

Business Plan & Budgets

Fiscal Year 2011

Metropolitan Transit Authority

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President & Chief Executive Officer
George Greanias



September 23, 2010

Dear Members of the METRO Board:

On behalf of the staff of the Metropolitan Transit Authority of Harris County, and for the customers and community we serve, I am pleased to present for your consideration the Operating, Capital and Debt Budgets for the fiscal year starting October 1, 2010, and ending September 30, 2011.

This is the first budget presented for the NEW METRO. It reflects our three strategic priorities: providing first-class transit services, building great transit infrastructure and becoming a trusted community partner. To achieve these strategic priorities, this budget supports the work each department and every employee will be doing to honor each of our seven Operating Principles: Customer Service, Cost Control, Asset Utilization, Partnering, Sustainability, Safety and People.

This budget is also the product of a difficult financial period in the New METRO's history. Our strategy to meet this challenge is simple. First, we will adopt a baseline budget that relies on the money we feel certain we will have; we have prepared a budget where the odds are far greater that things will go better than planned, rather than worse. Second, we will preserve our commitment to first-class transit services. This means we will do everything possible to preserve our human capital which is essential to delivering those services. Third, we will pursue financial management policies that will ensure that METRO's effort in providing those services can be maintained over the long term.

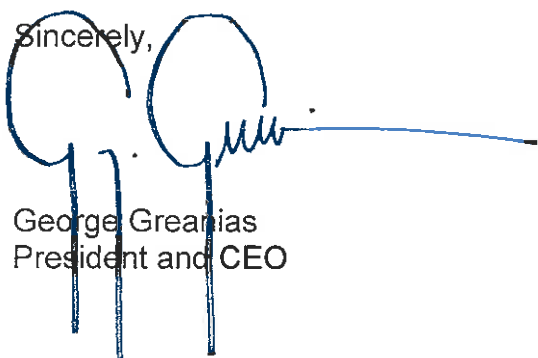
In the coming fiscal year, we will move aggressively to put the Mobility Fund program on a cash basis. We will embrace updated accounting standards that will help both the Board and the public better understand the true costs of operating the Authority day-to-day. We will shape our capital program to available resources. In the case of the METRORail Expansion project, we will adjust our efforts to match our resources. We will follow the same practice when it comes to non-METRORail capital projects. We will never let expenditures in either category get ahead of available funds. While we expect to receive Full Funding Grant Agreements on our North and Southeast rail lines, we will not consider that money in hand until the grant agreements are signed, sealed and delivered.

Just as the NEW METRO will adopt a different financial philosophy and different financial practices, our budget process for the coming year will be different. The budget before the Board is a Baseline Budget based on those revenues we feel certain will be available. As we move ahead, I will be coming to the Board on at least a quarterly basis to revise the budget based on events subsequent to October 1, 2010 and new information developed after the Baseline Budget has been adopted.

Each new step in the process will be transparent. There will be no doubt as to what is being proposed or where the money will come from to pay for it.

To make this work to the benefit of the people we work for, we will need to invoke our Operating Principle on Partnering when it comes to the relationship between the Board and management. I ask for and welcome the Board's continuing involvement, scrutiny and feedback throughout the coming year. I believe that a vigorous and constructive give-and-take about METRO's strategic priorities, its Operating Principles and the best possible stewardship of the financial resources entrusted to us will yield the best possible results for the community we all serve.

Sincerely,

A handwritten signature in blue ink, consisting of a large, stylized 'G' followed by a series of loops and a long horizontal stroke extending to the right.

George Greanias
President and CEO

Business Plan & Budgets FY2011

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This section lists 14 new initiatives that have been reviewed and selected as part of the FY2011 Business Plan. Funding for these initiatives is included in the Operating and Capital Budgets for FY2011.

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FY2011 NEW METRO Budget

Finance Committee Presentation

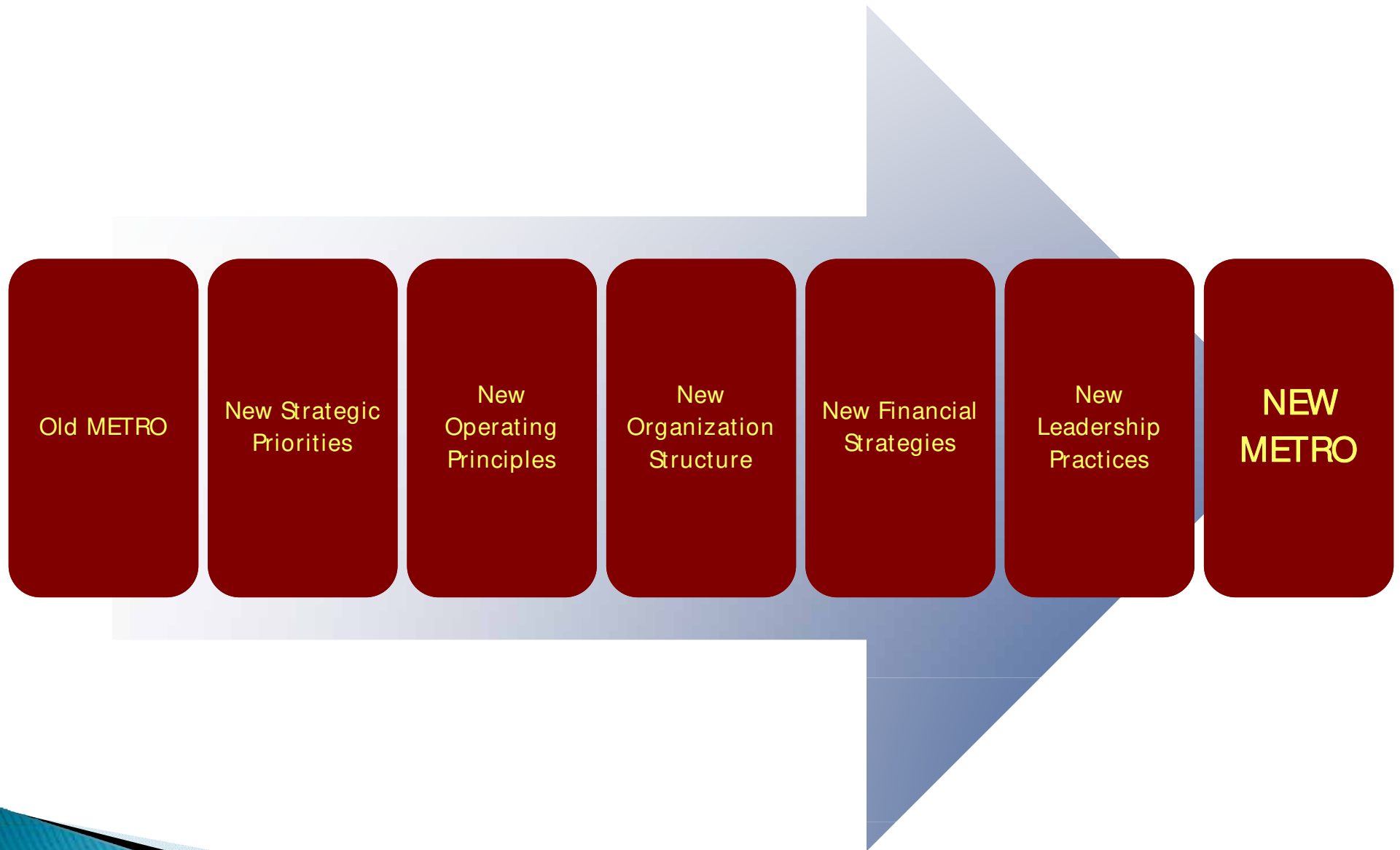
Monday – September 13, 2010

9:00am

The FY2011 Budget Process

- FY2011 Strategic Priorities
- FY 2011 Operating Principles
- Revised Organization Structure
- FY2010 Commentary
- FY2011 Budget Financial Strategies Overview
- FY2011 Budget Assumptions and Decisions
- FY2011 Operating and Capital Initiatives

Building the NEW METRO



Strategic Priorities & Operating Principles

What the NEW METRO Does

- Delivers safe, reliable, affordable and convenient public transit and mobility services to the Greater Houston region

Where the NEW METRO's Going

- Toward an economically dynamic, environmentally sustainable regional community whose quality of life is made better every day by METRO's services



FY2010 Commentary

FY2010 BUDGETED VS. ACTUAL INCOME (as of Sept. 13)

	Budgeted	Actual
Beginning Fund Balance	\$152,390,000	\$135,452,000
Fares	\$67,941,000	\$63,391,000
Sales Tax	\$481,721,000	\$487,060,000
Interest and other	\$2,315,000	\$25,286,000
Commercial Paper	\$39,913,000	\$47,000,000
Grants	\$297,027,000	\$141,086,000
Debt Funding	\$ 344,433,000	\$216,315,000
TOTAL INCOME	\$1,385,740,000	\$1,115,590,000

FY2010 BUDGETED VS. ACTUAL EXPENDITURES

General Mobility	\$151,694,000	\$153,779,000
Operating Expenses	\$383,812,000	\$383,812,000
Capital Programs	\$683,238,000	\$466,917,000
Debt Service	\$99,000,000	\$28,961,000
Ending Fund Balance	\$67,996,000	\$82,121,000
TOTAL EXPENDITURES	\$ 1,385,740,000	\$1,115,590,000

Strategic Priorities

First-Class Customer Service

- Don't raise fares
- Stay committed to transit services
- Focus on improved customer service

Great Transit Infrastructure

- Don't get ahead of ourselves on rail
- Pursue critical non-rail infrastructure opportunities

Trusted Community Partner

- Be candid and complete in reporting NEW METRO finances
- Look for opportunities to leverage NEW METRO dollars through partnered mobility projects

Operating Principles

Customer Service

- Maintain commitment to Transit Services
- Keep focus on improved customer service
- Introduce innovative service delivery concepts to meet market needs in a more cost effective manner
- Recognize that much of customer service improvement can require minimal dollars

Partnering

- Look for opportunities through partnerships to leverage NEW METRO dollars
- Aggressively increase community outreach and relationship rebuilding
- Establish Customer Advisory Council

Cost Control

- Keep tight control on expenditures
- Manage budget on Rolling Quarters basis
- Systematically eliminate expenditures of marginal value
- Consider life-cycle costs when making acquisitions
- Use Process Improvement to eliminate Non-Value Added activities or practices

Asset Utilization

- Use existing assets to maximum efficiency
- Maintain assets in state of good repair
- Continue good maintenance practices

Sustainability

- Avoid short-term financial fixes that cut into the NEW METRO's muscle
- Keep the NEW METRO human infrastructure intact
- Look for opportunities to act responsibly environmentally and benefit financially

Safety

- ▶ Always keep safety first
- ▶ Do nothing in financial management that jeopardizes the safety of customers, employees or the general public

People

- Maintain NEW METRO's human capital
- Focus on development of leadership and worker skills through programs with minimal financial impact
- Emphasize shared responsibility and shared sacrifice
- Look for commitment to and support of what NEW METRO does and where we are going

Before September 8th

PRE-SEPTEMBER 8TH ANTICIPATED FY2011 BUDGET

Income

Beginning fund balance	\$75,924,000
Fares	\$ 62,600,000
Sales Tax	\$499,207,00
Interest	\$ 524,000
Commercial Paper	\$21,181,000
Grants	\$ 340,536,000
Debt funding	\$338,367,000
TOTAL INCOME	\$ 1,338,339,000
General Mobility	\$186,341,000
Operating Expenses	\$408,715,000
Capital Programs	\$625,761,000
Debt Service	\$52,719,000
Ending Fund Balance	\$64,803,000
TOTAL EXPENDITURES	\$ 1,338,339,000

Even before September 8th, the NEW METRO faced significant financial issues, including...

PRE-SEPTEMBER 8TH ANTICIPATED FY2011 BUDGET

Income

Beginning fund balance	\$75,924,000
Fares	\$ 62,600,000
Sales Tax	\$499,207,000
Interest and Other	\$ 524,000
Commercial Paper	\$21,181,000
Grants	\$ 340,536,000
Debt funding	\$338,367,000
TOTAL INCOME	\$ 1,338,339,000

Expenditures

General Mobility	\$ 186,341,000
Operating Expenses	\$ 408,715,000
Capital Programs	\$ 625,761,000
Debt Service	\$ 52,719,000
Ending Fund Balance	\$ 64,803,000
TOTAL EXPENDITURES	\$ 1,338,339,000

THE GENERAL MOBILITY ISSUE

In recent years...

- The Old METRO effectively operated at a deficit...
- Using the quarter cent for other things than General Mobility...
- And making General Mobility payments by borrowing in the Commercial Paper market...
- Creating a current Commercial Paper liability of \$167,000,000

IN ADDITION

NEW METRO is changing its policy regarding capitalization of operating expenses...

- Fewer operating expenses will be capitalized...
- Giving the impression operating expenses are going up...
- When in fact we are providing a more accurate picture of what it costs to operate our business...
- And making it easier to hold the organization accountable for efficient operation

After September 8th

What the FTA Told Us

- Must re-procure rail cars
- When NEW METRO re-procures, FFGA process will resume
- NEW METRO's \$150 million in FY2010 Federal Budget stays put
- NEW METRO's \$150 million in FY2011 Federal Budget stays put
- \$50 million will be available for Design / Engineering
- Letters of No Prejudice (LONPs) will become available
- Recovery (Stimulus) funds of up to \$64 million remain available

Key FY2011 Budget Assumptions

- Use pragmatic conservative scenario
- Act quickly but think long term
- Keep Transit Services paramount
- Commit to clearer reporting of operating costs
- Be conservative on federal funds expectations
- Pace METRORail Expansion to funds availability

Key FY2011 Budget Decisions

- No Fare Increase
- Maintain commitment to Transit Services
- Shape METRORail Expansion pace to funds
- Switch to cash-based GMP
- Adopt better capitalization policy
- Maintain organizational capacity and resilience
- Stick with Strategic Priorities and Operating Principles

FY2011 PROPOSED BUDGET

	Before September 8 th	After September 8 th
Income		
Beginning fund balance	\$75,924,000	\$84,121,000
Fares	\$ 62,600,000	\$62,600,000
Sales Tax	\$ 499,207,000	\$499,207,000
Interest and Other	\$ 524,000	\$524,000
Commercial Paper	\$21,181,000	\$ 0
Grants	\$ 340,536,000	\$ 147,586,000
Debt funding	\$338,367,000	\$161,187,000
TOTAL INCOME	\$1,338,339,000	\$955,225,000
Expenditures		
General Mobility	\$186,341,000	\$186,341,000
Operating Expenses	\$408,715,000	\$408,715,000
Capital Programs	\$625,761,000	\$247,647,000
Debt Service	\$52,719,000	\$47,719,000
Ending Fund Balance	\$64,803,000	\$64,803,000
TOTAL EXPENDITURES	\$1,338,339,000	\$955,225,000

	Before September 8 th	After September 8 th
Income	\$ 1,338,339,000	\$955,225,000
Expenditures	\$ 1,338,339,000	\$ 955,225,000

FY2010 Budget vs. FY2011 Budget

-\$430,000,000

-31.2%

Major Change Factors

- ▲ FTA awards FFGA
- ▲ Recovery Act Funds remain available
- ▲ FTA releases more of FY2010 appropriated funds
- ▲ Additional Recovery Act Funds become available
- ▼ Economy weakens
- ▼ Sales Tax revenue falls
- ▼ Ridership declines materially
- ▼ FTA significantly delays FFGA

Other Challenges Remain

- Repaying Commercial Paper used for GMP
- Executing successfully against the Strategic Priorities, Operating Principles and Budget
- Staying the course for 24 to 30 months

The Go Forward Strategy

September 2010	Adopt FY2011 Budget
January 2011	Quarterly Review and Revision
April 2011	Quarterly Review and Revision
July 2011	<ul style="list-style-type: none">• Quarterly Review and Revision• FY2012 Look-Ahead

...and be prepared to bring budget changes to the Board apart from quarterly reviews if events warrant

The FTA Challenge

“While violations of these [Federal rules and requirements regarding procurement] could nullify the ability of the FTA to participate in any projects tainted by such violations, in the case of Houston METRO, ***the Administration believes that the commuters of Houston should not be denied needed transit improvements due to the actions of prior METRO management.***”

Credits

Executive Management Team

OMB Group

Brian Rogers

Tony Hawley

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Scorecards

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Scorecards Service Design & Development

Principles	Balanced Scorecard - Service Design & Development Initiatives	Definition
Asset Utilization	Underutilized Park & Ride Lots NOTE: Business Plan Initiative	METRO currently has approximately 34,000 parking spaces available for Park & Ride (P&R) service. On an average day, METRO has just over 16,000 unused parking spaces, with 12 of METRO's 29 P&R lots less than 30% occupied. This initiative will examine methods to increase utilization of the P&R lots by providing value and benefits to patrons.
Sustainability	Advance University Line Corridor and 90A/Southwest Rail Corridor through Federal Projects Development Process	Since the Record of Decision granting environmental clearance has been obtained for the University LRT project, efforts will be advanced to Final Design. The 90A/Southwest Corridor rail project will advance through the DEIS phase.
	Alternative Service Delivery - FY2011 Transit Service Plan NOTE: Business Plan Initiative	This initiative is proposed to improve Customer Service; introduce new and innovative concepts for providing sustainable service delivery; and maximize utilization of fiscal, capital and human assets.
Safety	Community School Safety Education Program (CSSEP) <small>Note - This is part of the Stakeholder Affairs Function, which reports on a matrix basis to Capital Programs.</small>	METRO has developed a Community School Safety Education Program (CSSEP) to help increase safety awareness for students at schools closest to rail construction zones. This program is designed to integrate age-appropriate material and interactive lessons about train awareness, construction and rail safety into academic subject areas, such as science, language arts, social studies, health, music and movement.
Cost Control	Fare Recovery Research Project on Surcharge at Reliant Park NOTE: Business Plan Initiative	This initiative is proposing a fare recovery research project, to develop a methodology for implementing a "transit surcharge" on admission tickets to major events held at Reliant Stadium, including the Houston Livestock Show & Rodeo (HLSR) and the Houston Texans football games, to ensure full revenue recovery.
	Use of Consultant Services	In an effort to balance long-term Authority costs with ongoing project needs, METRO will continue its long-standing and cost-effective practice of retaining consultants to provide specialty skills needed for project development.
Customer Service	FY2011 Transit Service Plan	A transit service plan establishes the Authority's strategy for improving system-wide services. The goal is to focus on service that is safe, reliable, timely, affordable, and convenient, with a personal touch in delivering services to customers.
	Park & Ride Services	This initiative expands the availability of commuter bus services to the Gulf Corridor, Brazoria, Missouri City and Kingsland.
Partnering	Regional Long-Range Transit Plan Update	The long-range plan is a 25-year plan that sets context for future projects. H-GAC is in the process of developing a Year 2040 update to the Regional Transportation Plan. This will be an important opportunity for METRO to work in a collaborative fashion, with maximum opportunities for public input, while developing METRO's component of its Regional Transit Plan update.
	Advance Downtown Intermodal Terminal <small>Note - Subject to CIP Funding availability.</small>	A Downtown Intermodal Terminal should be thoughtfully evaluated for near-term decisions that could strategically enhance the region's multimodal transit services. An intermodal terminal would provide improved regional access to this major activity center and would expand important regional transit connectivity. The development and operation of this intermodal center must preserve and enhance, if possible, the existing freight rail system capacity.
People	Staff Training & Development	Ensure that employees have the knowledge and training to do their jobs. Make available opportunities and resources to provide for staff development through seminars, conferences and in-house workshops. Encourage the professional status of staff by promoting the attainment of professional licensing and certification.
	Utilize Employees and Stakeholders to Support METRO Programs	Expand a progressive, two-way dialogue with community leadership to reach common customers/members. Recruit and maintain (1) an active team of employee volunteers, and (2) a group of high-level speakers, respectively, to interface with the community. This initiative includes the METRO Speaker's Bureau, METRO Citizen's Academy, and the METRO Ambassador Program.

Business Plan & Budgets FY2011

Scorecards Service Delivery

Principles	Balanced Scorecard -Service Delivery Initiatives	Definition
Asset Utilization	Fleet Management	Purchase 100 new buses; manage H-GAC commitments; retire fleets as needed; monitor spare ratios; and pursue bus & rail refurbishment programs.
	Alternative Service Initiative	Pursue new ways to run the service.
	Revenue Opportunities	Pursue advertising on buses.
Sustainability	Energy	Decrease usage/consumption of energy.
	Social Responsibility	Identify an area of social impact outside of METRO.
Safety	Accidents	No more than 528 for bus and no more than 39 for rail.
	Improve safety culture	Implement mandatory safety meetings in each operational division; reduce employee accidents; make safety a more integral part of management decisions
Cost Control	Budget	Meet overall budget objectives on schedule and within budget.
	Cost Reductions	Continue with the alternative parts program; manage the business philosophy; review what METRO does and why.
Customer Service	Customer Care	Complaints of 17,000 or less; Customer Information Center hold time of 1 minute or less; continue to evaluate Operator behaviors; monitor the customer philosophy in all divisions and departments.
	Service reliability (On-Time)	Weighted Average 69% for Bus; 96% for Rail.
	Quality of product	Bus: Mean Distance Between Failure of 6,600 miles; examine repeat roadcalls. Rail: Mean Distance Between Service Interruptions of 15,000 miles METROLift: Mean Distance Between Failures of 10,500 miles.
Partnering	Internal and External Outreach efforts	Support external outreach efforts as needed; implement interdepartmental summit meetings
	Union/Management Cooperation efforts	Monthly issues meetings with Union staff.
People	Employee Incentive	Developed and administer an incentive program for rank and file staff.
	First Line Supervision training	Develop and implement first line supervision training and change management philosophy

Business Plan & Budgets FY2011

Scorecards Capital Programs – METRORail Expansion

Principles	Balanced Scorecard - METRO Rail Expansion Initiatives	Definition
Asset Utilization	HOV Lanes Conversion to HOT Lanes	Conversion of 84 miles of High Occupancy Vehicle to High Occupancy Toll is estimated to increase utilization of the HOV system more than 50%. Using technology to upgrade gates and signal operations will improve reversible efficiency and more operational flexibility. Consider extending operating hours and weekend operation.
	Ensure 100 % asset utilization; office equipment, internal professional services: Email Response Management System (ERMS) - (SAP, ORACLE,) business practices, Real Estate Database	<ol style="list-style-type: none"> 1. Facilitate intra-departmental and divisional meetings to understand ERMS capabilities to develop effective and efficient business practices & procedures. 2. Integrate existing project financial data into SAP database. 3. The Real Estate Acquisition Database will stabilize critical information currently unsupported. The database will add and hold all parcel information for past corridors (The Red Line), future corridors (University, Uptown) and all other METRO real estate assets facilitating the management of historical information, legally required documentation, FTA required data and supporting reports, as well as managing METRO leases, licenses and joint development holdings.
Sustainability	METRO Rail Expansion	<ol style="list-style-type: none"> 1. METRO Rail Expansion will continue to build a safe and quality transportation infrastructure that promotes and sustains regional transportation needs linking people with jobs, services and communities far into the future.
	Secure corridor Federal Full Funding Grant Agreement	<ol style="list-style-type: none"> 1. Provides for the major funding source for the project. Completion of the project will improve METRO's level of service to the public and reduce the number of automobile emissions. 2. Need to secure LONP's from FTA for roadway construction on the North and Southeast Corridors. Additional ROW for the project which will provide service to the community along with the added benefit of improved infrastructure through the City of Houston.
Safety	State of Good Repair	<p>MAIN ST ENHANCEMENTS - Bar signal upgrades, signal timing adjustments and uninterrupted power supplies improvements programmed for the FY2011 Business Plan provides a tremendous benefit to the cost ratio. Work completed in FY2010 has proven to reduce accidents, improve running time and provide for a safe and more reliable service.</p> <p>FACILITIES and HOV O&M - provide the needed inspections and repairs and upgrades to ensure HOV and Park & Ride Facilities are safe.</p>
	Provide and promote a "safety first" working environment for employees, corridor personnel and general public	<ol style="list-style-type: none"> 1. Reduce lost time accidents and claims. 2. Direct and manage ongoing materials compatibility program to audit implementation of design and construction of public utilities through Potential Petroleum Contaminated Areas (PPCA). 3. Incorporate all "Safety - Lessons Learned" into the early utility and roadwork biddable packages. 4. Ensure communication remains open with HRT, MARSH USA and Chartis Insurance regarding safety aspects of the project

Business Plan & Budgets FY2011

Scorecards Capital Programs – METRORail Expansion (Con't)

Cost Control	Monitor cost, schedule and scope of capital projects and capital budgets	<ol style="list-style-type: none"> 1. Develop a plan to evaluate cost savings ideas provided by employees and provide an incentive program that rewards employees for cost savings ideas. 2. Establish final schedule showing a blended "Red Line" vs. "Facility Provider" implementation approach. Develop implementation phases consistent with financial constraints. 3. Prepare & monitor departmental and capital budgets within the stated timelines. Monitor/analyze expenditures and scorecard initiatives via management reporting requirements. 4. Upon completion of construction, eliminate storefronts and look for locations that allow for low-cost/no-cost office sharing to maintain a presence in the corridor communities. 5. Utilize SARs (Stakeholder Affair Reps) to perform work currently done by construction mitigators. Once pace of construction picks up construction mitigators can be re-hired. 6. Maintain proper control of capital projects/contracts to eliminate cost overrun and future claims against the agency which could jeopardize federal funding.
	Conduct industry outreach forums to ensure that the procurement and implementation approach is reflective of input from the local design and construction customers in the community	<ol style="list-style-type: none"> 1. Schedule and implement a series of meetings aimed at improving dialogue and understanding between METRO and key stakeholders. 2. Establish and maintain system and process whereby all inquiries are managed and responses are checked to verify consistent responses to customers.
Customer Service	Provide internal/external customer service at all times	<ol style="list-style-type: none"> 1. Return all information requests/responses within 24 to 48 hours. 2. Communicate reasons for decisions particularly when customer requests cannot be met; develop alternative solutions that are mutually agreeable to METRO and the customer. 3. Minimize complaints from public caused by construction activities by providing/maintaining clean and orderly construction zones. 4. Provide unobstructed access for bus patrons within construction zones by having clearly visible and accessible bus stops.
	Continue the Passenger Shelter Initiative	Shelters provide customers protection from the elements and have statistically shown to have a positive effect on ridership. The continuation of the shelter initiative reaffirms METRO's commitment and investment to the core bus system.

