



**Texas  
Sunset  
Advisory  
Commission**

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STAFF EVALUATION

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*Metropolitan Transit Authority  
of Harris County*

*Corpus Christi  
Regional Transit Authority*

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A Staff Report  
to the  
Sunset Advisory Commission

1988

**METROPOLITAN TRANSIT AUTHORITY  
OF HARRIS COUNTY**

**CORPUS CHRISTI  
REGIONAL TRANSIT AUTHORITY**

**June 1988**

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## Summary of Recommendations

The 70th Legislature placed the Metropolitan Transit Authority of Harris County and the Corpus Christi Regional Transit Authority under sunset review, with a report to be submitted to the 71st Legislature in 1989. The transit authorities are to be reviewed, but are not subject to being abolished under the Sunset Act. The recommendations in this report focus on changes to improve the structure and operations of these two transit authorities.

The Metropolitan Transit Authority of Harris County (Houston Metro) was established in 1978 and is responsible for providing a regional transit system in the Houston/Harris County area. Houston Metro is governed by a nine-member board comprised of representatives appointed by the mayor of Houston, the Harris County Commissioners Court, and the mayors of the 14 suburban cities participating in the authority. In fiscal year 1987, Metro expended approximately \$266 million, 59 percent of which came from the one-percent voter-approved local sales tax devoted to transit. Metro employed 2886 people to operate, maintain, and provide administrative support for the regional transit system in fiscal year 1987.

The Corpus Christi Regional Transit Authority (RTA) was established in August 1985 and began providing mass transit services in the Corpus Christi and Coastal Bend area in January 1986. The RTA is governed by an 11-member board comprised of representatives appointed by the Corpus Christi City Council, the Nueces County Commissioners Court, and the mayors of the five suburban cities participating in the authority. The RTA expended approximately \$10.8 million in fiscal year 1987, of which 72 percent came from the one-half percent voter approved local transit sales tax. The RTA employed 187 people to carry out the activities of the authority in fiscal year 1987.

The sunset review of the Houston and Corpus Christi transit authorities focused on an examination of the overall accountability of the regional transit systems to the general public that helps fund the systems through the sales tax, to locally elected officials who appoint the board members, and to the state which authorizes the regional structure and the additional tax for transit purposes. The review also included an examination of the efficiency and effectiveness of the current operations of both systems. The review indicated that the accountability of the transit systems could be strengthened, primarily through changes to the board and through increased oversight of MTA finances and activities. The review of the actual operations of the Houston and Corpus Christi authorities did not indicate any significant problems; however, some areas were identified in which administrative

costs could be reduced. Recommendations related to the accountability, oversight and operations of the Houston and Corpus Christi transit authorities are summarized below.

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**RECOMMENDATIONS**

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**Review of Accountability**

**Composition of Boards**

1. **Statutory provisions regarding the composition of the Houston and Corpus Christi transit boards should be modified to require one of the five city appointments to be a regular rider of the transit system. (Statutory) (p.49)**

The statute currently provides for board members of the transit authorities to be appointed by the city, county and suburban cities within the authority. This structure appropriately ensures the representation of the general public in each of the geographical areas participating in the authority, but not the people most directly impacted by the actions of the board - the regular riders of the transit system. The board structure could be improved by requiring the unique perspective and understanding of a user of the system on the board.

**Board Member Terms of Office**

2. **Statutory provisions regarding the terms of office of the Houston and Corpus Christi transit authority board members should be modified to provide for two-year terms. (Statutory) (p. 51)**

The statute currently provides for four-year terms of office. A letter opinion from the attorney general’s office found the four-year terms to be in conflict with constitutional restrictions which limit the duration of certain public offices to two-year terms. Changing the length of the terms to two years will bring the statute into compliance with the constitutional provisions.

**Removal of Board Members**

3. **Statutory provisions regarding the removal of board members from the Houston and Corpus Christi transit authority boards should be modified to:**

- **Authorize removal of board members by majority vote of the governing body that appointed and/or confirmed that member, rather than by the board itself; and**
- **Provide more specific grounds and procedures for the removal of board members. (Statutory) (p. 52)**

The responsibility for the removal of board members currently rests with the transit board itself. This procedure differs from the standard approach in most enabling statutes in which the responsibility for removing a board member rests with the governing body that appointed the member. Authorizing the appointing body, rather than the board, to remove its appointees when grounds for removal exist will increase the accountability of board members to the elected officials that appointed them. Requiring more specific grounds and procedures will provide a clearer picture of what can constitute a grounds for removal from the board and what action is to be taken if grounds exist.

#### Separation of Board and General Manager Duties

4. **The statutory provisions governing the management of the Houston and Corpus Christi transit authorities should be amended to:**
  - **specify that it is the duty and responsibility of the general manager to administer the operations of the authority on a day-to-day basis, including the hiring and firing of all employees; and**
  - **require the board to develop and implement a policy which clearly separates board and staff functions. (Statutory) (p. 55)**

The MTA statute currently gives the MTA board the responsibility for management of the authority and authorizes the board to hire and fire all employees. These provisions differ from most enabling laws that stipulate that a board appoint an executive director to manage the agency and the staff. Changing the MTA statute to reflect this policy will clarify the role of the general manager, provide clear lines of authority for the operation of the agency, and ensure against any problems that could result from the board becoming directly involved in the day-to-day operations of the authority.

### Appointment and Structure of Advisory Committees

5. The statute should authorize, but not require, the Houston and Corpus Christi transit authorities to establish advisory bodies that:
  - are appointed by and serve at the pleasure of the MTA board;
  - have a balanced composition that represents the viewpoints of persons or groups with knowledge and interest in the committee's work; and
  - have specific powers and duties. (Statutory) (p. 56)

The two MTA boards utilize advisory committees to provide input to the board from those directly affected by the board's decisions. However, the structure and appointment of the committees is not currently authorized in statute. The lack of statutory authority and direction has resulted in certain advisory committees not functioning in a manner that is beneficial in obtaining public input for the board. Implementing these changes will ensure that the advisory committees are appointed by the board, are appropriately structured, and have clear powers and duties in order to maximize their effectiveness in providing input to the board.

### Withdrawal from a Transit Authority

6. The statute should authorize an election once every five years allowing the principal city, suburban cities, and/or the unincorporated county area to withdraw from the Houston and Corpus Christi transit authorities. Such an election should only be called upon receipt of a petition signed by 20 percent of the registered voters of the political subdivision desiring to withdraw. (Statutory) (p. 58)

The initial participation of a city, suburban city, or county in a regional transit authority is contingent upon approval of voters in the area. In addition, all of the regional transit authorities in Texas, except for Houston and Corpus Christi, have statutory provisions that allow various entities belonging to the authority to withdraw from the MTA under certain circumstances. Providing withdrawal provisions for the voters in the Houston and Corpus Christi authorities will increase the accountability of these transit authorities to the public that authorized their creation and that supports the ongoing operations of the transit system with their sales tax dollars. Requiring a petition signed by 20 percent of the voters ensures that



there is significant public support for reconsidering participation in the MTA before expending funds for an election.

**Oversight of Financial Audits**

7. **The statute should require that the Houston and Corpus Christi transit authorities submit a copy of their independent financial audits to the state auditor for review and comment. The state auditor should have the authority to examine any workpapers from the audit or to audit the financial transactions of the MTA if the review of the independent audit indicates this need. (Statutory) (p.65)**

Both the state statute and federal regulations require the metropolitan transit authorities to have a financial audit performed by an independent certified public accountant at least once each year. However, there is limited state involvement in the oversight of the MTA financial audits, even though the legislature authorizes the collection of a local sales tax ,with voter approval, to fund the authorities. Authorizing the state auditor to review these audits and to conduct an investigation if any problems are found allows the state to place an additional check on the proper use of these funds.

**Use of Performance Audits**

8. **The statute should require that independent performance audits of the Houston and Corpus Christi transit authorities be conducted every four years. The performance reviews should include the following:**
  - **an examination of one or more of the following areas: administration/management, operations, or maintenance;**
  - **an examination of performance in terms of a series of indicators with recommendations for methods for improvement in performance if needed; and**
  - **an examination of compliance with applicable state statutes. (Statutory) (p.67)**

Although performance audits are used by the transit authorities to evaluate their performance, there is no requirement that this type of evaluation be performed on a regular basis. Also, there is not a consistent base of indicators used to evaluate the performance of an MTA over time, or to compare performance among transit authorities. Requiring a regular performance audit provides a mechanism for the

Houston and Corpus Christi transit authorities to assess and make improvements to their operations. The audit also provides a method for increased accountability to state and local officials by ensuring the availability of evaluative information on the performance of the transit authorities.

### Reporting of Transit Statistics

9. **The statute for the State Department of Highways and Public Transportation should require that the department continue to annually publish a statistical report on transit in Texas and to report the information in a manner which allows for comparisons across the metropolitan transit authorities.**  
(Statutory) (p.72)

The State Department of Highways and Public Transportation currently collects and reports statistical information from transit authorities and city operated transit systems across the state. However, problems were identified with the usefulness and comparability of the data collected and with the department's authority to collect such data. Requiring this report in statute ensures that such a report continue to be published. Improving the comparability of the data provides more useful information for state and local officials and for the transit authorities in comparing the performance and operations of the various transit authorities in Texas.

## **Review of Operations**

### Reduction of Houston Metro's Administrative Costs

10. **Houston Metro should evaluate its higher than average costs in the areas of marketing, security and executive management for potential cost reductions.** (Management Improvement) (p. 81)

An analysis of Houston Metro's administrative costs determined that Metro's overall administrative costs compared favorably with transit systems of a similar size. However, the percentage of total operating costs which Metro devotes to the areas of marketing, security, and executive management were identified as high compared to the other systems studied. Requiring Metro to evaluate these functions will ensure that each of these areas is examined for potential cost reductions.

**Reassessment of the Corpus Christi Regional Transit Authority's Administrative Costs**

- 11. The Corpus Christi Authority should reassess its administrative costs within the next two years to ensure that these costs have gone down in relation to the total operating budget. (Management Improvement) (p. 89)**

The review found that the administrative costs of the Corpus Christi authority were relatively high for fiscal years 1986 and 1987. These were the first two years of the authority's operation, and like any new business, the authority would be expected to have higher administrative costs initially while in the process of expanding and refining its services. Requiring the authority to reassess these costs in two years will ensure that an examination is made of the appropriateness of the authority's administrative costs in relation to its operating costs once the level of services is more stabilized.



## Overview of Transit in Texas

Originally most Texas transit systems were privately owned and operated, with little governmental involvement. This type of transit existed in Texas for over 100 years, beginning with horse-drawn railcars in the 1860's, electric streetcars in the early 1900's, and finally evolving to the use of buses in the 1920's. However, after World War II, the market for public transit began to decline due to the increased use of private automobiles and the shift of people and jobs out to the suburbs. Private companies could no longer operate profitably serving larger areas with fewer riders. Local officials were petitioned to either subsidize or purchase transit systems to ensure that transit services would be continued as a basic element of city services. It was at this point that transit began to shift from a private enterprise to a basic public service in many Texas cities. By the 1960's and 70's, the majority of Texas transit systems had shifted from private ownership to publicly owned and operated municipal transit systems.

Other changes in traffic patterns of cities were also underway. Traffic congestion in major urban areas was becoming a serious problem. The continued growth of suburban areas had contributed to the expansion of the traffic problem into one of a regional, rather than of a centralized nature. Municipal transit systems were not always well equipped to solve these emerging traffic problems. The transit system had to compete with other city services for tax dollars, and transit services could not always be sufficiently funded. In addition, services were generally limited to the city area, while the problems of traffic congestion were regional in nature, involving both central cities and their outlying suburban districts.

State policy-makers took action to help mitigate transit problems in the late 1960's. In 1969, the legislature established the Texas Mass Transportation Commission to encourage the development of mass transit in urban areas and to develop a master plan for public transportation in Texas. These duties were later transferred to the State Department of Highways and Public Transportation in 1975. Since 1975, the SDHPT has distributed approximately \$61 million of state funds to local transit systems to help them obtain federal assistance. Over \$375 million in federal dollars has been generated for state transit purposes. However, there have been no new appropriations made to the fund since fiscal year 1984 and currently, the fund has only enough money to meet existing outstanding obligations. No funds are available for new projects. The department is also involved in developing and funding transit projects that are supportive of the highway system. These projects

include planning and constructing park and ride lots, constructing transitways in the center lane of freeways for high occupancy vehicles, and reserving right-of-way for future transitways.

In addition to this type of involvement by the state, the legislature has taken several steps to help transit systems secure necessary funding and establish systems that are regional in scope. The legislature took the first step in 1973 when it passed a bill, (codified as Article 1118x, V.T.C.S.), that authorized the development of regional metropolitan transit authorities. In 1977, Article 1118x was amended to also authorize, with voter approval, a sales tax of up to one percent to fund these authorities. The purpose of the legislation was to enable citizens in major metropolitan areas to vote to establish a separate governmental agency to provide regional mass transit services. The legislation enables the city, the surrounding county, and any adjacent suburban cities or counties to work together to address their transit needs. The statute provides broad powers for an authority in implementing a regional transit system. The authority is authorized to issue bonds to fund any purchases, construction or improvements the authority considers necessary. The authority has the right of eminent domain to acquire lands needed for the development of the system. The statute also permits the authority to set rates and fares for the use of the system which, in combination with taxes collected, are sufficient to fund the operations of the system. The first metropolitan transit authorities to be established under Article 1118x were in San Antonio in March 1978 and in Houston in August of 1978. These were followed later by the creation of the MTA in Austin in January 1985 and the creation of the authority in Corpus Christi in August 1985.

Separate legislation was passed in 1979 by the 66th Legislature to deal with the unique geographical configuration of the Dallas/Ft.Worth area (Article 1118y, V.T.C.S.). The statute provides broad powers similar to Article 1118x, but differs in the way the authority is structured and managed. The legislation allows for the coordination of the transit needs of the two cities under one regional transportation system. In August 1983, however, Dallas voted to establish a subregional transit authority separate from Ft. Worth. In November 1983, Ft. Worth then voted to establish its own transit authority. Therefore, while the two systems are not coordinated under a single authority, they nevertheless operate under enabling legislation that differs substantially from the legislation that governs the metropolitan transit authorities established under Article 1118x.

Altogether, there are currently six regional metropolitan transit authorities in Texas. Exhibit 1 gives some perspective as to the relative size and costs associated with each of these authorities. The regional areas served vary in size from as small as the one in the Corpus Christi area, to as large as the one in the Houston area. The sales tax rates adopted by the voters range from one-quarter of one percent in Ft. Worth, to one-half of one percent in Corpus Christi and San Antonio, to the maximum of one percent in Houston, Dallas and Austin. In 1987, the state comptroller collected over \$390 million in local sales tax revenue for the six transit authorities in Texas. The sales tax revenue, in addition to other state and federal funding and revenues from fares, comprise the metropolitan transit authorities total operating funds. Exhibit 1 shows the total expenses of each MTA in calendar year 1987, the amount devoted strictly to operating expenses, and the percentage of total operating expenses covered by fares collected on the buses. The percentage of operating costs covered by fares ranged from 9.69 percent in Corpus Christi to 28.13 percent in San Antonio. The operating costs that are subsidized by the taxpayer ranged from a low of \$0.85 per passenger in San Antonio to a high of \$2.84 per passenger in Austin. Austin and Corpus Christi did not begin operations until 1985 and 1986 respectively, and therefore would be expected to show higher costs in the first years of operation than more established authorities.

The last step taken by the legislature to help secure financing for transit was aimed not at regional systems but at city transit operations. The 70th Legislature authorized cities with a population of 56,000 or more to vote to establish a local sales tax of up to one-half of one percent to fund city transit departments (Article 1118z, V.T.C.S.). These departments operate only within the city limits, under the authority of their city councils, and are not a separate regional authority. El Paso is the only city thus far in which the voters have endorsed the collection of a sales tax to support a city transit department. The level of tax in El Paso is one-half of one percent. Currently, 11 other municipal transit systems in Texas are eligible to invoke this tax if their voters chose to do so. These cities are Abilene, Amarillo, Beaumont, Brownsville, Galveston, Laredo, Lubbock, Port Arthur, San Angelo, Waco, and Wichita Falls. Their transit systems operate under the authority of local city councils, and they provide service only within the city limits. Currently, funds for these systems are appropriated by the city councils and there is no dedicated sales tax for transit.

The six regional metropolitan transit authorities represent, by far, the majority of transit ridership in the state. In 1987, ridership statewide totaled almost 189

Exhibit 1  
**Metropolitan Transit Authorities In Texas**  
**Calendar Year 1987\***

Statute	Transit Authority (Date Est.)	City Population 1980 Census	Sales Tax Rate	Sales Tax Revenues	Total Operating Capital and Other Expenses	Total Operating Expenses	Peak Number of Buses in Use	Number of Passenger Trips	Percent Operating Expenses Covered by Fares	Operating Costs per Passenger Subsidized by Taxes
1118x	Houston (1978)	1,595,000	1%	\$157,247,786	**\$243,985,000	\$134,616,549	930	74,373,940	24.74%	\$1.36
	San Antonio (1978)	786,000	1/2%	\$29,427,260	\$57,512,152	\$41,917,137	490	35,627,098	28.13%	\$0.85
	Austin (1985)	345,000	1%	\$38,781,246	\$35,419,217	\$32,120,398	241	10,176,197	9.97%	\$2.84
	Corpus Christi (1985)	232,000	1/2%	\$7,497,690	\$9,452,842	\$8,357,838	68	3,311,044	9.69%	\$2.28
1118y	Dallas (1983)	904,000	1%	\$149,385,781	\$92,582,419	\$80,956,877	668	40,230,095	23.20%	\$1.55
	Fort Worth (1983)	385,000	1/4%	\$7,838,887	\$12,898,216	\$11,758,216	118	4,507,907	23.81%	\$1.99

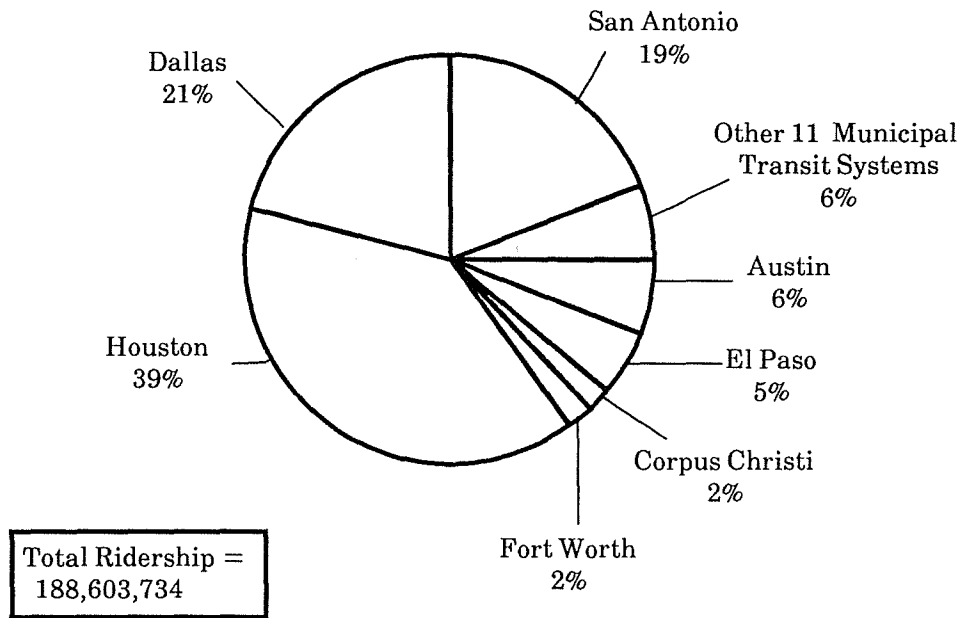
\* Information supplied by the State Department of Highways and Public Transportation except for the information on sales tax revenues which was supplied by the state comptroller's office.

\*\* This figure supplied by Houston Metro.



million passengers. This represents an increase of over 38 percent in a ten-year period. Exhibit 2 shows the percentage of ridership in each of the six metropolitan transit authorities, as well as El Paso and the 11 municipal transit systems.

Exhibit 2  
Percent Transit Ridership in Texas by System  
Calendar Year 1987



In summary, the state plays a key role in the development of transit in Texas. The legislature provides a mechanism for the coordination of transit services on a regional level in major urban areas by authorizing the creation of regional metropolitan transit authorities. The legislature also ensures that major cities have the ability to secure, with voter approval, a dedicated source of local funding for transit. Finally, the state, through the State Department of Highways and Public Transportation, provides limited capital assistance to local transit agencies through funding for capital projects and through joint highway/transit projects.



