Appendix H
I. CONCEPT

The cost allocation model is designed to allocate transit operations costs to METRO’s various service categories. The model does not address either the Traffic Management or Capital Budgets. Service categories or modes in the model include: METRO-operated Local, METRO-operated Express, Contract-operated (First Transit) Local and Express, METRO-operated Park & Ride, Contract-operated (First Transit) Park & Ride, METROLift, Special Events Services, Charter (Internal and External), METROVan, and METRORail.

Each responsibility center’s expenses, net of capitalized and traffic management costs, are allocated to the applicable services either through an allocation base such as revenue hours or with a defined percentage of costs. For example, Operations Planning costs are divided among METRO-scheduled services based on the percentage of scheduled vehicle hours operated by each service.

Costs are allocated and cost-effectiveness indicators are calculated for costs both gross and net of FTA operating grants that are used to offset operating expenses. Note that the costs for the Special Events mode are net of cost recovery (charges for the services). Therefore, the allocated costs are just those costs subsidized by METRO.

II. ALLOCATION BASES

While the cost allocation model spreadsheet defines many possible allocation bases which could be used, the following bases are those used in FY 2007.

<table>
<thead>
<tr>
<th>ALLOCATION BASE</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>M2</td>
<td>Total scheduled revenue miles for all service categories except METROVan</td>
</tr>
<tr>
<td>M3</td>
<td>METRO-operated scheduled bus vehicle miles (Local METRO, Express METRO, P&amp;R-METRO, Special Event Services, and Charter)</td>
</tr>
<tr>
<td>M4</td>
<td>Local and Express scheduled revenue miles (Local-METRO, Express-METRO, Local and Express-First Transit)</td>
</tr>
<tr>
<td>M5</td>
<td>METRO-operated scheduled vehicle (car and bus) miles (Local-METRO, Express-METRO, P&amp;R-METRO, Special Event Services, Charter, and METRORail)</td>
</tr>
<tr>
<td>H1</td>
<td>Total scheduled revenue hours for all service categories except METROVan</td>
</tr>
<tr>
<td>ALLOCATION BASE</td>
<td>DEFINITION</td>
</tr>
<tr>
<td>-----------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>H2</td>
<td>Total scheduled revenue hours for all service categories except METRORail and METROVan</td>
</tr>
<tr>
<td>H3</td>
<td>METRO-operated scheduled bus revenue hours (Local-METRO, Express-METRO, P&amp;R-METRO, Special Event Services, and Charter)</td>
</tr>
<tr>
<td>H4</td>
<td>Special Events and Charter revenue hours (Special Event Services and Charter)</td>
</tr>
<tr>
<td>H5</td>
<td>Fixed-route scheduled bus revenue hours (all service categories except Special Event Services, Charter, METROLift, METROVan, and METRORail)</td>
</tr>
<tr>
<td>H6</td>
<td>METRO-operated fixed-route scheduled bus vehicle hours (Local-METRO, Express-METRO, and P&amp;R-METRO)</td>
</tr>
<tr>
<td>H7</td>
<td>METRO-operated scheduled bus operator payhours (Local-METRO, Express-METRO, and P&amp;R-METRO)</td>
</tr>
<tr>
<td>H8</td>
<td>Scheduled vehicle hours for fixed-route contract carriers (Local and Express-First Transit and P&amp;R-First Transit)</td>
</tr>
<tr>
<td>H9</td>
<td>Fixed-route scheduled bus and rail vehicle (bus and train) hours (all service categories except Special Event Services, Charter, METROLift, and METROVan)</td>
</tr>
<tr>
<td>R1</td>
<td>Total passenger boardings for all service categories</td>
</tr>
<tr>
<td>R2</td>
<td>Total passenger boardings for all service categories except METROVan</td>
</tr>
<tr>
<td>R3</td>
<td>Total passenger boardings for METRO-operated service (Local-METRO, Express-METRO, P&amp;R-METRO, Special Event Services, Charters, and METRORail)</td>
</tr>
<tr>
<td>B2</td>
<td>Number of peak buses for METRO-operated fixed-route bus services (Local-METRO, Express-METRO, and P&amp;R-METRO)</td>
</tr>
<tr>
<td>B4</td>
<td>Number of peak vehicles owned by METRO (all service categories except METROLift, Special Events Services, Charter, and METROVan)</td>
</tr>
<tr>
<td>P1</td>
<td>Number of park &amp; ride lots served by METRO and contractor (P&amp;R-METRO and P&amp;R-First Transit)</td>
</tr>
<tr>
<td>D6</td>
<td>METRORail only</td>
</tr>
<tr>
<td>D8</td>
<td>METROLift only</td>
</tr>
</tbody>
</table>
The following allocation bases are not used in the current model but are retained in the spreadsheet for potential future use.

