

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. All of 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)

	FY2015 Actual	FY2016 Budget	FY2016 Estimate	FY2017 Estimate
REVENUES				
Operating Revenues:				
Revenues:				
Transportation Fares	66.959	70.274	65.896	67.729
HOT Lane Revenues	7.692	6.920	8.050	8.453
Vanpool Revenues	-	4.867	-	5.466
Total Operating Revenues	74.651	82.061	73.946	81.648
Operating Expenses:				
Transit Operating	521.298	558.271	538.776	568.072
Depreciation and Amortization	173.470	170.049	178.470	183.470
Total Operating Expenses	694.768	728.320	717.245	751.541
Operating Loss	**$ (620.117)**	**$ (646.259)**	**$ (643.299)**	**$ (669.893)**
Non-Operating Revenues (Expenses):				
Sales Tax	$ 715.160	$ 695.359	$ 689.083	$ 679.367
Investment Income	0.597	0.300	2.000	2.000
Inter-Government Revenue	1.841	1.851	1.851	1.726
Non-capitalized Interest Expense	(14.501)	-	(16.524)	(17.501)
Other Income	8.841	2.108	2.491	2.617
Grant Proceeds - Operating	38.134	77.754	76.874	69.460
Local Infrastructure Assistance/GMP	(149.506)	(172.587)	(171.802)	(169.842)
Loss for Asset Impairments	-	-	-	-
Gain (Loss) on Sale for Disposal of Assets	(3.131)	-	12.000	-
Total Non-Operating Revenues	$ 597.435	$ 604.785	$ 595.973	$ 567.827
Gain/(Loss) before Capital Grants	$ (22.682)	$ (41.473)	$ (47.326)	$ (102.066)
Capital Grant Proceeds	56.584	67.564	42.786	49.169
Changes in net assets	**33.903**	**26.091**	**(4.540)**	**(52.898)**
Net Assets - beginning of the year	**1,949.191**	**2,234.976**	**1,983.094**	**1,978.554**
Net Assets - end of the year	**1,983.094**	**2,261.065**	**1,978.554**	**1,925.655**

Operating Budget

Summary

FY2016 Board Approved Operating Budget	$ 558,271,000
Net Increases from FY2016	30,048,863
Net Decreases from FY2016	(20,248,863)
FY2017 OPERATING BUDGET	**$ 568,071,000**
Net Increase in Operating Budget	9,800,000

MAJOR INCREASES & DECREASES

Increases	
98 New (net) positions in FY2017	$ 5,132,074
Union wage rate and benefits trust contribution per Labor Agreement	5,007,107
Lower capitalization of operating labor and associated overhead	3,773,861
Increase in Union and Non-Union Pension	3,425,010
3.0% Cost of Living Adjustment - Non-union	2,381,155
METROLift costs associated with contractual rate increases, fuel pricing and ridership growth	1,570,546
Contract rate increase for materials and supplies	1,493,626
Expenses related to Super Bowl	1,360,000
Marketing campaigns, vanpool initiatives and street team program	920,841
Warranty cost on Orion hybrid buses	840,004
Gasoline cost in METROLift Vans (offset by diesel reductions) and ARBOC vehicle services, and projected gasoline prices	784,243
Increases in IT software maintenance costs	658,827
Additional planning support for regional transportation	451,667
Biennial legislative session in FY2017	425,000
Other leases, rentals & miscellaneous	418,888
HOT lanes contract and maintenance cost	314,626
Additional facility maintenance services for Grand Parkway and El Dorado park and rides	304,412
Telephone	281,878
Increased CNG Costs - Greenlink expansion and full year of operation of METRO's CNG fleet	263,600
Annualization of Burnett Community Connector service in FY2017	241,498
Total Increases	**$ 30,048,863**
Decreases	
Lower diesel fuel hedge price in FY2017	$ (7,503,742)
Contingency	(7,500,000)
Contract savings from bringing vanpool program in-house	(1,204,314)
Favorable contract terms for equipment repairs and maintenance	(1,042,190)
Budget reductions in Power, Gas, Water & Sewerage, and propulsion power-rail system	(693,268)
Moving Alternative fixed route services in-house in FY2016	(661,259)
Vehicle Liability	(650,664)
New Bus Network implementation and METROLift eligibility contracts	(584,000)
Other decreases in Authority	(409,426)
Total Decreases	**$ (20,248,863)**

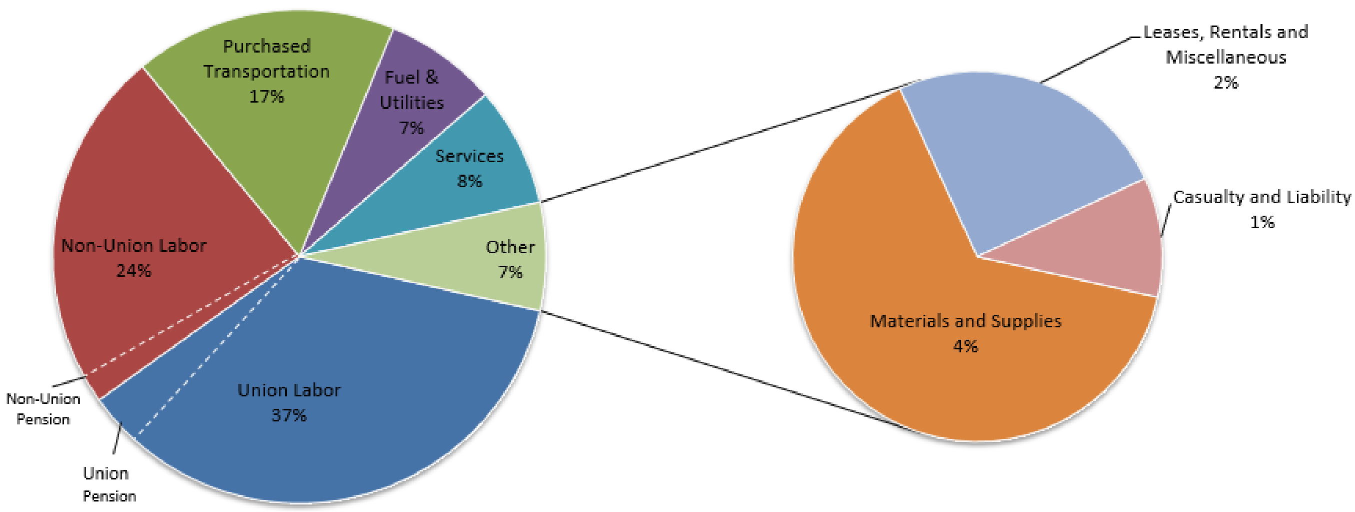
METRO

Operating Budget by Cost Category

	FY2015 Actual	FY2016 Budget	FY2016 Estimate	FY2017 Budget	Budget-to-Budget Variance $	Budget-to-Budget Variance %
Wages	$ 118,184,424	$ 131,210,740	$ 130,400,821	$ 135,663,916	$ 4,453,176	3.4%
Union Fringe Benefits	63,263,105	70,153,009	71,227,416	75,396,739	5,243,730	7.5%
Subtotal Union Labor	**$ 181,447,529**	**$ 201,363,749**	**$ 201,628,237**	**$ 211,060,655**	**$ 9,696,906**	**4.8%**
Salaries and Non-Union Wages	84,324,642	91,381,959	89,879,408	96,203,788	4,821,829	5.3%
Non-Union Fringe Benefits	35,593,404	39,134,178	38,819,019	41,462,422	2,328,244	5.9%
Subtotal Non-Union Labor	**$ 119,918,046**	**$ 130,516,137**	**$ 128,698,427**	**$ 137,666,210**	**$ 7,150,073**	**5.5%**
Subtotal Labor and Fringe Benefits	**$ 301,365,575**	**$ 331,879,886**	**$ 330,326,664**	**$ 348,726,865**	**$ 16,846,979**	**5.1%**
Services	37,082,316	42,809,211	40,720,210	45,233,070	2,423,859	5.7%
Materials and Supplies	24,181,887	24,871,902	24,696,392	26,321,541	1,449,639	5.8%
Fuel and Utilities	49,998,158	49,403,346	49,106,582	42,583,501	(6,819,845)	(13.8%)
Casualty and Liability	4,604,678	4,910,742	5,065,773	4,260,078	(650,664)	(13.2%)
Purchased Transportation	90,613,770	99,584,504	95,507,478	99,478,010	(106,494)	(0.1%)
Leases, Rentals and Miscellaneous	7,070,130	9,069,282	8,890,214	10,176,997	1,107,715	12.2%
Subtotal Non-Labor	**$ 213,550,939**	**$ 230,648,987**	**$ 223,986,649**	**$ 228,053,198**	**$ (2,595,789)**	**(1.1%)**
Subtotal Labor and Non-Labor	**$ 514,916,514**	**$ 562,528,873**	**$ 554,313,313**	**$ 576,780,063**	**$ 14,251,190**	**2.5%**
Contingency	-	10,725,050	-	2,500,000	(8,225,050)	(76.7%)
Cost Recovery	(38,796)	-	-	-	-	N/A
Allocation to Capital and GMP	(21,638,020)	(14,982,923)	(15,538,313)	(11,209,062)	3,773,861	(25.2%)
Total Operating Expenses	**$ 493,239,698**	**$ 558,271,000**	**$ 538,775,000**	**$ 568,071,000**	**$ 9,800,000**	**1.8%**

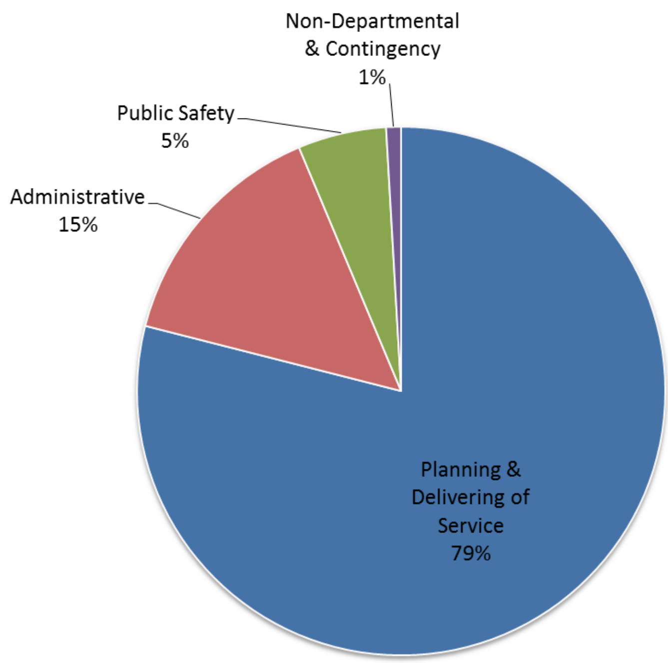
FY 2017 Operating Budget Breakdown

By Cost Category



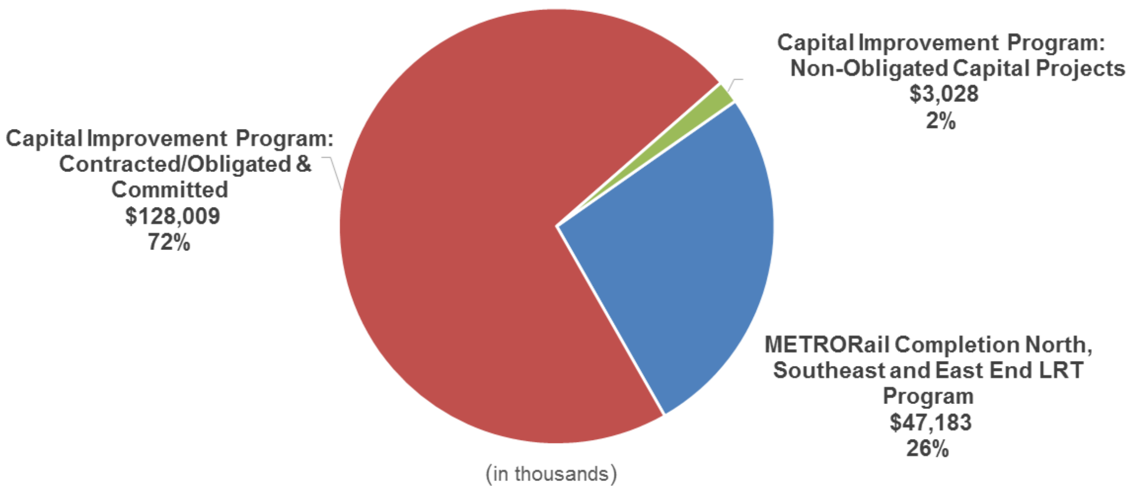
NOTE: Non-Union Pension represents 2.4% of total operating budget. Union Pension represents 3.2% of total operating budget.

By Function



Capital Budget

METRO's FY2017 Capital Programs: $178,220,000



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. Please see the Appendix for complete Capitalization Guidelines.

FY2017 Capital Budget and 5 Year Capital Program Plan

METRO's Capital Programs consist of the METRORail Completion (MRC) Program and the Capital Improvement Program (CIP). It is the first year of the five-year plan that comprises the FY2017 budgets.

The Capital Improvement Program includes $128 million for funding of Contracted/Obligated or Committed projects in FY2017.

A CIP project is considered Contracted/Obligated or Committed, if the project meets any of the following criteria:

- Involves a predominantly procured item and is under active contract.
- Has progressed beyond the Planning and Engineering/Design phase and is under contract for construction.
- Has a commitment or agreement with another external entity to advance the project, but not under contract.

If a project is Non-Obligated it may be funded from the $3.0 million Non-Obligated Capital Project funds included in the FY2017 Budget. After internal review and recommendation, a project may be presented to the METRO Board for approval to move forward from the development phase into active status.

In order to do so, METRO Executives convene a Capital Budget Review Committee meeting, or a series of meetings, to thoroughly review the project request using a company wide Capital Project Ranking Model that assesses and vets the project from a standpoint of:

- Safety and Security
- Improved Accessibility
- Maintains a State of Good Repair
- Increased Ridership
- Greater Community Benefit
- Operating Cost Impact
- Funding/Sustainability.

If the project meets the intent of METRO's goals and results in a high score using the ranking model, the Capital Budget Review Committee can then recommend that the project be presented to the METRO Board for approval to move forward.

A Capital Improvement Project is considered as a Non-Obligated Capital Project, if the project is:

- Predominantly a procured item and is not yet under contract.
- Currently in the early Planning and Engineering/Design phase and requires additional scoping before being assigned as a capital project.
- Included in the out-years of the current 5 Year CIP, and not currently under contract. In some cases, a multi-year project may be obligated in the first year only.

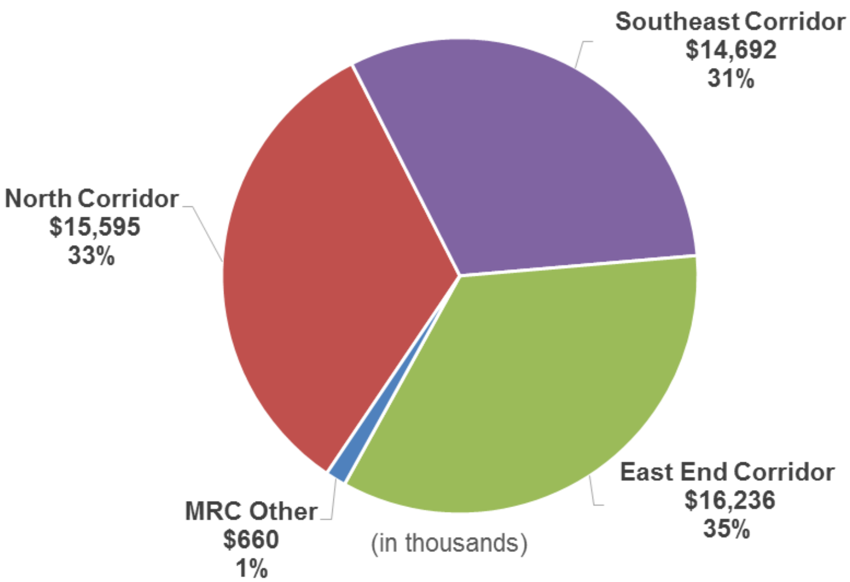
5 Year Capital Program Plan

The following reflects METRO's 5 Year Capital Program plan:

PROJECTS (in thousands)	FY2017 Budget	FY2018	FY2019	FY2020	FY2021
METRORail Completion North, Southeast and East End LRT Program	$ 47,183	$ 25,955	$ 12,533	$ 10,623	$ 40,115
Capital Improvement Program: Contracted/Obligated & Committed	128,009	45,189	35,609	7,331	-
Capital Improvement Program: Non-Obligated Capital Projects	3,028	41,242	62,816	78,990	84,607
Total Projects	**$ 178,220**	**$ 112,386**	**$ 110,958**	**$ 96,944**	**$ 124,722**

METRORail Completion Program

FY2017 METRORail Completion Budget: $47,183,000



Completion of the METRORail program (MRC), Phase 1 of METRO's existing LRT system that added lines (North, Southeast, and East End). This program included 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.

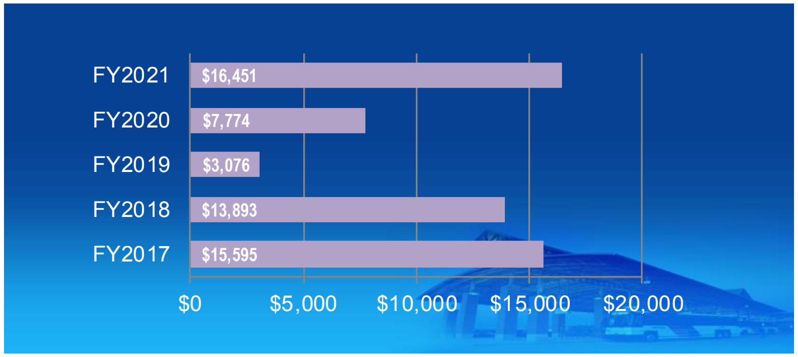
The program also includes additions to the existing Main Street Red Line and upgrade of the existing Rail Operations Center (ROC). The Harrisburg overpass is currently under construction and is expected to be completed in the first quarter of FY2017.

FY2017 will see the beginning of Phase 2 of the METRORail program (MRC) which involves the final order of 22 Light Rail Vehicles (LRVs) going into an active procurement phase, along with the associated facility upgrades for a Maintence of Way facility, and Rail Operations Center with additional storage track needed to accommodate the new LRVs.

FY2017 METRORail Completion (MRC) (in thousands)	**Grant**	**Local**	**Total**
Red Line - MRC North Corridor	$ 11,573	$ 4,022	$ 15,595
Purple Line - MRC Southeast Corridor	10,195	4,497	14,692
Green Line - MRC East End Corridor	-	16,236	16,236
MRC Other	-	660	660
Total MRC	**$ 21,768**	**$ 25,415**	**$ 47,183**

Red Line - MRC North Corridor

Projected Expenditures FY17-FY21 (In Thousands)



Project Scope

The North Line Project is a 5.31 mile fixed guideway system that includes 8 platforms, an opening day fleet of 14 LRT vehicles, and extended the existing Main St. light rail line from the University of Houston Downtown to Northline. An additional 8 LRT vehicles will be added with Phase II procurement for a total of 22 LRT vehicles. To provide a high-capacity transportation system in the corridor by maximizing mode choice and mobility with environmentally sensitive transit projects that encourage economic development and revitalization, providing more frequent trips and expanded hours from the Northline area, providing improved customer experience as a one seat ride to employment and recreation centers from Northline to Fannin South, linking the historic Northside area with employment centers downtown and in the medical center. The North Line project includes a full build out of the Rail Operations Center yard track to increase LRV storage capacity from 40 to 60 vehicles. Project is included in North Corridor FFGA Phase 2, and includes design, site work and drainage, track and overhead catenary system (OCS).

Operating Impact

The cost of maintenance and eventual replacement have been developed as part of the long range operating budget.

Purple Line - MRC Southeast Corridor

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

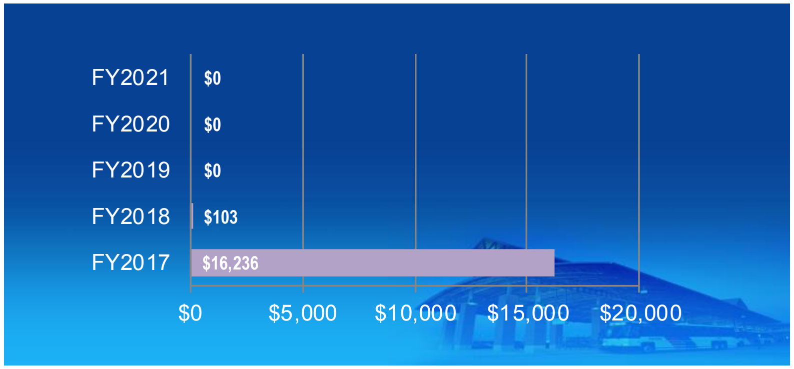
The Southeast Line Project is a 6.56 mile double track LRT line, with 10 stations, a storage facility and an opening day fleet of 15 LRT vehicles. The Project will operate in semi-exclusive right-of-way from Downtown Houston east to the University of Houston main campus and Texas Southern University to a terminus along Griggs Road at Beekman Road. The Project intersects with the Red Line in Downtown Houston and is intended to provide improved mobility for transit dependent populations and to connect Southeast Line commuters to the major activity centers of Downtown and the Texas Medical Center.