**EVALUATION OF HOUSTON AND  
CORPUS CHRISTI TRANSIT AUTHORITIES**



## **Background**



## **Introduction**

During the last legislative session, the Corpus Christi Regional Transit Authority, the Metropolitan Transit Authority of Harris County, and the Austin Metropolitan Transportation Authority were placed under sunset review. The transit authorities are to be reviewed, but are not subject to being abolished under the Sunset Act. The Corpus Christi and Houston transit systems were scheduled for review immediately, with a report to the next session of the legislature in 1989. The Austin MTA sunset review was delayed to the following biennium, with a report to the legislature in 1991. The San Antonio, Dallas, and Fort Worth transit authorities were not placed under sunset review.

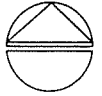
This report covers the Houston and Corpus Christi transit authorities. This section of the report provides background information on the creation, powers and policy-making structure of these two authorities, as well as information on their funding, organization and programs.

### **Houston Metro Creation and Powers**

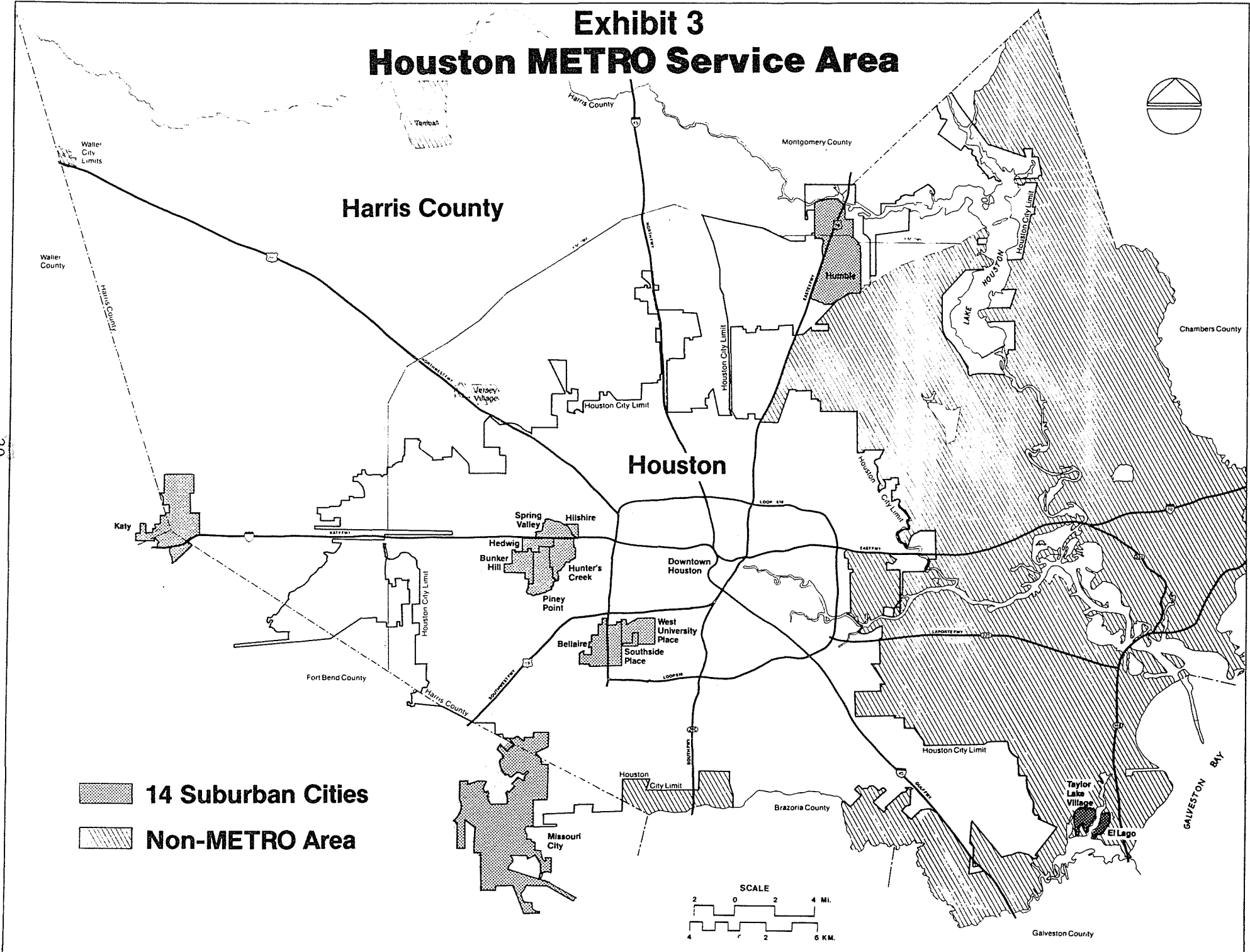
The Metropolitan Transit Authority of Harris County, generally known as Houston Metro, is responsible for providing a regional transit system in the Houston/Harris County area. The process of establishing the MTA began in December 1977 when an interim board was appointed by locally elected officials to determine if an MTA would be feasible and beneficial in the Houston/Harris County area. The interim board recommended that an authority be created and developed a regional transit plan to present to the public. The plan called for immediate improvements in bus services; the expansion of services to the whole region; new and better buses; and the development of a system for high occupancy vehicles separate from the regular flow of freeway traffic.

On August 12, 1978, a confirmation and tax election was held. This election confirmed the establishment of the Authority, approved the original plan, and authorized the collection of a one percent sales tax to support the authority's activities. The areas voting to participate in the authority included the City of Houston, fourteen suburban cities and the northern and western portions of unincorporated Harris County (see Exhibit 3). Houston Metro began actual operations on January 1, 1979 when they took over the existing local city bus system.

# Exhibit 3 Houston METRO Service Area



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The statute provides broad powers for Houston Metro in implementing a regional transit authority. The board may levy and collect any kind of tax, other than a property tax or tax prohibited by the Constitution, if approved by a majority of the voters of the authority. The authority may issue bonds, with voter approval, for any purchases, construction or improvements to the transit system the board considers necessary. The authority has the right of eminent domain to acquire lands needed for the development of the transit system. It may employ and commission its own peace officers with power to make arrests on their property. The authority also sets all rates and fares for the use of the transit system and makes rules and regulations governing the use, operation, and maintenance of the system.

These broad powers have not changed significantly over the nine years that Houston Metro has been in operation. The authority has implemented most of the provisions called for in the original plan approved by the voters in 1978 and has now embarked on a new 13-year plan to further develop the transit system in the Houston area. The new plan involves the development of a light rail system and the commitment of 25 percent of the sales tax revenue to general mobility projects which will improve the street system throughout the region.

### **Policy-making Structure**

Article 1118x provides three distinct board sizes for transit authorities: a 7, 9, or 11-member board. The board size is determined by the percentage of the county population outside of the principal city that resides within the authority. Between 50 and 75 percent of the population of Harris County, outside the Houston city limits, resides within the authority. As a result, the statute requires that Houston Metro have a nine-member board. Five of the members are appointed by the mayor of the city of Houston and confirmed by the Houston City Council, two members are appointed by the Harris County Commissioners Court and two members are selected jointly by the mayors of the 14 suburban cities that voted to participate in the authority.

Metro board members serve on a part-time basis and are compensated \$50 for each board meeting, up to five meetings per month. Prospective board members must be resident citizens and qualified voters of the authority. Metro's enabling statute provides for four-year staggered terms. However, Metro has opted to use two-year non-staggered terms due to a concern that the four-year terms are unconstitutional.

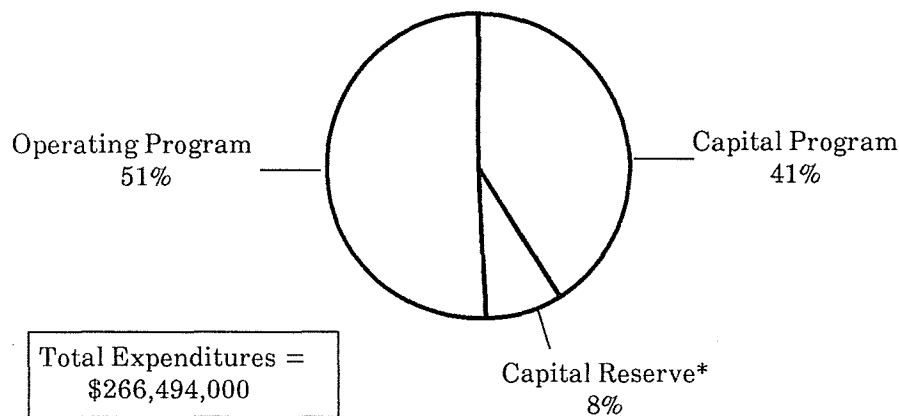
The board is responsible for the management, operation and control of the authority. They are also authorized to hire and remove all employees, as well as prescribe their duties, tenure and compensation. The board delegates much of this authority to a general manager who carries out the day-to-day operations of the authority. The board meets at least once a month and works by dividing into standing committees on Finance and Administration, Community Relations, Transit Operations and Future Programs. These committees review information and make recommendations to the full board. The board also receives citizen input concerning services for the elderly and handicapped through their MetroLift Advisory Committee.

### Funding and Organization

As Exhibit 4 shows, in fiscal year 1987 Houston Metro expended over \$266 million. These expenditures are divided into funding for the agency's operating program, its capital program, and its capital reserve. Operating expenditures include the cost of providing daily bus services and the cost of administrative activities that support these services. Slightly over one-half of the agency's budget, or about \$135 million, was spent in this category. Capital expenditures include costs related to developing and implementing any capital projects or purchasing any capital items, such as building park and ride lots or purchasing buses. These expenditures totaled approximately \$109 million. Metro's capital reserve funds are for upcoming capital projects. Some \$22 million was put into this account in fiscal year 1987.

Exhibit 4

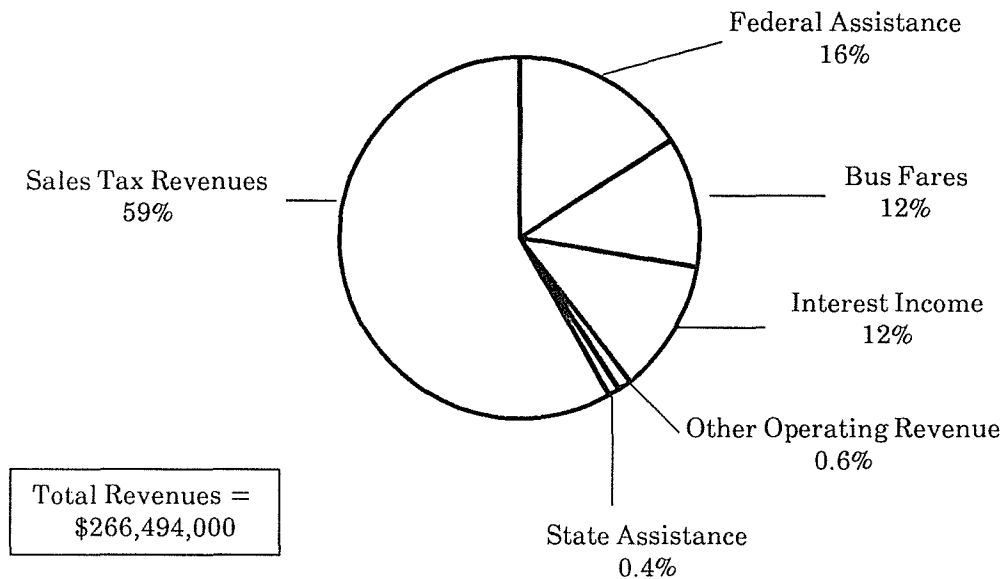
#### Houston Metro Fiscal Year 1987 Expenditures



\*These funds are placed in reserve for expenditure in the future.

Metro's funds are derived from a variety of sources. As shown in Exhibit 5, these sources include sales tax revenues, federal assistance, bus fares, interest income, state assistance, and other operating revenues (which includes income from leases and grants for various work and training programs).

Exhibit 5  
Houston Metro Fiscal Year 1987 Revenues



Sales tax revenues and federal assistance are the largest sources of revenue for Metro. As can be seen from Exhibit 5, the sales tax alone accounts for 59 percent of the agency's funding. Federal assistance is a distant second to the sales tax as a source of revenue for Metro. This source accounted for 16 percent of the agency's funding in fiscal year 1987. Metro receives two kinds of federal assistance: operating assistance and capital grants. The operating assistance totaled \$10.2 million in fiscal year 1987 and was utilized to supplement the operating budget. This money comes from the Urban Mass Transportation Administration Section 9 funding and is distributed through a federal allocation formula to various transit systems across the country. The federal capital grants in fiscal year 1987 totaled \$31.8 million. These funds are distributed to qualifying transit systems on a project by project basis. The funds are allocated using an 80-20 match formula, 20 percent being the local match requirement.

Bus fares of \$33.2 million accounted for approximately 12 percent of Metro's revenue in fiscal year 1987. Only a small percentage of Metro's total revenue in 1987, just over \$1.2 million, came from state assistance. This amount was received from the State Public Transportation Fund and used in the agency's capital program.

Metro's one percent sales tax has provided the primary source of revenue for daily bus operations and capital projects. Approximately 65 percent of the sales tax revenue is used to fund the daily bus service. The remaining 35 percent is utilized to fund Metro's capital program. The sales tax funds within the capital program have been used to provide the local match to obtain a significant amount of federal funds for capital projects. The receipt of these additional federal funds has offset the need to spend sales tax dollars on these capital projects. As a result, Metro had accumulated approximately \$385 million as of the end of fiscal year 1987 in its capital reserve account. Exhibit 6 shows how this fund has grown through contributions made each year since Metro began operating in 1979. These funds are being held in reserve to fund a portion of Metro's Phase II capital program, which is described in detail in the next section of this report.

Exhibit 6

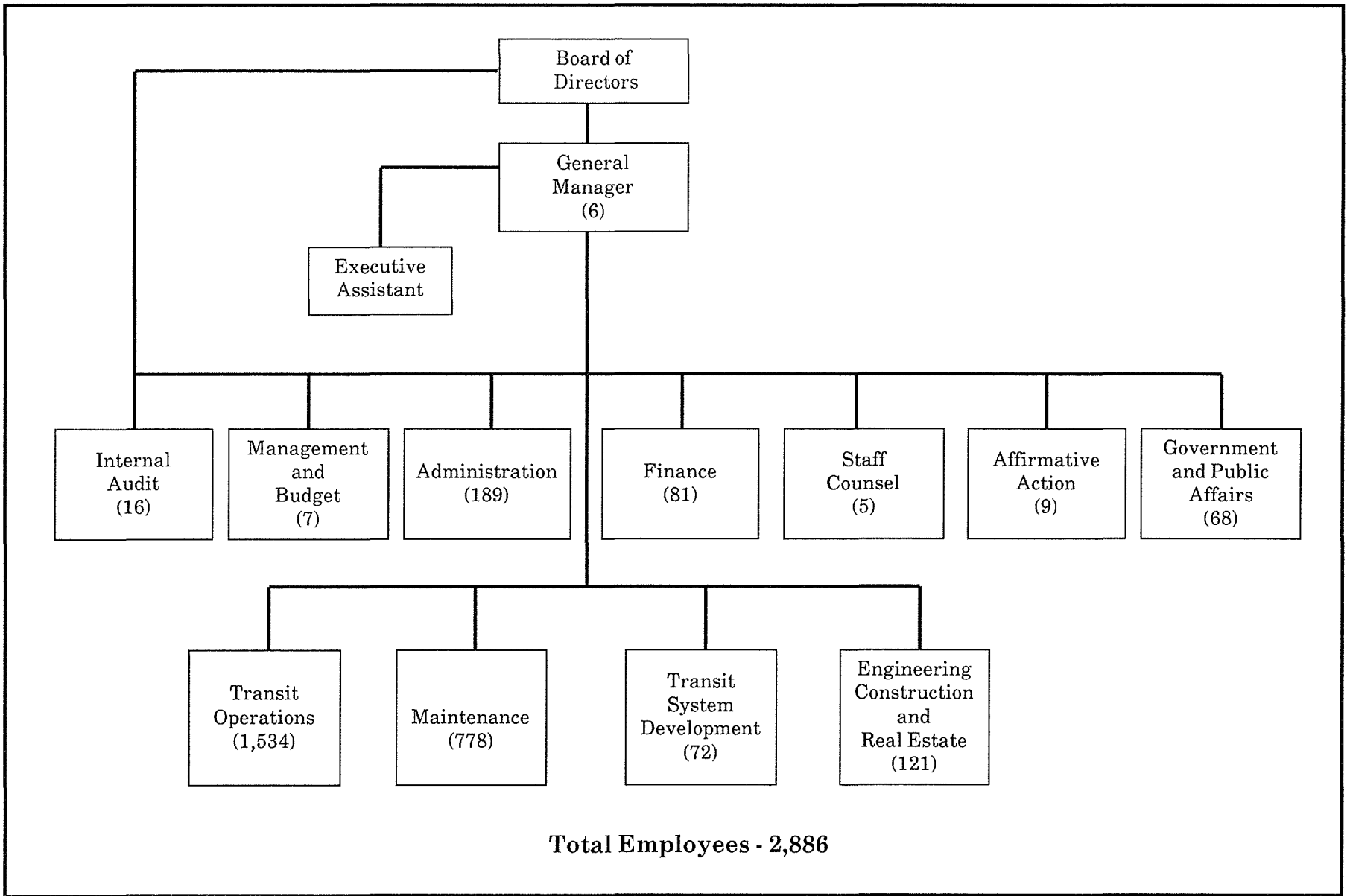
**Capital Reserve Contributions: Fiscal Year 1979 - 1987**

Fiscal Year	Amount
1979	\$29 million
1980	\$58 million
1981	\$54 million
1982	\$59 million
1983	\$12 million
1984	\$72 million
1985	\$52 million
1986	\$21 million
1987	\$28 million
<b>TOTAL</b>	<b>\$385 million</b>

Houston Metro employs a total of 2,886 employees (see exhibit 7). The majority of these employees are directly involved in operating or maintaining the buses and primarily work out of five bus operating facilities located throughout the Houston/Harris County area. Metro also leases administrative offices in downtown Houston which house 475 of its employees.

Exhibit 7

Houston Metro Organizational Chart as of October 1, 1987



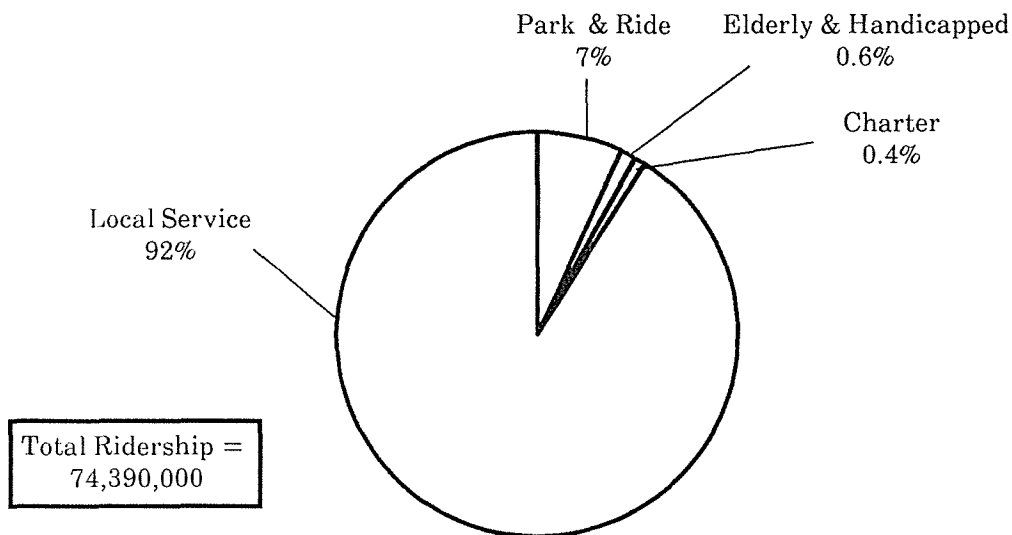
## Programs and Functions

Houston Metro provides a regional transit system through an operating and capital program. Metro also has a number of administrative functions that support the ongoing needs of these programs. The activities performed through these programs are described in the following material.

### Operating Program

The operating program provides public transportation and transportation support throughout Metro's service area. Metro uses a total of 1,079 buses to provide a variety of transportation services. The following is a description of the services provided through the operating program. Exhibit 8 shows the portion of ridership represented by each transportation service offered by Metro.

Exhibit 8  
Houston Metro Fiscal Year 1987 Ridership by Program



Local Service. Local service is scheduled fixed-route bus service that operates throughout the MTA region. Metro has 835 buses available to provide local services. In fiscal year 1987, these services accounted for 68,194,000 passenger trips on 82 routes or 92 percent of Metro's total ridership. Local services generally run from 5 a.m. to 11 p.m. for a fare of 60 cents per trip. Expenditures for local bus service in fiscal year 1987 were approximately \$107.2 million.

