NEW YEAR, SERVICE AND LEADERSHIP

Celebrating milestones and accomplishments

ANNUAL REPORT 2004

The Metropolitan Transit Authority of Harris County, Texas

ETTER FUTURE

s • bomb-sniffing dogs • Eastex HOV lanes open

IT'S NOT JUST A JOB

METRO employees go beyond the call of duty

LETTERS

METRO Chairman David S. Wolff

At the beginning of the fiscal year, the Greater Houston region took a decisive step toward addressing our area's growing transportation challenges by approving the METRO Solutions plan – even before the first METRORail went into operation.

The vote in favor of the plan also was significant for the confidence and trust the residents of our region placed in METRO, no doubt largely based on our strong bus system and highly successful HOV lane network. This show of public support was further evidenced by the fact that, for the first time in history, METRO was granted bonding authority to achieve its congestion-fighting objectives.

Soon after the launch of METRORail on Jan. 1, METRO experienced a dramatic change in leadership over the next five months. Seven new skilled and dedicated Board members joined me with two major tasks: finding a new President & CEO and implementing the METRO Solutions plan.

Fortunately for METRO, our new Board brings together a diverse group of talented individuals with keen insight and perspective on the issues we face in our region. The METRO Board and I are delighted to have the opportunity to work with new President & CEO Frank J. Wilson, who has more than 30 years of experience in both public and private industry. Together, I am confident that we will find the best solutions to the Greater Houston area's pressing transportation needs.

But we don't intend to limit our region's options only to those technologies and strategies put forth in METRO Solutions. We are determined to investigate creative, innovative ways in which we can leverage our local funds and relationships with other public entities – and even the private sector – to relieve traffic congestion more quickly and efficiently.

In many respects, it is a new day dawning for improved mobility in our community. Whether you travel by bus or rail, or drive on reconstructed Downtown streets or one of our new HOV lanes, you are enjoying the benefits of improved mobility. With unprecedented transportation investments still to come under the METRO Solutions plan, the future promises to be brighter still.

David S. Wolff
Chairman

President & CEO Frank J. Wilson

New leadership, new directions and a new vibrancy were the hallmarks of 2004 at METRO.

The year started with the launch of the most successful light rail startup in the nation's history. After only eight months of operation, ridership soared to over 30,000 customers per day. This marked a new era that validated the will of the voters whose support for rail infrastructure in Houston was embodied in an approved referendum to add over 22 miles of rapid transit to the region's mobility network.

Mobility has become the overarching focus of our efforts at METRO. With congestion relief maintaining its No. 1 ranking among the major concerns of the citizenry throughout the region, we made significant strides in delivering results among the many modes that comprise our transport system. Approximately $100 million was invested in our local and regional street system, advanced traffic control systems at over 1,300 key intersections moved close to completion and our Downtown street rebuilding program is nearing the end of a 10-year improvement cycle. We have secured funding for three new Park & Ride centers.

The lead elements of the light rail referendum moved successfully into the implementation stage. METRO worked diligently with its federal funding partners to secure approval for advancing both the Northline and Southeast extensions.

METRO has defined the bold outline of its future transit infrastructure. The strategic development program calls for completion of the referendum program of projects, an expanded HOV and bus lane network, suburban crosstown Bus Rapid Transit operations, new commuter rail lines into the outer reaches of the region and an Intermodal Transportation Terminal, which will serve as an impressive Gateway into the City.

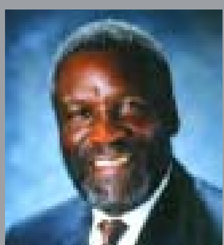
METRO has successfully balanced its mandate to provide cost-effective services to a broad range of customers by imposing fiscal discipline and providing vital transit services to those in our community who need it most. We were able to absorb substantial cost increases in pensions, health care and fuel and we did it without increasing our operating budget. We made our business more efficient and our services more accessible.

METRO's family of hardworking, skilled and dedicated employees are prepared to face the mobility challenges that lie ahead with energy and creativity.

Frank J. Wilson
President & Chief Executive Officer

BOARD OF DIRECTORS


Gerald B. Smith


Jackie Freeman


George A. DeMontrond III


James W.E. Dixon II

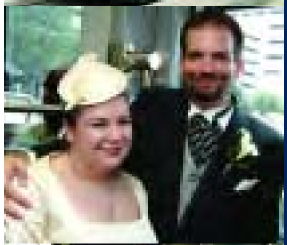
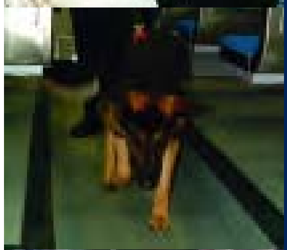
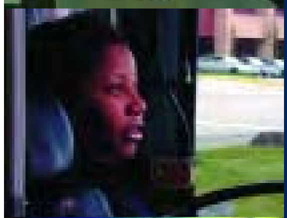

Carmen Orta


Rafael Ortega


Louise T. Richman


C. Jim Stewart III

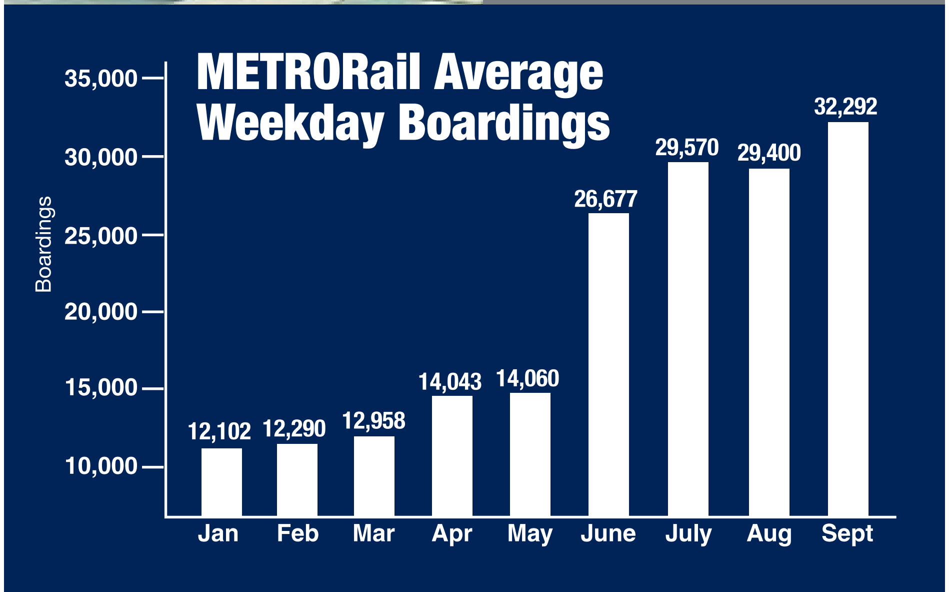
WHAT'S INSIDE

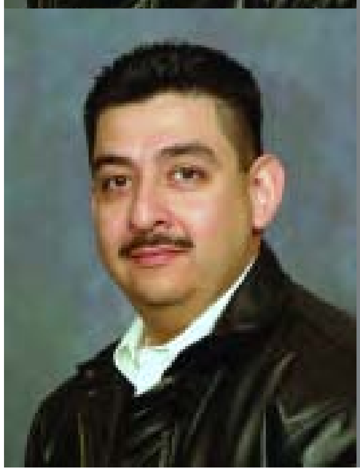






Metropolitan Transit Authority of Harris County, Texas, Fiscal Year 2004 (October 2003-September 2004)

NEW YEAR, SERVICE AND LEADERSHIP

FACT: METRORail achieved its highest single-day ridership of 42,448 boardings on Sept. 2, 2004.





Garza, Puente Awarded Top Employee Honors

■ Five-year METRO Bus Operator Sarah Garza won the Top Operator of the Year title for Fiscal Year 2003, and Reynaldo Puente Jr. secured the Top Tech of the Year spot for FY03.

A member of METRO's Mentor program that teams experienced Operators with new ones, Garza drives the 131 Memorial Express and 221 Kingsland routes out of the West Bus Operating Facility. Puente works in the Heavy Repair Shop at the Kashmere Bus Operating Facility, where he also serves as a relief foreman. A 14-year METRO employee, Puente obtained his Journeyman Mechanic license after graduating from the Maintenance And Education Development (MEAD) apprenticeship program.

LEADERSHIP CHANGE SWEEPS METRO BOARD, EXECUTIVE OFFICE

2004 brought major changes to the leadership of METRO. Seven new Board members were sworn in to office: Chairman David S. Wolff, Vice Chairman Gerald B. Smith, George A. Demontrond III, James W.E. Dixon II and Carmen Orta, all from the City of Houston; and Louise T. Richman and C. Jim Stewart III, from the MultiCities.

One of the first actions of the new Board was to find a replacement for retiring METRO President & CEO Shirley A. DeLibero. The Board unanimously approved the hiring of an industry leader: Frank J. Wilson. His 33 years' experience in multimodal public transportation and the private sector includes executive management positions with transit authorities in San Francisco, Chicago and Philadelphia. He also served as Transportation Commissioner for the state of New Jersey and Chairman of the American Public Transportation Association and the Governor's representative on the Board of Directors of the Port Authority of New York and New Jersey. He also provided industry-wide leadership, serving as the chairman of APTA.

METRO Marks 25 Years of Service

Along with the historic debut of METRORail light rail service on Jan. 1, METRO marked another major milestone that day: 25 years of service to the community. Houston-area voters approved the creation of the Metropolitan Transit Authority of Harris County in August 1978, with the first day of operations occurring on Jan. 1, 1979. Over the next two and a half decades, METRO grew from a "bus system in ruins" (as described by Texas Monthly magazine) to one of the largest transit authorities in the nation with a reputation for innovation, conservative budgeting and on-time performance.

Public Quickly Embraces METRORail
Ridership Called 'Unprecedented'

■ On Jan. 1, 2004, the Houston region not only welcomed a new year but a new mode of travel: METRORail.

For the next six months, METRORail was successfully put to the test with a full slate of special events: Super Bowl XXVIII, the Houston Livestock Show & Rodeo, Major League Baseball's All-Star Game and the Houston Astros' franchise-first post-season.

Average daily boardings on the line climbed from 12,102 in its first month of operation to 32,292 in September 2004. American Public Transportation President William W. Millar called METRORail's ridership "unprecedented" among recent light rail startups across the nation.

Concerned about the number of METRORail-auto accidents, the METRO Board took action by hiring a team of traffic experts from the Texas Transportation Institute to assess the system. Although the group said that the METRORail system was fundamentally sound, METRO's implementation of TTI's suggested safety enhancements resulted in an 80 percent drop in the accident rate in the following months.

METRO also became home to the world's first light rail simulator, a high-tech system that uses computer-generated imagery in "simulating" road, driver behavior and traffic conditions to supplement the Authority's LRV Operator training program.

Wedding Bells on METRORail

■ Four newlyweds chose METRORail cars as their wedding coaches.

From left: Christof Spieler and his bride, Kimberly Jean Carter, showed off Houston to out-of-town guests with a light rail ride to their June reception. A structural engineer, Spieler has eagerly followed METRORail's progress and contributed articles on the system for Cite, Rice University's architectural design journal. In August, Kristin Knight and Troy Dickerson also used METRORail to make the first leg of their lifelong journey together in a railcar decorated especially for the event.

METRO IS DESTINATION FOR FIELD TRIPS

Schoolchildren are increasingly using METRORail for field trips, and transit itself is often the destination. Pilgrim Lutheran School seventh grade Texas History students and teachers took an all-day trip, using three different METRO modes: bus, light rail and trolley. All the rides went smoothly, according to teacher Ruth Maas. Before the trip, METRO's Sylvia Medina came to the school to explain how to ride the various modes and delivered the pre-paid 24-hour passes. The group got some history lessons along the way, as they passed historic highlights. The field trip was such a success, Maas is planning a repeat next year.

ONLINE SUCCESS FOR PUBLIC AUCTIONS

– Technology to the Rescue

This year, METRO held its first series of online public auctions of surplus stock – items that METRO can no longer use but are in good condition – using the e-Surplus Web site, which links to METRO's Web site.

Registration was free and prospective buyers could place their bids on e-Surplus Auctions 24 hours a day, seven days a week.

"The first auction went very well," said Rhonda Franklin, Supervisor, Property Services. "We netted close to $50,000 and exceeded past performance for bus sales."

METRO began conducting on-site auctions in 1988. It was an all-day process, and METRO had to hire an auctioneer for the occasion. The online system has given a 22 percent improvement in overall auction sales over more traditional methods.

METROVan Turns 10

The METROVan program celebrated its 10th anniversary in 2004. Starting with only 50 vanpools in 1994, the program has expanded to nearly 400, serving about 5,000 commuters, representing more than 200 companies, in the region. In 1996, the program began its partnership with the Houston-Galveston Area Council (H-GAC). METRO and H-GAC provide a monthly $35 incentive per rider. RideShare staff is committed to expanding the program even more, with an ambitious goal of 1,000 vans by 2007.

Rail Connections, Improved Service

In May, METRO launched numerous service improvements – including connections to METRORail and new bus, trolley and shuttle routes.

Weekday service frequency on METRORail was increased by 50 percent to every six minutes. In addition, about 20 routes were modified to provide connectivity to METRORail.

New service included the 274 Westchase Park & Ride, two Texas Medical Center shuttle routes and three trolley routes that replaced the old system and improved frequency.

In August, METRO adjusted trip times on several other routes to provide more reliable service and meet ridership demand.

FACT: METRO provides 42 percent of all a.m. peak home-based work trips to Downtown.

BUILDING A BETTER FUTURE

FACT: In the last two years, METRO garnered about $160 million in federal funds for transit projects.

TERRORISM SIMULATION TESTS READINESS

As the 2004 fiscal year was set to begin, METRO joined 18 other city, county, state and federal agencies in a simulated terrorism exercise to test their response, coordination and communication abilities. The simulation, complete with billowing smoke and blood-spattered "victims," included multiple staged attacks, mostly at Reliant Park. Staff from Operations, Police & Traffic Management, Communications & Marketing and Executive Office worked together in the aftermath of a multi-pronged terrorist attack. The exercise was funded by a $50,000 grant from the U.S. Department of Homeland Security. In addition to other agencies gaining a better understanding of METRO's capabilities, the networking opportunities created during the exercise were valuable. Lessons learned during the scenarios that showed both strengths and weaknesses have been incorporated into METRO's emergency response training.