<table>
<thead>
<tr>
<th>ALLOCATION BASE</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>D9</td>
<td>Special Event Services only</td>
</tr>
<tr>
<td>D10</td>
<td>METROVan only</td>
</tr>
</tbody>
</table>

### III. RESPONSIBILITY CENTERS/ FUNCTIONAL ROLLUPS

#### A. Operations

1. **VP/Chief Operating Officer (0100)**

   Function: Administration for Operations Division. Also includes bus rodeo program and a health/courtesy incentive program.

   Allocation Bases:

<table>
<thead>
<tr>
<th>Base</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>90%</td>
</tr>
<tr>
<td>H3</td>
<td>10%</td>
</tr>
</tbody>
</table>
Allocation Rationale: The VP/Chief Operations Officer and staff expenses are allocated two ways. Ten (10) percent is allocated to METRO-operated services based on revenue hours for the Bus Roadeo and incentive programs, which are applicable only to METRO-operated services. This percentage is based on 2007 actual expenditures. The remainder (90%) is spread among all METRO services according to each service's percentage of revenue hours to reflect the time spent by the VP and his staff for each mode.

2. **Operations Planning** (1600)

   Function: Planning and scheduling of all fixed-route services, including contracted services.

   Allocation Base:

   H9 100%

   Allocation Rationale: The allocation is based on the number of scheduled vehicle hours operated by each service. Vehicle hours are used to indicate the level of effort required, since scheduling must include deadhead time in the schedules.

B. Transportation

1. **Senior Director Transportation** (0031)

   Function: The Senior Director of Transportation oversees all bus and paratransit operations.

   Allocation Bases:

   H2 100%

   Allocation Rationale: The director’s time spent on each mode is proportionate to the revenue hours provided on each.

2. **Transportation General** (0361)

   Function: Most of the costs of this budgetary cost center is for vehicle liability coverage for METRO-owned and operated buses. Rail liability claims are paid from a separate responsibility center.
Allocation Base:

H3  100%

Allocation Rationale: Revenue hours seem to best represent the time in which vehicles are exposed to potential accidents and related liabilities.

3. Operating Facilities (0220)

Function: Operation of METRO Local, Express, and Park & Ride services. Expenses are primarily operator and starter wages and salaries for superintendents and associated staff.

Allocation Base:

H7  100%

Allocation Rationale: Since most of the costs are operator and starter wages, they should be allocated to METRO-operated services according to the number of payhours scheduled for each service. Since the costs are primarily wages, using payhours as the allocation base will apportion the expenses most accurately. Operator wages for METRO-operated Special Event Services are charged directly to Division 0381; therefore, that mode is not included in this allocation.

4. Dispatch (0301)

Function: Responsible for communications with METRO-operated fixed-route and special event buses.

Allocation Base:

H3  100%

Allocation Rationale: METRO-operated services should share the cost of the dispatch function, which is allocated on the basis of revenue hours. Most communication that is necessary will take place during revenue service, making revenue hours the most appropriate allocation factor. First Transit has its own dispatchers for the service it operates.

5. Contracted Services (1800)

Function: Includes payments to contractors for all fixed-route contracted services.

Allocation Base:

H8  100%
Allocation Rationale: Costs should be split between the two (Local and Express-First Transit and P&R-First Transit) fixed-route modes operated by a contractor. METRO pays First Transit for the services provided for local and park & ride services based on the number of scheduled vehicle hours of service provided; therefore, the costs are allocated between the two First Transit modes on scheduled vehicle hours.

6. **Bus Operator Safety and Training (0331)**

   Function: Train and re-train METRO bus drivers in operation of vehicles.

