



September 30, 2010

To the Central Texas Community,

We are pleased to present this progress report on the recommendations from the Sunset Advisory Commission's review of the Capital Metropolitan Transportation Authority. Through the diligent work of our staff and board of directors we have made substantial progress on addressing the issues in the Sunset report including implementation of many of the recommendations.

Last week our board adopted the operating and capital budget for Fiscal Year 2011 and made some other difficult decisions. Their actions not only address the Sunset recommendations but will benefit Capital Metro for many years to come. These include:

- Development of a five year capital improvement program
- Approved numerous MetroAccess service policies and changes
- Eliminated free fares
- Approved policies for community involvement and board advisory committees
- Increased our agency reserves
- Adopted a bridge replacement plan

Capital Metro is committed to keeping you informed and we encourage you to monitor our progress in the coming months and beyond. We have made great progress but the work is not over. This effort is the foundation for change that will strengthen our organization and benefit this community into the future.

The Sunset review was an opportunity for an independent evaluation of the Authority and this progress report demonstrates our commitment to improving Capital Metro's accountability, financial sustainability, transparency and service to our community.

Sincerely,

Mayor Pro Tem Mike Martinez
Board Chair

Linda S. Watson
President/CEO

Capital Metropolitan Transportation Authority
Community Progress Report on Implementation of Texas Sunset
Commission Recommendations
September 30, 2010

Issue 1: Financial Management

1.1 Require the board to maintain a reserve equal to at least two months of operating expenses, and define criteria for its use. (Statutory Recommendation)

Status: In Process

The Capital Metro board of directors approved a reserve policy on September 24, 2010. The policy defines several types of reserves: an operating reserve of at least two months of operating expenses (a cash flow reserve), a capital reserve, a self-insurance reserve and a budget stabilization reserve. Procedures are being developed on funding and maintaining the various reserves.

As of September 2010, Capital Metro's cash balance was \$15 million, and the agency projects the cash balance to be \$19 million by the end of fiscal year 2011. Based on financial projections, Capital Metro expects to meet the Sunset recommendation of establishing at least two months of operating reserves (approximately \$28 million) no later than October 2013.

1.2 Require the board to adopt, and annually reevaluate, a five-year strategic plan that clearly links to, and drives, the budget. (Statutory Recommendation)

Status: In Process

The current strategic plan, Route 2025, was used to develop and set priorities for the FY2011 budget. Performance measures that support the strategic plan have been developed and the agency's performance on key measures is reported monthly to the Capital Metro board of directors. The strategic plan will be revisited in FY 2011 and each year thereafter, and refined as needed to reflect the changes in board, organizational and regional priorities.

1.3 Require the board to annually adopt a balanced budget that includes operating and capital spending. (Statutory Recommendation)

Status: Substantially Complete

This recommendation has two components. The primary component is to adopt a balanced budget that includes both operating and capital expenses. On September 24, 2010, the Capital Metro board of directors adopted a balanced operating and capital budget for FY2011. The operating budget includes line-item account details for each department, and the capital budget includes project descriptions, spending categories, funding sources, expected benefits, estimated operating cost impacts and the corresponding strategic objectives for each of the capital projects.

The second component of the Sunset recommendation requires quarterly status reports on actual operations and capital expenditures in comparison to amounts budgeted. Operating variances are currently reported to the Capital Metro board of directors on a monthly basis. Capital Metro has drafted a matrix to monitor projects identified in the Capital Improvement Plan (CIP). Elements of the matrix include project budget, project manager, major milestones and timelines. Beginning in January 2011, Capital Metro staff will report quarterly to the board regarding capital project status and progress.

1.4 Require the board to adopt an ongoing five-year capital improvement plan. (Statutory Recommendation)

Status: In process

The Capital Metro board of directors adopted the FY2011 operating and capital budgets on September 24, 2010, which incorporates planned capital spending for the first year of the Capital Improvement Plan (FY2011). The CIP is Appendix A of the FY2011 adopted budget and includes estimated costs for the remaining four years (FY2012-FY2015). It also reflects the funding source for each capital project. An extensive public outreach review and comment process was included in the budget development process prior to board adoption.

The Capital Planning Policy is scheduled for board adoption in January 2011. The policy will incorporate the detailed planning process as defined here and within the Sunset Commission Report, and will be consistent with organizational and regional long-range goals.