New Look for Transit Streets

The Downtown/Midtown Transit Streets Project is nearing a 2005 completion, with work begun on Smith and Travis streets. Among the improvements made in Downtown and Midtown are new concrete roadway, bus shelters, traffic signals and street lights, landscaping, sidewalks and decorative brick pavers, installation of trench drains and the replacement of aging storm sewer, sanitary sewer and water lines.

"The result of this project is a whole new infrastructure that should serve Houston at least 30 years," said METRO President & CEO Frank J. Wilson.

A joint program of METRO, the City of Houston, Houston Downtown Management District and the Federal Transit Administration, the project involved the reconstruction of 14 streets since 1998. This highway infrastructure project is a $298 million example of METRO's commitment to multi-modal mobility.

$7M FOR NEW METROLIFT FLEET

The METRO Board approved a $7 million contract with National Bus Sales & Leasing Inc. to replace the entire METROLift van fleet with 118 vehicles manufactured by Champion Bus Inc. and Ford Motor Co. The July 2005 fleet replacement will be financed with 83 percent federal funds and 17 percent local funds. METRO and its paratransit contractor, First Transit, have increased the useful life of METROLift vans from about 120,000 miles to 300,000 miles since 1990. This is due largely to METRO's stringent manufacturing criteria and maintenance programs.

METRO GETS $1M SECURITY GRANT

In late 2003, METRO was awarded a $1.06 million grant for transit-related security enhancements from the U.S. Department of Homeland Security. The funds are being used to purchase additional safety and security equipment, computer and communications system upgrades and advanced training for METRO Police Officers.

New Police "Officers" Sniff Out Crime

METRO made a number of changes in response to new Department of Homeland Security directives, including the hiring of two new Police "Officers," who happen to be German Shepherds. Brix works with Officer Eduardo Leal II and Demon partners with Officer John Wiggins III. They are trained to sniff for a variety of explosives that could be planted anywhere in the transit system. The canine and human Officers underwent about six weeks of training at the Global Training Academy in San Antonio. Their arrival brings the total number of Police dogs in the METRO System Security K-9 unit to three, including the drug-sniffing Weimaraner, Boris, whose partner is Officer John Ivey. All the dogs are official peace officers (with photo badges and employee I.D. numbers to prove it).

DOWNTOWN TRANSIT CENTER HIGHLIGHTS NEW, EXPANDED FACILITIES

■ METRO moved forward with an aggressive transit system expansion plan in 2004, featuring eight new transit facilities.

The opening of each facility represented a milestone or first for METRO: the Downtown Transit Center is the first such facility in the Central Business District, the TMC Transit Center is METRO's largest such facility with 16 bus bays, and the Fannin South Park & Ride lot is the first pay-to-park facility in the METRO system.

Full use of the three new facilities on the METRORail line was phased in over the first few months of rail service, but all three saw partial use during Super Bowl XXXVIII. In addition, the three facilities – representing a combined investment exceeding $50 million – each qualified for an 80 percent federal funding match.

While much of the attention was on METRORail and its connected facilities, METRO also was investing heavily in facilities for its bus patrons.

A new Park & Ride lot and Downtown-bound bus route were launched in the growing west Houston community of Westchase in mid-2004. The $6 million facility includes six bus bays and nearly 1,500 parking spaces, with additional room for expansion.

METRO continued to look forward as well, with the METRO Board giving the nod to build or upgrade several other transit facilities: the new $2.1 million Gulfgate Transit Center in southeast Houston adjacent to the revitalized Gulfgate Center; the $1.2 million expansion of the West Bellfort Park & Ride lot in southwest Houston; and the $1.7 million improvement of the Fifth Ward/Denver Harbor Transit Center, METRO's oldest such facility.

But the work was far from over. In June, METRO received word that it was awarded a $16.7 million Federal Transit Administration grant to expand the Fuqua Park & Ride lot and to develop Park & Ride lots in the Cypress (in far northwest Harris County) and Clear Lake (south of Houston) areas.

Campuses Ahead of the Class with U.PASS

■ METRO went to the head of the class in 2004, as the Authority's U.PASS program added several campuses to its rolls. The U.PASS, which costs $52 per student, allows unlimited METRO transportation for students at participating universities, colleges and technical schools.

Among those trying out the program in 2004 were Baylor College of Medicine, Rice University, Houston Community College-Central Campus, Houston Graduate School of Theology and the University of Houston-Downtown's Colleges of Public Service and Science & Technology.

The U.PASS program has been lauded by students, educators, administrators and community leaders alike for its savings in vehicle maintenance, parking and fuel costs, as well as emissions- and traffic-reduction benefits.

There were nearly 5,000 U.PASS holders in 2004, with plans to grow the program by 30 percent in 2005.

Eastex HOV Lane Extensions Open

■ Downtown commuters using the Eastex Freeway (U.S. 59 North) received a late New Year's gift in 2004, with the opening of new extensions to the Eastex High Occupancy Vehicle (HOV) lane.

The new extensions provide direct access into/from Downtown at the southern end, while the new ramps at Townsen Park & Ride and on the Eastex Freeway frontage roads offer direct access to the HOV lane on the northern end. The extensions are used by three major METRO bus routes, as well as carpoolers and vanpoolers from far northeast Houston.

A joint project of METRO, the Texas Department of Transportation and the Federal Transit Administration, the 5.5 miles of new ramps and lanes represent an investment of about $26 million.

FACT: Our HOV network is so efficient that it would take as many as 24 freeway lanes to accommodate the same number of rush-hour passengers.

IT’S NOT JUST A JOB

“We encourage people to board a METRO bus for safe haven any time they are in serious trouble. She no doubt saved this lady’s life.”

Albert Griffin,
retired Superintendent of Transportation, Hiram Clarke

Tamie White’s Quick Reaction Saves Carjack Victim

■ Bus Operator Tamie L. White was at the end of her shift when a woman started banging on the door.

“She came onboard, huddled over the farebox and told me she’d been carjacked,” White recalled.

Two men had accosted her at gunpoint, forcing her into her car. Fleeing the car as it was stopped in traffic, she tried in vain to get help from other motorists. Then she saw White’s bus and jumped in.

“Tamie worked our Safe Haven policy to perfection,” said Albert Griffin, retired Superintendent of Transportation, Hiram Clarke. “We encourage people to board a METRO bus for safe haven any time they are in serious trouble. She no doubt saved this lady’s life.”

“Matthew Terry went beyond his job duties to help a patron in distress,”

Frank J. Wilson
METRO President & CEO

MATTHEW TERRY HAILED FOR HEROIC RESCUE

Matthew Terry was driving his route and approaching a bus stop when he saw a man forcefully beating a woman as she held a baby.

“He was grabbing her and punching her,” Terry recalled. “Cars were passing by and not stopping.”

The 25-plus-year METRO Bus Operator wasn’t afraid to intervene.

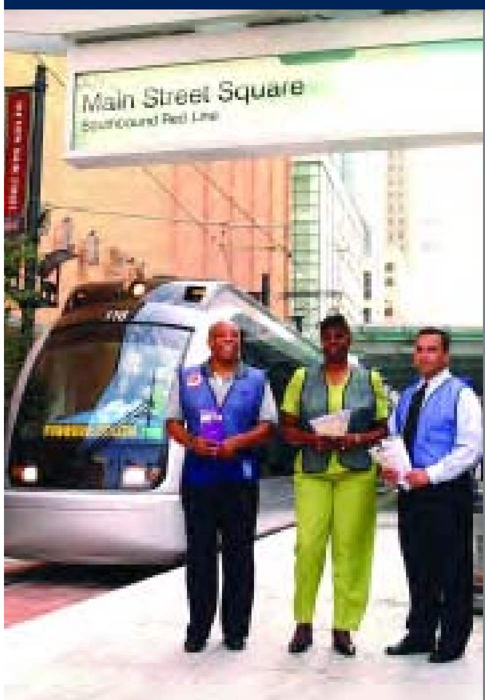
“I pulled up, popped the brakes, ran out of the bus and covered the woman up so he wouldn’t hurt her,” Terry recalled. Then he hailed a police officer, who arrested the suspect.

“Matthew Terry went beyond his job duties to help a patron in distress,” said METRO President & CEO Frank J. Wilson in a resolution honoring Terry for his heroism.

“Like a lot of Bus Operators, I’ve seen everything,” Terry said. “We could write a book.”

And they do each day, adding a chapter to the history and legacy of METRO.

FACT: METRO’s Web site, Ridemetro.org receives 175,000 visits each month.



METRO’s CRT Makes Good Impression

First impressions last and METRO’s Customer Response Team (CRT) is keeping METRO’s positive. Volunteers have helped customers ride METRORail during special events and adjust to bus-rail transfers and are there during emergencies.

“CRT members provide valuable feedback on a variety of issues that can be used to improve METRO’s safety, reliability and reputation,” said David McMaster, Director of Customer Service & Sales.

MAP TURNS 15

The Motorist Assistance Program (MAP), offered as a free public service by METRO, TxDOT, Harris County Sheriff's Department, Houston Automobile Dealers Association and Cingular Wireless, has been helping stranded motorists on most Houston-area freeways since August 1989. During the last 15 years, more than 565,000 motorists have counted on MAP to get them back on the road. MAP vehicles are equipped to handle minor automotive emergencies, 6 a.m. to 10 p.m. Monday through Friday. To report a stranded vehicle, CALL-MAP (713-225-5627) or dial *MAP on Cingular Wireless. METRO invests close to $1 million each year in the valuable freeway mobility project as its commitment to an improved multi-modal transportation system.

Call 311 for Heat Relief

Summertime in Houston can turn deadly. When the heat index reaches or exceeds 108 degrees for two consecutive days, the National Weather Service announces a heat advisory. In coordination with the city, METRO provides free van or taxi service to the public libraries and multi-service centers opened as cooling facilities. For transportation to and from the centers, call 311.

PUBLIC APPROVES METRO SOLUTIONS PLAN
Planning and Work Continues on Remaining Corridors

Fresh off the public's approval of the METRO Solutions plan in early FY04, METRO personnel and consultants plunged headlong into the detailed work necessary to secure federal matching funds to bring the plan to life.

Dubbed Phase 2, the first four METRORail extensions – totaling 22 miles – would be built along the following corridors: North, Southeast, Westpark and Harrisburg, each of which covers areas of large residential populations and employment or education centers.

Due to the highly technical and detailed nature of the federal funding process, METRO sought the expertise of several consulting firms to meet the Federal Transit Administration's New Starts program deadlines.

In May 2004, METRO hired the firm of STV Inc. to provide project management and support services related to the Phase 2 light rail extensions. STV was heavily involved in developing the initial 7.5-mile METRORail line.

A preliminary report, entitled "Making the Case," was submitted to the FTA in June 2004. METRO laid out its justification for receiving federal funding on the North and Southeast corridors by explaining how their completion is of regional and national significance.

With planning work on the North and Southeast corridors nearing completion, METRO began looking ahead to the remaining Phase 2 rail extensions: Harrisburg and Westpark. In July, METRO hired consulting firms DMJM+Harris and URS to help METRO personnel perform alternatives analysis and environmental impact studies on the two corridors.

The true test of METRO's hard work came in August, when the Authority submitted its New Starts applications for the North and Southeast lines to the FTA. What exactly METRO submitted came as a surprise to some: The Authority took

the somewhat novel approach that because voters had approved the Phase 2 projects as one package, then METRO had no choice but to build all four extensions.

The METRO proposal went even further: If the FTA would fund 100 percent of two of the lines, METRO would pay for the remaining two lines. This scenario would bring the FTA's match down to 44 percent (the typical FTA match for rail projects is at least 50 percent), while METRO could potentially shave some time off of the entire Phase 2 construction schedule.

While METRO awaits a response on its application to the FTA in early 2005, planning and other work on the remaining corridors will continue.

METRO GETS $12M FOR TRANSIT STUDIES

Thanks to the efforts of the Houston area's Congressional delegation, METRO received a $12 million transit studies grant in August 2004.

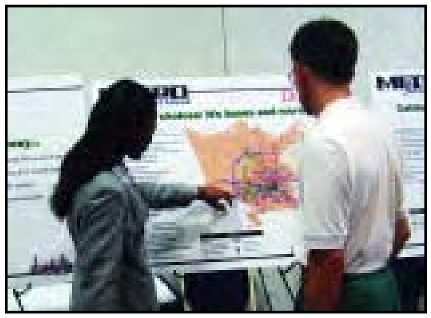
Administered through the Federal Transit Administration, the grant is funding environmental impact studies and preliminary planning and engineering work related to METRORail extensions.

Ongoing Community Input on Extensions

Just as it had done during the development of the overall METRO Solutions plan, the community at large continued to play an integral role in the refinement of the voter-approved Phase II light rail extensions.

METRO hosted several community meetings in the North and Southeast corridors to solicit feedback from residents, business owners and workers on the proposed and alternative alignments. METRO also used the opportunity to update the public on the status of the environmental and technical evaluations under way on the corridors.

In all, more than 600 people attended the North and Southeast corridor meetings during 2004. METRO staff members and its consultants also briefed dozens of individual organizations throughout the region on the progress of METRO Solutions and received input from their members. Buoyed by the success of the first METRORail line, still more public comments poured into METRO via phone calls and email messages.