Park & Ride. Metro's Park & Ride service is the commuter service that carries people from Park & Ride lots to major employment centers in Metro's service area. Metro operates 23 routes from 19 Park & Ride lots, using 185 buses. This service accounted for 5,441,000 passenger trips in fiscal year 1987 or seven percent of Metro's ridership. Park and Ride services are run only on weekdays primarily during rush hour for a fare that ranges from \$1.15 to \$2.35 depending on the distance traveled. Expenditures for Park & Ride services in fiscal year 1987 were approximately \$20.8 million.

Elderly and Handicapped Programs. Metro's elderly and handicapped services, generally known as MetroLift, are specialized door-to-door transit services for people who are unable to use regular bus services. Eligibility for MetroLift services requires certification by a physician indicating that the individual is unable, due to age or disability, to use regular bus services. MetroLift services are provided through vans and a subsidized taxicab program. MetroLift services accounted for 483,000 passenger trips in fiscal year 1987 or 0.6 percent of Metro's ridership. Expenditures for these services in fiscal year 1987 were about \$6 million. The services provided by MetroLift meet current federal requirements for services to the handicapped.

MetroLift van services are provided by a private contractor, using 47 wheelchair lift-equipped vans and 12 modified 15-passenger vans. Services are offered within a 375 square mile area, seven days a week, on the average of 17 hours a day. Trips are pre-scheduled on a first-call, first-serve basis at a cost of \$1.00 to the passenger.

MetroLift's subsidized taxicab service, initiated in 1985, expanded the service area for handicapped patrons. The program provides taxicab services to eligible persons throughout Metro's entire 1,275 square mile service area. Services are generally available within 30 minutes and are utilized by people who are unable to make reservations on a MetroLift van, live outside the MetroLift service area, or who have emergency trip needs. The cost to the passenger is \$1.00 plus any fare in excess of \$9.00. Metro pays the other \$8.00.

Charter Services. Federal regulations to encourage "privatization" limit the use of buses purchased with federal funds for charter operation. The charter service program therefore only supplements private charter operators by providing additional buses when the private sector cannot meet the demand for major events in the Houston area. Charter services carried 264,000 passengers in fiscal year 1987 with expenditures for these services totaling just over half a million dollars. Metro

charges \$51 per hour for charter services. This rate is structured to cover the full cost of providing the services.

Rideshare Services. Rideshare is a computerized carpool/vanpool matching service. Individuals or companies that are interested in forming a carpool or vanpool for commuting purposes are matched according to similar home and work locations and work hours. Expenditures for rideshare services in fiscal year 1987 were \$179,594. There is no charge for these services.

Transitway Operations. Transitways are separate barrier-protected lanes in the middle of the freeway that lead into the downtown area, carrying traffic in-bound in the morning and outbound in the evening. At the end of fiscal year 1987, there were two transitways, the North and Katy transitways, open for use by buses and vanpools. The Katy transitway is also open to carpools of two or more persons. During rush hour traffic, the transitways can move as many people as all other peak direction freeway lanes combined. Transitways are often viewed as an alternative to building additional freeway lanes.

The transitway operations program employs 14 people to ensure that the transitways are open and fully operational. The primary activities include monitoring the lanes and removing disabled vehicles from the lanes. Expenditures in fiscal year 1987 for this program were \$459,029. There is no charge for using the transitways.

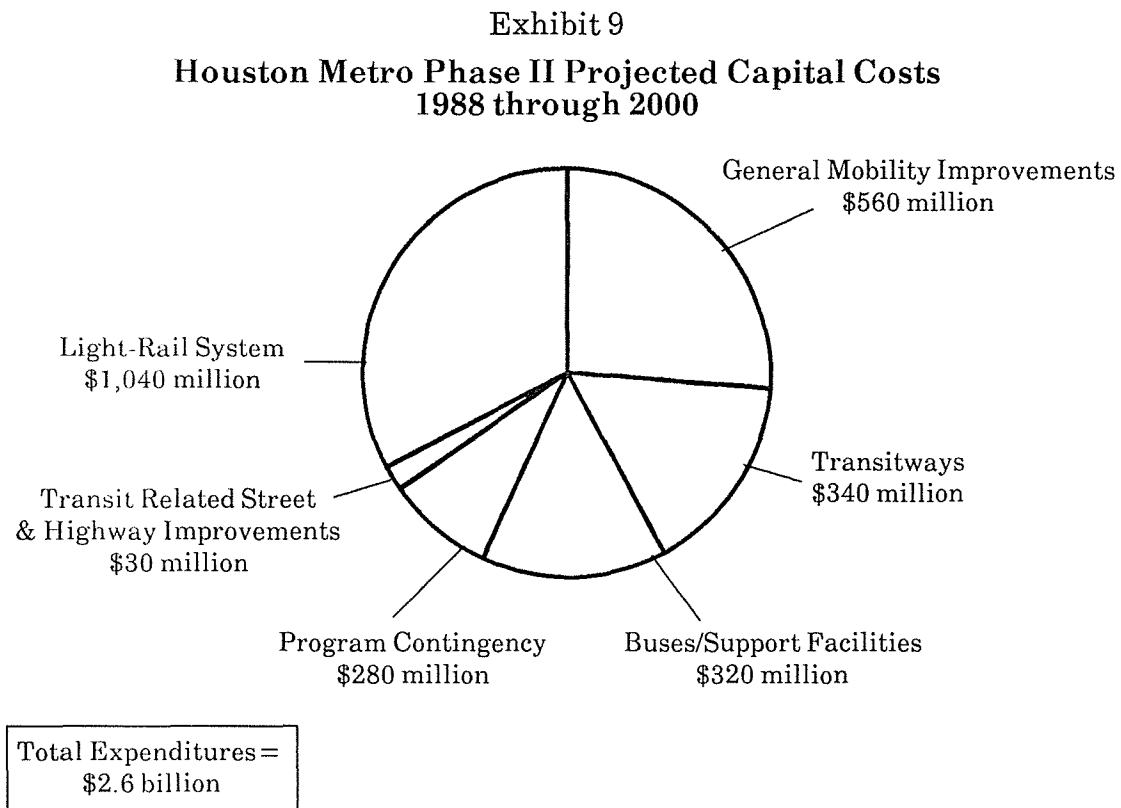
Transit Police. Metro's transit police provide security for Metro's passengers, employees and properties. The police are certified law enforcement officers and are authorized in statute to make arrests when necessary to prevent or hinder criminal activity on the authority's property. Their primary activities include ensuring the safety of passengers and drivers on Metro buses, patrolling Park and Ride lots, enforcing proper use of the transitways, investigating reported crimes and providing routine security services for other property belonging to the authority. This department has 85 employees and contracts for an additional 31 security officers to monitor the park and ride facilities. The fiscal year 1987 budget totaled \$2.7 million.

### Capital Program

Houston Metro's capital program provides the infrastructure for the regional transit system. Metro has had an active capital program since its inception in 1979 and in January 1988, the voters within the authority approved a second phase of capital improvements which extend Metro's capital plans through to the year 2000.



The plan, referred to as the Phase II Mobility Plan, includes five major elements. Exhibit 9 shows estimated costs for each element of the capital plan.



The first element of the plan involves “general mobility projects.” These projects involve major street system improvements and include projects aimed at connecting discontinuous streets, modernizing older streets and constructing grade separations to improve the overall flow of traffic. Most of these projects will be financed by Metro, with a small amount being financed in conjunction with various local governments. The plan, as approved by the voters, specifies that 25 percent of the sales tax revenues Metro receives be dedicated to this element of the plan. An estimated \$560 million is projected to be expended in this area. The objective of this element of the plan is to increase overall mobility for the whole region and to ensure that the entire region benefits from the long-range plan.

The second element of the plan involves the construction of transitways, transit centers, and park and ride lots. Transitways are special lanes reserved for high occupancy vehicles, as described earlier in the section on the operating program. The transitways are constructed in conjunction with the State Department of Highways and Public Transportation. Metro had 20.6 miles of transitways in

operation at the end of fiscal year 1987, 11.5 miles on the Katy Freeway and 9.1 miles on the North Freeway. The capital plan calls for constructing an additional 54.3 miles, resulting in 74.9 miles of transitways by the year 2000. Transit centers are facilities located outside of the downtown area which provide a point for bus routes to converge so that passengers can transfer to other routes. This allows passengers to transfer without having to go all the way into the downtown area. Metro currently has five transit centers in operation. The capital plan calls for constructing 12 additional centers, bringing the total to 17 by the year 2000. Metro's park and ride lots provide parking space for passengers commuting on the park and ride buses. Metro currently has 19 lots in operation. The capital plan calls for constructing 12 more lots bringing the total to 31 park and ride lots by the year 2000. An estimated \$340 million is projected to be expended in this area.

The third element of the plan calls for building a "system connector." Metro has proposed building a 20-mile rail system that will connect the transit centers and the four major employment centers in the area. Bus routes will converge at the transit centers, enabling riders to transfer to rail or other bus lines. The 20-mile rail system should be fully operational by the year 2000 at an estimated cost of approximately \$1 billion. The rail plan calls for approximately 52 percent federal funding, 36 percent local/Metro funding and 12 percent private sector funding.

The fourth element of the plan involves the continued replacement of old buses, the construction of one new support facility, and installation of additional bus stop shelters. The plan calls for an ongoing replacement and expansion of the bus fleet and the replacement of support vehicles and other miscellaneous equipment as necessary. The second item in this category is Metro's bus operating facilities, which provide bus storage, vehicle cleaning, fueling and all maintenance activities. Metro currently has five bus operating facilities in operation and the capital plan calls for constructing one new facility to replace an existing operating facility. The third item involves Metro's bus stop shelters, which provide passengers with a protected area in which to wait for a bus. Currently, Metro has 696 bus stop shelters and the capital plan calls for installing an additional 1,404, resulting in 2,100 bus stop shelters by the year 2000. The plan calls for an estimated \$320 million to be expended in this area.

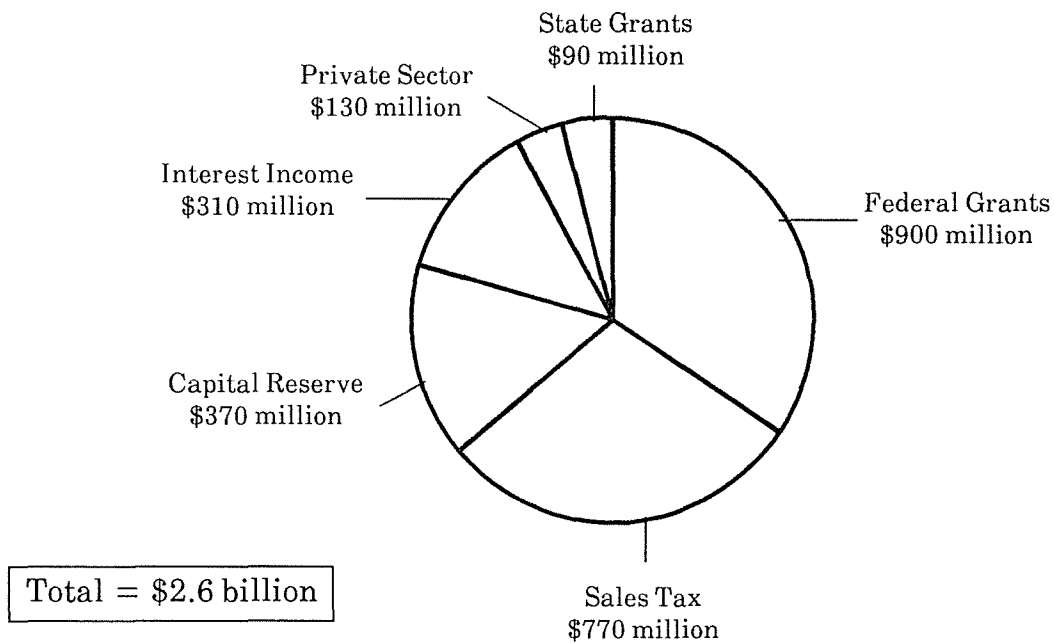
The final element of the plan involves transit related street and highway improvements. These projects include rebuilding, resurfacing, and widening central business district streets utilized by Metro buses. This element also includes the building of grade separations at major intersections and building additional freeway

exit ramps to improve the flow of traffic. An estimated \$30 million is projected to be spent in this area.

In addition to these five elements, Metro has also planned for a program contingency fund of approximately \$280 million as part of the Phase II Mobility Plan. The program contingency is a cash reserve set up to ensure that sufficient working capital is available through the end of the Phase II capital plan.

As was shown in Exhibit 9, the total cost of this capital program is estimated at approximately \$2.6 billion. Exhibit 10 shows the projected funding sources that will be used to finance the Phase II capital plan. The largest single source is the \$900 million from federal grants, which comprises over 35 percent of the total estimated funds. Sales tax revenues are estimated to provide approximately 30 percent of the funds. The capital reserve and interest income from the reserve together will comprise over 26 percent of the estimated funding. The remainder of the funding is anticipated to be provided through private sector funding and state capital grants. This description illustrates the importance of the capital reserve in funding Metro's Phase II capital plan.

Exhibit 10  
**Houston Metro Phase II Projected Capital Resources:  
1988 through 2000**



## Administration

Houston Metro has a number of administrative functions which support the operating and capital programs. Of the 2,886 employees at Metro, 381 or 13 percent of the positions are responsible for administrative support activities. Several of these functions are typical administrative support activities including budgeting, purchasing, contracting, computer support, personnel, legal services and finance activities. Other administrative activities designed to monitor and evaluate agency programs and effectiveness are conducted by the Office of Audit and the Office of Management and Budget. Finally, Metro also has several special functions including marketing, coordinating government and community relations, and promoting minority and disadvantaged business participation.

## **Corpus Christi Regional Transit Authority Creation and Powers**

The Corpus Christi Regional Transit Authority, the RTA, is responsible for providing mass transit services in the Corpus Christi and Coastal Bend area. The creation of the authority began in June 1984 when the Corpus Christi City Council appointed an interim board to work towards establishing a regional public transportation system. After considerable public input, the "Corpus Christi Regional Transit Authority Plan" was developed. The plan called for expanding regular bus service to include more bus routes, more service hours, and greater frequency of service. It also called for starting regional commuter services, expanding elderly and handicapped services, improving bus shelters and developing transit centers.

On August 10, 1985 a confirmation and tax election was held which confirmed the establishment of the Corpus Christi Regional Transit Authority, approved the transit plan and authorized collection of a one-half of one percent sales tax to support the authority's activities. The election established the RTA in the city of Corpus Christi, five suburban cities (Agua Dulce, Driscoll, Robstown, Gregory, and San Patricio) and the unincorporated areas of Nueces county (see exhibit 11). On January 1, 1986, the Corpus Christi Regional Transit Authority began officially operating the former city-run bus system. In an election held in April 1987, the voters of Port Aransas elected to join the authority as well.

The statute provides broad powers for the Corpus Christi RTA similar to those previously described for Houston Metro. These include authority to levy certain taxes, issue bonds with voter approval, make rules and regulations concerning operation of the system and the right of eminent domain. These powers have not changed since the RTA began operating in 1986.

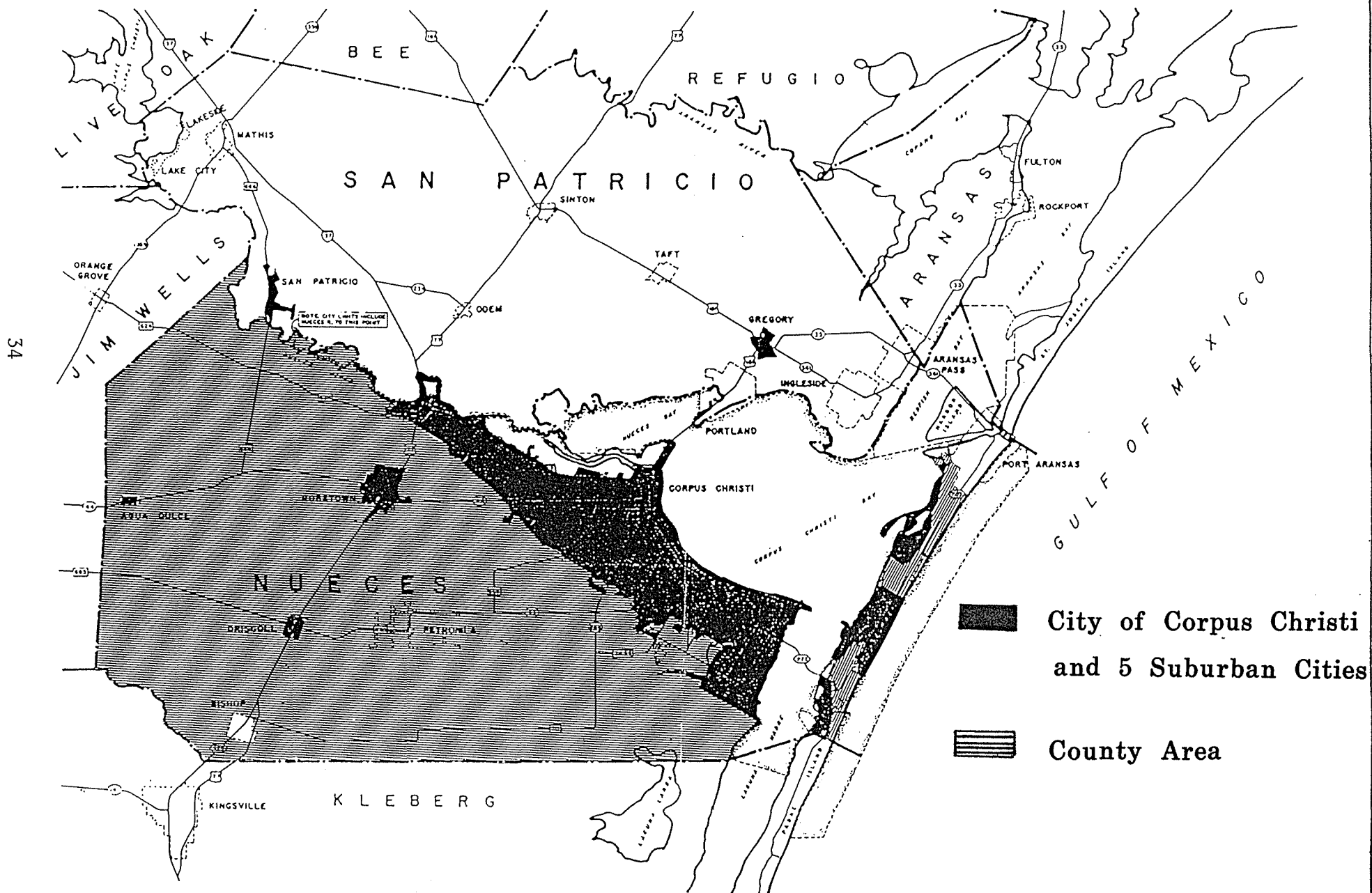
Since its inception, the RTA has focused on achieving the goals of the original transit plan. Currently, the RTA is developing a long-range transit plan for the area. Some of the elements that are being considered include expanding the commuter services, building more bus terminals, replacing large capacity buses with smaller ones and implementing a high-speed water transportation system in the Corpus Christi Bay area.

### **Policy-Making Structure**

Article 1118x provides three board sizes, including a 7, 9, or 11-member board. Board size is determined by the percentage of the county population outside the

# Exhibit 11

## Corpus Christi RTA Service Area

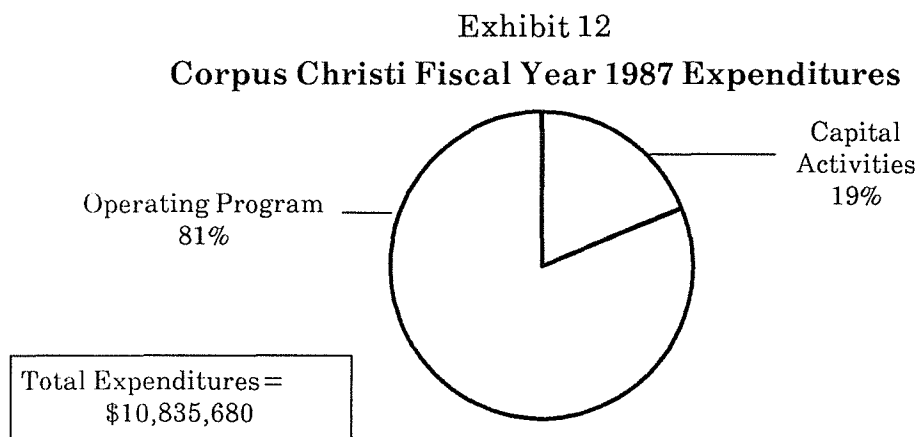


principal city that resides within the authority. Since almost 100 percent of the Nueces County population outside the Corpus Christi city limits resides within the authority, the Corpus Christi RTA has an 11-member board. Five board members are appointed by the Corpus Christi City Council, three members are appointed by the Commissioner's Court of Nueces County and two members are appointed jointly by the mayors of the suburban cities. The eleventh member is appointed by the majority of the other board members and serves as chairman. The members serve four-year staggered terms, are a part-time board and receive no compensation for their service other than expenses.