Business Plan & Budgets FY2011

Scorecards Capital Programs – METRORail Expansion (Con't)

Partnering	Strengthen internal Small Business Enterprise (SBE) infrastructure	<ol style="list-style-type: none"> 1. Establish inter-agency working group of SBE, procurement, legal and capital projects to review and eliminate internal barriers to successful SBE participation and tracking. 2. Through a monthly meeting forum, METRO endeavors to provide SBE's with access to HRT to discuss outstanding issues relating to HRT's processes and procedures that affect small business participation on the light-rail project. As well, these meeting will provide a forum for the SBE's to provide feedback on HRT's past activities, with the purpose of improving and refining methods to maximize small business participation on the project.
	Improved communication and intra-agency coordination	<ol style="list-style-type: none"> 1. Improve civic, private and public relationships through commitment and re-establishment of trust and better communication. Building these relationships will allow METRO Rail Expansion the ability to expedite interagency processes and approaches in a more expeditious manner. METRO will become a better partner in its interactions with external agencies, personnel and the general public at large. 2. Provide ongoing program coordination between City of Houston and METRO Rail Expansion for all light-rail programs, commuter rail, signature bus, and other related work efforts. 3. Establish trust among all of the project participants. Work closely with the Joint Venture to establish common schedule goals and look for ways to build trust and working relationships. METRO's goals should and need to align with the Joint Venture's goals. Trust needs to be the foundation for establishing the working relationships and should set the tone for the project.
People	Utilize METRO Staff (in lieu of consultant support, whenever practical) in the completion of FTA Readiness Documents and the preparation of graphics needed for community interface meetings and the completion of biddable packages in critical areas targeted for early construction.	<ol style="list-style-type: none"> 1. Building upon those already completed for entry into Preliminary Engineering, develop and update FTA readiness documents and management plans. Use in-house resources to prepare project graphics in support of the community and City of Houston interface meetings. 2. Develop and complete biddable procurement packages to advance utility and roadwork elements in critical areas. Manage complete technical and financial aspects of the requirements contracts.
	Workforce development and succession planning.	<ol style="list-style-type: none"> 1. Develop "job family" and "job classifications" within family 2. Develop and provide training opportunities based on job classification, certification and licensing as described within job family. 3. Provide leadership through employee mentoring, exposure and supervision. 4. Provide an environment where employees are respected, encouraged and given the opportunity of professional development and to be future leaders of the Authority.

Business Plan & Budgets FY2011

Scorecards METRO Police

Principles	Balanced Scorecard - METRO Police Initiatives	Definition
Asset Utilization	Improve efficiency of HOV Lanes	Clear incidents quickly to maximize HOV Lane capacity and flow.
	Accident Optimization Initiative	Police will respond and report back to Legal, Risk Management, Safety and Service Delivery, minimizing the number of personnel required to respond to an accident by establishing a common shared accident database.
Sustainability	Utilize technology available at TranStar	Utilize technology available at TranStar to ensure that traffic flow moves as efficiently as possible on HOV lanes and in freeway corridors, and to monitor and respond to incidents impacting rail and bus operations throughout the region on a daily basis and during special events.
	Maximizing METRONet Security Surveillance System	Encourage and support choice riders to use Park & Rides by reducing actual crime incidents and adding a greater perception of security. Increased ridership sustains METRO infrastructure and assets while providing another mobility choice for the region.
Safety	Ensure the safety and welfare of METRO's passengers and employees	Strategically respond to Part I crime on the transit system by targeting enforcement efforts to mitigate monthly reported crime trends onboard buses, trains, rail platforms, Park & Ride lots and transit centers to no more than 28 incidents per month.
	Reduce Bus Accidents	Use technology and both leading and lagging indicators to identify and target high accident locations and address with education, enforcement and engineering.
Cost Control	Seek and apply for grants from state and federal law enforcement funding agencies	Fund projects using grant funding instead of using local money.
	More effective use of camera technology	Expand and replace cameras instead of repairing gates at Park & Rides.
Customer Service	Motorists Assistance Program	Continue operation, management, and oversight of the Motorist Assistance Program to support disabled and stranded regional motorists.
	Crime Mapping Initiative	Customers will be able to go online and check crime statistics on bus routes, rail platforms, transit centers and Park & Rides. Also allows department to better target police resources based on data and tools provided by mapping software.
Partnering	Enhanced Emergency Management Operations and Coordination	Maintenance of METRO's Emergency Operations plan requires close coordination with all METRO departments and both the City of Houston and Harris County Offices of Emergency Management, and other regional, state and federal partners.
	City of Houston Public Safety Video Initiative	Sharing of video for public safety. This effort would provide additional video monitoring of METRO locations by the Houston Police Department and others as well as providing METRO access to video of key downtown locations and special event/activity centers affecting bus and rail operations.
People	Law Enforcement Training Initiative	Exceed state required police training of 20 hours to 40 hours by utilizing METRO's recently developed transit training village at Houston Community College to provide METRO officers and other local law enforcement the opportunity to learn from scenario based training in a transit environment.
	Public Safety Leadership Training at HCC and LEMIT	Prepare future leaders in the department to implement succession plans by participating in a six week Public Safety Leadership Training Program in cooperation with Houston Community College. Also by participating in the LEMIT (Law Enforcement Management Institute of Texas) Program.

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Scorecards Performance Improvement

Principles	Balanced Scorecard - Performance Improvement Department Initiatives	Definition
Asset Utilization	Improve monitoring of METRO's ratio of ridership to capacity.	The number of available seats divided by total ridership.
	An accurate analysis of equipment maintenance, repair, and replacement records will lead to operating more efficiently.	METRO will develop a yearly report outlining the life expectancy of equipment.
Sustainability	The performance measurement system will require each department to adhere to METRO's strategic plan ensuring equipment purchased be monitored for predetermined ROI.	In cases where there is an expectation of a return on investment, departments will be required to track proposed cost savings.
	Business Process Reengineering will develop a comprehensive plan to ensure efficiencies are being met at the task level.	The Performance Improvement Department will develop a plan for time and motion studies to take place specifically in bus and train maintenance areas.
Safety	Monitor transportation safety problems to provide data useful for developing performance indicators.	Performance measure-based information is the foundation of a transparent and accountable policy-making process. The collection of this data is valuable and gives clarity to safety challenges facing METRO.
	Monitor and enforce daily safety briefings throughout the Authority.	Safety consciousness must be part of METRO's daily business practices, processes and decisions, and each employee must consider safe operations in his/her personal responsibility.
Cost Control	A METRO Cost Control Initiative is being introduced in October 2010. The plan is to involve front-line employees to participate and benefit from cost control strategies.	Cost Control refers to management's effort to influence the actions of individuals who are responsible for performing tasks, incurring costs, and generating revenues.
	Business Services Department will embark on several cost control strategies aimed toward streamlining support services.	Each will have to change the way he/she works, and the way he/she works with one another, in order to streamline operations and produce meaningful savings.
Customer Service	METRO will manage incoming complaints, process them in a timely manner and fix operational problems that drove the complaint.	Measuring time to answer incoming calls; responding to complaints in a timely fashion and partnering with other departments to fix reoccurring operational problems will be emphasized in FY2011.
	The Performance Improvement will work with Safety and Service Delivery Departments in the development of Bus Operator training and performance evaluations.	METRO realizes that good customer service starts with frontline Bus Operators. Development of how Operators will be evaluated with regard to performance is critical to METRO's success.
Partnering	METRO will continue to monitor industry best practices in an effort to remain an industry leader in performance initiatives.	Various transit agencies provide performance results to national databases. METRO Performance Improvement Department will have the responsibility to monitor these databases.
	Performance Improvement Department will work with other METRO divisions to ensure strategic priorities and principles are being met.	Balanced Scorecards will be developed within divisions of METRO to ensure the strategic plan is being followed and goals are being met.
People	METRO will set standards for employees and hold managers accountable for the performance of their departments.	Employee evaluations will support the strategic plan for METRO.
	Balanced Scorecards will be developed for employees in every division within METRO.	Individual scorecards will reflect the seven principles outlined in the strategic plan.

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Scorecards Business Services – Human Resources & Diversity

Principles	Balanced Scorecard - Human Resources & Diversity Initiatives	Definition
People	Management and Leadership Development	Design and implement expanded management and leadership development program.
	Performance Management Process	Aligned with METRO's goals and principles, enhance performance management process and develop new appraisal instruments.
Customer Service	External customer: Expand Customer Service Training to Bus Operators.	Partner with Service Delivery, area colleges and community organizations to provide training to operators.
	Internal customer: Develop and deliver expanded HR services to the Authority.	Ascertain needs through focus groups or survey instruments. Utilizing Sr. Human Resources Partners (SHRPs) and Human Resources Partners (HRPs) to increase the number of department and facility visits to share information and provide HR&D services.
Partnering	College Recruitment	Partner with local area colleges and universities to develop a pipeline of future talent for METRO.
	Community Organizations	Partner with METRO departments, community organizations and individuals to recruit and retain a diverse workforce as well as to support Title VI and Title VII initiatives.
Cost Control	Promote EAP & Nurse Line and enhance Employee Wellness Program to reduce healthcare costs and motivate employees towards healthier lifestyles.	Communicate advantages (cost and convenience) of utilization of less costly auxiliary support services over more costly alternatives.
	Communicate and promote mail-order pharmaceutical services to help reduce healthcare expenses.	Communicate cost and convenience advantages of maintenance type pharmaceuticals over retail through vendors, use of direct mail and other communications modes.
Safety	Actively participate in METRO's Emergency Management Plan	Maintain readiness status by: 1) encouraging employees to provide current emergency contact information; 2) conducting periodic HR&D meetings to ensure participants are familiar with their respective roles; 3) maintaining ongoing communication with the Safety Department and 4) actively participate in all METRO planning and preparation meetings.
	Promote safety and security of METRO facilities/personnel	Using new badging software, enhance current badging processing of employees and contractors.
Asset Utilization	Partner with IT to provide SAP-ESS (Employee Self Service) training for all union employees.	Enable employees to access and maintain their personal data using the Employee Self Service module thus allowing HRIS personnel to focus on other higher level records management responsibilities.
	Use METRO employees and/or professional organizations and other entities to provide volunteer facilitators/presenters to conduct training on relevant topics. By "filling in" will provide cross-training opportunities for employees so that they develop skills and knowledge in other areas.	Provide information in various areas (i.e. safety, HR best practices, communication skills, METRO specific "Lost and Found" and/or other similar topics).
Sustainability	Employment Planning - "Hire Houston"	Target hiring opportunities and work with Houston area community organizations, colleges, universities to place local area applicants thus facilitating METRO's ability to maintain its human infrastructure.
	Enhance and promote Title VI and Title VII Compliance.	Implement required training for salaried employees to ensure compliance with federal regulations and support of METRO's strategic goals.

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Scorecards Business Services – Information Technology

Principles	Balanced Scorecard - Business Service - Information Technology Initiatives	Definition
Asset Utilization	Consolidate applications into a single Enterprise Resource Planning (ERP)	Initiate pilot to prepare procurement for consolidation into single ERP
	Continue consolidation of servers, storage and desktops	Using virtualization technology, METRO will leverage existing hardware to slow hardware growth and maximize utilization.
Sustainability	Develop strategic technology plan for METRO's future	Partner with other departments in developing a strategic roadmap for METRO's technology, based on the organization's strategic plan.
	Enhance Disaster Recovery site	Finalize site changes that move METRO from a "cold" site to a "warm" site. This will provide quicker business resumption in the case of disaster.
Safety	Maintain METRO's Data Center in a safe manner	Finalize environmental enhancements to the data center (power upgrade, fire suppression); maintain clean unobstructed area for the Main Data Center and all off-site data rooms
Cost Control	Evaluate and renegotiate large maintenance contracts	Audit large IT maintenance contracts for opportunities to renegotiate for cost stabilization or reductions.
	Apply "green" solutions to IT equipment	Utilize software and hardware options to reduce the energy consumption of existing equipment
Customer Service	Simplify IT request processes	Develop an online process for standard IT requests to simplify and streamline these processes
Partnering	Partner with the City of Houston on regional video surveillance sharing.	Work with METRO Police to ensure the video surveillance partnership is successful, by establishing network interfaces between METRO and the City of Houston.
	Partner with other METRO business units to enhance system knowledge and skills	Initiate user group meetings for stakeholders of major applications to develop mutual understanding and learning that enhances system use.
People	Provide technical training to enhance staff skills	Training is needed to ensure that staff can fully support and maintain the systems that METRO is implementing.
	Enhance communications within the IT department	Initiate working sessions with staff to solicit feedback for communication needs and improvement

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Scorecards Business Services – Procurement

Principles	Balanced Scorecard - Procurement Initiatives	Definition
Asset Utilization	Maintain materials availability at 99% systemwide.	Ensure that parts are available 99% of the time at any Bus Operating Facility.
	Reduce Obsolete/Surplus Inventory by \$200,000.	Attain optimum utilization by returning, selling or disposing of items not being used.
Sustainability	Reduce the cost of parts and other commodities by \$1 million.	Attain through alternative sourcing, equivalent products and increased competition.
	Develop "Green" Procurement alternatives.	Identify products and services that minimize environmental impacts.
Safety	Create a safe working environment.	Through leadership (Department Safety Officer) training and drills ensure compliance with Safety Regulations.
	Handling and storage of hazardous materials.	Proper use of any material which could harm humans, animals or the environment.
Cost Control	Maintain bus component inventory below \$10 Million.	Reduce the average monthly spend to \$1 million.
	Reduce cost to spend ratio to 1.5%.	Ratio of departmental operating cost versus total dollars obligated.
Customer Service	Sound Procurement Processes.	Provide internal and external customers a process that is simple, transparent, fair and equal.
	Timely dissemination of data.	Update website to provide information which is timely accurate and easily accessible.
Partnering	Collaboration with colleagues.	Reduce cost and improve service delivery through joint procurement and cooperative agreements.
	Strategic Partnerships.	Benefit from just-in-time delivery, quality assurance and reduced administrative costs.
People	Quality Work Environment.	Develop more effective communication and training, measurement tools and improvement goals.
	Establish Career Paths.	Develop ways and means for upward mobility for everyone in the department.

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Scorecards Safety

Principles	Balanced Scorecard - METRO Safety Initiatives	Definition
Asset Utilization	Safety Inspections at all Operating Facilities	Routine monthly inspections and quarterly safety blitzes at operating facilities ensuring our physical assets are in safe operable condition
	Fire and Life Safety Oversight	Perform routine fire drills to ensure METRO assets are minimally affected by fire or other elements and to improve emergency preparedness
Sustainability	Environmental Compliance	Comply with all local, state and federal regulations including air, waste and water
	Rail Expansion Safety	Involved with all aspects of safety with expansion of the rail system including compliance with Design Criteria, Construction Safety Oversight and Final Testing and Certification prior to Revenue Service.
Safety	Reduce Bus Accidents	Ensure that preventable bus accidents do not exceed the total of 431 in FY2011
	Reduce Rail Accidents	Ensure that rail accidents do not exceed the total of 39 accidents in FY2011
Cost Control	Reduce employee injuries	Ensure that employee Lost Time and Medical Injuries do not exceed the total of 242 in FY2011
	Reduce non-revenue vehicle accidents	Ensure non-revenue accident rates do not exceed the total of 119 in FY2011
Customer Service	Ensure on-board Operator Evaluation	Conduct 1,000 quality ride checks per quarter evaluating safe driving performance of Operators.
	Hazard Analysis	Ensure customer and employee safety at transit centers, Park & Rides, rail corridors and all bus routes by conducting routine inspections.
Partnering	Partner with all METRO departments, contractors and local, state and federal entities and stakeholders	Work with internal and external partners to identify and target high accident locations.
	Transportation Safety Training	In cooperation with the Service Delivery Department, develop and implement safety training courses for transportation operators and conduct quarterly safety meetings at operating facilities.
People	Professional Certification and Cross-Training	Ensure safety employees retain the proper level of certification and training to maximize value to customers and employees.
	Industrial Hygiene/Health Safety	Maintain acceptable standard of industrial hygiene ensuring safety and well being of METRO employees; ensure employees are supplied the necessary personal protective equipment; ensure employees are provided necessary safety training

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Scorecards Law

Principles	LAW DEPARTMENT Balanced Scorecards - Law Department Initiatives	Definition
Asset Utilization	Maximize the use of existing resources. We work our assets to get the maximum benefit for our customers and our community.	<ul style="list-style-type: none"> • Provide training to management and staff on Open Government. • Continue to provide the highest quality of legal services to METRO.
Sustainability	Build economic, environmental and social factors into all our business practices. Make decisions that ensure we can continue to deliver same or better levels of service year after year. Run our business to have as much positive impact on the environment as possible.	<ul style="list-style-type: none"> • Create a shared electronic library for access to board resolutions. • Maintain Conflicts Disclosure webpage.
Safety	Never risk the safety of our customers, employees and the general public.	<ul style="list-style-type: none"> • Provide advice and counsel to Operations, Public Safety, and Risk Management departments to identify areas where more training is needed; avoidance of hazardous activities.
Cost Control	Understand the difference between cost cutting and cost control. Treat taxpayer money like your own and manage public resources openly and transparently.	<ul style="list-style-type: none"> • Reduce Outside Counsel Services.
Customer Service	Focus on safety, reliability, timeliness, affordability and the personal touch in delivering services to our customers.	<ul style="list-style-type: none"> • Promptly reply to open records requests in the new open and transparent environment. • Conduct business roundtables with each department/business client to (1) assess their legal needs, (2) manage expectations, (3) engage their feedback, and (4) provide exceptional customer service.
Partnering	Look for opportunities to actively pursue external relationships with governments, community groups, individuals and the public to help mobility in our region. Inside METRO, work with each other to achieve this goal through team efforts.	<ul style="list-style-type: none"> • Actively attend other department meetings to better anticipate legal needs. • Establish better working relationship with law departments of other government entities. • Invite representatives from other departments to Law Department meetings to receive more information about various topics of interest such as Title VII and Open Records Act.
People	Support our employees every day by making our expectations clear. Ensuring they have the knowledge and training to do their jobs, providing tools and resources to get the job done, and giving them coaching, feedback and reinforcement that motivates them to give their best to our customers and our community.	<ul style="list-style-type: none"> • Provide additional training to legal staff and attorneys to diversify legal expertise and to better serve the client.

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Scorecards Finance

Principles	Balanced Scorecard - Finance Department Initiatives	Definition
Asset Utilization	Manage the Investment Portfolio to comply with the Texas Public Fund Investment Act and METRO Investment Guidelines while earning a highest yield available in the market.	Meet or exceed the average yield on U.S. Treasury Securities and this will be measured on a monthly basis.
	Working with Service Delivery and Service Design & Development to review future bus replacement to ensure appropriateness of type and quantity.	Finance will initiate formation of a working group including Service Design & Development, Service Delivery, Business Services: Procurement, Finance: Grants and Finance: OMB to review all future bus replacements/procurements.
Sustainability	Review new project, program and asset addition requests to ensure that they are financially sustainable in the future by including life-cycle costs and potential savings.	Finance will develop a model for financial sustainability/cost benefit analysis.
	Review records of fixed assets, age and service to dispose of non-essential tangible and intangible assets.	Develop summary fixed assets report to determine assets for removal by 3rd quarter of FY2011. Report will serve as a guide for asset sustainability.
Safety	Enhance Finance employee awareness of surroundings and safe practices.	Develop handbook on safe practices for Finance by 3rd quarter of FY2011.
	Give the highest priority to safety related activities when allocating funds for programs and projects.	This initiative will develop a process for rating programs; projects based on safety and will be completed by 3rd quarter FY2011.
Cost Control	Assist departments in exercising aggressive cost control of FY2011 budgets to ensure Authority-wide expenses come under budget.	Save at least \$1 million from METRO's FY2011 operating budget by the end of the fiscal year (excluding fuel), without impacting service on the street.
	Review METRO Q® Fare Card operations and costs to identify opportunity for cost control and improvements.	Finance will bring forth cost control initiatives for METRO Q® Fare Card beginning first quarter FY2011.
Customer Service	Enhance public trust by completing the FY2010 external audit including single audit with an unqualified auditor's opinion.	METRO will complete the audit.
	Provide accurate financial reports to the METRO Board, executive management and the public on a timely basis. Revise and simplify METRO's overhead cost allocation model to reflect the new capitalization policy and organizational structure.	This initiative will provide on an ongoing basis the results of METRO operations in a transparent format. Reports will be posted on METRO's website on a monthly basis. Finance proposes to have the overhead cost allocation model redone by end of 2nd quarter FY2011.
Partnering	Partner with the Business Services: Procurement and project managers to ensure the payment of contracts/purchase orders match receipts and are paid within payment terms.	This initiative is proposed to improve vendor relations and tighten control over the procurements as to due dates.
	Partner with Service Design & Development regarding project funding and inclusion in regional and state plans.	H-GAC is developing long range transportation plans; this initiative will help examine opportunity for maximizing METRO financial participation. Finance: Grants will work with Service Design & Development to obtain maximum amount of grants possible.
People	Identify key Finance employees for advance training in Finance technology applications to improve professional competency and train them for higher responsibilities.	This initiative will assist Finance employees to gain system knowledge and advance their opportunity for professional growth. Finance will put together the plan and program for execution of this program during the FY2011 first quarter and will implement thereafter.
	Promote team work/environment within the Finance Department and for interactions with other departments.	Finance will develop a program for opportunities to share information and expertise. Program to be ready by 2nd quarter in FY2011.

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Scorecards Audit

Principles	Balanced Scorecard - Audit Department Initiatives	Definition
Asset Utilization	Enhance Maintenance internal controls.	Complete audit of Central Support and Manufacturing Group activities and make recommendations for improvement.
	Improve Information Technology asset utilization	Complete audits of the VoIP phone system and the UNIX operating system and make recommendations for improvement.
Sustainability	Ensure sustainability of operations during a disaster.	Observe and comment on ongoing Disaster Recovery testing of computer systems.
	Ensure sustainability of operations during normal rail operations.	Evaluate adequacy of controls within the IT data center located at the Rail Operations Center.
Safety	Improve bus operator safety.	Complete audits of Employee Background Check procedures and Bus Operator Moving Violations and make recommendations for improvement.
	Enhance security at METRO facilities.	Complete audit of security at selected METRO facilities and make recommendations for improvement.
Cost Control	Ensure rail expansion quality controls are in place.	Implement continuous audit approach in reviewing Rail Expansion quality assurance activities.
	Ensure Procurement cost controls are effective.	Complete audits to ensure that prices/costs paid via METRO contracts are fair and reasonable.
Customer Service	Ensure compliance with Title VI requirements.	Observe and comment on METRO ongoing efforts to comply with federal Title VI requirements.
	Ensure compliance with ADA requirements.	Observe and comment on METRO ongoing efforts to comply with federal ADA requirements.
Partnering	Provide assistance in ensuring METRO compliance with FTA requirements.	Complete audits to ensure that FTA Buy America requirements are met.
	Provide assistance in ensuring that METRO provides requested materials for external audit review purposes.	Complete audit observation of annual physical inventory process and provide results to KPMG.
People	Ensure that training of internal audit staff is adequate.	Provide training sufficient to ensure that all Audit Department auditors meet federal continuing education requirements for internal auditors.
	Improve training of METRO staff.	Complete audit of Customer Service training and make recommendations for improvement.

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dAuthority Level Operating Budget Increases and Decreases

FY2010 Board Approved Operations Budget	\$ 330,000,000
Increases for FY2011 due changes in Capitalization (stricter application of accounting rules)	\$ 26,587,000
Net Change due to other budget items - net reduction	\$ (1,684,292)
FY2011 OPERATING BUDGET	\$ 354,902,708
Net Increase in Operating Budget	\$ 24,902,708

INCREASES & DECREASES

Increases

Capitalization (stricter application of accounting rules)	\$ 26,587,000
Contractual Increases	\$ 7,883,000
Employee Morale Initiative (increase straight runs for operators)	\$ 1,095,000
Effect of performance pay carryover and upgrades	\$ 2,036,000
Increased telephone expenses primarily associated with SAFEBus	\$ 406,000
Increase in legal fees	\$ 400,000
All Other Increases (payroll taxes, document retention, healthcare, etc.)	\$ 1,554,784
Total Increases	\$ 39,961,784

Decreases

Lower hedged price for diesel fuel and better fuel efficiency	\$ (11,059,000)
Lower workers compensation cost	\$ (1,170,000)
Increased efficiency in deploying bus operators	\$ (699,000)
Savings in bus, rail and farebox parts	\$ (478,000)
Increased cost recovery for Energy Corridor service	\$ (335,000)
Contingency	\$ (803,000)
Other reductions (elimination of mystery riders, etc.)	\$ (515,076)
Total Decreases	\$ (15,059,076)

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Authority Level Increases and Decreases Explanations

Capitalization (stricter application of accounting rules) \$ 26,587,000

In FY2010, accounting rules were more strictly interpreted resulting in a shift of expense allocations from the capital to the operating budget for both labor and non-labor items.