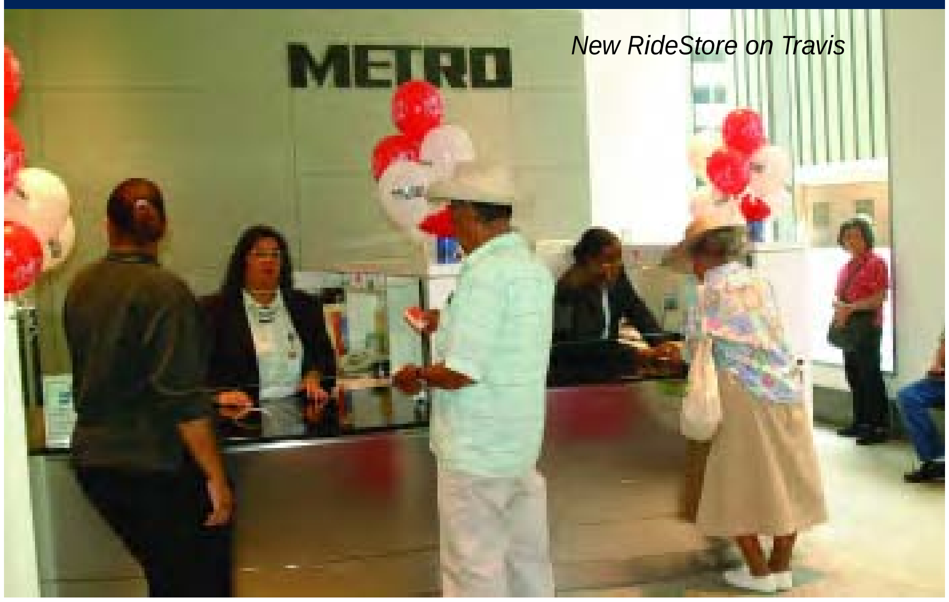


STARTLING FACTS

Rail seating

METRO bus shelter, trash bins and seats

FACT: Houston's METRORail has more riders per mile than similar rail systems.



New RideStore on Travis

METRO has come a long way since its founding in 1979. Not only do we provide bus, light rail and shuttle services, we contribute to our community's economic strength, street revitalization and environmental health. Here are a few of the many ways METRO benefits the Greater Houston area and its residents:

- METRO's service area covers 1,285 square miles, reaching most of Harris County and more than 3.5 million residents.
- METRO system-wide bus and rail boardings were 91.9 million in fiscal year 2004. This translates into 500 million passenger miles.
- METRO has a system-wide seating capacity of 66,000.
- METRO moves about 320,000 people each workday.
- METRO has approximately 10,734 active bus stops. Of those, 2,453 have shelters, trash bins and/or seats.
- METRO has more than 1,500 buses in its active fleet, including 118 METROLift vehicles.
- METRO's Fluids Analysis Program provides significant cost savings to the Authority every year with fewer oil and transmission fluid changes.
- During FY 2004, METRO bus, rail and METROLift operators drove a total of 57 million miles.
- Highest single-day ridership was 42,448 on Sept. 2, 2004.

Field Technician Donald Ray Clark Sr. takes an oil sample to test it as part of METRO's regular bus maintenance schedule.

- METRORail has the best on-time performance record versus similar rail systems; for example, in September 2004, METRORail was on schedule 99.3% of the time.
- By riding METRO's services, commuters reduce the equivalent of 70 percent of their vehicle's air emissions.
- METRO's free ride-matching database has made nearly 7,300 vanpool and carpool matches since its debut in February 2004.
- In the last two years, METRO garnered about $160 million in federal funds for transit projects, creating thousands of jobs for area residents.
- Our HOV network is so efficient that it would take as many as 24 freeway lanes to accommodate the same number of rush-hour passengers.

Light Rail Simulator

ACHIEVEMENTS & AWARDS

METRO made some major accomplishments during Fiscal Year 2004, including voter approval for the METRO Solutions plan, the startup of Houston's first light rail system and the celebration of its 25th anniversary. Here are 20 achievements and awards that made METRO proud during the last fiscal year:

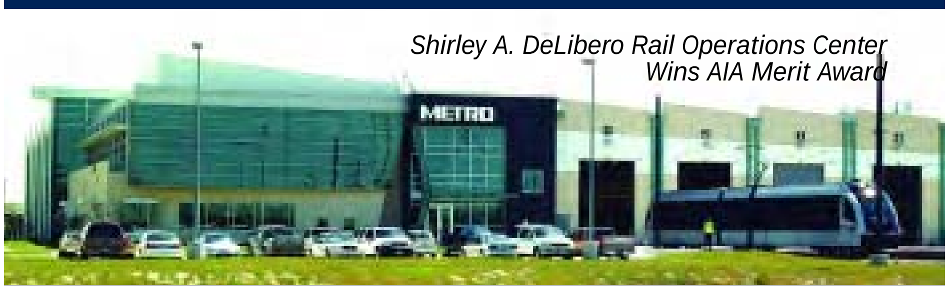
- METRO Bus Operations Posts New Safety Record for Third Straight Year
- METRO Solutions Transit System Plan Wins Voter Approval
- METRO Becomes Home to World's First Light Rail Simulator
- METRO Receives $11.5 Million for Clean Vehicles Program
- METRORail Debuts on New Year's Day as Part of Four-Day RailFest Event
- Eastex HOV Expansion With New Ramps into Downtown Opens
- Marketing Division Wins Four ADDY Advertising Awards
- Printing Services Division Wins IPMA International Publishing Award
- METRO Celebrates 25th Anniversary with Events, Commemorative Book
- FY2003 Top Op/Top Tech/Top Contractor Op Honored
- Board Approves Frank J. Wilson as President & CEO
- Shirley A. Delibero Rail Operations Center Wins AIA Merit Award
- Board OKs Final Contract in Downtown/Midtown Transit Streets Project
- 2004 Bus Roadeo Winners Honored at June 5 Banquet
- FTA Awards $16.7 Million Grant for METRO Park & Rides
- Bus Operator Matthew Terry Hailed as Hero
- Board Approves Replacement of Entire METROLift Fleet
- FTA Awards $12M Grant for METRO Solutions Studies
- METRO Hosts Advanced Transportation Technology Forum
- Metro Magazine Ranks METRO 6th in Nation (up from 8th)

METRO's Patrol Division Night Shift Honorees National Police Week May 2004

Board Approves Replacement of Entire METROLift Fleet

METRORail Debuts on New Year's Day as Part of Four-Day RailFest Event

Printing Services Division Wins IPMA International Publishing Award



Shirley A. DeLibero Rail Operations Center Wins AIA Merit Award

METRO Solutions Transit System Plan Wins Voter Approval

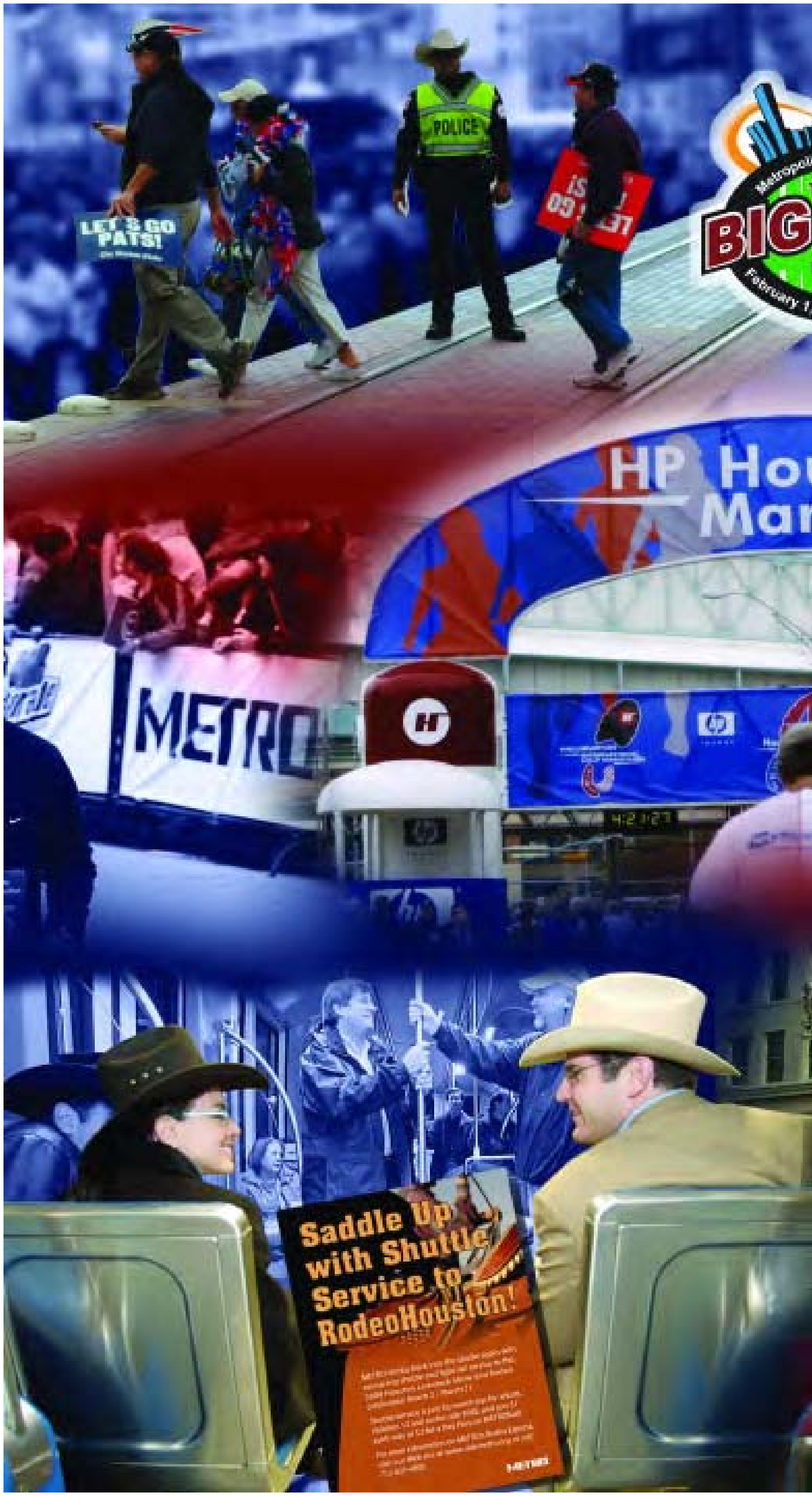
'SUPER' EFFORTS MARK HISTORIC EVENT

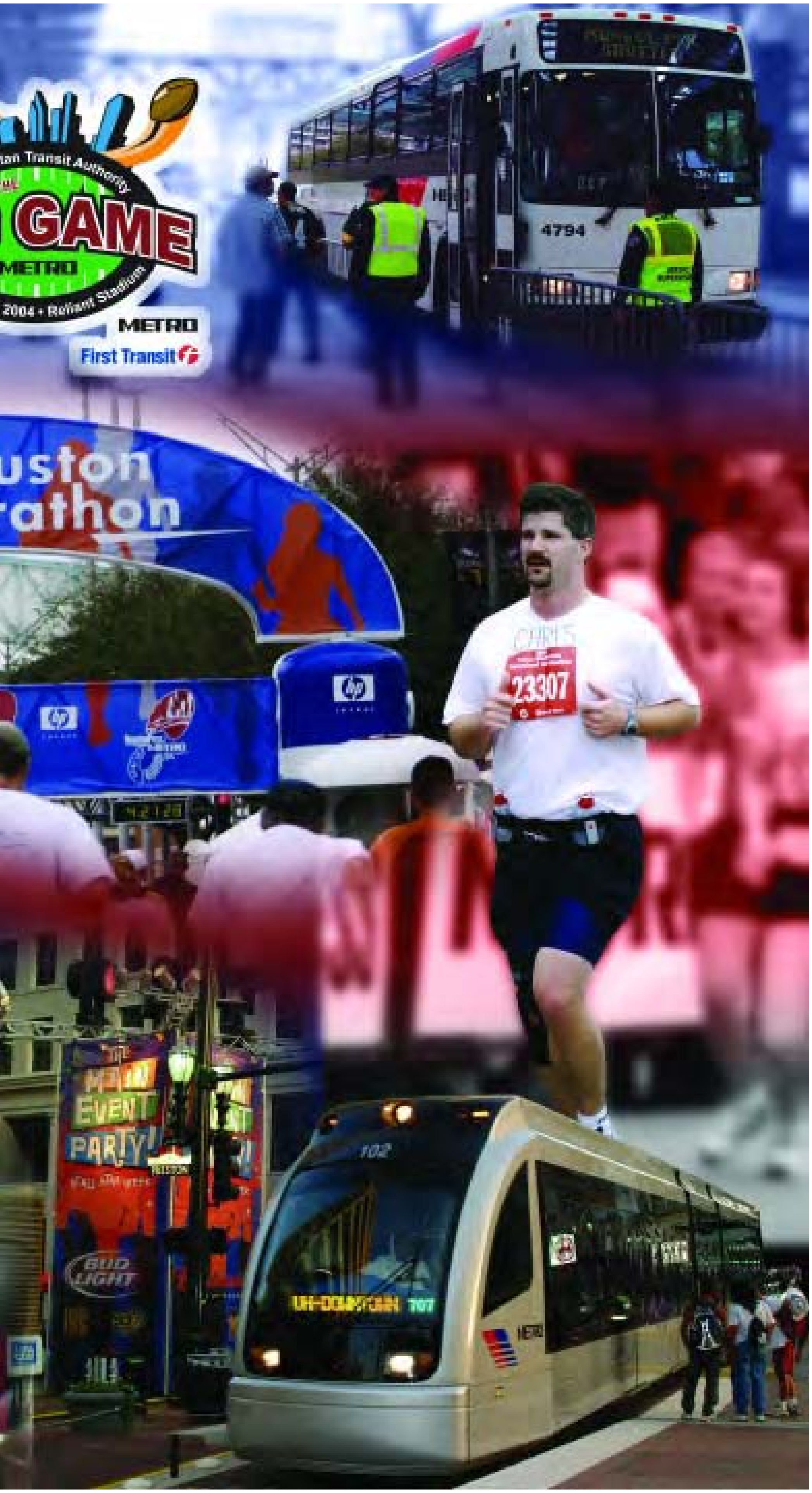
In celebration of Super Bowl XXXVIII at Reliant Park, METRO provided shuttles to Downtown events, with special event service from eight sites. On the Saturday preceding the big game, as many as 60,000 people rode METRORail, which had extended hours during Super Bowl Week, to attend Downtown celebrations and even the Super Bowl itself. A dedicated group of METRO volunteers and on-duty staff members were on hand at shuttle sites, rail stations and detour areas to help ensure that METRO patrons had a safe, enjoyable experience.

FACT: METRO moves about 320,000 people each workday.

METRO Hits the Rodeo Trail

Every year for the last 20 or so, more than 1 million people have hitched a ride with the METRO Rodeo Express to the Houston Livestock Show & Rodeo. In March 2004, Rodeo fans had a brand-new option available – METRORail, offering the convenience of arriving or departing at the Reliant Park Station adjacent to the complex. METRO volunteers helped at several locations, including the Reliant Center exhibit booth and shuttle sites.