The board is responsible for the management, operation and control of the authority. The board is authorized to hire and fire all employees as well as prescribe their duties, tenure and compensation. However, the majority of the daily operations of the RTA are carried out by the general manager, who is hired by the board. The board meets twice a month and often works by dividing into four subcommittees; Legislative, Planning/Building, Finance, and Personnel/Compensation. The board also recently appointed a special services advisory committee to obtain input concerning eligibility, fares and services of the RTA's transit system for the elderly and handicapped.

### Funding and Organization

As shown in Exhibit 12, the Corpus Christi RTA expended approximately \$10.8 million in fiscal year 1987. These expenditures were divided between the agency's operating program and a small amount of capital activity.

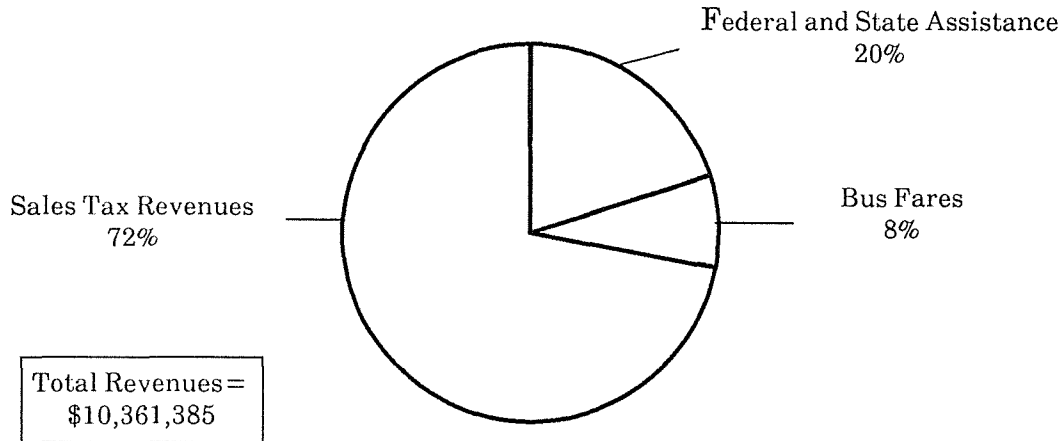


The RTA expended approximately \$8.8 million in the agency's operating program. These expenditures include the costs of providing the daily bus services and the administrative activities that support these services. Capital expenditures

accounted for approximately \$2 million in fiscal year 1987. These expenditures include the costs associated with capital projects, such as purchasing buses and constructing bus shelters.

The Corpus Christi RTA's funds are derived from a variety of sources as shown in Exhibit 13. These sources include sales tax revenues, bus fares, and federal and state assistance. The Corpus Christi RTA receives capital grants from the federal government through the Urban Mass Transportation Administration of the U.S. Department of Transportation. This money is distributed on a project-by-project basis to qualifying transit systems. These funds are allocated using an 80-20 match formula, 20 percent being the Corpus Christi match requirement. In fiscal year 1987, the RTA received a total of \$2 million in federal capital grants. The Corpus Christi RTA also received \$6,722 in state capital grants through the Public Transportation Fund. Federal and state capital grants are used to support the RTA's capital activities, which are described later in the Programs and Functions section.

Exhibit 13  
Corpus Christi Fiscal Year 1987 Revenues

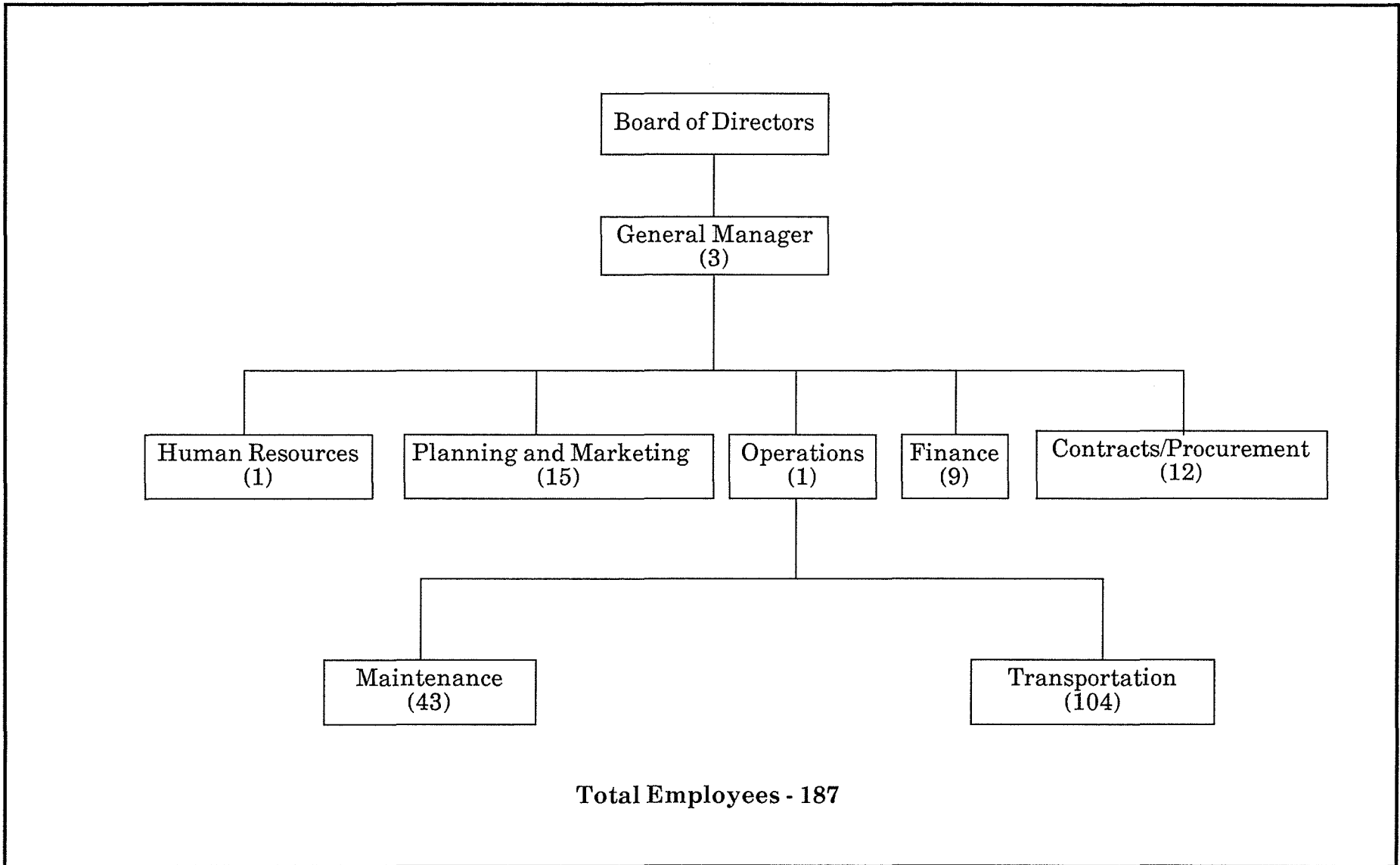


As shown in Exhibit 14, the Corpus Christi RTA employs 187 people to carry out the various activities of the authority. The RTA operates from two locations, an administrative office in downtown Corpus Christi and one bus operating facility. Almost 79 percent of the RTA's employees are responsible for daily bus operations and maintenance activities, while the remainder provide administrative and support activities.



Exhibit 14

Corpus Christi Regional Transit Authority  
Organizational Chart as of October 1, 1987



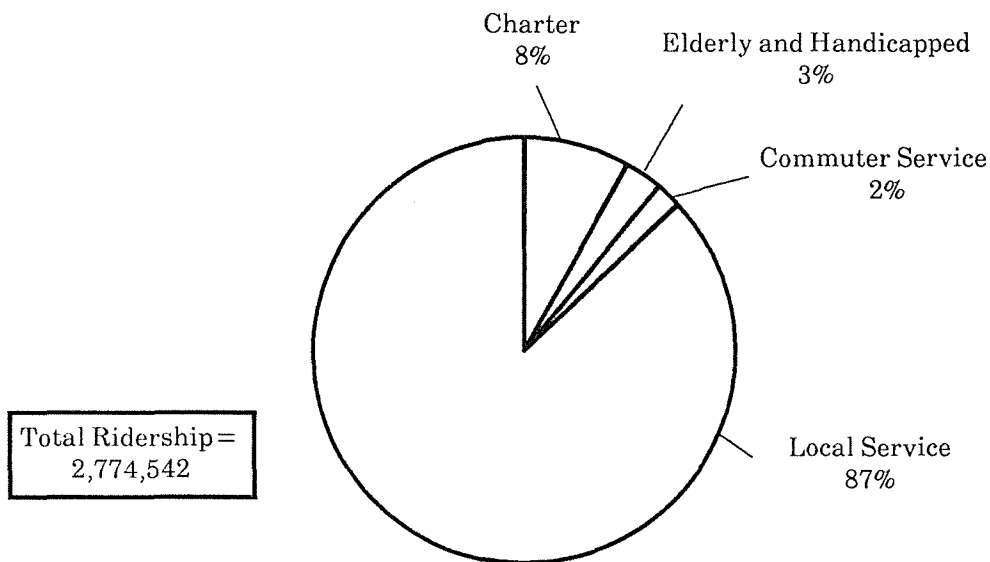
## Programs and Functions

The Corpus Christi RTA pursues its objectives primarily through an operating program and a small amount of capital activity. There are also administrative functions which support these activities.

### Operating Program

The Corpus Christi RTA's operating program provides public transportation throughout the service area. The RTA has a total of 85 buses available to provide the transportation services described in the following material. Exhibit 15 shows the portion of ridership represented by each service offered by the RTA.

Exhibit 15  
Corpus Christi Fiscal Year 1987 Ridership by Program



Local Service. This activity provides bus services that operate on fixed routes and fixed schedules throughout the Corpus Christi area. The authority operated 23 routes, which carried 2,427,041 passengers in fiscal year 1987. This was 87 percent of the RTA's total ridership. There were 68 vehicles available for local services. These services generally run six days a week from 5 a.m. to 10 p.m. at a cost of 50 cents to adults and 25 cents for students, elderly and handicapped passengers. Total expenditures in fiscal year 1987 for this service were \$4.6 million.

Commuter Service. The Corpus Christi RTA's commuter services provide transportation for suburban city and Corpus Christi residents working at the Naval

Air Station in Corpus Christi. Commuter services are provided from parking lots located in Robstown, Calallen, Gregory and the Mission Shopping Center in Corpus Christi. These services are provided through a contract with the ATE Management Company and cost the RTA \$454,180 in fiscal year 1987. Four commuter routes were provided which carried 45,025 passengers in fiscal year 1987 or two percent of the authority's total ridership. ATE maintained six buses to provide commuter services. Services run from 5:45-6:40 a.m. and from 3:30-4:30 p.m. at a cost of \$1.00 to the passenger.

Elderly and Handicapped. The Corpus Christi RTA's special transit program provides door-to-door transit services to elderly and handicapped persons. These services are also provided through a contract with the ATE Management Company. In fiscal year 1987 elderly and handicapped services accounted for 68,771 passenger trips, using 11 buses. Expenditures for this program were \$430,000 in fiscal year 1987. There are two types of elderly and handicapped services, including regular door-to-door and subscription services.

Regular door-to-door services are available to persons that are at least 65 years old or disabled. Prospective passengers must show proof of disability or age in order to be certified by the RTA's operations department. These services are available on weekdays from 6 a.m. to 6 p.m. The fare is 35 cents or less based on the passenger's ability to pay.

The second type of elderly and handicapped service is subscription service. Three human service agencies have contracted with the RTA to transport their clients to various activities related to the sponsoring agency's agenda. For example, under a contract with the Senior Community Services in Corpus Christi, the RTA picks up senior citizens and transports them to various community centers that have senior activities. The cost to the passengers and hours of operation vary under each agreement.

Charter Services. The Corpus Christi RTA provides charter services for conventions, community activities and recreation events. Charter activity is expected to decrease due to federal requirements limiting direct charter activity by federal grant recipients. During fiscal year 1987, the RTA provided transportation services for 44 events and carried 233,705 passengers. Total expenditures for this service were \$57,700 in fiscal year 1987. Expenditures are recovered through a \$40 per hour charge to the client.

### **Capital Activities**

The Corpus Christi RTA's capital activities are limited in nature and focus on facility and vehicle improvement. In fiscal year 1987, activities included improving the bus operating and maintenance facility, purchasing tools and equipment for the operating facility, and purchasing seven regular service buses and five elderly and handicapped service vehicles. The RTA also built several bus shelters for the local service routes and constructed one shelter for the commuter service routes.

In fiscal year 1988, the RTA's capital plans include installing more bus shelters, identifying potential demand for high speed water transportation in the Corpus Christi Bay and surrounding regions, developing a long-range commuter program and identifying long-range objectives for the RTA.

### **Administration**

The Corpus Christi RTA has 39 employees that perform administrative functions. These functions include typical administrative duties such as personnel management, contract management, budgeting, auditing, and pension, health care and investment management. The RTA also has a division that is responsible for short and long-range planning, evaluating service demands, and promoting system ridership.

**REVIEW OF HOUSTON AND  
CORPUS CHRISTI TRANSIT AUTHORITIES**



## Focus of Review

The Corpus Christi, Houston, and the Austin metropolitan transit authorities were placed under sunset review by the 70th Legislature. The Corpus Christi and Houston authorities were scheduled for review by the 71st Legislature in 1989. The Austin MTA is scheduled for sunset review by the 72nd Legislature in 1991. The San Antonio, Dallas and Fort Worth transit authorities were not placed under sunset review. This report deals with the Houston and Corpus Christi regional transit authorities.

In placing these transit agencies under review the legislature shaped the focus of these sunset reviews in two ways. First, the transit authorities are to be reviewed, but are not subject to being abolished under the Sunset Act. Consequently, emphasis was placed on recommendations to improve the structure and operations of the agencies, rather than on evaluating the overall need for continuing the two authorities.

Second, the concern of the legislature in placing these two transit authorities under sunset review appeared to center on the need for greater accountability. The language added to the MTA statute placing the transit agencies under sunset review specifically refers to the review as an "accountability review." To address the issue of accountability, the review was structured to assess the overall framework of the regional transit authority structure and current procedures for the oversight of MTA activities. The review also examined the overall efficiency and effectiveness of the two transit authorities under review. The aim of this part of the review was to determine generally whether the authorities' structure and operations are cost-effective.

In order to examine the accountability and cost-effectiveness of the Houston and Corpus Christi transit systems, a number of activities were undertaken by the staff to gain a better understanding of the transit authorities and the statutory provisions under which they operate. These activities included:

- A review of previous legislation on regional transit authorities and an evaluation of the current statutory provisions;
- A review of previous reports, studies and evaluations of the transit authorities;
- Visits to both the Houston and Corpus Christi transit authorities and discussions with key staff of each authority to overview their major programs and functions;

- Site visits to bus operating and maintenance facilities, park and ride lots, transit centers, and transitways;
- Discussions with several MTA board members and the locally elected officials who appoint the board;
- Discussions with persons knowledgeable about transit issues both nationally and in Texas, including federal and state officials, and representatives of the other four transit authorities in Texas; and
- Phone discussions with nineteen transit systems in 14 other states to gain an understanding of their approach to transit.

These activities resulted in an improved understanding of the operations of the Corpus Christi and Houston systems and of transit issues in general. The analysis yielded a number of recommendations to improve the overall accountability and cost-effectiveness of the operations of both the Corpus Christi and Houston transit authorities.

A major difficulty that developed during the review was the question of applying the statutory recommendations to only the Houston and Corpus Christi authorities. While the legislative intent of focusing the sunset review on only these two agencies was clear, two concerns were identified with limiting the recommendations to only these two authorities. First, many of the recommendations developed were based on an examination of the statutory provisions in Article 1118x. This general statute governs not only the Houston and Corpus Christi regional transit authorities, but also the Austin and San Antonio regional transit authorities. The Dallas and Fort Worth transit authorities are governed by a totally separate statute (Article 1118y). The changes recommended to improve the statutory provisions of Article 1118x were generally not based on particular problems in the Houston and Corpus Christi authorities, but on problems with the statutory structure itself. The statutory recommendations developed for the two transit authorities under review, if adopted, could be effective for all four of the authorities governed under Article 1118x.

Second, in order to apply these statutory changes only to two of the four transit authorities governed by Article 1118x, the provisions would have to be "bracketed" to apply to only the Houston and Corpus Christi systems. The process of bracketing involves applying statutory provisions to entities falling within certain parameters such as a population range or based on some other descriptive characteristic. However, problems with bracketing can arise if the provisions are inappropriately



constructed to apply to specific cities or localities, because they may be considered as local law.

The Texas Constitution prohibits making any local law in state statute (see Article III, Section 56). The prohibition was designed to ensure that state statutes involve general provisions that apply statewide, and not a series of local laws that apply only in certain areas or cities. Provisions can be bracketed to apply to a special class or group if there is a logical and reasonable problem that necessitates the separate classification. For example, the state may decide to enact a general law limiting cities to one dogcatcher per 50,000 people. However, one city differs from all other cities because it is bordered by an area with packs of wild dogs that raid the city periodically. It is reasonable to make an exception for this city, so that it can have more than one dogcatcher per 50,000 people but the constitution prohibits this from being done specifically for one city. The law would, therefore, have to be structured to exempt "cities bordered by uninhabited areas conducive to packs of wild dogs." The exception is not for a specific city, but is open to other cities that may meet the same conditions.

Bracketing many of the recommendations in the report to apply only to the Houston and Corpus Christi transit systems could be questionable under the constitutional prohibition against making local law in state statute. Singling out these two authorities is difficult to justify based on any standard type of bracketing when the recommendations could be applied to all four transit authorities. For example, if population brackets were used, there would have to be a logical reason that the provisions were being applied to authorities whose principal city has a population below 250,000 (Corpus Christi) or above 1.2 million (Houston), but not to authorities whose principal cities have populations in between (Austin and San Antonio).

In addition, Article 1118x currently contains a number of provisions that could be applicable to all four authorities, but were bracketed to only apply to an individual city's transit system. Many of these existing provisions could be questioned due to bracketing problems. Therefore, the legislature may wish to consider examining the MTA statute to ensure that changes adopted from this report, as well as many of the existing bracketed provisions in Article 1118x are properly applied to all four authorities when they are general in nature, and bracketed only when a reasonable need exists.

The following recommendations address changes to improve the accountability and operations of the regional transit authorities. The recommendations are limited

to the Houston and Corpus Christi transit authorities, as these were the two authorities under sunset review. The report is divided into two major sections. The first section involves issues related to the overall accountability of the regional transit authorities and includes statutory recommendations aimed at increasing accountability and oversight of the authorities. The second section examines the actual operations of the Houston and Corpus Christi authorities, and includes management recommendations intended to improve the operating efficiency of these two authorities.

## **Review of Accountability**

As noted in the prior section, one of the primary concerns of the legislature in placing the Houston and Corpus Christi transit systems under sunset review was to ensure greater accountability. To address this concern the review examined the overall structure of the authorities to determine if appropriate mechanisms are in place to ensure basic accountability. Overall, the structure should ensure that the authorities are closely linked to the public they serve and to locally elected officials who represent the public interest.

The structure of the transit authorities is set out in state statute. The statute authorizes their creation, defines their structure and powers, and gives them taxing authority. The framework set up by the legislature creates a unique regional public agency. The authorities coordinate transit services among a number of local entities, including a major city and generally the surrounding county and suburban cities. However, the regional transit authorities are established in statute in such a way that they are not under the direct control of any one of the local governments involved in the authority, nor are they directly answerable to the state. Instead, the statutory responsibility for these regional transit authorities is vested totally in an appointed board that is given broad and extensive powers to establish a regional transit system.

The funding of the regional transit authorities is significantly different from most other public agencies. The regional transit authorities are funded primarily through a regional sales tax that is dedicated to transit services. The transit authorities are not subject to review either by the state or by any local government for an annual appropriation of funds on which to operate. Rather, the state comptroller collects the sales tax for the region and forwards these funds to the MTA for use in the operation of the transit system. The MTA board is then totally responsible for allocating these funds in an appropriate manner, with only informal input from either the state or local governments.