Operating Impact

The cost of maintenance and eventual replacement have been developed as part of the long range operating budget.

Green Line - MRC East End Corridor

Projected Expenditures FY17-FY21 (In Thousands)



Project Scope

The East End Line project is a 3.34 mile double track LRT line, with 6 stations, a Service & Inspection Facility and an opening day fleet of 10 LRT vehicles. The project extends from the Southeast Line in the East Downtown area. At Dowling Street, the East End Line leaves the Southeast Line and then crosses the Union Pacific Railroad (UPRR) tracks using the existing underpass. The line continues east in the median of Harrisburg Blvd. and will cross over the UPRR via an overpass and then continue in the median of Harrisburg to the terminus of the line at 70th Street and Magnolia Transit Center. The East End Line Project includes the Harrisburg Overpass Project involving a 2,400 linear feet overpass along Harrisburg, starting at Linwood Street and extending east, crossing over the railroad tracks at Hughes St. and ending approximately 250 linerar feet east of 66th street. The project includes landscaping along the project limits, rope lighting on either side of the bridge, underpass lighting, blue accent lighting under the bridge,

Operating Impact

The cost of maintenance and eventual replacement have been developed as part of the long range operating budget.

Capital Improvement Program

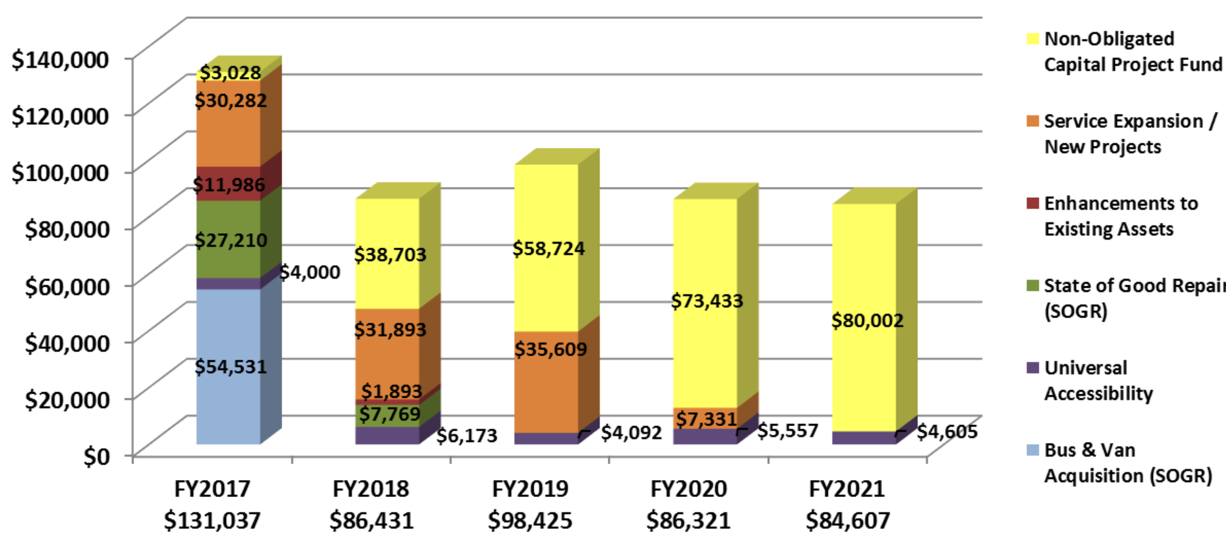
The Capital Improvement Program (CIP) provides for the capital needs that are outside the scope of the METRORail Expansion (e.g. bus replacement, facility renovations, procurement of equipment).

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 and keep the system in a state of good repair. It is the first year of the five year plan that comprises the FY2017 budgets.

Capital Improvement Program – Contracted/Obligated or Committed

FY2017 CIP Program (in thousands)	Grant	Local	Financing	Total
Bus & Van Acquisition (Subset of SOGR)	$ 2,996	$ 815	$ 50,720	$ 54,531
State of Good Repair (SOGR)	3,435	23,775	-	27,210
Universal Accessibility	2,000	2,000	-	4,000
Enhancements to Existing Assets	4,626	7,360	-	11,986
Service Expansion / New Projects	15,532	14,750	-	30,282
Non-Obligated Capital Project Fund	-	3,028	-	3,028
Total CIP	**$ 28,589**	**$ 51,728**	**$ 50,720**	**$ 131,037**

The infrastructure supported by the FY2017 CIP budget includes facilities (maintenance and administrative support), revenue rolling stock (rail cars, buses and paratransit vans), and bus system infrastructure including transit center improvements and bus shelters. Maintenance of these assets is critical to ensure a high level of service, reliability and optimized operating costs. There are four main project types: State of Good Repair Projects (SOGR), Universal Accessibility Projects, Enhancements to Existing Assets, and Service Expansion / New Projects..



(in thousands)

Capital Improvement Program – Non-Obligated Capital Projects

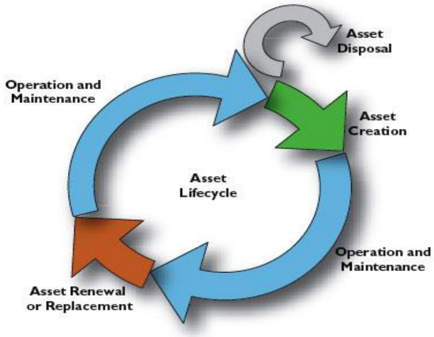
Capital Improvement Projects which may be funded from the $3.0 million Non-Obligated Capital Project Fund, will be selected by the METRO Capital Budget Review (CBR) committee, prioritised and recommended to move forward for METRO Board Approval to advance the projects from their conceptual/ developmental design phase into active capital project status.

Projects potentially funded from the Non-Obligated Capital Project Fund:

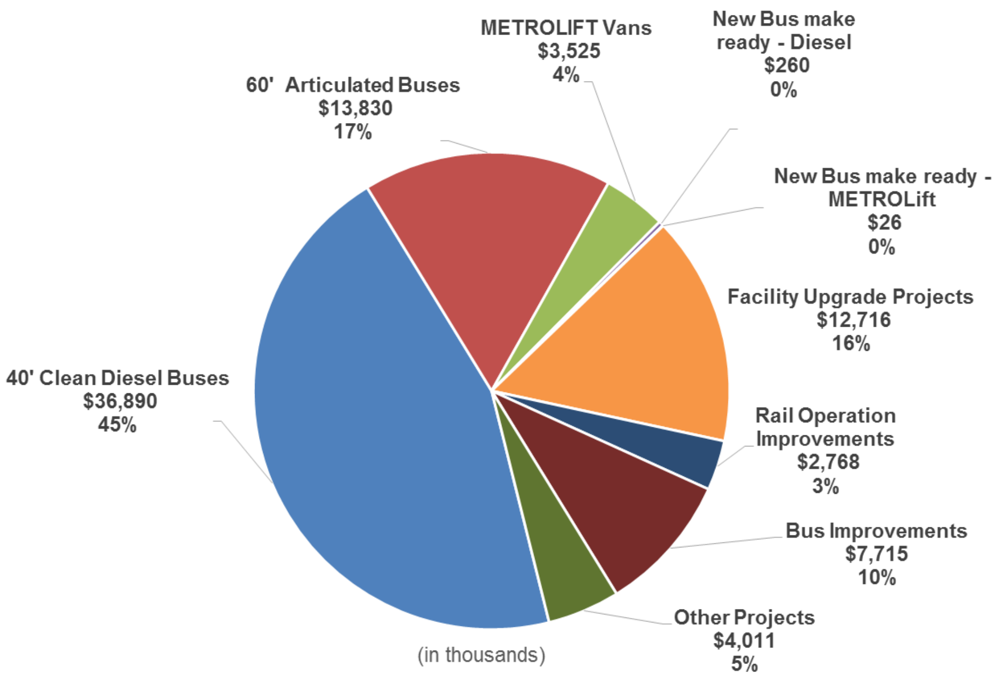
FY2017 CIP Program (in thousands)	**Grant**	**Local**	**Financing**	**Total**
Universal Accessibility	$ 953	$ 1,061	$ -	$ 2,014
State of Good Repair (SOGR)	2,239	37,614	-	39,853
Enhancements to Existing Assets	650	5,390	-	6,040
Service Expansion / New Projects	-	3,269	-	3,269
Total Non-Obligated CIP	**$ 3,842**	**$ 47,334**	**$ -**	**$ 51,176**

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)*



FY2017 Bus & Van Acquisitions and State of Good Repair Projects
$81,741,000



State of Good Repair (SOGR) – Contracted/Obligated or Committed

STATE OF GOOD REPAIR PROJECTS (in thousands)

Bus & Van Acquisitions (SOGR)	Budget FY2017	Grant FY2017	Financing FY2017	Local FY2017
40' Transit buses - Clean Diesel	$ 36,890	$ -	$ 36,890	$ -
60' Articulated Buses	$ 13,830	-	13,830	-
METROLift Vans	$ 3,525	2,996	-	529
New Bus make ready - Diesel	$ 260	-	-	260
New Bus make ready - METROLift	$ 26	-	-	26
Total Bus & Van Acquisitions	**$ 54,531**	**$ 2,996**	**$ 50,720**	**$ 815**

State of Good Repair (SOGR) – Contracted/Obligated or Committed

State of Good Repair (SOGR) (in thousands)		Budget FY2017		Grant FY2017		Local FY2017
Facility Upgrade Projects (SOGR)						
LRT: Drainage Improvements between Naomi & I-610	$	4,590	$	-	$	4,590
ROC & Red Line Rail Tie Upgrade		2,806		2,245		561
Traction Power Pull Box Upgrade		2,429		-		2,429
HOT Lane Shepherd Ramp Improvement		912		-		912
S&I Facility Traction Power Sub System Generator		507		-		507
LRT: Interline OCS Motor Operated Disconnects		285		-		285
LRV: Truck Overhaul		593		474		119
ROC Security Enhancements		594		428		166
Subtotal		**12,716**		**3,147**		**9,569**
Rail Operation Improvements (SOGR)						
LRV: CPU 850 Extended Upgrade	$	985	$	-	$	985
LRV: Couplers Overhaul		743		288		455
LRV: HVAC Overhaul		685		-		685
LRV: H1 Vehicles Automatic Passenger Counters		185		-		185
LRV: Batteries Replacement		112		-		112
Pantograph Overhaul		58		-		58
Subtotal		**2,768**		**288**		**2,480**
Bus Improvements (SOGR)						
Bus Engine Assemblies	$	3,170	$	-	$	3,170
Hybrid Bus Batteries		3,105		-		3,105
Bus Transmission Assemblies		720		-		720
Bus Axles		720		-		720
Subtotal		**7,715**		**-**		**7,715**
Other Projects (SOGR)						
Data Center Management	$	1,982	$	-	$	1,982
SAP Enterprise Asset Management System (EAM/SOGR)		1,117		-		1,117
Network Upgrades and Management		912		-		912
Subtotal		**4,011**		**-**		**4,011**
Total State of Good Repair	**$**	**27,210**	**$**	**3,435**	**$**	**23,775**

40' Transit Buses - Clean Diesel

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

This procurement of 80 Transit buses in FY2017 and 55 Transit buses in FY2018, is part of METRO's bus replacement program. New operating data with the clean diesel buses has shown that the transit buses are more cost-effective for the daily Transit routes. New Transit buses include new camera systems that will enhance security and safety for both customers and operators.

Operating Impact

Procurement of these buses is part of the life-cycle replacement and will maintain operational reliability and cost-effectiveness. Replacing Transit buses that have met their useful life with new buses, not only improves the customer's experience, but managing the fleet assets over a period of time provides stability and predictability by levelling the costs over time.

60' Articulated Buses

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

This procurement of 20 Articulated buses in FY2017 is part of METRO's bus replacement program, where new buses replace buses that have met their useful life. New operating data pertaining to the clean diesel articulated buses has shown that the 60' long buses are more cost-effective in the long term for high-ridership routes. New Articulated buses include new camera systems that will enhance security and safety for both customers and operators.

Operating Impact

Procurement of these buses is part of the life-cycle replacement and will maintain operational reliability and cost-effectiveness. Replacing buses that have met their useful life with new buses, not only improves the customer's experience, but managing the fleet assets over a period of time provides stability and predictability by levelling the costs over time.

METROLift Vans

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

Purchase of 40 paratransit vans per year is a part of the METRO's annual METROLift paratransit van replacement program. Replacing paratransit vans that have met their useful life with new paratransit vans improves the customer's experience, while leading to more use of METRO's transit system. New paratransit vans with camera systems and improved lift devices also enhance security and safety for both customers and operators.

Operating Impact

This purchase will keep the operating costs in check and will increase the reliablity of METROLift, METRO's paratransit service. Procurement of these Paratransit vans is part of the life-cycle replacement and will maintain operational reliability and cost-effectiveness. Replacing vans that have met their useful life with new vans, not only improves the customer's experience, but managing the fleet assets over a period of time provides stability and predictability by leveling the costs over time.

LRT: Drainage Improvements between Naomi and I-610

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

Project provides for improved drainage along the Red Line Light Rail Corridor along Fannin from IH-610 to Naomi. Slow drainage issues and persistent flooding around the light rail corridor and NRG Stadium area is becoming a more prevalent issue. During intense rainfalls, localized flooding results in operation shut downs. This project will improve drainage characteristics of the existing area inlets and replace the French-drain system with a concrete swale and will improve the safety and security of train operations in the area. Due to the drainage issue in this area the subgrade is extremely saturated causing the Rail in the area to lose its line and level (out of adjustment). The rail is brought back into its proper line and adjustment by rail tamping. Rail tamping on average is done 2-3 times per year.

Operating Impact

With the implementation of this project, Rail Operations will no longer be required to tamp the rail in the affected area, resulting in projected annual savings of $100K.

HOT Lane Shepherd Ramp Improvement

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

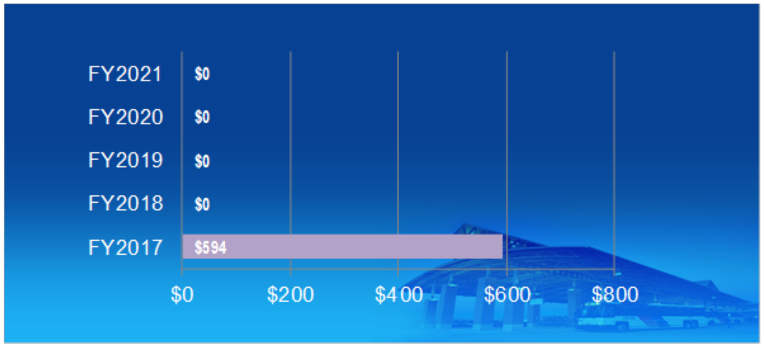
As part of METRO's FY2007 business initiatives, this project converted existing High Occupancy Vehicle (HOV) lanes to High Occupancy Toll (HOT) lanes on all of Houston's major freeways. This initiative provides a travel alternative for the driving public and improves corridor mobility since freeways are becoming more and more congested. The HOT Lane - Shepherd Ramp Improvement project realigns the existing northbound (outbound) exit ramp on the IH-45N (North Freeway) HOT Lane at Shepherd Avenue to improve safety and speed in the lane. The existing exit ramp has a sharp turn requiring drivers to slow to 10 mph. This ramp has had many accidents, some resulting in serious injuries, over the years. TXDOT's IH-45N Shepherd Avenue Direct Connector Ramp Project provides METRO the opportunity to improve this location. Realigning this ramp has the additional benefit of providing a safe HOT Lane enforcement area for the outbound HOT Lane operations.

Operating Impact

The cost of maintenance of lanes and equipment and additional enforcement and patrols will be offset by toll revenues collected.

MFRI - ROC & HS Security Enhancements

Projected Expenditures FY17-FY21 (In Thousands)



Project Scope

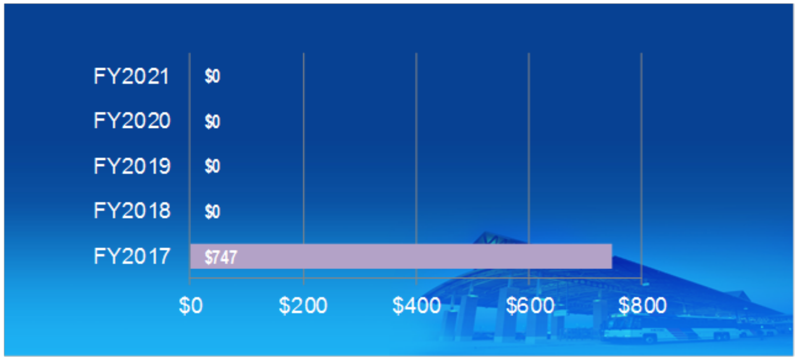
METRO's operating, public and rail facilities represent a total infrastructure investment of over $644 million. The Major Facility Rehabilitation Initiative (MFRI) supports the rehabilitation and refurbishment of facilities, along with installed systems and sub-components, so that METRO maximizes the useful life of these essential resources, with FY2017 emphasis on Security Enhancements.

Operating Impact

As facilities and infrastructure age, they require capital investment and renewal to ensure they continue to provide safe, reliable, and economical service. By extending the useful life of facilities and integrating technological improvements, the requirement for total facility replacement is delayed or avoided.

LRV: Couplers Overhaul

Projected Expenditures FY17-FY21 (In Thousands)



Project Scope

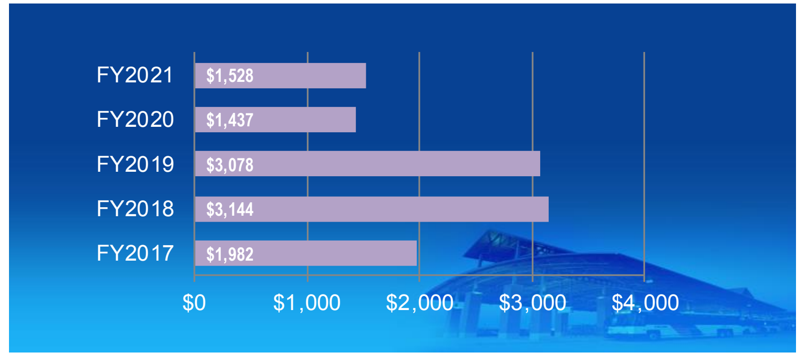
The OEM-recommended truck overhaul for FY2017 includes completing Light Rail Vehicle (LRV) Couplers. This recurring overhaul needs to be accomplished roughly every eight years.

Operating Impact

This overhaul will reduce the operating cost and increase the reliability and service life of the rail vehicles.

Data Center Management

Projected Expenditures FY17-FY21 (In Thousands)



Project Scope

The Data Center Management Project for FY2017 budget will replace servers supporting mission-critical functions that have reached the end of their useful life and need to be upgraded or consolidated. This will also replace active storage that supports all functions (Rail, Bus Operations, Payroll, Finance, etc.) which has exceeded its service life and needs to be replaced to ensure that the data is maintained in good operational state.

Operating Impact

This project will add approximately $375,000 per year through FY2021 for equipment warranty.

SAP Enterprise Asset Management System

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

This new database will keep track of all critical data regarding METRO's capital assets, including preventive maintenance, work orders, and current status. Implementation and maintenance of this database is a required part of METRO's State of Good Repair program and is partially funded by the Federal Transit Administration.

Operating Impact

Upon start-up, the Enterprise Asset Management system will incur $350,000 in annual hosting and maintenance costs.

Network Upgrades and Management

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

The Network Upgrades and Management project for FY2017 will replace all Local Area Network switches in the 1900 Main Administrative Office building that have reached end-of-life and end-of-support. These support all computer functions utilized by METRO, including Bus and Rail Operations, Finance, Human Resources and other business functions.

Operating Impact

This project will add approximately $310,000 per year through FY2021 for equipment warranty.

State of Good Repair (SOGR) – Non-Obligated Capital Projects

Capital Improvement Projects which may be funded from the $3.0 million Non-Obligated Capital Project Fund, will be selected by the METRO Capital Budget Review (CBR) committee, prioritised and recommended to move forward for METRO Board Approval to advance the projects from their conceptual/ developmental design phase into active capital project status.