Contractual Increases \$ 7,883,000

As a result of the agreement with the collective bargaining unit, union labor costs will increase in FY2011. A 3% average wage increase and a 6% healthcare increase result in increased costs of approximately \$4.7 million. In addition, Contractual inflation in purchased transportation, facility maintenance and security guard contracts offset by savings from a new cell phone contract results in increased costs of approximately \$3.2 million.

Employee Morale Initiative (increase straight runs for operators) \$ 1,095,000

In FY2011, METRO proposes to reduce split shift work for bus operators and increase the number of straight runs to improve employee morale.

Effect of performance pay carryover and upgrades \$ 2,036,000

Carryover effect of performance pay earned in FY2009 and upgrades in FY2010.

Increased telephone expenses primarily associated with SAFEBus \$ 406,000

In FY2011, as equipment is installed on buses under the SAFEBus project, the resulting monthly communications charges will add to expense.

Increase in legal fees \$ 400,000

Resulting from certain employment and other legal matters that arose in FY2010, legal fees are expected to increase in FY2011 for continuing work.

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Authority Level Increases and Decreases Explanations (Con't)

All Other Increases (payroll taxes, document retention, healthcare, etc.)	\$ 1,554,784
Other increases accommodated in the FY2011 Budget include increases in unemployment taxes (extended benefits), document retention (implementation of a newly adopted policy), and healthcare. (adding previously excluded working spouses)	
Lower hedged price for diesel fuel and better fuel efficiency	\$ (11,059,000)
METRO's fuel costs will decrease because a fuel hedging program has been put into place at a price below what METRO is paying now.	
Lower workers compensation cost	\$ (1,170,000)
Resulting from fewer and less severe Workers Compensation claims, expenses will be reduced in FY2011.	
Increased efficiency in deploying bus operators	\$ (699,000)
Through more efficient use of bus operators.	
Savings in bus, rail and farebox parts	\$ (478,000)
Resulting from new buses and completion of capital campaign work, parts costs will be lower in FY2011.	
Increased cost recovery for Energy Corridor service	\$ (335,000)
Annualization of Energy Corridor service initiated in mid FY2010 will produce increased cost recovery in FY2011.	
Contingency	\$ (803,000)
In FY2010, some of the savings in different categories of the budget were transferred to form a contingency account which now stands at \$5,803,358. For FY2011, it is proposed to have only a \$5,000,000 contingency, making it to be under FY2010 by \$803,000.	
Other reductions (elimination of mystery riders, etc.)	\$ (515,076)

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Authority Level Operating Budget by Cost Category

Expense Category	FY2010 Current Year Budget	FY2011 Proposed Budget	Variance \$	%
Wages	99,996,189	102,944,991	2,948,802	2.95%
Salaries	73,618,955	75,382,855	1,763,900	2.40%
Fringe Benefits - Union	51,689,230	53,022,626	1,333,396	2.58%
Fringe Benefits - Non Union	36,215,555	36,888,127	672,572	1.86%
Total Labor and Fringe Benefits	261,519,929	268,238,599	6,718,670	2.57%
Purchased Transportation	72,833,365	75,750,347	2,916,982	4.01%
Fuel & Utilities	49,057,729	38,309,473	(10,748,256)	-21.91%
Materials and Supplies	19,081,797	19,526,141	444,344	2.33%
Services	18,449,716	25,667,756	7,218,040	39.12%
Casualty and Liability	2,614,230	2,591,778	(22,452)	-0.86%
Leases, Rentals and Miscellaneous	2,918,949	7,240,259	4,321,310	148.04%
Total Non-Labor	164,955,786	169,085,754	4,129,968	2.50%
Total Labor and Non-Labor	426,475,715	437,324,353	10,848,638	2.54%
Contingency	5,803,358	5,000,000	(803,358)	-13.84%
Cost Reimbursement (cost recovery) ⁽¹⁾	(7,839,775)	(9,348,455)	(1,508,680)	19.24%
Operating Expense before Allocations	424,439,298	432,975,898	8,536,600	2.01%
Allocation to Capital - Direct ⁽²⁾	(27,290,080)	(17,388,708)	9,901,372	-36.28%
Allocation to Overhead ⁽²⁾	(13,337,282)	(6,872,546)	6,464,736	-48.47%
Operating Expenses before Federal Grants for Capitalized Operating Expenses	383,811,936	408,714,644	24,902,708	6.49%
Capitalized Operating Expenses - Federal Grants ⁽³⁾	(53,811,936)	(53,811,936)	0	0.00%
Operating Budget ⁽⁴⁾	330,000,000	354,902,708	24,902,708	7.55%

Notes:

1. Cost Recovery consists of expense reimbursement by others for certain transportation services relating primarily to METRO STARVanpool, Energy Corridor and Texas Medical Center service. It is taken as a credit.
2. Allocation to capital (Direct and Overhead) consist of expenses for staff assigned to capital projects.
3. Capitalized Operating Expenses are funds received primarily as federal grants.
4. Operating Budget is the total expenses less cost recovery, capitalized operating expenses and allocation to capital. The increase in the Operating Budget from FY2010 to FY2011 is almost entirely due to the change in accounting policy regarding capitalization of operating expenses.

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Authority Level Variance Summary

- **Wages** rise by 3.0%, primarily resulting from implementation of the collective bargaining agreement (3.0% wage increase in FY2011 and adjustment of operator progression) and increased bus operator wages due to a proposed increase in the number of straight runs.
- **Salaries and Hourly Non-Union Wages** increase by 2.4%, reflecting the effect of the past year's performance pay and a few salary changes.
- **Fringe Benefits - Union** increase by 2.6%, primarily reflecting increases in fringe benefits associated with implementation of the collective bargaining agreement. Monthly healthcare cost increased from \$753 to \$800 per month per employee. Offsetting this increase are savings in Workers' Compensation expense.
- **Fringe Benefits - Non Union** increase by 1.9%, reflecting fringe benefit increases associated with higher salaries as discussed above and increased healthcare costs to cover addition of previously excluded working spouses to salaried healthcare.
- **Purchased Transportation** increases by 4.0%, reflecting contractual price increases in the METROLift and Northwest Bus Operating Facility service
- **Fuel and Utilities** decrease by 21.9%, primarily reflecting the decline in diesel fuel cost. METRO's hedging program has resulted in budget stability and at this time, METRO has hedged all of FY2011 diesel fuel requirements at an average market price of \$1.95 per gallon (excluding additives and transportation), a \$0.70 decrease from the FY2010 hedged price of \$2.65.
- **Materials and Supplies** increase by 2.3%, primarily due to stricter application of accounting rules in areas such as fare media.
- **Services** increase by 39.1%, primarily due to stricter application of accounting rules governing expensing of outside consultant use, legislative coordination, legal fees and IT system maintenance costs, etc.
- **Casualty and Liability** decrease by 0.9%, reflecting savings in Vehicle Liability partially offset by a rate related increase in property insurance.

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Authority Level Variance Summary (Con't)

- **Leases, Rentals and Miscellaneous** increase by \$4.3 million due to stricter application of accounting rules in areas such as HOV repair, Main Street traffic signal and IT systems software costs.
- **Contingency** will decrease by 13.8%. In FY2010, some of the savings in different categories of the budget were transferred to form a contingency account which now stands at \$5,803,358. For FY2011, it is proposed to have only a \$5,000,000 contingency.
- **Cost Recovery** increases by 19.2%, resulting from increases in Department of Homeland Security grant funding and increased cost recovery for Energy Corridor service.
- **Allocation to Capital** decreases by 17.3%, due to stricter application of accounting rules.

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Authority Level Budget Elements to Note – Fuel

The market prices of diesel and gasoline have been extremely erratic over the past few years with a strong upward trend. This has put enormous pressure on METRO's fuel bill as illustrated in the following tables:

Gallons Used (METRO & Contractors)

	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u> <u>Budget</u>	<u>FY11</u> <u>Budget</u>
Diesel	15,607,482	16,746,698	14,964,649	14,431,528	13,955,984	13,798,020	13,655,476	13,553,387	13,200,063
Gasoline	725,966	723,128	700,488	727,601	749,019	807,518	839,395	1,157,726	966,437
Total	16,333,448	17,469,827	15,665,136	15,159,129	14,705,003	14,605,538	14,494,872	14,711,113	14,166,501

Expenditures (METRO & Contractors)

	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u> <u>Budget</u>	<u>FY11</u> <u>Budget</u>
Diesel	\$ 13,722,561	\$ 19,001,484	\$ 22,834,852	\$ 27,552,712	\$ 30,633,825	\$ 26,313,230	\$ 57,687,033	\$ 37,706,187	\$ 26,768,826
Gasoline	\$ 663,324	\$ 769,533	\$ 1,093,547	\$ 1,459,587	\$ 1,488,547	\$ 2,197,023	\$ 1,382,207	\$ 1,631,152	\$ 1,877,945
Total	\$ 14,385,885	\$ 19,771,017	\$ 23,928,400	\$ 29,012,299	\$ 32,122,372	\$ 28,510,253	\$ 59,069,240	\$ 39,337,339	\$ 28,646,771

In FY2005 and FY2006 METRO contracted with Valero for a bulk purchase, Citgo for fixed price future contracts, Motiva (Shell) for fixed price future contracts and Love's for storage fuel. This resulted in a \$6.71 million total savings against buying at the current rack price.

In February 2006, the METRO Board approved a Fuel Hedge Policy (Fuel Price Risk Management Policy). However, the price of a FY2007 hedge was not favorable and the budget was funded for increasing fuel costs. At the start of the fiscal year NYMEX based fixed price future delivery contracts were executed for October-June deliveries and storage fuel was to be utilized for July-September. The FY2007 total fuel cost was \$6.98 million less than budgeted.

In January 2007, two financial hedges for diesel fuel were executed for FY2008. A total of 13.5 million gallons or 95.2% of the required diesel for FY2008 was hedged at an average market price (excluding \$0.0828 additional for additives and transport) per gallon of \$1.83. In FY2008, the fuel hedge saved \$17.25 million as compared to prevailing market prices.

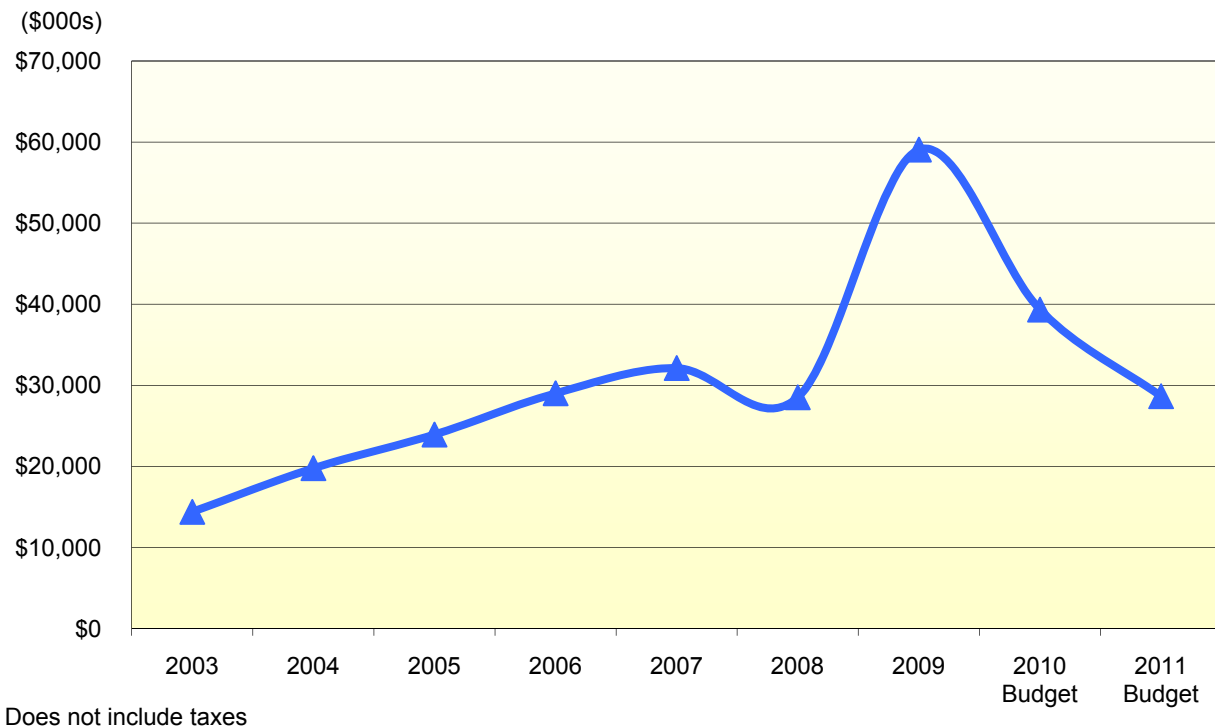
Business Plan & Budgets FY2011

Authority Level Budget Elements to Note – Fuel

In FY2009, METRO hedged 98.1% of the fuel requirements at an average market price of \$3.55 (excluding \$0.0828 additional for additives and transport) and had 4.2 million gallons of diesel fuel at an average price of \$3.36 (excluding \$0.0789 additional for additives and transport) in off-site storage. These prices reflect the extraordinary escalations in the market place in FY2009. In FY2009, due to declining market prices the fuel hedge cost METRO \$26.01 million. In addition, at the end of FY2009, METRO wrote down the offsite diesel fuel inventory to market price at a cost of \$3.93 million.

In FY2010, METRO hedged 100% of the fuel requirements at an average market price of \$2.65 (excluding \$0.0717 additional for additives and transport) and had 2.54 million gallons at \$1.82 per gallon (excluding \$0.0643 additional for additive and transport) in off-site storage.

At this time, METRO has hedges in place for 13.31 million gallons at an average market price of \$1.95 (excluding \$0.0755 additional for additives and transport) for FY2011. No hedges are in place for FY2012.



Business Plan & Budgets FY2011

Authority Level Budget Elements to Note – Power Contract

METRO has two major uses of electrical power: electricity for METRO facilities and electricity for rail propulsion power. In October 2006 METRO put in place a three year fixed rate contract including a floating Transmission and Distribution Service Provider (TDSP) unit rate with Suez Energy Resources. This contract was extended through March 2010. In March 2010 the Board approved a new three year contract with the Texas General Land Office (GLO) to supply METRO electricity from April 1, 2010 through March 31, 2013. The contract rate of \$0.05866 per kilowatt hour is fixed for the term of the contract while the TDSP unit rate floats. This contract hedges METRO's electricity requirements for 3 years, providing budget certainty on price in accord with the Board's Fuel Price Risk Management Policy adopted February 2006.

METRO has projected its FY2011 power requirements as follows:

Quantities in Millions of kWh

Power Usage	FY2010 Budget	FY2011 Budget	Δ	Δ%
Facilities	48.822	52.058	3.236	6.6%
Propulsion	7.668	7.175	(0.493)	-6.4%
Total	56.490	59.233	2.744	4.9%

The FY2011 Operating Budget has assumed the overall price to be \$0.0777 as compared to \$0.0852 budgeted in FY2010. The Budget reflects a full year rather than 6 months of lower rates associated with the new contract. This savings is partially offset by increased usage primarily at 1900 Main and extended lighting at Park & Ride facilities.

Budgeted Expenses in Millions of \$

Power Cost	FY2010 Budget	FY2011 Budget	Δ	Δ%
Facilities	4.054	4.043	0.011	-0.3%
Propulsion	0.761	0.557	(0.204)	-26.8%
Total	4.816	4.600	(0.216)	-4.5%

Business Plan & Budgets FY2011

Authority Level Budget Elements to Note – Labor Agreement

METRO's current labor agreement approved in February 2009 covers the time period from August 1, 2008 to September 30, 2011. The key terms of the agreement impacting FY2011 are as follows:

- **Wages** 3% increase for FY2011 for non-second tier operators, and adjustment of the wage progression for second tier operators.
FY2011 Budget Increase = \$3,227,777
- **Health Benefits** METRO's contribution to Health & Welfare Trust will increase from the FY2010 rate of \$753 per month per participant to \$800 per month per participant in FY2011.
FY2011 Budget Increase = \$1,502,363

During FY2011, METRO will negotiate a new labor agreement with Local 260 of the Transport Workers Union of America. Any changes in the terms and conditions from the current labor agreement made during the collective bargaining process will not impact the FY2011 budget.

Business Plan & Budgets FY2011

Authority Level Budget Elements to Note – Purchased Transportation

METRO has three service components run by private contractors:

- Fixed-route service based out of the Northwest Bus Operating Facility (one of six METRO Bus Operating Facilities) by First Transit, Inc. The Contractor operates a turnkey operation including administration, staffing, bus transportation services, and maintenance of METRO-furnished buses and facilities. The contract incorporates adherence to METRO key performance indicators of On-Time Performance, Accidents per 100,000 Miles and Complaints per Boardings as well as contract specific goals such as vehicle reliability by bus fleet. The Northwest BOF operates seven (7) days a week and will provide about 20% of the fixed route bus revenue hours scheduled by METRO in FY2011.
- METROLift van service run by First Transit, Inc. The Contractor provides all resources, administration, personnel, paratransit transportation service, facilities and all maintenance required to operate and maintain a fleet of one hundred eighteen (118) METROLift vans. METRO is in the process of implementing a new fleet of 2010 Chevrolet 6.6L diesel-powered low emission vehicles, with vehicle delivery expected to be complete by midyear FY2011. The new vehicles have new mobile data terminals with global positioning systems (GPS) and in-vehicle mapping for turn-by-turn street navigation to improve on-time performance and minimize wait time for METROLift patrons; as well as new rear light-emitting diode (LED) “STOP” signs for increased safety awareness and accident prevention.

During FY2011, a new METROLift van service contract will be awarded that incorporates new customer service performance indicators to emphasize driver behavior and driver safety as well as language for addressing service concerns such as operator infractions, safety infractions and non-compliant vehicles.

- METROLift sedan / wheelchair accessible mini-van service is operated by Greater Houston Transportation Company (Yellow Cab) using Contractor owned / furnished vehicles. The Contractor provides all resources and administration required to operate and maintain a fleet of wheelchair accessible mini-vans. There are contract-specific performance indicators for customer complaints and accidents to ensure quality service for METROLift patrons.

Business Plan & Budgets FY2011

Authority Level

Budget Elements to Note – Purchased Transportation (Con't)

The Contractor is currently providing up to one-hundred fifty six (156) wheelchair mini-vans consisting of Dodge Caravans as well as model year 2010 or newer Toyota Sienna wheelchair accessible vehicles. During FY2011, some of the current paratransit service provided by METROLift vans will be shifted to sedan / mini-van service for cost savings and greater operating flexibility by accepting an offer from the Contractor to increase their fleet size to accommodate this change in paratransit service delivery.

Based on the FY2011 projected service levels and negotiated contract rate increases for the service components discussed in this section, an additional \$3,056,280 has been incorporated into the FY2011 budget, reflecting a 4.6% increase from the FY2010 budget. As noted as a best practice in the most recent FTA Triennial Review of METRO, Transportation Programs staff will continue its partnership with all of its contractors by monitoring and meeting with them on a regular basis in order to ensure continued quality transportation services for METRO customers.

Business Plan & Budgets FY2011

Authority Level Budget Elements to Note - Fare Policy

METRO Board policy provides "...that the fare structure and fare rates will be reviewed annually and that fares will be increased as necessary to account for the effects of inflation on operating costs and to maintain or improve the revenue/operating expense ratio." (Resolution 85-18) In 2008 the METRO Board voted to approve the fare structure shown below for Fiscal Years 2009 through 2011 (Resolution 2008-77).

Board-Approved Fare Structure: Resolution 2008-77

	FY2009 Fare	FY2010 Fare	Increase from FY2009	% Change from FY2009	FY2011 Fare	Increase from FY2010	% Change from FY2010
Local/ METRORail	\$1.25	\$1.30	\$0.05	4%	\$1.35	\$0.05	4%
Zone 1	\$2.00	\$2.10	\$0.10	5%	\$2.20	\$0.10	5%
Zone 2	\$3.25	\$3.40	\$0.15	5%	\$3.55	\$0.15	4%
Zone 3	\$3.75	\$3.90	\$0.15	4%	\$4.10	\$0.20	5%
Zone 4	\$4.50	\$4.70	\$0.20	4%	\$4.90	\$0.20	4%

All fares are rounded to the nearest nickel, dime, or quarter.

Although the above Board action in 2009 allowed METRO to implement fare increases of 4 – 5% in both FY2010 and FY2011, the fares were not raised in FY2010 and will not be raised in FY2011 either.

Business Plan & Budgets FY2011

Authority Level Budget Elements to Note - Capitalization

The Government Accounting Standard Board (GASB) introduced strict Fixed Assets accounting rules effective after METRO's fiscal year 2009 closed. These rules are intended to reduce inconsistencies while establishing comparability in accounting and financial reporting requirements among State and local governments. Inconsistencies noted in the reporting of intangible capital assets include recognition, initial measurement, and amortization. For example, the accounting and financial reporting of intangible assets, such as software, will have a significant impact on METRO's Information Technology operating expense. A review of FY2010 revealed approximately \$3 million in capitalized cost associated with software that will be transferred to operating expense.

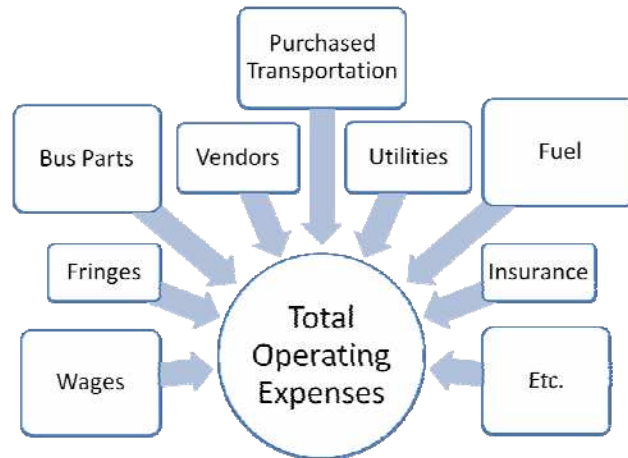
KPMG, METRO's external auditors, in consideration of GASB's stricter stance on Fixed Assets and consistencies with other transit agencies, has advised METRO to tighten its current classification criteria for allocation of costs to Capital Projects. The effect of these changes is expected to transfer approximately \$27 million in cost from the Capital Program budget to the Operating budget.

Implementation Challenges:

- Identification of non-capitalizable costs for active projects
- Development of new overhead allocation rates to meet both Generally Accepted Accounting Principles (GAAP) and National Transit Database (NTD) requirements
- Identification of retroactive implementation requirements
- Meeting Financial Statement disclosure requirements

Business Plan & Budgets FY2011

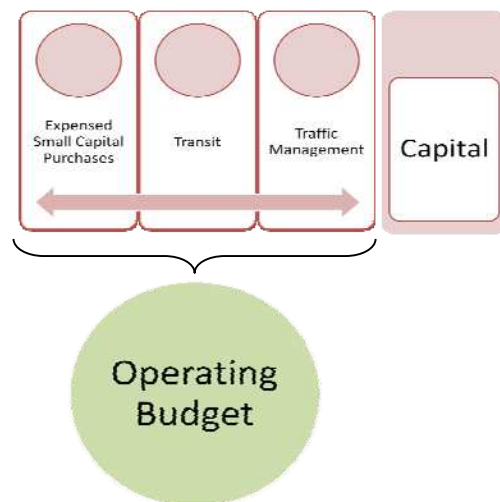
Authority Level Budget Methodology



Total Operating Expenses:

The Total Operating Expense is the sum of all employee labor, the cost of supporting that labor (e.g., insurance, space, utilities, etc.), and the direct costs for operating the bus and rail system, including purchased transportation and the support vehicles (parts, fuel, tires, batteries, other materials, etc.). This total also includes the labor expenses of METRO employees working on capital improvement projects.

METRO allocates the Total Operating Expenses into four areas on a full-cost basis: Transit, Traffic Management, Expensed Small Capital Purchases, and Capital. The combination of the Transit, Traffic Management, and Expensed Small Capital Purchases comprise the Operating Budget.