This structure, as currently established in statute, results in the regional transit authorities having a considerable amount of independence. The board of the transit authority is the key entity entrusted with responsibility for overseeing the operation of the MTA, with limited oversight from outside the agency. The board is the link between the agency and the public it serves and is therefore the primary entity responsible for ensuring the authorities' accountability.

The review examined this structure, particularly focusing on the board and its responsibilities to determine if there were areas in which accountability could be

appropriately increased. The review also looked at the methods in place to provide independent oversight of the authorities' operations. These methods, such as independent financial audits, are a traditional means of ensuring agency accountability to the public and other interested entities, such as locally elected officials.

The review found that the accountability of the regional transit authorities could be enhanced through certain statutory changes. These findings are set out in two sections in the material that follows. The first section deals with changes to the regional structure to increase the accountability of the transit authority board. The second section covers provisions for additional independent oversight of the finances and performance of the transit authorities.

### **MTA Regional Structure**

The statute creating the Houston and Corpus Christi transit authorities was examined to determine whether the regional MTA structure included appropriate mechanisms to ensure accountability. The transit authorities are primarily held accountable for the services they provide and the money they expend through the board that is appointed to oversee and manage the authority. The review analyzed whether the statutory framework and structure of the policy-making body of the authorities provides accountability to each of the following entities with an interest in their operations: the general public and taxpayers, users of the transit system, and locally elected officials who appoint the board.

The review found that the regional structure set up in statute generally appears to be functioning well as a means for coordinating the transit needs of the various local entities participating in the MTA. The size and appointment of the MTA boards by locally elected officials ensures that each of local entities is appropriately represented on the board. The review also found that the current boards have acted appropriately in their efforts to be accountable for the services provided by the authorities. However, it was determined that a number of changes could be made to increase the overall accountability of the transit authorities. The recommendations that follow address increasing accountability by strengthening the links between the board and the people who regularly ride the transit system, the locally elected officials who appoint the board members, and to the public in general. The last recommendation in this section is of particular importance in that it addresses the issue of allowing the voters who originally authorize the creation of the MTA and who fund its operation through their local sales tax dollars to petition

for an election on withdrawal from the system if they determine it to be in their best interest.

### **The Composition of the Boards Should Include a Public Transportation Rider**

The statute currently provides for board members of the transit authorities to be appointed by the city, county and suburban cities. This structure appropriately ensures the representation of the general public and taxpayers in each of the geographical areas participating in the authority, but not the people most directly impacted by the actions of the board - the regular riders of the transit system. The board structure could be improved by requiring the unique perspective and understanding of a user of the system on the board.

**Statutory provisions regarding the composition of the Houston and Corpus Christi transit boards should be modified to require one of the five city appointments to be a regular rider of the transit system.**

In general, the composition of a board should include a combination of elements. It should provide representation to the people who are significantly affected by the actions and decisions of the board. A board should also, to the extent practical, include those with the qualifications that will bring to the board the experience and knowledge of particular types of subject matters that the agency deals with on a regular basis.

The overall purpose of regional transit authorities is two-fold. First, they provide a system of transportation for people who have no other ready means of transportation, and are therefore transit dependent. Second, they are responsible for increasing the overall mobility of a region by providing an attractive alternative to the use of individual cars. Therefore, the transit authorities serve the interests of people who actually use the system, as well as taxpayers in general who benefit from the increased mobility and reductions in traffic. It is these interests that should be represented within the structure of the transit authority boards.

Currently, the composition of the MTA boards ensures representation of the taxpayers in each of the three geographical areas participating in the authority. However, the statute provides no direct representation for the people primarily impacted by the actions of the board - the regular riders of the transit system.

Current representation on both the Houston and Corpus Christi boards includes no one who regularly rides the bus or is dependent on transit as a means of transportation. Although both boards are open to input from riders through regular public hearings, this is very different than having direct representation on the board where the experience and perspective of a rider can have a direct impact on decisions. Adding this representation to the board will provide a more balanced representation of the interests affected by the boards' decisions, give the boards a unique perspective that is currently missing, and increase the overall accountability of the board to the people who use the system.

The review examined methods of giving users of the system representation on the board. Both the nine-member Houston Metro board and the eleven-member Corpus Christi RTA board have five city appointments. Requiring one of the five city appointments to be a rider adds this representation, without having to enlarge the board or disturb the balance of geographical representation on the board. This approach gives the people who use the system a representative on the board that has a hands on understanding of what it is like to regularly ride the bus. As the city has the greatest number of appointments on the board, it appeared to be most appropriate for the appointment to be made by the city. Having one rider representative on a nine or eleven member board gives riders a voice, but appropriately maintains the current majority representation of the general public and taxpayers. Finally, studies conducted by the transit authorities show that almost 70 percent of the riders in both Houston and Corpus Christi are identified as transit dependent. Including a rider on the board provides the board with a member who has the unique understanding and experience of a significant number of people who rely on transit as a means of transportation.

### **Board Member Terms Should be Changed to Conform with Constitutional Restrictions**

The statute governing the Houston and Corpus Christi transit authorities currently provides for four-year terms of office for board members. During the review it was determined that the four-year terms of office are in conflict with constitutional restrictions on the length of terms for public offices. In order to bring the statutory provisions into compliance with the Texas Constitution, the following recommendation is made.

**Statutory provisions regarding the terms of office of the Houston and Corpus Christi transit authority board members should be modified to provide for two-year terms.**

The statutory provisions governing the Houston and Corpus Christi transit authorities currently provide for four-year staggered terms for board members, with a limitation that no person serve more than two consecutive four-year terms. During the review it was found that Corpus Christi RTA board members are being appointed for four-year staggered terms, in compliance with the provisions of Article 1118x. However, Houston Metro board members are being appointed for two-year terms. Houston Metro indicated that two-year terms are being used due to concerns regarding the constitutionality of the four-year terms. To resolve this issue, an attorney general opinion was requested regarding whether four-year terms for MTA board members are constitutional.

The opinion of the attorney general's office (see Letter Opinion #LO-88-66, dated June 3, 1988) is that the four-year terms are in conflict with the Texas Constitution, Article XVI, Section 30, which limits the duration of offices not fixed by the Constitution to two years. In order to ensure that the statutory provisions regarding the length of board terms are in compliance with the Constitution, these provisions should be modified from four-year terms to two-year terms for members of the Houston and Corpus Christi transit authority boards.

In addition, two other changes are needed when board member terms are reduced to two years. First, the provisions requiring the staggering of terms would no longer be necessary and should be removed. Second, the current limitation of two consecutive four-year terms should be changed to a limit of four terms of two years to maintain the existing eight year limit on board service.

#### **Provisions for the Removal of Board Members Should be Changed**

The statute currently provides that any member of the board may be removed from office by a majority vote of the remaining members of the board for inefficiency, neglect of duty or malfeasance. This places the responsibility with the board itself for determining if and when grounds for removal exist and for taking action against one of its own members. This procedure differs from the standard approach in most enabling statutes in which the responsibility for removing a board member rests

with the governing body that appointed that member. Secondly, the statutory provisions dealing with grounds for removal are very broad and do not provide clear direction for removal if a member violates the conflict of interest provisions in statute. Finally, there are no procedures in place to ensure that the appropriate parties are made aware that potential grounds for removal of a member exist. In order to ensure that appropriate procedures are in place for the removal of board members when necessary, the following changes are recommended.

**Statutory provisions regarding the removal of board members from the Houston and Corpus Christi transit authority boards should be modified to:**

- **Authorize removal of board members by majority vote of the governing body that appointed and/or confirmed that member, rather than by the board itself; and**
- **Provide more specific grounds and procedures for the removal of board members.**

As a part of the review a variety of statutory provisions governing the removal of appointed officials at the state, regional, county and city level were examined. While these provisions varied in the procedures and grounds for removal, they consistently provided for removal by the same body that originally appointed the official to the position. This procedure ensures ongoing accountability of board members to the elected officials who appointed them. There appeared to be no reason that the regional transit authority boards should differ from this standard approach.

The removal of Houston and Corpus Christi transit authorities board members should be the responsibility of the governing body that appoints the member and should require a majority vote of that body. In general, this would involve either the city council of the principal city, the county commissioners court, or the mayors of the suburban cities in the authority. In Houston, the appointment of city representatives on the board differs in that the mayor, not the city council, is authorized to appoint the members. Appointments are, however, subject to confirmation by the city council. Therefore, the removal of these members should be the responsibility of the mayor, with the consent of the city council. In Corpus Christi, the city council, county commissioners court and suburban mayors appoint 10 of the 11 members on the board, but the eleventh member is appointed by a majority of the board to serve as the chairman. Therefore, in this instance, the board



would be responsible for the removal of that member since they are responsible for the original appointment.

The statute also provides certain general protections for any MTA board member being considered for removal. The board must furnish to such member a statement in writing of the charges that are the grounds for consideration of their removal. The member may request a hearing before the board and be given the opportunity to be heard in person or through counsel. These protections should be maintained but would become the responsibility of the appointing bodies.

The provisions for grounds for removal of a board member were also examined. The current grounds in the statute include "inefficiency, neglect of duty and malfeasance." While these grounds are fairly standard, they are unclear regarding certain specific grounds for which a member might need to be removed. For example, the grounds for removal include neglect of duty, but do not address what constitutes neglect of duty. A standard approach taken with agencies under sunset review has been to clarify grounds for removal by providing that grounds exist if a board member:

- does not have, or does not maintain, the qualifications required for appointment;
- is unable to discharge his or her duties for a substantial part of his or her term due to illness or disability; or
- is absent from more than one-half of regularly scheduled meetings, unless excused by a majority vote of the board.

These specific provisions should be included as part of the statutory grounds for removal of the Houston and Corpus Christi board members.

Another area where the statutory provisions for grounds for removal could be improved relates to conflict of interest provisions for board members. The transit authority board members are governed by a conflict-of-interest provision in their enabling statute which provides that no member shall be pecuniarily interested or benefited, directly or indirectly, in any contract or agreement to which the authority is a party. The board members are also governed by conflict of interest provisions for local public officials in Chapter 171 of the Local Government Code. These provisions prohibit members from participating in any approval process involving a business entity in which the member has a substantial interest, if it is reasonable to foresee that the action would economically benefit that business.

While violation of these provisions can result in legal action, the statute does not specify that a violation of these provisions is a grounds for removal. A violation

of these provisions could be considered to be "malfeasance" in office; however, specifically listing such a violation as a grounds for removal ensures that consideration is given to whether that member should be allowed to continue to serve on the board. This gives an additional protection to the public from members continuing to serve if they have clear conflicts of interest that make serving on the board inappropriate.

Finally, the statute should specify that actions taken by the board are valid even though the action is taken when a grounds for removal of one of the members exists. The one exception to this is in the case where the measure would have failed without the vote of the person who violated the provision. Further, to ensure that appointing bodies are made aware of any problems that may exist, the general manager should be required to notify the chairman of the board of any potential grounds for removal that the general manager is aware of. The chairman should then be required to notify the appropriate appointing body that a potential ground for removal exists.

These changes will ensure that proper procedures are in place in the event that a problem arises that requires the removal of a board member. They also increase the accountability of the board members to the elected officials that appointed them, thereby increasing their accountability to the public in general.

### **Clear Separation of Board and General Manager Duties is Needed**

Enabling laws distinguish between the functions of an agency's executive head and the board by making the executive head responsible for the day-to-day administration of the agency and by placing responsibility on the board for major policy decisions. This separation of responsibilities provides general ground rules for the operation of the agency. The statute for the Houston and Corpus Christi transit authorities does not make this typical distinction. The following recommendations bring the statute in line with the approach used in most agencies.

**The statutory provisions governing the management of the Houston and Corpus Christi transit authorities should be amended to:**

- **specify that it is the duty and responsibility of the general manager to administer the operations of the authority on a day-to-day basis, including the hiring and firing of all employees; and**
- **require the board to develop and implement a policy which clearly separates board and staff functions.**

Article 1118x currently gives the MTA board the responsibility for management of the authority. The statute also authorizes the board to hire and fire all employees, as well as prescribe employees' duties, tenure and compensation. These provisions differ from most enabling laws that stipulate that a board appoint an executive director or general manager to administer an agency's programs, including the hiring and firing of all staff. The appointment of an administrative head with responsibilities for managing the agency clearly separates the role of the board from the day-to-day operations of the agency. This structure provides clear lines of authority, with the board setting policy and the executive director responsible for implementing the policies through staff that answer to the executive director.

The actual practice of the Houston and Corpus Christi boards has been to hire a general manager to manage the agency and the staff. However, because there are no statutory provisions which require the board to operate in this manner, the potential exists for confusion as to the appropriate role of the board in managing the authority. To help ensure the appropriate division of responsibilities between the MTA boards and their general managers, two changes should be made.

First, the statute should clearly specify the general manager's powers and duties regarding the management of the authority. The most important of these powers and duties is that the general manager be responsible for the hiring and firing of all staff to ensure a clear line of authority. If the board has problems with individual staff members, it would be the responsibility of the general manager to correct the situation. These changes will clarify the role of the general manager in statute and will help resolve any potential problems that could result from the board becoming directly involved in the operations of the authority.

Second, as an additional safeguard, the board should be required to adopt a policy which clearly separates the functions of the board from the functions of the staff. This is a standard approach that is regularly applied to agencies under sunset review. This approach provides a mechanism to ensure that the board consider its role in relationship to the general manager and the staff. It also results in a policy that provides necessary guidelines for the board and staff to utilize to ensure a good working relationship. The existence of such a policy would be especially helpful to newly appointed board members and should be a regular part of the authorities' orientation of new members.

**An Effective Structure for MTA Advisory Committees should be Established in Statute**

The Houston and Corpus Christi transit authorities both use advisory committees to obtain public input. The structure and use of these MTA advisory groups were examined in the course of the review and compared to the structure generally used in other governmental bodies. While MTA advisory committees can serve a useful function, their structure has not always been effective for giving constructive advice. The following recommendation is intended to provide an improved structure for these committees.

**The statute should authorize, but not require, the Houston and Corpus Christi transit authorities to establish advisory bodies that:**

- are appointed and serve at the pleasure of the MTA board;**
- have a balanced composition that represents the viewpoints of persons or groups with knowledge and interest in the committee's work; and**
- have specific powers and duties.**

Many state agencies as well as local governments use advisory committees for public input on services or development of regulations. In almost all cases these advisory groups are appointed by a governmental board and report back to that board. The authorizing statute for the metropolitan transit authorities does not specifically provide authority for the appointment of advisory committees and therefore does not address their method of appointment. The authorities, however, have determined that there is a need for the type of input provided by the advisory

committees and have appointed, and used them in a variety of ways. One of the advisory boards set up by Houston Metro as part of the process of creating the transit authority was the Citizens Advisory Board (CAB). The CAB was set up to be an elected body representing districts or neighborhoods throughout the Metro region. The stated purpose of the CAB was to help guide the Houston Metro board in the development and implementation of services. Over time, however, the CAB ceased to serve in an advisory role on services. This can be attributed to, in part, the fact that the board does not appoint the CAB members and does not direct the group as to their purpose and duties.

The review found that the lack of statutory authority and direction for the appointment and use of advisory committees can result in problems as shown above. However, the use of advisory committees is an effective means of obtaining input from those affected by the decisions of the MTA boards. If the Houston and Corpus Christi MTA boards choose to utilize advisory committees as a way to receive public input, the statute should provide a clear structure for their appointment and use. This structure should include:

- the authority, but not a requirement, to appoint advisory committees;
- clarification that the board appoints the membership upon recommendation of the general manager;
- the requirement that a committee have a balanced composition that represents the viewpoints of persons or groups with knowledge and interest in the committee's field of work; and
- the requirement that the board specify a committee's purpose, powers, duties and methods for reporting the results of the committee's work back to the board.

This approach requires that all existing and future MTA advisory committees must either be restructured or appointed to meet the requirements of the statute. These changes, which reflect a structure that has worked well for state boards and commissions, will ensure that advisory committees are of maximum utility to the board and the staff of the MTA.

### **Accountability to the Voters Should be Increased Through Mechanisms That Allow Withdrawal from an MTA**

The legislature authorized the formation of metropolitan transit authorities contingent upon voter approval within each political subdivision in an authorities'

region. The legislature also provided four of the six transit authorities in Texas with varying statutory provisions that allow the governing body of the different political subdivisions to call an election on withdrawal from the MTA. The governing bodies of all the political subdivisions that belong to the Austin, Dallas and Ft. Worth transit authorities are authorized to call an election to determine if the voters in that area want to continue their participation in the MTA. In San Antonio, the governing bodies of the suburban cities and the unincorporated county areas, but not the principal city are authorized to call an election on withdrawal. The Houston and Corpus Christi transit authorities do not have any statutory provisions providing for withdrawal by a political subdivision. In reviewing the basis for withdrawal provisions it was determined that they are an appropriate mechanism for providing increased accountability to local voters. Further, no local differences were identified for the Houston and Corpus Christi transit authorities to indicate that the voters in these regions should not have this mechanism of accountability in place.

**The statute should authorize an election once every five years allowing the principal city, suburban cities, and/or the unincorporated county area to withdraw from the Houston and Corpus Christi transit authorities. Such an election should only be called upon receipt of a petition signed by 20 percent of the registered voters of the political subdivision desiring to withdraw.**

The metropolitan transit authorities in Texas are unusual in that they were created jointly by the legislature and the voters of a particular geographical area. The legislature authorized the formation of the authorities and a sales tax to support their operations, while the voters in each political subdivision voted on whether or not to participate in an MTA. However, for the Houston and Corpus Christi transit authorities, there is no mechanism in place for a political subdivision to end its' participation in the authority, even if the voters of that subdivision feel it is in their best interest to withdraw.

Prior to the creation of transit authorities, transportation services in Houston and Corpus Christi were provided through city operated departments. As is the case with most city services, the continued existence of transit services was contingent upon a city council's authorization of funds for such services. This is similar for most public services where the continued existence of a service is tied to a periodic renewal of funds by elected officials. The Houston and Corpus Christi transit

authorities, however, receive funding on a continuing basis and are not subject to discontinuance through funding mechanisms. Consequently, the citizens of political subdivisions who authorized the funding through a sales tax are not able to withdraw this taxing authority and their participation in the provision of transit services.

The review identified several instances when the lack of withdrawal provisions are problematic. Prior to the creation of the metropolitan transit authorities, an interim board was appointed to develop and present a long-range plan to the area voters. When the voters confirmed their participation in an MTA, they also confirmed spending their tax dollars to support the proposed transit plans. However, as transit systems evolve, so do their transit plans. The voters may determine that the evolving future transit plans are not worth their tax dollars. For example, Houston Metro recently, completed a new long-range plan. If voters in any given political subdivision determine that their community will not benefit sufficiently from their continued participation and financial support of the MTA, there is no mechanism for these voters to withdraw their participation or their tax dollars.

The voters may also conclude that current services are inadequate. As a transit system matures and their service levels become established, the area voters may determine that the services they are receiving are not adequate. Service levels may not be meeting the level anticipated in the original plan or the voters may decide that service levels are not justified by the taxes they are paying. The voters of the areas belonging to the Houston and Corpus Christi transit authorities have no direct leverage to hold the transit authority accountable for providing effective and adequate levels of service.

Finally, the review found that voters may conclude that the tax dollars being spent on transit could be spent more effectively otherwise. For example, the legislature authorized a new local option sales tax to reduce property taxes. However, if more than 30 percent of the political subdivision wishing to vote on the local sales tax belongs to an MTA, the entire area is automatically ineligible. This situation has occurred in the Corpus Christi regional area. The voters of San Patricio county were ineligible to vote on the local sales tax because the suburban city of Gregory within San Patricio county belongs to the Corpus Christi RTA. If the voters in Gregory had the option of withdrawing from the RTA, they could also determine the most effective way to spend their tax dollars, to support transit or to reduce property taxes. A vote for withdrawal would also allow the balance of San

Patricio county to hold an election on the local option sales tax to reduce property taxes.

To provide mechanisms of direct accountability to the voters and to provide a mechanism that confirms the continued existence of the MTA, withdrawal provisions should be applied to the Houston and Corpus Christi transit authorities. The statute should authorize an election allowing the principal city, the suburban cities and/or the unincorporated county areas to withdraw from the Houston and Corpus Christi transit authorities. The review examined existing statutory provisions for withdrawal that are in place for the other Texas transit authorities. Several inconsistencies were found, and the review therefore identified those provisions that would be the most appropriate for the Houston and Corpus Christi transit authorities. These specific provisions, which should be incorporated in the statute, are presented in the following material.

