



**Think Accessibility.**



**Think Affordability.**



**Think Mobility.**



**Think Progress.**

**Think METRO.**

**2001 Annual Report**

**think (thngk)**

- To have or formulate in the mind
- To reason about or reflect on; ponder
- To decide by reasoning, reflection, or pondering
- To judge or regard; look upon
- To believe; suppose
- To expect; hope
- To intend
- To call to mind; remember
- To visualize; imagine
- To devise or evolve; invent
- To bring into a given condition by mental preoccupation
- To concentrate one's thoughts on

## Introduction

Board of Directors .....	2
Letter from the Chairman.....	4
Letter from the President & Chief Executive Officer .....	5
The Route to Success .....	7
Timetable of Arrivals .....	9
On Schedule for Light Rail .....	11
Guide to the Unexpected .....	13
Blueprint for the Future .....	15
Executive Millennium Team .....	16
Organizational Chart .....	17
Certificate of Achievement for Excellence in Financial Reporting.....	19

## Financials

Independent Auditors' Report.....	F-1
General Purpose Financial Statements .....	F-2
<i>Combined Balance Sheet—All Fund Types and Account Group</i> .....	F-3
<i>Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—</i> <i>Governmental Funds</i> .....	F-7
<i>Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—</i> <i>Actual and Budget—Governmental Funds</i> .....	F-9
<i>Combined Statement of Revenues, Expenses and Changes in Retained Earnings—</i> <i>Enterprise and Internal Service Funds</i> .....	F-11
<i>Combined Statement of Changes in Plan Net Assets—Pension Funds</i> .....	F-12
<i>Combined Statement of Cash Flows—Enterprise and Internal Service Funds</i> .....	F-13
<i>Notes to General Purpose Financial Statements</i> .....	F-14
Required Supplementary Information .....	F-26
Combining Statements.....	F-27
<i>Combining Balance Sheet—Pension Fund</i> .....	F-30
<i>Combining Statement of Changes in Plan Net Assets—Pension Fund</i> .....	F-31

## Statistical

Statistical .....	F-32
Demographic Statistics.....	F-33
Operating Expenditures/Expenses by Fund .....	F-33
Capital Expenditures by Fund .....	F-34
Combined Resources by Source All Funds .....	F-35
Performance Statistics .....	F-35

Think Think Think Think

## ***METRO BOARD OF DIRECTORS***

METRO's nine-member Board of Directors is a diverse group of representatives from the Houston region who voluntarily contribute their time to Authority business. Five Board Members are nominated by the Mayor of Houston and confirmed by City Council. Two Board Members are appointed by the Harris County Judge and confirmed by the Harris County Commissioners Court. Making a total of nine members, two more are appointed by the Mayors of the 14 Multi-Cities that also are part of METRO and voted to tax themselves to support and participate in public transportation in the region.



Robert D. Miller, Chairman of the Board, was appointed to the METRO Board by Harris County Commissioners Court in January 1996 and became Chairman in March 1998. He served as Secretary of the Board prior to becoming Chairman. Mr. Miller is a partner in the law firm of Locke Liddell & Sapp, L.L.P. His areas of legal expertise include real estate, real estate secured lending and government relations.



Ira B. Scott Jr. was appointed to the METRO Board of Directors by the City of Houston in March 1998. He is Vice Chairman of the Board and a member of the Future Programs Committee. Mr. Scott is Vice President at Montgomery Watson, an international environmental project delivery company.



Michael Y. Chou was appointed to the METRO Board by the City of Houston in March 1998. He is Secretary of the Board and Vice Chairman of the Future Programs Committee. Mr. Chou is president of Quadrant Consultants, an engineering, planning, environmental and aviation firm.



# K Think- *to have or formulate in the mind*



Kenneth E. Bolton was appointed to the METRO Board by the City of Houston in March 1998. He is Chairman of the Future Programs Committee and a member of the External Relations Committee. Mr. Bolton, formerly a senior official at the Federal Transit Administration, is a real estate developer of affordable housing.



James E. Cumming was appointed to the METRO Board by the 14 Multi-Cities in the METRO service area in June 1997. He is Vice Chairman of the Operations Committee, a member of the External Relations Committee and the Audit Subcommittee. A former Mayor and Councilman of Taylor Lake Village, he is retired from the Fleet Operations Division of Gulf Oil Corp.



Kathleen DeSilva was appointed to the METRO Board by the City of Houston in March 1998. She is a member of the Operations Committee and the Audit Subcommittee. Ms. DeSilva, a quadriplegic who uses a wheelchair, is in-house counsel for The Institute for Rehabilitation and Research. She is Chair of the METROLift Advisory Committee.



David M. Medina was appointed to the METRO Board by Harris County Commissioners Court in March 2001. He is Vice Chairman of the External Relations Committee and a member of the Future Programs Committee. Mr. Medina is Associate General Counsel, Litigation, with Cooper Industries Inc. and is former judge of the 157th State District Court.



Olga L. Moya was appointed to the METRO Board by the City of Houston in April 1999. She is Chairwoman of the External Relations Committee, a member of the Operations Committee and the Audit Subcommittee. Ms. Moya specializes in environmental law and is a law professor at the South Texas College of Law.



Thomas E. Whitson was appointed to the METRO Board by the 14 Multi-Cities in the METRO service area in September 1998. He is Chairman of the Operations Committee, the Audit Subcommittee and the Multi-Cities Ad Hoc Committee, and a member of the Future Programs Committee. Mr. Whitson serves as Controls Adviser for Exxon Pipeline Co.