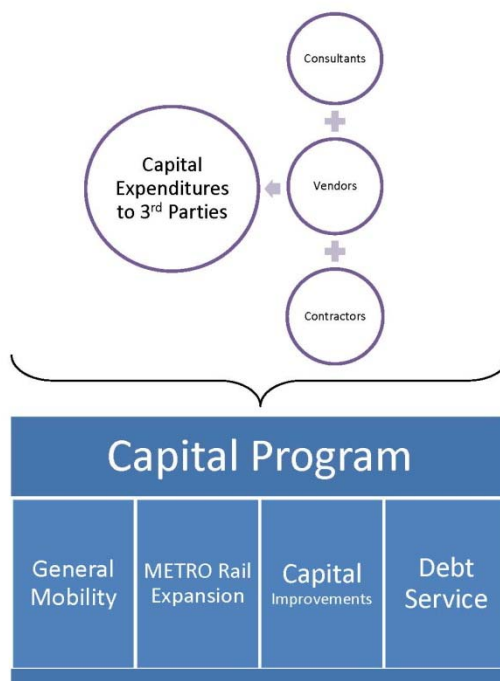


Business Plan & Budgets FY2011

Authority Level Budget Methodology (Con't)

Operating Budget:

- Transit: This category refers to the full cost of operating, maintaining, and securing the bus and rail system (Local, Park & Ride, Rail, METROLift, and METRO STAR Vanpool) less any service cost allocated to Capital.
- Traffic Management: The full cost of congestion management activities, including the operation and enforcement on the HOV System, major activity center traffic management, and METRO's share of the operational expenses used to run the Transtar facility.
- Expensed Small Capital Purchases: METRO recognizes capital purchases less than \$1,000 under this category. The sum of the purchases are not rolled into Transit operating costs or Traffic Management operating costs, but it is included in the Board-approved Operating Budget. The purpose of this category is to reduce the cost of inventorying, tracking, and accounting for small value capital purchases.



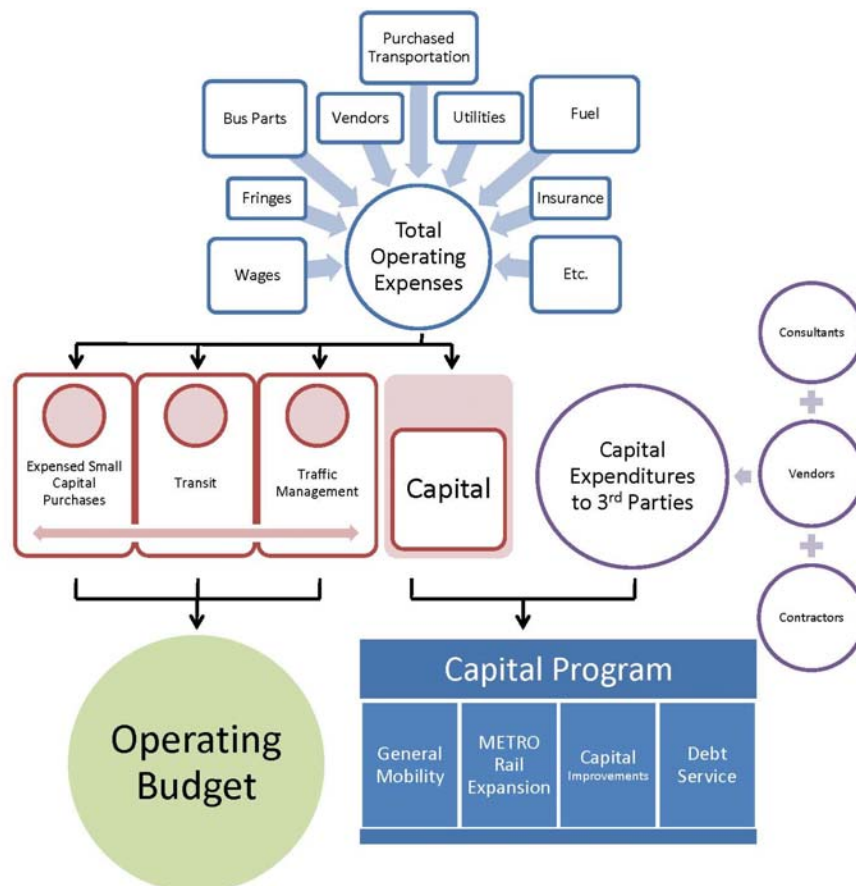
Business Plan & Budgets FY2011

Authority Level Budget Methodology (Con't)

Capital Program:

From the Operating Expenses, METRO transfers individual capital purchases that have a cost of \$1,000 or greater to Capital, where it is recorded as an asset and appropriately depreciated over its expected life. This capitalized amount is then combined with METRO's labor and support costs to plan, manage, and implement Capital Improvements, METRO Rail Expansion, General Mobility, Debt Service plus any of METRO's labor and support costs for bus service funded by formula and CMAQ capital funds. The sum of this total amount is referred to as the Capital Program.

The Debt Service budget was established to support the bonds and master lease programs for capital items and the accruing interest of any outstanding commercial paper.



Business Plan & Budgets FY2011

SERVICE PLAN

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Business Plan & Budgets FY2011

Authority Level Service Plan

The FY2011 Transit Service Plan attempts to expand ridership and meet the growing demand for METRO services by reallocating unproductive service to other existing or new routes that have the potential for higher ridership. A majority of the service reductions occurred in the August 2010 Service Change, where a large number of individual trips with very low ridership were discontinued. In January 2011, two of METRO's worst performing routes are proposed to be discontinued entirely and replaced with a taxicab voucher program. A third poorly performing route is proposed to be discontinued in June 2011 and replaced with a similar type program.

While there are several service improvements in the August 2010 Service Change, a majority of the planned improvements will be implemented in the January and June 2011 Service Changes. Overall, service is proposed to be enhanced in FY2011 utilizing the following strategies:

- Adding new routes where there is proven demand
- Expansion of service into new markets
- Increasing frequency to match demand
- Discontinuation/redeployment and adjustment of unproductive services
- Ongoing adjustment of schedules to improve on-time performance

Park & Ride Services

A new Park & Ride service between Brazoria County and the TMC Transit Center is expected during FY2011. While METRO searches for a site on which to build a permanent Park & Ride facility, service is proposed to be initiated to one of several temporary locations under consideration. This new route will operate weekdays only, providing peak direction service. Job Access Reverse Commute (JARC) funds received by Connect Transit, in addition to funding from the City of Pearland and anticipated fare revenue, are expected to completely cover METRO's operating cost for providing this service.

Local Services

Several additional local services are proposed to be added in FY2011. The Washington Avenue Shuttle will provide late night service to an increasingly active social scene along Washington Avenue. Building on the successful implementation of weekday only service on the 32 Renwick in June 2009, Saturday service is proposed to be added. Several routes will also be extended to provide service to new areas that are currently underserved by transit, including the 87 Sunnyside along Reed Road and the 4 Beechnut to S.H. 6. Finally, several other local routes will be restructured slightly to make them easier for customers to understand.

Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

The first will be in the northwest portion of Houston where the 58 Hammerly, 46 Gessner, and 36 Kempwood will be simplified.

The second will be the 9 Gulfton, where a one-way loop will be eliminated and replaced with bi-directional service to better serve a school, medical facility, and new community center.

Schedule Enhancements

On the 137 Northshore, wait time for customers will be reduced and some standing loads eliminated on Saturdays and Sundays by improving the frequency of those services. Two earlier morning trips on the 426 Swiftline will also be added, which were requested by TMC employees after the route's implementation in August 2009. During each of the three service changes in FY2011, staff has set aside a small amount of funding to adjust schedules as needed to address changing route conditions, street construction delays, etc.

Route Eliminations

During FY2011, three poorly performing routes are recommended for discontinuation: the 38 Manchester, 39 Parker, and 64 Lincoln City. As part of the Transit Service Plan, staff will examine the possibility of implementing a new taxi voucher system to replace these poorly performing routes to maintain service to those customers in a more cost-effective manner.

The results of the above changes are reflected in the revenue hours of service summarized as follows:

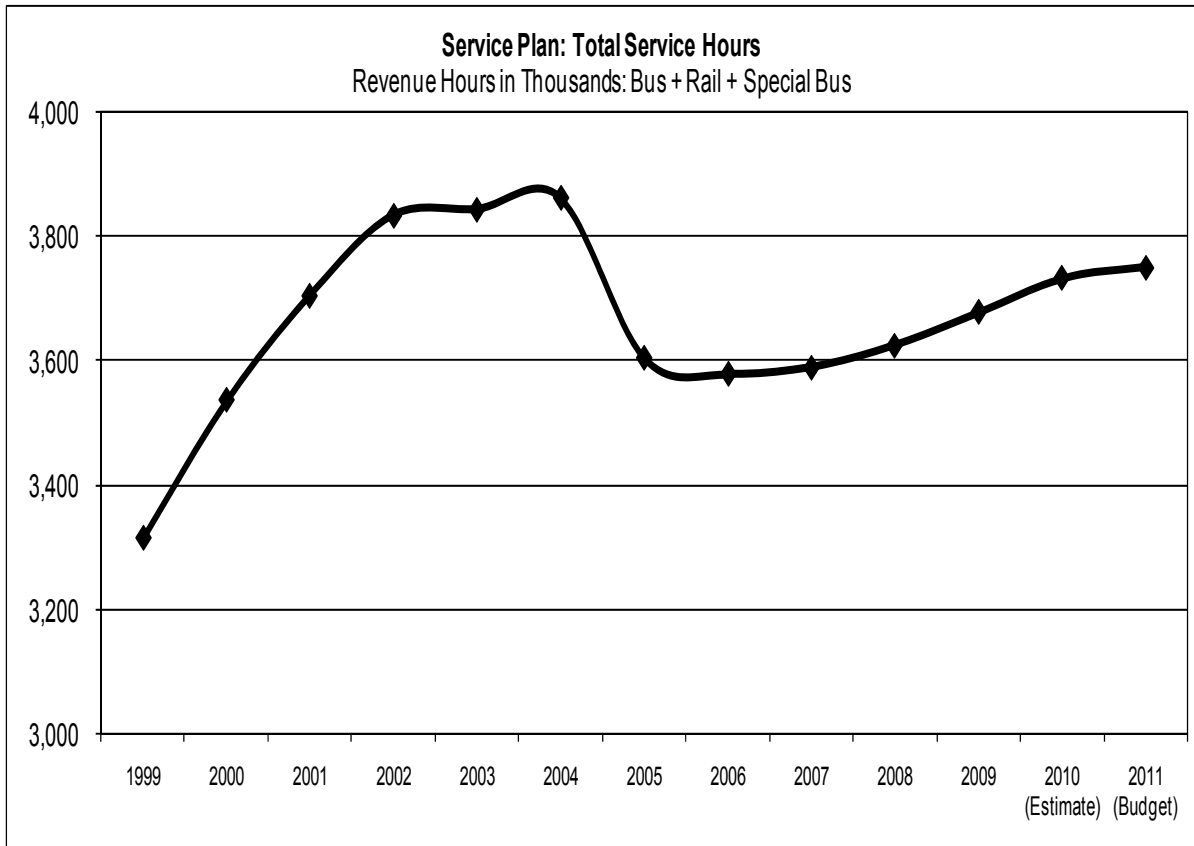
Annual Revenue Hours of Service					FY 2011*
	FY2010 Budget	FY2010 Estimate	FY2011 Budget	Difference FY10 Estimate vs. FY11 Budget	New Service Annualized
Fixed Route: Bus	2,839,909	2,843,822	2,849,256	5,434	2,856,298
Fixed Route: Rail	64,565	64,493	64,672	179	64,672
FixedRoute Total	2,904,474	2,908,315	2,913,928	5,613	2,920,970
METROLift	816,902	824,597	835,526	10,929	835,526
Internal Service	489	709	709	0	709
Total	3,721,865	3,733,621	3,750,163	16,542	3,757,205

*FY2011 includes new service

Maps of the key changes proposed in the FY2011 Transit Service Plan, along with additional details of each, are included on the following pages.

Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)



Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

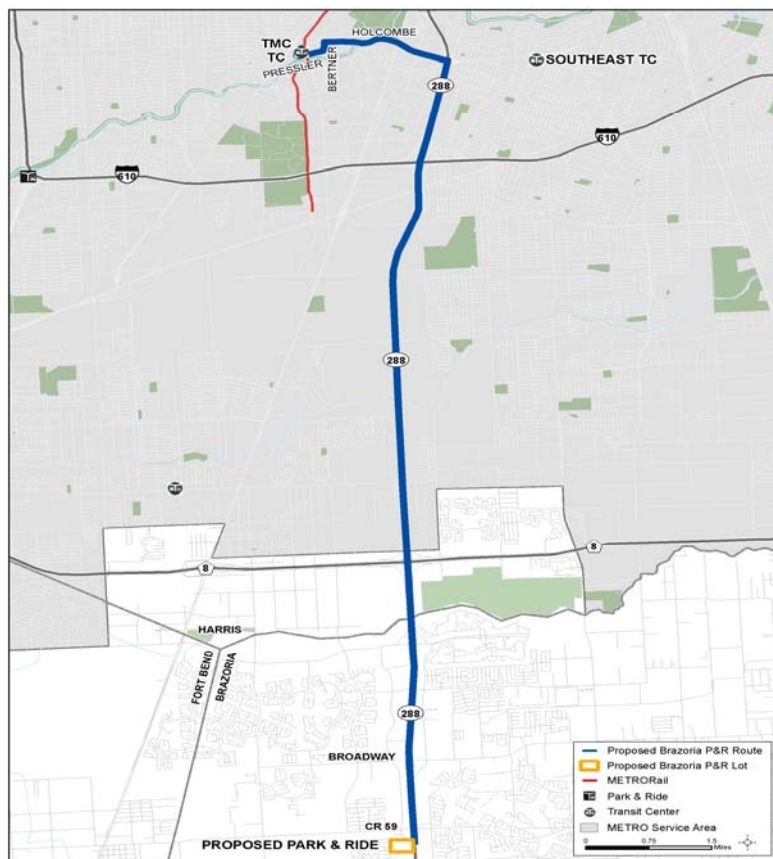
S.H. 288/Brazoria County P&R Service

Route Characteristics

- Operates between the TMC and a proposed Park & Ride lot along the growing S.H. 288 corridor
- Weekdays, peak direction service
- First Year Ridership – 131,472
- Annual Fare Revenue of \$212,985, plus \$411,734 in JARC revenues or City of Pearland funding

Benefits

- Last major freeway corridor in Houston without Park & Ride service
- Zip codes adjacent to proposed lot contain the largest residential concentration of TMC employees



Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

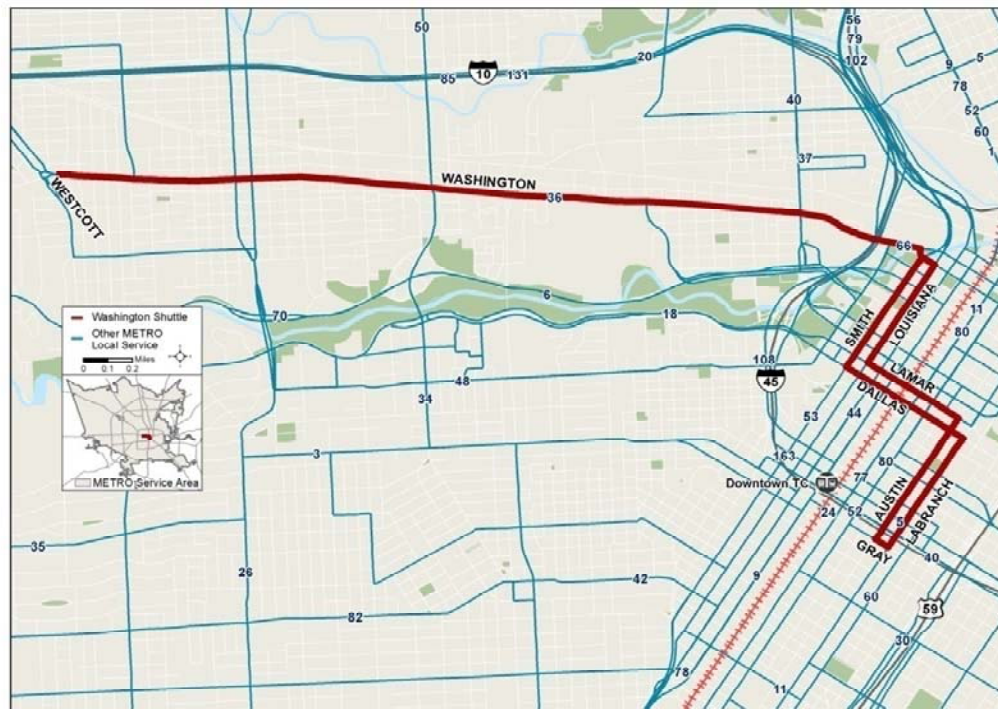
Washington Avenue Shuttle

Route Characteristics

- Circulates between Downtown, along Washington Avenue to the Westcott traffic circle
- Serves expanding venue of restaurants and night clubs
- Enhance and supplement corridor service in coordination with the current private service provider, The Wave, and local community interests
- Operates Wednesday through Saturday nights
- Annual Ridership – 13,007
- Annual Revenue - \$7,804

Benefits

- Helps address parking shortage in rapidly revitalizing area



Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

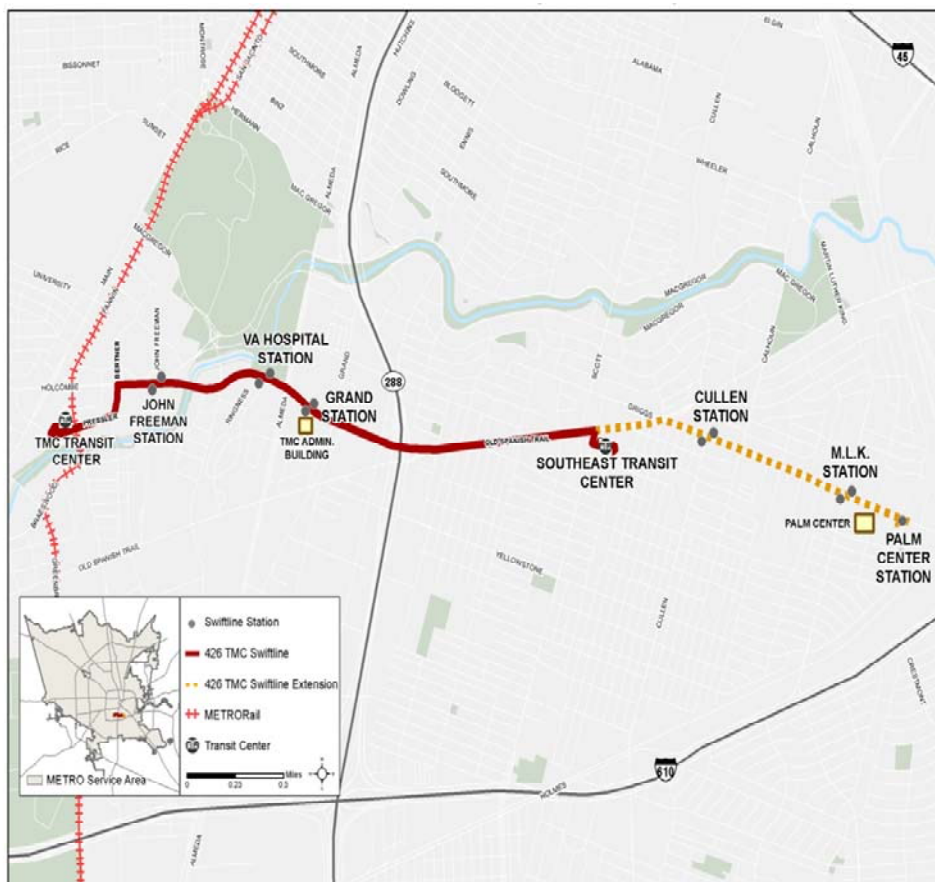
426 Swiftline

Route Change Characteristics

- Add two early morning trips between the Southeast and TMC Transit Centers, to provide earlier service. This was a frequent request of the initial passenger satisfaction survey
- Operates Weekdays
- Annual Ridership – 3,036
- Annual Revenue - \$1,822

Benefits

- Improves access to earlier morning work start times



Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

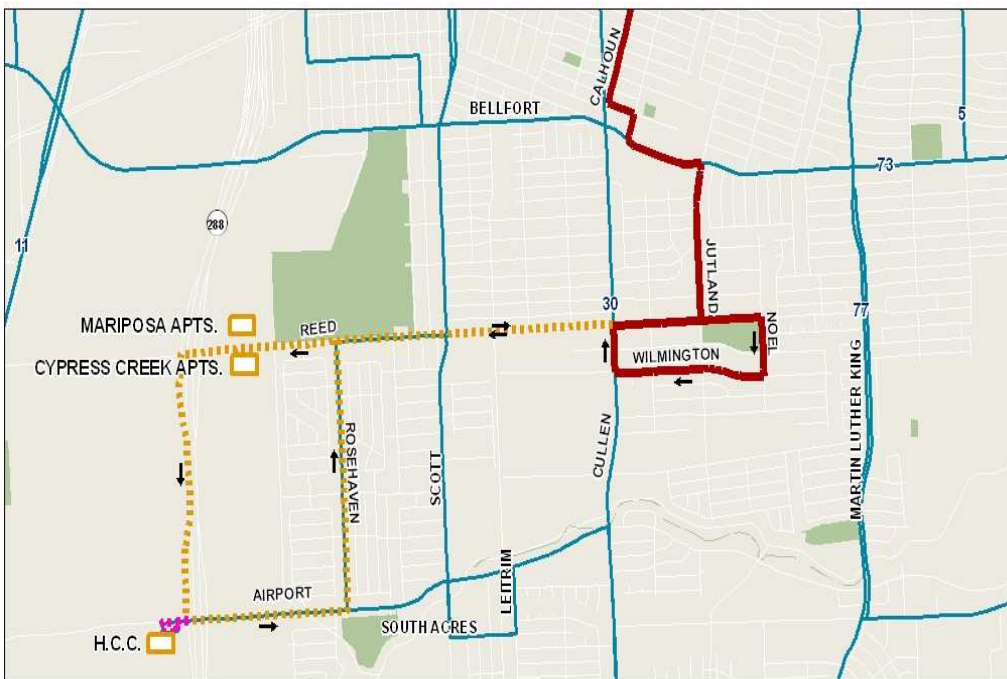
Extension of 87 Sunnyside

Route Change Characteristics

- Extends the 87 along Reed Road to service a residential neighborhood and two new apartment complexes (one senior and one mixed age). This has been requested in several neighborhood meetings
- Operates 7 days a week
- Annual Ridership – 12,331
- Annual Revenue - \$7,399

Benefits

- Connects residents to 52 Scott, 30 Cullen, 352 Swingle, and the TMC
- Would allow the northbound 52 Scott to be removed from Rosehaven and bi-directional service to be added to Scott
- Necessary for future extension of the 52 Scott to the MLK Health Center



Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

Northwest Restructuring of 36 / 46 / 58

Route Change Characteristics

- Restructure the northern/western terminal loops of the 36 Kempwood, 46 Gessner, and 58 Hammerly. Routes would be changed so that a single route operates along each individual corridor
- Operates 7 days a week
- Annual Ridership – 44,545
- Annual Revenue - \$26,727

Benefits

- This will simplify all three routes for customers, resulting in fewer branches, resolving community complaints, and making METRO service easier to understand
- All day service would be provided to Goodwill Industries on Hammerly, instead of the peak only service it currently receives



Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

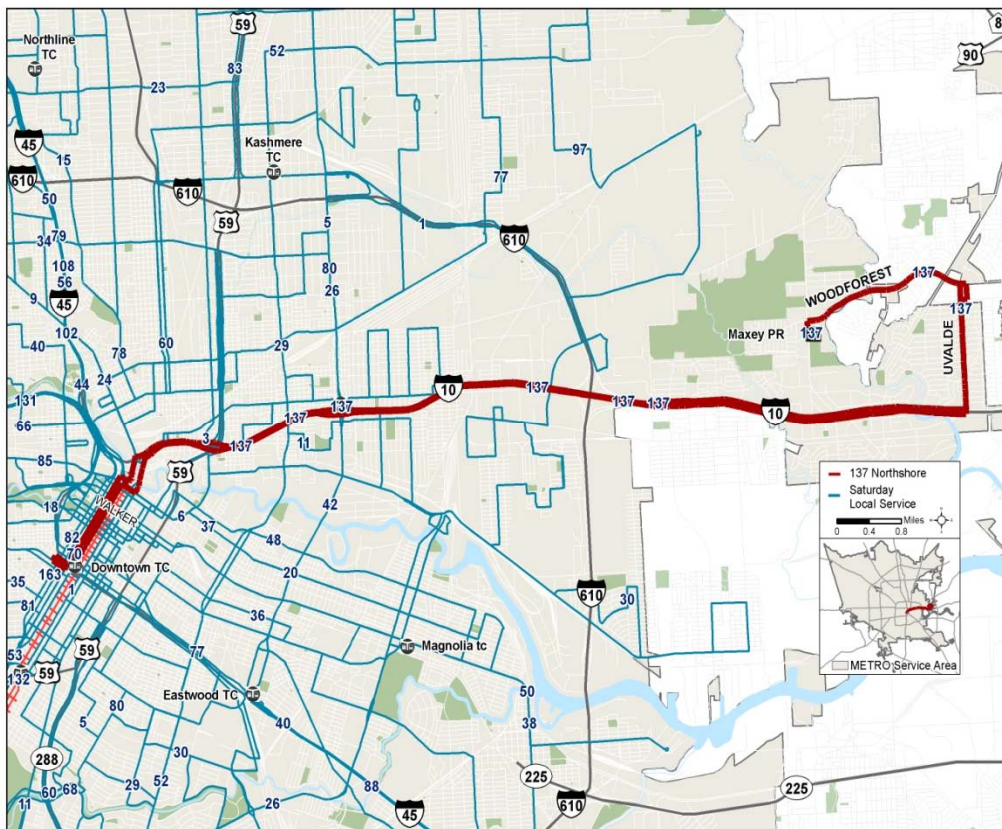
137 Northshore Weekend Headway Improvement