**An election may be called once every five years.**

Most transit authorities plan in five year intervals. Limiting the possibility of an election to once every five years will allow authorities to continue their planning cycles without constant threat of interruption. The first opportunity for an election would occur five years after the effective date of this provision.

**The election may be called by the governing body upon receipt of a petition signed by 20 percent of the registered voters in that area.**

The original election that created the regional transit authorities was called by the governing body in each political subdivision with the creation contingent upon voter approval. Therefore, the voters should be authorized to instigate an election on withdrawal. Elections are costly to conduct, and can be disruptive to the transit authorities planning processes. There should therefore be a considerable showing of public sentiment for a withdrawal election in order for one to be called. Three of the four Texas transit authorities that have withdrawal provisions use the 20 percent level. The 20 percent level will ensure that there is strong public support for calling an election to decide on the continued participation or existence of the MTA.



**Taxes will continue to be collected in the withdrawing area until all financial obligations to the authority have been met.**

The specific provisions regarding financial obligations that currently exist for the Austin MTA should be applied to the Houston and Corpus Christi transit authorities. Financial obligations should also include the depreciated value of any capital assets located solely in the boundaries of the withdrawing political subdivision. The depreciated value of assets will be determined by the board unless federal funding is involved in financing the project. In this case, the depreciated value will be based on federal determinations. For example, a suburban city withdrew from the Austin MTA and the authority determined that the suburban city's portion of outstanding debts and obligations came to almost \$133,000. Taxes will continue to be collected in the suburban city until that sum is repaid to the transit authority.

**If the voters in the principal city elect to withdraw from the authority, the MTA appointing bodies should appoint a transition board.**

The composition and appointment of the transition board should be consistent with the existing board. The transition board will replace the current board and will be responsible for handling the termination of transit services and will administer the business of the MTA until all assets and debts have been absolved. Transit services should continue for a six-month period after the election confirming the withdrawal of a principal city, and taxes will continue to be collected to support services for this six-month period. This time frame should be sufficient to make any alternative arrangements for provision of services. Taxes would also continue being collected beyond the six-month period if there are other financial obligations which must be met.

The review examined the impacts of withdrawal provisions on the public and the transit authorities. Withdrawal provisions will ensure the board's responsiveness to the needs of the voters and the political subdivisions they serve, increasing their direct accountability. These provisions could also encourage other

areas to join if the decision could be rescinded in the event expected services are not received.

The financial impact of these provisions was also examined. If a political subdivision calls an election on withdrawal, the cost of the election is borne by that area, at no cost to the transit authority. The other area of financial concern is the loss of sales tax revenues and the effect this would have on transit services. If a suburban city or county area withdraws from the Houston or Corpus Christi transit authority, the loss in sales tax revenues would be minimal. The following table shows the percentage of sales tax that the principal city, suburban cities and county areas contribute to both authorities.

	<u>Percent of Sales Tax Collected</u>	
	<u>Houston</u>	<u>Corpus Christi</u>
Principal city	85%	97%
Suburban cities	4	3
County areas	11	0

This table demonstrates that the major portion of the sales tax is collected in the principal city for both transit authorities. Therefore, withdrawal of a surrounding area would not cause serious disruption of funding for transit services in the Houston and Corpus Christi transit authorities.

Another area of financial concern relates to the costs of capital assets. When a capital asset is funded with federal dollars, the transit system is obligated to keep that capital asset in service for a pre-set number of years. If a capital asset is pulled out of service prior to the established life-span of that asset, the authority is obligated to reimburse a portion of the federal funding. For example, if a suburban area withdrew from the authority and a park and ride lot had been constructed in that area, the MTA could no longer use that lot and would be obligated to repay a portion of the federal funding used to build that lot. In order to relieve the MTA of this undue financial obligation, the provisions should clearly state that the withdrawing area should be responsible for reimbursing the authority for the depreciated value of any assets built in their area. This responsibility should apply even if federal dollars were not involved in funding the capital assets. Capital projects are intended to benefit the region as a whole, and are funded by tax dollars collected throughout the entire service area. If a capital structure is withdrawn from service, it no longer benefits the entire service area, only the withdrawing area. Therefore, the withdrawing area should pay the MTA for the depreciated value of

that capital asset. This will prevent the MTA from incurring serious losses on money invested in capital projects.

Withdrawal of a principal city would have a significant impact on that regional area. Although such a withdrawal would be highly unlikely, it would strongly indicate that the voters were dissatisfied with the use of their tax dollars for the transit system as it was currently structured. The statute requires the participation of a major city to form a regional transit authority. If the voters in the principal city vote to withdraw from the authority, it will mean that the entire regional transit authority will be abolished. If this did occur transit services would continue for a six month period, allowing time for other arrangements to be made for the provision of transit services in the area. These arrangements will be managed by the transition board, which was discussed earlier in this recommendation.

In conclusion, withdrawal provisions for the Houston and Corpus Christi transit authorities will provide increased accountability to the local voters. This accountability mechanism is in place for the other four transit authorities in Texas. The possibility of withdrawal of a political subdivision places the MTA in a position where it must show the voters on a continuing basis that they are providing needed services in an effective manner.

### **Oversight Procedures**

The statute creating the Houston and Corpus Christi transit authorities was examined to determine whether adequate mechanisms are provided for oversight. First, the mechanisms for appropriation of funds to the authorities and their resulting budgeting processes were reviewed to determine if they were appropriate. Second, financial audit requirements were examined to determine if they were sufficient. Third, as part of the review, the sufficiency of the independent oversight of the activities and performance of the authorities was analyzed. Finally, the data that is reported by the transit authorities was examined to determine if it was adequate to meet the needs of those interested in overseeing the activities of the transit authorities.

The review led to the conclusion that the financing of service agencies such as the metropolitan transit authorities differs significantly from most state agencies or city and county services. The funds for a transit authority are not appropriated to an authority by an independent governing body, and are only limited by the amount of sales tax collected. This differs from the method of funding state agencies, for example, where the agencies must justify the amount of funds needed to provide

services and then receive an appropriation from the state legislature. City departments also must justify expenditures through a budget request to the city council prior to the receipt of funds. In the case of the transit authorities, however, no outside governing body is involved in approving the funds for the operation of their services. The transit authority legislation only authorized a funding source, and it is a local decision whether or not to utilize this authority to provide a direct funding stream for transit services. This funding mechanism allows the metropolitan transit authorities virtually complete discretion in how funds are expended to provide transit services. Although the lack of an appropriations type process removes one step of a usual oversight structure, no alternatives to the current funding process were identified which would strengthen the structure but retain complete local control. However, the level of oversight over funds can be strengthened.

The analysis of the auditing requirements showed that the transit authorities are required to have an independent financial audit performed annually. Although this process generally works well, the degree of outside oversight relative to the audits could be increased. The analysis of the oversight of the activities and performance of the transit authorities showed a need for additional oversight mechanisms and for improvement in the availability of programmatic information. Finally, requirements for the reporting of performance information by the transit authorities could be improved. The following recommendations address these approaches.

#### **State Oversight of the Independent Financial Audit Should Be Increased**

The Houston and Corpus Christi transit authorities are created by state law and, as a result of authority granted by the legislature, collect and spend millions of dollars in sales tax revenues. State and federal law then require the authorities to have an independent audit conducted of their finances. The state auditor does not perform a fiscal audit of these agencies and is not specifically required to review the report to determine if it is a full and fair disclosure of their financial situation.

The review identified that, for certain types of state authorized regional agencies such as river authorities and water districts, the legislature has required oversight through an independent audit coupled with an authorization for additional review by the state auditor. The review of the Houston and Corpus Christi transit authorities determined that similar oversight of the independent audit, and therefore of the transit authorities' financial situation, is appropriate.

**The statute should require that the Houston and Corpus Christi transit authorities submit a copy of their independent financial audits to the state auditor for review and comment. The state auditor should have the authority to examine any workpapers from the audit or to audit the financial transactions of the MTA if the review of the independent audit indicates this need.**

Article 1118x requires metropolitan transit authorities to have a financial audit performed by an independent certified public accountant at least once each year. This process does not provide for any state oversight of these audits. Federal regulations also require an independent financial audit by a certified public accountant. Although the audits are reviewed by the federal government, these reviews concentrate primarily on tracking the use of federal funds received by a transit authority, and not on locally generated funds such as sales tax revenue.

Because they are not state agencies, the transit authorities do not go through many of the usual state oversight procedures such as the appropriations process, audits by the state auditor, or the deposit of their funds in the state treasury. However, the legislature authorized their creation as regional authorities and provided authority to assess a local sales tax with voter approval. The metropolitan transit authorities all receive considerable local sales tax revenues as a result of the authority granted under this statute. For example, in fiscal year 1987 Houston Metro received over \$156 million in sales tax revenue and the Corpus Christi RTA received about \$7.5 million. This funding stream suggests the need to have strong lines of accountability from the authorities' staffs, to their board, to the public, and to elected officials at both the local and state level.

A review was made to determine what kinds of audit and reporting requirements are placed on other state authorized regional authorities or agencies that fall outside of the typical state controls. This review indicated that the state auditor does have specific statutory responsibilities for river authorities. State statutes require that copies of the river authorities' independent financial audits be submitted to the state auditor annually for review and comment. The auditor is given the further authority to conduct audits of the financial transactions of the river authorities if the data submitted indicates this need. Any comments of the state auditor are sent to the governing body of the river authority and to the state auditors supervising body, the Legislative Audit Committee. A similar approach is

recommended for the Houston and Corpus Christi transit authorities. The state auditor should review the audits of the Houston and Corpus Christi transit authorities, be given the authority to examine workpapers related to the audits, and perform an audit of the transactions of the authority if needed. The state auditor would report any comments to the transit authority board and the Legislative Audit Committee.

In addition, one other oversight mechanism relating to the independent audit was added to the Austin and Houston transit authorities' statutes during the last legislative session. These two transit authorities are now required to send copies of their audit reports to the presiding officer of the governing body of each county or municipality having territory in the authority, to the governor, to the lieutenant governor, and to the speaker of the house of representatives. This requirement recognizes that, while these governmental bodies are not typical creations of the state, the state has a legitimate concern in ensuring their accountability through certain limited oversight functions of the state auditor and local officials. This statutory provision should be expanded to include the Corpus Christi transit authority in the requirement to distribute the audit reports to certain state and local officials.

### **Regular Performance Audits Should be Required to Assist Oversight Efforts and Improve MTA Operations**

Evaluation of performance is a standard element of the oversight of governmental agencies. At the state level, evaluation occurs through mechanisms such as the appropriations process, biennial performance reviews by the Legislative Budget Board, and Sunset reviews of agencies on a twelve year cycle. The review of the Houston and Corpus Christi transit authorities examined whether sufficient procedures are in place for review of the performance of the authority by the MTA board, by local officials, and by state officials.

Both the Houston and Corpus Christi transit authorities have used independent consultants to review aspects of their performance. There is, however, no requirement that such reviews be performed at all, and therefore no assurance that such reviews will be continued on a regular basis. In addition, there is no consistent base of performance indicators for use in comparing activities between the transit authorities, or for comparing performance over time. The lack of regular outside evaluation of an authority's performance hinders state and local officials' ability to oversee the efficiency and effectiveness of MTA operations. The following

statutory changes would provide a mechanism for the Houston and Corpus Christi transit authorities to regularly assess and make improvements to their operations as well as provide a method for increased accountability to state and local officials.

**The statute should require that independent performance audits of the Houston and Corpus Christi transit authorities be conducted every four years. The performance reviews should include the following:**

- **an examination of one or more of the following areas: administration/management, operations, or maintenance;**
- **an examination of performance in terms of a series of indicators with recommendations for methods for improvement in performance if needed; and**
- **an examination of compliance with applicable state statutes.**

The methods currently used by the Houston and Corpus Christi transit authorities to examine the effectiveness of the services and management of the transit authorities were analyzed to determine if existing mechanisms provide adequate outside oversight of these authorities. Both the Houston and Corpus Christi transit authorities have in the past contracted with independent auditing firms to conduct performance audits. Houston Metro has contracted for two outside independent performance reviews of their operations, one in 1982 and one in 1985. Problems with the performance of the bus system and the need for outside evaluation of those problems led to Metro's decision to contract for the first review. The resulting report made recommendations to rectify the problems, improve the quality of the system, and to monitor performance through a series of performance indicators. The second review was directed at providing an independent measurement of the improvements in system performance that had occurred since the previous review, and at identifying further changes needed to improve service quality and reduce costs. The review contained proposals estimated to save some twelve million dollars, and as of June 1987 Houston Metro reported actual savings of over \$16 million from the implementation of these recommendations.

A performance audit of the Corpus Christi RTA was conducted in 1986 shortly after the authority took over operations of the city transit system. The RTA entered into a contract for an evaluation of all functional areas of the operation of their

system in order to determine what changes were needed to implement a regional service plan and improve operations. As a result, a series of steps were recommended to improve the quality and efficiency of services and certain administrative functions. While most of these recommendations have been implemented, the RTA has not yet conducted a follow up evaluation to quantify the results of these changes.

These two authorities are not alone in the use of outside audits to study agency operations. Performance audits of transit agencies are a common method of evaluating efficiency and effectiveness of system operations and management. California, for example, requires independent performance audits of all transit systems in the state every three years. This provides a continuing source of evaluative information for oversight purposes by state and local officials, as well as providing the transit agencies with methods for improving their performance.

Independent evaluation is a standard method used by Texas for oversight purposes and to assist agencies in making changes to improve their operations. For example, state agencies receive an outside review of their activities every twelve years through the Sunset process. In addition, the performance of selected state agency programs are also reviewed biennially by the Legislative Budget Board.

Although the two transit authorities have utilized performance audits, there is no assurance that these reviews will continue on a regular basis. A requirement for performance audits every four years will serve two basic purposes. The first purpose is to provide the evaluative information necessary for oversight by state and local officials. The second purpose is to provide information about their own activities which will assist the transit authority in making changes to improve the efficiency and effectiveness of their operations.

The four-year time frame for the audits will hold down the overall costs of this requirement, while still providing sufficient time for earlier recommendations for improvements in performance to take effect prior to a subsequent review. This time frame is also appropriate for oversight purposes. The California performance audits are required every three years, and discussions with personnel from the California Department of Transportation, as well as from individual transit authorities, indicated that the three year time frame is effective for both internal and oversight purposes. A four-year time frame should not make a significant difference in oversight efforts and is being recommended here to allow for transmittal of the report prior to every other session of the legislature.



There are three main elements of the performance audit requirement which will provide a structure to make the audits as useful as possible. These elements, which should be included in the statute, concern allowing the transit authority to determine the central focus of each performance review, requiring an analysis of a series of performance indicators, and requiring an examination of compliance with applicable state statutes.

First, the transit authority board should have sufficient flexibility to determine which of the major areas of a transit system's operation should be the central focus of the audit report. The major areas are:

- administration and management, which provides non-transportation related support services and oversees all functions of the system;
- transit operations, which provides regular route services, commuter services, and special services for elderly and handicapped individuals through the use of buses and other vehicles; and
- system maintenance, which repairs and services the vehicle fleet of the transit system.

The statute should require that one or more of these major areas of a transit authority be reviewed in each four year cycle. This approach allows the transit authority board to determine the area or areas of its' operations that are most in need of review and would therefore be of most help to the MTA in improving performance, while ensuring that a major portion of the agency is reviewed in each four year period. In addition, not requiring a review of all elements of a transit authority will reduce the costs of conducting a performance audit.

Second, each audit should evaluate performance in terms of a statutorily required series of indicators and make recommendations for improvements in performance where necessary. Performance indicators in the transit industry are used as a method to quantitatively assess the effectiveness of the services and management of a system and to provide a basis for comparisons. The performance indicators are used to make comparisons in two different ways. One is to compare the performance of the agency with other similarly-sized transit agencies. The second is to have a base of information which can be used to examine a transit agency's performance over time. Both types of comparisons provide basic information necessary for evaluating a transit system's performance, and should be part of the statutory requirement. In addition, the ability to look at performance over time will allow for an examination of the implementation of recommendations of prior audits and their impact on agency performance.

Performance indicators used by the transit authorities in Texas, as well as those used in other states were examined to develop an appropriate series of indicators which will provide useful information for oversight purposes and for use by the transit authorities. Nine indicators have been developed through this examination and should be used in each performance evaluation. Formal definitions will be developed for inclusion in the MTA statute. The indicators are:

1. **Operating cost per passenger:** the overall average cost of transporting each passenger.
2. **Sales tax subsidy per passenger:** the portion of the average cost of transporting each passenger that is paid by local taxes rather than through fares.
3. **Operating cost per vehicle hour:** the average cost of the system to operate a bus for one hour.
4. **Operating cost per vehicle mile:** the average cost of operating the system for each mile a bus travels.
5. **Fare recovery ratio:** the percentage of operating costs covered by passenger fare revenues.
6. **Average vehicle occupancy:** the average number of passengers on system buses at any one time.
7. **On-time performance:** the percent of buses that arrive at assigned bus stops on schedule.
8. **Accidents per 100,000 miles:** this reflects the systems average safety record.
9. **Total miles between road calls:** This reflects the performance of the system's vehicle maintenance program.

Finally, the review should examine compliance with provisions of the transit authorities' authorizing statute as well as any other applicable state statutes. An examination of compliance is a regular function of the state auditor. There is currently no such examination performed by an outside agency other than through the Sunset review every twelve years.

In addition to the three main areas of the performance audit discussed above, there are four topics related to the mechanics of starting and completing a performance audit which should be included in the statute. First, the audit should be conducted by an independent firm with experience in reviewing performance of transit agencies. The costs of the review are the responsibility of the transit authority.

Second, the report should include the response of the MTA and proposals for action on any recommendations contained in the report. This information will be particularly useful to the public officials utilizing the report for oversight purposes. Third, a public hearing should be held by the board concerning the report and the agency's response to the report. There should be adequate public notice of the hearing and the report should be made available to all interested parties.

One final area relates to the distribution and timing of the report. Copies of the report should be distributed to the following officials in a timely fashion: the presiding officer of the governing body of each county and municipality having territory in the authority; the governor; the lieutenant governor; the speaker of the house of representatives; members of the Texas legislature whose districts overlap with any portion of the MTA region; and the state auditor. The first report should be completed and distributed by February 1, 1991 to coincide with the start of the legislative session, with future reports coming every four years thereafter.

The performance audit requirement will have a fiscal impact on the two transit authorities. Information from California shows that their costs for performance audits ranges from about \$5000 to about \$80,000 depending primarily on the size of the system being reviewed. Performance audits conducted in the past for Houston Metro have ranged from about \$300,000 for the 1982 study to \$330,000 for the 1985 review. These reviews were considerably more extensive than the limited requirements proposed here. The performance audit of the Corpus Christi RTA was conducted in 1986 at a cost of just under \$10,000. It is expected that costs associated exclusively with this performance audit requirement will range from about \$10,000 for the Corpus Christi RTA to about \$80,000 for Houston Metro. Costs would increase if a transit authority chooses to expand the work that is being contracted for beyond the scope of these requirements in order to address particular problems that are being encountered. However, savings have been associated with these additional costs in the past. For example, Houston Metro estimated savings of approximately \$16 million as of June 1987 resulting from the \$330,000 performance audit conducted in 1985.

In summary, the statute should be modified to require the Houston and Corpus Christi transit authorities to have an independent performance audit conducted every four years. Sufficient flexibility should be provided to allow the audit to focus on one or more of three main areas of a transit system's operation during each audit. The audit should include an examination of performance in terms of a series of indicators with recommendations for methods for improvements in performance if

needed. The audit should also include an examination of compliance with state statutes. Finally, the statute should provide for a public hearing after the report is issued and for distribution of the report to certain state and local officials. All of the above requirements work together to provide both a method for the transit authorities to regularly assess and make improvements to the performance of their operations, and for increased accountability to the legislature and local officials.

#### **Current Reporting of Transit Statistics by the SDHPT Should be Improved**

The State Department of Highways and Public Transportation (SDHPT) currently collects and reports certain statistical information from eighteen transit agencies across the state, including the six metropolitan transit authorities. This report has been published annually by the department since it assumed the responsibilities of the Texas Mass Transportation Commission in 1975. However, there is no statutory requirement for this activity, and therefore no assurance that it will continue.

**The statute for the SDHPT should require that the department continue to annually publish a statistical report of transit in Texas and to report the information in a manner which allows for comparisons across the metropolitan transit authorities.**

Texas Transit Statistics is an annual report which summarizes information on 18 municipal transit systems in Texas. The report is funded through the use of a portion of the federal planning grant funds received by the department from the Urban Mass Transportation Administration of the U.S. Department of Transportation. The report presents summary data concerning the status of transit in Texas in a particular year, statistics which profile each individual transit system, as well as tables which compile operating statistics and financing data for the eighteen systems. The display of this information, while useful in some respects, does not separate information on the regional transit authorities from the other municipal transit systems and does not produce data that provides for accurate comparisons between the authorities.