HP MARATHON, METRO IN FOR LONG RUN

The 2004 HP Houston Marathon presented the first opportunity for marathon organizers and METRO to work together in creating a long-running relationship. During the 2004 event, METRO agreed to temporarily suspend rail operations in the Downtown area to allow runners to safely cross Main Street. In an effort to make the event a success for both organizations, METRO and HP Houston Marathon officials also pledged to develop an even stronger relationship for the 2005 event.

FACT: METRORail has the best on-time performance record versus similar rail systems.

All-Star Game Puts METRO in Big League

Only a few months after Super Bowl celebrants packed METRORail stations, the inaugural Red Line was back in action as the city hosted the 2004 Major League Baseball All-Star Game. With a full slate of activities under way at Minute Maid Park, the newly expanded George R. Brown Convention Center and a reborn Main Street, METRORail brought thousands of baseball fans into the Central Business District to enjoy the new face of Houston.

Financial Information

The Authority is not a component unit and the accompanying financial statements include all activity for which the Authority is financially accountable as defined by Governmental Accounting Standard No. 14 “The Financial Reporting Entity.”

The Authority’s principal operating and capital resources are derived from a 1 percent sales tax levied in the Authority’s service area, user fees for transit service, investment income and federal capital grants. The Authority’s expenditures relate primarily to transit operations, local infrastructure improvements, traffic management and various capital items.

The responsibility for the accuracy, reliability and fairness of the presentation of financial information and related disclosures rests with the Authority’s management. All disclosures that are necessary to enable the reader to gain an understanding of the Authority’s financial activities have been included. The Authority is also responsible for ensuring that an adequate internal control structure is in place for preparation of financial information, safeguarding of assets, effective and efficient use of resources and compliance with applicable laws and regulations. The internal control structure has been designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of cost and benefits requires estimates and judgment by management. In addition, the Authority is required by state and federal law to have independent certified public accountants perform audits and issue reports in accordance with generally accepted auditing standards, the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133. These reports are filed annually with the appropriate state and federal agencies.

The Enterprise Fund is used to account for transit operations that have been designed to provide the public with a high-quality, cost-effective public transportation system. Transit operations include designing and constructing maintenance and bus storage facilities, selecting bus routes, purchasing buses, maintaining equipment, hiring and training personnel who deliver transit services, providing security and traffic enforcement and administering and managing the transit system.

The Authority’s cash and investment policy is to monitor and adjust, on a daily basis, its cash balance and investment portfolio while investing in only those securities which have been legally authorized. Such securities and cash deposits include: collateralized money market accounts, repurchase agreements, certificates of deposit, U.S. Treasury securities, and U.S. Agency securities. Investments and deposits are either insured, registered or held by the Authority or its agent in the Authority’s name as required by law.

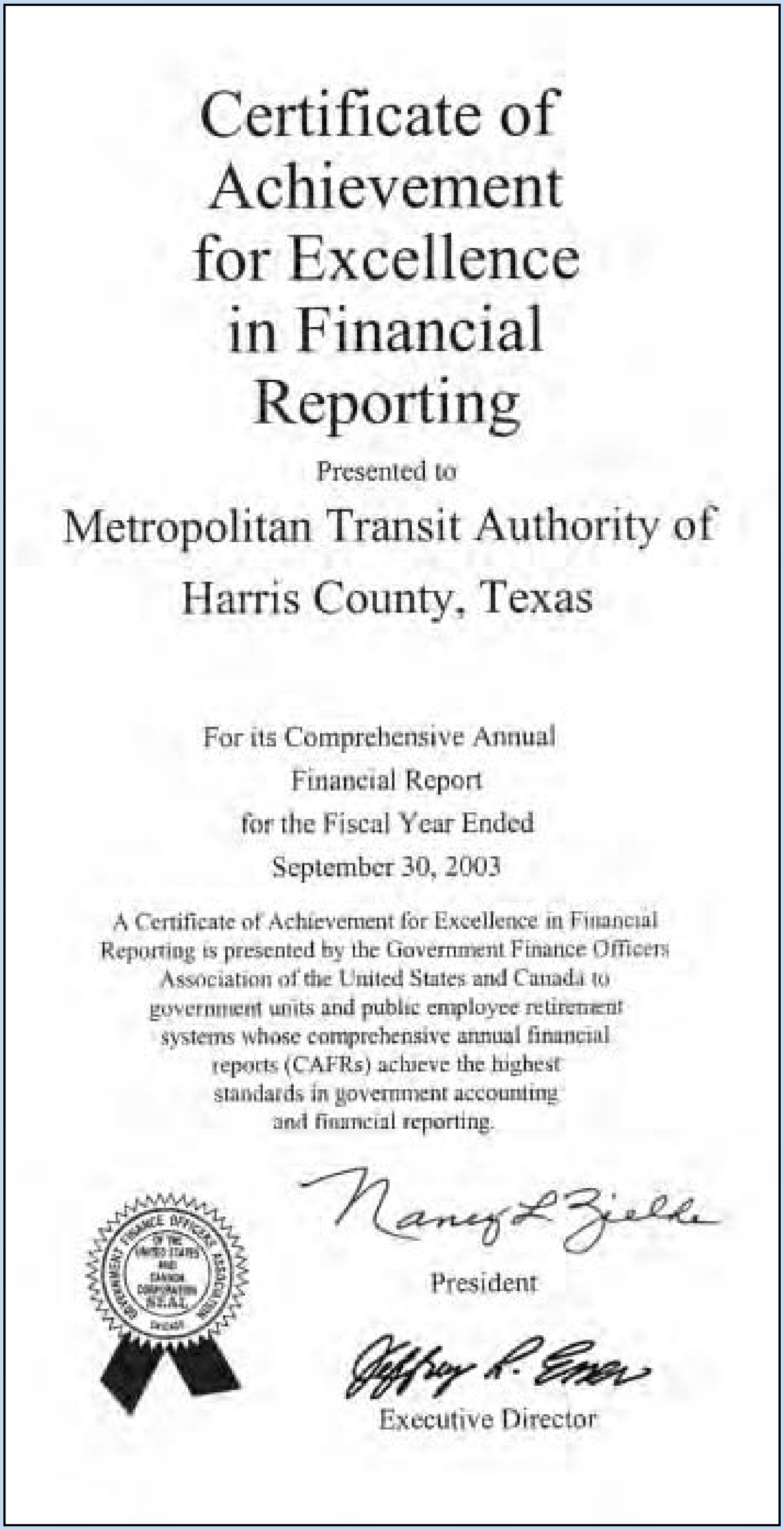
METRO is self-insured, except for property risk insurance, for which it pays an annual premium to a third-party insurance company. This policy covers risk of loss to all real and personal property, including transit buses, located on METRO’s property, but excludes off-property coverage.

Other Information

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to METRO for its CAFR for the year ended September 30, 2003, which is the 13th consecutive year that METRO has received this prestigious award. In order to be awarded a Certificate of Achievement, METRO must publish an easily readable and efficiently organized CAFR report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

METRO’s financial statements have been audited by the firm of KPMG, LLP.


Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Transit Authority of Harris County, Texas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Nancy L Zielke

President

Jeffrey R. Esser

Executive Director

Acknowledgments

The management of the Authority expresses its appreciation to the employees of METRO for their commitment in making this one of the best transit agencies in the nation.

KPMG

700 Louisiana
Houston, TX 77002

Independent Auditors' Report

The Board of Directors
Metropolitan Transit Authority
of Harris County, Texas

We have audited the accompanying basic financial statements of the Metropolitan Transit Authority of Harris County, Texas (the Authority) as of and for the years ended September 30. 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2004 and 2003, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.
In accordance with *Government Auditing Standards*, we have also issued a report dated January 17, 2005, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Required Pension Supplementary Information on pages F-4 through F-9 and page F-19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The information in the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

KPMG LLP

January 17, 2005

Metropolitan Transit Authority of Harris County, Texas
Management's Discussion and Analysis
Years Ended September 30, 2004 and 2003

This section of the annual report of the Metropolitan Transit Authority of Harris County (METRO) presents a discussion and analysis of METRO's financial performance during the fiscal years that ended September 30, 2004 and 2003. Please read it in conjunction with the introductory section of the report and METRO's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Fiscal Year 2004 vs. 2003

- FY2004 Sales Tax revenues were $381.9 million, 6.8% higher than in FY2003. Fares in FY2004 were $45.6 million, 3.5% lower than in FY2003 (Table A-3). There was no fare increase in FY2004. The decrease in fare revenue was due to a decline in bus ridership. Sales Tax improvement resulted from the economic recovery in Houston, but the accompanying job growth was not significant enough to have a positive impact on ridership.
- FY2004 total operating expenses (including depreciation) were $430.4 million, an increase of 8.8% over FY2003 (Table A-1). This increase was primarily due to the addition of METRORail service, a market-driven increase in energy costs, contract rate increases for METROLift demand-response services, contractual increase in union wage rates, inflation in the cost of health benefits, additional pension expense due to past service liability and changes in actuarial assumptions, and an increase in depreciation expense resulting from capital expansion.
- The balance sheet shows net assets as of September 30, 2004 were $1,579.0 million, a decrease of 3.8% over September 30, 2003 (Table A-4).
- Total capital assets (net of depreciation) were approximately $1,485.6 million at September 30, 2004, a decrease of 2.0% over September 30, 2003 (Table A-5). This decrease is primarily the result of transferring $86 million of Regional Bus Plan Infrastructure projects started in earlier years from capital construction-in-process to grants to other governments.

Fiscal Year 2003 vs. 2002

- FY2003 Sales Tax revenues were $357.5 million, 3.6% lower than in FY2002. Fares in FY2003 were $47.3 million, 6.8% lower than in FY2002. There was no fare increase in FY2003. The decrease in fare revenue was due to a decline in bus ridership. The decrease in sales tax revenue and the decline in bus ridership were both the result of recession in Houston and the resulting unemployment.
- FY2003 total operating expenses (including depreciation) were $395.6 million, an increase of 5.9% over FY2002. This increase was primarily due to a contractual increase in union wage rates, the salaried merit program, growth in service and contract rate increases for METROLift demand-response services, inflation in the cost of health benefits, additional pension expense due to market losses in the union and non-union pension investment portfolios, a market-driven increase in energy costs, METRORail startup expenses and an increase in depreciation expense resulting from capital expansion.
- The balance sheet shows net assets as of September 30, 2003 were $1,640.8 million, an increase of 2.0% over September 30, 2002.
- Total capital assets (net of depreciation) were approximately $1,515.2 million at September 30, 2003, an increase of 11.2% over September 30, 2002. The increase in total capital assets is a result of purchasing property and equipment and completing capital projects related to the Capital Improvement Program.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements, and other supplementary information.

METRO's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses and Changes in Net Assets.

The Statement of Net Assets reports METRO's net assets and how they have changed. The decrease in METRO's net assets during FY2004 is primarily a reflection of reclassifying infrastructure projects now completed to grants to other governments.

FINANCIAL ANALYSIS OF METRO

Net Assets

Fiscal Year 2004 vs. 2003

The decrease in net assets from FY2003 to FY2004 was approximately $61.8 million or -3.8% (See Table A-1). METRO's total operating revenues decreased by 3.6% to $45.6 million, and total operating expenses increased 8.8% to $430.4 million. Accordingly, the operating subsidy (Change in Net Assets from Operating Activities) including depreciation increased 10.5%. Non-operating income decreased 14.9%.

The $61.8 million decrease in net assets from FY2003 to FY2004 is the net of a decrease of $124.7 million in total assets and a decrease of $63 million in total liabilities. Total assets (See Table A-4) decreased 5.7% to $2,062.7 million and total liabilities decreased by 11.5% to $483.7 million.

Fiscal Year 2003 vs. 2002

The increase in net assets from FY2002 to FY2003 was approximately $31.5 million or 2.0%. (See Table A-1) METRO's total operating revenues decreased by 7.3% to $47.4 million, and total operating expenses increased 5.9% to $395.6 million. Accordingly the operating subsidy including depreciation increased 8.1%. Non-operating income decreased 3.9%.

The total net assets of METRO at September 30, 2003 reached $1,640.8 million, a 2.0% increase over September 30, 2002. (See Table A-4.) Total assets increased 3.7% to $2,187.4 million and total liabilities increased by 9.6% to $546.6 million.

Net assets increased $31.5 million in FY2003. This was the net of an increase of $76.6 million in total assets (primarily an increase in capital expenditures) and an increase of $45.1 million in total liabilities (accrual of late year general mobility billings.)

Net Assets, continued:

Table A-1
Changes in METRO's Net Assets
(in millions of dollars)

	FY2004	FY2003	Percentage Change FY2004-2003
Operating Revenue			
Transportation Fares	45.6	47.3	-3.6%
Total Operating Revenue	**45.6**	**47.3**	**-3.6%**
Operating Expense			
Operating Expenses	320.0	294.5	8.7%
Depreciation & Amortization	110.4	101.1	9.2%
Total Operating Expense	**430.4**	**395.6**	**8.8%**
Change in Net Assets from Operating Activities	(384.8)	(348.3)	10.5%
Net Non-Operating Income	**323.0**	**379.8**	**-14.9%**
Change in Net Assets	-61.8	31.5	-296.2%
Total Net Assets, Beginning of the year	1,640.8	1,609.3	2.0%
Total Net Assets, End of Year	1,579.0	1,640.8	-3.8%

Operating Revenue

Fiscal Year 2004 vs. 2003

The 3.6% decrease in FY2004 operating revenue over FY2003 is due to no change in fare policy and a decline in bus ridership. The employment growth in Houston during the year was not significant enough to have a positive impact on ridership.

Fiscal Year 2003 vs. 2002

The 7.3% decrease in FY2003 operating revenue over FY2002 is due to no change in fare policy and a decline in bus ridership. The decline in regional employment levels due to economic recession was the reason for the decrease in ridership.