   Allocation Base:

   \[ H6 \quad 100\% \]

   Allocation Rationale: The number of operators needed (and thus who need to be trained) is most closely tied to the number of vehicle hours scheduled for each service. Therefore, the expenses are allocated to METRO-operated bus services on the basis of vehicle hours. Rail operator training is handled by the Rail Department.

7. **Special Events Administration (0371)**

   Function: Cost of managing Special Events Services—METRO-operated and contractor-operated, Charters-Internal and External—as well as management of First Transit contract.

   Allocation Base:

   \[ H4 \quad 15\% \]

   \[ H8 \quad 85\% \]

   Allocation Rationale: The two filled positions in this responsibility center in 2007 are used for contract compliance on the First Transit contract and supervision of Special Events and Charter Services. In 2007, there were very few special events and charters. Therefore, based on an estimate by the CFO, 15% of the costs were allocated to Special Events and Charter services based on hours of service (revenue and vehicle hours are the same thing for these modes). The other 85% of the costs are attributable to the management of the First Transit contract and allocated to those two modes on scheduled vehicle hours.

8. **METRO Special Events (0381)**

   Function: Direct cost of METRO-operated Special Events Services and Charters, specifically operator and supervisor overtime wages and salaries.

   Allocation Base:
Allocation Rationale: All expenses in this responsibility center are attributable to the Special Events Services and Charter categories. In FY 2007, all costs in this responsibility center were transferred to the Special Events Special Rollup responsibility center (0480).

9. First Transit Special Events (0382)

Function: Direct cost of First Transit (contractor)-operated Special Events Services, net of outside cost recovery for those services.

Allocation Base:

D9 100%

Allocation Rationale: All expenses in this responsibility center are attributable to the Special Events Services category. In FY 2007, all costs in this responsibility center were transferred to the Special Events Special Rollup responsibility center (0480).

10. Special Events Special Rollup (0480)

Function: Direct cost of METRO-operated and First Transit (contractor)-operated Special Events Services, net of outside cost recovery for those services.

Allocation Base:

D9 100%

Allocation Rationale: All expenses in this responsibility center are attributable to the Special Events Services category.

11. Transportation Programs (0410 and 0450)

Function: The operation and management of the METROLift service. All service is contracted, with First Transit providing the van service and Yellow Cab the sedan service. Also includes add back of FTA capitalized operating grant used by METRO to offset some of the costs of METROLift.

Allocation Base:

D8 100%
D8 100% of capital grant

Allocation Rationale: While all expenses in this responsibility center are attributable to the METROLift category, the expenses are split between the credit
for a grant and the actual expenses. The grant is allocated on the same basis as the costs that it offset.

C. Rail Operations

1. **Rail Operating Facilities** (0620)

Function: Administration and operations of METRORail.

Allocation Base:

D6 100%

Allocation Rationale: All expenses in this responsibility center are attributable to METRORail operations.

2. **Rail Control** (0651)

Function: Responsible for controlling METRORail operations.

Allocation Base:

D6 100%

Allocation Rationale: All expenses in this responsibility center are attributable to METRORail operations.

3. **Rail Vehicle/Signals/Traction Maintenance** (0610 and 0660)

Function: Responsible for maintaining all METRORail rolling stocks, signals, and traction power equipment. Also includes cost of traction power and the add back of FTA capitalized operating grant used by METRO to offset some of the costs of preventive maintenance.

Allocation Base:

D6 100%
D6 100% of capital grant

Allocation Rationale: All expenses in this responsibility center are attributable to METRORail operations. The grant is allocated on the same basis as the costs that it offset.

D. Maintenance
1. **Central Shops (1020)**

   Function: Handles heavy repairs, body and frame maintenance, and major component and bus part rebuilding for METRO’s bus fleet.

   Allocation Base:

   M3 100%

   Allocation Rationale: The number of miles operated by a vehicle drives the costs of maintaining it, and all METRO-operated services are maintained in-house.

2. **Preventive Maintenance (1100)**

   Function: Responsible for inspections, running repair maintenance, and cleaning for all buses at five operating garages. Also includes bus fuel for METRO-operated services. Also includes add back of FTA capitalized operating grant used by METRO to offset some of the costs of preventive maintenance.