1.5 Require the board to adopt a clear and open policy for evaluating and compensating its general manager. (Statutory Recommendation)

Status: Complete

The Capital Metro board adopted a policy for evaluating and compensating its president/CEO (general manager) in May 2010, and that policy was followed in the president/CEO hiring process completed in July 2010.

1.6 The board should evaluate, and take action on, measures to reduce costs and increase revenues. (Management Recommendation)

The Sunset Commission identified a number of potential measures to improve Capital Metro's financial stability and build reserves. They recommended the board incorporate the following changes in the FY2011 budget as appropriate.

- Adopt a five-percent across-the-board reduction in costs.

Status: Complete – Not selected for implementation

In preparing the FY2011 budget, each department provided a list of expense reductions that equaled five-percent of non-service related costs. The finance department incorporated a number of these reductions into the proposed budget; however, without significant changes to the labor and management agreements with StarTran, an overall five-percent reduction likely would have required reductions to transit service. In response to public input, the agency did not elect to reduce service. Additional cost reduction opportunities will be considered as the labor structure is reviewed. (See Issue 2.1 for further details.)

- Require administrative employees to contribute four percent of wages to their pension plan.

Status: Incomplete – Will be addressed in FY2011

Employee contributions to the administrative employee pension plan will be evaluated and addressed during FY2011.

- Revise paratransit policies that exceed Americans with Disabilities Act (ADA) requirements.

Status: Complete

MetroAccess paratransit policies have been revised. The board adopted the revised policies on September 24, 2010, and the FY2011 budget reflects the projected financial impacts.

A summary of the revised policies:

- **Eligibility** – To be eligible for service, all new and recertified customers must complete an individualized application, participate in an in-person interview and if appropriate, undergo a functional assessment. The certification period will be extended from two years to four years.
 - **Taxi Voucher Program** – The voucher on demand program will be a non-ADA, cost-shared, premium service. The program will be capped with both monthly and annual limits, and is cost neutral.
 - **Service Area** – The MetroAccess ADA service area was officially approved by the Capital Metro board of directors and is defined as the area within ¼ mile of regular, in-service fixed-route bus service, mirroring its service area and hours. The ¼ mile area is not defined by commuter rail service, express, flex or feeder route service.
 - **Service Level** – Capital Metro will provide three levels of service: curb to curb, door to door, and door through door. A customer's default level of service will be determined during the eligibility process, but customers may always request a different level of service at the time they book their trips or at the time the vehicle arrives at their destinations.
 - **Open Returns** – The change to this policy is the requirement that customers must provide an estimated pick-up time.
 - **Call Center and Advance Reservations** – The call center will take calls from 7 a.m. to 6 p.m., Monday through Friday, and 8 a.m. to 5 p.m. on weekends. Customers can schedule rides up to three days in advance.
- Charge a bus fare of 50 cents for groups currently riding free and charge \$2.00 for paratransit rides.

Status: In Process – Fare adjustment process initiated

On September 24, 2010, the Capital Metro board of directors approved the FY2011 budget that includes projected revenues from a new 50-cent fare increase for groups currently riding free (adults over 65 and persons with disabilities) and an increase in fare for paratransit rides to \$1.50.

Upon completion of a public outreach process and required public hearing, the board will take action on the fare increase proposal in the fall of 2010. If adopted, the new fares would take effect January 2011.

- Renegotiate the UT-Austin contract to cover 65 percent of Capital Metro's fully-allocated costs.

Status: Complete – Alternative action taken

The Capital Metro board took alternative actions to increase cost recovery on the UT Shuttle contract. The board approved a new contract with the University of Texas at the July 2010 board of directors meeting. The University will reimburse Capital Metro for 50 percent of the UT Shuttle service direct operating costs. In addition, the University will pay Capital Metro a fee for each trip taken by a student on regular fixed-route and rail services. Staff projects these contractual changes to increase revenues by approximately \$600,000 during the 2010-2011 school year.

- Freeze capital spending on expansions of commuter rail that use tax revenues as a source of funding.

Status: Complete

The approved FY2011 operating and capital budget does not include expenditures for the expansion of commuter rail services. The budget, however, does include funding for "state of good repair" infrastructure projects, such as bridge replacements identified in the agency's Railroad Bridge Safety Management Program (see Issue 3.3) and bridge repairs.