Projects potentially funded from the Non-Obligated Capital Project Fund

State of Good Repair (SOGR) (in thousands)	**Budget FY2017**	**Grant FY2017**	**Local FY2017**
MFRI Unallocated Capital Project Funding	$ 3,813	$ 210	$ 3,603
Multi Facilities Bus Wash Systems Replacement	4,220	884	3,336
Red Line Platform Rehabilitation	3,831	-	3,831
Buffalo Bayou Rehabilitation	2,749	-	2,749
S&I and ROC Facilities - Wheel Truing Machine	1,939	-	1,939
Non Revenue Vehicles	1,589	-	1,589
LRT: Integration of IH610/Fannin Crossing Hi-Load	1,573	-	1,573
LRV: Wheel Press Equipment	1,509	-	1,509
Copier Fleet Procurement	1,300	-	1,300
LRV H1 Vehicles: Car Body	1,253	-	1,253
LRV: Rail Cab Camera	1,250	-	1,250
Multi Facilities Oil Water Separator Rehabilitation	1,196	-	1,196
HOT Lane Trail Blazer Signs	1,193	-	1,193
Bus Operating Facility - Tools and Equipment	1,143	-	1,143
Field Service Center Roof Rehabilitation	1,085	-	1,085
Hybrid Bus Parts	1,022	-	1,022
1900 Main Roof Rehabilitation	958	-	958
LRV: Doors Replacement	864	-	864
LRT: Complete Systems Upgrades - Rosewood Switches	762	-	762
HOT Lane Enforcement Areas	718	401	317
Risk Management Information System	675	-	675
NWBOF Resurface/Recoat Interior	638	369	269
Fannin South Lot Rehabilitation	638	-	638
1900 Main Carpet Replacement	575	-	575
Kashmere BOF Fire/Life Safety System Rehabilitation	469	375	94
Multi Facilities Security Camera Install	464	-	464
METROLift Lite Infrastructure	383	-	383
System wide METRO LRT Signaling Infrastructure	334	-	334
Field Service Center HVAC Rehabilitation	294	-	294
Central Stores Warehouse Lighting Rehabilitation	255	-	255
Gate Motors Replacement	213	-	213
LRT: Switch Upgrade at University of Houston	167	-	167

Projects potentially funded from the Non-Obligated Capital Project Fund (Continued):

State of Good Repair (SOGR) (in thousands)	Budget FY2017	Grant FY2017	Local FY2017
Plotter Procurement	$ 150	$ -	$ 150
Field Service Center Tools/Equipment	141	-	141
Central Stores Admin Area Rehabilitation	128	-	128
1900 Main UPS Battery Replacement	128	-	128
Central Stores RTU Replacement	102	-	102
ROC RTU Replacement	102	-	102
Postage Meter Procurement	30	-	30
Total State of Good Repair	**$ 39,853**	**$ 2,239**	**$ 37,614**

Universal Accessibility

The Capital Improvement Program (CIP) provides for a capital upgrade program titled "Universal Accessibility", which ensues that METRO's facilities and services are usable for all riders.

Although METRO's entire fleet of buses and trains are already accessible, improvements to bus stops, bus shelters, and public facilities will make it easier for riders to use the system. These improvements include installing 200 new bus shelters, refurbishing an additional 215 shelters, building an escalator in the Burnett Transit Center, and repairing sidewalks, ADA ramps, bus stop pads, and crosswalks.

Universal Accessibility – Contracted/Obligated or Committed

FY2017 CIP Program (in thousands)	**Grant**	**Local**	**Financing**	**Total**
Universal Accessibility*	2,000	2,000	-	4,000
Total FY2017 CIP Budget	**$ 2,000**	**$ 2,000**	**$ -**	**$ 4,000**

* $1.0 million of Universal Accessibility Projects will be funded from "unascribed" balances in the GMP escrow account. As of August 2016, the unascribed balance in the GMP account totaled approximately $1.1 million. The GMP agreement allows METRO's Board to determine how the balance is utilized.

Universal Accessibility

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

METRO is instituting a new bus network with improved bus stops and accessibility in numerous bus stops located throughout METRO's bus network. Some of the accessibility improvements will be sidewalk repair, ADA ramps, bus stop pads, crosswalks, pad leveling etc. Other improvements could be the removal of elements at discontinued stops and adding required site amenities such as trash receptacles at stops that are in need of them. With improved accessibility and improved safety & security, customers will be more likely to use METRO buses on a more frequent basis.

Operating Impact

Operating Cost Reduction will result. Currently, Facility Maintenance spends a lot of maintenance funding for keeping up with these areas with accessibility issues. With improved accessibility features, approximately $1 million can be saved over an extended period of 5 (five) years.

New Passenger Bus Shelter Program

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

The METRO New Bus Network program restructured the existing bus network to be more aligned with the needs of METRO's growing Service Area. There were 115 new bus shelters installed in FY2016 with an additional 215 bus shelters refurbished and relocated to new locations. FY2017 involves the installation of 200 new bus shelters, with a comparable refurbish and replace effort as observed in FY2016. This program reinforces METRO's commitment to reinvest in the Agency's bus system backbone and continues to be a proven way to enhance ridership. METRO history has proven that a shelter will increase ridership by 20 additional boardings per day on the average.

Operating Impact

Additional bus shelters result in expanding needed operating and maintenance costs. Maintenance cost (cleaning, breakage, etc.) for the additional shelters will be included in the annual operating budget. The estimated annual maintenance cost per shelter is an average of $1,200.

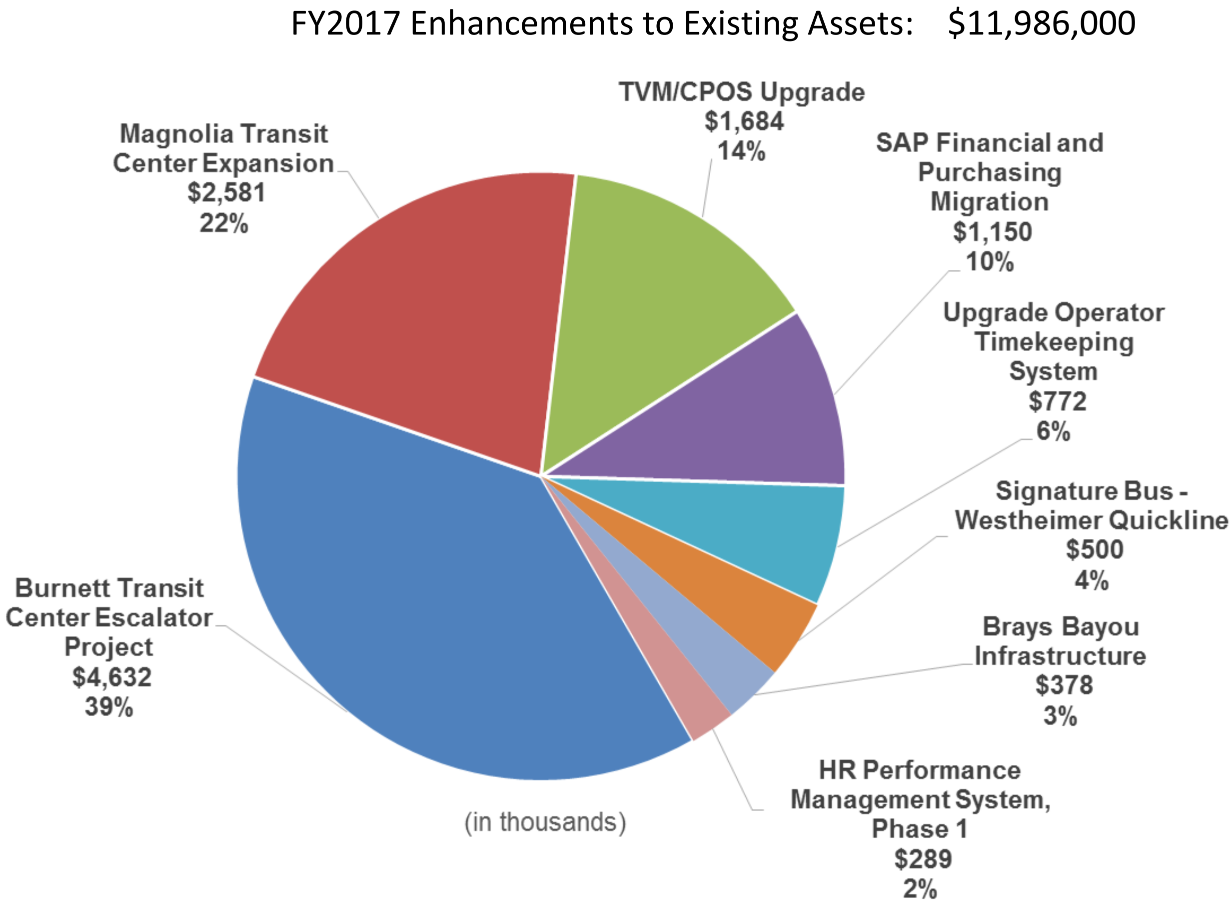
Universal Accessibility – Non-Obligated Capital Projects

Capital Improvement Projects pending a budget transfer from the $3.0 million Non-Obligated Capital Project Fund, will be selected by the METRO Capital Budget Review (CBR) committee, prioritised and recommended to move forward for METRO Board Approval to advance the projects from their conceptual/ developmental design phase into active capital project status.

Projects potentially funded from the Non-Obligated Capital Project Fund:

FY2017 CIP Program (in thousands)	Budget FY2017	Grant FY2017	Local FY2017
Universal Accessibility	$ 2,014	$ 953	$ 1,061
Total Universal Accessibility Projects	**$ 2,014**	**$ 953**	**$ 1,061**

Enhancement to Existing Assets Projects



Enhancement to Existing Assets – Contracted/Obligated or Committed

Enhancements to Existing Assets (in thousands)	Budget FY2017	Grant FY2017	Local FY2017
Burnett Transit Center Escalator Project	$ 4,632	$ 2,561	$ 2,071
Magnolia Transit Center Expansion	2,581	2,065	516
TVM/CPOS Upgrade	1,684	-	1,684
SAP Financial and Purchasing Migration	1,150	-	1,150
Upgrade Operator Timekeeping System	772	-	772
Signature Bus - Westheimer Quickline	500	-	500
Brays Bayou Infrastructure	378	-	378
HR Performance Management System, Phase 1	289	-	289
Total Enhancements to Existing Assets	**$ 11,986**	**$ 4,626**	**$ 7,360**

Burnett Plaza Transit Center Escalator Project

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

When the transit center will be completed in early summer of 2018, METRO patrons will make transfers between the Red Line and local bus service. The rail platform is on a bridge structure 32.5 feet above the elevation of the transit center and currently accessible by stairs and two elevators. Two escalators and additional canopies are proposed within this project to aid METRO patrons in transfers between the two transportation modes. This project will improve mobility between Burnett Transit Center and the Burnett Station, and will improve the customer experience and increase ridership. Adding the escalator feature provides an easier, safer and more secure alternative to walking up the stairs.

Operating Impact

There is no significant operating impact, with this project providing safe infrastructure for bus operations. Once completed the project will require $65K in annual maintenance and utility costs.

Magnolia Transit Center Expansion

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

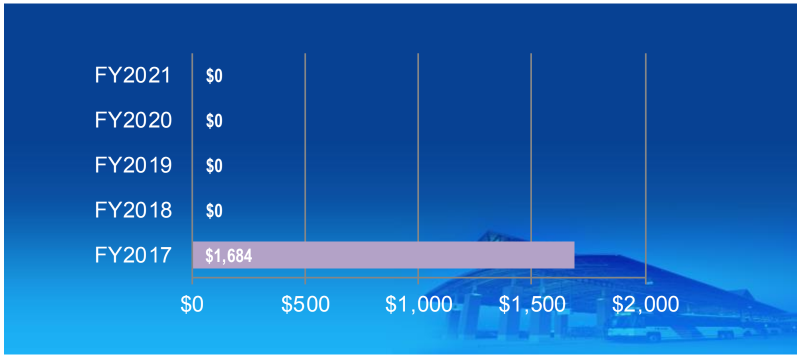
The Magnolia Transit Center located in the vicinity of Harrisburg Blvd. and 70th Street is planned to undergo modification to include, but not be limited to, adding approximately 30 ft. of extensions to both ends of the existing canopy; extending the platform on both ends to increase the capacity from four (4) bus bays to six (6) bus bays; upgrades of the existing signage (English & Spanish); and the addition of platform amenities such as trash receptacles.

Operating Impact

This expansion is necessary to meet the future demand as a result of the METRO Rail Expansion in the area and System Reimagining. Increased service into the Magnolia Transit Center will provide for increase in ridership.

TVM / CPOS Upgrade

Projected Expenditures FY17-FY21 (In Thousands)



Project Scope

This project will enable METRO to become compliant with the EMV (Europay Mastercard Visa) bank card security standard, allowing secured transactions with cards equipped with computer chips. Currently, METRO's 60 Ticket Vending Machines (TVM) and Cashless Point of Sales Machines (CPOS) are not EMV-compliant. This project will upgrade all TVM and CPOS units to meet this new standard.

Operating Impact

Completion of this project will greatly reduce the likelihood of fraudulent transactions on TVM and CPOS units. This is especially important, as METRO is liable for fraudulent transactions completed on non-compliant devices.

SAP Financial and Purchasing Migration

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

This project continues the migration of METRO's financial and procurement systems into SAP. When the integration is complete, METRO will be able to use one single common software platform to handle its finances, procurement, human resources, asset management, and project management. Real-time transactions will enable employees to see immediate impact of decisions.

Operating Impact

This project represents our effort to maintain our Enterprise Application Infrastructure up to date, and modernize our Financial and Procurement processes to allow METRO to operate and manage it's business more effectively in future years. Although the total operating impact has not been developed, integration of multiple business functions into one platform will result in more efficient workflow and reduced duplication of effort.

Brays Bayou Infrastructure

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

The Brays Bayou Infrastructure Project is a project that involves the protection of METRO infrastructure to include traction power and signals and communication pull boxes. These pull boxes were placed on the property line that divides METRO and Harris County Flood Control District (HCFCD) property when the Red Line was constructed in 2001. The HCFCD plans to widen the Brays Bayou. After the widening project the new top of bank will be parallel to the pull boxes. The Brays Bayou Infrastructure Project will relocate the METRO traction power and signaling pull boxes to protect METRO infrastructure after the bayou is widened.

Operating Impact

This project is a result of the Harris County Flood Control District (HCFCD) plans to widen the Brays Bayou.

Buffalo Bayou Midday Lot - Expansion

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

The Buffalo Bayou Facility (BBF) is located at 810 San Jacinto Street on the northeast end of Downtown. The Harris County Flood Control District (HCFCD) would like to create a bypass channel for White Oak Bayou (called the North Canal Project) to intersect Buffalo Bayou just east of METRO's BBF thus improving flood control measures for the area. To construct the channel, HCFCD will need to purchase approximately 4 acres of METRO's BBF.

Operating Impact

The total cost of this project is assumed to be net zero to METRO as HCFCD is to reimburse METRO for the entire project cost.

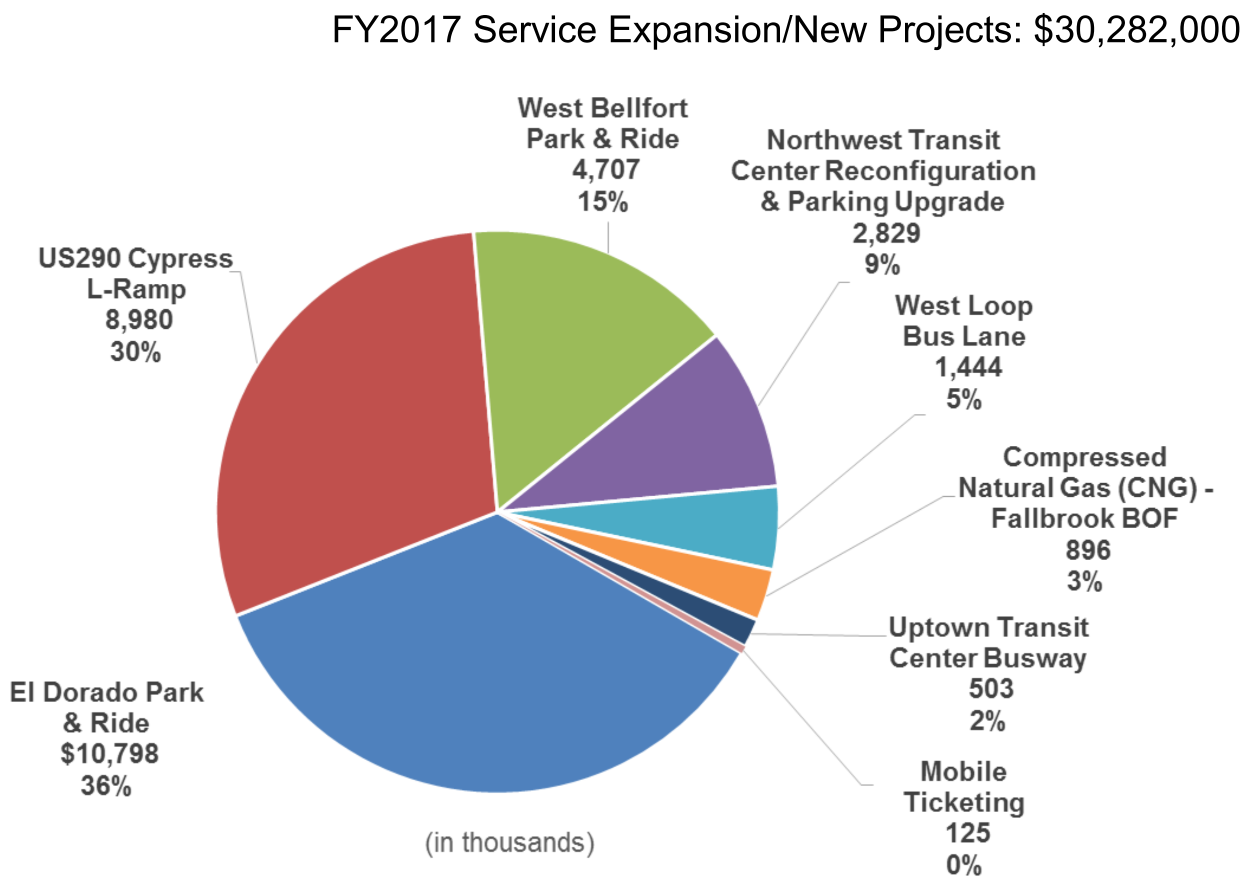
Enhancement to Existing Assets – Non-Obligated Capital Projects

Capital Improvement Projects which may be funded from the $3.0 million Non-Obligated Capital Project Fund, will be selected by the METRO Capital Budget Review (CBR) committee and recommended to move forward for METRO Board Approval to advance the projects from their conceptual/ developmental design phase into active capital project status.

Projects potentially funded from the Non-Obligated Capital Project Fund:

Enhancements to Existing Assets (in thousands)	**Budget FY2017**	**Grant FY2017**	**Local FY2017**
Buffalo Bayou Midday Lot Expansion	$ 5,330	$ -	$ 5,330
Buffalo Bayou Midday Lot HCFCD Reimbursement	(5,330)	-	(5,330)
US 290 Reversible HOV	1,359	-	1,359
SAP Financial and Purchasing Migration	854	-	854
HOT Lane Conversion, Phase 1B	813	650	163
Park & Ride Video Camera Fiber	633	-	633
Enterprise Video Mgmt System	587	-	587
Trapeze FX Blockbuster	489	-	489
Bus Operator Employee Time Keeping System	268	-	268
RCTSS Upgrade per Intersection	250	-	250
METROLift Automated Calling System (MACS IVR)	215	-	215
Rail Track Allocation & Compliance	200	-	200
WiFi Pilot	182	-	182
Currency Scanners Kashmere Vault	74	-	74
Real Time Arrival Signs Pilot	60	-	60
Audit Leverage Replacement	56	-	56
Total Enhancements to Existing Assets	**$ 6,040**	**$ 650**	**$ 5,390**

Service Expansion/New Projects



Service Expansion – Contracted/Obligated or Committed

Service Expansion / New Projects (in thousands)	Budget FY2017	Grant FY2017	Local FY2017
El Dorado Park & Ride	$ 10,798	$ 1,123	$ 9,675
US290 Cypress L-Ramp	8,980	7,184	1,796
West Bellfort Park & Ride	4,707	4,962	(255)
Northwest Transit Center Reconfiguration & Parking Upgrade	2,829	2,263	566
West Loop Bus Lane	1,444	-	1,444
Compressed Natural Gas (CNG) - Fallbrook BOF	896	-	896
Uptown Transit Center Busway	503	-	503
Mobile Ticketing	125	-	125
Total Service Expansion / New Projects	**$ 30,282**	**$ 15,532**	**$ 14,750**

El Dorado Park & Ride Lot

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

El Dorado Park & Ride lot is planned on a 23.8324 acre tract and will have 3 canopied bus bays, 1 articulated bay, and 1,228 parking spaces, including standard, handicap, and kiss & ride spaces. The site will be fenced, landscaped and have security cameras. This project expands service along the IH 45 South corridor, providing increased park & ride service and ridership on the 45 South corridor. This facility will improve METRO's customer experience and provide greater community benefit by accommodating parking for current Bay Area Park & Pool patrons and patrons who live west of IH 45 and therefore provides increased accessibility to downtown.

Operating Impact

The fully allocated annual operating cost for this new park and ride facility is $3.39M annually.