# Think Think Think

## **MESSAGE FROM THE CHAIRMAN: 2001 – THE YEAR OF LIGHT RAIL**

METRO made tracks and history in Fiscal Year 2001 – it will go down in the record books as the year light rail made its first imprint on Houston streets. After 20 years of false starts, debate and disappointment, METRO in 2001 led the region toward a new era of transportation.

Along the way, the agency increased its bus service, continued its road improvement mobility projects and added a new Park & Ride lot and other facility enhancements to its growing inventory of transportation services.

It was a year filled with achievements and progress. And nowhere was this more evident than the creation of METRORail, the 7.5-mile light rail line being built from Downtown Houston to south of Reliant Park. The construction go-ahead came early in Fiscal Year 2001 with Houston City Council approval to use city streets for light rail. A court challenge ensued, but the state's First Court of Appeals and the Texas Supreme Court both ruled METRO was operating according to the law with its METRORail project.

A spring ground breaking – at the site of METRO's planned Downtown Transit Center & Administrative Office Building – paved the way for construction crews to start relocating utilities and preparing Main and Fannin streets to accommodate light rail. Sixteen stations, all of them incorporating the work of local artists, were designed and approved. Each will reflect the character of the individual neighborhoods they serve. METRO displayed the station designs at the Museum of Fine Arts, Houston.

In July, the Board selected names for the stations based on geography, destination or a combination of both. In a rail system that must be as user-friendly to native

Houstonians as it is to international visitors, the station names reflect their location and will make it easy for riders to figure out how to get where they want to go.

And for that, METRO made tracks. The first steel rails were installed on Fannin Street in the Texas Medical Center as the fiscal year came to a close. The project had come full circle, from uncertainty to reality.

Fifteen silver-colored rail cars were ordered, and the final design began. In early 2004, light rail vehicles will join METRO buses, trolleys and METROLift vans as one more mode of transportation for the region. But METRO knows it will take more than light rail to improve mobility long term. Throughout all the excitement and milestones of the rail project, METRO planners quietly focused on the future.

As the fiscal year drew to a close, studies were started on advanced high capacity transit options for nine busy corridors surrounding Houston. The METRO Mobility 2025 plan calls for new transit service, expansion of existing operations and corridor studies to determine what modes of high capacity transit will offer the best mobility solutions for the region's future. In 2003, METRO will go to the voters with a systemwide transportation plan.

Tomorrow's mobility will come with the tracks METRO made in 2001.



Robert D. Miller  
Chairman, Board of Directors





## **LETTER FROM METRO PRESIDENT & CHIEF EXECUTIVE OFFICER SHIRLEY A. DELIBERO**

As always, METRO's efforts during this past fiscal year focused on serving some Very Important People – our riders.

These VIPs take every shape and form. They are college and technical school students who use the U.Pass, a free, trial bus pass. They are riders who take the Local bus to work, to doctor's appointments or to any place they need to go.

They are people with disabilities who can now choose from a 100 percent accessible bus fleet. They are METROLift users, whose suggestions in focus groups led to new, improved vehicles.

They are the increasing numbers of suburban commuters who use METRO's 25 convenient Park & Ride lots or drive on the more than 100 miles of METRO's High Occupancy Vehicle (HOV) lanes. They are people who use our Special Event service to RodeoHouston and the Houston Livestock Show, sporting events and many other venues. They are among those who have brought ridership on vanpools and carpools to an all-time high.

At METRO, we pride ourselves on the rider-friendly achievements we've made. During this eventful fiscal year, we added nearly 150 new Bus Operators to offer improved service on a fleet that includes nearly 700 new vehicles since June 2000 (425 of those in Fiscal Year 2001). We expanded and added Park & Ride lots and Transit Centers, and added the first-of-their-kind, barrier-free Katy Diamond Lanes to our network of HOVs. The first tracks were laid for Houston's future light rail line.

We added convenience for our riders with the introduction of the time-activated fare card system. Unlike the previous calendar-based system, the card is not activated until its initial use. Another "rider-friendly" effort was the installation

of the first customized METRO kiosk at the Greyhound Bus Station on Main Street. Kiosks will be conveniently located at METRO RideStores and other key sites around the city. Route information is color-coded to a bus route map for each area, and the kiosk takes them through "Six Easy Steps" to ride METRO.

Louisiana Street, a major Downtown artery, was completed in METRO's Downtown/Midtown Transit Streets Project. We also brought some poetry into our riders' lives with the debut of Poetry in Motion, bus cards that display lines of poetry on all our fixed route buses. Our top-notch METRO Police & Traffic Management Department received coveted accreditation from the Commission on Accreditation for Law Enforcement Agencies (CALEA). METRO passed a four-year State Performance Audit with flying colors, showing an increase in ridership, reduced costs and excellent on-time performance.

Our Business Development Office continued its aggressive efforts to foster and encourage small business participation in METRO's projects, from modest inside repair jobs to major street improvement projects throughout the region.

We accomplished all these things with the very best staff, world-class people like Bus Operator Charlie Kennedy, who placed second in an international bus rodeo competition. Our staff reflects the diversity of Houston and has the skills and experience to serve some very special people – our customers.