Operating Expense

Table A-2
METRO's Total Operating Expenses (including depreciation)
(in thousands of dollars)

	FY2004	FY2003	Percentage Change FY2004-2003
Scheduled Services - Fixed Route			
Bus & Rail Operations - direct	129,830	114,165	13.7%
Contract Service	32,152	29,818	7.8%
Materials	4,134	4,053	2.0%
Preventative Maintenance	42,691	42,847	-0.4%
Central Shops & Maintenance Support	12,465	10,980	13.5%
Safety & Training	5,911	5,963	-0.9%
Subtotal Scheduled Services	227,183	207,826	9.3%
Non-Scheduled Services - Special			
METROLift	27,559	26,870	2.6%
METROVan	2,324	1,833	26.8%
Special Events	1,639	1,470	11.5%
Subtotal Non-Scheduled Services	31,522	30,173	4.5%
Service Support			
Service Planning & Evaluation	1,168	1,056	10.6%
Marketing	4,835	3,991	21.1%
Transit Security	6,633	5,917	12.1%
Insurance & Claims	2,380	2,262	5.2%
Ticket & Fare Collection	1,093	874	25.1%
Facility Maintenance	11,339	9,752	16.3%
Subtotal Service Support	27,448	23,852	15.1%
Traffic Management - Services			
Traffic Management	10,437	9,841	6.1%
Subtotal Traffic Management	10,437	9,841	6.1%
Organizational Support			
Business, Community & Government Development	335	625	-46.4%
Administrative, Financial & Personnel	16,281	15,371	5.9%
Information Systems	2,468	2,648	-6.8%
Purchasing	1,730	1,587	9.0%
Oversight, Audit & Legal	2,618	2,586	1.2%
Subtotal Organizational Support	23,432	22,817	2.7%
Depreciation & Amortization	110,336	101,076	9.2%
Total Operating Expenses	**430,358**	**395,585**	**8.8%**

Expense Factors

Fiscal Year 2004 vs. 2003

The bulk of expense increases was due to an increase in operating expenditures for METRORail, which started its first year of revenue service in January 2004; a 2.58% increase in union wages principally due to contractual labor agreements; an increase in energy cost of 38.9% due primarily to market prices for fuel; additional pension expense of 15.5% due to past-service liability and changes in actuarial assumptions; medical inflation in both union and salaried employee health benefits expense, which increased 8.4%; and contract rate increases for paratransit service, which increased 2.3%.

Fiscal Year 2003 vs. 2002

The bulk of expense increases was due to an increase in energy cost of 28.9%; additional pension expense of 16.63% due to market losses in the union and salaried pension investment portfolios; medical inflation in both union and salaried employee health benefits, which increased 12.6%; growth in service and contract rate increases for paratransit service, which increased 11.3%; and METRORail start-up expenses, a new service mode, in 2003. The balance of cost increases were partially offset through cost savings gained through more efficient service operations and vacancies in salaried positions throughout the year.

Depreciation and Amortization

Fiscal Year 2004 vs. 2003

In FY2004 METRO completed construction of its first rail line (METRORail Red Line from University of Houston-Downtown to West Bellfort south of Reliant Park), operational support facilities and purchase of light rail equipment. Also, in FY2004, several major capital projects were completed, including HOV expansions and modernization, a new Park & Ride, two new Transit Centers, and facilities rehabilitation. As a result of these capital additions, the depreciation and amortization expense in FY2004 increased by 9.2%. The $9.3 million increase in depreciation and amortization accounts for 26.7% of the total expense variance of $34.8 million.

Fiscal Year 2003 vs. 2002

In FY2003, METRO acquired 49 new buses in a program to modernize the fleet and make it more homogeneous and 100 percent handicap accessible. In FY2003, several major capital projects were completed, including HOV expansions and modernization, and facilities rehabilitation. Information technology investment also increased substantially in FY2003. As a result of these capital additions, the depreciation and amortization expense in FY2003 increased by 5.1%. The $4.9 million increase in depreciation and amortization accounts for 22.2% of the total expense variance of $22.2 million.

Non-Operating Income Discussion

Table A-3
Changes in METRO Non-Operating Revenue
(in millions of dollars)

	FY2004	FY2003	Percentage Change FY2004-2003
Non-Operating Revenues (Expenses)			
Sales Tax	381.9	357.5	6.8%
Grants	134.6	149.1	-9.7%
Investment Income	1.6	5.7	-71.9%
Other Income	0.4	3.7	-89.2%
Local Infrastructure Assistance	-188.2	-124.8	50.8%
Loss on Sale of Assets	-7.3	-11.4	-36.0%
Total Net Non-Operating Revenues	**323.0**	**379.8**	**-15%**

Sales Tax

Fiscal Year 2004 vs. 2003

METRO collects a one-percent sales tax in its 1,285 square mile service area, a tax approved by public vote when METRO was established in 1978. FY2004 sales tax revenues were $24.4 million higher than in FY2003, a 6.8% increase.

Population and employment are the major drivers of sales tax. During the course of FY2004, the Houston regional economy improved and, as a result, sales tax revenue increased.

Fiscal Year 2003 vs. 2002

FY2003 sales tax revenues were $13.4 million lower than in FY2002, a 3.6% decrease.

Population and employment are the major drivers of sales tax. During the course of FY2003, the Houston region's employment decreased as a result of the recession in the area.

Grants

Fiscal Year 2004 vs. 2003

METRO is the recipient of a number of federal and state grants from a variety of programs, including Formula Funds, New Starts, Fixed Guideway Modernization, Discretionary Bus, Congestion Mitigation/Air Quality (CMAQ), and Texas Emission Reduction Program (TERP). These funds are received on the basis of project expenditures made. As projects and operations are advanced and expenditures incurred, the grants are received and recognized. In FY2003, total grants were $149.1 million. In FY2004, the total received was $134.6 million, a decrease of $14.5 million. The reduction is primarily due to project completions in the Regional Bus Plan and HOV lane program, and the U.Pass program. The decrease in Regional Bus Plan grant is primarily due to completion of the 49 Buses purchased in FY2003. Further decreases in the Regional Bus Plan grant are principally due to completion early in FY2004 of the Downtown Transit Center, Westchase Park & Ride and the Texas Medical Center Transit Center. Similarly, the HOV lane grant decrease is due to completion of the Southwest HOV Segment V.

Grants, continued:

Fiscal Year 2003 vs. 2002

METRO is the recipient of a number of federal grants from a variety of programs including formula funds, new starts, and fixed guideway modernization, Congestion Mitigation/Air Quality (CMAQ), Homeland Security and Texas Emission Reduction Program (TERP). These funds are received on the basis of project expenditures made. As projects and operations are advanced and expenditures incurred, the grants are received and recognized. In FY2002, total grants were $118.3 million. In FY2003, the total received was $149.1 million. The increase in grant funds from FY2002 to FY2003 is due to increased project costs for the Administration Office Building, Smart Card, Regional Computerized Traffic Signalization System, bus shelters, Clean Vehicle Program and METRO Solutions studies.

Investment Income

Fiscal Year 2004 vs. 2003

METRO's average invested funds were $112.7 million for FY2004 and $189.8 million for FY2003. The decrease was due to METRORail-related capital and operational expenditures during FY2004 and the Federal government's delay in appropriation of funds for FY2004. METRO's average realized return was 2.0% for 2004 and 4.1% for 2003. The investment portfolio consisted of the following: U.S. Treasuries, U.S. Agencies, Commercial Paper, Texas Municipal Securities Bonds, Cash and Money Market Funds. METRO's realized return decreased from 4.1% to 2.0% due to shorter maturity duration periods for investments, the weighted average maturity went from 710 days to 489 days. The decrease in maturity duration was constructed to meet current liquidity requirements during the year.

Fiscal Year 2003 vs. 2002

METRO's average invested funds were $189.8 million for FY2003 and $226 million for FY2002. The decrease was due to increased investments in METRO's Capital Improvement Program. METRO's average realized return was 4.1% for 2003 and 5.2% for 2002. The investment portfolio consisted of the following: U.S. Treasuries, U.S. Agencies, Commercial Paper, Texas Municipal Securities Bonds, Cash and Money Market Funds. METRO's realized return decreased from 5.2% to 4.1% due to the decline in financial markets in FY2003 and the historically low market interest rates.

Other Income

Fiscal Year 2004 vs. 2003

In FY2004, new defeased leases where eliminated due to changes in the Federal regulations. In FY2003, the net benefit receipt was $3.3 million on a defeased lease on a package of buses and a defeased lease on a package of radio and electronic registering farebox equipment.

Fiscal Year 2003 vs. 2002

The largest revenue item in other income is net receipts to METRO from defeased leases. In FY2002, the receipt was $4.0 million on a defeased lease on a package of buses. In FY2003, the receipt was $3.3 million on a defeased lease on a package of buses and a defeased lease on a package of radio and electronic registering farebox equipment.

Local Infrastructure Assistance

Fiscal Year 2004 vs. 2003

METRO has an extensive set of programs to construct, rebuild and rehabilitate streets in the Houston region. These programs include the General Mobility Program, Regional Bus Plan -- Downtown/Midtown/Texas Medical Center street improvements and Regional Computerized Traffic Signal System, and transit mobility. The streets are not the property of METRO so the construction expenditures are reported as current period non-operating expenses. These street projects are a major contribution to enhanced mobility and reduced congestion in the METRO service area – a major part of METRO's mission. These investments in regional mobility totaled $124.8 million in FY2003 and $188.2 million in FY2004 (Table A-3). The increase in local infrastructure assistance expense is due to completed projects being transferred to other governmental entities. In previous years, these expenditures were carried as work-in-process. As the work has now been completed, these transfers were made.

Fiscal Year 2003 vs. 2002

METRO has an extensive set of programs to construct, rebuild and rehabilitate streets in the Houston region. These programs include the General Mobility Program, Regional Bus Plan -- Downtown/Midtown/Texas Medical Center street improvements and Regional Computerized Traffic Signal System, and transit mobility. The streets are not the property of METRO so the construction expenditures are reported as non-operating expenses. These street projects are a major contribution to enhanced mobility and reduced congestion in the METRO service area – a major part of METRO's mission. These investments in regional mobility totaled $92.6 million in FY2002 and $124.8 million in FY2003. The increase was due to the City of Houston achieving a higher completion rate on its street projects in FY2003.

Loss on Sale of Assets

Fiscal Year 2004 vs. 2003

In FY2004, the loss was due to write-off of old expenditures on various ITS (Intelligent Transportation Systems) studies and Office Building studies, neither of which has any remaining useful value.

Fiscal Year 2003 vs. 2002

In FY2003, the loss was due to the write-off of old expenditures on various rail studies and the ATTB project, neither of which has any remaining useful value.

Local Infrastructure Assistance, continued:

Table A-4
METRO's Net Assets
(in millions of dollars)

	FY2004	FY2003	Percentage Change FY2004-2003
Current Assets	234.1	307.6	-23.9%
Capital Assets (net)	1,485.6	1,515.2	-2.0%
Prepaid Assets	343.0	364.6	-5.9%
Total Assets	**2,062.7**	**2,187.4**	**-5.7%**
Current Liabilities	125.2	167.9	-25.4%
Other Liabilities	358.5	378.7	-5.3%
Total Liabilities	**483.7**	**546.6**	**-11.5%**
Net Assets:			
Investments in capital assets	1,485.6	1,515.2	-2.0%
Unrestricted	93.4	125.6	-25.6%
Total Net Assets	**1,579.0**	**1,640.8**	**-3.8%**

CAPITAL ASSETS

Fiscal Year 2004 vs. 2003

As of September 30, 2004, METRO had invested approximately $2,324.7 million in capital assets, including rail and equipment, buildings, buses and equipment, transitways, other property and equipment, leasehold improvements, land, and construction-in-progress. Net of accumulated depreciation, METRO's net capital assets at September 30, 2004, totaled $1,485.6 million. (See Table A-5) This amount represents a net decrease (including additions and disposals, net of depreciation) of $29.6 million or -2.0% over September 30, 2003.

The increase in total capital assets (before depreciation) from FY2003 to FY2004 was $38.4 million, +1.68%. A number of projects were completed during the year and transferred from construction in progress to specific asset categories.

Fiscal Year 2003 vs. 2002

As of September 30, 2003, METRO had invested approximately $2,286.3 million in capital assets, including buildings, buses and equipment, transitways, other property and equipment, leasehold improvements, land, and construction-in-progress. Net of accumulated depreciation, METRO's net capital assets at September 30, 2003, totaled $1,515.2 million. (See Table A-5) This amount represents a net increase (including additions and disposals, net of depreciation) of $153.1 million or 11.2% over September 30, 2002.

The increase in total capital assets from FY2002 to FY2003 was $240.0 million, an increase of 11.7%. New capital expenditures included several major projects: METRORail ($122.5 million), Regional Bus Plan ($85.0 million) and Operating Facilities ($25.3 million). A number of projects were completed during the year and reclassified from construction-in-progress to specific asset categories. Included in the reclasses were facility modifications, buses, transitways and information technology projects.

CAPITAL ASSETS, continued:

Table A-5
METRO's Capital Assets
(in thousands of dollars)

	FY2004	FY2003	Percentage Change FY2004-2003
Rail and Equipment	289,361	-	100.0%
Buildings and Improvements	378,713	343,256	10.3%
Park and Ride Lots	132,489	105,489	25.6%
Buses and Equipment	577,611	583,142	-0.9%
Transitways	463,120	390,719	18.5%
Other Property and Equipment	91,020	96,304	-5.5%
Leasehold Improvements	6,207	6,993	-11.2%
	1,938,521	1,525,903	27.0%
Less: Accumulated Depreciation and Amortization	(839,167)	(771,112)	8.8%
Net Depreciable Property and Improvements	**1,099,354**	**754,791**	**45.7%**
Land	210,749	118,830	77.4%
Construction-in-Progress	175,461	641,576	-72.7%
Capital Assets (Net)	**1,485,564**	**1,515,197**	**-2.0%**

OUTSTANDING COMMITMENTS

Fiscal Year 2004 vs. 2003

The Authority has entered into various contracts and purchase orders to acquire goods and services or to assist in developing infrastructure improvements within the Authority service area. Many of these contracts extend beyond a single fiscal year. These items total approximately $355,866,287 as of September 30, 2004.

Fiscal Year 2003 vs. 2002

The Authority has entered into various contracts and purchase orders to acquire goods and services or to assist in developing infrastructure improvements within the Authority service area. Many of these contracts extend beyond a single fiscal year. These items total approximately $510,366,674 as of September 30, 2003.

ECONOMIC OUTLOOK FY2004

The Houston economy underwent a sluggish recovery in FY2004 and this slow growth is expected to continue in FY2005. Price of oil and natural gas and the recovery of the U.S. economy as a whole are expected to be the drivers of growth. Predicting these events is very difficult due to the complex national and international situations and the degree of uncertainty and instability that continues to exist.