US290 Cypress L-Ramp

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

A TxDOT project will extend the single lane barrier-separated HOV/HOT lane beyond the location of the existing Cypress Park & Ride facility. As part of the project, a new L-Ramp is proposed from the Cypress Park & Ride lot to the managed lanes. METRO buses will be able to directly access the HOV/HOT lanes, rather than exiting the facility into mixed traffic. Currently, buses are required to cross four lanes of traffic in order to enter the managed lanes at the next slip entrance ramp.

Operating Impact

This project will provide a direct access from the existing Cypress Park & Ride lot to the US-290 Managed Lanes, and will improve bus and HOV/HOT lane operations from this facility including reduced travel times.

West Bellfort Park & Ride Lot
Projected Expenditures FY17-FY21 (In Thousands)

Project Scope
METRO is developing expansion opportunities at the West Bellfort Park and Ride, specifically environmental clearance, design and construction. Expansion of the Park & Ride would provide for continued growth in ridership and customers will enjoy more parking spaces at the already crowded Park & Ride facility. The southwest region would benefit from additional parking spaces.

Operating Impact
Operating costs will be developed as the project progresses.

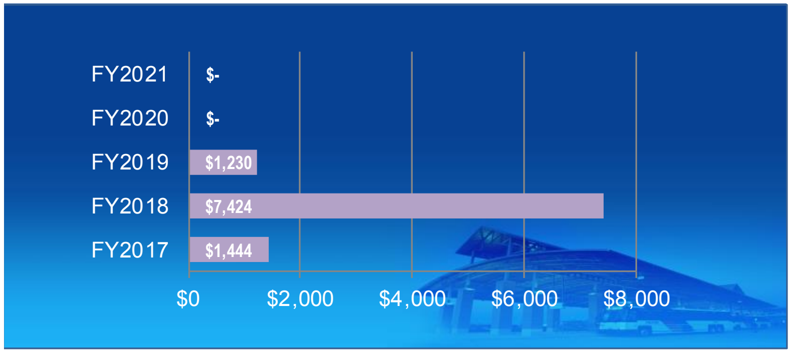
Northwest Transit Center Reconfiguration & Parking Upgrade
Projected Expenditures FY17-FY21 (In Thousands)

Project Scope
The Northwest Transit Center Reconfiguration (NWTC) and Parking Upgrade will increase the number of bays to accommodate METRO's Local Network and Uptown BRT service, and enhance bike and pedestrian amenities. In addition, parking capacity will be increased by 200 spaces to replace the capacity lost from the closure of the Pinemont Park & Ride, due to TxDOT and HCTRA's joint US 290 Managed Lane Project. The parking would be provided on right-of-way that has been purchased by TxDOT adjacent to the eastbound US-290 Frontage Road at the Old Katy Road intersection.

Operating Impact
Operating cost includes operating and maintenance cost for the NWTC facility only and will be developed as the project progresses.

West Loop Bus Lane

Projected Expenditures FY17-FY21 (In Thousands)



Project Scope

Development of this project invovles environmental and EIS Support for the West Loop Bus Lane project connecting Uptown Bus Rapid Transit (BRT) with the Northwest Transit Center. This project is being developed jointly by TXDOT and the Uptown District. METRO will be operating service on the West Loop Bus Lanes and would increase ridership compared to mixed flow operations along IH-610.

Operating Impact

The project will potentially reduce operating costs compared to service in mixed flow on IH-610 frontage roads, with new connectivity that would enhance both Uptown and NWTC customer's experience. Local communities would benefit from faster BRT service and increased connections to METRO's bus network.

Compressed Natural Gas (CNG) - Fallbrook BOF

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

This project is to provide a code compliant area to service CNG buses at Fallbrook BOF. METRO has purchased 50 CNG buses and is currently only able to do light maintenance inside the existing facility, per code. This project will determine how much (if any) of the existing gas detection system at Fallbrook can be utilized in making the BOF code compliant for heavy repairs, including body and fuel system work. The facility will be brought up to code either through re-commissioning of the existing system or designing a new detection system, or a combination of the two. Currently, per code requirements, the Fallbrook BOF can only do light repairs on the new CNG buses, no work on the fuel system, welding or grinding are permitted. This project would bring the existing BOF up to code to do major repairs, providing a safe environment to service and maintain CNG buses.

Operating Impact

As facilities and infrastructure age, they require capital investment and renewal to ensure they continue to provide safe, reliable, and economical service.

Uptown Transit Center Busway

Projected Expenditures FY17-FY21 (In Thousands)

Project Scope

Uptown Line was approved by voters and METRO Board of Directors in November 2003. The Uptown project currently consists of the Post Oak Blvd. Busway and Transit Center. Uptown Houston is taking the lead on the advanced planning, environmental analysis, and preliminary engineering for the project. METRO is partnering with Uptown Houston in this effort by providing technical assistance/review, data gathering, modeling along with engineering support and review. This project will provide high capacity transit and other improvements to enhance mobility in the corridors and will provide for continued ridership growth the in the Uptown Corridor.

Operating Impact

Operating costs include costs of BRT service and other associated increase in Park & Ride service, etc. with route restructuring costs netted from the operating cost.

Service Expansion – Non-Obligated Capital Projects

Capital Improvement Projects which may be funded from the $3.0 million Non-Obligated Capital Project Fund, will be selected by the METRO Capital Budget Review (CBR) committee and recommended to move forward for METRO Board Approval to advance the projects from their conceptual/ developmental design phase into active capital project status.

Projects potentially funded from the Non-Obligated Capital Project Fund:

Service Expansion / New Projects (in thousands)	**Budget FY2017**	**Grant FY2017**	**Local FY2017**
Downtown HOV Connection to I-610	$ 1,297	$ -	$ 1,297
Grand Parkway Park & Ride	1,045	-	1,045
Inner Katy Courthouse Extension	556	-	556
Bike Transit Accessibility Program	371	-	371
Total Service Expansion / New Projects	**$ 3,269**	**$ -**	**$ 3,269**

Debt Service Budget

Debt Service

(in millions)

Debt Service Category	Projected FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Bonds & KOs						
Principal	$ 42.535	$ 45.642	$ 50.402	$ 55.970	$ 62.766	$ 67.063
Interest	43.343	46.003	47.747	50.190	53.553	56.097
	$ 85.878	$ 91.645	$ 98.150	$ 106.160	$ 116.320	$ 123.160
Commercial Paper						
Credit Facility Fees	0.628	0.628	0.628	0.720	0.720	0.720
CP Dealer Fees	0.425	0.411	0.407	0.522	0.399	0.395
Budgeted CP Interest	0.179	0.174	0.219	0.264	0.310	0.339
Add'tl Budgeted CP Interest @ 1%	1.174	1.162	1.150	1.139	1.128	1.059
	$ 2.405	$ 2.375	$ 2.403	$ 2.645	$ 2.557	$ 2.512
Commercial Paper Pay Down						
Payments from GMP Increment	1.800	-	-	-	-	5.800
Payments from Interest Underrun	2.100	1.200	1.200	1.100	1.100	1.100
	$ 3.900	$ 1.200	$ 1.200	$ 1.100	$ 1.100	$ 6.900
2015 Series A Bonds						
Principal	-	1.459	10.217	18.987	21.913	-
Interest	2.565	2.629	2.556	2.045	1.096	-
	$ 2.565	$ 4.088	$ 12.772	$ 21.032	$ 23.008	$ -
Total Debt Service	**$ 94.749**	**$ 99.308**	**$ 114.525**	**$ 130.936**	**$ 142.985**	**$ 132.572**

Outstanding Debt Balances

(in millions)

	Projected FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Bus Replacement	$ 303.028	$ 322.523	$ 343.305	$ 362.541	$ 378.329	$ 385.260
2019 Uptown P&R Buses (14)	-	-	-	14.291	13.384	12.444
Subtotal New Buses	303.028	322.523	343.305	376.832	391.714	397.705
Total Rail Debt Outstanding	622.133	608.348	593.876	578.672	562.862	546.699
Bonds & KO's	**925.161**	**930.872**	**937.180**	**955.504**	**954.575**	**944.404**
Commercial Paper	**117.400**	**116.200**	**115.000**	**113.900**	**112.800**	**105.900**
2015 Series A Bonds	**52.575**	**51.116**	**40.899**	**21.913**	**-**	**-**
TOTAL Debt Outstanding	**$ 1,095.136**	**$ 1,098.188**	**$ 1,093.080**	**$ 1,091.316**	**$ 1,067.375**	**$ 1,050.304**

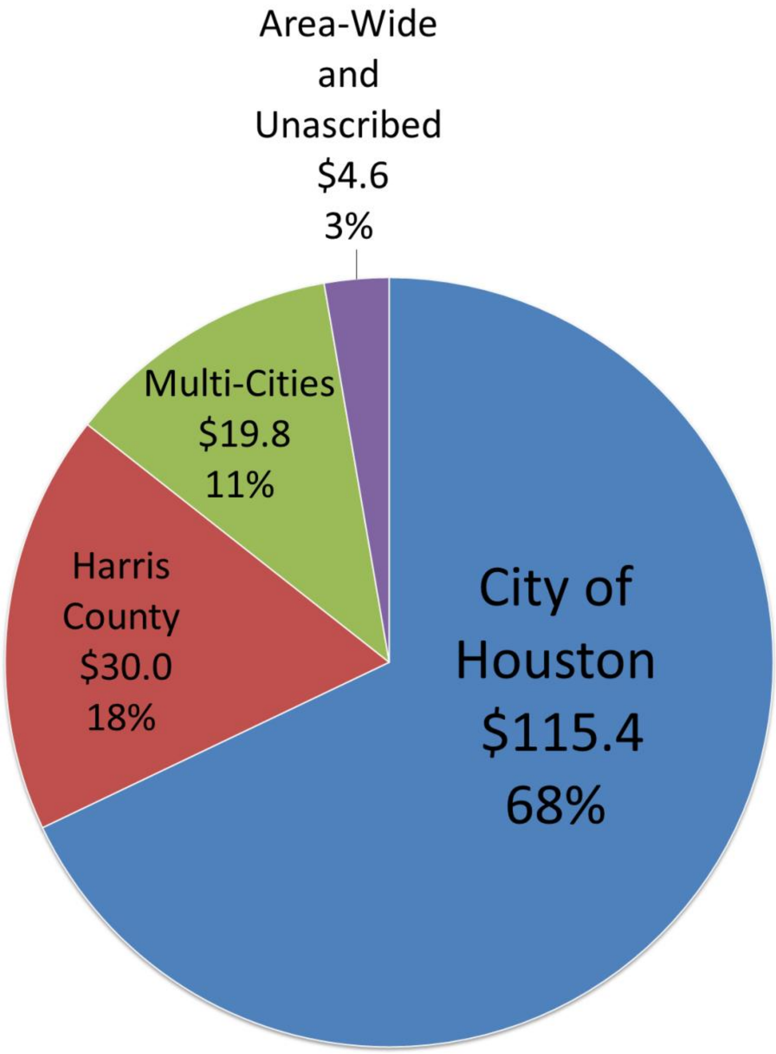
FY2017 PROPOSED DEBT SERVICE PAYMENTS

Series	Source	Principal	Interest	Fees	TOTAL
Contractual Obligations (KOs)					
2009B	Sales Tax / Grants	$ 1,380,417	$ 246,433		$ 1,626,850
2009D	Sales Tax / Grants	3,020,417	754,592		3,775,008
2010A	Sales Tax / Grants	3,337,083	1,111,063		4,448,146
2011B	Sales Tax	3,972,083	1,379,967		5,352,050
2014A	Sales Tax	6,597,917	5,941,750		12,539,667
2015B	Sales Tax	4,080,000	2,941,550		7,021,550
2016B	Sales Tax Refunding	-	1,250,236		1,250,236
2016C	Sales Tax Refinancing	10,850,000	775,845		11,625,845
2017 Buses	Sales Tax	-	524,989		524,989
Five Year Bond					
2015 Series A Bonds	Sales Tax	1,459,167	2,628,750		4,087,917
Voted Sales Tax					
2009A	Sales Tax / Grants	3,973,750	877,313		4,851,063
2011A	Sales Tax / Grants	8,430,417	18,199,542		26,629,958
2009C	Sales Tax / Subsidy	-	5,675,656		5,675,656
2016A	Sales Tax Refunding	-	6,323,939		6,323,939
Commercial Paper					
Principal					
-Payments from GMP Increment		-			-
-Payments from Interest Underrun		1,200,000			1,200,000
Interest			1,336,300		1,336,300
Fees					
LOC Fees				627,500	627,500
Dealer Fees				410,900	410,900
Total Debt Service		**$48,301,250**	**$49,967,924**	**$1,038,400**	**$ 99,307,574**

Metropolitan Transit Authority of Harris County Texas
Debt Report
As of July 31, 2016

Type of Debt	Purpose	Issued 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. 0.507%	Program Inception 10-Jan-06	Wtd. Avg. 64.17 days	$ 7,014,204	$ 241,452	$ 169,402,000	$ 96,802,000
Certificates of Participation (COPS) Series 2008A	46 Orion HEV Buses 52 MCI HEV Buses	$ 62,255,000	4.413%	July 15, 2008	November 1, 2020	$ 215,568	$ 420,316	$ 61,959,754	$ 29,910,000
Certificates of Participation (COPS) Series 2008B	10 Signature Orions 50 MCI HEV	$ 45,785,000	4.965%	December 9, 2008	November 1, 2021	$ 151,402	$ 97,461	$ 41,937,000	$ 26,525,000
Sales & Use Tax Contractual Obligations Series 2009D	40 Orion HEV Buses 20 MCI HEV Buses	$ 35,050,000	4.204%	December 30, 2009	November 1, 2021	$ 175,686	$ 8,913	$ 35,612,306	$ 19,465,000
Sales & Use Tax Contractual Obligations Series 2010A	80 Orion HEV Buses	$ 40,290,000	3.101%	June 23, 2010	November 1, 2022	$ 186,496	$ 27,485	$ 41,902,115	$ 25,855,000
Sales & Use Tax Contractual Obligations Series 2011B	100 Orion HEV Buses	$ 49,405,000	2.320%	September 28, 2011	November 1, 2023	$ 93,614	$ 7,784	$ 53,007,784	$ 35,500,000
Sales & Use Tax Contractual Obligations Series 2014	70 Nova Artics 70 Commuter Buses	$ 97,953,750	2.893%	April 22, 2014	November 1, 2029	$ 881,445	$ 11,381	$ 128,853,736	$ 93,457,500
Sales & Use Tax Contractual Obligations Series 2015B	75 NABI Buses 50 NABI CNG Buses 25 MCI Commuter Buses	$ 62,485,000	2.392%	August 28, 2015	September 30, 2028	$ 513,718	$ 8	$ 72,789,714	$ 62,485,000
Sales & Use Tax Series 2015A	CP Take Out	$ 52,575,000	1.486%	August 28, 2015	September 30, 2020	$ 396,674	$ -	$ 60,000,000	$ 52,575,000
Total Non-METRORail Expansion		**$ 615,200,750**	**2.384%**			**$ 9,628,807**	**$ 814,800**	**$ 665,464,409**	**$ 442,574,500**
Commercial Paper	METRORail Expansion Real Estate	$ 20,598,000	Wtd. Avg. 0.507%	Program Inception 10-Jan-06	Wtd. Avg. 64.17 days	$ 852,967	$ 29,362	$ 20,598,000	$ 20,598,000
Sales & Use Tax Bonds Series 2009A	North and Southeast Corridor Expansion	$ 94,465,000	4.963%	June 11, 2009	Pre Refund: November 1, 2029 Post Refund: November 1, 2020	$ 560,859	$ 145,597	$ 96,577,321	$ 21,025,000
Sales & Use Tax Contractual Obligations Series 2009B	Rail Vehicles & Set-Up	$ 42,780,000	4.476%	June 11, 2009	Pre Refund: November 1, 2033 Post Refund: November 1, 2022	$ 253,994	$ 83,868	$ 42,161,735	$ 7,380,000
Sales & Use Tax Bonds Series 2009C Build America Bonds	North and Southeast Corridor Expansion	$ 82,555,000	4.559%	June 11, 2009	November 1, 2038	$ 440,193	$ 222,578	$ 77,116,267	$ 82,555,000
Sales & Use Tax Bonds Series 2011A	North and Southeast Corridor Expansion	$ 461,010,000	4.264%	September 28, 2011	November 1, 2041	$ 869,366	$ 285,759	$ 461,301,403	$ 371,370,000
Sales & Use Tax Contractual Obligations Series 2014	East Corridor Light Rail Vehicles	$ 32,651,250	2.893%	April 22, 2014	November 1, 2029	$ 293,815	$ 34,476	$ 26,504,415	$ 31,152,500
Sales & Use Tax Refunding Bonds Series 2016A	Refunded $81,980,000 of Series 2011A & $54,000,000 of Series 2009A	$ 126,245,000	2.207%	April 27, 2016	November 1, 2029	$ 953,975	$ 122	$ 159,952,249	$ 126,245,000
Sales & Use Tax Refunding Contractual Obligations Series 2016B	Refunded $28,365,000 of Series 2009B	$ 25,635,000	2.583%	April 27, 2016	November 1, 2033	$ 301,642	$ 49	$ 31,680,692	$ 25,635,000
Total METRORail Expansion		**$ 885,939,250**	**3.707%**			**$ 4,526,811**	**$ 626,681**	**$ 607,083,820**	**$ 685,960,500**
Total Debt		**$ 1,501,140,000**	**3.188%**			**$ 14,155,618**	**$ 1,441,481**	**$ 1,272,548,229**	**$ 1,128,535,000**

General Mobility Program



FY2017 Projected Transfer to the General Mobility Program

$169.8 million

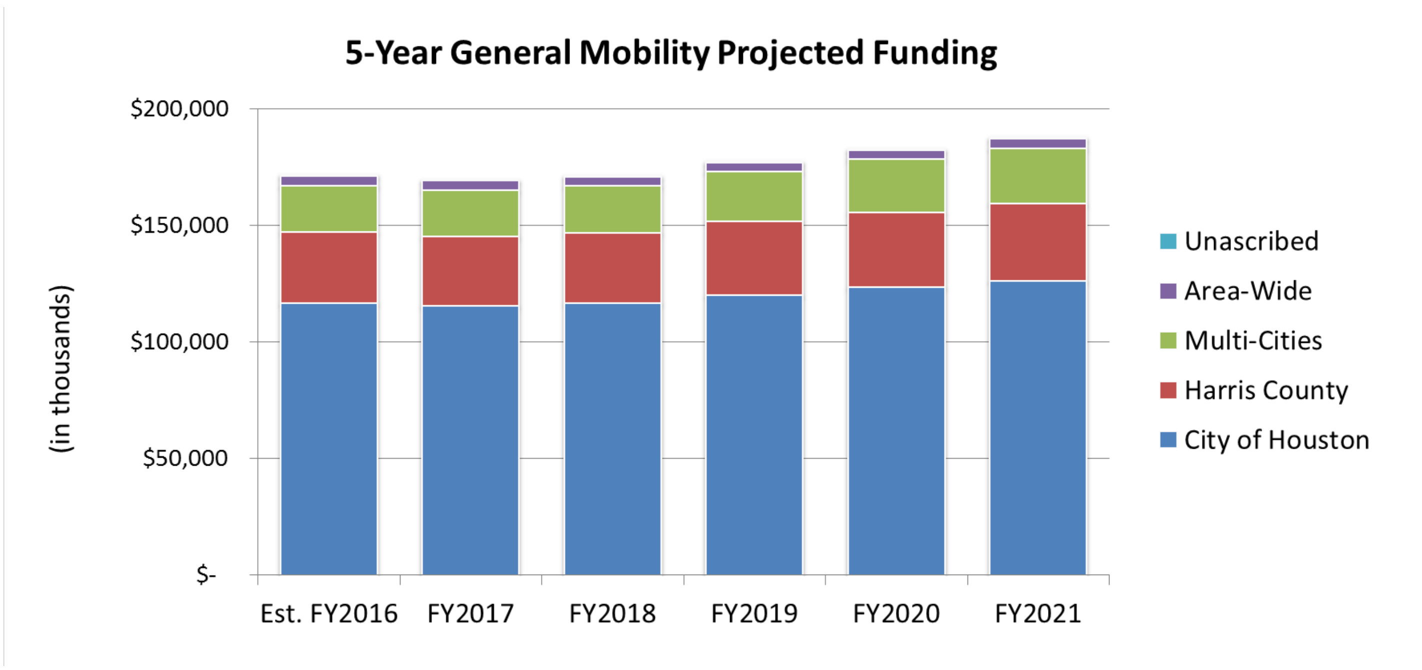
METRO's enabling legislation authorizes the Authority to construct or maintain streets, roads, traffic signals, sidewalks, and hike and bike trails, or perform these functions through agreements with other government agencies. As early as 1982, METRO began to participate in and contribute funds for various "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.