Route Change Characteristics

- Improves headways on the 137 from 50 minutes to 35 minutes on Saturdays and Sundays, between approximately 9 AM and 8 PM
- Annual Ridership – 31,030
- Annual Revenue - \$18,618

Benefits

- Allow customers to travel between Downtown and the east side of town with reduced waiting time
- Would eliminate standing loads that occur regularly on the weekends



Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

Miscellaneous Schedule Adjustments

Route Change Characteristics

- Provides limited operating funds to modify bus schedules in order to address unforeseen on-time performance issues, construction delays, detours, etc., on a timely basis
- Represents 5 weekday, 5 Saturday, and 5 Sunday hours of service, **per service change**
- Would be available for implementation at each of the three regular service changes

Benefits

- Improves system on-time performance
- Solves problems that regularly occur such as construction, changes to street conditions, shifts in boardings and alightings

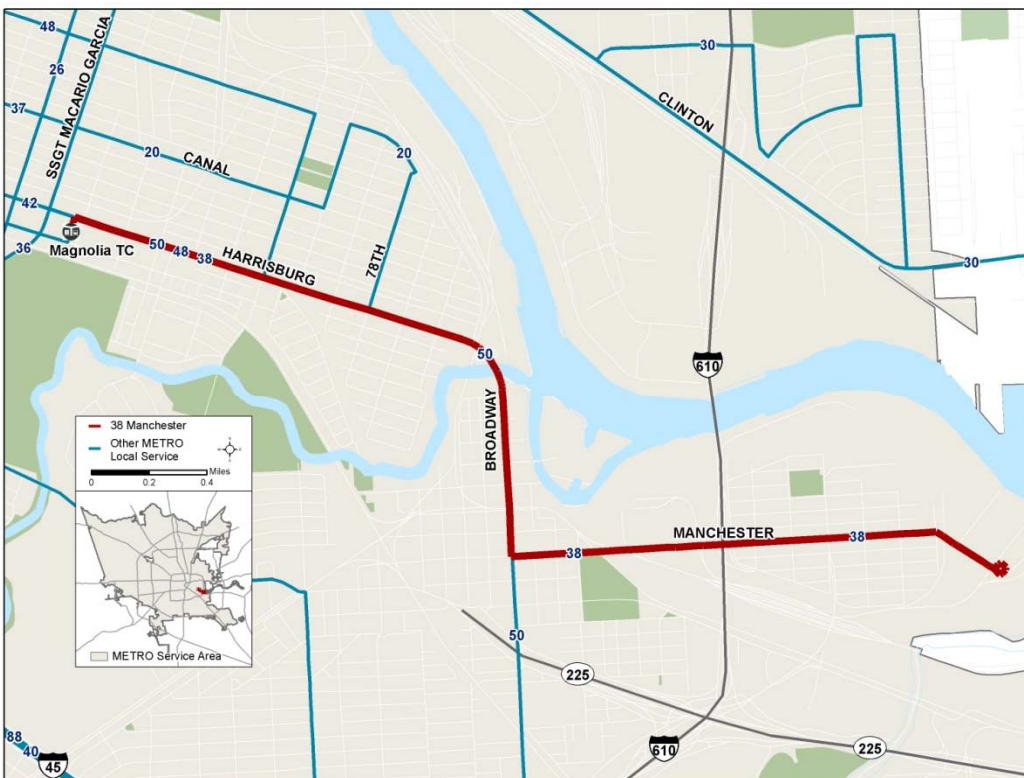
Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

38 Manchester – Alternative Service

Route Characteristics

- Route has ranked in the bottom of the 4th quartile every year since inception in 2007
- Route has a subsidy per boarding of over \$11.00
- Majority of route is duplicated by the 50 Harrisburg route
- Average daily boardings of 136, but only 22 along Manchester
- Annual Ridership – Loss of 6,831
- Annual Revenue – Loss of \$4,099
- Could be replaced by a Taxicab Voucher program



Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

39 Parker – Alternative Service

Route Characteristics

- Route has ranked in the bottom of the 4th quartile every year since inception in 2007
- Route has a subsidy per boarding of almost \$27.00
- Average daily boardings of 34
- Annual Ridership – Loss of 5,060
- Annual Revenue – Loss of \$3,036
- Could be replaced by a Taxicab Voucher program



Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

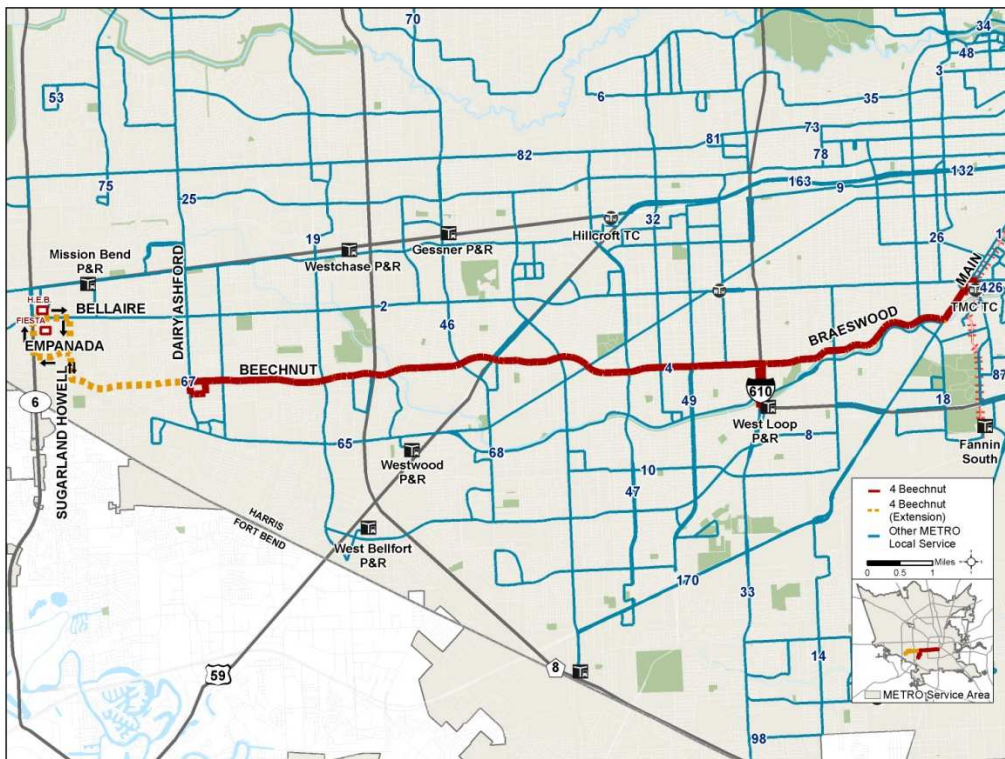
4 Beechnut Extension

Route Characteristics

- Extends the 4 Beechnut from the current layover to State Highway 6
- 7 days a week
- Annual Ridership – 192,524
- Annual Revenue - \$115,514

Benefits

- Provides customers with improved access to retail/commercial activities along S.H. 6, including HEB & Fiesta, and provides a connection to the 2 Bellaire
- Removes service from Wellington Park neighborhood, where some residents have petitioned for the removal of METRO bus service



Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

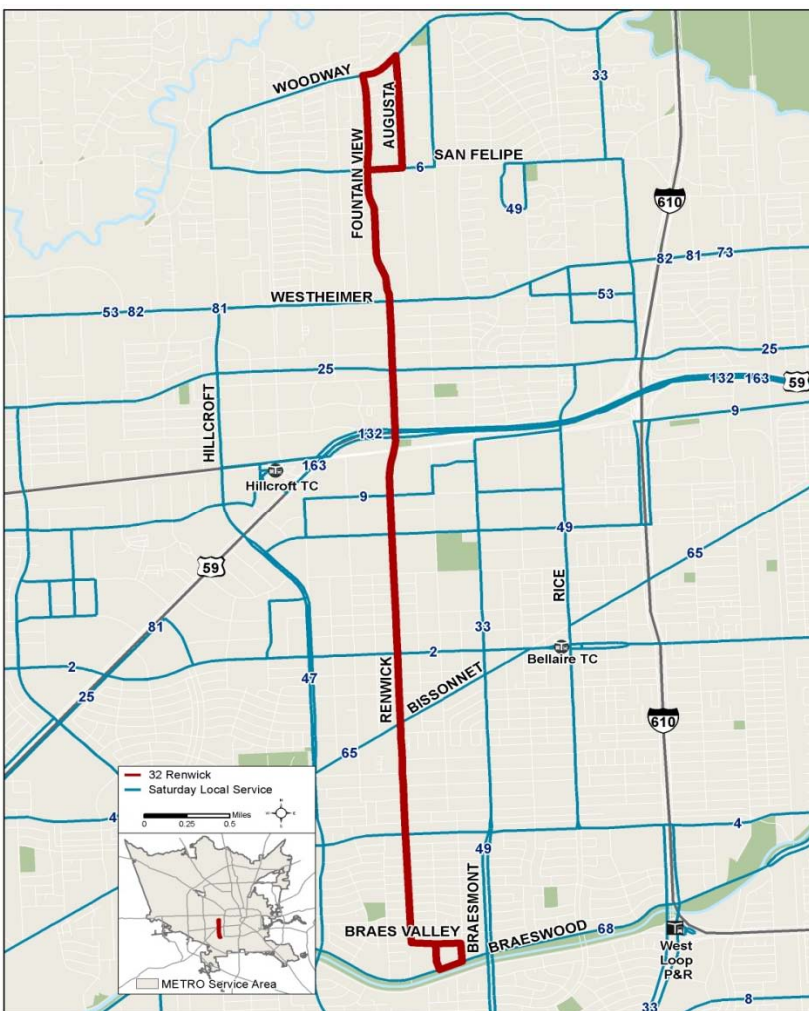
32 Renwick

Route Characteristics

- Add Saturday service to the 32 Renwick, between 7 AM and 7 PM
- This was a frequent request in METRO's initial customer satisfaction survey
- Annual Ridership – 26,594
- Annual Revenue - \$15,956

Benefits

- Daily ridership has already climbed into the low 900's for a typical weekday
- Implementing Saturday service should also increase weekday ridership



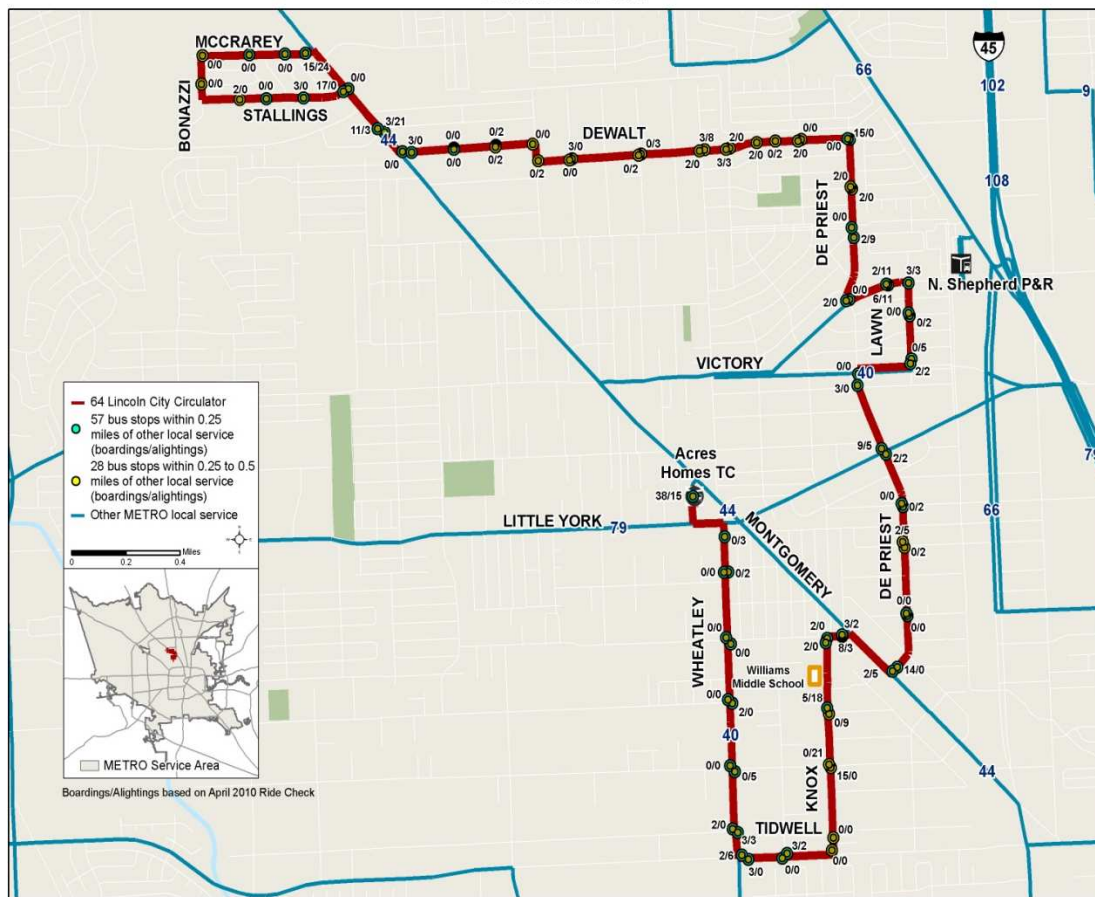
Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

64 Lincoln City – Alternative Service

Route Characteristics

- This route has consistently ranked in the bottom of the 4th quartile
- Route has a subsidy per passenger of over \$19.00
- Majority of route is within walking distance of the 44 Acres Homes, 79 West Little York, or the 40 Pecore
- Average daily boardings of 258; all are within ½ mile; 222 are within ¼ mile of other local routes
- Annual Ridership – Loss of 29,348
- Annual Revenue – Loss of \$17,609
- Could be replaced by a Taxicab Voucher program



Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

52 Scott

Route Characteristics

- Extends the 52 Scott to the Martin Luther King (MLK) Health Clinic, replacing the 352 Swingle route
- When Harris County completes the Scott Street road improvements and extension, select 52 trips would be extended to the clinic
- Extension to clinic would only operate on Weekdays
- Annual Ridership – 6,325
- Annual Revenue - \$3,795

Benefits

- This change would provide direct connection between the clinic and the Southeast Transit Center
- Having one principal route on Scott Street is easier for customers to understand



Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

FY2011 Service Levels

Resource	Fixed Route					Special Bus		
	<u>METRO</u>	<u>First Transit</u>	<u>Total Bus</u>	<u>Rail</u>	<u>Total Bus and Rail</u>	<u>Internal</u>	<u>METROLift</u>	<u>METROVan</u>
	<u>Bus</u>	<u>Bus (1)</u>				<u>Service (2)</u>		
Revenue Miles	32,704,089	8,449,493	41,153,582	758,659	41,912,241	4,795	14,543,836	-
Revenue Hours	2,277,653	571,602	2,849,256	64,672	2,913,928	709	835,526	-
Total Miles	38,661,174	10,463,871	49,125,045	761,236	49,886,281	4,795	16,530,825	-
Total Hours	2,513,172	644,441	3,157,613	65,553	3,223,166	709	912,847	-
Number of Vans								758

FY2010 Service Levels - Estimate

Resource	Fixed Route					Special Bus		
	<u>METRO</u>	<u>First Transit</u>	<u>Total Bus</u>	<u>Rail</u>	<u>Total Bus and Rail</u>	<u>Internal</u>	<u>METROLift</u>	<u>METROVan</u>
	<u>Bus</u>	<u>Bus (1)</u>				<u>Service (2)</u>		
Revenue Miles	32,682,825	8,706,615	41,389,439	754,459	42,143,899	4,795	14,329,719	-
Revenue Hours	2,267,947	575,876	2,843,822	64,493	2,908,316	709	824,597	-
Total Miles	38,633,501	10,742,080	49,375,581	757,190	50,132,771	4,795	16,295,484	-
Total Hours	2,504,042	648,784	3,152,826	65,371	3,218,198	709	900,026	-
Number of Vans								708

FY2010 Service Levels - Budget

Resource	Fixed Route					Special Bus		
	<u>METRO</u>	<u>First Transit</u>	<u>Total Bus</u>	<u>Rail</u>	<u>Total Bus and Rail</u>	<u>Internal</u>	<u>METROLift</u>	<u>METROVan</u>
	<u>Bus</u>	<u>Bus (1)</u>				<u>Service (2)</u>		
Revenue Miles	32,869,295	8,585,124	41,454,419	763,106	42,217,525	3,371	14,208,262	-
Revenue Hours	2,274,918	564,991	2,839,909	64,565	2,904,474	489	816,902	-
Total Miles	38,936,746	10,612,052	49,548,798	765,706	50,314,504	3,371	16,061,730	-
Total Hours	2,518,716	637,073	3,155,789	65,445	3,221,234	489	894,217	-
Number of Vans								840

(1) First Transit excludes Northwest Shuttle Service. METRO does not pay for this service.

(2) Special Events service discontinued per new FTA guidelines

Business Plan & Budgets FY2011

Authority Level Service Plan (Con't)

Change to Service Levels: FY2010 Estimate to FY2011 Proposed Budget

	Fixed Route				Special Bus			
	<u>METRO</u>	<u>First Transit</u>			<u>Total Bus</u>	<u>Internal</u>		
<u>Resource</u>	<u>Bus</u>	<u>Bus</u>	<u>Total Bus</u>	<u>Rail</u>	<u>and Rail</u>	<u>Service (2)</u>	<u>METROLift</u>	<u>METROVan</u>
Revenue Miles	21,264	(257,122)	(235,857)	4,200	(231,658)	-	214,117	
Revenue Hours	9,707	(4,273)	5,433	179	5,612	-	10,929	
Total Miles	27,673	(278,210)	(250,536)	4,046	(246,490)	-	235,341	
Total Hours	9,130	(4,343)	4,787	181	4,968	-	12,821	
Number of Vans								

<u>Resource</u>	<u>Fixed Route</u>				<u>Special Bus</u>			
	<u>METRO</u>	<u>First Transit</u>	<u>Total Bus</u>	<u>Rail</u>	<u>Total Bus</u>	<u>Internal</u>	<u>METROLift</u>	<u>METROVan</u>
	<u>Bus</u>	<u>Bus</u>			<u>and Rail</u>	<u>Service (2)</u>		
Revenue Miles	0.07%	-2.95%	-0.57%	0.56%	-0.55%	0.00%	1.49%	
Revenue Hours	0.43%	-0.74%	0.19%	0.28%	0.19%	0.00%	1.33%	
Total Miles	0.07%	-2.59%	-0.51%	0.53%	-0.49%	0.00%	1.44%	
Total Hours	0.36%	-0.67%	0.15%	0.28%	0.15%	0.00%	1.42%	
Number of Vans								7.05%

Change to Service Levels: FY2010 Budget to FY2011 Proposed Budget

	Fixed Route				Special Bus			
	<u>METRO</u>	<u>First Transit</u>			<u>Total Bus</u>	<u>Internal</u>		
<u>Resource</u>	<u>Bus</u>	<u>Bus</u>	<u>Total Bus</u>	<u>Rail</u>	<u>and Rail</u>	<u>Service (2)</u>	<u>METROLift</u>	<u>METROVan</u>
Revenue Miles	(165,206)	(135,631)	(300,837)	(4,447)	(305,284)	1,424	335,574	
Revenue Hours	2,735	6,611	9,347	107	9,454	220	18,624	
Total Miles	(275,572)	(148,181)	(423,753)	(4,470)	(428,223)	1,424	469,095	
Total Hours	(5,544)	7,368	1,824	108	1,932	220	18,630	
Number of Vans								(82)

<u>Resource</u>	<u>Fixed Route</u>				<u>Special Bus</u>			
	<u>METRO</u>	<u>First Transit</u>	<u>Total Bus</u>	<u>Rail</u>	<u>Total Bus</u>	<u>Internal</u>	<u>METROLift</u>	<u>METROVan</u>
	<u>Bus</u>	<u>Bus</u>			<u>and Rail</u>	<u>Service (2)</u>		
Revenue Miles	-0.50%	-1.58%	-0.73%	-0.58%	-0.72%	100.00%	2.36%	
Revenue Hours	0.12%	1.17%	0.33%	0.17%	0.33%	100.00%	2.28%	
Total Miles	-0.71%	-1.40%	-0.86%	-0.58%	-0.85%	100.00%	2.92%	
Total Hours	-0.22%	1.16%	0.06%	0.16%	0.06%	100.00%	2.08%	
Number of Vans								-9.77%

Business Plan & Budgets FY2011

Authority Level Key Performance Indicators

Key Performance Indicator	FY2010 Goal	YTD August FY2010 Actual	FY2011 Goal
On-Time Performance (Service Reliability)			
• Bus - Local	66%	67%	67%
• Bus - Park & Ride	70%	77%	75%
• Bus - Weighted Average	67%	70%	69%
• Rail	96%	97%	96%
Mean Distance Between Mechanical Failures (all buses)	6,350	7,797	6,600
Bus Accidents			
• Absolute Number	552	462	528
• Per 100,000 Vehicle Miles	0.84	0.74	0.81
Rail Accidents			
• Absolute Number	41	30	39
• Per 100,000 Vehicle Miles	5.35	3.50	5.12
Complaint Contacts			
• Absolute Number	20,088	16,157	17,000
• As A Percent Of Boardings	0.0221%	0.0218%	0.0215%
Major Security Incidents			
• Total	600	312	540
• Per 100,000 Boardings	0.659	0.421	0.684
Major Security Incidents – METRO Properties			
• Total	384	183	336
• Per 100,000 Boardings	0.422	0.247	0.426
Average Call Center Answer Delay	1 minute or less	48 seconds	1 minute or less

Business Plan & Budgets FY2011

Authority Level Key Performance Indicators (Con't)

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

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

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

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

Bus and Rail Accidents: An accident is a transit incident with passenger injuries that require immediate medical treatment away from the scene or a collision between a revenue vehicle and an object such that the amount of damage exceeds \$1,000. Bus accidents (which include METROLift) and rail accidents are reported separately and in terms of the absolute number of accidents and the relative number of accidents per 100,000 vehicle miles. Rail accidents only reflect collisions between METRORail and other vehicles.

Business Plan & Budgets FY2011

Authority Level Key Performance Indicators (Con't)

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

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

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

Average Call Center Answer Delay: METRO is committed to providing customers with accurate, customer-friendly bus and service information in a timely manner. Customers may obtain bus information over METRO's website and by telephone using an interactive voice response system without speaking to a representative and with no customer wait time. For those customers who prefer to speak with a representative, METRO's goal is to answer their call in 60 seconds or less. In addition to bus information, METRO's Customer Service/Information Center provides general information, supports METRO Q[®] Fare Card requests, documents and researches public comments, aids with Lost and Found inquiries, and provides general vanpool and HOV information. In order to further improve customer service, several initiatives are being put forth for FY2011. Plans include: introducing METROLift staff at neighborhood centers to conduct METROLift In-Person Interviews and Assessments; creating a Customer Care Team to ensure customer complaints are thoroughly documented, investigated, and customers' issues are resolved; and placing a representative in the RideStore to provide bus information and assistance.

Business Plan & Budgets FY2011

Authority Level Projected Ridership (000's)

Service Category	FY2010 Estimate	FY2011 Target	Change FY2010 vs. FY2011	
Fixed-Route Bus				
Local	58,476	56,996	-1,480	-2.53%
Park & Ride	7,979	7,383	-596	-7.47%
Total Fixed-Route Bus	66,455	64,379	-2,076	-3.12%
METRORail	10,574	10,497	-77	-0.73%
Total Fixed-Route Bus and Rail	77,029	74,876	-2,153	-2.80%
Special Bus Services				
METROLift	1,541	1,571	30	1.95%
Internal Services	4	4	0	0.00%
METROVan	2,449	2,488	39	1.59%
Total Special Bus Services	3,994	4,063	69	1.73%
Total All Bus and Rail Services	81,023	78,939	-2,084	-2.57%
HOV Carpools, Vanpools, and Non-METRO Buses	24,014	24,450	436	1.82%
TOTAL SYSTEM RIDERSHIP	105,037	103,389	-1,648	-1.57%

Note:

Fixed Route Services - Ridership

- ▶ The forecast includes approved FY2010 Transit Service Plan projects
- ▶ The forecast includes potential adjustments for the possible retirement of 60' buses
- ▶ The forecast includes potential adjustments for unemployment

Business Plan & Budgets FY2011

Authority Level Projected Ridership

METRO fixed-route ridership has declined annually since it peaked in FY2006. The table below shows the annual ridership from FY2006 to FY2010:

Table 1. Fixed-Route Ridership – By Fiscal Year

By Fiscal Year	Boardings	Change	% Change
FY2006	98,518,251		
FY2007	96,801,356	(1,716,895)	-1.7%
FY2008	96,348,287	(453,069)	-0.5%
FY2009	84,408,919	(11,939,368)	-12.4%
FY2010 (Estimated)	77,028,531	(7,380,388)	-8.7%
Combined Change		(21,489,720)	-21.8%

SOURCE: FY2006 – FY2009 from National Transit Database; FY2010 based on Fourth Quarter Ridership Forecast, 13-Sep-10.