Shirley A. DeLibero  
President & Chief Executive Officer







Think Think Think Think



## THE ROUTE TO SUCCESS

METRO's route to success is paved by the hard work of nearly 3,800 employees. Together, this winning transportation team racked up a host of awards and honors in Fiscal Year 2001. From the Bus Operators and METRO Police Officers to the Accountants and Auditors, METRO won kudos from many quarters.

The fiscal year ended on a high note as longtime METRO Bus Operator Charlie Kennedy took second place in the American Public Transportation Association (APTA) International Bus Roadeo. Safe, efficient bus service is METRO's lifeblood, and having one of the top drivers in North America working at METRO is an achievement to relish.

Also, METRO received two more kudos at APTA's Annual Convention when Houston Mayor Lee P. Brown received the Local Division of the Distinguished Service Award for his contributions to public transportation and his support of transit issues. And former METRO General Manager Bob MacLennan, head of METRO for nine years through 1998, was inducted into the APTA Hall of Fame.

METRO continued its tradition of selecting a Top Operator and a Top Tech for the previous year. Top Bus Operator Reginald Wilmore and Top Tech Gary Chambers, chosen from among several excellent Operations employees, were the best of the best for 2000.

In April, METRO received word that a four-year State Performance Audit of the agency found a 6 percent ridership increase, reduced costs and excellent on-time performance. At the same time, an external audit for Fiscal Year 2000 showed METRO's internal control and operation were sound. The four-year report also placed METRO within the top quartile of well-run transit agencies.

And while METRO operated a tight ship internally, it also expanded its horizons in the quest for cleaner air in the Houston region. For the second year in a row, METRO reached out

to the future with the U.Pass, a free bus pass for college and technical school students. The latest program in METRO's continuing commitment to clean air in partnership with the Houston-Galveston Area Council earned high marks from students and administrators. The program was so successful, it was expanded to a full semester in Fiscal Year 2001.

Complementing METRO's service on the streets is the agency's Police & Traffic Management Department. Its police officers patrol the streets and bus shelters and work hand-in-hand with Bus Operators and Operations employees. METRO's traffic management staff oversees the approximately 100 miles of High Occupancy Vehicle lanes in the region and implements traffic management technology like the Regional Computerized Traffic Signal System (RCTSS).

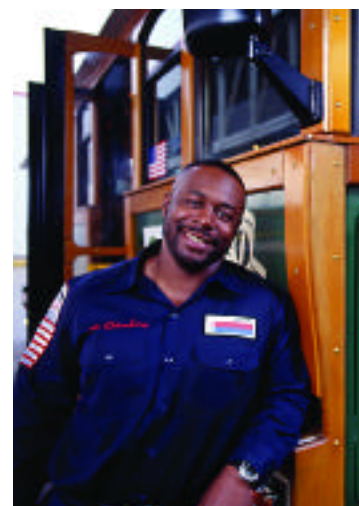
After three years of preparation, Police & Traffic Management in 2001 received accreditation from the Commission on Accreditation for Law Enforcement Agencies (CALEA), becoming one of only three transit law enforcement agencies in the world to achieve the coveted status. All METRO Police patrol cars now boast the CALEA seal, which means the department meets the stringent management and performance standards and documentation requirements of the international organization.

The route to the future was clearly outlined with the laying of the first rail tracks in the Texas Medical Center as the fiscal year was coming to a close. The milestone event signaled that the 20-year dream of rail in Houston was finally becoming a reality.



Above: Top Operator Reginald Wilmore has driven every one of METRO's approximately 130 bus routes. Since METRO reached 100 percent accessibility in 2001, each bus has an accessible ramp, as Wilmore demonstrates.

Below: METRO's Top Tech Gary Chambers, a Journeyman Mechanic, works on all types of METRO vehicles, including trolleys.









# K Think- *to devise or evolve; invent*

## TIMETABLE OF ARRIVALS

Among milestones in 2001, METRO started the calendar year with the opening of its 25th Park & Ride facility, the Townsen Park & Ride, a \$6.6 million facility with 1,010 parking spaces, and introduced a new bus route, the 257 Townsen. Townsen Park & Ride is in Humble, one of 14 Multi-Cities served by METRO.

The opening of a first-of-its-kind service in Houston is helping to ease the commute for Katy carpoolers traveling to and from Downtown via the west side I-10 High Occupancy Vehicle (HOV) lane. Designed and built by the Texas Department of Transportation, and jointly funded by TxDOT and METRO, the new Katy Diamond Lanes operate like the city's other HOV lanes but without the outside barrier. Motorists can move into and out of the specially marked lanes during normal HOV hours. METRO operates more than 100 miles of HOV lanes throughout the Houston region.

Giving people with disabilities even more choices, METRO's bus fleet achieved 100 percent accessibility in 2001. Responding to patrons' requests for a smoother ride on METROLift, the curb-to-curb service for passengers who cannot ride accessible fixed route buses, METRO replaced its fleet of vans with brand new vehicles that have improved suspension systems.

METRO is also looking ahead to ensure accessibility for the future METRORail. Traveling a 7.5-mile route from Downtown to south of Reliant Park, the line will include specially designed, low-floor rail cars to provide easy access to all patrons.

While Commuter ridership saw an 11 percent jump in Fiscal Year 2001, METRO's vanpool and carpool programs and its partnerships with regional companies to offer financial incentives for employees who commute also grew. As the year ended, METRO had more than 280 METROVan vanpools, whereby commuters – including those from outside the service area – paired up to leave their vehicles home. More than 3,500 people now use METRO-contracted vans to get to work every weekday.