In FY2013, METRO entered into new interlocal agreements with its partner entities coinciding with the Authority's implementation of the voter mandated referendum on General Mobility held on November 6, 2012. This referendum continues General Mobility funding to member jurisdictions based on sales tax revenues set at the end of September 2014, with any growth in sales tax above that mark split 50/50 with member jurisdictions through December 31, 2025.

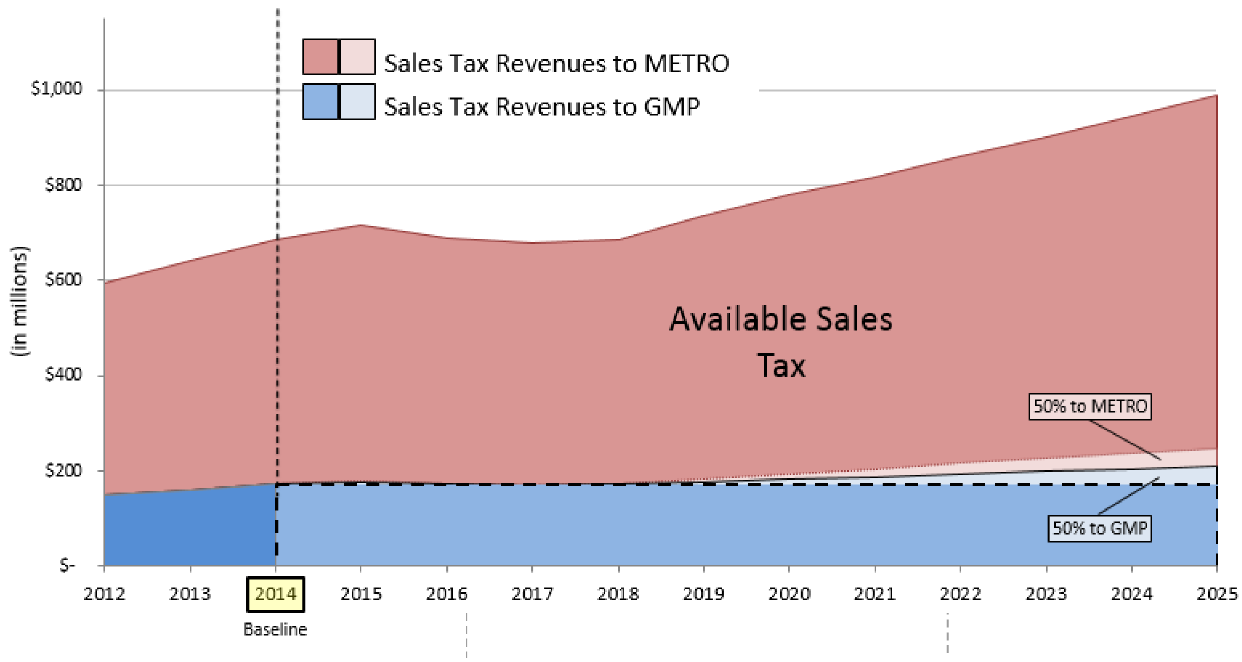
Projected Funding

(in thousands)

	Est. FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Street Repair & Congestion Mitigation						
City of Houston	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Multi-Cities	20,108	19,833	20,052	21,448	22,632	23,884
Area-Wide	4,000	4,000	4,000	4,000	4,000	4,000
Subtotal	$ 34,108	$ 33,833	$ 34,052	$ 35,448	$ 36,632	$ 37,884
Future Designated Projects						
City of Houston	$ 106,672	$ 105,366	$ 106,524	$ 110,227	$ 113,367	$ 116,174
Harris County	30,403	30,031	30,361	31,416	32,311	33,111
Unascribed	620	612	619	640	659	675
Subtotal	$ 137,694	$ 136,009	$ 137,504	$ 142,283	$ 146,337	$ 149,960
Total Commitment						
City of Houston	$ 116,672	$ 115,366	$ 116,524	$ 120,227	$ 123,367	$ 126,174
Harris County	30,403	30,031	30,361	31,416	32,311	33,111
Multi-Cities	20,108	19,833	20,052	21,448	22,632	23,884
Area-Wide	4,000	4,000	4,000	4,000	4,000	4,000
Unascribed	620	612	619	640	659	675
Total General Mobility Funding	**$ 171,802**	**$ 169,842**	**$ 171,556**	**$ 177,731**	**$ 182,969**	**$ 187,844**



GMP Projections Based on the 2012 Referendum

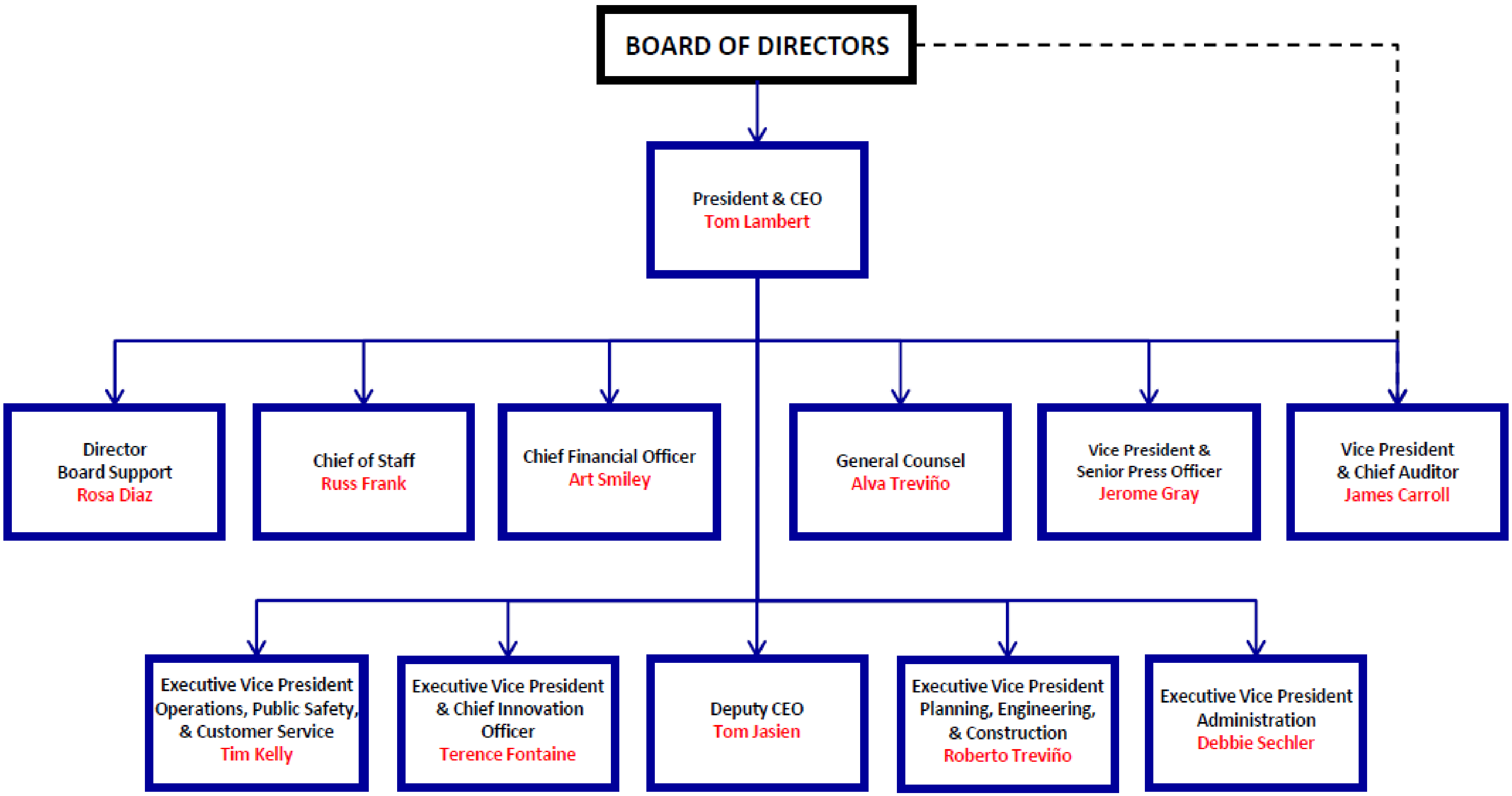


The above graphic illustrates the projections for the voter mandated referendum on General Mobility held on November 6, 2012. This referendum continues General Mobility funding to member jurisdictions based on sales tax revenues set at the end of September 2014 with any growth in sales tax above that mark split 50/50 with member jurisdictions through December 31, 2025.

Organization Chart

Metropolitan Transit Authority of Harris County

Executive Leadership Team
Organization Chart

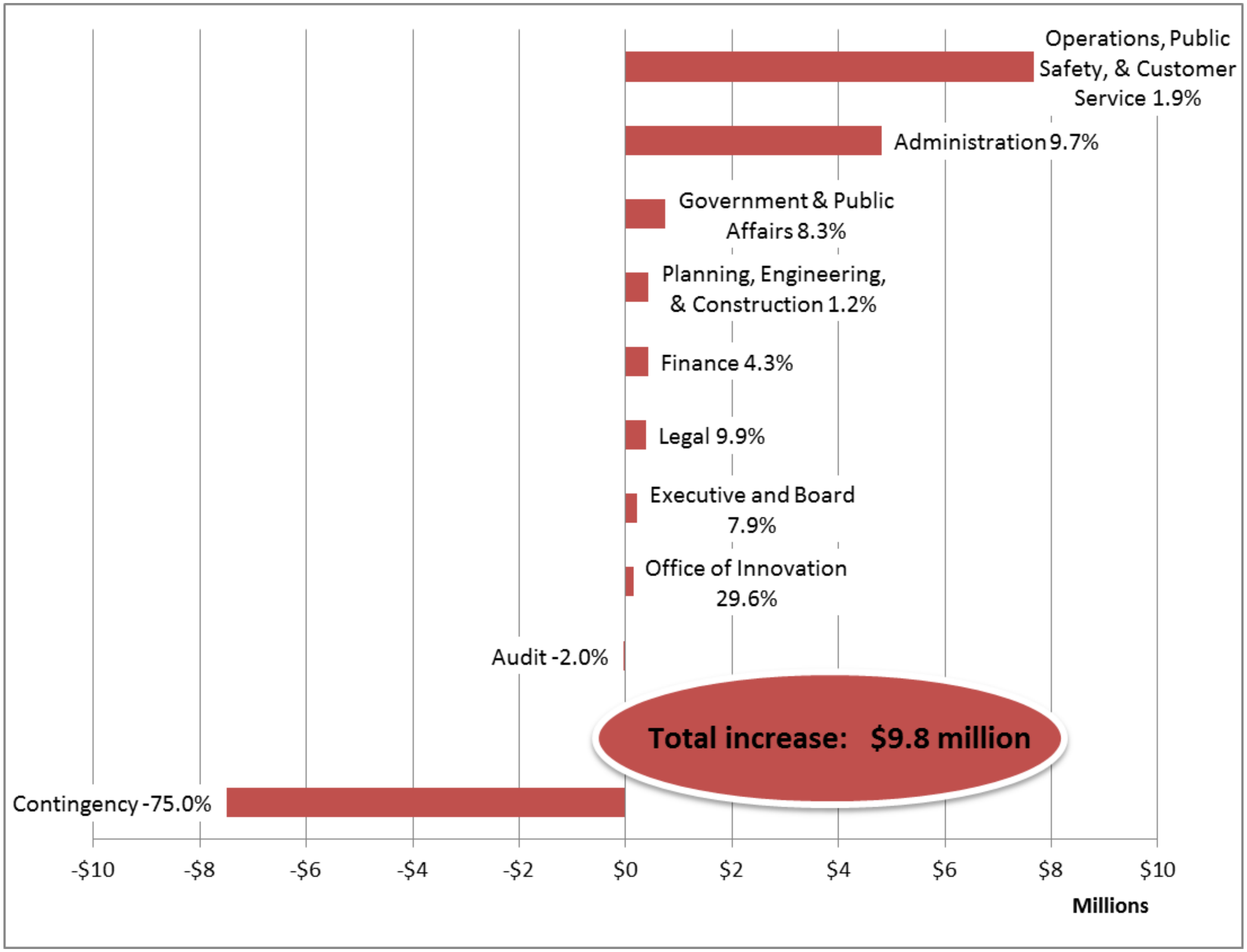


Operating Budget Department Summaries

Budget by Department

Departments	FY2016 Budget	FY2016 Estimate	FY2017 Budget	Budget-to-Budget Variance $	%
Operations, Public Safety, & Customer Service	$ 434,927,637	$ 427,618,814	$ 443,253,245	$ 8,325,608	1.9%
Administration	49,383,547	50,418,318	54,194,781	4,811,234	9.7%
Planning, Engineering, & Construction	35,668,191	34,535,489	36,103,553	435,362	1.2%
Finance	9,872,270	9,149,114	10,293,484	421,214	4.3%
Government & Public Affairs	8,959,889	9,044,090	9,704,515	744,626	8.3%
Legal	3,808,611	3,791,301	4,186,019	377,408	9.9%
Audit	1,564,886	1,486,585	1,534,340	(30,546)	-2.0%
Office of Innovation	487,161	188,887	631,181	144,020	29.6%
Executive and Board	2,763,811	2,542,402	2,983,318	219,507	7.9%
Non-Departmental	834,997	-	2,686,565	1,851,568	221.7%
Contingency	10,000,000	-	2,500,000	(7,500,000)	-75.0%
TOTAL NET OPERATING	**$ 558,271,000**	**$ 538,775,000**	**$ 568,071,000**	**$ 9,800,000**	**1.8%**

Budget by Department - Budget-to-Budget Variance



Operations, Public Safety, and Customer Service

	FY2016 Budget	FY2016 Estimate	FY2017 Budget	Budget-to-Budget Variance $	%
Wages	$ 122,254,249	$ 121,923,310	$ 127,175,918	$ 4,921,669	4.0%
Union Fringe Benefits	55,640,812	56,076,854	58,728,047	3,087,235	5.5%
Subtotal Union Labor	**$ 177,895,061**	**$ 178,000,164**	**$ 185,903,965**	**$ 8,008,904**	**4.5%**
Salaries and Non-Union Wages	54,566,610	54,037,607	56,888,885	2,322,275	4.3%
Non-Union Fringe Benefits	22,047,521	22,133,743	23,711,544	1,664,023	7.5%
Subtotal Non-Union Labor	**$ 76,614,131**	**$ 76,171,350**	**$ 80,600,429**	**$ 3,986,298**	**5.2%**
Subtotal Labor and Fringe Benefits	**$ 254,509,192**	**$ 254,171,514**	**$ 266,504,394**	**$ 11,995,202**	**4.7%**
Services	15,861,565	14,930,917	16,768,280	906,715	5.7%
Materials and Supplies	21,160,084	20,935,174	22,693,901	1,533,817	7.2%
Fuel and Utilities	42,243,579	41,024,068	35,509,617	(6,733,962)	(15.9%)
Casualty and Liability	4,910,742	5,183,590	4,260,078	(650,664)	(13.2%)
Purchased Transportation	99,584,504	95,507,478	99,478,010	(106,494)	(0.1%)
Leases, Rentals and Miscellaneous	1,724,160	1,705,909	2,192,301	468,141	27.2%
Subtotal Non-Labor	**$ 185,484,634**	**$ 179,287,136**	**$ 180,902,187**	**$ (4,582,447)**	**(2.5%)**
Subtotal Labor and Non-Labor	**$ 439,993,826**	**$ 433,458,650**	**$ 447,406,581**	**$ 7,412,755**	**1.7%**
Allocation to Capital and GMP	(5,066,189)	(5,839,836)	(4,153,335)	912,854	(18.0%)
Total Operating Expenses	**$ 434,927,637**	**$ 427,618,814**	**$ 443,253,245**	**$ 8,325,608**	**1.9%**

Total Operating Expenses	**FY2016 Budget**	**FY2017 Budget**	**Budget-to-Budget Variance $**	**%**
Operations	**$ 400,540,762**	**$ 406,614,358**	**$ 6,073,596**	**1.5%**
METRO Police Department	**20,054,693**	**$ 22,494,910**	**2,440,217**	**12.2%**
Safety	**8,383,932**	**$ 8,263,891**	**(120,041)**	**(1.4%)**
Customer and Ridership Services	**4,793,486**	**$ 4,737,111**	**(56,375)**	**(1.2%)**
Executive Vice President	**1,154,764**	**$ 1,142,975**	**(11,789)**	**(1.0%)**

Administration

	FY2016 Budget	FY2016 Estimate	FY2017 Budget	Budget-to-Budget Variance $	Budget-to-Budget Variance %
Wages	$ 2,823,164	$ 2,812,715	$ 2,934,305	$ 111,141	3.9%
Union Fringe Benefits	11,163,164	12,184,955	13,560,049	2,396,885	21.5%
Subtotal Union Labor	**$ 13,986,328**	**$ 14,997,670**	**$ 16,494,354**	**$ 2,508,026**	**17.9%**
Salaries and Non-Union Wages	14,074,393	13,911,343	14,321,638	247,245	1.8%
Non-Union Fringe Benefits	9,123,086	8,972,077	9,182,143	59,057	0.6%
Subtotal Non-Union Labor	**$ 23,197,479**	**$ 22,883,420**	**$ 23,503,781**	**$ 306,302**	**1.3%**
Subtotal Labor and Fringe Benefits	**$ 37,183,807**	**$ 37,881,090**	**$ 39,998,135**	**$ 2,814,328**	**7.6%**
Services	6,634,431	5,899,929	6,300,347	(334,084)	(5.0%)
Materials and Supplies	413,471	413,771	475,051	61,580	14.9%
Fuel and Utilities	1,881,397	2,810,812	2,138,751	257,354	13.7%
Casualty and Liability	-	-	-	-	N/A
Purchased Transportation	-	-	-	-	N/A
Leases, Rentals and Miscellaneous	6,458,605	6,373,659	7,073,374	614,769	9.5%
Subtotal Non-Labor	**$ 15,387,904**	**$ 15,498,171**	**$ 15,987,523**	**$ 599,619**	**3.9%**
Subtotal Labor and Non-Labor	**$ 52,571,711**	**$ 53,379,261**	**$ 55,985,658**	**$ 3,413,947**	**6.5%**
Allocation to Capital and GMP	(3,188,164)	(2,960,943)	(1,790,878)	1,397,286	(43.8%)
Total Operating Expenses	**$ 49,383,547**	**$ 50,418,318**	**$ 54,194,781**	**$ 4,811,234**	**9.7%**

Total Operating Expenses	**FY2016 Budget**	**FY2017 Budget**	**Budget-to-Budget Variance $**	**Budget-to-Budget Variance %**
Information Technology	**$ 19,329,040**	**$ 21,515,539**	**$ 2,186,499**	**11.3%**
Human Resources	**19,420,342**	**21,473,726**	**2,053,384**	**10.6%**
Procurement and Materials	**10,179,651**	**10,581,069**	**401,418**	**3.9%**
Executive Vice President	**454,514**	**624,447**	**169,933**	**37.4%**

Planning, Engineering, and Construction

	FY2016 Budget	FY2016 Estimate	FY2017 Budget	Budget-to-Budget Variance $	Budget-to-Budget Variance %
Wages	$ 6,133,327	$ 5,664,796	$ 5,553,693	$ (579,634)	(9.5%)
Union Fringe Benefits	3,318,526	2,945,520	3,089,368	(229,158)	(6.9%)
Subtotal Union Labor	**$ 9,451,853**	**$ 8,610,316**	**$ 8,643,061**	**$ (808,792)**	**(8.6%)**
Salaries and Non-Union Wages	9,454,818	9,483,423	9,392,504	(62,314)	(0.7%)
Non-Union Fringe Benefits	3,378,699	3,376,746	3,551,233	172,534	5.1%
Subtotal Non-Union Labor	**$ 12,833,517**	**$ 12,860,169**	**$ 12,943,737**	**$ 110,220**	**0.9%**
Subtotal Labor and Fringe Benefits	**$ 22,285,370**	**$ 21,470,485**	**$ 21,586,799**	**$ (698,571)**	**(3.1%)**
Services	11,805,551	11,605,551	12,661,161	855,610	7.2%
Materials and Supplies	1,918,449	1,918,449	1,979,509	61,060	3.2%
Fuel and Utilities	5,227,694	5,227,694	4,876,417	(351,277)	(6.7%)
Casualty and Liability	-	(117,817)	-	-	N/A
Purchased Transportation	-	-	-	-	N/A
Leases, Rentals and Miscellaneous	220,006	220,006	192,233	(27,773)	(12.6%)
Subtotal Non-Labor	**$ 19,171,700**	**$ 18,853,883**	**$ 19,709,320**	**$ 537,620**	**2.8%**
Subtotal Labor and Non-Labor	**$ 41,457,070**	**$ 40,324,368**	**$ 41,296,119**	**$ (160,951)**	**(0.4%)**
Allocation to Capital and GMP	(5,788,879)	(5,788,879)	(5,192,566)	596,313	(10.3%)
Total Operating Expenses	**$ 35,668,191**	**$ 34,535,489**	**$ 36,103,553**	**$ 435,362**	**1.2%**