   Allocation Base:

   B2 100% of Utilities
   M3 100% of remainder of 1100
   M3 100% of capital grant

   Allocation Rationale: The costs for 1100 are split between the cost of utilities and all other costs. The cost of utilities is driven by the number of operating facilities, which in turn is determined by the number of peak buses in the system. All other preventive maintenance costs are driven by the number of miles operated by a vehicle; hence, these costs are allocated in METRO-operated vehicle miles by mode. The grant is allocated on the same basis as the costs that it offsets.

3. **Senior Director Bus Maintenance (1191)**

   Function: Directs maintenance of all METRO-operated buses.

   Allocation Base:

   M3 100%

   Allocation Rationale: The number of miles operated by a vehicle drives the costs of maintaining it, and all METRO-operated services are maintained in-house.

4. **Maintenance General (1530)**

   Function: This account consists primarily of tires and tubes, miscellaneous fuel/lubricant excise taxes, and other miscellaneous maintenance expenses.
account also includes a significant credit that represents federal formula grant money and a CMAQ grant that are used to offset operating expenses. These grants are added back in the model adjacent to the responsibility centers whose costs are offset.

Allocation Base:

M3 100%

Allocation Rationale: The number of miles operated by a vehicle drives the rate of use of tires and tubes and of fuel, on which the excise taxes in this account are based. The amount of each grant that is offsetting costs in this responsibility center are allocated on the same basis as the costs that were offset.

5. Quality Assurance (1311)

Function: Ensures maintenance functions are performed in a quality manner. Fleet Managers assigned to each operating facility manage the road call program and investigate recurrent defects.

Allocation Base:

H8 5.5%
D8 5.5%
M3 89%

Allocation Rationale: One person in this cost center is shared between the First Transit contracted fixed-route service and the First Transit contracted METROLift service. With a total headcount of nine, the labor division results in 5.5% of the costs allocable to METROLift, 5.5% allocated to the two fixed-route First Transit services, and the remainder to METRO-operated services on vehicle miles.

6. Warranty (1312)

Function: The Warranty Section reviews failures of parts on METRO vehicles to determine if they are covered by manufacturer/vendor guarantee.

Allocation Base:

M5 100%

Allocation Rationale: These costs are applicable to all services operated with METRO-owned vehicles (including rail vehicles in FY 2007).

7. Technical Services (1220)

Function: The Technical Services Division includes both Technical Services and Advanced Technology. Technical Services handles project management for
various fleet upgrade programs; these sections also handle issues such as clean engine regulation, fleet defects, and lighting. The division staff works with vendors to address fleet or parts problems and bus procurements. Advanced Technology handles special projects to pilot and test new technology applications—such as hybrid buses—for consideration on a larger scale.

Allocation Base:

M3 100%

Allocation Rationale: This responsibility center is allocated to METRO-operated bus services on scheduled vehicle miles.

8. **Support Vehicle Maintenance and Buffalo Bayou Facility (1250)**

Function: Maintenance of support vehicles and equipment such as staff cars, vans, transit police vehicles, HOV tow trucks, trouble trucks, METROLift and support vehicle warranty work, and bus maintenance conducted at the Buffalo Bayou Facility. Also includes add back of FTA capitalized operating grant used by METRO to offset some of the costs of preventive maintenance.

Allocation Base:

M2 100% of 1351  
M3 100% of 1250 – 1351  
M3 100% of capital grant

Allocation Rationale: RC 1351 handles support vehicle maintenance, which supports all modes of service (except vanpool). The cost of maintaining the HOV-operated tow trucks and transit police cars used for Traffic Management work is already netted out and charged to the Traffic Management budget. The remaining departmental expenses include bus maintenance conducted at the Buffalo Bayou Facility and are attributable to METRO-operated services only. Therefore, they should be allocated like other METRO bus maintenance costs. The grant is allocated on the same basis as the costs that it offset.

9. **Director Maintenance Support (1381)**

Function: Director of Quality Assurance, Warranty, and Technical Services

Allocation Base:

M3 100%

Allocation Rationale: Almost all of the expenses of the three sections that report to the director are allocated on M3 (METRO-operated services). Therefore, the cost of the director is divided the same way.
10. **Facility Maintenance Administration (1341 and 1345)**

Function: Administration of Operating and Public Facility Maintenance (bus and rail) and Project Management.

