

## FOREWORD FROM METRO'S PRESIDENT & CEO

As you know, under the General Mobility Program (GMP) established in 1988, METRO is required to share 25 percent of its 1-cent sales tax with Harris County, the City of Houston and the 14 other municipalities that are part of the Authority's service area.

The current term of the GMP expires at the end of September 2014. However, the METRO Board is required to call an election to determine the future of the GMP beyond 2014. Ultimately, the voters will decide the future of the GMP.

Prior to calling that election, METRO's Board has been working towards the proposition that will be put before voters. Over the past few months, the Board has studied various aspects of the GMP, including its history and how program funds are allocated.

The Board has also asked that two scenarios be prepared: first, one that shows the impacts if the GMP continues at its present 25 percent level after September 2014; second, one that shows what METRO would likely look like should the program be ended completely. We are calling these the "Bookend Scenarios" because they represent the two boundaries of the options the Board might consider. Both scenarios are available for review on the METRO website.

What follows here are the two *financial* projections on which those scenarios are based. The first lays out what METRO's finances will look like through 2030, given certain assumptions, if the GMP continues "as is" past September 2014. The second suggests the landscape of METRO's finances over the same period and uses the same assumptions, if the GMP were to be ended completely.

As you review these scenarios, please keep several things in mind:

First, creating a financial projection is all about taking a very long view – in our case, 18 years. This is not the same thing as financial *planning*, which as a practical matter works on a much shorter time horizon, in the neighborhood of five years. Nor is it a *budget* or *management plan*, both of which are usually done year to year.

Second, a financial projection is based on assumptions. A financial projection tells us what is most likely to happen if the assumptions, in fact, take place. Assumptions and financial projections are useful tools in preparing for the future, but they do not guarantee the future. Please be sure to take a careful look at the assumptions we think make these projections useful tools for the Board.

Third, these two financial projections are not the end of the line for the Board. Under the projection where the GMP stays in place at 25 percent, the Board would be faced with a number of very difficult choices through at least the rest of this decade, leading an agency whose financial resources will increasingly be unable to keep pace with the anticipated growth in demand for mass transit, starting with the need for increased bus service. Under the projection where the GMP ends completely after September 2014, METRO would have significantly more money, but the challenge to the Board would be how to set priorities for use of those resources, which would still not be enough to cover all mass transit needs.

On behalf of the Board and the Authority, I welcome your interest in this challenging and critical issue. I hope you find the following information useful to better understand the issue which the Board must address and, in the end, the voters must decide.