Total Operating Expenses	**FY2016 Budget**	**FY2017 Budget**	**Budget-to-Budget Variance $**	**Budget-to-Budget Variance %**
Facilities Maintenance	**$ 29,416,873**	**$ 28,959,803**	**$ (457,070)**	**(1.6%)**
Planning	**6,570,940**	**6,680,996**	**110,056**	**1.7%**
Engineering and Construction	**(303,693)**	**420,668**	**724,361**	**(238.5%)**
Executive Vice President	**(15,929)**	**42,086**	**58,015**	**(364.2%)**

Finance

	FY2016 Budget	FY2016 Estimate	FY2017 Budget	Budget-to-Budget Variance $	%
Wages	$ -	$ -	$ -	$ -	N/A
Union Fringe Benefits	21,889	11,996	10,569	(11,320)	(51.7%)
Subtotal Union Labor	**$ 21,889**	**$ 11,996**	**$ 10,569**	**$ (11,320)**	**(51.7%)**
Salaries and Non-Union Wages	5,751,877	5,311,904	5,682,319	(69,558)	(1.2%)
Non-Union Fringe Benefits	2,112,836	1,982,220	2,297,053	184,217	8.7%
Subtotal Non-Union Labor	**$ 7,864,713**	**$ 7,294,124**	**$ 7,979,372**	**$ 114,659**	**1.5%**
Subtotal Labor and Fringe Benefits	**$ 7,886,602**	**$ 7,306,120**	**$ 7,989,941**	**$ 103,339**	**1.3%**
Services	2,117,163	1,939,588	1,873,458	(243,705)	(11.5%)
Materials and Supplies	583,486	632,086	353,771	(229,715)	(39.4%)
Fuel and Utilities	7,668	-	9,662	1,994	26.0%
Casualty and Liability	-	-	-	-	N/A
Purchased Transportation	-	-	-	-	N/A
Leases, Rentals and Miscellaneous	74,041	67,991	85,718	11,677	15.8%
Subtotal Non-Labor	**$ 2,782,358**	**$ 2,639,665**	**$ 2,322,609**	**$ (459,749)**	**(16.5%)**
Subtotal Labor and Non-Labor	**$ 10,668,960**	**$ 9,945,785**	**$ 10,312,550**	**$ (356,410)**	**(3.3%)**
Allocation to Capital and GMP	(796,690)	(796,671)	(19,067)	777,623	(97.6%)
Total Operating Expenses	**$ 9,872,270**	**$ 9,149,114**	**$ 10,293,484**	**$ 421,214**	**4.3%**

Total Operating Expenses	**FY2016 Budget**	**FY2017 Budget**	**Budget-to-Budget Variance $**	**%**
Office of Management and Budget	**$ 5,340,263**	**$ 5,305,521**	**$ (34,742)**	**(0.7%)**
Office of the Controller	**3,250,209**	**3,740,872**	**490,663**	**15.1%**
Chief Financial Officer	**745,518**	**718,916**	**(26,602)**	**(3.6%)**
Grants	**536,280**	**528,174**	**(8,106)**	**(1.5%)**

Government and Public Affairs

	FY2016 Budget	FY2016 Estimate	FY2017 Budget	Budget-to-Budget Variance $	%
Wages	$ -	$ -	$ -	$ -	N/A
Union Fringe Benefits	3,278	3,278	3,000	(278)	(8.5%)
Subtotal Union Labor	**$ 3,278**	**$ 3,278**	**$ 3,000**	**$ (278)**	**(8.5%)**
Salaries and Non-Union Wages	2,873,923	2,961,858	2,746,357	(127,566)	(4.4%)
Non-Union Fringe Benefits	1,013,477	1,020,204	1,018,393	4,916	0.5%
Subtotal Non-Union Labor	**$ 3,887,400**	**$ 3,982,062**	**$ 3,764,749**	**$ (122,651)**	**(3.2%)**
Subtotal Labor and Fringe Benefits	**$ 3,890,678**	**$ 3,985,340**	**$ 3,767,750**	**$ (122,928)**	**(3.2%)**
Services	4,298,975	4,297,699	5,026,799	727,824	16.9%
Materials and Supplies	780,204	780,204	800,200	19,996	2.6%
Fuel and Utilities	15,780	15,780	15,778	(2)	(0.0%)
Casualty and Liability	-	-	-	-	N/A
Purchased Transportation	-	-	-	-	N/A
Leases, Rentals and Miscellaneous	117,253	117,051	147,205	29,952	25.5%
Subtotal Non-Labor	**$ 5,212,212**	**$ 5,210,734**	**$ 5,989,982**	**$ 777,770**	**14.9%**
Subtotal Labor and Non-Labor	**$ 9,102,890**	**$ 9,196,074**	**$ 9,757,732**	**$ 654,842**	**7.2%**
Allocation to Capital and GMP	(143,001)	(151,984)	(53,217)	89,784	(62.8%)
Total Operating Expenses	**$ 8,959,889**	**$ 9,044,090**	**$ 9,704,515**	**$ 744,626**	**8.3%**

Total Operating Expenses	**FY2016 Budget**	**FY2017 Budget**	**Budget-to-Budget Variance $**	**%**
Marketing and Communications	**$ 7,161,248**	**$ 7,922,652**	**$ 761,404**	**10.6%**
Public Engagement	**682,036**	**866,624**	**184,588**	**27.1%**
Public Affairs	**450,100**	**534,409**	**84,309**	**18.7%**
Government Affairs	**666,505**	**380,831**	**(285,674)**	**(42.9%)**

Legal

	FY2016 Budget	FY2016 Estimate	FY2017 Budget	Budget-to-Budget Variance $	%
Wages	$ -	$ -	$ -	$ -	N/A
Union Fringe Benefits	1,691	1,691	1,758	67	4.0%
Subtotal Union Labor	**$ 1,691**	**$ 1,691**	**$ 1,758**	**$ 67**	**4.0%**
Salaries and Non-Union Wages	1,507,186	1,489,876	1,465,007	(42,179)	(2.8%)
Non-Union Fringe Benefits	466,173	466,173	461,427	(4,746)	(1.0%)
Subtotal Non-Union Labor	**$ 1,973,359**	**$ 1,956,049**	**$ 1,926,435**	**$ (46,924)**	**(2.4%)**
Subtotal Labor and Fringe Benefits	**$ 1,975,050**	**$ 1,957,740**	**$ 1,928,193**	**$ (46,857)**	**(2.4%)**
Services	1,745,019	1,745,019	2,166,195	421,176	24.1%
Materials and Supplies	6,600	6,600	7,000	400	6.1%
Fuel and Utilities	6,732	6,732	6,277	(455)	(6.8%)
Casualty and Liability	-	-	-	-	N/A
Purchased Transportation	-	-	-	-	N/A
Leases, Rentals and Miscellaneous	75,210	75,210	78,354	3,144	4.2%
Subtotal Non-Labor	**$ 1,833,561**	**$ 1,833,561**	**$ 2,257,827**	**$ 424,266**	**23.1%**
Subtotal Labor and Non-Labor	**$ 3,808,611**	**$ 3,791,301**	**$ 4,186,019**	**$ 377,408**	**9.9%**
Allocation to Capital and GMP	-	-	-	-	N/A
Total Operating Expenses	**$ 3,808,611**	**$ 3,791,301**	**$ 4,186,019**	**$ 377,408**	**9.9%**

Audit

	FY2016 Budget	FY2016 Estimate	FY2017 Budget	Budget-to-Budget Variance $	Budget-to-Budget Variance %
Wages	$ -	$ -	$ -	$ -	N/A
Union Fringe Benefits	1,091	1,091	1,106	15	1.3%
Subtotal Union Labor	**$ 1,091**	**$ 1,091**	**$ 1,106**	**$ 15**	**1.3%**
Salaries and Non-Union Wages	956,153	939,152	921,371	(34,782)	(3.6%)
Non-Union Fringe Benefits	364,330	363,030	362,741	(1,589)	(0.4%)
Subtotal Non-Union Labor	**$ 1,320,483**	**$ 1,302,182**	**$ 1,284,112**	**$ (36,371)**	**(2.8%)**
Subtotal Labor and Fringe Benefits	**$ 1,321,574**	**$ 1,303,273**	**$ 1,285,218**	**$ (36,356)**	**(2.8%)**
Services	230,400	170,400	238,726	8,326	3.6%
Materials and Supplies	600	600	600	-	0.0%
Fuel and Utilities	900	900	900	-	0.0%
Casualty and Liability	-	-	-	-	N/A
Purchased Transportation	-	-	-	-	N/A
Leases, Rentals and Miscellaneous	11,412	11,412	8,896	(2,516)	(22.0%)
Subtotal Non-Labor	**$ 243,312**	**$ 183,312**	**$ 249,122**	**$ 5,810**	**2.4%**
Subtotal Labor and Non-Labor	**$ 1,564,886**	**$ 1,486,585**	**$ 1,534,340**	**$ (30,546)**	**(2.0%)**
Allocation to Capital and GMP	-	-	-	-	N/A
Total Operating Expenses	**$ 1,564,886**	**$ 1,486,585**	**$ 1,534,340**	**$ (30,546)**	**(2.0%)**

Office of Innovation

	FY2016 Budget	FY2016 Estimate	FY2017 Budget	Budget-to-Budget Variance $	Budget-to-Budget Variance %
Wages	$ -	$ -	$ -	$ -	N/A
Union Fringe Benefits	483	161	483	(0)	(0.0%)
Subtotal Union Labor	**$ 483**	**$ 161**	**$ 483**	**$ (0)**	**(0.0%)**
Salaries and Non-Union Wages	402,376	134,125	402,376	0	0.0%
Non-Union Fringe Benefits	84,302	28,101	84,302	(0)	(0.0%)
Subtotal Non-Union Labor	**$ 486,678**	**$ 162,226**	**$ 486,678**	**$ 0**	**0.0%**
Subtotal Labor and Fringe Benefits	**$ 487,161**	**$ 162,387**	**$ 487,161**	**$ (0)**	**(0.0%)**
Services	-	15,000	70,000	70,000	N/A
Materials and Supplies	-	500	2,500	2,500	N/A
Fuel and Utilities	-	1,000	3,400	3,400	N/A
Casualty and Liability	-	-	-	-	N/A
Purchased Transportation	-	-	-	-	N/A
Leases, Rentals and Miscellaneous	-	10,000	68,120	68,120	N/A
Subtotal Non-Labor	**$ -**	**$ 26,500**	**$ 144,020**	**$ 144,020**	**N/A**
Subtotal Labor and Non-Labor	**$ 487,161**	**$ 188,887**	**$ 631,181**	**$ 144,020**	**29.6%**
Allocation to Capital and GMP	-	-	-	-	N/A
Total Operating Expenses	**$ 487,161**	**$ 188,887**	**$ 631,181**	**$ 144,020**	**29.6%**

Executive and Board

	FY2016 Budget	FY2016 Estimate	FY2017 Budget	Budget-to-Budget Variance $	Budget-to-Budget Variance %
Wages	$ -	$ -	$ -	$ -	N/A
Union Fringe Benefits	2,075	1,870	2,277	202	9.7%
Subtotal Union Labor	**$ 2,075**	**$ 1,870**	**$ 2,277**	**$ 202**	**9.7%**
Salaries and Non-Union Wages	1,784,153	1,610,120	1,897,375	113,222	6.3%
Non-Union Fringe Benefits	523,896	476,725	593,058	69,162	13.2%
Subtotal Non-Union Labor	**$ 2,308,049**	**$ 2,086,845**	**$ 2,490,433**	**$ 182,384**	**7.9%**
Subtotal Labor and Fringe Benefits	**$ 2,310,124**	**$ 2,088,715**	**$ 2,492,710**	**$ 182,586**	**7.9%**
Services	116,107	116,107	128,104	11,997	10.3%
Materials and Supplies	9,008	9,008	9,008	-	0.0%
Fuel and Utilities	19,596	19,596	22,700	3,104	15.8%
Casualty and Liability	-	-	-	-	N/A
Purchased Transportation	-	-	-	-	N/A
Leases, Rentals and Miscellaneous	308,976	308,976	330,796	21,820	7.1%
Subtotal Non-Labor	**$ 453,687**	**$ 453,687**	**$ 490,608**	**$ 36,921**	**8.1%**
Subtotal Labor and Non-Labor	**$ 2,763,811**	**$ 2,542,402**	**$ 2,983,318**	**$ 219,507**	**7.9%**
Allocation to Capital and GMP	-	-	-	-	N/A
Total Operating Expenses	**$ 2,763,811**	**$ 2,542,402**	**$ 2,983,318**	**$ 219,507**	**7.9%**

Non-Departmental and Contingency

	FY2016 Budget	FY2016 Estimate	FY2017 Budget	Budget-to-Budget Variance $	Budget-to-Budget Variance %
Wages	$ -	$ -	$ -	$ -	N/A
Union Fringe Benefits	-	-	82	82	N/A
Subtotal Union Labor	**$ -**	**$ -**	**$ 82**	**$ 82**	**N/A**
Salaries and Non-Union Wages	10,470	-	2,485,954	2,475,484	23643.6%
Non-Union Fringe Benefits	19,858	-	200,528	180,670	909.8%
Subtotal Non-Union Labor	**$ 30,328**	**$ -**	**$ 2,686,482**	**$ 2,656,154**	**8758.1%**
Subtotal Labor and Fringe Benefits	**$ 30,328**	**$ -**	**$ 2,686,565**	**$ 2,656,237**	**8758.4%**
Services	-	-	-	-	N/A
Materials and Supplies	-	-	-	-	N/A
Fuel and Utilities	-	-	-	-	N/A
Casualty and Liability	-	-	-	-	N/A
Purchased Transportation	-	-	-	-	N/A
Leases, Rentals and Miscellaneous	79,619	-	-	(79,619)	(100.0%)
Subtotal Non-Labor	**$ 79,619**	**$ -**	**$ -**	**$ (79,619)**	**(100.0%)**
Subtotal Labor and Non-Labor	**$ 109,947**	**$ -**	**$ 2,686,565**	**$ 2,576,618**	**2343.5%**
Contingency	10,725,050	-	2,500,000	(8,225,050)	(76.7%)
Allocation to Capital and GMP	-	-	-	-	N/A
Total Operating Expenses	**$ 10,834,997**	**$ -**	**$ 5,186,565**	**$(5,648,432)**	**(52.1%)**

Note: Non-Departmental mainly includes an increase in non-Union wages, salaries, and associated fringe benefits due to a Cost of Living Adjustment (COLA).

METRO

Key Performance Indicators

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

Performance Indicator	FY 2015 Actual	FY 2016 Goal	FY 2016 Estimate*	FY2017 Goal
Service and Reliability				
Bus-Local On-Time Performance (OTP)	69.7%	74%	73.4%	**75%**
Bus-Park & Ride OTP	76.2%	75%	76.1%	**75%**
Bus Weighted Average OTP	71.4%	74.5%	74.3%	**75%**
Rail-Red Line OTP	84.8%	95%	87.8%	**90%**
Rail- Green Line OTP	80.1%	85%	93.3%	**90%**
Rail-Purple Line OTP	89.3%	85%	90.8%	**90%**
METROLift OTP	88.6%	90%	90.5%	**90**
Mean Distance between Mechanical Failures (all buses) [1]	9,586	8,625	9,749	**8,625**
Mean Distance Between Service interruptions (Rail)	15,817	12,000	23,583	**12,000**
Mean Distance Between Mechnaical Failures (METROLift)	22,889	19,000	19,660	**19,000**
Safety				
Bus Accidents Absolute Number	516	644	510	**644**
Bus Accidents Per 100,000 Vehicles Miles	0.75	0.89	0.87	**0.8**
Rail Accidents Absolute Number	87	111	96	**111**
Rail Accidents Per 100,000 Vehicles Miles	3.38	3	3.26	**3.6**
Security - Major Security Incidents				
Total	596	840	473	**840**
Per 100,000 Boardings	0.53	0.92	0.49	**0.92**
Security - Major Security Incidents - METRO Properties				
Total	216	360	236	**360**
Per 100,000 Boardings	0.19	0.4	0.244	**0.4**
Customer Service				
Customer Contacts Per 100,000 Boardings	21.13	<23.92	<17.69	**<22.13**
Commendations	4,454	2,500	4,373	**3,600**
Average Call Center Answer Delay in seconds	139	≤135	97	**≤120**

[1] The FY 2017 goal for Mean Distance Between Failures of 8,625 is a weighted average based on monthly targets.

* July 2016 Year to Date

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. For METROLift, a trip is considered on-time if the vehicle arrives within 30 minutes of the scheduled pick-up time and no later than the appointment time.

Mean Distance Between Mechanical Failures (MDBF) - MDBF reflects any mechanical issue encountered during operation of the vehicle in revenue miles service that requires a maintenance action resulting from a mechanical failure. Mechanical failures include warranty and fleet defects but exclude accidents.

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. Rail accidents reflect collisions between METRORail and other vehicles, pedestrians, or bicyclists. This definition has been revised beginning in FY2011 to include pedestrian accidents.

Major Security Incidents - The total Major Security Incidents is based on two industry standards: the 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, on-board 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.

Complaint Contacts - Patrons may contact METRO's Customer Resolution Center via telephone, internet or METRO's New Public Comment System to express dissatisfaction with METRO which results in a complaint record being generated in the Public Comment System. Complaints are reported as the number of contacts per 100,000 boardings.

Commendations - Patrons may contact METRO's Customer Care Center to recognize, compliment or praise a METRO employee or the METRO organization for exemplary work or performance. Contacts made via telephone, internet, email or mail which result in a commendation record being generated in the Public Comment System are reported only on the basis of the absolute number of contacts received.

Average Call Center Answer Delay - METRO is committed to providing customers with accurate, customer-friendly bus, rail and service information in a timely manner. Customers may obtain bus information over METRO's website or via telephone using an interactive voice response system without speaking to a representative, or Next Bus texting and METRO T.R.I.P. app with no customer wait time. For those customers who prefer to speak with a representative, METRO's goal is to answer their calls in 120 seconds or less.

Appendix

Budget Change Guidelines

When reallocating or modifying budgets within the Board adopted budget, staff will adhere to the following approval levels:

- Changes up to $250,000: approval by the CFO or the Director, Office of Management & Budget.
- Changes between $250,000 and $1,000,000: approval by the President & CEO
- Board approval will be required for changes over $1,000,000
- Administrative or Technical changes may be processed with the approval of the CFO or the Director, Office of Management & Budget.
    - Changes in this category are within the scope of the adopted budget and do not represent a change in the Authority's work plan or priorities.
- All budget changes will be reported to the Finance & Audit Committee on a quarterly basis.
- Any modifications increasing budgets (Budget Amendments) would require Board approval and will adhere to Texas Transportation Code 451.102/103.

Debt Policy

METROPOLITAN TRANSIT AUTHORITY

DEBT POLICY

As Adopted August 24, 2016

1.0 Purpose

The purpose of the Metropolitan Transit Authority ("METRO") Board of Directors' ("Board") Debt Policy is to establish guidelines for the utilization of debt instruments. Debt Instruments may include senior lien sales tax revenue bonds, subordinate lien sales tax revenue bonds, commercial paper, bank lines, standby purchase agreements or letters of credit, variable rate demand notes, variable rate auction rate notes, capital leases, grant anticipation revenue vehicles, farebox revenue bonds, contractual obligations and revenue and appropriation bonds ("Debt Instruments"). Debt Instruments will only be used to finance capital assets, infrastructure improvements, and additions, to refund or defease existing obligations, to fund capitalized interest, costs of issuance or to make deposits to reserve funds and other funds required or provided for in such Debt Instruments. Defeased leases are not considered Debt Instruments for purposes of this policy.

METRO will ensure that all uses of Debt Instruments are in compliance with state and Federal laws, the guidelines contained herein, adopted and active bond ordinances, insurance covenants and existing financial agreements. Further, METRO will ensure that the utilization of any Debt Instrument provides the most prudent and cost-effective funding possible taking all material matters into account.

2.0 Debt Limits:

2.1 Lines/Letters of Credit/Standby Purchase Agreements not enhancing a Debt Instrument – Up to $100 million and one year term (non-voted).

2.2 Lines/Letters of Credit/Standby Purchase Agreements enhancing a Debt Instrument – No limit.

2.3 Commercial Paper – Up to $400 million (non-voted).

2.4 Notes – Up to $400 million (non-voted).

2.5 Sales Tax Bonds – Up to voter authorized amounts and 40 years (voted).

2.6 Capital Leases – No limit.

2.7 Contractual Obligations – No limit

2.8 Fare Box Revenue Bonds – No authorization currently.

2.9 Grant Anticipation Revenue Vehicles – No authorization currently.

2.10 Revenue & Appropriation Bonds – No limit.

METRO Debt Policy

3.0 Structure of Debt Instruments

3.1 Term – The term of the Debt Instruments should equal the lesser of the useful life of the facility being financed or 40 years after the project is placed in service. There shall be no balloon amortization schedules when long-term Debt Instruments are planned for permanent financing.