The estimated FY2011 fixed-route ridership forecast as shown is a compilation of the base case methodology based upon current ridership trends.

The base case for ridership extrapolates the existing data based upon historical ridership trends. As shown above, the ridership trends are negative for the past four years. Key factors contributing to the current trends are the continuing level of high unemployment (8.8% in July 2010 which is identical to that for January 2010, but higher than any single month unemployment rate since June 1994), impacts from fare enforcement and fare changes, inclement weather, and lower than expected ridership growth on new routes.

The continuing level of high unemployment is a critical factor affecting METRO ridership. Beginning in September 2007, the unemployment rate has been higher each month than the year before and has risen from 4.4% to the present 8.8%. This is a 100% increase in the unemployment rate at a time when the available workforce has actually increased. Over 90% of METRO's Park & Ride ridership and roughly 33% of both Local and METRORail ridership involved work-related trips (2007 Transit Onboard Survey Final Report for Houston-Galveston Area Council, September 2007). Simply put, METRO loses work-related ridership when people no longer have work.

Increased fare enforcement on METRORail has resulted in increased fare revenues but decreased ridership. As the current level of fare enforcement began in January 2010, the revenue and ridership trends should be expected through at least the first quarter of FY2011 (October – December 2010).

Business Plan & Budgets FY2011

Authority Level Projected Ridership

The fare restructuring and the 25% fare increase in FY2008 and FY2009 contributed to significant ridership losses. METRO consultants estimated a – 11.6% ridership change from the fare restructuring alone, a – 8.2% ridership change from the 25% fare increase, and a – 19.7% ridership change from the combination. Using these estimates, the expected FY2008 - FY2009 ridership change was – 12.0M boardings, while the actual FY2008 - FY2009 ridership change was – 11.9M boardings. Although the majority of the ridership losses associated with a fare change occur within the first 12 months following implementation, METRO did continue to experience ridership loss on local routes beyond the 12 month time period following the previous fare increase in October 1994.

Ridership growth on new routes has also lagged behind expectations. Some of the ridership growth lag can be attributed to the unusually cold temperatures from December 2009 – March 2010.

Additional adjustments for the estimated FY2011 fixed-route ridership forecast include: the proposed FY2011 Transit Service Plan, the retirement of 60' articulated buses replaced one-for-one with 40' buses, and changes in unemployment.

The proposed FY2011 Transit Service Plan includes three new services (Brazoria County / TMC Park and Ride, Washington Avenue Circulator – Wednesday – Saturday evenings, and 32 Renwick – Saturday) as well as route extensions and restructuring. The combination of these services, improvements, and the reduction of bus trips with low ridership will not increase the Operating Budget; however, these changes could provide nearly 300,000 new boardings.

In an effort to standardize the bus fleet and reduce maintenance expenses, METRO is proposing to retire the remaining 60' articulated buses during mid-year FY2011. These 60' articulated buses have 62 seats and can hold up to 84 customers including standees. The proposed equipment replacement is 40' buses having 38 seats and holding up to 51 customers including standees on a one-for-one basis. The equipment replacement plan would result in some customers being unable to board bus trips that they currently ride. A ridership change of -40,000 boardings is forecast for FY2011.

Business Plan & Budgets FY2011

Authority Level Projected Ridership

As noted in the discussion of the base case, current local unemployment trends are not favorable. With a work force of roughly 3 million people in the greater Houston metropolitan area, each 1% increase in the unemployment rate results in roughly 30,000 more unemployed people. It is unreasonable to assume that continuation of this trend will not affect METRO's fixed-route ridership. With a 0.1% increase in the unemployment rate month-to-month, the estimated ridership change could be -120,000 boardings annually.

Table 2. Estimated FY2011 Fixed-Route Ridership Forecast

	Local	Park & Ride	Total - Bus	Light Rail	Total Fixed Route
FY2010 Estimate	58,475,819	7,979,211	66,455,030	10,573,500	77,028,531
FY2011 - Base Case plus Potential Adjustments					
Base Case	56,924,055	7,326,087	64,250,142	10,507,493	74,757,635
Transit Service Plan	147,198	131,472	278,670	-	278,670
Gasoline Prices	-	-	-	-	-
Retirement of 60' Buses	(40,000)	-	(40,000)	-	(40,000)
Unemployment	(35,000)	(75,000)	(110,000)	(10,000)	(120,000)
Weather	-	-	-	-	-
Cumulative	56,996,253	7,382,559	64,378,812	10,497,493	74,876,305

SOURCE: FY2011 Business Plan, Estimated Fixed-Route Bus and Rail Ridership Forecast, 13-Sept-10

Business Plan & Budgets FY2011

Authority Level Organization Structure

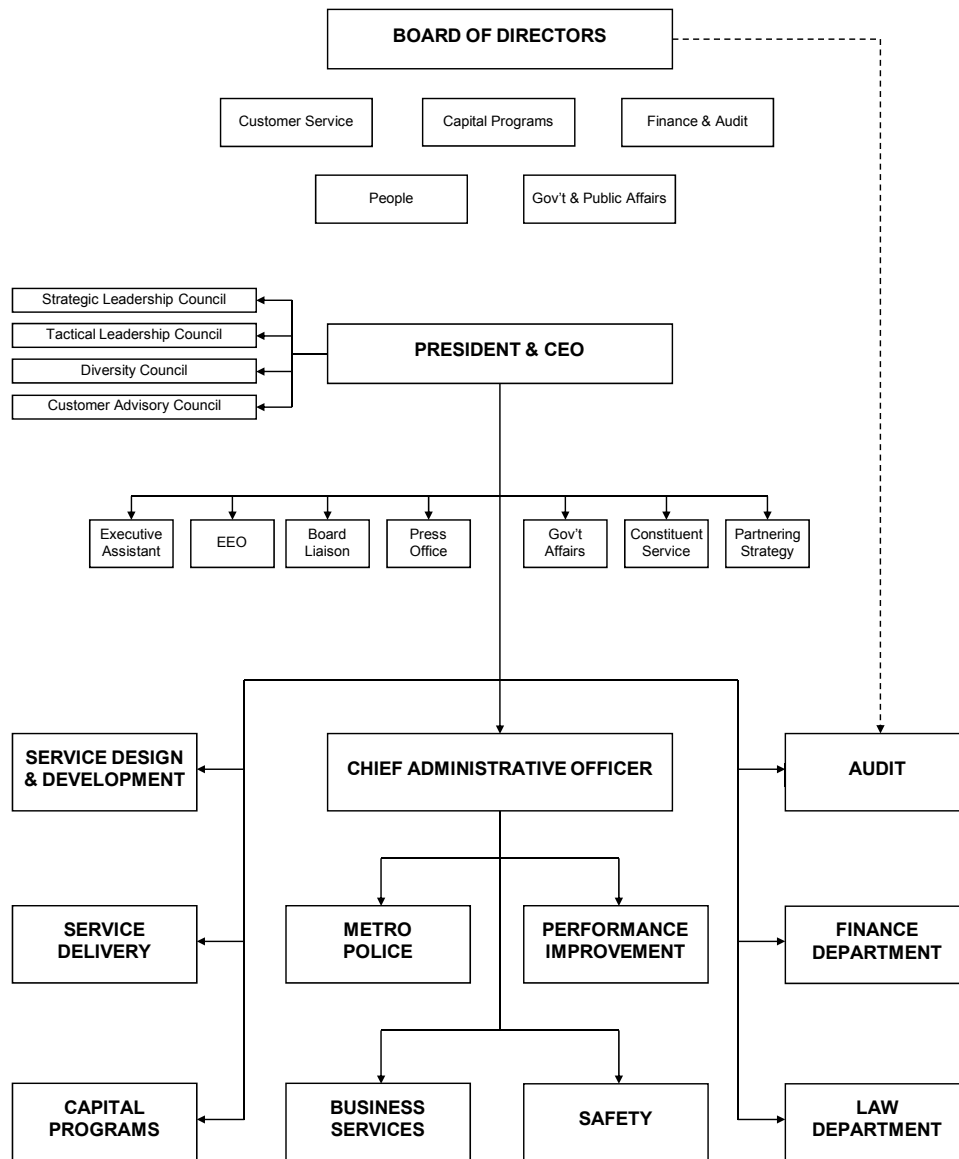
A plan for restructuring the current organization is underway. High level charts outlining the resulting structure are attached.

The plan will come into effect at the beginning of FY2011 and the current departmental budgets will be rearranged to match the new structure. There will be no change to the total Authority budget.

The restructuring is designed to increase transparency and accountability, focus us on our core mission as stated in our Strategic Priorities and promote greater partnering within the company. It is intended to help us make better use of our human resources, as well as the taxpayer and customer dollars for which we are stewards. It will make us more easily understood by the community and allow us to be a more effective partner with others engaged in providing transit services that promote mobility in our region.

Business Plan & Budgets FY2011

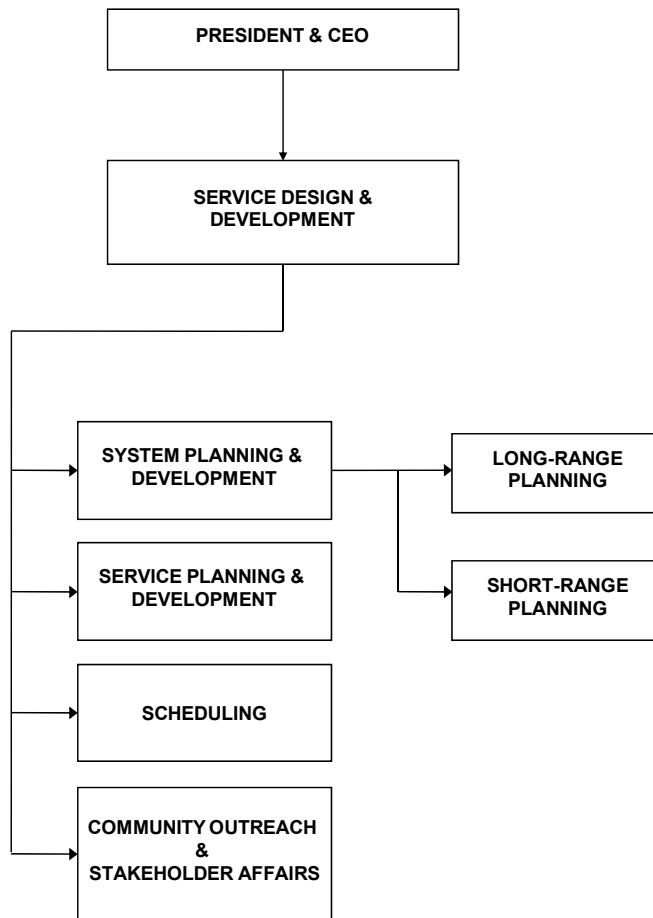
Authority Level Organizational Chart



Total Authorized: 3,587

Business Plan & Budgets FY2011

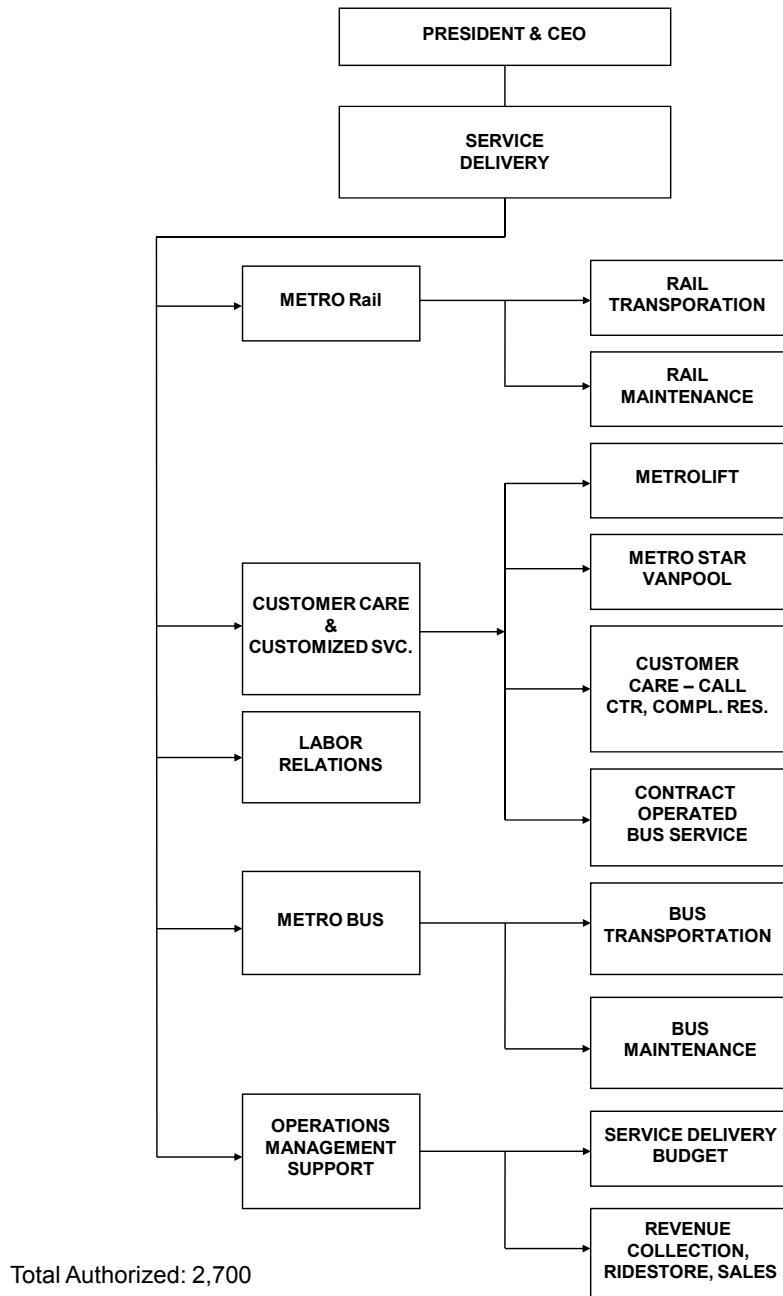
Authority Level Organizational Chart (Con't)



Total Authorized: 43

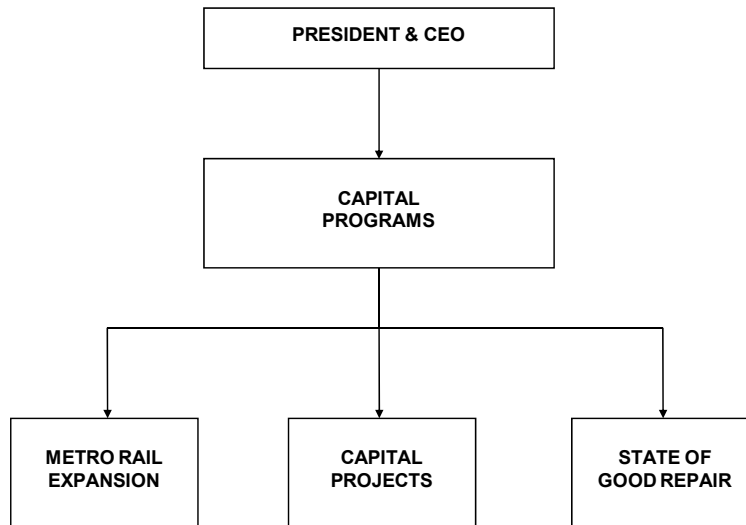
Business Plan & Budgets FY2011

Authority Level Organizational Chart (Con't)



Business Plan & Budgets FY2011

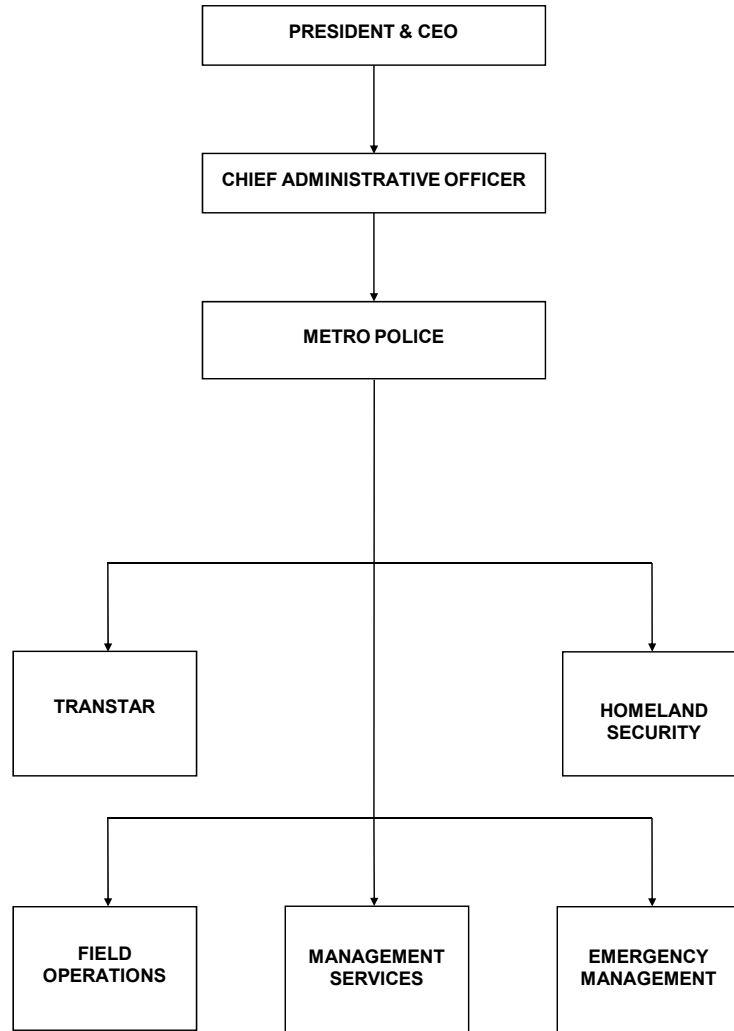
Authority Level Organizational Chart (Con't)



Total Authorized: 67

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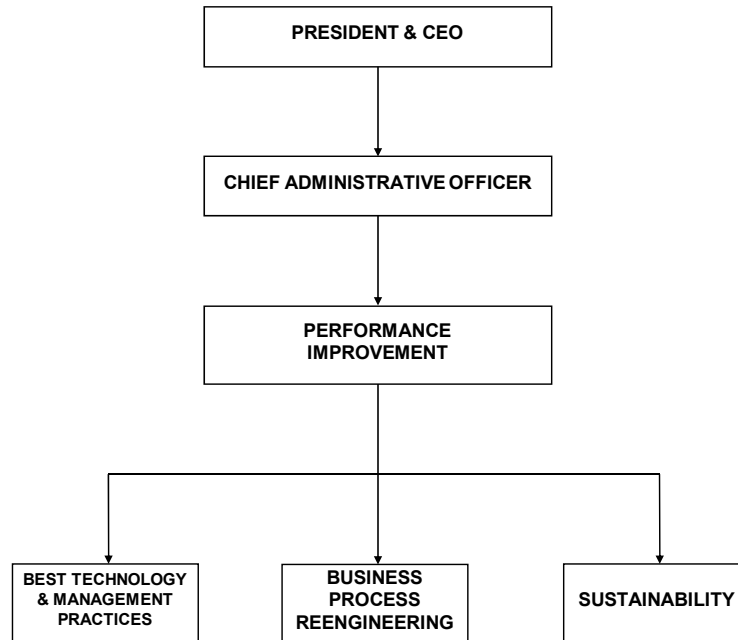
Authority Level Organizational Chart (Con't)



Total Authorized: 237

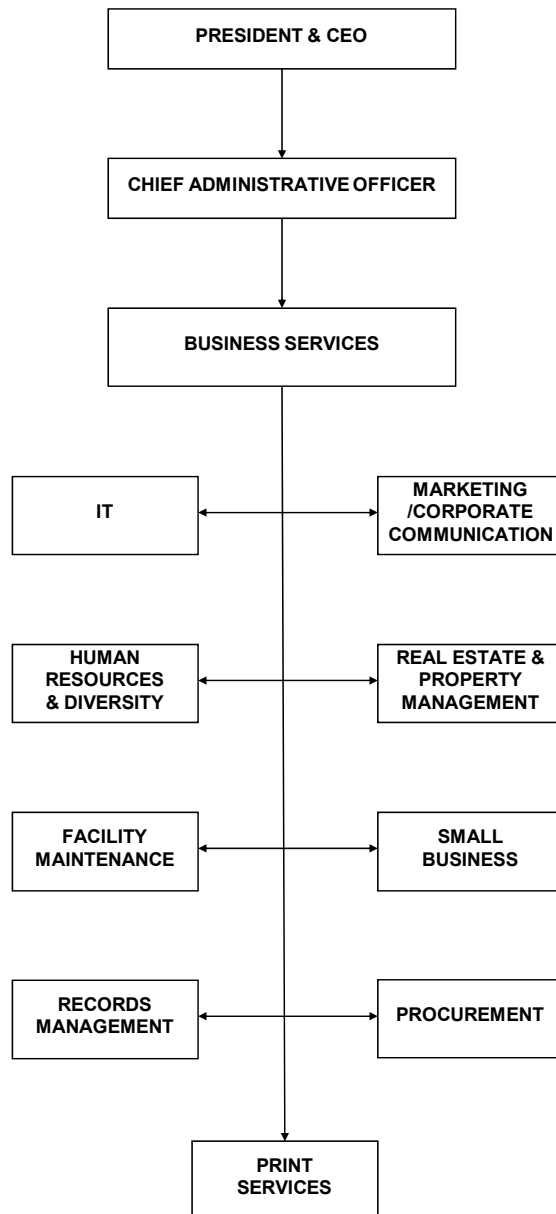
Business Plan & Budgets FY2011

Authority Level Organizational Chart (Con't)



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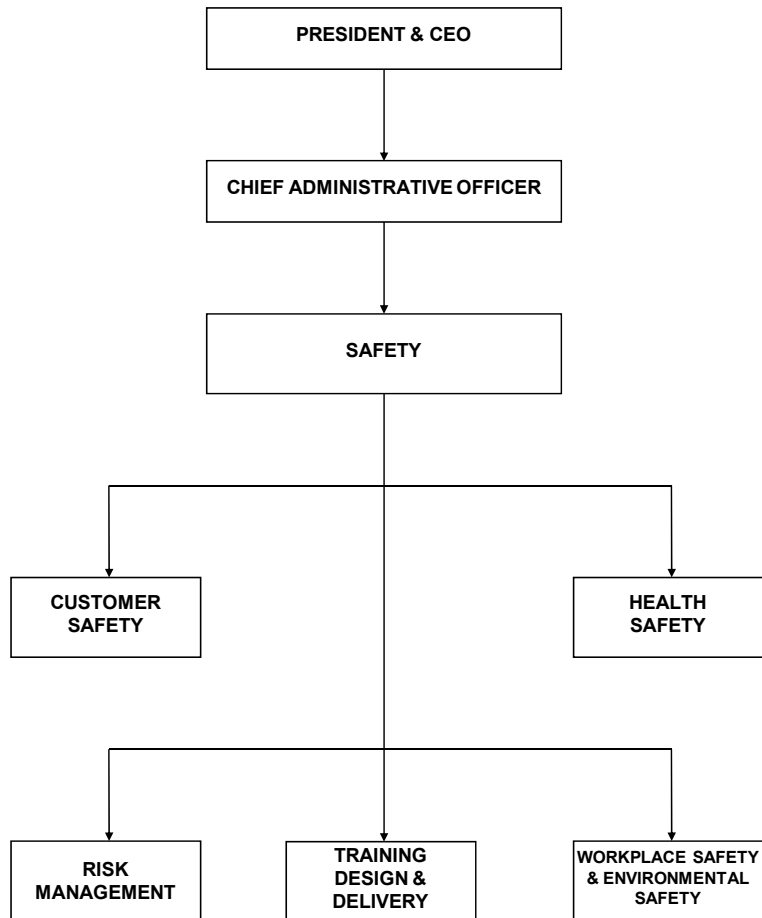
Authority Level Organizational Chart (Con't)



Total Authorized: 387

Business Plan & Budgets FY2011

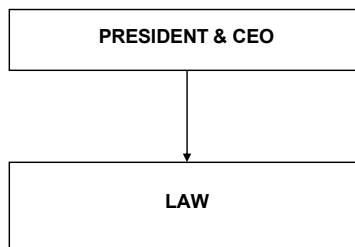
Authority Level Organizational Chart (Con't)