Construction on the new Reliant Park substantially reduced parking space in the area during the past year. METRO helped ease the congestion with its popular special event service, corralling an estimated 1.5 million rodeo fans to the annual RodeoHouston and Houston Livestock Show.

The commuting experience for riders rose to a new level with the debut of Poetry in Motion. The program displays lines of poetry on bus cards from a diverse group of acclaimed poets on all fixed route buses. Poetry in Motion was developed by the Poetry Society of America (PSA) and the Metropolitan Transit Authority of New York City in 1992. With METRO's adoption of the program, bus riders in 11 U.S. cities are now moving with poetry.

Addressing the needs of METRO's requisitioners, buyers and contract administrators, METRO introduced a more user-friendly procurement system for goods and services. MAPS, METRO's Automated Procurement System, is an integration of software from two manufacturers, Oracle and Compusearch.

METRO's Information Technology (IT) staff worked with all of the agency's departments in 2001 to look at ways each could become more efficient. From progress on METRO's Regional Computerized Traffic Signal System to a new computer backup system.

At the close of the fiscal year, and following a seven-week on-site validation test, METRO entered into an agreement with a British firm (SEMA) for a computer-based Maintenance, Material and Inventory System to manage its bus fleet, and, ultimately, its rail fleet. And to help prepare new Bus Operators and enhance system safety, METRO ordered two virtual reality bus simulators.



Above: Best Bus Cleaner Team in METRO's 2001 Bus Roadeo, Andres Carlos, left, and Sheila Pichon of Kashmere install the latest bus cards for the Poetry in Motion program.

Below: METRO staff who help keep METROVan's ridership growing are: front row, from left, Vangie Soto-Chairez and Troy Macon; second row, from left, William Pitts, Melanie Shepard and Beverly Elam Homer; and third row, from left, John Nunez and Jerry Murphy.



Posing with one of the new METROLift vehicles are METROLift Operator George Wan with METROLift staff who also use the service, Art Jackson and Monique Brightmon (sitting inside).







# Think- *To concentrate one's thoughts on*

## ON SCHEDULE FOR LIGHT RAIL

The big full-color signs throughout Houston's Downtown and Midtown areas tell the story: "Arriving 2004," the signs read, and below is a picture of the sleek, silver METRORail vehicle heading down Main Street. Fiscal Year 2001 is when everything came together, and METRORail took off on a fast track.

A project beset by unforeseen delays remained true enough to its original schedule that METRO's rail team remains optimistic METRORail will be operational in early 2004.

The 2001 METRORail timetable is filled with milestones, starting with the Nov. 21, 2000, City Council 11-4 vote to allow METRO to use public streets for the construction of the 7.5-mile line from Downtown Houston to south of Reliant Park. Overwhelming support from city leaders preceded the March 13 ground breaking, held symbolically on the site of METRO's future administrative headquarters – and bus and rail transit hub – at Main Street and St. Joseph Parkway.

Red, blue and silver confetti filled the air, and jubilant officials from throughout METRO's service area were on board to help drive golden spikes into silver rail tracks. The front page of the March 14 Houston Chronicle published photos and quoted METRO President & Chief Executive Officer Shirley A. DeLibero: "Light rail is on its way to Houston, and I am one ecstatic METRO president."

Construction followed, with contractors working on portions of all five METRORail Line Sections along Main and Fannin streets. Utility relocations began, as did the complex work of replacing city water and sewer lines that were up to 50 years old. Much of the light rail construction resembles METRO's Downtown/Midtown Transit Streets Project and includes new concrete pavement, new street lights, wider sidewalks, landscaping and drainage improvements. In many cases, other entities are paying additional costs for

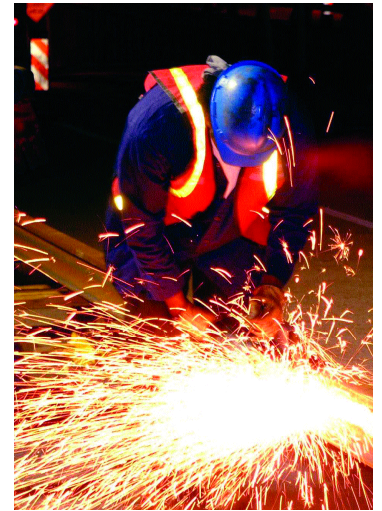
enhancements like brick pavers and amenities along the light rail alignment.

As construction continued, designs were finalized on 16 METRORail stations, each one a unique reflection of its neighborhood and residents. METRO worked with local artists to come up with the final renderings, all of which were on display at a special exhibit at the Museum of Fine Arts, Houston, during the summer. In July, the METRO Board approved a station-naming policy and the official names of all 16 METRORail stations.

From north to south, the METRORail stations are: UH-Downtown; Preston; Lamar/McKinney; Bell; Downtown Transit Ctr; McGowen; Ensemble/HCC; Wheeler; Museum District; Hermann Park/Rice U; Memorial Hermann Hospital/Houston Zoo; Dryden/ TMC; TMC Transit Ctr; Smith Lands; Reliant Park; and Fannin South.

Rounding up a year of milestones was the Sept. 20 symbolic installation of the first light rail track in the Texas Medical Center. Houston Mayor Lee P. Brown, METRO Board Chairman Robert D. Miller and DeLibero turned huge wrenches to symbolically align a 1,000-foot section of rail just north of Bates. As the fiscal year closed, rail installation continued northbound along Fannin, with the potentially disruptive work reserved for off-peak hours and weekends. Throughout the construction process, METRO has worked closely with stakeholders along the light rail line to maintain access to businesses, left turns and pedestrian access.