3.2 Subordinate Lien Obligations – Subordinate lien obligations may be recommended by the Finance/Audit Committee for Board approval, and shall be based on the overall financing structure of METRO.

3.3 Capital Leases – Capital leases or other equipment financing will generally only be used if the present value of lease payments is less than the present value of debt service payments on notes or bonds issued for the same time frame. Capital leases may be used, however, to increase long-term borrowing capacity regardless of this present value calculation.

4.0 Financial Policies

4.1 Sales tax projections used in long term planning shall be performed by external economist(s) with management adjustments for the current year.

4.2 The General Fund should be managed to maintain a working capital reserve minimum of 15% of annualized budgeted operating expenditures.

4.3 Proceeds from the sale of capital assets should also be placed in a capital reserve and only used for the purposes of the reserve.

4.4 Bond Reserve Funds – It is the goal of METRO to only use bond reserve funds when economically feasible. It is METRO's goal to satisfy the liquidity requirements sought by bond investors and credit agencies by maintaining healthy General Fund working capital.

5.0 Variable Rate Exposure

5.1 METRO anticipates issuing commercial paper in the inaugural years of the issuance of Debt Instruments and then converting to fixed rates over time. As a result, variable rate debt will initially constitute 100% of METRO's Debt Instruments. Over time METRO will reduce this exposure to more traditional ratios.

5.2 Conservative budgeting practices should be utilized for budgeting interest costs on variable rate debt such as 1% above the two year historical average rate for the Bond Market Association index plus ongoing costs such as credit facilities. Savings from budget versus actual should be used to pay off variable rate debt annually.

5.3 Commercial paper may be used to provide interim financing. Outstanding commercial paper shall be counted as variable rate debt. METRO shall select commercial paper dealers through a competitive process. A minimum of two commercial paper dealers should be utilized for programs greater than $100 million to ensure competitive pricing. The maximum maturity shall not exceed

270 days. Principal outstanding under a commercial paper program may be refinanced to a longer term with fixed or variable rate debt.

6.0 Method of Sale – METRO may use both competitive and negotiated sales.

6.1 Negotiated Sales – In general negotiated sales may be used in any of the following circumstances:

6.1.1 Complex transactions that require extensive financial modeling, credit analysis, or pre-marketing efforts, or that are interest rate sensitive;

6.1.2 Volatile financial markets; or

6.1.3 To better accomplish the objectives of METRO's Small Business Program.

6.1.4 Short-term re-marketings.

6.2 Competitive Sales – Competitive sales may be used when each of the following circumstances are satisfied:

6.2.1 Long-term, fixed rate senior lien sales tax revenue bonds being issued for new projects or to currently refund commercial paper;

6.2.2 Simple structure and financial analysis;

6.2.3 Stable financial markets; and

6.2.4 Moderate par amounts.

7.0 Refunding of Fixed Rate Debt Parameters

7.1 Overall transaction, net of costs of issuance, should produce positive net present value ("PV") savings of at least approximately 3.5% of the refunded par.

7.2 The METRO Board, however, retains the right to consider and approve refunding transactions not meeting the above criteria.

8.0 Continuing Disclosure

METRO shall comply with all continuing disclosure agreements to which it enters in order to comply with SEC Rule 15c2-12. These filings may include the filing of annually updated financial information as well as notice of specified material events as appropriate.

9.0 Interest Rate Swaps and Derivative Debt Instruments

Derivative products shall not be used by METRO.

Investment Policy

Government Treasurers' Organization of Texas

Certification of Investment Policy

Presented to

Metropolitan Transit Authority of Harris County

for developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing established by the Government Treasurers' Organization of Texas.

Donna Todd	
Government Treasurers' Organization of Texas President	Investment Policy Review Committee Chairperson

For the two-year period ending July 31, 2018

METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS

INVESTMENT POLICY

As Approved July 21, 2016

1.0 Policy

It is the policy of the Metropolitan Transit Authority of Harris County, Texas ("Metro") to invest public funds in a manner that will provide the highest investment return with maximum security while meeting the daily cash flow demands of Metro, conforming to all state and local statutes governing the investment of public funds and giving due consideration to the safety and risk of investments. This policy sets forth the investment program of Metro and the guidelines to be followed in achieving its objectives.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue to Metro. Metro's portfolio shall be designed and managed to maximize investment earnings as a revenue source, to be responsive to the public trust and to be in compliance with applicable legal requirements and limitations.

Investments shall be made with the primary objectives of:

- Preservation and safety of principal and diversification of the investment portfolio;
- Maintenance of sufficient liquidity to meet operating needs and marketability of the investment if the need arises to liquidate before maturity;
- Understanding the suitability of the investment to the financial requirements of Metro and maintaining public trust from prudent investment activities;
- Yield and optimization of interest earnings on the portfolio.

2.0 Purpose

The purpose of this investment policy is to comply with Section 451.104, Texas Transportation Code, and Chapter 2256, Texas Government Code (the "Public Funds Investment Act"). The Public Funds Investment Act requires Metro to adopt a written investment policy regarding the investment of its funds and funds under its control. This investment policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of Metro's funds.

3.0 Scope

This investment policy shall govern the investment of all financial assets of Metro, except those listed on Schedule 1, which are set up and administered separately and whose investment activities are conducted by third parties in accordance with instructions provided in ordinances, contracts, or escrow agreements, as applicable. The following funds shall be subject to this investment policy and are accounted for in Metro's Comprehensive Annual Financial Report ("CAFR"):

- General and Operating Funds;
- Capital Project Funds;
- Special Revenue Funds;
- Debt Service Funds, including reserves and sinking funds, to the extent not required by law, orders, resolutions or existing contracts to be kept segregated and managed separately;

- Trust and Agency Funds, to the extent not required by law, orders, resolutions or existing contracts to be kept segregated and managed separately.

Any new fund created by Metro shall be subject to this investment policy, unless specifically exempted from this investment policy by the Board or by applicable law.

Metro will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

4.0 Investment Objectives

General

Metro shall manage and invest its cash with four primary objectives, listed in order of priority:

- Safety
- Liquidity
- Suitability
- Yield (expressed as optimization of interest earnings)

The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with applicable law.

Metro shall maintain a comprehensive cash management program that includes collection of account receivables, vendor payments in accordance with invoice terms and prudent investment of available cash. Cash management is defined as the process of managing monies in order to insure maximum cash availability and maximum earnings on short-term investment of idle cash.

Safety

Safety is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

Metro will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment, by (i) limiting investments to the safest types of investments; (ii) pre-qualifying financial institutions and broker/dealers that Metro does business with; and (iii) diversifying the investment portfolio so that potential losses on individual issuers will be minimized.

Metro will minimize the risk that interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates by (i) structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity; (ii) investing operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds or local government investment pools functioning as money market mutual funds; and (iii) diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. Because all possible cash demands cannot be anticipated, a portion of the portfolio will within safety constraints, attaining a competitive market yield for comparable security types and portfolio restrictions is the desired objective. In this case, the minimum yield objective shall be the trailing average of the yield on the Treasury security corresponding to the weighted average maturity of the capital project fund portfolio.

Debt Service Funds

Investment guidelines for Metro debt service funds are as follows:

Safety of Principal — all investments shall be in high quality securities with no perceived default risk. Market price fluctuations will however occur, by managing the debt service fund's portfolio to not exceed the debt service payment schedule the market risk of the overall portfolio will be minimized. Market conditions influence the attractiveness of fully extending maturity to the next "unfunded" payment date. Generally, if investment rates are trending down, Metro is best served by locking in fixed rate securities. If interest rates are flat or trending up, concurrent market conditions will determine the attractiveness of extending maturity or investing in shorter alternatives. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

Liquidity — Debt service funds have predictable payment schedules. Therefore, investment maturities shall not exceed the anticipated cash flow requirements. Overnight repurchase agreements, local government investment pools and money market mutual funds shall provide competitive yield alternatives for short term fixed maturity investments.

Suitability — any investment authorized by this investment policy is suitable for the debt service fund.

Yield — attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. . The minimum yield objective shall be the trailing three month average of the 3-month T-bill yield.

Special Revenue Funds

Metro's revenue funds are short term in nature and the investment guidelines are as follows:

Safety of Principal — all investments shall be in high quality short-term investments with no perceived default risk. Diversification is less of a concern since revenue funds will be highly liquid.

Liquidity — Revenue funds require high short-term liquidity. Overnight repurchase agreements, local government investment pools and money market mutual funds shall provide daily liquidity and may be utilized as competitive yield alternatives to fixed maturity investments.

Suitability — Eligible investments will be limited to overnight repurchase agreements, $1 NAV money market funds, $1 NAV local government investment pools, Treasury, agency and commercial paper issues with final maturities of less than 90 days.

Yield — attaining a competitive market yield for comparable security types and portfolio restrictions is the desired objective. The minimum yield objective shall be the trailing one-month average of the four-week T-bill yield.

6.0 Responsibility and Control

Delegation of Authority

In accordance with the Public Funds Investment Act, the Board designates the officers or employees listed on Schedule 2 as Metro's Investment Officers. An Investment Officer is authorized to execute investment transactions on behalf of Metro. No person may engage in an investment transaction or the management of Metro funds except as provided under the terms of this investment policy as approved by the Board. Such investment authority granted to the Investment Officers is effective until rescinded by the Board.

Quality and Capability of Investment Management

Metro shall provide periodic training in investments for the designated Investment Officers and other investment personnel through courses and seminars offered by professional organizations, associations, and other independent sources in order to insure the quality and capability of investment management in compliance with the Public Funds Investment Act.

Training Requirement

In accordance with the Public Funds Investment Act, the designated Investment Officers shall attend an investment training session no less often than once within every two of the Authority's fiscal years and shall receive not less than 10 hours of instruction relating to investment responsibilities. A newly appointed Investment Officer must attend a training session of at least 10 hours of instruction within 12 months of the date the officer took office or assumed the officer's duties. The investment training session shall be provided by an independent source approved by the Board. For purposes of this investment policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institution of higher education or any other sponsor other than a business organization with whom Metro may engage in an investment transaction.

Internal Controls

Metro's Chief Financial Officer is responsible for establishing and maintaining an internal control structure designed to ensure that Metro assets are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (i) the cost of a control should not exceed the benefits likely to be derived; and (ii) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Chief Financial Officer shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery of securities
- Clear delegation of authority to subordinate staff members
- Written confirmation for telephone (voice) transactions for investments and wire transfers
- Development of a safekeeping agreement with a depository bank or third party custodian

Prudence

The standard of prudence to be applied by an Investment Officer shall be the "prudent investor" rule, which states that "investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived." In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the following:

- The investment of all funds over which the officer had responsibility rather than a consideration as to the prudence of a single investment;
- Whether the investment decision was consistent with this investment policy.

Indemnification

The Investment Officers, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific investment's credit risk or market price changes, provided that these deviations are reported immediately and the appropriate action is taken to control adverse developments.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that would conflict with the proper execution and management of the investment program, or that would impair their ability to make impartial decisions. Employees and Investment Officers shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of Metro.

An Investment Officer who has a personal business relationship with an organization seeking to sell an investment to Metro shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to Metro shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the Board.

7.0 Suitable and Authorized Investments

Portfolio Management

Metro currently has a "buy and hold" portfolio strategy. Maturity dates are matched with cash flow requirements and investments are purchased with the intent to be held until maturity. However, investments may be liquidated prior to maturity for the following reasons:

- An investment with declining credit may be liquidated early to minimize loss of principal;
- Cash flow needs of Metro may require that the investment be liquidated;
- To improve the overall quality or maturity structure of the portfolio;
- To enhance the interest earnings of the portfolio.

Authorized Investments

Metro funds governed by this policy may be invested in the instruments described below, all of which are authorized by the Public Funds Investment Act. Investment of Metro funds in any instrument or security not authorized for investment under such act is prohibited. Metro will not be required to liquidate an investment that becomes unauthorized subsequent to its purchase.

(a) Obligations of the United States of America or its agencies and instrumentalities.

(b) Fully collateralized certificates of deposit issued by a state or national bank domiciled in the State of Texas, a savings and loan association domiciled in the State that are fully insured for the principal and accrued interest by the United States or an instrumentality of the United States

(c) Direct obligations of the State of Texas or its agencies and instrumentalities;

(d) Other obligations the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States of America or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance or by the explicit full faith and credit of the United States of America.

(e) Obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than AA or its equivalent;

(f) Fully collateralized repurchase agreements if Metro has obtained a signed Master Repurchase Agreement with the company with which the agreement is entered, as authorized by the Public Funds Investment Act or other applicable law;

(g) Commercial Paper with a stated maturity of 270 days or fewer from the date of issuance, and is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies, as authorized by the Public Funds Investment Act or other applicable law;

(h) No-load money market mutual funds registered and regulated by the Securities Exchange Commission, with a dollar-weighted average stated maturity of 90 days or fewer, which provides investing entities with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.) and which include in their investment objectives the maintenance of a stable net asset value of $1 for each share, as authorized by the Public Funds Investment Act.

(i) Guaranteed investment contracts and flexible repurchase agreements, as authorized by the Public Funds Investment Act or other applicable law.

(j) Local government investment pools that (i) meet the requirements of the Public Funds Investment Act; (ii) are rated no lower than AAA, or AAAm or an equivalent rating by at least one nationally recognized rating service; and (iii) seek to maintain a stable net asset value of $1 for each share, as authorized by the Public Funds Investment Act.

(k) Any other investment authorized by the Public Funds Investment Act.

Credit Downgrade Provision

An investment that requires a minimum rating under this policy does not qualify as an authorized investment during any period in which the investment does not have the minimum rating. All prudent measures consistent with this policy will be taken to liquidate an investment that is downgraded to less than the required minimum rating.

Securities Lending

Metro may enter into a securities lending program with an authorized broker/dealer or financial institution in order to enhance investment return. Metro may administer a securities lending program directly or, if conditions warrant, use an outside agent. Should an agent be used, one will be selected by the Board using appropriate criteria. Securities lending will only be transacted with a written agreement, approved by legal counsel, which details: (i) acceptable types of collateral; (ii) standards for collateral custody and control; (iii) collateral valuation and initial margin, accrued interest, marking to market, and margin calls; (iv) method for transmitting security income; and (v) acceptable methods for delivery of securities and collateral.

Approved List of Money Market Mutual Funds and Investment Pools and Federal Agencies

An approved list of money market mutual funds and investment pools is attached to this investment policy as Schedule 3. An approved list of federal agencies is attached to this investment policy as Schedule 4.

Not Authorized

The following types of investments are strictly prohibited.

(a) Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pay no principal. (Commonly referred to as "IOs")

(b) Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest. (Commonly referred to as "POs")

(c) Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.

(d) Collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index (Commonly referred to as "Inverse Floaters").

Maximum Maturities

The longer the maturity of investments, the greater their price volatility. It is Metro's policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risk caused by changes in interest rates.

Metro will attempt to match its investments with anticipated cash flow requirements. With the exception of investments made for Capital Projects Funds, Metro will not directly invest in securities maturing more than two (2) years from the date of purchase; however, the above described obligations, certificates or agreements may be collateralized using longer dated investments.

Because no secondary market exists for repurchase agreements, the maximum maturity shall be 120 days, except in the case of a guaranteed investment contract or flexible repurchase agreement for bond proceeds. The maximum maturity for such an investment shall be determined in accordance with project cash flow projections and the requirements of the governing bond order or resolution.

Diversification

It is the policy of Metro to diversify its investment portfolio. Metro recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. All funds shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities. In establishing specific diversification strategies, the following general policies and constraints shall apply:

(a) Limiting investments to avoid over-concentration in investments from a specific issuer or security type, excluding U.S. Treasury securities and other investments backed by the full faith and credit of the United States. .

(b) Limiting investments that have higher credit risks (example: commercial paper).

(c) Investing in investments with varying maturities. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific sector. Maturities shall be selected that provide for stability of income and reasonable liquidity.

(d) Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money-market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

The following maximum limits, by instrument, are established for Metro's total portfolio:

1.	U.S. Treasury Securities	100%
2.	Agencies and Instrumentalities	85%
3.	Certificates of Deposit	25%
4.	Corporate Commercial Paper	40%
5.	Municipal Commercial Paper	25%
6.	Municipal Bonds or Notes	25%
7.	Repurchase Agreements*	20%

8.	Money Market Mutual Funds	50%
9.	Authorized Investment Pools	75%

*Excluding flexible repurchase agreements for bond proceeds investments.

8.0 Selection of Banks and Broker/Dealers

Banks

Metro will maintain a list of qualified public depositories approved by the Board that are authorized to hold Metro funds. Deposits will only be placed with those institutions that have:

(a) Provided audited financial statements;

(b) Submitted a written request or completed an application to be an authorized depository;

(c) Been designated by the Board as an authorized depository;

(d) Signed an appropriate form of security or collateral agreement; and

(e) Provided collateral as required by applicable law.

An annual review of the financial condition of each depository holding Metro funds will be conducted by Metro. A current audited financial statement is required to be on file for each broker/dealer and financial institution that transacts any investment activities with Metro.

Broker/Dealers

Metro will maintain a list of approved broker/dealers and financial institutions that have been approved by the Board and are authorized to provide investment services in the State of Texas. Investments shall only be made with those firms who qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule) and who have:

(a) Provided audited financial statements;

(b) Completed a response to all requested information in any Metro questionnaire relating to creditworthiness, experience and reputation;

(c) Acknowledged, in writing, that the policy has been thoroughly reviewed by qualified representatives dealing directly with Metro's account and that the organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between Metro and the organization that are not authorized by Metro's investment policy, except to the extent that this authorization depends on an analysis of the makeup of Metro's entire portfolio or requires an interpretation of subjective investment standards; and

(d) Met any qualifications and standards recommended and approved by the Board.

An annual review of the financial condition and registrations of authorized broker/dealers and financial institutions providing investment services will be conducted by Metro. In addition, the quantity of transactions conducted with each approved broker/dealer will be reviewed at least annually. The results of this review and the related recommendations shall be submitted to the Board. The Board shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with Metro.

Securities shall be purchased using the delivery vs. payment method with the exception of investment pools and mutual funds. Funds will be released after notification that the purchased security has been received.

Approved List

An approved list of banks and broker/dealers is attached to this investment policy as Schedule 5.

Competitive Quotes

Each investment transaction shall be based upon competitive quotations received from at least three (3) broker/dealers approved by Metro. Competitive quotes shall be documented and retained as part of the transaction record.

Investment Advisors

Metro may contract with an investment advisor, who shall adhere to the spirit, philosophy and specific term of this Policy and shall invest within the same "Standard of Care." The investment advisor must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor's Act of 1940 as well as with the Texas State Securities Board. Advisors may assist Metro with the management of its funds and other responsibilities including but not limited to, broker compliance, competitive bidding, reporting and security documentation.

An appointed Investment Advisor shall act solely in an advisory and administrative capacity, within the guidelines of this Investment Policy. At no time shall the advisor take possession of securities or funds or otherwise be granted discretionary authority to transact business on behalf of Metro except as delineated by Metro in the pools listed on Schedule 3 – Approved List of Investment Pool, Money Market Mutual Funds and Overnight Sweep Fund.

9.0 Safekeeping of Securities and Collateral

To protect against potential fraud and embezzlement, the financial assets of Metro shall be secured through safekeeping procedures. The Investment Officers shall be bonded to protect the public against possible embezzlement and malfeasance.

Securing Deposits of Authority Funds

Metro shall contract with a bank or banks for the safekeeping of securities either owned by Metro as part of its investment portfolio or held as collateral to secure demand or time deposits. Securities owned by Metro shall be held in Metro's name as evidenced by safekeeping receipts of the institution holding the securities.

Collateral for deposits will be held by a third party custodian designated by the entity and pledged to Metro as evidenced by safekeeping receipts of the institution with which the collateral is deposited. Original safekeeping receipts shall be obtained. Collateral may be held by the depository bank's trust department, a Federal Reserve Bank or branch of a Federal Reserve Bank, a Federal Home Loan Bank, or a third-party bank approved by Metro.

Collateral Policy

Consistent with the requirements of the Public Funds Collateral Act, it is the policy of Metro to require full collateralization of all Metro funds on deposit with a depository bank. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits less the amount insured by the FDIC. At its discretion, Metro may require a higher level of collateralization for certain security types. Securities pledged as collateral shall be held by an independent third party with whom Metro has a current custodial agreement. Metro's Chief Financial Officer is responsible for entering into collateralization agreements with third-party custodians in compliance with this investment policy. The agreements are to specify the acceptable security types for collateral, including provisions relating to possession of the collateral, the substitution or release of collateral, ownership of collateral, and the method of collateral valuation. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to Metro and retained in file. Collateral shall be reviewed at least monthly to assure that the market value of the pledged securities is adequate.

Collateral Defined

Metro shall accept only the following types of collateral:

- Obligations of the United States or its agencies and instrumentalities.