Total Authorized: 42

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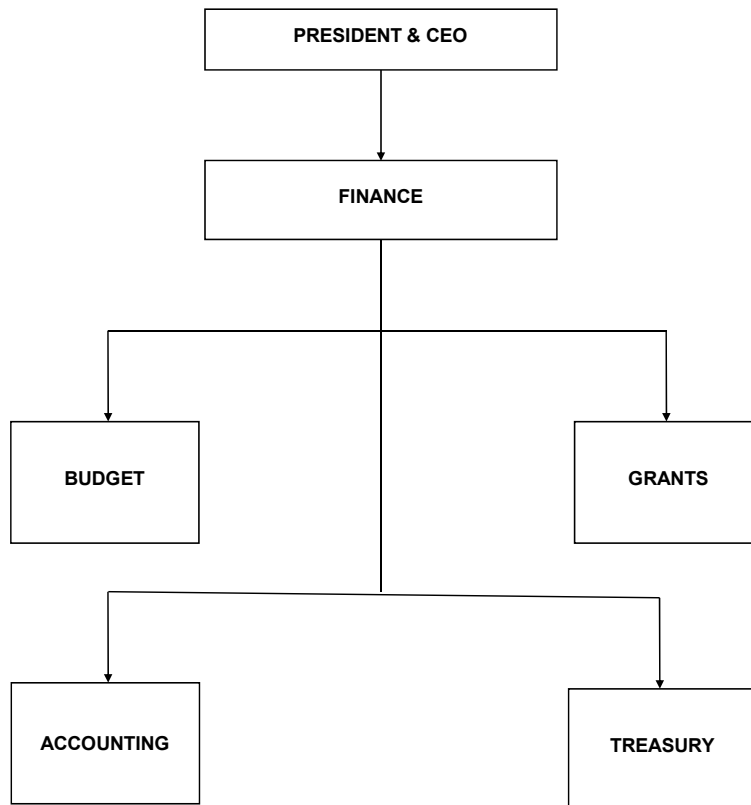
Authority Level Organizational Chart (Con't)



Total Authorized: 14

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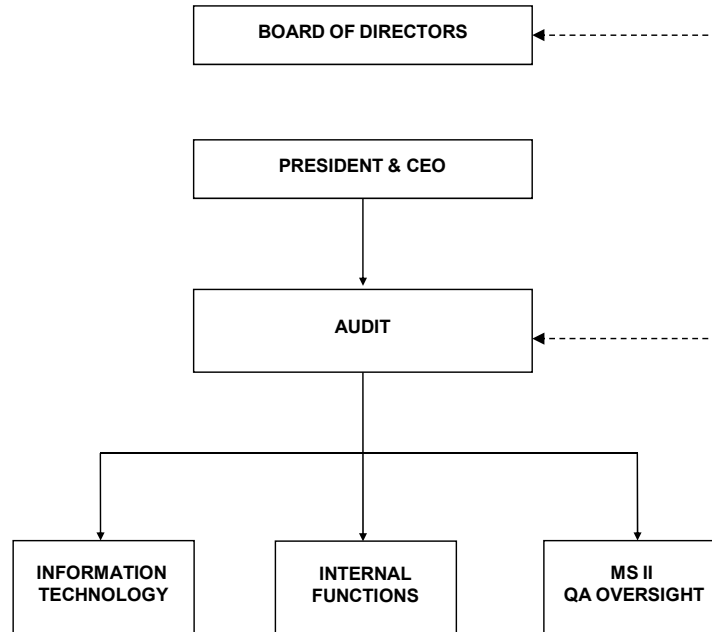
Authority Level Organizational Chart (Con't)



Total Authorized: 77

Business Plan & Budgets FY2011

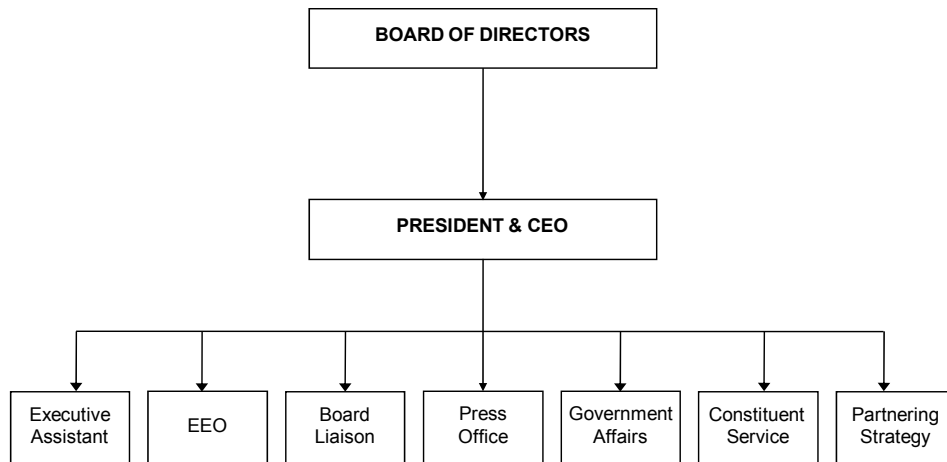
Authority Level Organizational Chart (Con't)



Total Authorized: 11

Business Plan & Budgets FY2011

Authority Level Organizational Chart (Con't)



Total Authorized: 9

Business Plan & Budgets FY2011

Authority Level Manpower Summary

Authority	FY2010		FY2011	
	Auth.	FTE	Auth.	FTE
Service Delivery				
Service Delivery Full-time	2,300	2,276.9	2,319	2,317.5
Service Delivery Part-time	381	233.9	381	213.5
Capital Programs	66	55.0	67	67.0
Service Design & Development	42	43.0	43	43.0
METRO Police	240	232.0	237	232.0
Business Services	385	371.7	385	385.0
Safety	43	39.0	42	41.5
Performance Improvement	0	0.0	0	0.0
Finance	78	74	77	77
Law	16	13.7	14	14.0
Audit	11	11.0	11	11.0
Chief Admin. Officer	5	4.8	2	2.0
Executive Office	9	9.0	9	9.0
Total Full-Time	3,195	3,130.1	3,206	3,199.0
Total Part-Time	381	233.9	381	213.5

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

FTE = Full-time equivalent employees in person years for the total fiscal year.

*Part-time personnel work varied hours up to 32 hours per week.

Manpower Added/Deleted	FY2011	
	Additions	Deletions
Service Delivery		
Union		
FT Bus Mechanics		-15
FT Rail Operators		-2
Support Vehicle Cleaners	2	
Support Vehicle Technicians	12	
NonUnion		
Construction Coordinator		-1
Superintendent Support Vehicles	1	
General Foreman Support Vehicles	1	
Electronic Communications Specialists	6	
Electronic Systems Specialists	5	
Executive Assistant V	1	
RideStore Sales Associates	6	
Revenue Collection Foreman	1	
Labor Relations Specialist	1	
Rail Training Instructor	1	

Business Plan & Budgets FY2011

Authority Level Manpower Summary (Con't)

<u>Manpower Added/Deleted</u>	<u>Additions</u>	<u>FY2011</u> <u>Deletions</u>
Capital Programs		
Manager, Construction Services	1	
Service Design & Development		
Senior Cad Technician	1	
METRO Police		
Safety & Security Data Analyst	1	
System Support Specialist	1	
HOVL Supervisor		-1
Police Officer		-4
Business Services		
Materials Coordinator FSC		-1
Contracts Admin I		-1
Buyer-Materials 2		-1
Sr. Contracts Administrator		-1
NRV Foreman	1	
NRV Storeroom Attendant	1	
Graphic Designer	1	
Corporate & Organizational Development Manager	1	
Compensation Analyst	1	
Employee Advocacy Officer		-1
Wellness Coordinator		-1
Records Manager	1	
Safety		
System Safety Officer		-1
Finance		
Director of Revenue		-1
Law		
VP Corporate Development		-1
EA V Corporate Development		-1
Chief Admin. Officer		
Associate Vice President		-1
Director, Strategic Technology		-1
Strategic & Tactical Project Coord.		-1
Subtotal	47	-36

Business Plan & Budgets FY2011

Financial Proforma Projected Cash Flow

Projected Cash Flow

	FY2011
<u>Revenues</u>	<u>\$ millions</u>
Fares	62.600
Sales Tax Income ⁽¹⁾	499.207
Interest Income	0.524
Grants Income ⁽²⁾	147.586
Commercial Paper	0.000
Total Revenue FY2011	709.917
Debt Funding	161.187
Beginning Fund Balance ⁽³⁾	84.121
Total Sources	955.225
<u>Expenditures</u>	
Operating Expenses – Transit & Traffic	354.903
Capitalized Operating Expenses	53.812
Total Operating Expenditures	408.715
General Mobility	186.341
Capital Improvement Program Budget	104.076
METRO Rail Expansion	143.571
Subtotal Capital Expenditures	247.647
Debt Service	47.719
Total Expenditures FY2011	890.422
Ending Fund Balance ⁽³⁾	64.803
Total Uses	955.225

Business Plan & Budgets FY2011

Financial Proforma Projected Cash Flow (Con't)

No commercial paper is used in the cash flow to balance sources and uses. The Capital Budget assumes the use of up to \$161.187M from financing sources. This cash flow assumes a minimal holding in METRO's investment portfolio.

Note:

- (1) For fiscal conservatism, projected cash flow uses sales tax revenue of \$499.207M. Barton Smith's June 2010 projection for FY2011 is \$502.470M.
- (2) Includes capital projects and capitalized operating expenses.
- (3) METRO Board approved Debt Policy adopted June 2005 sets minimum target fiscal year ending fund balance (cash and investment portfolio) at 15% of the forward 12 month operating expenditures which is \$53.235M. To this is added the following: Reserves of \$11.568M not to be used in FY2011 will be maintained to bring the total minimum balance to \$64.803M.

Business Plan & Budgets FY2011

Financial Proforma Debt Service Summary

Type of Debt	Purpose	Par Value	FY2011 Debt Service			Total FY2011 Debt Service	Grant Funding Available for Debt Service
			Principal, Interest & Fees	Reserve Funding	Interest Subsidy		
Commercial Paper	General Mobility	\$ 167,000,000	\$ 3,474,918	\$ -	\$ -	\$ 3,474,918	\$ -
Sales & Use Tax Contractual Obligations Series 2009D	40 Orion HEV Buses 20 MCI HEV Buses	\$ 35,050,000	\$ 3,714,775	\$ 619,469	\$ -	\$ 4,334,244	\$ 3,084,000
Sales & Use Tax Contractual Obligations Series 2010A	80 Orion HEV Buses	\$ 40,290,000	\$ 1,529,819	\$ 742,008	\$ -	\$ 2,271,827	\$ 1,270,000
Certificates of Participation (COPS) Series 2008A	46 Orion HEV Buses 52 MCI HEV Buses	\$ 62,255,000	\$ 6,776,244	\$ -	\$ -	\$ 6,776,244	\$ 4,266,000
Certificates of Participation (COPS) Series 2008B	10 Signature Orions 50 MCI HEV	\$ 45,785,000	\$ 5,156,375	\$ -	\$ -	\$ 5,156,375	\$ 4,280,000
Total Non-METRO Rail Expansion		\$ 350,380,000	\$20,652,131	\$1,361,477	\$ -	\$22,013,608	\$12,900,000

Sales & Use Tax Contractual Obligations Series 2009B	Rail Vehicles & Set- Up	\$ 42,780,000	\$ 2,960,900	\$ 493,483	\$ -	\$ 3,454,383	\$ -
Sales & Use Tax Bonds Series 2009A	NTP #1 North and Southeast Corridors	\$ 94,465,000	\$ 7,451,225	\$ 990,906	\$ -	\$ 8,442,131	\$ -
Sales & Use Tax Bonds Series 2009C - Build America Bonds	NTP #1 North and Southeast Corridors	\$ 82,555,000	\$ 5,675,656	\$ 865,974	\$(1,986,480)	\$ 4,555,150	\$ -
Future FY2011 Sales & Use Tax Bonds/Revenue Appropriation Bonds	NTP #1 North and Southeast Corridors, East End	\$ 462,000,000	\$ 8,775,136	\$ -	\$ -	\$ 8,775,136	\$ -
Commercial Paper	METRO Rail Expansion	\$ 23,000,000	\$ 478,592	\$ -	\$ -	\$ 478,592	\$ -
Total METRO Rail Expansion		\$ 704,800,000	\$25,341,509	\$2,350,363	\$(1,986,480)	\$25,705,392	\$ -

Total Debt	\$ 1,055,180,000	\$45,993,640	\$3,711,840	\$(1,986,480)	\$47,719,000	\$12,900,000
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Notes:

1. The Debt schedule was prepared using cash basis
2. Debt for new buses issued in FY2011 with first payment due in FY2012

Business Plan & Budgets FY2011

Financial Proforma Sales Tax Projection

(\$000's)

	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>
Projected Sales Tax Revenue	\$ 481,721	\$ 499,207	\$ 527,312	\$ 553,784
Rate of Change from Prior Year	NA	3.6%	5.6%	5.0%

NOTES ON THE SALES TAX PROJECTION:

1. The above FY2011 Sales Tax figure is also used in both METRO's Projected Cash Flow and Sources and Uses of Funds.
2. The methodology of the above projection uses the FY2010 budgeted amount of sales tax revenue as its base and then applies the growth rate presented in the June 2010 Edition of the METRO-commissioned quarterly analysis by Dr. Barton Smith, Professor of Economics at the University of Houston. In this report, Dr. Smith forecasts sales tax revenue, net of rebates, to be:

(\$000's omitted)

<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>
\$484,869	\$502,470	\$530,759	\$557,403
(Base Figure)	3.6%	5.6%	5.0%

3. In the report, Dr. Smith projects the Houston economy will continue to proceed towards recovery and experience some sense of normalcy by FY2012.
4. FY2007 sales tax revenue actual = \$481.721M
FY2008 sales tax revenue actual = \$521.179M
FY2009 sales tax revenue actual = \$517.973M

Business Plan & Budgets FY2011

Financial Proforma Sources & Uses of Funds (Income Statement) Per GAAP format

	(\$000's)		
	FY2010	FY2011	Difference
	Budget	Projection	FY10 Budget vs. FY2011 Proj.
<u>Revenues</u>			
Fares	67,941	62,600	-5,341
Sales Tax Income (Accrual Basis)	481,721	499,207	17,486
Interest Income	1,993	524	-1,469
Grants Income	297,027	147,586	-149,441
Other Income	<u>322</u>	<u>0</u>	<u>-322</u>
TOTAL REVENUES	849,004	709,917	-139,087
<u>Expenses</u>			
Transit Operating	383,812	408,715	24,903
Subtotal Operating	383,812	408,715	24,903
General Mobility	151,694	186,341	34,647
Transit Mobility Street/Traffic Related	2,400	1,481	-919
TOTAL EXPENSES	537,906	596,537	58,631
Net before Depreciation	311,098	113,380	-197,718
Depreciation and Loss on Disposal of Fixed Assets	139,000	129,081	-9,919
Net after Depreciation	172,098	-15,701	-187,799

Business Plan & Budgets FY2011

Financial Proforma Balance Sheet (GAAP)

(\$000's)

	Estimated September 2010	Projected September 2011
Assets		
Cash	87,000	64,803
Receivables	128,558	130,029
Inventory	22,182	17,200
Investments	243,387	143,387
Other Assets	38,632	38,202
Capital Assets Net of Depreciation	2,151,719	2,621,719
Total Assets	2,671,478	3,015,340
Liabilities		
Trade Payables	109,207	120,207
Accrued Payroll	23,493	23,685
Short-term Debt	190,000	190,000
Other Liabilities	509,918	806,918
Total Liabilities	832,618	1,140,810
Net Assets - Retained	1,838,860	1,874,530
Total Liabilities and Net Assets	2,671,478	3,015,340
Net Assets	1,612,771	1,838,860
Change in Net Assets	226,089	35,670

Business Plan & Budgets FY2011

General Mobility & Capital Budgets

Discussion

The total budget for METRO Rail Expansion, Capital Improvement Program, General Mobility, Capitalized Operating Expenses and Debt Service is shown below. Details of projected expenditures and funding sources by individual project follow:

<u>Program</u>	\$ millions	
	<u>FY2011 Budget</u>	<u>Funding Source</u> <u>Grants</u>
A. METRO Rail Expansion	143.571	50.000
B. Capital Improvement Program	104.076	30.874
C. General Mobility	186.341	0.000
D. Capitalized Operating Expenses	67.265	53.812
E. Debt Service	47.719	12.900
Total	548.972	147.586

METRO Rail Expansion grants are from North and Southeast corridor appropriations for FY2010 and prior.

Business Plan & Budgets FY2011

General Mobility & Capital Budgets Capital Budget

Project Listings with Funding Sources
(\$000's)

<u>DESCRIPTION</u>	<u>FUNDING SOURCE FY2011</u>			
	<u>FY2011 Budget</u>	<u>Federal Grants</u>	<u>Local Funds</u>	<u>Financing</u>
<hr/>				
<u>METRO Rail Expansion</u>				
LRT Corridors & Transit Facilities				
Phase 2 Design/Build				
4 LRT Lines				
North Line				
ROW/Land Acquisition	97	0	0	97
METRO - Agency Costs	2,972	0	0	2,972
Design/Build, Vehicles, FP and O&M		0		
Design/Build	20,120	0	0	20,120
Light Rail Vehicles	0	0	0	0
Facility Provider	307	0	0	307
Operation & Maintenance	58	0	0	58
Subtotal - Design/Build, Vehicles, FP & O&M	20,485	0	0	20,485
<hr/>				
Total - North Corridor	23,554	0	0	23,554
Southeast Line				
ROW/Land Acquisition	119	0	0	119
METRO - Agency Costs	3,641	0	0	3,641
Design/Build, Vehicles, FP and O&M		0		
Design/Build	24,652	0	0	24,652
Light Rail Vehicles	0	0	0	0
Facility Provider	376	0	0	376
Operation & Maintenance	71	0	0	71
Subtotal - Design/Build, Vehicles, FP and O&M	25,099	0	0	25,099
<hr/>				
Total - Southeast Line (Including Storage & Wash Facility)	28,859	0	0	28,859
East End Line				
ROW/Land Acquisition	4,391	0	0	4,391
METRO - Agency Costs	8,876	0	0	8,876
Design/Build, Vehicles, FP & O&M				
Design/Build	59,575	0	0	59,575
Light Rail Vehicles	0	0	0	0
Facility Provider	917	0	0	917
Operation & Maintenance	171	0	0	171
Subtotal - Design/Build, Vehicles, FP & O&M	60,663	0	0	60,663
<hr/>				
Total - East End Line (Including Service & Inspection Facility)	73,930	0	0	73,930

Business Plan & Budgets FY2011

General Mobility & Capital Budgets

Capital Budget

Project Listings with Funding Sources
(\$000's)

<u>DESCRIPTION</u>	<u>FUNDING SOURCE FY2011</u>			
	<u>FY2011 Budget</u>	<u>Federal Grants</u>	<u>Local Funds</u>	<u>Financing</u>
Uptown Line				
ROW/Land Acquisition	0	0	0	0
METRO - Agency Costs	0	0	0	0
Design/Build, Vehicles, FP and O&M		0	0	
Design/Build	2,353	0	0	2,353
Light Rail Vehicles	0	0	0	0
Facility Provider	0	0	0	0
Operation & Maintenance	0	0	0	0
Subtotal - Design/Build, Vehicles, FP & O&M	2,353	0	0	2,353
Total - Uptown Line	2,353	0	0	2,353
Total - 4 LRT Lines (Excluding Other Agency Costs)	128,696	0	0	128,696
Other Agency Costs 4 LRT Lines	9,775	0	0	9,775
University Line				
ROW/Land Acquisition	0	0	0	0
METRO - Pre DB Engineering	200	0	0	200
METRO - Agency Costs	50	0	0	50
Total - University Line	250	0	0	250
Vehicle Re-Procurement Support	1,000	0	0	1,000
Allocated Overhead Expenses - METRO Rail Expansion	3,850	0	0	3,850
Total - Phase 2 Active Projects	143,571	0	0	143,571
Grants				
North & Southeast Corridors (2010 & Prior)		50,000		
<u>TOTAL - METRO Rail Expansion</u>	143,571	50,000	0	93,571
<u>Capital Improvement Program</u>				
New Service				
US 90 SW Corridor Commuter Rail Study - \$1MM included in Operating Budget	0	0	0	0
Clear Lake/EL Dorado P&R Lot	500	400	100	0
Brazoria County SH 288 - Joint Development	200	160	40	0
Intermodal Terminal Development	150	0	150	0
Subtotal - New Service	850	560	290	0

Business Plan & Budgets FY2011

General Mobility & Capital Budgets Capital Budget

Project Listings with Funding Sources
(\$000's)

<u>DESCRIPTION</u>	<u>FY2011 Budget</u>	<u>FUNDING SOURCE FY2011</u>		
		<u>Federal Grants</u>	<u>Local Funds</u>	<u>Financing</u>
HOT Lane Conversion				
HOT Lane Conversion	14,569	14,569	0	0
HOV Lane TranStar Control & Integration (ARGO)	1,429	1,429	0	0
Slip Ramp Access/Egress Locations	4,002	4,002	0	0
HOV Lane Program				
Static Traffic Control Devices Rehab	285	228	57	0
Automated Traffic Devices Rehab Phase 3	172	138	34	0
Subtotal - HOT/HOV Lane Program	20,457	20,366	91	0
Passenger Shelters & Bus Pads	650	625	25	0
TOTAL	21,957	21,551	406	0
Buses & Support Equipment				
<u>Revenue Vehicles</u>				
Bus Acquisitions				
Bus Procurement (100)	52,378	0	0	52,378
New Bus Make Ready (Includes Zonar Units & Plant Inspection)	603	0	603	0
Bus Improvements				
Axles	1,280	0	1,280	0
HC/METRO Radio System - Voice	4,427	330	4,097	0
Engines	5,497	3,557	1,940	0
Transmissions	1,438	0	1,438	0
Subtotal - Bus Improvements	12,642	3,887	8,755	0
METROLift Vans	2,726	2,354	372	0
Sub-Total Revenue Vehicles	68,349	6,241	9,730	52,378

Business Plan & Budgets FY2011

General Mobility & Capital Budgets Capital Budget

Project Listings with Funding Sources
(\$000's)

<u>DESCRIPTION</u>	<u>FY2011 Budget</u>	<u>FUNDING SOURCE FY2011</u>		
		<u>Federal Grants</u>	<u>Local Funds</u>	<u>Financing</u>
Support Equipment & Systems				
Support Vehicles	140	0	140	0
Tools & Equipment	750	0	750	0
Subtotal - Support Equipment & Systems	890	0	890	0
Total Buses & Support Equipment	69,239	6,241	10,620	52,378
Operating Facilities & Upgrades				
Operating Facilities				
Admin. Services (Copiers, AOB Improvements, Furniture & Equipment)	200	0	200	0
Facility Upgrades				
Main St. Corridor Enhancements				
Bar Signal Upgrade	836	836	0	0
Bar Signal Overrun	226	0	226	0
Power Track Switch at Pierce/Gray	1,463	1,463	0	0
Subtotal - Main St. Corridor Enhancements	2,525	2,299	226	0
Facility Upgrades				
HVAC	500	0	500	0
Rail System Upgrades				
Mid - Truck Overhaul	288	0	288	0
Doors	145	0	145	0
Ballast Track Clean Outs	39	0	39	0
Substation Battery Replacement	55	0	55	0
Bogie Build-Up	40	0	40	0
Subtotal - Rail System Upgrades	567	0	567	0
Total Operating Facilities & Upgrades	3,792	2,299	1,493	0

Business Plan & Budgets FY2011

General Mobility & Capital Budgets

Capital Budget

Project Listings with Funding Sources
(\$000's)

<u>DESCRIPTION</u>	<u>FY2011 Budget</u>	<u>FUNDING SOURCE FY2011</u>		
		<u>Federal Grants</u>	<u>Local Funds</u>	<u>Financing</u>
Information Technology				
SafeBus Data System	300	0	300	0
SAP Human Capital Management	1,700	0	1,700	0
End User Hardware/Software	505	0	505	0
Network Communication Enhancements	1,500	0	1,500	0
Data Center Server & Storage Enhancements	2,600	0	2,600	0
IT - Core Applications	1,200	0	1,200	0
Exec Office Record Mgt System	500	0	500	0
Subtotal - Information Technology	8,305	0	8,305	0
SAFETY				
ROC Perimeter Security	582	582	0	0
Cameras on Buses	201	201	0	0
Subtotal - Safety	783	783	0	0
<u>TOTAL - Capital Improvement Program</u>	104,076	30,874	20,824	52,378
<u>TOTAL - METRO Rail Expansion & Capital Improvement Program</u>	247,647	80,874	20,824	145,949

Business Plan & Budgets FY2011

General Mobility Budget

	<u>(\$000)</u>
City of Houston Projects	
Pre-Agreement Designated Projects	10,673
Future Designated Projects	69,170
Unexpended Carryover from Prior Years	45,675
Subtotal	125,518
Harris County Projects	
Pre-Agreement Designated Projects	0
Future Designated Projects	19,709
Unexpended Carryover from Prior Years	20,839
Subtotal	40,548
Multi-Cities Projects	
Pre-Agreement Designated Projects (incl. Congestion Mitigation)	14,526
Future Designated Projects	0
Unexpended Carryover from Prior Years	N/A
Subtotal	14,526
Area-Wide Projects	
Pre-Agreement Designated Projects	5,749
Future Designated Projects	N/A
Unexpended Carryover from Prior Years	N/A
Subtotal	5,749
Total	
Pre-Agreement Designated Projects	30,948
Future Designated Projects	88,879
Unexpended Carryover from Prior Years	66,514
Total	186,341

Business Plan & Budgets FY2011

General Mobility and Capital Budgets Capitalized Operating Expenses

Since 1999, METRO has allocated each year some of its formula grants to fund allowable operating expenses in accord with FTA regulation pertaining to capital grants. It is proposed that the following FY2011 operating activities be funded with the listed capital grants.