The economic expansion expected in FY2005 will lead to increases in METRO's sales tax income and to increased system ridership. How long this expansion will last and how rapid it will be is highly uncertain.

CONTACTING

This financial report is designed to provide our patrons and other interested parties with a general overview of the finances and to demonstrate METRO's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Metropolitan Transit Authority of Harris County, Texas, Finance Department, P.O. Box 61429, Houston, TX 77208-1429.

BASIC FINANCIAL STATEMENTS

Metropolitan Transit Authority of Harris County, Texas
Statement of Net Assets
September 30, 2004 and 2003

	2004	2003
Assets		
Current assets		
Cash	$ 4,268,412	$ 829,605
Investments	97,111,716	169,511,038
Security lending transactions	23,906,952	28,337,095
Receivables		
Sales tax	66,631,008	60,982,929
Federal government - Federal Transit Administration	11,458,513	17,279,605
Joint projects - City of Houston	4,287,373	8,406,478
Interest	485,903	1,250,537
Bus passes	1,026,593	1,448,910
Other	2,364,543	2,697,338
Total receivables	86,253,933	92,065,797
Material and supplies inventory	17,902,474	12,482,468
Other current assets	4,683,764	4,439,600
Total current assets	234,127,251	307,665,603
Non current assets		
Capital assets, net	1,485,564,028	1,515,196,405
Prepaid lease payments	342,964,497	364,622,205
Total non current assets	1,828,528,525	1,879,818,610
Total assets	2,062,655,776	2,187,484,213
Liabilities		
Current liabilities		
Trade payables	47,601,665	96,225,129
Accrued wages, vacation and payroll taxes	22,377,381	19,026,108
Obligation for security lending transactions	23,906,952	28,337,095
Other current liabilities	31,272,153	24,353,293
Total current liabilities	125,158,151	167,941,625
Liabilities for injuries and damages	15,504,499	14,101,300
Deferred rental payments	342,964,497	364,622,205
Total liabilities	483,627,147	546,665,130
Net Assets		
Invested in capital assets	1,485,564,028	1,515,196,405
Unrestricted	93,464,601	125,622,678
Total Net Assets	1,579,028,629	1,640,819,083

The accompanying notes are an integral part of the financial statements.

Metropolitan Transit Authority of Harris County, Texas
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended September 30, 2004 and 2003

	2004	2003
Operating revenues:		
Transportation fares	$ 45,620,718	$ 47,272,68
Operating expenses:		
Scheduled Services - Fixed Route		
Bus & Rail Operations - direct	129,830,489	114,165,031
Contract Service	32,152,309	29,818,251
Materials	4,133,761	4,053,054
Preventative Maintenance	42,691,539	42,846,605
Central Shop & Maintenance Support	12,464,742	10,979,675
Safety & Training	5,910,756	5,963,353
Subtotal Scheduled Services - Fixed Route	227,183,596	207,825,969
Non-Scheduled Services - Special		
METROLift	27,559,024	26,869,527
METROVan	2,323,966	1,833,369
Special Events	1,639,150	1,469,586
Subtotal Non-Scheduled Service - Special	31,522,140	30,172,482
Service Support		
Service Planning & Evaluation	1,168,462	1,055,974
Marketing	4,835,183	3,991,101
Transit Security	6,633,266	5,917,249
Insurance & Claims	2,379,598	2,261,819
Ticket & Fare Collection	1,093,030	873,729
Facility Maintenance	11,338,715	9,751,690
Subtotal Service Support	27,448,254	23,851,562
Traffic Management - Services	10,436,677	9,841,390
Organizational Support		
Business, Community & Governmental Development	335,232	624,994
Administrative, Financial and Personnel	16,280,978	15,370,823
Information Systems	2,467,979	2,648,120
Purchasing	1,729,834	1,587,152
Oversight, Audit & Legal	2,617,600	2,586,046
Subtotal Organizational Support	23,431,623	22,817,135
Depreciation and amortization	110,336,004	101,075,538
Total operating expenses	430,358,294	395,584,076
Operating loss	(384,737,576)	(348,311,388)
Nonoperating revenues (expenses):		
Sales tax	381,932,680	357,498,093
Investment income	1,568,753	5,722,026
Other income	410,998	3,640,831
Local infrastructure assistance	(188,238,144)	(124,782,752)
Loss on sale or disposal of assets	(7,335,646)	(11,429,350)
Total nonoperating revenues (expenses)	188,338,641	230,648,848
Loss before contributions	(196,398,935)	(117,662,540)
Capital contributions	134,608,481	149,125,847
Changes in net assets	(61,790,454)	31,463,307
Net assets - beginning of the year	1,640,819,083	1,609,355,776
Net assets - end of the year	$ 1,579,028,629	$ 1,640,819,083

The accompanying notes are an integral part of the financial statements.

Metropolitan Transit Authority of Harris County, Texas

Statement of Cash Flows

For The Years Ended September 30, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Cash received from customers (including special events)	$ 46,008,306	$ 45,094,775
Cash payments to employees	(206,599,176)	(199,066,286)
Cash payments to suppliers for goods and services	(122,183,048)	(103,948,336)
Net cash used for operating activities	(282,773,918)	(257,919,847)
Cash flows from noncapital financing activities:		
Sales tax received	378,308,989	356,562,223
Cash payments for local infrastructure assistance	(142,955,865)	(77,417,869)
Cash received from nonoperating activities	404,372	295,310
Net cash provided by noncapital financing activities	235,757,496	279,439,664
Cash flows from capital and related financing activities:		
Grants received	140,429,568	137,022,331
Proceeds from lease/sublease	-	3,345,521
Proceeds from sale of assets	208,480	30,210
Acquisition of capital assets	(160,452,477)	(249,253,625)
Net cash used for capital and related financing activities	(19,814,429)	(108,855,563)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	1,524,729,102	1,333,145,641
Purchase of investements	(1,458,046,256)	(1,256,982,431)
Interest and dividends on investments	3,586,812	9,592,038
Net cash provided by investing activities	70,269,658	85,755,248
Net change in cash and cash equivalents	3,438,807	(1,580,498)
Cash and cash equivalents at beginning of year	829,605	2,410,103
Cash and cash equivalents at end of year	$ 4,268,412	$ 829,605
Reconciliation of operating loss to net cash used in operating activities:		
Operating Loss	$ (384,737,576)	$ (348,311,388)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	110,336,004	101,075,538
Non cash operating expenses		
Changes in assets and liabilities:		
Decrease (Increase) in accounts receivable	422,317	(192,205)
Decrease (Increase) in accounts receivable - other	339,421	(1,985,707)
Increase in inventory	(5,420,006)	(2,752,114)
Increase (Decrease) in accrued payroll	3,628,931	(2,148,463)
Decrease in accounts payable	(7,343,009)	(3,605,508)
Cash provided by operating activities	$ (282,773,918)	$ (257,919,847)
Non cash investing activities		
The net decrease in fair value of investment	(414,039)	(2,311,315)

The accompanying notes are an integral part of the financial statements.

1. Summary of Significant Accounting Policies:

The Metropolitan Transit Authority of Harris County, Texas (the Authority) prepares its financial statements in accordance with generally accepted accounting principles established or approved by the Governmental Accounting Standards Board (GASB), the more significant of which are described below.

Reporting Entity

The Authority is a stand-alone governmental entity as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units.*

The Authority is a political subdivision of the State of Texas established in 1977. The Authority began operations in 1979 to develop, maintain, and operate a public mass transportation system, principally within Harris County, Texas and is governed by a nine-member Board of Directors (the Board). Five are nominated by the Mayor of the City of Houston and confirmed by City Council. Two are nominated by the Harris County Judge and confirmed by the Harris County Commissioners Court, and two are elected by Mayors of the 14 cities other than Houston within the Authority's service area.

Related Organizations

The following related organizations are excluded from the financial reporting entity because the Authority's accountability does not extend beyond making appointments and/or defined contributions and financial information is available from the respective organizations.

City of Houston, Texas (the City) - Incorporated under the laws of the State of Texas, the City provides governmental services as authorized or required by its charter. While the City appoints a voting majority of the Authority's board members, it is not financially accountable for the actions of the Authority as it is unable to impose its will, and a financial benefit or burden relationship does not exist.

Transport Workers Union - Metropolitan Transit Authority Welfare Trust (HWT) - Established to provide health and welfare benefits for certain employees of the Authority. Although the Authority appoints two of the four members of the Board, the Authority does not have significant influence over its management, budget or policies, and its financial accountability is limited to negotiated defined contributions.

The Non-Union Pension Plan (NUPP) and Transport Workers Union Pension Plan Local 260, AFL-CIO (TWUPP) - The NUPP is administered by a five-member committee appointed by the Authority and the TWUPP is administered by four trustees, two appointed by the Authority and two appointed by Local 260.

These committee members and trustees are responsible for oversight and management of the plans. The assets of the plans are held by a custodian in the name of the NUPP and TWUPP and are not available for use by the Authority.

Nature of Operating and Non-operating Activities

The Authority uses the flow of economic resources measurement focus and accrual basis of accounting when preparing financial statements. Using this approach, revenues are recognized when earned and expenses are recognized when incurred. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the Authority has elected to follow all Financial Accounting Standard Board (FASB) pronouncements issued prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to follow FASB pronouncements issued subsequent to that date.

The Authority's primary activities consist of:

• Transit operations - provide the public with a high-quality and cost-effective public transportation system. Transit operations include the designing and constructing of maintenance facilities, rail lines, transit centers, Park & Ride lots, and bus storage facilities; selecting bus/rail routes; purchasing buses and rail equipment; maintaining equipment; and hiring/training personnel who deliver transit services and provide security.

• Traffic management operations - provide comprehensive, effective and efficient management of traffic and vehicular movement in order to enhance the utilization of the Authority's Regional Street and Road Network, thereby improving regional mobility. The Authority also provides traffic and transportation law enforcement activities in order to increase safety for the area's motorists and pedestrians.

• Local Infrastructure improvements - assistance increases mobility through funding and coordinating with state and local governments' improvements to roads, streets, sidewalks, bridges and other infrastructure assets within the Authority's service area.

Revenue and Expenditures

Operating revenue consists of Transit fares, which include special events. Non-operating revenue and expenses include the 1-percent Sales tax levied in the Authority's service area; Investment income; Local infrastructure improvements; Gain/Loss on disposal of assets; and Other income; which primarily consists of concession sales fees, leasing of property not used in transit operations, and cash receipts from lease/sublease arrangements.

The Authority's expenditures relate primarily to transit operations, traffic management, and capital and infrastructure improvements.

Cash and Investments

Cash consists of amounts maintained in demand deposit accounts, cash on-hand and deposits with State of Texas. Investments consist of a variety of items including: money market accounts, commercial paper, mortgage-backed securities, mutual funds, repurchase agreements, certificates of deposit, U.S. Treasury securities and U.S. Agency securities. All investments, except money market accounts, are available for participation in the Securities lending program established by JPMorgan Chase Bank of Texas. Investments that are lent and cash received as collateral in securities lending transactions are reported as assets with corresponding liabilities on the balance sheet. All investments are reported at fair value based on quoted market prices.

Inventories of Materials and Supplies

Inventories are valued, using a weighted average costing method and consist principally of repair parts and other supplies that are used to maintain the bus, rail and facilities.

Capital Assets

The Authority's overall capitalization policy requires expenditures to be capitalized when they exceed $1,000 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. Depreciation of such property and equipment is calculated using the straight-line method over the following estimated useful lives:

Leasehold improvements	3 - 5 years
Park and Ride lots	20 years
Buses and equipment	3 - 10 years
Other property and equipment	3 - 10 years
Transitways	30 years
Rail and equipment	25 - 30 years
Buildings and improvements	40 years

Capital assets are recorded at historical, cost and expenditures relating to normal repair and maintenance are expensed as incurred. The cost and accumulated depreciation of assets retired or sold are removed from the accounts and any gain or loss is included in nonoperating revenues.

Compensated Absences

Compensated absences are earned by all full-time and part-time employees.

Employees covered by the Authority's Union Contract earn vacation hours each December 31 based on years of service. A maximum of 200 vacation hours per year can be earned. Earned vacation hours must be used in the next calendar year. These employees also accumulate one sick day per month up to a maximum, based on date of hire and years of service, of 30 working days. Accumulated sick pay in excess of eight days may be sold each September 30 back to the Authority. Vacation and sick pay for these employees are expensed when earned with unpaid balances being reported as a liability in the Statement of Net Assets.

Non-union employees earn, based on years of service, vacation hours up to a maximum of 16.70 hours each month. Vacation hours accumulate and may reach a maximum, based on years of service, of 520 hours. These employees receive 10 sick days per year, beginning January 1 of each year. Unused sick leave for non-union employees cannot be carried forward to subsequent years and there is no payment for unused sick leave at the end of a calendar year, termination or retirement. Sick leave for non-union employees is expensed when incurred. Vacations for these employees are expensed when earned with unused balances being reported as a liability in the Statement of Net Assets.

Upon termination or retirement, employees are entitled to receive compensation for their unused accrued vacation leave.

Sales Tax

Revenue from the 1-percent sales tax is recognized when taxable sale transactions occur within the Authority service area. The Comptroller for the State of Texas collects and distributes these amounts to the appropriate governmental organization with funding normally occurring within approximately 60 days from date of the sale.

2. Deposits and Investment Securities:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Authority's investment policy is guided by state law and authorized by the Board. The investments include: money market accounts; commercial paper; mortgage-backed securities; mutual funds; repurchase agreements; certificates of deposit; U.S. Treasury securities; and U.S. Agency securities, some of which include short-term collateralized mortgage obligations (CMOs) and floating-rate securities, which are used to enhance earnings. Credit and market risk relating to CMOs and floating-rate securities are minimized by limiting these investments to securities whose principal and interest payments are guaranteed by an Agency of the United States Government with expected maturities not exceeding five years.

All of the Authority's deposits are insured by federal depository insurance or collateralized at a minimum of 105 percent of their fair value, while investment securities are insured or registered with repurchase agreements requiring collateral of at least 102 percent of their cost plus accrued interest. The market value associated with the collateral for deposits and repurchase agreements is monitored daily by the Authority's Treasury Division.