Allocation Base:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>B2</td>
<td>54%</td>
<td></td>
</tr>
<tr>
<td>P1</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>M4</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>D6</td>
<td>14%</td>
<td></td>
</tr>
</tbody>
</table>

Allocation Rationale: The costs are allocated the same as the average of the groups managed by this department—Facility Maintenance, Public Facilities Maintenance, Environmental Services, Facilities Maintenance-Rail, and Public Facilities Maintenance-Rail.

11. **Facility Maintenance Program Administration and Operations (1342)**

Function: Responsible for the maintenance of METRO-owned facilities such as the operating garages

Allocation Base:

<p>| | |</p>
<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>B2</td>
<td>100%</td>
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</tbody>
</table>

Allocation Rationale: The number and size of the bus operating facilities is determined by the peak bus requirements of the system. Therefore, each service category should be allocated the costs of maintaining those facilities based on the number of peak buses for that mode.

12. **Public Facilities Maintenance (1343)**

Function: Maintains METRO facilities used by the public, such as Park & Ride lots, transit centers, bus shelters, and bus stops.

Allocation Base:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>38%</td>
</tr>
<tr>
<td>M4</td>
<td>62%</td>
</tr>
</tbody>
</table>

Allocation Rationale: The efforts in this division are in three main areas: park & ride lot maintenance, transit center maintenance, and route and shelter maintenance. While some overlap does occur, generally, transit centers and shelters support the local and express services while the park & rides lots support the park & ride services. Based on 2004 hourly labor distribution from the budget submittal document among the three areas, the Director of Operations Management Support found the bus stops/shelters accounted for 42% of the
section, transit centers 20%, and park & ride lots 38%. The current Facilities Maintenance Analyst confirmed that this breakdown is still valid (as of March 2008). Park & ride lot maintenance is split between METRO-operated and contract-operated services based on the number of lots operated by each. The number of bus stops that need maintaining are a function of the number of miles of service over which passengers can board and are allocated between local and express services on revenue miles.

13. Environmental Services (1344)

Function: Responsible for compliance with city, state and federal environmental regulations as they relate to facility operations and maintenance.

Allocation Base:

<table>
<thead>
<tr>
<th>Allocation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2</td>
<td>83%</td>
</tr>
<tr>
<td>D6</td>
<td>17%</td>
</tr>
</tbody>
</table>

Allocation Rationale: This group primarily supports the Facility Maintenance Program Administration and Operations department, therefore, most of the costs are allocated the same way. The group also supports the METRORail Rail Operations Center. Since the Rail Operations Center represents one of METRO’s six operating facilities, 17% of the expenses in this area are allocated to METRORail.

14. Facilities Maintenance-Rail (1370)

Function: Maintenance of the rail operating facility, track, traction/electrification, and public facilities such as METRORail stations, including contracts for landscaping and lighting.

Allocation Base:

<table>
<thead>
<tr>
<th>Allocation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>D6</td>
<td>100%</td>
</tr>
</tbody>
</table>

Allocation Rationale: All expenses in this responsibility center are attributable to METRORail operations.

16. MEAD (Maintenance Training) (1321)

Function: Administers training programs for METRO bus apprentices and mechanics.

Allocation Base:

<table>
<thead>
<tr>
<th>Allocation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>M3</td>
<td>100%</td>
</tr>
</tbody>
</table>
Allocation Rationale: As with other maintenance departments, the number of mechanic trainees for each service category is most closely related to the number of vehicle miles for each METRO-operated bus mode.

E. Administration

1. Police and Traffic Management (1900)
   
a. Security-BOF/ROC (0933)

   Function: Provide security at METRO's Bus Operating Facilities, Buffalo Bayou Facility, Rail Operations Center (ROC), and Park & Ride Lots. Security at five BOFs and the ROC are contracted; the rest of the security is provided with METRO staff.

   Allocation Base:

   B2  86%
   D6  14%

   Allocation Rationale: The number and size of the bus operating facilities is determined by the peak bus requirements of the system. Therefore, each service category should be allocated the costs of securing those facilities based on the number of peak buses for that mode. In addition, since the Rail Operations Center represents one of METRO's seven operating facilities (including Buffalo Bayou), 14% of the expenses in this area are allocated to METRORail.

   b. All Other Police and Traffic Management (1900 minus 0933)
   The remaining costs that are not charged to the Traffic Management budget are for transit police officers and activities that are related to the security of METRO patrons.