<u>Description</u>	<u>Type of Grant</u>	<u>FY2011 Budget</u> <u>\$ millions</u>
Bus & Rail Maintenance	POP / FGM	45.785
New Service (Bus)	CMAQ	1.330
METROLift Service	POP	<u>6.697</u>
TOTAL		53.812

The 20% local match is provided with 'in-kind' expenditures so that these cash flows are 100% grant funded. (POP = Program of Projects Section 5307 grants; FGM = Fixed Guideway Modernization; CMAQ = Congestion Mitigation and Air Quality)

Business Plan & Budgets FY2011

Section VI: Appendix

This section lists 14 new initiatives that have been reviewed and selected as part of the FY2011 Business Plan. Funding for these initiatives is included in the Operating and Capital Budgets for FY2011.

Service Design & Development

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Business Services

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Business Plan & Budgets FY2011

Service Design & Development Fare Recovery Research Project – Ticket Surcharge at Reliant Park

Description:

This initiative is proposing a fare recovery research project to develop a methodology for implementing a “transit surcharge” on admission tickets to major events held at Reliant Stadium, including the Houston Livestock Show & Rodeo (HLSR) and Houston Texans’ football games. As a first step, METRO would research and gather information from other rail properties in North America that use a ticket surcharge method to help recover revenue. Then a series of meetings would be set up with the Harris County Sports & Convention Corporation and the HLSR to discuss effective strategies for implementing a transit surcharge that would work at events hosted at Reliant Park. The cost of this research is estimated to be about \$10,000.

Costs/(Savings):

\$10,000	FY2011 Operating Cost
\$0	Recurring Annual Cost
\$0	Total Capital Cost

Proposed Schedule:

- Contact peer agencies and develop a proposal for the surcharge - October - December 2010
- Meet with Harris County Sports & Convention Corporation and HLSR officials to discuss initiative feasibility / implementation – January thru April 2011
- Develop promotional/marketing materials for an “All-In-One” program for future Reliant Park events – May 2011 and forward

Benefits/Outcome:

- Increased fare revenue, which would far exceed the cost required to promote and implement the new ticket
- Reduced METRORail fare evasion
- Increased ridership
- Reduced event-related traffic at and around Reliant Park

Departments Responsible for Execution:

Service Design & Development, Service Delivery, Finance

Business Plan & Budgets FY2011

Service Design & Development Explore Underutilized Park & Ride Lots

Description:

METRO currently has approximately 34,000 parking spaces available for Park & Ride (P&R) service. On an average day METRO has just over 16,000 unused parking spaces with 12 of METRO's 29 P&R lots less than 30% occupied. This initiative will examine methods to increase utilization of the P&R lots by providing value and benefits to patrons:

- Examining fare incentives (discounted or reduced fares) to attract new customers to specific P&R's as well as to bring patrons from other, more heavily utilized P&R's
- Installing additional "way-finding" signage to direct customers to METRO P&R facilities
- Executing strategic marketing route promotions using specific advertising elements from current and new METRO marketing materials
- Exploring patron concierge services (such as car washing, detailing or vehicular maintenance services)
- Conducting a preliminary evaluation to sell or lease surplus property at 3 or 4 P&R locations (advancing only the Joint Development/Transit Oriented Development opportunities that protect METRO's long-term interests). The potential revenue from the sale of surplus property is estimated between \$750K and \$1.2M per site; the annual potential lease revenue is \$50K to \$80K per site

Costs/(Savings):

\$35,000	FY2011 Operating Cost (0.25 FTE)
\$35,000	Recurring Annual Cost (if program continues)
\$20,000	Total Capital Cost

Proposed Schedule:

- Begin project scoping and market research by December 2010
- Identify underutilized P&R's and recommend implementation strategies by April 2011

Benefits/Outcome:

- Increased ridership by reaching new potential customers
- More effective utilization of METRO assets
- Increased awareness and improved image of METRO
- Fully examines the need to expand and build new P&R's
- Increased income from leases or sales, which could be reinvested into capital programs

Departments Responsible for Execution:

Service Design & Development, Business Services, Service Delivery

Business Plan & Budgets FY2011

Service Design & Development Alternative Service Delivery – Poor Performing Routes

Objective:

- Improve customer service
- Introduce new and innovative concepts for providing sustainable service
- Maximize utilization of human capital and fiscal assets

Description:

Each year, METRO staff identifies poorly performing routes based on the current fiscal year and projected for the upcoming fiscal year. A poor performing route has been defined as routes that are subsidized 80 to 100 percent above the average subsidy per boarding for its respective service type. In the past, these routes have been considered for elimination based on their lack of cost efficiency. In FY2009, Route 326 – TMC Circulator was eliminated on this basis in agreement with the Texas Medical Center. No other routes meeting this definition have been eliminated since FY2005.

Based on an analysis of the performance of all routes from October 2009 to May 2010, there are 16 Local routes and four Park & Ride routes that are subsidized 80 to 100 percent above the average subsidy per boarding for its respective service type. Of the 16 Local routes, six of these routes have met this definition of poor performance for 10 years or more. Another four routes have met the definition for the last five years. All of the four Park & Ride routes identified for evaluation have met the definition of a poor performing route since their implementation.

In recognition that many of these routes provide transportation to persons in METRO's service area, staff is recommending that alternative approaches for delivering service along these routes be evaluated before route elimination is recommended. The goal of this initiative is to maintain mobility services to the community through alternative delivery approaches while reducing associated costs. This initiative creates the opportunity for staff to examine the provision of new transit services and alternate approaches to delivering transit services.

The working team will review and evaluate all routes that are subsidized 80 to 100 percent above the average subsidy per boarding for its respective service type for the potential applicability of a method of alternative service delivery. At a minimum, the methods considered will include:

Business Plan & Budgets FY2011

Service Design & Development Alternative Service Delivery – Poor Performing Routes

- a. Using smaller vehicles on the existing fixed routes
- b. Realignment of existing fixed route service for better integration with other services
- c. Flex routing based on temporal and geographic appropriateness; and
- d. Replace any version of fixed route service on the route with a taxi voucher program

Due to the unique market focus of the 500 Airport Direct route, some additional delivery approaches have been considered to improve the efficiency of this service. Several service modifications were analyzed for implementation and evaluation to improve operational efficiencies on this route.

Based on this evaluation, the staff recommended approach is to provide express service from downtown Houston (multiple pickup locations) to the IAH airport (Terminal C) during the morning and evening peak periods. The service will have the following characteristics:

- Hours of Operation – 5:00 am to 10:00 am and 3:00 pm to 7:00 pm
- Service departs hourly
- Travel time from Downtown to IAH is estimated to be about 45 minutes. (Actual travel time will be finalized through further evaluation.
- Brand focused marketing
- Proposed Downtown pickup locations include the Downtown Transit Center (DTC), the Hyatt Hotel, Main Street at the METRO Rail Red Line, and the Hilton Americas Hotel.

Staff will define performance metrics for this service and evaluate the performance of the modified service after six months of revenue operations.

Costs/(Savings):

(\$5M to \$7M)	FY2011 Cost Savings (based on an annualized cost)
\$ 0	Recurring Annual Cost
\$ 0	Total Capital Cost

Business Plan & Budgets FY2011

Service Design & Development Alternative Service Delivery – Poor Performing Routes

The current FY2011 Transit Service Plan estimates a savings of \$139,000 if the 38 Manchester, 39 Parker Rd., and 64 Lincoln City routes are delivered through a taxi voucher program. If the routes that are subsidized 80 to 100 percent above the average subsidy per boarding for their respective service type are eliminated from operation, the Authority could potentially save approximately \$12 million in annual variable operating cost. The total savings would vary based on when the services are eliminated during the fiscal year.

This initiative to deliver these services through alternative methods forecasts that 50 percent of the total annual variable operating costs for each route may be saved. This approach estimates a potential annual savings of \$6 million in annual variable operating cost. Based on the success of this initiative, staff will consider the applicability of the defined service delivery approaches to other routes in the system.

This initiative expects to net a savings of \$5 million (minimum) to \$7 million (maximum) in FY2011 Operating Budget – based on 50 percent of the total annual variable operating costs for routes that are subsidized 80 to 100 percent above the average subsidy per boarding for their respective service type.

Proposed Schedule:

1st Quarter of FY2011

- Establish an internal Alternative Service Delivery working team to advance the project with representatives from Service Delivery, Service Design & Development, Finance (Budget), Business Services, Government Affairs, and the Executive Office
- Prioritize routes and determine implementation timing and strategy
- Analyze proposed route changes based on federal Title VI impacts before finalizing service modifications
- Determine method of contracting and costs impacts to the Authority
- Brief the Board of Directors' Operations working committee, elected officials and schedule public hearing
- Establish schedule for briefing community stakeholders

Business Plan & Budgets FY2011

Service Design & Development Alternative Service Delivery – Poor Performing Routes

2nd Quarter of FY2011

- Implement FY2011 route changes scheduled for January service change
- Begin monitoring performance of modified routes

3rd Quarter of FY2011

- Implement FY2011 route changes scheduled for June service changes
- Evaluate performance of modified routes and report to the Board
- Incorporate routes prioritized for FY2012 implementation into draft FY2012 Transit Service Plan

4th Quarter of FY2011

- Evaluate performance of modified routes and finalize alternative service delivery routes for FY2012

Benefits/Outcome:

- Supports Authority strategic operating principles of customer service, asset utilization, people, and sustainability
- Develops a transit plan that maintains a community focus
- Enhances operational efficiencies

Departments Responsible for Execution:

Service Design & Development, Finance, Business Services, Service Delivery, Executive, Government Affairs

Business Plan & Budgets FY2011

Service Design & Development Bike and Ride

Description:

The objective of the project is to leverage General Mobility funds programmed for Harris County under its Hike and Bike Trail initiative to build easier and safer connectivity to access METRO's transit system.

Harris County is planning an expansion of its hike and bike trails network. The Interstate MUD II Hike and Bike Project, planned for FY2011, connects residential areas in west Harris County and is located near the Kingsland Park & Ride. The proximity of the project to METRO's Kingsland Park & Ride offers an opportunity to build direct connectivity with METRO's transit system and provides a benefit to transit patrons with an option to access the Kingsland Park & Ride via bicycle in lieu of motorized vehicles.

Under this initiative, METRO's participation is on two key responsibilities -

- (1) Ensure the Park & Ride facility is easily and safely accessible from the trails by providing the needed directional signage and pavement markings to the Park & Ride facility
- (2) Upgrade lighting and security along with bike lockers to offer improved security and protection from the elements

There will be an interagency agreement with Harris County.

Costs/(Savings):

\$0	FY2011 Operating Costs/(Savings)
\$0	Recurring Annual Cost /(Savings)
\$250,000	Total Capital Cost (METRO's contribution)
\$750,000	General Mobility Funds (Harris County)

Proposed Schedule:

- Survey / Design: 6 months
- Approvals: 2 months
- Construction: 6 months

Benefits/Outcome:

- Promotes new markets
- Increases ridership
- Defers the need to expand Park & Ride parking spaces
- Promotes a livable community

Departments Responsible for Execution:

Service Design & Development, METRO Police, Service Delivery

Business Plan & Budgets FY2011

Service Delivery METRORail APTA Standard Hours of Service

Description:

Operating rules are created to promote safe, efficient, timely and customer-oriented transit operations. Adherence to these operating rules is necessary to achieve these objectives. The Hours of Service (HOS) program creates the condition in which train operators have an opportunity to get sufficient rest (8 hours of uninterrupted sleep) between work shifts to minimize the impact of fatigue on their job performance. According to the American Public Transportation Association (APTA) standard, any Rail Transit System (RTS) shall not schedule a train operator shift which has an overall elapsed time from start to finish greater than 16 hours. The RTS shall require a minimum time-off period between shifts of 10 hours.

In order for METRO to achieve the APTA recommended HOS, the Authority needs to hire an additional four (4) train operators to cover the following: Basic Schedule, Vacation, Unscheduled Work, Chargeable Occurrences and Non-Chargeable Occurrences.

Costs/(Savings):

\$155,562	FY2011 Operating Cost (assume hiring date of 8-31-10)
\$155,562	Recurring Annual Cost
\$0	Total Capital Cost

Proposed Schedule:

September FY2010

Benefits/Outcome:

- METRO will be in compliance with APTA HOS requirements
- Personnel available for Flagging, Special Events, Extra Service, Relief Supervision

Department Responsible for Execution:

Service Delivery

Business Plan & Budgets FY2011

Service Delivery Customer Service

Description:

METRO's focus for the next fiscal year is to concentrate on improving customer service. The philosophy on accomplishing this initiative begins with METRO's trusted workforce. The following proposals will be used to improve customer service:

- Customer Service focus groups
- A revised Customer Service class with additions from the Customer Service focus groups (Bus Operators)
- Development and dissemination of key Operator behaviors to include how they are measured and conveyed
- A public outreach plan to publicize what behavior is expected from METRO's riding customers as well what the public can expect from METRO Operators as they use the system
- Informal management training for Service Delivery staff starting with 1st and 2nd level supervision giving managers the tools to more effectively interact with their internal customers and foster a better working relationship
- Expand the number of cleaning trips at METRO serviced shelters. The cleaning of the shelters on a frequent basis is essential to the comfort of patrons
- An Employee Development and Training Group focused on the call center employees
- A Customer Care Team to focus on customer complaints in order to build trust with customers as well as to provide a better customer experience
- METROLift Outreach Centers to serve customers

Costs/(Savings):

\$513,131	FY2011 Operating Cost
\$513,131	Recurring Annual Cost
\$0	Total Capital Cost

Proposed Schedule:

- 1st Quarter FY2011 – Begin implementing
- 4th Quarter FY2011 – Fully implemented

Benefits/Outcome:

- Improved Customer Service

Department Responsible for Execution:

Service Delivery, Business Services

Business Plan & Budgets FY2011

Service Delivery Rebuilding Employee Morale

Description:

This initiative focuses on the morale of METRO's front line staff, especially hourly employees. The following is list of recommended proposals:

Employee Incentive Program: Develop and implement an incentive program (operators/mechanics) to reengage employees. Program would track and score various performance measures and based on the aggregate, pay out quarterly incentive checks to 85% of the Service Delivery staff.

Top Operators/ Mechanics: Currently, there is no mechanism in place to recognize top Operators and Mechanics. This initiative will recognize METRO's best Operators/ Mechanics quarterly from each Bus Operating facility. The quarterly winners will be considered for the top honor, Operator/ Mechanic of the Year Award.

One Million Mile Club: Operators who have traveled, while operating a METRO bus, more than one million miles will be recognized with a certificate and patch during the quarterly safety luncheons.

Run Cuts: The majority of the Transportation run cuts for the senior Bus Operators are split runs, i.e., not a continuous 8 hour shift. This initiative will adjust the Transportation run cuts to better utilize the current Bus Operator workforce.

Internal Customer: Informal management training for Service Delivery staff starting with 1st and 2nd level supervision.

Costs/(Savings):

\$1,121,665	FY2011 Operating Cost
\$1,121,665	Recurring Annual Cost
\$0	Total Capital Cost

Proposed Schedule:

- 1st Quarter FY2011 – Begin implementing (Top Operator)
- 2nd Quarter FY2011 – Begin implementing Run Cuts
- 4th Quarter FY2011 – Complete both projects

Benefits/Outcome:

- Increase full time Bus Operator morale
- More efficient and effective manpower utilization

Departments Responsible for Execution:

Service Delivery, Business Services

Business Plan & Budgets FY2011

Service Delivery RideStore Customer Service

Description:

The goal of this initiative is to better utilize limited resources by proposing to move six (6) Bradlink, LLC temporary employees to METRO as part-time employees assigned to the RideStore, adding an FTE of 4.95 to the Custom Care Division. The savings from this initiative will be in the elimination of the overhead charged by Bradlink, LLC as the employees will continue to earn their same salaries.

In an effort to extend additional service to METRO's customers, one of these Bradlink, LLC temporary employees, a former call center representative, will provide customers additional assistance with routing, service issues, filing complaints and questions at the Help Desk window of the RideStore. The remaining service windows will continue to assist each customer on a daily basis with his/her needs and questions regarding routing and METRO Q[®] Fare Card transactions. For additional customer service assistance, a "red phone" will also be installed and readily available inside the RideStore with direct routing to the METRO Call Center. This will minimize customers having to use the lobby pay-phones to contact customer service.

Costs/(Savings):

\$127,032	FY2011 Operating Cost
\$127,032	Recurring Annual Cost
\$0	Total Capital Cost

Proposed Schedule:

- 1st Quarter FY2011

Benefits/Outcome:

- METRO cost savings of \$72,393 by moving six temporary employees to METRO as part-time employees from Bradlink, LLC, where their current annual cost is \$199,426.
- An available Help Desk in the RideStore with a designated window in order to provide customer assistance with routing, questions, service issues, and filing complaints.

Department Responsible for Execution:

Service Delivery

Business Plan & Budgets FY2011

Service Delivery Bikes on Trains

Description:

In METRO's ongoing efforts to be responsive and inclusive to the Houston Biking Community, the Authority has come up with a solution which would allow for two dedicated spaces on each train for bike berthing. This will improve passenger ingress and egress flow around the passenger doors when bikes are on the on trains during revenue operations by removing 8 seats from each of the S-70 light rail vehicles (18 total).

The actual in-service design loads realized during normal operation for the S-70 vehicle is 150 riders. This is the point at which some patrons prefer to wait for the next train vs. riding in a cramped environment. The removal of 8 seats from the vehicle will add additional capacity (12 riders for a single train & 24 riders for a two car train) for appropriate loading conditions. This additional capacity may give METRO the ability to remove the bike restrictions during the peak service hours (6:30 am - 9:00 am; 3:00 pm – 6:00 pm) and allows bikes on trains anytime of the day.

Service Delivery will continue to monitor the passenger loads during peak service in an attempt to remove the bike restrictions in the future.

Costs/(Savings):

(\$2,760)	FY2011 Operating Savings
(\$2,760)	Recurring Annual Savings
\$0	Total Capital Cost

Proposed Schedule:

Fleet was modified end of FY2010.

Benefits/Outcome:

- No restrictions for bikes on trains any time of the day
- Increased capacity for special events (additional 250 people/hr)
- Annual Operating Savings: \$2,760
- Increased capacity per vehicle during normal operations (162 vs. 150)

Department Responsible for Execution:

Service Delivery

Business Plan & Budgets FY2011

Capital Programs Realignment/Rightsizing of Project Staff & Services

Description:

Realign/rightsize METRO Rail Expansion staff and Contract Support Services contingent on receiving FTA's Letter of No Prejudice and Full Funding Grant Agreement on the North, Southeast, East End and University lines.

Costs/(Savings):

This initiative will continue to keep project costs on budget as shown under "Benefits/Outcome" section below.

Proposed Schedule:

Annually

Benefits/Outcome:

METRO Rail Expansion strives to efficiently manage the Authority's light rail program. Program activities grow and contract consistent with program progress. Projects are set-up and executed so that staffing/consultants can be adjusted based on funding or change in plans of execution. By FY2011 Real Estate activity will have reached its peak and staffing/consultants will decrease from FY2010 levels of 7 staff and 25 consultants to 6 staff and 2 to 3 supporting consultants. Realigning/right staffing for the University and Uptown lines will also grow or contract contingent on Board and FTA actions in FY2011.

Department Responsible for Execution:

Capital Programs

Business Plan & Budgets FY2011

METRO Police Crime Mapping

Description:

METRO has the responsibility to operate openly and with transparency, the responsibility to make available the greatest possible amount of information, and the responsibility to provide the public with a full picture of what has happened within its jurisdictional boundaries. To this end the Authority has researched and found a software package which provides transit customers easy-to-read, up-to-date crime data. CrimeReports, out of Salt Lake City, Utah, is the largest and most-comprehensive crime-mapping network in the world and has over 700 partner agencies across North America.

CrimeReports standardizes crime reporting through 15 crime types based on Uniform Crime Reporting (UCR) definitions. All addresses are rounded to the block level to protect victim and suspect identities. In addition, all crime information for the entire network is available to METRO Police and the community. This software will also allow METRO Police access to crime maps in participating neighbor agencies, furthering the Authority's regional knowledge.

The software will provide up-to-date data in order to command staff and METRO administrators not only in their offices but any place where internet access is available. With additional handheld hardware (iPhones), the data can also be portable.

Costs/(Savings):

\$16,328	FY2011 Operating Cost
\$16,328	Recurring Annual Cost
\$0	Total Capital Cost

Proposed Schedule:

- 2nd Quarter FY2011

Benefits/Outcome:

While the full benefits will not be known in the first year, there are some immediate benefits to METRO:

- The mapping of crime and accident data without expensive software licensing and training as required in other mapping programs.
- No need for METRO Information Technology staff to support the software associated with this application since it is web-based.
- Public access to crime data as maps can be exported to METRO's web page.

Department Responsible for Execution:

METRO Police

Business Plan & Budgets FY2011

METRO Police Distribution of Police Reports Online

Description:

PoliceReports.US helps law enforcement agencies distribute accident reports over the internet so citizens have the ability to retrieve, print and purchase the reports online.

This initiative allows citizens and businesses access to police accident reports electronically via the web, based on a fee charged by PoliceReports.US. In addition, METRO will receive all funds received by Police Reports.US in excess of their \$3 per report charge. PoliceReports.US provides installation, training, maintenance and upgrades, and there are no direct costs to distributing reports online with this service.

Costs/(Savings):

\$0* FY2011 Operating Costs/(Savings)
\$0* Recurring Annual Costs/(Savings)
\$0 Total Capital Cost

**Savings from funds received in excess of the report charge cannot be estimated at this time.*

Proposed Schedule:

- 2nd Quarter FY2011

Benefits/Outcome:

Many Texas police departments and agencies support the system; by adding web distribution of police accident reports it has provided better service to the citizens and has increased available resources for recordkeeping and data analysis.

This project will give the records personnel additional time to expand crime analysis and crime trending, resulting in a more efficient and effective use of police manpower.

Department Responsible for Execution:

METRO Police

Business Plan & Budgets FY2011

METRO Police Grant Funding for 9 Police Officer Positions for Three Years

Description:

METRO will request \$1,725,102 in grant funding to cover salaries, fringe benefits and equipment for 9 police officer positions for 3 years (36 months). A grant application has been submitted in June 2010 to request funding for 9 officer positions from the Community Oriented Policing Services (COPS) Hiring Program. Under the COPS grant, METRO would be obligated to retain 9 positions for a minimum of 12 additional months, beyond the initial 36 months, using local funds to cover salary expenses. There are no matching requirements.

Costs/(Savings):

\$0	FY2011 – FY2013 Operating Costs/(Savings)
\$691,500	4 th Year FY2014 Operating Annual Cost
\$0	Total Capital Cost

Proposed Schedule:

The COPS Hiring Program grant application was submitted in June 2010 and is now pending review by the funding source administrators. The notice of grant award is anticipated in late August or September. Positions would be filled as quickly as possible, starting in October 2011.

Benefits/Outcome:

Improved ability to staff to geographic areas and provide maximum police visibility during times when customers are most vulnerable to undesirable or criminal activity.

Improved visibility of uniformed police officers onboard buses, trains and at busy transit centers so customers and all residents in METRO's jurisdiction can recognize the Authority's commitment to their safety.

To provide visible and unpredictable deterrence in furtherance of METRO's objectives to mitigate acts of terrorism and protect the riding public, employees, assets, and the community at large.

Department Responsible for Execution:

METRO Police

Business Plan & Budgets FY2011

Business Services Sustainability and Energy Management Program

Description:

The goal of this initiative is to develop an official Authority-wide formal Sustainability and Energy Management Program. This program will create a formal structure to tie in the various ongoing efforts spread throughout the Authority in the areas of energy management, emissions control, waste reduction, recycling, and others.

Included in the program will be strategic long-term goals to maximize the environmental benefits of the Authority's mass transportation system while reducing and managing its own energy footprint. METRO will do this by providing reliable mass transportation services, by using the cleanest technologies available in bus and rail, by conserving water and energy in all of its facilities, and through a commitment to be a good environmental steward.

Costs/(Savings):

\$10,000	FY2011 Operating Cost
\$10,000	Recurring Annual Cost
\$ 0	Total Capital Cost

Proposed Schedule:

- 1st Quarter FY2011 – Setting Vision – This is a key step involving the President & CEO and Board buy in, perhaps even a resolution from the Board making the commitment of the Authority for sustainable and responsible operations
- 1st Quarter FY2011 – Staffing the Effort- Formal designation of persons that will play key roles in this program as well as creating a steering committee to lead all planning efforts
- 1st Quarter FY2011 – Establishing metrics to measure progress – Developing key performance indicators and other metrics to track progress
- 2nd Quarter FY2011 – Implementing Strategic Initiatives – with efforts in energy management, recycling etc.
- 4th Quarter FY2011 – Communicating Results

Benefits/Outcome:

If properly executed this initiative could bring in benefits in various areas:

- Budget – By reducing the Authority's energy footprint, electricity, water and gas costs can be saved every year.
- Goodwill and Public Relations – By creating a formal commitment to sustainability and energy management METRO will show that it is environmentally conscious and committed to enhancing the quality of life for its customers, neighbors and employees.

Department Responsible for Execution:

Business Services