All collateral and investment securities are held by the Authority's agent and in the name of the Authority. This permits the investments and deposits, other than money market mutual funds, to be reported in Category One according to GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.* Money market mutual funds are not categorized under GASB Statement No. 3 because they are not evidenced by securities that exist in physical or book entry form.

As of September 30, 2004 and 2003 the Authority's deposits and book balances were:

Deposits	Fiscal 2004	Fiscal 2003
Local bank	$ 896,958	$ 587,914
State of Texas	4,089,259	759,451
Total deposits	$ 4,986,217	$ 1,347,365
Book balance	$ 4,268,412	$ 829,605

The fair value of the Authority's investments is estimated based on quoted market prices and those investments held at September 30, 2004 and 2003, are indicative of the type of investments made by the Authority during each fiscal year and consist of the following:

	2004 Fair Value	2003 Fair Value
Investment securities:		
U.S. Treasury securities	$ 19,609,375	$ 25,796,875
U.S. Agency securities	15,236,816	54,869,975
Commercial paper	49,870,322	65,315,052
Mortgage-backed securities	49,683	275,851
Total of Category One investments	84,766,196	146,257,753
Money Market Mutual Funds	12,345,520	23,253,285
Total investments	$ 97,111,716	$ 169,511,038

The Board has authorized the Authority to enter into a securities lending agreement with JPMorgan Chase Bank of Texas (CT) and its affiliate JPMorgan Chase Manhattan Bank (CM) for securities held by the Authority. This agreement authorizes CT to act as the Authority's agent and deliver to CM securities which may be loaned to those organizations that are reported on the approved borrowers list maintained by CM. The Authority has the right to further limit the organizations that CM may conduct securities lending transactions on its behalf. In addition, the Authority or the borrower may terminate the loan on demand.

As of September 30, 2004 and 2003, collateral received by CM for securities lending transactions is held in the name of the Authority and consists of cash or governmental securities, that are Category One investments and must always equal 102 percent of the fair value of the securities loaned, which is determined at the end of each business day by CM. Investment of the Authority's cash collateral by CM is limited to U.S. Treasury and Agency securities and Repurchase agreements with maturities not to exceed 90 days. Repurchase agreements must be fully collateralized by securities that are issued or guaranteed as to principal and interest by the United States Government, its agencies, or instrumentalities. Because of these restrictions, the Authority is not subject to any credit risk.

The Authority is responsible for any deficits that result from the sale of investments that relate to the cash collateral held by CM. When the collateral is in the form of securities, then CM will indemnify the Authority if the borrower fails to return any of the borrowed securities upon termination of the loan. The collateral held by CM in the name of the Authority can be pledged or sold only if the borrower defaults.

All Investment securities are available for use in the security lending program and security lending activity for fiscal 2004 and 2003 consisted of:

	Fiscal 2004	Fiscal 2003
Investment Securities available for lending	$ 84,766,196	$ 146,257,753
Amount on loan	23,906,952	28,337,095
Gross earnings	96,823	230,616
Rebates	30,728	140,097
Agent fees	26,437	36,207
Amount reported in Investment income	39,658	54,312
Percentage on loan	28.2 %	19.4 %

3. Capital Assets:

Changes in capital assets for fiscal 2004 and 2003 were:

Capital Assets	October 1, 2003	Additions	Retirements	Transfers And Completed Projects	September 30, 2004
Capital assets not depreciated:					
Land	$ 118,829,700	$ -	$ -	$ 91,919,838	$ 210,749,538
Construction in progress	641,575,993	174,773,972	(92,766,960)	(548,121,953)	175,461,052
Total capital assets not depreciated	760,405,693	174,773,972	(92,766,960)	(456,202,115)	386,210,590
Capital assets being depreciated:					
Building and improvements	343,255,665	-	(3,183)	35,460,423	378,712,905
Park and Ride lots	105,488,912	-	-	26,999,589	132,488,501
Buses and equipment	583,141,970	-	(27,630,089)	22,099,440	577,611,321
Rail and equipment	-		-	289,361,000	289,361,000
Transitways	390,718,623	-	-	72,401,047	463,119,670
Other property and equipment	103,297,467	-	(15,950,596)	9,880,616	97,227,487
Total capital assets being depreciated	1,525,902,637	-	(43,583,868)	456,202,115	1,938,520,884
Less: Accumulated depreciation and amortization					
Building and improvements	(161,057,063)	(13,381,942)	3,183	(7,513)	(174,443,335)
Park and Ride lots	(58,931,244)	(5,441,883)	-	7,513	(64,365,614)
Buses and equipment	(340,116,119)	(52,332,556)	26,371,693	(648)	(366,077,630)
Rail and equipment	-	(6,944,664)	-	-	(6,944,664)
Transitways	(141,343,436)	(19,918,262)	-	-	(161,261,698)
Other property and equipment	(69,664,063)	(12,316,698)	15,905,608	648	(66,074,505)
Total accumulated depreciation and amortization	(771,111,925)	(110,336,005)	42,280,484	-	(839,167,446)
Total capital assets being depreciated, net	754,790,712	(110,336,005)	(1,303,384)	456,202,115	1,099,353,438
Total capital assets, net	$ 1,515,196,405	$ 64,437,967	$ (94,070,344)	$ -	$ 1,485,564,028

During Fiscal Year 2004, approximately $86.6 million of local infrastructure assistance and $6.2 million of development projects were moved from construction-in-progress and reported in the Statement of Revenues, Expenses and Changes in Net Assets as Local infrastructure assistance or Loss on sale or disposal of assets.

Changes in capital assets for fiscal 2003 and 2002 were:

Capital Assets	October 1, 2002	Additions	Retirements	Transfers And Completed Projects	September 30, 2003
Capital assets not depreciated:					
Land	$ 119,197,486	$ -	$ (1,381,377)	$ 1,013,591	$ 118,829,700
Construction in progress	476,332,289	262,790,665	(5,207,004)	(92,339,957)	641,575,993
Total capital assets not depreciated	595,529,775	262,790,665	(6,588,381)	(91,326,366)	760,405,693
Capital assets being depreciated:					
Building and improvements	326,014,326	-	-	17,241,339	343,255,665
Park and Ride lots	104,342,725	-	(2,343,838)	3,490,025	105,488,912
Buses and equipment	559,098,897	-	(13,526,076)	37,569,149	583,141,970
Transitways	374,600,664	-	-	16,117,959	390,718,623
Other property and equipment	86,756,866	-	(367,293)	16,907,894	103,297,467
Total capital assets being depreciated	1,450,813,478	-	(16,237,207)	91,326,366	1,525,902,637
Less: Accumulated depreciation and amortization					
Building and improvements	(147,309,270)	(13,742,902)	-	(4,892)	(161,057,064)
Park and Ride lots	(55,605,020)	(5,365,786)	2,034,671	4,892	(58,931,243)
Buses and equipment	(293,541,071)	(58,188,181)	11,851,278	(238,145)	(340,116,119)
Transitways	(128,029,946)	(13,313,490)	-	-	(141,343,436)
Other property and equipment	(59,721,046)	(10,465,179)	284,017	238,145	(69,664,063)
Total accumulated depreciation and amortization	(684,206,353)	(101,075,538)	14,169,966	-	(771,111,925)
Total capital assets being depreciated	766,607,125	(101,075,538)	(2,067,241)	91,326,366	754,790,712
Total capital assets, net	$ 1,362,136,900	$ 161,715,127	$ (8,655,622)	$ -	$1,515,196,405

4. Retirement Plans:

Pension Plans - The Authority has two pension plans, the Transport Workers Union Pension Plan, Local 260 AFL-CIO and the Non-Union Pension Plan. Both plans are noncontributory, single-employer, defined benefit plans designed to provide retirement benefits to full-time employees. Stand-alone financial statements are available for both pension plans from the Authority's Treasury Division. Pension plan contributions are authorized by the Board during the annual budgeting process.

Transport Workers Union Pension Plan Local 260, AFL-CIO (TWUPP) - The TWUPP provides monthly normal retirement benefits based on the participants' years of service but not less than $300. Plan participants have a 100 percent vested interest in employer contributions to the Plan after 10 years of credited service. Participants become eligible to receive benefits at the earlier of 28 years of credited service or age 60 with five years of credited service. The requirements for early retirement with reduced benefits are that an employee reaches age 55 and has 25 years of credited service. In addition, the Plan provides for disability retirement benefits with the requirements being 10 years of credited service. Additional requirements include 10 years of vesting service for vested deferred retirement benefits and for pre-retirement spousal benefits. Four trustees administer the TWUPP. Two trustees are appointed by the Authority and two are appointed by Local 260.

TWUPP contributions are based on actuarial valuations prepared annually by an independent actuary from data furnished by the Authority. The unfunded actuarial accrued liability as of January 1, 2004, was $33,013,000, and the pension expenses recognized in the financial statements for the current and previous two fiscal years were $8,059,589, $6,608,035 and $5,358,456. Actual contributions for the current and previous two fiscal years were $8,097,375, $5,489,835, and $5,358,456.

Non-union Pension Plan (NUPP) - NUPP participants have a 100-percent-vested interest in employer contributions to the Plan after five years of credited service. The minimum annual normal retirement benefit of a participant who retires on or after his normal retirement date is $300 a month, provided the participant has at least 10 years of credited service at retirement regardless of the date of his retirement. Participants become eligible to receive benefits at age 65 with special provisions allowing for retirement at an earlier age. The requirements for early retirement with reduced benefits are that an employee reaches age 55 and has 15 years of credited service. In addition, the Plan provides for disability retirement benefits with the eligibility requirement being total and permanent disability at any age with benefits deferred to normal retirement date. Additional requirements include five years of service for vested deferred retirement benefits and pre-retirement spousal benefits. The NUPP plan is administered by a five-member administrative committee appointed by the Authority.

NUPP required contributions are based on actuarial valuations prepared annually by an independent actuary from data furnished by the Authority. The unfunded actuarial accrued liability as of January 1, 2004, was $19,330,000, and the pension expenses recognized in the financial statements for the current and previous two fiscal years were $8,624,549, $7,837,167 and $7,026,973. Actual contributions for the current and previous two fiscal years were $8,270,482, $8,510,778 and $4,537,228.

Actuarial Assumptions - Significant actuarial assumptions used in the Authority's plan valuations are as follows:

	TWUPP	NUPP
Valuation date	January 1st of each year	January 1st of each year
Cost method	Unit credit (closed)	Projected Unit credit (closed)
Asset valuation method	Five-year moving market	Five-year moving market
Interest rates:		
Investment rate of return	8.0% per annum	8.0% per annum
Funding rate	8.0% per annum compounded annually	8.0% per annum compounded annually
Cost of living adjustments	None	3.0% per annum
Projected salary increase	None	4.0% per annum
Disability retirement rate	Revenue Ruling 96-7	Revenue Ruling 96-7
Assumed annual retirement rate	Varying percentage ranging from 5% to 100% for age 70	Varying percentage ranging from 5% to 100% for ages 55 through 70 respectively
Mortality basis after normal Retirement	1983 Group Annuity Mortality Table	1983 Group Annuity Mortality Table
Amortization of gains and losses		
Method	Level dollars/closed	Level dollars
Period	5 years	30 years

The NUPP and TWUPP Annual Pension Cost (APC) and Net Pension Obligation for the three calendar years are:

	Annual Pension Cost	Percentage of APC Funded	Year-End Net Pension Obligation
NUPP			
2002	$ 7,519,533	84.3	$ 995,446
2003	7,948,648	100.0	321,835
2004 from January 1 to September 30	6,637,387	89.8	675,902
TWUPP			
2002	5,488,243	100.0	-
2003	6,979,177	100.0	1,118,200
2004 from January 1 to September 30	6,314,795	82.9	1,080,414

4. Retirement Plans, continued:

The amount of the annual required contribution calculated by the actuary has not been adjusted for past excess or deficient contributions. The current fiscal year contributions and changes in the Net Pension Obligations for the period are:

	TWUPP	NUPP
Annual required contributions	$8,059,589	$8,624,549
Adjustments to annual required contributions		
Interest on beginning Net Pension Obligations	-	-
Annual required contribution	-	-
Pension cost	8,059,589	$8,624,549
Current year contribution	8,097,375	8,270,482
Current year change in Net Pension Obligation	(37,786)	354,067
Net Pension Obligation balance October 1, 2003	1,118,200	321,835
Net Pension Obligation balance September 30, 2004	1,080,414	675,902
Percentage of annual pension cost contributed	100%	95.9%

5. Self-Insurance:

The Authority is self-insured for non-union health benefits, workers' compensation, unemployment and other general liabilities, except for property risk insurance for which it pays an annual premium to a third-party insurance company. This property policy covers risk of loss to all real and personal property, including transit buses, located on the Authority's property, but excludes off-property coverage.

The Authority is protected by governmental immunity, except as provided by the Texas Tort Claims Act (TTCA). This act limits the Authority's liability for claims arising from the ownership and use of motor vehicles and real and personal property.

Under TTCA, liabilities for claims arising from the ownership and use of motor vehicles cannot exceed $100,000 per person and $300,000 per accident for bodily injury and $100,000 per accident for property damages. Bodily injury claims arising from the ownership of real and personal property are also limited to $100,000 per person and $300,000 per accident. Property damage claims arising from the ownership of real and personal property (other than motor vehicles) are barred by state statute. Property settlements have not exceeded our insurance coverage for any of the past three fiscal years.

Liabilities for injuries and damages were $15,504,499 at September 30, 2004, and $14,101,300 at September 30, 2003, and reported at their net present value using a 5 percent discount rate. Gross reserves for 2004 and 2003 were $17,682,790 and $16,081,840 respectively. These amounts were developed from historical information maintained by the Authority and consist of both reported but not paid and incurred but not yet reported claims.

Changes in liabilities for injury and damages for fiscal 2004 and 2003 were:

	Balance Beginning of the Fiscal Year	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
October 1,2003 - September 30, 2004	$14,101,300	$ 8,669,453	$(7,266,254)	$15,504,499
October 1, 2002 - September 30, 2003	13,292,328	8,485,985	(7,677,013)	14,101,300

The Authority's ultimate liability for workers compensation claims may be more or less than the amount accrued; however, management believes the differences will not materially affect the Authority's financial position.