The Authority has printed signs and fliers with helpful construction information alerting people to detours and pending temporary closures to help them navigate the streets while METRORail takes shape.



Above: Sticks of light rail track are welded together to form 1,000-foot lengths. The first tracks were installed on Fannin Street in the Texas Medical Center in September 2001.

Below: Workers prepare for a second concrete pour along Fannin Street as the METRORail tracks become part of the Texas Medical Center.



A glimpse into the future along Main Street shows METRORail's Preston Station alive with people as a METRORail train passes. Local artists helped design the 16 METRORail stations.





Think Think Think Think

**METRO**





# K Think- *To call to mind; remember*

## GUIDE TO THE UNEXPECTED

Sailing a ship in calm seas is easy. The real test is during a storm. METRO staff proved they were up to the task in June 2001 when a fierce tropical storm drenched the city in one of the most disastrous floods to hit the Houston area. Later in the year, another unexpected event occurred with the terrorist attacks on the East Coast. METRO showed its true colors – red, white and blue – and responded proactively.

In the immediate aftermath of Tropical Storm Allison, METRO employees reacted quickly to the crisis and gave new meaning to the agency's Safe Haven program. The program allows people to flag down a METRO bus – not just at a bus stop but wherever they might be – if they believe they're in an unsafe environment. While most people who take advantage of the program are either feeling threatened by other people or have a medical emergency, being surrounded by flood waters that rose as high as cars surely qualified.

Bus Operator Vincent White was among the dedicated METRO staff who went beyond the call of duty during the storm. White braved dangerously rising flood waters to get a young couple to the hospital for the birth of their child. When a frantic man waved down the bus and told White he and his pregnant wife had been waiting for an ambulance to arrive, White knew he had to help them. After clearing it with his dispatcher, he transferred the remaining passengers onto another METRO bus before starting a harrowing drive to the Texas Medical Center amid torrential rain and ever-rising water to get the young couple to the hospital in time.

Although his story may be the most dramatic, White is among a number of METRO Bus Operators, Police Officers and other staff who rose to the occasion and gave out-of-the-ordinary help in an emergency. METRO Police Officers John Wiggins and Mack Sullivan waded through high water to rescue a number of people stranded

by the flood, including an elderly diabetic woman in desperate need of her medicine. Bus Operators who were stranded themselves gave dry, safe shelter to those who had nowhere else to go. Many others worked extra hours to fill in for their fellow employees who couldn't make it in.

METRO's efforts didn't stop when the flood water receded. In the wake of the storm, METRO modified its schedule and offered free fares and a shuttle service to Downtown workers whose companies had suffered extensive damage.

When the unexpected happened on Sept. 11 with the terrorist attacks, METRO pulled together as a team and dealt with the situation proactively. That morning, as one major Houston business after another closed, METRO put an additional 150 Bus Operators and buses on the streets to help get patrons home. Many loyal riders trusted that METRO would come through and were already waiting at their stops.

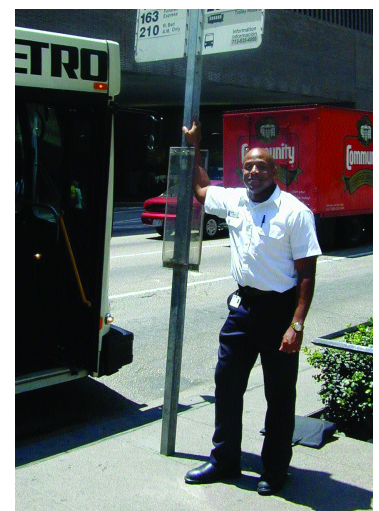
Later that week, METRO, in keeping with its trademark red, white and blue logo, wanted to show its loyalty and support for the United States. METRO Bus Operators were instructed to put on their lights, and U.S. flag illustrations were patriotically displayed in the windshield of every METRO bus, METROLift vehicle and trolley in remembrance of victims of those attacks. Those images were later replaced with sturdier flag decals to create a more permanent patriotic display on every METRO vehicle.

No one can foresee the future, but as METRO learned during a year of unprecedented events, you can be ready to confront the unexpected.



Above: Among the many loyal METRO employees who gave emergency help during the disastrous floods of Tropical Storm Allison were METRO Police Officers John Wiggins, left, and Mack Sullivan.

Below: Bus Operator Vincent White braved flood waters to get a young couple to the hospital for the birth of their child.