- Review all capital spending projects and put on hold any not immediately needed to ensure public safety or that would not jeopardize federal funding.

Status: Complete – Not Selected for Implementation

Capital Metro staff evaluated all existing and proposed capital projects to ensure alignment with the agency's strategic plan. Projects that involve safety or regulatory compliance were given priority when allocating funding. Based on public input and agency objectives, the FY2011 budget includes projects needed from a safety or federal funding standpoint as well as those needed for continued operation of service. For example, projects that improve bus stop accessibility, maintain the agency's existing infrastructure and assets in a state of good repair, and respond to ongoing customer demand are included in the FY2011 budget.

1.7 Require Capital Metro to post on its website detailed financial information.

(Management Recommendation)

Status: Substantially Complete

Capital Metro has increased its financial transparency online, and [financial data](#) is directly accessible from the Capital Metro [homepage](#). This information includes:

- Budgeted and actual expenditures by department. Capital Metro posts [monthly financial reports](#) that provide this information at a department level. Additionally, Appendix B of the FY2011 budget includes individual department budgets and FY2009 actual departmental expenditures. (FY2010 actual expenditures are not yet available.)
- [Five-year archive of past budgets](#)
- [Executive management salaries](#)

In addition to the above items, Capital Metro has exceeded the recommendations in the Sunset Commission Report by augmenting its financial information online with:

- Capital Metro's [check register](#), which reports all checks written by the agency
- Capital Metro's [purchase card \(credit card\) transaction log](#)
- [Internal and external audits](#)
- [Sunset Review progress reports](#)
- [Monthly operations performance reports](#)
- A more extensive history of [board agenda packets](#) and [board meeting minutes](#).

As a result of this added transparency, Capital Metro was the first transit agency in the state to receive the [Leadership Circle Award](#) from the Texas Comptroller's Office.

In early 2011, Capital Metro is scheduled to complete its implementation of the Sunset Commission recommendation when the following financial information is posted online:

- Contracts information
- Long-term financial plans. The Long-Range Financial Plan is being revised and updated and will be presented to the board for adoption in January 2011.

Issue 2: Labor Structure

2.1 Require Capital Metro to competitively bid all transit services not directly provided by its own employees. (Statutory Recommendation)

Status: In Process

The Capital Metro board of directors established a Labor Committee to address this issue. Capital Metro staff is currently researching available options and structures for the Labor Committee and the full board to consider. The Texas Transportation Institute is assisting with the financial analysis to determine the short- and long-term financial impacts of contracting out service that is currently operated by StarTran. These complex legal and financial matters must be fully evaluated to ensure that the proposed recommendation will not introduce additional challenges and risks.

The Sunset report states, "Because this recommendation involves significant changes to Capital Metro's business operations, the Authority could need as much as a year to effectively implement this recommendation. Thus this requirement should not go into effect until September 1, 2012."

2.2 Capital Metro should develop a competitive procurement plan for transit services. (Management Recommendation)

Status: In Process

A competitive procurement plan for transit services has been developed should the board of directors decide to pursue this option. The plan is based on best practices and will identify potential cost savings and measures to hold contractors accountable for performance under the contract.

Issue 3: Rail Management and Safety

3.1 Require Capital Metro to maintain a comprehensive rail safety plan and to regularly report on the ongoing safety of the system. (Statutory Recommendation)

Status: Complete

A Safety System Program Plan (SSPP) has been completed by Capital Metro and reviewed and accepted by the Federal Railroad Administration, the federal agency responsible for rail oversight. The SSPP identifies goals and objectives to ensure safe, reliable, convenient and efficient operations. This SSPP also describes the requirements, processes and controls required to transport people safely on the system.

Capital Metro is committed to the ongoing safe operations of the commuter and freight rail lines and since May 2010, staff has reported on the safety of the system to the Capital Metro board on a monthly basis. The reports are also shared with the Texas Department of Transportation.

3.2 Require Capital Metro to employ a rail director to oversee and be accountable for all rail system development, operations, maintenance, and safety. (Statutory Recommendation)

Status: In Process

A position for vice president of Rail Operations has been included in the FY2011 budget. The job opening has been posted on Capital Metro's job board, and recruitment for applicants will soon be initiated.

