



METRO

President/CEO Total Compensation Policy

Board of Directors

Issued: June 2010

Approved by: _____
Chairman Mike Martinez

PURPOSE

The purpose of this policy is to define the compensation philosophy to determine appropriate total compensation for the President/CEO. This policy is designed with the goal of providing remuneration that is fair, reasonable, and competitive.

POLICY

The Capital Metropolitan Transportation Authority (Capital Metro) President/CEO total compensation policy is intended to help the company recruit and retain highly qualified and talented President/CEO candidates. It is also intended to motivate the President/CEO by linking rewards to performance, while also aligning their interests with those of Capital Metro's stakeholders.

TOTAL COMPENSATION PHILOSOPHY

Performance	<ul style="list-style-type: none"> ○ Capital Metro believes that the best way to accomplish alignment of compensation with the interests of Capital Metro is to link pay directly to individual and Authority performance.
External Competitiveness	<ul style="list-style-type: none"> ○ Compensation and benefits programs are intended to be competitive with organizations of similar size and complexity. ○ In general, programs are considered competitive when they are targeted at the 50th percentile for compensation programs offered to public, private and peer employers.
Flexible and Ongoing	<ul style="list-style-type: none"> ○ To provide an objective system of determining compensation and benefits and the ability to respond to changes in the organization, government legislation, and the relevant marketplace.
Cost	<ul style="list-style-type: none"> ○ Compensation and benefits programs are designed to be cost-effective and affordable, ensuring that the interest of Capital Metro stakeholders are considered
Peer Groups	<ul style="list-style-type: none"> ○ The relevant peer groups for compensation and benefits programs consist of transportation authorities with similar products, revenue and employees. ○ Other peer groups are also reviewed for competitiveness including state and local government agencies and national salary survey data bases.

COMPONENTS OF TOTAL COMPENSATION

Capital Metro's President/CEO compensation and benefits package consists of direct compensation and company sponsored benefit plans. Each component is designed to achieve a specific purpose and to contribute to a total package that is appropriately performance-based, competitive, and valued by the President/CEO.

Direct Compensation	<ul style="list-style-type: none"> ○ Direct compensation consists of base salary and variable compensation (which includes an annual performance award). All elements of compensation are targeted at the competitive median of the relevant peer group. ○ Variable compensation is linked to individual's and Capital Metro's performance. ○ When performance exceeds expectation, pay levels are likely to
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	<p>be above the competitive median. When performance falls below expectation, pay levels are likely to fall below the competitive median.</p> <ul style="list-style-type: none"> ○ By creating these links, Capital Metro seeks to achieve its objective of having performance-based, cost-effective compensation programs.
<i>Base Salary</i>	<ul style="list-style-type: none"> ○ Base salary is determined with reference to competitive pay practices and is aligned with the individual's relative role and responsibilities.
<i>Variable Compensation</i>	<ul style="list-style-type: none"> ○ Variable compensation is comprised of an annual performance award which is designed to place a significant portion of total compensation at risk – that is, linked directly to performance. ○ Annual performance awards are determined by the Board of Directors with reference to the competitive market and vary based on performance.
<i>Total Cash Compensation</i>	<ul style="list-style-type: none"> ○ The annual performance award, together with base salary, comprises the annual total cash compensation payable to the President/CEO.
Employee Benefit Plans	<ul style="list-style-type: none"> ○ Capital Metro provides company sponsored health, life, and disability and retirement benefits to President/CEOs at the same level as administrative employees. ○ Employee benefits are reviewed periodically to ensure that the plans and programs provided are generally competitive and cost-effective for Capital Metro and support the employees' needs. ○ Benefit levels are not directly tied to company, business unit, or individual performance. ○ As President/CEO, base salary can be deferred into a 457 or 401(K) Plan subject to Internal Revenue Service rules and limits.
Determining President/CEO Compensation Level	<ul style="list-style-type: none"> ○ Compensation for the President/CEO is determined by the Board of Directors based on its assessment of Capital Metro's overall performance, the President/CEO's individual performance against the achievement of the Capital Metro's performance goals and other goals agreed to by the Board and President/CEO, and market competitive compensation packages for CEO's among firms of similar size and complexity in the transportation industry.
Measuring Performance	<ul style="list-style-type: none"> ○ The Board of Directors will establish a written performance plan with specific measures for each year of the President/CEO's employment contract. ○ Performance will be based on individual performance on the Company scorecard and other performance measures as determined by the Board of Directors.
Payment of Annual Performance Award	<ul style="list-style-type: none"> ○ The Board of Directors will determine the amount of a Performance Award and approve the payment in accordance with the President/CEO employment contract.
Severance Pay	<ul style="list-style-type: none"> ○ Severance pay will not be provided in the event of termination of employment for cause as defined in the President/CEO employment contract or in the event of the President/CEO's resignation. The Board of Directors will determine through negotiations whether to provide severance pay in other instances.

Board Action on President/CEO Compensation	<ul style="list-style-type: none">○ Discussion of the President/CEO's performance may be held in Executive Session under Chapter 55 of the Texas Government Code.○ Action on the amount of President/CEO's total compensation, the amount of any annual performance awards and actual performance compared to performance metrics will be taken in an open Board Meeting.
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