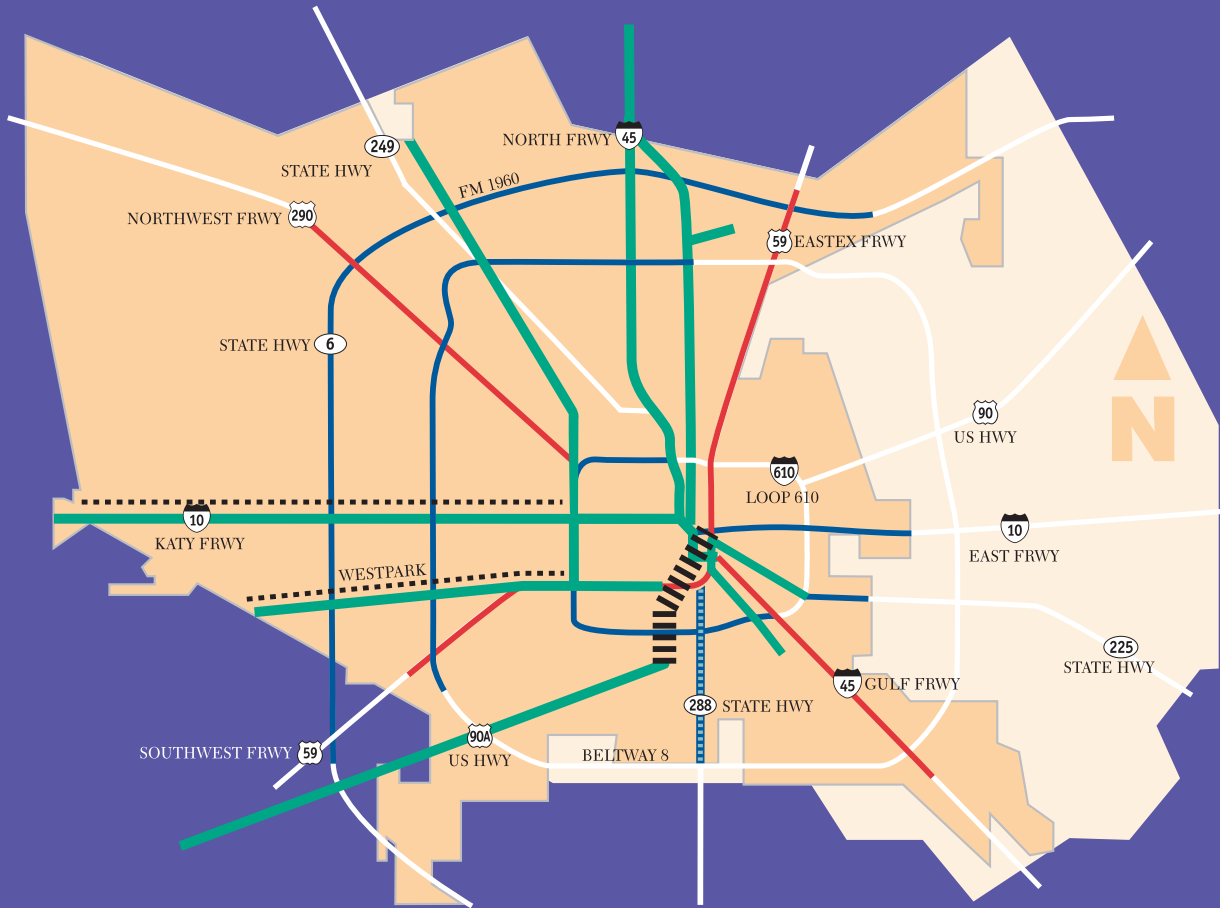


In the aftermath of the Sept. 11 terrorist attacks, METRO displays American flag decals on every METRO bus, METROLift vehicle and trolley in remembrance of the victims.

# Think Think Think

METRO Mobility 2025

## Corridor Development Approach



Detailed studies to identify preferred transit improvements have begun. Corridor-level studies will be conducted in cooperation with the Texas Department of Transportation, Houston-Galveston Area Council, City of Houston, Harris County and other partners. Studies are proceeding as follows:

- 1 North/Hardy Corridor: I-45 North and Hardy Toll Road, including Bush Intercontinental Airport – detailed Corridor Study/Alternatives Analysis (AA).
- 2 Southeast/Universities/Hobby Corridor: Texas Southern University, University of Houston and Hobby Airport – detailed Corridor Study/AA.
- 3 U.S. 90A Corridor: The corridor heading southwest from the southern terminus of METRORail into Fort Bend County – a commuter rail feasibility study will be done initially, to be followed by AA, if warranted.
- 4 Uptown/West Loop Corridor: The Galleria area – detailed Corridor Study/AA.
- 5 Katy Freeway Corridor: Initially being addressed in two segments:
  - a: Inner Katy, inside Loop 610 – Concept Development Study, then AA, if warranted.
  - b: Outer Katy, outside Loop 610 – examination of Advanced High Capacity Transit options in view of current plans for freeway reconstruction.
- 6 Harrisburg Corridor: Subarea Study/Systemwide refinement/Continued monitoring.
- 7 State Highway 249/Tomball Corridor: Subarea Study/Systemwide refinement/Continued monitoring.
- 8 State Highway 288 Corridor: Subarea Study/Systemwide refinement/Continued monitoring.
- 9 Westpark Corridor: Special area study to preserve future transit options.

**LEGEND**

- Existing & Committed High Capacity Transit (HOV)
- Light Rail in Construction
- Two Directional Facility in Design (by others)
- Future Advanced HCT (mode-neutral)
- Emerging Corridors
- Emerging Corridor, facility candidate
- METRO Service Area
- Non-METRO Service Area within Harris County

## BLUEPRINT FOR THE FUTURE

As the Houston region continues to grow, METRO must make plans today for tomorrow's mobility. Looking ahead 25 years might be a guessing game to many, but methodical, well-made plans – with just the right amount of flexibility – can provide a good road map to the future.

METRO Mobility 2025 is just such a map. It provides a framework for determining the best transportation modes for the many busy corridors surrounding Houston's core. In May 2001, the METRO Board approved the System Plan and authorized studies on nine of the corridors. Also included in METRO Mobility 2025 are plans for new bus services and facilities, including three new Park & Ride lots and more expansions to existing ones.