This position will be responsible for overseeing the management of all contracted services related to passenger and freight rail operations, maintenance and safety. While the vice president of Rail Operations will not lead future rail development efforts, the position will play a key role in these projects by coordinating with the vice president of Engineering and Construction on all design, engineering and construction activities related to the rail corridor to ensure consistent application of system design standards and compliance with FRA regulations. The vice president of Rail Operations will also be a key player in all decisions related to rail infrastructure or the delivery of service.

3.3 Capital Metro's board should take immediate action to prioritize needed replacement, repair, and maintenance of its railroad bridges. (Management Recommendation)

Status: Complete

An engineering firm was hired to assist in the development of a Railroad Bridge Safety Management Program. The program includes a list of bridge replacement priorities. The recommended bridge replacements, along with prioritized bridge repairs, were included in the Capital Improvement Plan (CIP) which was included in the adopted FY2011 operating and capital budget.

Capital Metro has made all necessary repairs on the three highest-priority bridges within the MetroRail corridor and has replaced one high-priority bridge in the freight rail corridor.

3.4 Capital Metro should develop a contract monitoring plan for major rail projects to ensure accountability for the cost-effective delivery of services. (Management Recommendation)

Status: Complete

In March 2009, the agency instituted a new requirement for a customized Contract Monitoring Plan (CMP) for *all* new contracts, including rail projects. Capital Metro staff developed CMPs for all executed rail contracts, including the contract with Herzog, the MetroRail service provider.

Capital Metro staff expects the contract with Watco, the freight rail operator, to be approved by the board of directors and executed in October 2010.

3.5 Capital Metro should develop a clear approach for planning, developing, and implementing any future rail-related projects. (Statutory Recommendation)

Status: In Process

In fall 2009, the Engineering and Construction Department, headed by the Vice President of Engineering and Construction, was created to centralize accountability for these functions. Recently, Capital Metro posted the job position for a Vice President of Rail Operations. (See Issue 3.2.) These positions will work closely together along with other key staff to develop and implement project management controls related to future rail development projects.

Capital Metro learned many lessons during the development and implementation of the Capital MetroRail Red Line. These lessons lay the groundwork for establishing clear rail development and project management procedures and controls to manage risks on future projects. These "lessons learned" have been presented to both the Capital Area Metropolitan Planning Organization and the Capital Metro board.

Issue 4: Governance and Public Engagement

4.1 Require Capital Metro to develop and implement a policy that guides and encourages more meaningful public involvement efforts. (Statutory Recommendation)

Status: Complete

The Capital Metro board adopted a Community Involvement Policy on September 24, 2010. The policy incorporates the provisions of the Sunset recommendation and delineates how Capital Metro will work to ensure that its decision-making processes are open and accessible to all interested parties. Furthermore, it establishes how Capital Metro will develop and implement a comprehensive community involvement strategy for receiving input from the community.

Capital Metro staff has begun reaching out to a greater number of stakeholders through social media and technology. For example, the community engagement process for the FY2011 budget included an online video and surveys and a virtual public meeting that allowed customers to participate from their computers at work or home.

Lastly, the Capital Metro board has ended its use of consent agendas, which limited public participation opportunities at board meetings.

4.2 Capital Metro should provide sufficiently developed materials to board members well in advance of meetings. (Management Action)

Status: Complete

Since February 2010, staff provides a draft agenda and related backup materials ten days in advance of all regularly-scheduled board meetings. Final agenda packets are provided to the board four days in advance of meetings.

Capital Metro staff will also continue to brief board members in advance of meetings to ensure that each member has the opportunity to fully consider and ask questions about significant matters on which they will be required to vote.

A board committee structure has been created that focuses on labor, financial, and operational issues and enables the board to delve into greater detail on agency business.

4.3 The board should develop a policy for advisory committee reporting to ensure consideration of committee input in advance of board decisions. (Management Recommendation)

Status: Complete

See response to Issue 4.4.

4.4 The board should assess its overall process for receiving input on paratransit issues, including evaluating the size and composition of the Access Advisory Committee. (Management Recommendation)

Status: Complete

The board adopted an Advisory Committee Policy on September 24, 2010.

This policy incorporates the provisions of the Sunset recommendation and assesses the overall process for all current advisory committees. The policy restructures the existing advisory

committees using a new appointment process and delineates specific roles and responsibilities in order to best facilitate citizen input on Capital Metro services, including paratransit issues. The new appointments process allows for greater involvement and oversight by the Capital Metro board.