The regional metropolitan transit authorities, as opposed to the city operated systems, are directly authorized by the legislature and receive a base of funds from a dedicated sales tax. The legislature therefore maintains a continuing interest in the operation of transit authorities. However, the Texas Transit Statistics report does not separately summarize information on the transit authorities. Separating the

information in this manner would allow for all interested parties to observe past trends and the current status of the operation of these statutorily authorized transit authorities.

Two other problems concern the comparability of information presented in the report. First, comparisons between the transit authorities and the municipal transit systems are difficult due to differences in administrative costs and the regional size of the MTA service areas. These differences do not allow for accurate comparisons of costs or operating performance between the regional metropolitan transit authorities and city operated systems. The SDHPT should therefore present statistical data on the authorities separately in the Texas Transit Statistics report.

The second problem with the comparability of the statistics relates to the quality and consistency of the data that is actually reported to the SDHPT. Discussions with transit authority personnel indicated that there are concerns that some of the statistics are not consistently defined by the authorities, resulting in inconsistency in the statistics reported. In order to be of the most use in comparing the operations of the regional metropolitan transit authorities, the statistics need to be collected as consistently as possible. The SDHPT should work with the authorities to develop reporting mechanisms that are consistent and which allow for comparisons of the data.

The recommended improvements to the report would assist those interested in oversight of the metropolitan transit authorities, would provide information of use to the authorities in seeing how they stand in comparison to each other, and would provide a starting point for having usable, comparative data for the performance audits discussed previously in this report. These improvements can be accomplished without any changes in the cost of producing the Texas Transit Statistics report.



## Review of Operations

In addition to examining the structures for accountability of the Houston and Corpus Christi transit authorities, the review analyzed the efficiency and effectiveness of their operations. The review did not perform an in-depth analysis of each aspect of the agencies operations. The intent was, however, to make a general determination of how well the two authorities perform overall, particularly in comparison to other transit authorities of similar size. Information related to this examination is set out below.

### Operations of the Houston and Corpus Christi Transit Authorities are Generally Consistent with Transit Industry Standards

The review examined several areas related to the efficiency and effectiveness of the two transit authorities. These areas included the organizational structure of the authorities, performance statistics related to the authorities' operations, and the levels of expenditures for certain functions of the authorities' operations.

In designing the review of the Houston and Corpus Christi transit authorities, a general comparison was made of the structure of these authorities with other transit agencies both inside and out of Texas. The purpose of this comparison was to see if the organizational structures and the services provided differed from the general model of agencies that provide transit services. This comparison showed that the Houston and Corpus Christi transit authorities generally structure themselves and provide services in a manner consistent with accepted practices of the transit industry.

The performance statistics and expenditure levels of the two authorities were also reviewed to determine if they were generally in line with data from other transit agencies. Due to differences in geography, age and size of authorities, and methods of statistical reporting, direct comparisons of individual performance indicators were difficult to make. However, in the case of Houston Metro five relatively similar transit agencies were identified as part of a study being conducted by Metro. Performance data from these agencies was collected and, where necessary, adjustments were made to the data to make each performance indicator as comparable as possible. Exhibit 16 displays data on total passengers, total operating costs, miles operated and number of vehicles in service to show the similar nature of these authorities. Four performance indicators, passengers per mile, and total operating costs per passenger, per mile and per vehicle hour are also shown. These measures are indicators of how well the transit agencies perform in terms of the

Exhibit 16

Houston Metro: Comparison of System and Operating Characteristics\*

	Houston	Average of Other Systems	Seattle	Minneapolis	Pittsburgh	St. Louis	Denver
Total Passengers	74.4 million	67.3 million	81.7 million	72.9 million	80.5 million	47.8 million	53.7 million
Total Operating Costs	\$130,041,000	\$109,171,488	\$131,130,553	\$98,999,515	\$122,294,002	\$91,613,479	\$101,819,889
Total Revenue Miles	34.3 million	26.8 million	29.4 million	22.9 million	35.7 million	20.2 million	26.1 million
Peak No. of Vehicles in Service	799	806	965	847	950	603	665
Passengers Per Revenue Mile**	2.17	2.51	2.78	2.25	3.19	2.05	2.37
Operating Cost Per Passenger	\$1.75	\$1.62	\$1.60	\$1.36	\$1.52	\$1.92	\$1.90
Total Operating Cost Per Revenue Mile***	\$3.79	\$4.07	\$4.46	\$3.43	\$4.33	3.90	\$4.55
Total Operating Cost Per Vehicle Hour****	\$50.00	\$47.49	\$50.38	\$40.78	\$47.07	\$48.42	\$50.15

\*Information collected by Multisystems Inc. as part of a study conducted for Houston Metro.

\*\*Refers to the average number of passengers carried for each mile a bus is in service on a route.

\*\*\*Refers to the average cost of operating the system for each mile a bus is in service on a route.

\*\*\*\*Refers to the average cost to operate a bus for one hour in service on a route.



services provided and the amounts expended to provide those services. As seen in exhibit 16, the performance of Houston Metro is generally near the average of the five systems for each of the performance indicators shown and no particular problems were identified through this general comparison.

Performance statistics and expenditures over time were also examined to see if improvements in both the efficiency and effectiveness of its operations were being made. As seen in exhibit 17, Houston Metro has shown significant improvements in cost efficiency and effectiveness measures over the past five years. System ridership increased some 47 percent in the four year period from fiscal years 1983 to 1987. The operating cost per passenger trip decreased 19 percent, indicating that the operations have become more efficient in this time period. Increased effectiveness of operations is indicated by a change from an 88 to a 98 percent rating in on-time performance of the bus system and a five-fold increase in maintenance reliability (miles between road calls) in the same four year period.

Exhibit 17

**Houston Metro: Selected Performance Indicators**

Indicator	FY 1983	FY 1987
Total passenger trips	50,443,000	74,393,000
Total revenue vehicle miles	24,700,000	34,320,000
Number of vehicles available for peak service	651	840
Operating cost per passenger trip	\$2.23*	\$1.81
Operating cost per vehicle mile	\$4.50*	\$3.93
Fare recovery ratio	21%	24.6%
Average vehicle occupancy	Not Available	12.30
On-time performance	88%	98%
Miles between road calls	2,287	11,062
Accidents per 100,000 miles	6.5	2.2

\*Constant fiscal year 1987 dollars.

The performance and expenditures of the Corpus Christi transit system were also reviewed. The Corpus Christi RTA has only been providing services since 1986.

The agency is still in a developmental stage and therefore, as with any new business, can be expected to have higher costs while determining what level of service the public wants and how to provide that service efficiently and effectively. The fact that the RTA is so young makes comparisons with other transit agencies of similar size difficult because the other systems have had more time to refine their services. However, in order to get an idea of how the RTA generally compares with other systems, the review examined a study conducted recently by an outside consultant for the RTA which analyzed the productivity of the authority's transit operations. This study included a general peer comparison with other small transit systems (see Exhibit 18). The study compares the Corpus Christi transit authority to the average of the peer systems. This information showed that the Corpus Christi RTA is providing more miles of service, hours of service, and number of buses than the average of the other transit systems of a similar size. However, statistics which show the usage of the system, such as passengers per mile and passengers per hour, are lower for the RTA than the average of the peer systems. These findings are expected due to the fact that the authority is still experimenting with its' routes and schedules, resulting in certain routes and hours of operation where ridership is low. In addition, the purpose of the contracted study is to begin the process of adjusting the systems routes and schedules to improve their productivity. The peer comparison information therefore did not indicate any significant problems, particularly considering the age of the Corpus Christi RTA and the fact that the agency is in the process of making improvements to its' transit operations.

An examination was also made during the review of the Corpus Christi transit authority's performance and expenditures in the first two years of operation. As can be seen in exhibit 19, the RTA has increased the number of passengers they carry by 37 percent and increased the number of vehicle miles the buses run by some 51 percent. As this expansion of service occurred, the RTA's operating cost indicators also increased. As the agency becomes more efficient by adjusting its' routes and services to meet actual public demand, these cost indicators would be expected to decrease.

Exhibit 18  
Corpus Christi RTA:  
Peer Comparison\*

	Population	Population Density	Peak Vehicles	Annual Revenue Miles	Annual Revenue Hour	Annual Unlinked Passenger Trips	Passenger Per Mile	Passenger Per Hour
<b>Peer Average</b>	266,316	1,779	38	1,498,038	117,125	3,510,050	2.34	29.97
<b>FY 84 Corpus Christi</b>	245,854	1,756	29	1,079,1000	84,700	1,719,500	1.59	20.30
<b>FY 87 Corpus Christi</b>	273,677	1,756	51	2,609,732	166,836	2,774,947	1.06	16.63

Peer Properties: Little Rock, AK; Baton Rouge, LA; Jackson, MS; Mobile, AL; Colorado Springs, CO; Montgomery, AL; Savannah, GA; Shreveport, LA.

\*Information collected by Parsons Brinkerhoff as part of a study being conducted for the Corpus Christi RTA.

Exhibit 19  
Corpus Christi R.T.A.: Selected Performance Indicators

Indicator	FY 1986	FY 1987
Total passenger trips	1,891,063	3,013,031
Total vehicle miles	1,686,467	2,554,600
Number of peak vehicles	41	44
Operating cost per passenger trip	\$2.61	\$2.90
Operating cost per vehicle mile	\$2.92	\$3.42
Fare recovery ratio	12%	11%
Passengers per vehicle hour	16.40	14.64
Miles between road calls	2,900	2,700
Accidents per 100,000 miles	4.9	4.8

Although the structure, performance and expenditures of the two transit authorities appear to follow the accepted pattern of the transit industry, one area, relating to administrative costs appeared to vary from industry standards. While Metro's overall administrative costs are not high in comparison to a sample of similarly sized transit agencies in the U.S., the review indicated that some areas of Metro's administrative costs appear high in comparison to these agencies. The administrative cost areas that do appear higher are marketing, system security, and general management. In the case of the Corpus Christi RTA, the overall level of administrative costs appeared high for the current level of services provided. This finding is connected to the costs of setting up an administrative structure which would meet the demands of an expanding system. Recommendations related to these findings are set out below.

**Houston Metro Should Evaluate Whether Higher Expenditures in Certain Administrative Areas are Cost-Effective**

The initial overview of Houston Metro's administrative costs indicated that in prior years these costs were high in relation to other transit systems. An analysis of these costs was undertaken to verify Metro's current overall administrative costs

and to examine specific areas in which Metro might be able to reduce costs. The review determined that Metro's overall administrative costs compared favorably with transit systems of a similar size. However, of the various factors that make up administrative costs, three individual areas were identified in which Metro devotes a higher percentage of its budget than the other systems studied. The following recommendation addresses these areas.

**Houston Metro should evaluate its higher than average costs in the areas of marketing, security, and executive management for potential cost reductions.**

The review examined a number of reports that showed Metro as having high administrative costs in prior years. Data for 1985 from the Urban Mass Transportation Administration (UMTA) showed Houston Metro spending 26.5 percent of its total operating expenditures in the area of general administration, while other similarly sized systems spent only 14.2 percent to 20.8 percent of their operating budgets in this area. In addition, two previous performance evaluations conducted in 1982 and 1985 showed Metro's administrative costs to be significantly higher than a set of comparable transit properties. These indications, as well as concerns raised during the initial overview of Metro's overall costs, resulted in questions as to the amount of funds currently being devoted to administrative support. Therefore, in conjunction with the sunset review, Metro conducted a comparative analysis of its administrative costs in order to develop a more accurate and up to date picture of these costs.

The staff of Metro stated that a number of changes were implemented after the last performance evaluation in 1985 to reduce its administrative costs. The purpose of the study was therefore (1) to verify Metro's current administrative costs, (2) to compare these costs with a group of transit systems of similar size, and (3) to identify more specifically the costs of various functions within the total costs classified as general administration. Metro contracted for an outside consultant to lead the administrative cost study.

The consultant, in conjunction with Metro and Sunset staff, selected five "peer" transit systems based on similar size, services, and operating expenditures. The systems chosen were Denver, Minneapolis, Pittsburgh, Seattle, and St. Louis. The data source for the comparisons was the UMTA Section 15 Reports for 1987. These reports are part of a standardized reporting system of financial and operating data

which must be completed by all transit systems nationwide that receive federal assistance. Considerable effort was placed on ensuring comparability of the data among the systems studied and some adjustments were made where differences were identified due to reporting variations. Comparisons made from this data indicated areas in which the systems vary in expenditures for certain administrative functions. Such variances are not always indicative of a problem, but rather point out areas in which costs are higher and potential reductions may be possible.

Exhibit 20 compares administrative costs, as well as other categories of operating costs for Houston and each of the five systems. Utilizing the standard UMTA definition for administrative costs, Houston shows 20.8 percent of their costs going to administration in 1987. This represents a significant reduction from the 1985 figure of 26.5 percent. In comparison with the other systems, Houston expends the second highest percentage on administrative costs, but is well within the same range.

The UMTA definition of administrative costs used in deriving the figure above includes certain functions related to the operation of a transit system that are not generally thought of as administrative in nature. Another way of looking at administrative costs is to exclude the costs of marketing and system security as being more closely tied to the operation of the system. Houston Metro expends considerable funds in these areas and inclusion of these costs does tend to inflate Metro's general administrative costs. Therefore, in order to get another picture of Metro's administrative costs, the costs for marketing and security were deducted from the total administrative costs for all the systems in the study and examined separately.

The comparison of Houston Metro with the five other systems based on administrative costs, excluding security and marketing, shows Houston spending approximately \$21.1 million, or 16.2 percent of their total operating costs on administration. As can be seen in Exhibit 21, by focusing on this definition of administrative costs, Houston Metro falls just below the average of the other systems.

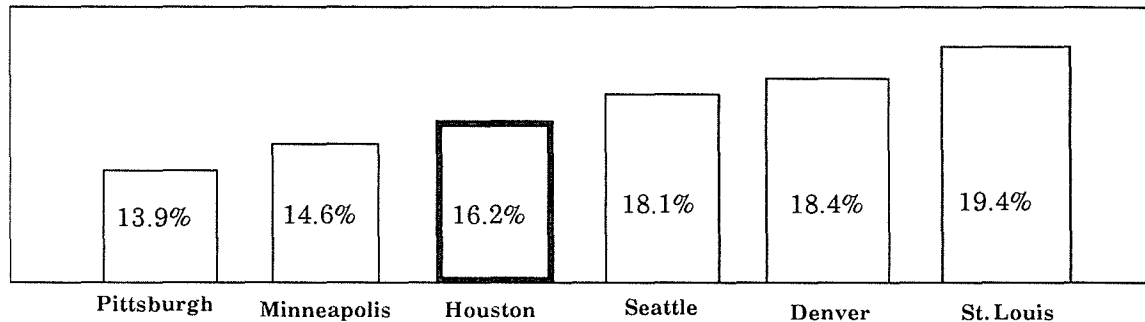
Exhibit 20

Houston Metro: Comparison of 1987 Operating Costs

General Administration	Houston		Seattle		Minneapolis		Pittsburgh		St. Louis		Denver	
	27,075,490	20.8%	25,343,202	19.3%	20,119,269	20.3%	18,531,828	15.2%	19,611,872	21.4%	19,487,830	19.1%
Vehicle Operations	58,460,018	45.5%	70,207,773	53.5%	58,318,108	58.5%	61,739,477	50.5%	45,215,945	49.4%	51,127,172	50.2%
Vehicle Maintenance	29,065,354	22.4%	25,237,973	19.2%	21,419,620	21.6%	27,499,663	22.5%	22,376,155	24.4%	25,413,839	25.0%
Non-Vehicle Maintenance	5,749,635	4.4%	8,523,956	6.5%	2,806,810	2.8%	4,758,093	3.9%	3,601,116	3.9%	5,610,951	5.5%
Purchased Transportation	9,690,620	7.5%	1,817,649	1.4%	124,605	0.1%	9,764,941	8.0%	808,391	0.9%	180,097	0.2%
<b>Total Operating Costs</b>	<b>\$130,041,117</b>	<b>100%</b>	<b>\$131,130,553</b>	<b>100%</b>	<b>\$98,999,515</b>	<b>100%</b>	<b>\$122,294,002</b>	<b>100%</b>	<b>\$91,613,479</b>	<b>100%</b>	<b>\$101,819,889</b>	<b>100%</b>

## Exhibit 21

### Comparison of Administrative Costs as a Percentage of Total Operating Costs\*



\*Excluding marketing and system security.

In addition to examining administrative cost as a percentage of total operating costs, the study also included a comparison of the administrative costs based on a variety of operating and performance measures commonly used in the transit industry. Exhibit 22 compares Metro with the five other systems based on administrative costs per passenger, per vehicle hour, and per revenue mile. In general, Houston Metro's administrative costs compare favorably with the other systems. Metro's administrative costs per passenger is slightly above the average but well within the range of the other systems. Metro ranks third most efficient in terms of administrative costs per vehicle hour and second most efficient in administrative cost per revenue mile.

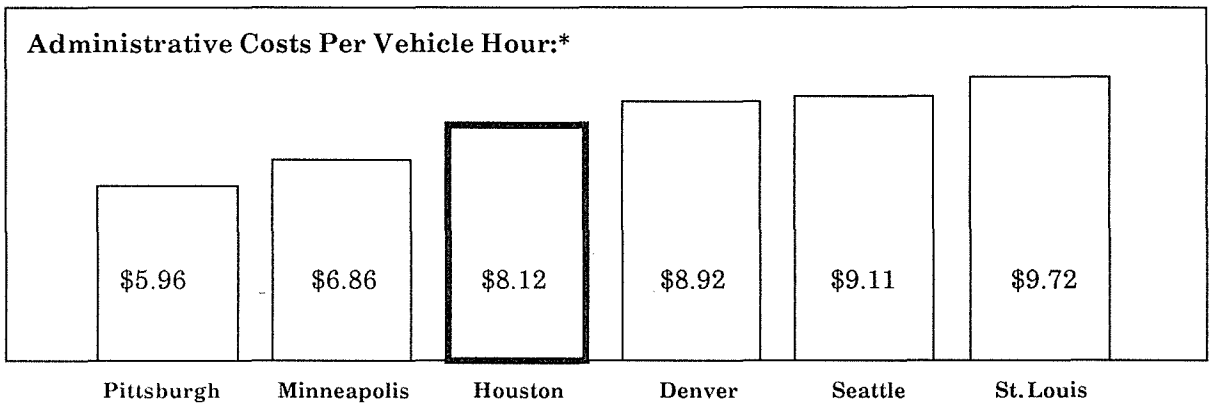
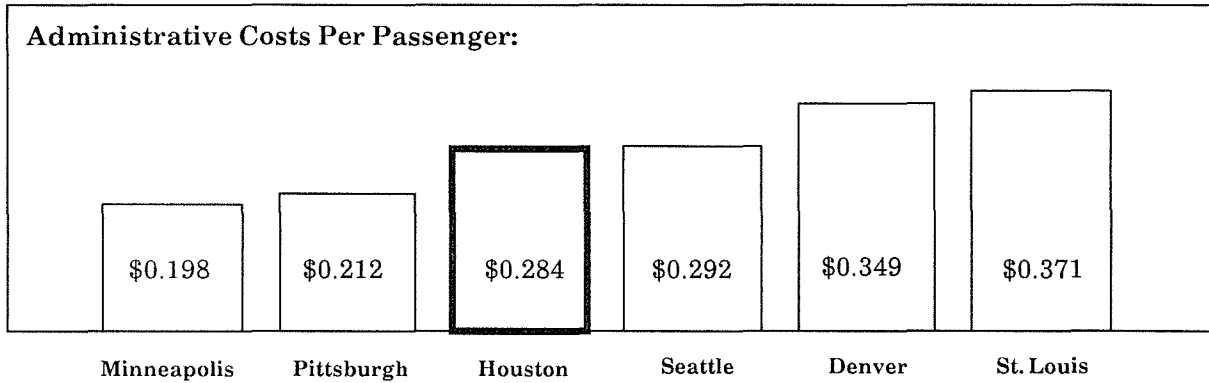
The overall results of these comparisons show Houston Metro's administrative costs as being within the average of the five peer systems in the study. However, three components of the overall costs were identified as having particularly high expenses in relation to the other systems: marketing, system security, and executive management.

In the area of marketing, which includes all costs related to advertising and promoting the transit system, Houston Metro expended \$3.36 million in 1987, or 2.6 percent of their total operating budget (see Exhibit 23). This is a significantly higher percentage than any of the other peer group systems. The average amount devoted by the other systems to marketing was only 0.8 percent of their total operating budgets. However, it should be noted that Metro's ridership has increased by 47 percent since 1983, while ridership on the other systems fell by an average of ten percent.