Planning studies were approved for the North/Hardy Corridor; the Southeast/Universities/Hobby Corridor; the Uptown/West Loop Corridor; the U.S. 90A corridor; the Harrisburg Corridor; the Westpark Corridor; the Katy Corridor (both inside Loop 610 and outside Loop 610); the Tomball/State Highway 249/Railroad Right of Way Corridor; and the State Highway 288 Corridor.

The studies were just starting as Fiscal Year 2001 ended and are expected to take about 18 months. They will determine the best modes of advanced high capacity transit for each corridor. After the planning studies are completed, METRO will go to the voters with details for a regional mobility plan – one that will get people where they need to go and offer alternatives along the way.

As the agency looked to the future in 2001, it also focused on the present. In Houston's central core, construction continued steadily throughout 2001 on the Downtown/Midtown Transit Streets Project, a more than \$250 million plan to rebuild transit streets and replace aging city infrastructure. As the fiscal year ended, METRO was planning an October celebration of the completion of Louisiana Street, the second major artery to be finished in the massive street rebuilding project. Known as Houston's main skyscraper street, the finished Louisiana is a

pedestrian-friendly thoroughfare with new bus shelters, widened sidewalks, improved street drainage and new street lights and landscaping. Like nearby completed St. Joseph Parkway, the street is a vision of what Houston will look like when the transit project is completed in 2005.

Since its inception in 1979, METRO has spent about \$1.3 billion on street improvement projects throughout its service area. Fiscal Year 2001 saw METRO street construction projects completed or nearing completion in all areas of the region – on Hidalgo, from Chimney Rock to Fountainview; on South Acres, from Cullen to Mykawa; on Independence Boulevard to the southwest in Missouri City; and along Canal Street in Houston's East End community.

The importance of transportation to a region really hit home in July when METRO President & Chief Executive Officer Shirley A. DeLibero addressed the U.S. Olympic Committee about what Houston could offer to the 2012 Summer Olympics. Speaking from the area's transportation and emergency nerve center, Houston TranStar, DeLibero discussed the important role METRORail would play in transporting athletes and spectators to the closely linked Houston venues; she spoke about future mobility plans and METRO's successful bus shuttle service to major Houston events like the annual rodeo. Before leaving town, Olympic Committee members said rail is a key to any city hoping to host the Olympics. In October 2001, Houston was named one of four finalists for the 2012 event.

The seeds METRO sowed in 2001 will lead to a rich harvest in the years to come as a System Plan with common sense and transportation alternatives takes root in the country's fourth-largest city.



Above: METRO buses are staged to shuttle people from RodeoHouston and the Houston Livestock Show in early 2001. METRO transported about 1.4 million people for last year's rodeo events.

Below: METRO's Addicks Park & Ride has undergone several expansions since it was built in 1981. With commuter ridership growing, more Park & Ride facilities are in the works.