6. Commitments and Contingencies

Outstanding value of contracts and purchase orders

The Authority has entered into various contracts and purchase orders to acquire goods, services or to assist in developing infrastructure improvements within the Authority Service area. The outstanding value of these items totals approximately $355,866,287 as of September 30, 2004.

Interlocal and congestion mitigation\traffic management agreements

The Authority has entered into interlocal agreements with the City of Houston and Harris County as well as congestion mitigation\traffic management agreements with the 14 remaining cities within the Authority's service area. These agreements require the Authority to make payments through September 30, 2009, totaling approximately $105,622,000 of which $91,262,000 has been paid through September 30, 2004. Current period expenditures of $2,872,000 have been included as part of Local infrastructure assistances in the Statement of Revenues, Expenses and Changes in Net Assets.

Leases

The Authority leases land, buildings and data processing equipment under various operating leases. In most cases, management expects to renew or replace these leases as they expire.

Future minimum payments under operating leases with initial or remaining terms of one year or more consisted of the following on September 30, 2004:

Year Ending September 30	Operating Leases
2005	$ 231,429
2006	239,145
2007	242,877
2008	242,877
2009	242,877
Total minimum lease payments	$ 1,199,205

Rent expenditures are approximately $4,885,753 and $4,787,919 for the years ending September 30, 2004 and 2003, respectively.

6. Commitments and Contingencies, continued:

Lease/sub-lease agreements for Operating Facilities and Buses

The Authority has 12 active Participation Agreements (PA) for the leasing and subleasing of various operating facilities/land, buses and electronic registering fare boxes/radios. During Fiscal 2001, the Authority entered into 7 PA for the leasing and sub-leasing of its operating facilities/land; in 2002, entered into 2 PA for 572 of its buses; and in 2003, entered into 3 PA for 48 buses and electronic registering fare boxes/radios. Under terms of the PA, the Authority would lease the operating facilities/land and buses to 11 business trusts and then sub-lease them back from the trusts for use in operating, maintaining and providing bus services. These PA required the Authority to irrevocably place with equity and debt payment undertakers sufficient cash for use in making all leaseback and purchase option payments by the undertakers being unconditionally guaranteed by American International Group Inc., for the facilities and Financial Security Assurance Inc. for the buses. Additional funding by the Authority will be required only if the Authority elects to early terminate any lease agreement (prior to the Early Purchase Option date) or has to reimburse any of the Owner/Participants of the trusts under the Tax Indemnification Agreements. The Authority has the right to purchase the lessee (trusts) interest in the facilities/land or buses at the Early Purchase Option or End-of-Term lease dates. If the Authority does not exercise one of these options or if the Authority defaults on a lease agreement, then the trusts can exercise their purchase options relating to the specific lease. Termination amounts are calculated by multiplying the original lease facility value by the early termination percentage (reduced annually) where as the Tax Indemnification Agreements are based on maintaining the Net Economic Return that was expected by the Owner/Participants when they entered into the specific leases.

The Authority received a net benefit of $6,762,000 in 2001, $4,015,941 in 2002 and $3,345,521 in 2003 relating to various PA. These amounts have been recorded as Other income in the Statement of Revenues, Expenses and Changes in Net Assets. Amounts placed with the payment undertakers are amortized on a straight-line basis over the life of the specific lease. Unamortized balances are reported on the Statement of Net Assets as Prepaid lease payments with a corresponding liability titled, Deferred rental payments.

Lease and sub-lease terms and original amounts placed with payment undertakers are:

	Original Lease Expiration Date	Sub-Lease Early Purchase Option Date	Sub-Lease Expiration Date	Amortization Period (Years)
Facility				
Buffalo Bayou	Dec 14, 2075	Jan 1, 2026	Jun 14, 2035	34
Fallbrook	Dec 14, 2087	Jan 1, 2026	Dec 14, 2036	35
Field Service Center	Jun 14, 2068	Jan 1, 2026	Dec 14, 2034	33
Hiram Clarke	Dec 14, 2075	Jan 1, 2026	Jun 14, 2035	34
Kashmere	Jun 14, 2083	Jan 1, 2026	Jun 14, 2037	36
Northwest	Dec 14, 2075	Jan 1, 2026	Jun 14, 2035	34
West	Jun 14, 2083	Jan 1, 2026	Dec 14, 2036	35
Transit buses	May 02, 2052	-	Jan 01, 2012-15	10-13
Transit buses	Dec 19, 2052	-	Jan 1, 2014	12
Transit buses	Dec 19 2052	-	Jan 1, 2016	14
Fare boxes/radios	Apr 22, 2043	-	Jan 1, 2018	16

Changes in the amounts placed with payment undertakers and amounts amortized were:

	Unamortized Balance Remaining with Payment Undertakers September 30, 2003	Current year Placements	Current Year Amortization	Unamortized Balance Remaining with Payment Undertakers September 30, 2004
Facility				
Buffalo Bayou	$ 8,547,272	$ -	$ 275,719	$ 8,271,553
Fallbrook	48,823,614	-	1,526,555	47,297,059
Field Service Center	20,077,756	-	669,258	19,408,498
Hiram Clarke	24,772,776	-	799,122	23,973,654
Kashmere	43,039,611	-	1,304,231	41,735,380
Northwest	24,419,303	-	787,720	23,631,583
West	29,605,472	-	925,171	28,680,301
Transit buses (286)	59,378,682	-	5,735,631	53,643,051
Transit buses (286)	57,191,989	-	6,116,271	51,075,718
Transit buses (24)	7,896,099	-	607,392	7,288,707
Transit buses (24)	7,672,323	-	697,484	6,974,839
Fare boxes/radios	33,197,308	-	2,213,154	30,984,154
Total	$ 364,622,205	$ -	$ 21,657,708	$ 342,964,497

6. Commitments and Contingencies, continued:

	Unamortized Balance Remaining with Payment Undertakers September 30, 2002	Current year Placements	Current Year Amortization	Unamortized Balance Remaining with Payment Undertakers September 30, 2003
Facility				
Buffalo Bayou	$ 8,822,991	$ -	$ 275,719	$ 8,547,272
Fallbrook	50,350,169	-	1,526,555	48,823,614
Field Service Center	20,747,014	-	669,258	20,077,756
Hiram Clarke	25,571,898	-	799,122	24,772,776
Kashmere	44,343,842	-	1,304,231	43,039,611
Northwest	25,207,023	-	787,720	24,419,303
West	30,530,643	-	925,171	29,605,472
Transit buses (286)	65,114,313	-	5,735,631	59,378,682
Transit buses (286)	63,308,260	-	6,116,271	57,191,989
Transit buses (24)	-	8,503,491	607,392	7,896,099
Transit buses (24)	-	8,369,807	697,484	7,672,323
Fare boxes/radios	-	35,410,462	2,213,154	33,197,308
Total	$ 333,996,153	$52,283,760	$ 21,657,708	$ 364,622,205

Litigation

The Authority is a defendant in various legal actions occurring in the normal course of its operations. The Authority has recognized, to the extent it believes necessary, liabilities for any reasonably expected losses which might arise from the final resolution of such litigation. In certain cases, however, management is not presently able to determine the ultimate liability, if any, which might arise upon final resolution of the various legal actions. In these instances, management believes the ultimate liability in excess of amounts recorded, if any, will not materially affect the Authority's financial position.

Federal and State Grants

Expenditures financed by federal and state grants are subject to audit by the granting agencies. Management believes that no significant liability will arise from any such audits.

7. Post-employment Health and Life Insurance Benefits:

In addition to pension benefits to retirees described in Note 4, the Authority provides post-employment health and limited life insurance benefits, which are expensed on a pay-as-you-go basis. To receive these benefits, the individuals must be eligible to receive pension benefits from their respective pension plan. Currently, 246 non-union and 512 union retirees receive these benefits. The Board authorizes these benefits during the budgetary process.

<u>Transport Workers Union - Metropolitan Transit Authority Health & Welfare Trust (H&WT) -</u> The Authority contributed, based upon a contractual agreement to the H&WT, $540 each month starting September 1, 2004, for medical/dental benefits. The Authority is not responsible for payments in excess of its monthly contribution. The Authority recognizes as an expense its monthly contributions to the H&WT. Fiscal 2004 contributions by the Authority to the H&WT for post-employment benefits were approximately $3,237,480 for medical/dental. The total cost to administer H&WT benefits is determined by the H&WT Trustees. The Labor Agreement sets the Authority's contribution. The employees' portion, determined by the H&WT Trustees, represents the difference between the total cost of benefits and METRO's contribution to HW&T.

<u>Non-union post-employment health care coverage -</u> The Authority contributes approximately 85 percent of the cost of various medical/dental plans offered to non-union participants. This amount is established on a pay-as-you-go basis with information furnished by the Authority's benefits staff and projected annually by the Authority's management and budget staff. During Fiscal Year 2004, the Authority contributed approximately $1,644,000 for non-union post-employment health benefits. This amount is expensed when paid.

<u>Post-employment life insurance -</u> The Authority contributes $3.12 monthly (limited to age 70 for pre-June 1, 1995 retirees) and $4.06 monthly (for employees that retired effective January 1, 2003) for non-union retirees and $0.47 for each $1,000 of basic group life insurance for union retirees. Contributions made by the Authority during the current year were approximately $8,000 for non-union and $39,000 for union retirees.

REQUIRED SUPPLEMENTARY INFORMATION

Metropolitan Transit Authority of Harris County, Texas
Schedule of Funding Progress for the
Non-Union and Transport Workers Union Pension Plan
(Unaudited)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Percentage (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Non-Union Pension Plan	Jan 1, 2004	$80,024	99,354	19,330	80.5%	$61,962	31.20%
	Jan 1, 2003	72,093	86,761	14,668	83.1%	58,953	24.88%
	Jan 1, 2002	65,951	79,230	13,279	83.2%	56,585	23.47%
Transport Workers Union Pension Plan	Jan 1, 2004	$98,135	131,147	33,013	74.8%	87,013	37.94%
	Jan 1, 2003	89,273	118,565	29,292	75.3%	84,370	34.72%
	Jan 1, 2002	82,865	105,012	22,147	78.9%	81,573	27.15%

STATISTICAL (UNAUDITED)

Combined Resources by Source – Last Ten Fiscal Years (Unaudited)

Fiscal Year	Sales Tax	Operating Revenue	Grants	Investment Income	Other Income	Total Revenue
2004	$ 381,932,680	$ 45,620,718	$ 134,608,481	$ 1,568,753	$ 410,998	$ 564,141,630
2003	357,498,093	47,272,688	149,125,847	5,722,026	3,640,831	563,259,485
2002	370,857,631	50,702,965	118,282,830	9,113,410	4,946,934	553,903,770
2001	365,919,523	51,120,919	139,093,321	21,108,942	7,521,726	584,764,431
2000	359,254,669	49,596,708	96,476,000	16,205,395	884,021	522,416,793
1999	333,460,909	47,697,779	111,396,131	9,128,831	403,810	502,087,460
1998	314,697,620	46,894,741	66,254,738	14,612,638	656,527	443,116,264
1997	285,009,303	44,257,254	73,469,765	14,846,678	513,855	418,096,855
1996	267,711,763	43,588,945	79,298,109	18,839,108	576,700	410,014,625
1995	258,227,038	45,389,454	51,404,700	21,238,199	322,531	376,581,922

Source: Annual Financial Reports

Operating and Capital Expenditures – Last Ten Fiscal Years (Unaudited)

Fiscal Year	Operating	Depreciation	Infrastructure	Capital
2004	$ 320,022,291	$ 110,336,004	$ 188,238,144	$ 174,773,971
2003	294,508,538	101,075,538	124,782,752	262,790,645
2002	277,249,716	96,138,041	92,559,736	186,220,187
2001	250,300,343	83,950,800	94,087,788	250,711,808
2000	246,054,622	79,771,509	125,849,412	143,044,962
1999	231,782,080	81,627,201	98,297,871	152,596,859
1998	223,296,882	78,952,936	98,021,755	136,325,583
1997	220,473,642	64,034,181	113,724,011	138,166,755
1996	208,717,799	57,050,319	145,987,983	100,985,286
1995	205,513,728	57,259,564	130,280,023	103,105,477

Source: Annual Financial Reports

Demographic Statistics – Last Ten Fiscal Years (Unaudited)

Fiscal Year	Population	Per Capita Personal Income	Total Retail Sales (000)	Unemployment Rate
2004	4,430,000	$39,361	$63,955,000	5.9
2003	4,384,000	37,911	61,181,000	6.8
2002	4,340,000	34,969	58,209,000	5.9
2001	4,268,000	35,200	57,374,000	4.3
2000	4,178,000	34,041	56,213,000	4.1
1999	4,058,000	31,168	52,697,000	4.5
1998	3,965,000	30,066	53,192,000	4.1
1997	3,829,000	28,076	52,043,000	5.0
1996	3,693,000	26,059	43,115,000	5.2
1995	3,591,000	24,474	38,911,000	5.7

Source: Institute for Regional Forecasting, A Division of the Center for Public Policy University of Houston

Ridership Statistics – Last Ten Fiscal Years (Unaudited)

Fiscal Year	HOV Ridership Cars & Vans & Non-Metro Buses	Transit Boarding	Revenue Vehicle Miles	Passenger Miles-Transit	Passenger-Miles Carpool / Vanpool Non-Metro Buses on Transitways	Number of Employees
2004	23,128,816	96,428,515	57,809,095	619,874,671	238,458,131	3,699
2003	22,666,399	97,740,511	56,150,814	608,896,070	233,690,569	3,784
2002	20,685,679	97,704,392	56,269,408	625,060,589	213,269,331	3,644
2001	18,793,691	101,914,157	54,666,706	632,160,800	193,762,951	3,687
2000	16,325,048	101,101,040	52,161,652	607,449,113	168,311,243	3,487
1999	16,550,699	101,106,374	49,911,832	601,923,531	170,637,709	3,555
1998	15,207,916	96,274,371	47,688,468	548,950,133	156,793,609	3,413
1997	15,292,009	88,332,464	47,219,839	466,272,601	157,660,605	3,465
1996	15,347,291	81,401,409	45,220,481	397,024,900	158,230,570	3,513
1995	14,096,183	80,753,187	44,756,351	441,847,870	145,331,647	3,507

Source: Metropolitan Transit Authority Office of Management and Budget

MISSION STATEMENT

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

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