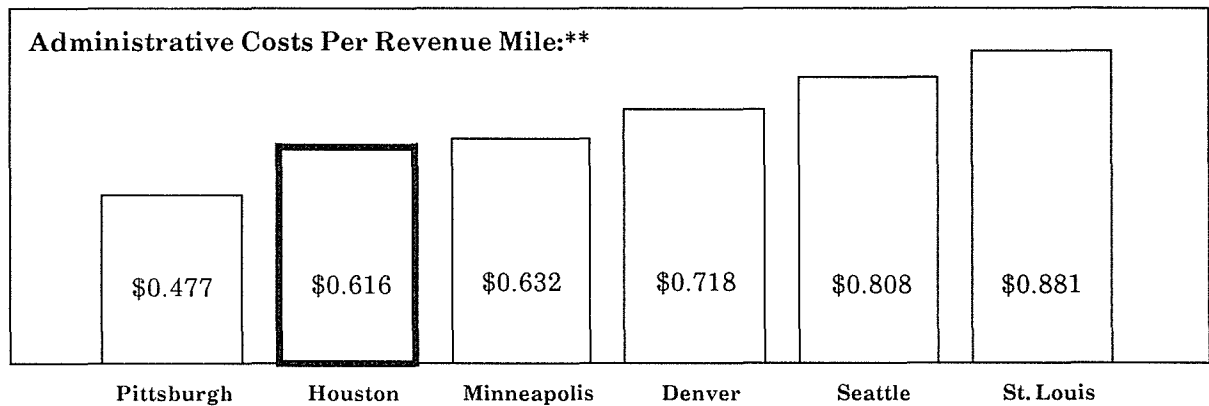


Exhibit 22

Comparison of Administrative Costs as a Percentage of Performance Standards



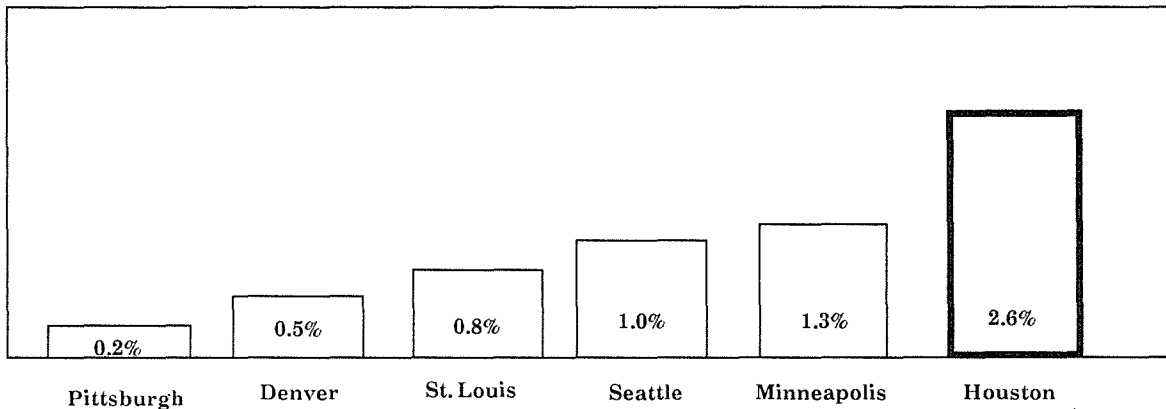
\*Refers to the average administrative costs involved in operating a bus for one hour in service.



\*\*Refers to the average administrative costs involved in operating a bus for one mile on a route.

Exhibit 23

Comparison of 1987 Marketing Costs  
as a Percentage of Total Operating Costs



Currently, the largest percentage of Metro's marketing dollar is spent on broad-based advertising on television, radio and in the newspapers. This type of marketing is aimed at increasing transit ridership by raising the public image of transit and making the public aware of transit as an alternative to using a car. This type of marketing can be relatively expensive, particularly for television advertising. However, it is difficult to measure the actual impact or effectiveness of this type of advertising on people's decisions to ride the bus. Currently, transit in Houston is estimated to be carrying approximately three percent of total trips, with the vast majority of people still using private cars. It is unclear if Metro should continue to expend a large amount of funds appealing to the total market, many of whom may never utilize mass transit. Market research studies show that the public's awareness and perception of Metro is high, and therefore, it appears that the need for a continued high dollar and extensive broad-based television advertising program should be reevaluated.

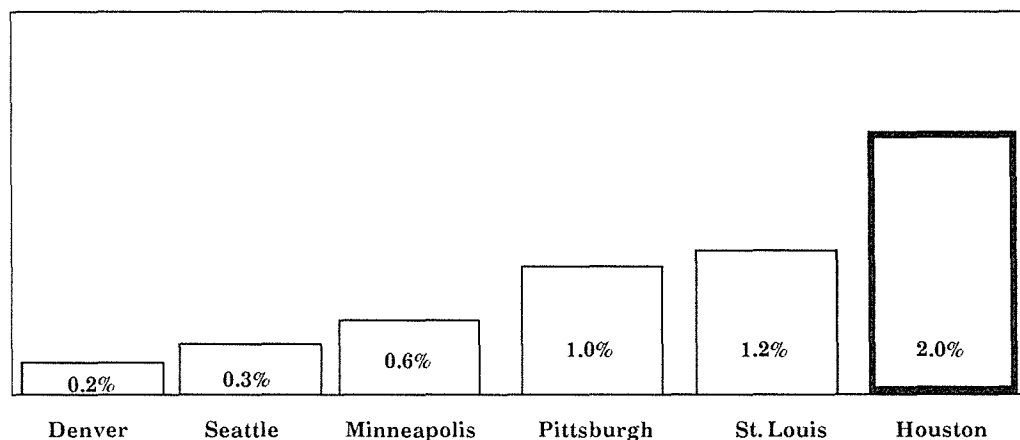
While there is no agreement in the transit industry as to the best approach to transit marketing, most systems focus more on targeted marketing, rather than broad-based advertising. This approach concentrates marketing efforts on selected segments of the population which are more likely to actually ride the bus if their awareness of the service is heightened.

Metro does use targeted marketing, but on a more limited basis. For example, Metro recently offered a week of free rides to individuals identified as living close to a park and ride lot. Follow-up on these individuals indicated that almost 50 percent

continued to use the system beyond the one week trial. This type of targeted marketing focuses more directly on increasing ridership, as opposed to improving the public's overall perception or awareness of Metro. Its impact on ridership can be more directly measured than broad-based advertising, and the costs associated with this type of marketing are generally much lower. While some level of broad-based advertising may be appropriate, Metro should evaluate its marketing program for potential costs reductions and explore the potential of increasing its emphasis on targeted marketing now that the public's awareness of its services is relatively high.

The second area identified as having costs that are higher than the other agencies is system security. System security includes the expenses related to patrolling the buses, bus stops, park and ride lots, and transitways to prevent or respond to any crimes. It also includes the costs of providing security for Metro's bus and maintenance facilities. In 1987, Houston Metro spent over \$2.5 million, or two percent of its total operating budget on system security. This is a higher percentage than any of the other systems in the study, who on the average devoted 0.7 percent of their total operating budgets to security (see Exhibit 24). It should be noted however, that Houston Metro has a larger number of facilities than the other systems. Security for these facilities, which include the transitways, park and ride lots, and operating facilities accounts for some of Metro's additional expenses in this area.

Exhibit 24  
**Comparison of 1987 System Security Costs  
as a Percentage of Total Operating Costs**



Houston Metro performs most of their system security through an "in-house" transit police force. None of the other systems in the study, with the exception of Pittsburgh, have their own in-house transit police organization like Houston. Most of the systems contract with off duty police officers for police services, and with private security firms for security services. Houston is one of only 14 transit systems nationwide to have established its own transit police force, and the only one in Texas.

Currently, Metro employs almost fifty of its own certified law enforcement officers and contracts for 31 security officers. Statistics show that this program has been effective in increasing the safety of the system. For example, since 1982 the number of crime related incidents within the system have been reduced from 11.3 per 100,000 passengers to 4.38 per 100,000 passengers in 1987, while ridership has grown from 51 million to 74 million.

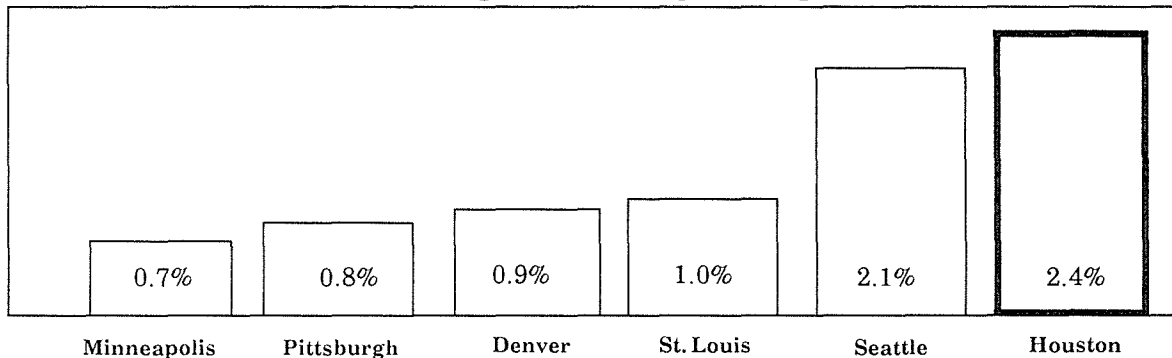
The need for a safe and secure transit system cannot be questioned. However, most systems are able to provide security at a significantly lower cost. It is recommended that Metro evaluate the continuing need for the current number of certified police officers employed solely to handle transit related incidents, when most transit systems operate with none. Consideration should be given to contracting for additional services that may not be needed on a full time regular basis now that Metro has an established system.

The last area identified through this study as having higher comparable costs is Metro's executive management. This area includes the costs of the salaries and fringe benefits of the executive level management and their clerical support, and any expenses related to outside professional or management services. As can be seen in Exhibit 25, Metro spent over \$3.1 million, or 2.4 percent of its total operating budget in this area in 1987. This is a higher percentage than any of the other peer group systems, who on the average devoted 1.2 percent of their budget to this area. The majority of these costs at Metro are expended on top level management salaries and support, which totaled \$2.3 million in 1987. The remainder was expended on a variety of outside contracts such as legal services and training conferences.

The review determined that Houston Metro has higher general management costs for two basic reasons. First, the organization of the agency involves an unusually high number of top level executive staff. As can be seen in Exhibit 26, Metro has twelve executive level staff including ten assistant general managers, the staff counsel, and an executive assistant to the general manager who all answer directly to the general manager.

Exhibit 25

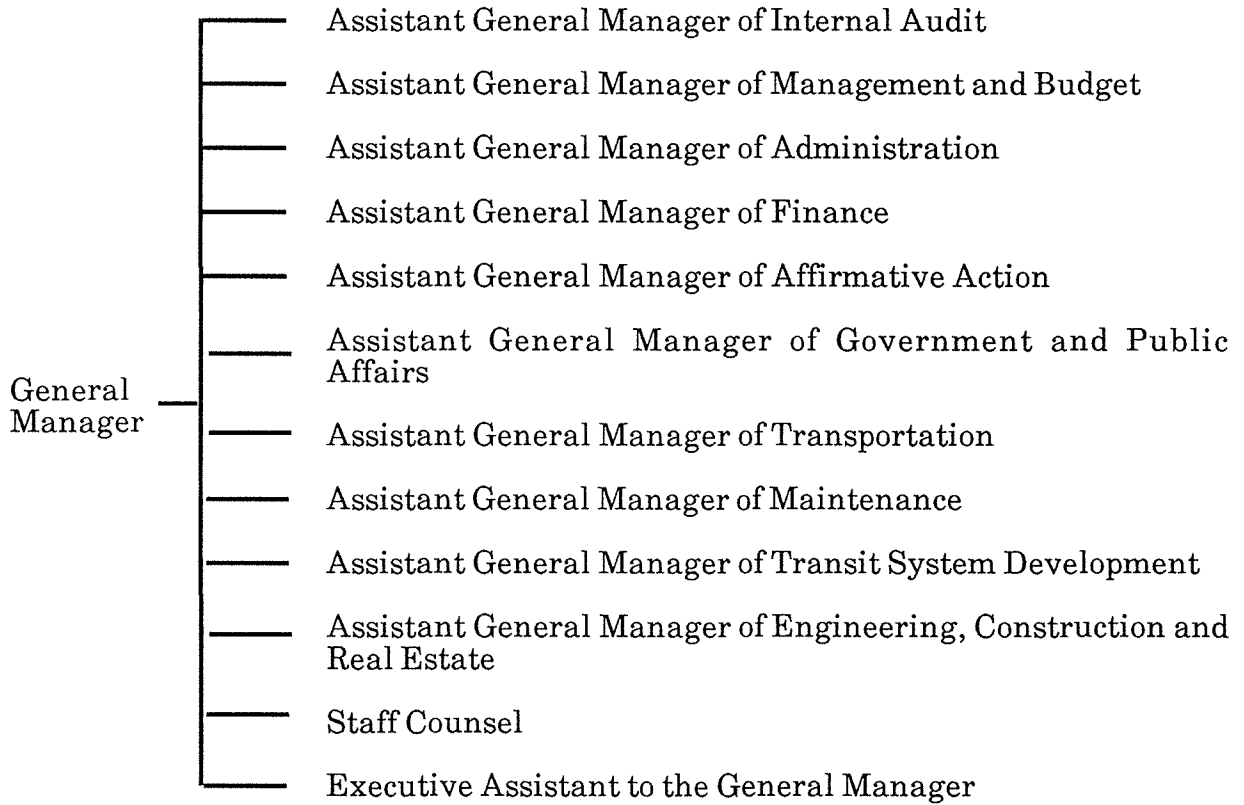
Comparison of Executive Management Costs  
as a Percentage of Total Operating Costs



This differs from the standard organization of most transit agencies. Most transit agencies have a smaller number of assistant general managers, who then have many of these functions combined under them. For example, the functions of transportation and maintenance are often combined under one person in charge of operations, and this person then reports to the general manager. In general, most transit agencies have no more than six or seven top level staff directly under the general manager.

The second reason that Metro has higher costs in this area is that the executive level staff at Metro earn higher salaries than comparable staff at the five other transit agencies. Metro's philosophy, in building up the organization over the last five years, has been to pay a salary that is competitive not only with other transit systems, but with the private sector as well, in order to fill these positions with highly qualified personnel. A comparison of the salaries for these top level positions indicated that Metro's range from \$60,700 to \$88,000, while the average salary for these positions at the five other peer group systems ranges from \$33,800 to \$69,600. This is in part tied to the functions at Metro being handled at the assistant general manager level, which generally involves a higher salary than if the function is handled by a director or department head who answers to an assistant general manager. In addition, the salary of the general manager at Houston Metro is currently 46 percent higher than the average salary of the general managers of the five peer systems. However, the staff have been effective in their performance. For example, from fiscal year 1986 to fiscal year 1987, Metro's operating budget was reduced by approximately \$15 million and the total number of staff was reduced by over 200 people. These reductions were made in response to the economic downturn

Exhibit 26  
Houston Metro Executive Management



and reduction of sales tax revenues in the Houston area. During this same time period, the quality of services provided by Metro continued to improve, largely due to the effective way in which the executive staff implemented the reductions.

A survey conducted by the Metro staff showed that its top level salaries are comparable to large and developing transit authorities such as the systems in Los Angeles, New York City, Washington, D.C., Chicago, and Dallas. However, these systems, except for Dallas, are at least double, and in the case of New York City, ten times the size of Metro. These top level staff are responsible for much larger systems, supervise many more employees, and oversee significantly larger budgets. While it is appropriate for Metro to hire well qualified staff, it is unclear why Metro needs to pay salaries comparable to those of significantly larger transit systems. Metro should evaluate its current approach to determine whether this high level of expenditure is cost-effective. The analysis should cover both the structure of their upper management and the level of salaries Metro is paying for these top level executive staff.

**The Corpus Christi RTA Should Reassess its Administrative Costs Once the System is Better Established**

The review examined the Corpus Christi Regional Transit Authority's administrative costs and found them to be relatively high. However, the RTA is only two years old, and like any new business, would be expected to have higher administrative costs in the first years of operation. As the system expands, the funds devoted to administrative costs should become a smaller percentage of the total operating budget. The following recommendation addresses the need to evaluate these costs in the future to ensure this is the case.

**The Corpus Christi RTA should reassess its administrative costs within the next two years to ensure that these costs have gone down in relation to the total operating budget.**

Data for 1987 from the Urban Mass Transportation Administration shows the Corpus Christi RTA expending over \$2.1 million, or 27.9 percent of their total operating budget on administration costs (see Exhibit 27). This is down slightly from 1986, its first year of operation, when an estimated 29.1 percent was spent on administrative costs.

Although the review examined these costs, it did not include a detailed comparative study such as the one done with Houston Metro for two reasons. First, it is difficult to find a sample of systems of similar size that were created as recently as the RTA. Second, the data available for Corpus Christi and most similar size systems is broken out in less detail than large systems such as Houston Metro. Basically, the information is available in the same level of detail as presented in Exhibit 27. This shows a total amount for administrative costs, but does not break it down into functional areas for analysis. Therefore, a comparison with other cities would not be able to isolate the areas within administration that resulted in the total administrative costs being higher than other systems.

Exhibit 27  
Corpus Christi RTA: Operating Costs

	1986*	Percent	1987	Percent
<b>General Administration</b>	1,211,470	29.1%	2,131,295	27.9%
Vehicle Operations	1,629,210	39.1%	2,810,183	36.7%
Vehicle Maintenance	1,39,424	27.4%	1,462,732	19.1%
Non-Vehicle Maintenance	0	.0%	300,450	3.9%
Purchased Transportation	181,855	4.4%	945,118	12.4%
<b>Total Operating Costs</b>	<b>\$4,161,959</b>	<b>100.0%</b>	<b>\$7,649,778</b>	<b>100.0%</b>

\*Based on 9 months of data projected to the full year.

In examining the Corpus Christi transit authority's administrative costs, the largest single category of expenditures was for salaries and fringe benefits. The review focused on determining if the salary levels and the number of staff in these areas were appropriate. Both the structure and the salary levels were established when the RTA was created in 1986. They were based on a comparative analysis of systems of similar size conducted by an outside consultant. The salaries and the number of administrative staff have not changed significantly since 1986. The salaries fall within the range of other transit authorities of similar size and are



comparable to a sample of similar public sector positions within the Corpus Christi area.

The major factor resulting in Corpus Christi's higher administrative costs appears to be that it is still in a developmental stage. The current administrative structure should be able to support a much more extensive operating system, without significant increases. As services expand to cover the entire region, and as ridership increases with expanded services, administrative costs should then become a smaller percentage of the overall costs.

To help ensure that the administrative costs do not continue at such a high percentage once the system is more established, the authority should reassess these costs within the next two years. If the overall system expansion has occurred as anticipated, then the percentage of overall operating costs devoted to the administrative support should be lower. If, however, service expansion has not been as extensive as planned, then consideration should be given to reducing the level of administrative costs to coincide with a smaller operating system.



## **OTHER CHANGES**



## **Minor Modifications of Agency's Statute**

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Discussions with agency personnel concerning the agency and its statute indicated a need to make minor statutory changes. The changes are non-substantive in nature and are made to comply with federal requirements or to remove out-dated references. The following material provides a description of the needed changes and the rationale for each.

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**Minor Modifications to the MTA Statute**  
(Article 1118x, V.T.C.S.)

<b>Change</b>	<b>Reason</b>	<b>Location in Statute</b>
Delete reference to "before December 31, 1985" as a date by which a public hearing must be held if proposing to create an authority.	To remove date that is no longer applicable.	Section 3(b).
Substitute "State Department of Highways and Public Transportation" for "Texas Mass Transportation Commission".	To update reference to current terminology.	Section 3(c).
Combine section on "Transit Authority Board" with section on "Composition of the Board".	To clarify that certain provisions of one section work in conjunction with the other section.	Sections 4 and 6B.
Add the words "voting at such election" to the phrase "if a majority of the qualified voters" in both sections.	Clarifies that a majority of people actually voting in an election is the amount needed to add territory.	Section 6(a) and (b).
Remove the phrase "after the effective date of this Act" in two places. Substitute "after the confirmation and tax election" for the second of the above phrases.	The "effective date" provisions no longer serve any purpose and board members are appointed after a confirmation election which should be clarified.	Section 6B (e).
Delete outdated provision relating to withdrawal from an authority.	To remove language that expired in 1980.	Section 6D.
Delete provision due to expire on September 1, 1988, providing a method to reduce the tax rate in cities which populations over 1,200,000.	To remove a provision which expires prior to the next regular session of the legislature.	Section 11A (e-1).