- Direct obligations of the State of Texas or its agencies and instrumentalities.
- Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, provided that these CMO's do not fall under the Not Authorized section listed above.
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than AA or its equivalent with a remaining maturity of ten (10) years or less.
- A surety bond issued by an insurance company rated as to investment quality by a nationally recognized rating firm not less than A.
- A letter of credit issued to the entity by the Federal Home Loan Bank.

Subject to Audit

All collateral shall be subject to inspection and audit by a Metro representative or Metro's independent auditors.

10.0 Performance

Performance Standards

Metro's investment portfolio will be managed in accordance with the parameters specified within this investment policy. The portfolio shall be designed with the objective of obtaining a reasonable market yield through budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow requirements of Metro.

Performance Benchmark

It is the policy of Metro to purchase investments with maturity dates coinciding with cash flow needs. Through this strategy, Metro shall seek to optimize interest earnings utilizing allowable investments available on the market at that time. Market value will be calculated on a quarterly basis on all securities owned and compared to current book value. Metro's portfolio shall be designed with the objective of attempting to meet or exceed the average yield on U.S. Treasury securities at a maturity level comparable to Metro's weighted average maturity in days.

11.0 Reporting

Methods

The Investment Officer shall prepare an investment report on a quarterly basis that summarizes investment strategies employed in the most recent quarter and describes the portfolio in terms of investment securities, maturities, and yield to maturity.

The quarterly investment report shall include a summary statement of investment activity prepared in compliance with generally accepted accounting principles. This summary will be prepared in a manner that will allow Metro to ascertain whether investment activities during the reporting period have conformed to this investment policy. The report will be provided to the Board. The report must:

- Describe in detail the investment position;
- Be prepared jointly by all Metro investment officers;
- Be signed by each investment officer;
- Contain a summary statement prepared in compliance with generally accepted accounting principles of each pooled fund group that states the: beginning market value for the reporting period; additions and changes to the market value during the period; ending market value for the period; fully accrued interest for the reporting period;
- State the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;

- State the maturity date of each separately invested asset that has a maturity date;
- State the fund for which each individual investment was acquired;
- Include a statement of compliance of Metro's investment portfolio with state law and the investment strategy and policy approved by the Board.

An independent auditor will perform a formal annual review of the quarterly reports with the results reported to the governing body

Monitoring Market Values and Ratings

Market value of all securities in the portfolio will be obtained from a reputable and independent source such as Bloomberg and disclosed to the Board not less than quarterly in a written report. The Ratings of all investments requiring a minimum rating to be considered an acceptable investment will be verified from a reputable, independent source such as Bloomberg, Standard and Poors or Moody's Investor Services and any downgrades disclosed to the Board not less than quarterly in a written report. The Authority shall take all prudent measures that are consistent with its investment policy to liquidate any investment that does not maintain the minimum rating prescribed by the Texas Public Funds Investment Act.

12.0 Investment Policy Adoption

Metro's investment policy shall be adopted by resolution of the Board. It is Metro's intent to comply with all applicable state laws and regulations. Metro's investment policy shall be subject to revisions consistent with changing laws, regulations, and needs of Metro. Metro shall adopt a resolution stating that it has reviewed the policy and investment strategies annually, approving any changes or modifications.

SCHEDULES

Schedule 1 — Metro Funds Specifically Exempted From Investment Policy

Schedule 2 — List of Investment Officers

Schedule 3 — Approved List of Money Market Mutual Funds and Investment Pools

Schedule 4 — Approved List of Federal Agencies

Schedule 5 — Approved List of Banks and Broker/Dealers

Schedule 6 — Approved Sources for Public Funds Investment Training

Schedule 1 — Metro Funds Specifically Exempted From Investment Policy

Construction Funds and funds in the General Mobility Escrow are specifically exempted from the maximum allocation guidelines set forth in Section 7.0.

Schedule 2 — List of Investment Officers

Arthur C. Smiley III	Chief Financial Officer
George Fotinos	Manager, Debt Service & Investments
Philip Brenner	Director of Office of Management & Budget

Schedule 3 — Approved List of Investment Pools, Money Market Mutual Funds and Overnight Sweep Fund

Investment Pools:
TexStar
LOGIC
TexPool
TexasTerm
PFM Funds Prime Series

Money Market Mutual Funds:
Williams Capital Government Fund
SEI Investments Government Fund
AIM STIT Government and Agency Portfolio
Wells Fargo 100% Treasury Money Market Fund
Goldman Sachs Financial Square Government Fund/Select

Overnight Sweep Fund
Wells Fargo Public Institutional Bank Deposit Account

Schedule 4 — Approved List of Federal Agencies and Instrumentalities

All indirect obligations of the U.S. “such as” :

Federal Farm Credit Bank
Federal Home Loan Bank
Federal Home Loan Mortgage Corporation
Federal National Mortgage Corporation
Federal Agricultural Mortgage Corporation
Federal National Mortgage Association

“and other federal agency obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States, its agencies or instrumentalities.”

Direct Obligations of the State of Texas or any county, city, school district or other political subdivision of the State of Texas are also approved investments

Schedule 5 - Depository Banks and Broker/Dealers

Approved Depository Banks:
JPMorgan Chase
BBVA Compass (Formerly Guaranty Federal Savings)
East West Bank (For Certificates of Deposit Only)
Wells Fargo

Proposed Broker / Dealers
Robert W. Baird & Co.
Blaylock Robert Van
BOSC, Inc.
Cantella & Co. Inc.
Cantor Fitzgerald
Coastal Securities
Great Pacific Securities
Jefferies LLC
Loop Capital Markets
Mischler Financial Group, Inc.
Piper Jaffray
Ramirez and Co.
Rice Financial Products
SunTrust Robinson Humphrey
Vining Sparks
Wells Fargo Securities, LLC
Deutsche Bank Securities Inc.
Hilltop Securities
Crews & Associates

Schedule 6 – Approved Sources for Public Funds Investment Training

American Women's Society of Certified Public Accountants

Chartered Financial Analyst Society

Government Finance Officers Association of Texas

Government Treasurers' Organization of Texas

Public Financial Management

Texas Public Employees Retirement System

Texas Society of Certified Public Accountants

Texas State University

The Texas Association of Counties

The University of North Texas Center for Public Management

Capitalization Guidelines

These guidelines establish management and control procedures for METRO's internal and external cost (labor and non-labor) for the purchase of capital assets belonging to or in the custody of METRO.

Capital assets are defined as:

Personal property and equipment owned, leased under a capital lease, controlled or possessed by METRO that meet the following conditions:

- a dollar cost of at least $5,000 for any building improvements –this threshold includes all building component assets that operate as an integral part of the building (i.e. HVAC).
- a dollar cost of at least $5,000 for any movable and other fixed equipment (per base unit)
- a useful life of more than ONE year, and
- not consumed in the normal course of business

Assets not meeting this definition of a capital asset should be expensed in the period in which the costs are incurred.

Assets may be acquired by purchase, lease/purchase, loan, gift, transfer, or by trade-in. In addition, assets may be retired by sale, surplus or impairment.

Direct Labor is defined as:

- employees or workers who are directly involved in the production of an asset or services. Direct labor costs are assignable to a specific project or service.

Support Labor is defined as:

- employees or workers whose activities are established for the central administration of operations, services, and functions of the Agency as well as those activities related to general legal tasks. Support functions include (but not limited to): Audit, Board, Executive Management, Finance, Human Resources, Marketing, Procurement, and Legal.

Overhead is defined as:

- those items of METRO's cost which are not assigned directly to a specific project or transit operations because they are either common to all projects/operations (rent) or they would be far too difficult or expensive to track and allocate back to each project or transit operations (paper clips).
- the sum of indirect costs form what is sometimes referred to as the overhead pool.
- overhead is the ratio of the overhead pool to direct labor where the overhead pool is the numerator and direct labor is the denominator. The resulting overhead "rate" is commonly expressed as either a percentage of direct labor, or as a multiple of direct labor.

Any labor or purchase coded as a capital asset is subject to criteria testing by the METRO Controller, and is subject to reclassification to operating expense if any of the criteria are not met. All capital requests require Advance Procurement Plan (APP).

CONSTRUCTION, BUILDINGS AND OTHER IMPROVEMENTS

Construction, buildings and improvements include direct costs related to a project with a capitalizable dollar value greater than $5,000 and a useful life of more than one year. Furniture, fixtures, software, equipment, or other expenses which are not an integral part of a project are not considered in this category.

Activated projects that have subsequently been put on hold will have a maximum of two budget cycles to carry forward costs as construction in process. These costs will be considered useful if the project is submitted in the next budget cycle and the manager has a reasonable expectation that the budget will be approved. If the project is not reactivated within this time frame, all incurred costs on the project will be expensed.

Construction Costs - examples of construction costs include but are not limited to architect and engineering fees, site preparation, demolition costs, building permit fees, contractor and sub-contractor fees, building materials, construction equipment rental and job-site utilities, construction equipment operating and maintenance costs, owner controlled construction insurance policies and wages and benefits, as compensation for construction work performed.

Costs to move furniture, equipment, and tenants due to construction will be capitalized. This also includes temporary storage of office contents, which is necessary during capital construction.

Signage and other printed material (including internal labor) used for the purpose of informing the public of construction work being performed will be capitalized

Building Components - consists of items permanently affixed/installed to the building shell, necessary for the building to be used as intended, which are integral to the building and cannot be removed without damaging the building. Examples include, but are not limited to, elevators, HVAC, plumbing, electrical wiring, fixed theater or classroom seating, telecommunication/data wiring, fire alarm and sprinkler systems, and other fixtures and equipment installed with the intent of permanent use in the building. Telecommunication/data wiring is considered a building improvement if any part of it is installed inside of a wall and would remain with the building if the department moved. In contrast, cables/wiring that would be removed from the building if the department moved is considered a separate piece of equipment and will have to meet the capital threshold in order to be capitalized.

Labor - the cost of employees working directly on a capital project must be capitalized. This includes employee payroll and related payroll expense (OH) when known and available.

The labor costs capitalized include only that portion of the employees' payroll (not support labor) and OH directly related to time spent working on the capital project. The portion of the employees' payroll and OH related to time spent working on activities not directly related to a project should be expensed.

Land Improvements – long-lived capital assets that are normally stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Items in this category can include: roads, bridges, curbs, sidewalks, tunnels, drainage systems, water and sewer systems, lighting systems, fencing, and parking lots.

Building Improvements – building improvements are additions, alterations, renovations or structural changes that extend the useful life or enhance the value of an existing building. Building improvements or additions to an existing building which are not integral parts of the original asset will be treated as a separate asset and depreciated over the appropriate useful life.

Leasehold Improvements – leasehold improvements to leased facilities will be capitalized and amortized over the lesser of the useful life of the asset or the remaining life of the existing lease not including any options to renew.

Rehabilitation - for a replacement to be capitalized, it must be a part of a major rehabilitation project that meet the capital threshold for assets, it increases the value, and/or useful life of the facility/equipment (offices, garages and power generators), such as installation of new roof. A replacement may also be capitalized if the new item/part is of significantly improved quality and higher value compared to the old item/part - a replacement of old windows with new hurricane proof windows with a longer life expectance for example. Ordinary repairs and the replacement of minor parts are considered operating expense as: they do not extend the asset's life, they are not separately identifiable assets, and they only restore the assets to their original operating condition. If a facility/equipment being repaired was not identified as a capital purchase to begin with, the repair would not be considered capital. (See MFRI guideline for more information)

Completion Date - costs for construction projects described above will be capitalized until the asset is deemed placed in service: the walkthrough and final checklist have been completed, and the work is accepted as complete by the project manager. Costs incurred after the work is accepted as complete will be expensed, including costs incurred under the project's warranty.

Feasibility Study – feasibility costs incurred prior to management's commitment of funds to the project will be expensed. This preliminary stage of a project includes design, consulting, internal labor, and other feasibility costs related to evaluating the length and cost of a construction project. Prior to construction, if the design stage of the project is the only stage that is currently approved for capital budget, the project definition and full scope (including deferred costs) must be submitted to Finance to determine the correct accounting treatment.

Capitalized Interest Costs – interest costs incurred during construction should be capitalized in accordance with the provision of Financial Accounting Standards Board (FASB) Statement No. 34, Capitalization of Interest Cost.

Support Labor

All general and administrative (Central Services) and overhead costs incurred, including all costs of support functions, should be expensed. Support functions include (but not limited to):

- Audit
- Board
- Executive Management
- Finance
- Human Resources
- Marketing
- Procurement
- Legal
- Community Outreach

Central Services employee labor is not directly chargeable to capital projects. In major projects where one or more Central Services groups are established within the project staff the labor cost including overhead is directly capitalizable to the project (i.e. – METRO Rail Expansion).

Note: Eventually a portion of the support labor will be charged to capital projects.

Bus, Rail and Support Equipment

Vehicle Replacements and Additions-replacement or additional revenue and non-revenue vehicles (includes buses, rail cars, METRO-Lift vans and support vehicles), all expenses incurred prior to putting a vehicle in service, including plant inspections and make ready, can be capitalized.

Rail and Bus Improvements-upgrades or major component replacements that meet the capital threshold for assets can be capitalized. Upgrades should increase the value or extend the life of the vehicles. Major components should be at the end of their useful life due to normal wear and tear.

Capital Tools and Equipment-tools and off-road equipment meeting the capital threshold and with a useful life of more than one year can be capitalized.

SOFTWARE AND INFORMATION TECHNOLOGY (IT) PROJECTS

Conditions to Determine if an IT Project Should be Capitalized – in general, computer software, either purchased or developed internally, is considered a capital project if there is significant new functionality gained or if it implements a new technology. Significant new functionality includes, but is not limited to: a new vendor product, a software implementation that involves integration into other existing systems, or a system implementation that results in changes in the workflow processes by other areas not directly affected by the new software. Not included in this definition are software upgrades and system "fixes".

Stages of Computer Software Development - there are three stages of computer software development: the preliminary project stage, the application development stage, and the post implementation/operation stage. Only the application development stage may be capitalized. The preliminary project and post-implementation/operation stage costs are expensed as incurred.

Preliminary Project Stage (costs are expensed)

- Conceptual formulation of alternatives
- Evaluation of alternatives
- Determination of existence of needed technology
- Final selection of alternatives

Application Development Stage (costs can be capitalized)

- Design of chosen path, including software configuration and software interfaces
- Coding
- Installation to hardware
- Testing, including parallel processing phase

Post-Implementation/Operation Stage (costs are expensed)

- Training
- Application maintenance

Major software projects should be separated into components or modules so that as each module becomes ready to use, it can be capitalized while the other modules remain in process. If a software project is expected to have multiple phases, documentation should be provided to Accounting defining the functionality of each phase and what type of costs there will be in each phase. The document should also include the expected timeframe for the project, and consulting fees need to include a description of the work performed.

Externally Purchased Software - computer software packages and new website design purchased from third parties shall be treated as any other equipment. The individual license agreement must have a useful life of greater than one year, and the cost must meet the capital threshold.

All user licenses will be capitalized with an initial software purchase, up to 90 days after the purchase. Additional software user licenses purchased after 90 days will be capitalized only if each license meets capital threshold and will be used for more than one year. However, additional licenses purchased for existing software which require an IT capital project to add functionality or enhancement to the software, will be capitalized along with other project costs. Licenses associated with added functionality or enhancement to the software will have to meet the $5,000 capital threshold.

All software licenses that individually meet capital threshold will be capitalized. Software that is on a production server is considered existing in the environment will not be capitalized.

Memberships and subscriptions to website resources and software licenses will not be considered capital.

IT Maintenance contracts and other prepaid services that meet the $5,000 threshold are expensed to operating and amortized over a 12 month period for which they apply.

Installation of major software renewals and upgrades that are not included in a maintenance contract may be capitalized if they provide additional functionality to the existing software and meet the $5,000 threshold.

Internally Developed Software – the standard test to determine if software is internally developed is met if the following characteristics are met:

- the software is internally developed, or acquired and modified solely to meet the entity's internal needs
- during the software's development or modification, no substantive plan exists or is being developed to market the software externally

Only the portion of labor costs related to time spent working on the IT project is capitalized. Labor costs to be capitalized include METRO employee payroll and related payroll overhead (OH), temporary labor, personal service agreements, consulting firms, and third party software developers. This does not include employee labor used to cover the work normally performed by the individual directly assigned to the project (backfill labor).

The portion of the employees' payroll and OH related to time spent working on other activities should be expensed. All general and administrative and overhead costs incurred, including all costs of support functions should be expensed. Support functions include administrative assistants and office managers who perform general office duties.

When to Capitalize an IT Project – capitalization of costs should begin when both

- The preliminary project stage is complete, and
- Management commits to funding a computer software project and it is probable that the project will be completed and the software will be used to perform the function intended.
- Capitalization should cease when all substantial testing is completed and/or the system goes live.

Costs not to Capitalize as part of an IT Project:

- General and administrative costs and supplies should not be capitalized as costs of internal-use software. Internal and external costs incurred during the preliminary project stage should be expensed.
- Training costs should be expensed as incurred.
- Website subscriptions should be expensed as incurred.
- Software web hosting where application is not owned by METRO should be expensed as incurred

OTHER ASSETS MANAGEMENT ISSUES

Designation of Property as a Controlled Item

Sensitive or walk-away property items with a value of less than $5,000 may be subject to control as if they were fixed assets. Examples include police guns, tasers, and vests, certain shop and garage equipment, radios, computers, etc. These items will be tracked within the fixed asset system by serial number and if available METRO's fixed asset tag. Accounting, Property Management and Asset Custodians are jointly responsible for tracking, reconciling, reporting, disposing and protecting METRO's assets.

Major Capital Project

Only a small group of all the METRO's transportation projects are considered "major capital projects (MCP)." They are large projects with a significant effect on the capacity of the region's transportation system, including extensions or additional lanes on the interstate system, entirely new expressways, or similar changes to the passenger rail system. Arterial expansions and intersection improvements are not defined as major capital projects; neither are bus facilities, unless they involve a dedicated lane on a transit corridor. MCP cost for dedicated administrative staff such as, "procurement, finance, and community outreach", may be charged directly to the project and capitalized.

To be included in the Major Capital Project category, a project must meet ONE of the following requirements (criteria):

- It is a new construction, expansion, renovation, or replacement project for an existing facility or facilities. The project must have a total cost of at least $250 million over the life of the project. Project costs can include Internal overhead staffing, community outreach, land, engineering, architectural planning, and contract services needed to complete the project.

- OR -

- It is a purchase of major equipment (assets) costing $250 million or more with a useful life of at least 10 years.

- OR -

- It is a major upgrade project for existing facilities with a cost of $250 million or more and an economic life of at least 10 years.

List of METRO Acronyms and Abbreviations

ADA	Americans with Disabilities Act
ARBOC	Manufacturer of ARBOC Vans
BBF	Buffalo Bayou Facility
BOF	Bus Operating Facility
BRT	Bus Rapid Transit
CAF	Construcciones y Auxiliar de Ferrocarriles - LRV Mfgr
CAFR	Comprehensive Annual Financial Report
CBR	Capital Budget Review committee
CFO	Chief Financial Officer
CIP	Capital Improvement Program
CNG	Compressed Natural Gas
COPs	Certifications of Participation
CP	Commercial Paper
CPOS	Cashless Point of Sale device
DPS	Department Of Public Safety
EAM	Enterprise Asset Management (system)
EIS	Environmental Impact Statement
EMV	Europay Mastercard Visa
ERP	Enterprise Resource Planning
FFGA	Full Funding Grant Agreement
FTA	Federal Transit Administration
GASB	Government Accounting Standards Board
GMP	General Mobility Program
H1	First LRV order from Siemens; 100 series
HCFCD	Harris County Flood Control District
HCTRA	Harris County Toll Road Authority
H-GAC	Houston-Galveston Area Council
HOT	High-Occupancy Toll (Lanes)
HOV	High-Occupancy Vehicle (Facility)
HVAC	Heating, Ventilation & Air Conditioning
IT	Information Technology
IVOMS	Integrated Vehicle Operations Mgt System
IVR	Interactive Voice Response
KOs	Contractual Obligations
LOC	Line of Credit
LRT	Light Rail Transit
LRV	Light Rail Vehicle
MACS	METROLift Automated Calling System
METRO	Metropolitan Transit Authority of Harris County, Texas
MDBF	Mean Distance between (Mechanical) Failures
MFRI	Major Facility Rehabilitation Initiative
MPD	METRO Police Department
MRC	METRORail Completion
NTD	National Transit Database
NWTC	Northwest Transit Center
OCS	Overhead Contact or Catenary System
OEM	Original Equipment Manufacturer
OTP	On-Time Performance
P&R	Park & Ride
RCTSS	Regional Computer Traffic Signal System
ROC	Rail Operations Center
S&I	Service & Inspection Facility
SAP AG	Systems, Applications and Products (ERP)
SAP-EAM	SAP Enterprise Asset Management System
SOGR	State of Good Repair
Trapeze	Manufacturer of Transportation Software
TVM	Ticket Vending Machine
TxDOT	Texas Department of Transportation
UPS	Uninterrupted Power Supply