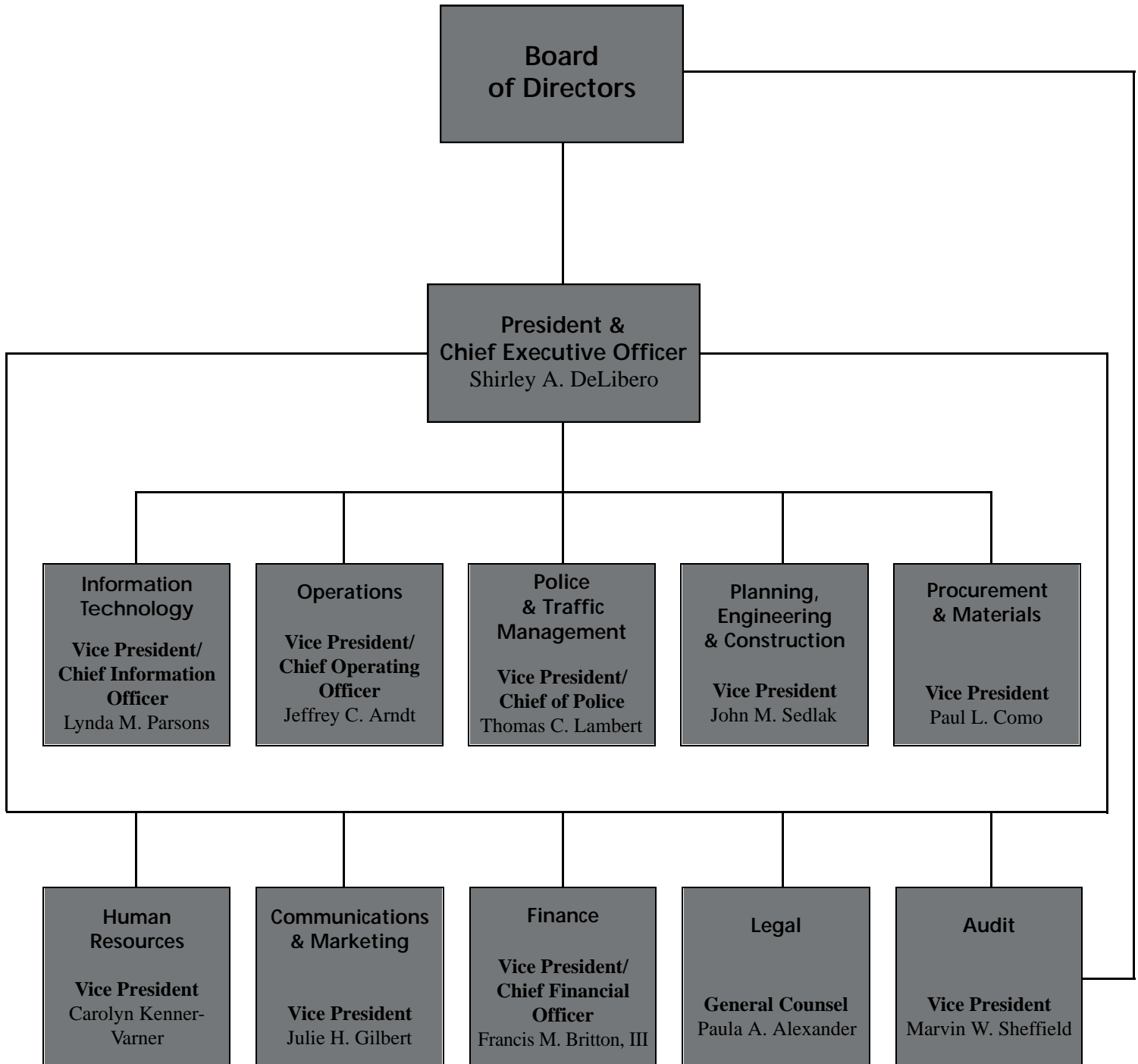
## ***EXECUTIVE MILLENNIUM TEAM***

Thinking ahead takes teamwork. METRO's 11-member top management team – captained by METRO President & Chief Executive Officer Shirley A. DeLibero – is a diverse and dynamic group that knows how to get things done and leads the charge to improve bus service, build METRORail and prepare for the region's transportation future. DeLibero depends on her Executive Millennium Team to work together for the good of the agency. Front row, from left, Vice President & Chief Information Officer Lynda M. Parsons; General Counsel Paula Alexander; DeLibero; and Vice President of Communications & Marketing Julie Gilbert. Second row, from left, Vice President of Audit Marvin W. Sheffield; Vice President & Chief Operating Officer Jeffrey C. Arndt; Vice President of Human Resources Carolyn Kenner-Varnier; and Vice President & Chief Financial Officer Francis M. Britton, III. Back row, from left, Vice President of Planning, Engineering & Construction John M. Sedlak; Vice President & Chief of Police Thomas C. Lambert; and Vice President of Procurement & Materials Paul L. Como.



# METRO

## Board of Directors & Executive Millennium Team



## Economic Outlook

The most recent signals emanating from the U.S. economy are mixed. The good news is that the virtual panic withdrawal from economic activity following Sept. 11 appears to be over. Many indicators, such as retail sales, rebounded nicely within a month of the terrorist attacks. The bad news is that once the post-attack rebound was over, there seemed to be no energy in the economy to proceed with a full-fledged recovery. This suggests that the national economy is no better off than it was in late August. Net job growth is still negative, initial claims for unemployment remain very high and consumer spending continues to be extremely conservative. At present most economic analysts are now forecasting the beginning of a recovery by the second half of 2002.

For the 12 months ending September 2001, Houston has significantly outperformed the U.S. economy. While the U.S. economy began shedding jobs in the spring, Houston's job growth remained strong. However, Houston's growth rate was slowing and the growth rate in Houston's non-energy related economic base came to a virtual halt. Energy has now begun to decline. The primary culprit is a slowdown in worldwide economic activity coupled with a simultaneous increase in worldwide supply of oil.

With virtually no growth occurring in both the energy and nonenergy economic bases, and minuscule growth lingering in the region's secondary sectors, Houston is likely to experience no growth in the near term. At this point it appears that there will be no post-recession burst of economic growth, but instead a more gradual recovery is expected.

For the long term, fiscal year 2021, total employment is still expected to exceed 3.2 million and the population is expected to exceed 6.1 million. This implies an average annual growth rate of 2.13 percent for employment and 1.81 percent average annual growth rate for population. By fiscal year 2021, METRO annual sales tax revenue will be more than \$992 million, reflecting a yearly average growth of 5.13 percent for the 20 year period.

## Financial Information

The Authority is not a component unit and the accompanying financial statements include all funds and account group 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 one 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, general mobility projects, 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 agency.

The following fund are used to account for programs and activities.

The General Fund of the Authority is the general operating fund. It is used to account for all financial transactions except those required to be accounted for in another fund. The Authority uses this fund to account principally for both administration of the Authority's activities, not reportable in another fund, and sales tax receipts, the use of which have not been restricted.

The Capital Project Fund is used primarily to account for activities associated with engineering and construction of transitways, work related to other aspects of fixed guideway system development and administrative assets.

The Special Revenue Funds is used to account for general mobility projects which involve the construction and maintenance of bridges, grade separations, roads, streets, sidewalks, hike and bike trails and curbs in the Authority's service area.

The Fiduciary Fund is used to account for METRO's pension plans.

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 deposits, 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.

All funds (except Fiduciary Funds) participate in the self-insurance program and make payments to the Internal Service Fund. These payments are based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish reserves for the future development of claims.

#### 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 Sept. 30, 2000. This is the tenth 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 while the pension plans have been audited by the firm of Mir. Fox & Rodriguez, P.C.

#### 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.

# 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, 2000

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.



*Thomas A. Brown*  
President

*Jeffrey L. Esser*  
Executive Director