   Allocation Base:

   R2  100%

   Allocation Rationale: Costs are allocated to all services except METROVan based on ridership since one of the primary functions of Transit Police is safeguarding the security of all of METRO's patrons. All non-transit police expenses are charged directly to the Capital and Traffic Management budgets.

2. Planning Engineering and Construction (2100)

   Function: All portions of this division are capitalized.
Allocation Base:

H5 100%

Allocation Rationale: Revenue hours are used to indicate the level of effort required to plan and evaluate each service category. Therefore, if any costs are not capitalized, the allocation is based on the number of revenue hours scheduled for all Local, Express and Park & Ride services. In FY 2007, all of the costs in this division were capitalized.

3. Finance (2200)

a. VP/Chief Financial Officer (2210)

Function: Administration of the Finance Department.

Allocation Base:

R2 50%
R3 50%

Allocation Rationale: The allocation chosen assumes that about half of the staff time is spent administering METRO-operated services (e.g. fare collection) and half spent administering all METRO services except METROVan (e.g. General Accounting). Ridership is used as the allocation base, since the level of ridership on each service is the best estimator of the amount of money collected for each. And similarly, the amount of money collected for each service ties most closely with the functions performed by much of Finance.

b. Accounting (2220)

Function: Provides accounting support for all of METRO including payroll and accounts receivable and payable.

Allocation Base:

H1 50%
H3 50%

Allocation Rationale: The same rationale applies as for Finance-VP except that revenue hours are used in place of ridership. Revenue hours should more closely predict the level of effort spent by Accounting on each service. For example, contracted services are billed on a per revenue hour basis and most employees are paid on an hourly basis.

c. Treasury (2230)
Function: Investing METRO's capital reserve, long range financial planning, monitoring union and non-union pension activity, and deferred compensation administration.

Allocation Base:

R2 100%

Allocation Rationale: The costs in this section support all METRO services except METROVan, and are, therefore, allocated by ridership to all service categories.

d. Risk Management (2240)

Function: Administers METRO's Self-insurance Program and serves as an internal consultant for evaluation of risk.

Allocation Base:

H3 100%

Allocation Rationale: METRO-operated vehicles are exposed to potential accidents any time they are on the road. Therefore, this department is allocated on vehicle hours.

e. Grants (2353)

Function: This department manages METRO’s federal and state grant programs. All portions of this division are currently capitalized.

Allocation Base:

R1 100%

Allocation Rationale: Generally, all costs of this department are charged to the capital budget (to the projects supported by the grants). If any costs are charged to the operating budget, the expenses will be allocated on ridership since this function deals with all services.

f. Office of Management and Budget (2260)

Function: This department includes the Office of Management and Budget. The portion of this department that is charged to the transit operating budget focuses on developing and monitoring the annual operating budget.
Allocation Base:

R1  100%

Allocation Rationale: The above functions deal with all services. Ridership is the only common base which is relevant for all services and is thus used for the allocation factor.

g. Revenue Services (2290)

Function: New division created in 2007 responsible for selling fare scrip, collecting and counting money, and maintaining all fare collection equipment.

Allocation Base:

R2  100%

Allocation Rationale: The above function (exclusive of the equipment maintenance sections of it listed below) deal with all services for which fares are collected (all services except METROVan). Ridership is the only common base which is relevant for all services and is thus used for the allocation factor.

Electronic Maintenance (1301)

Function: Installs and maintains bus related communications equipment such as electronic destination signs, radios, and the transit dispatchers' radio (microwave) system for METRO-operated bus services. They are also responsible for maintenance on the closed circuit televisions used for security at all Bus Operating Facilities. First Transit maintains the radios for the services it operates.

Allocation Base:

M3  100%

Allocation Rationale: The departmental expenses should be apportioned across all METRO-operated service modes on vehicle miles.

Rail Electronic Maintenance (1302)

Function: Installs and maintains all electronic equipment related to METRORail.

Allocation Base:

D6  100%

Allocation Rationale: All expenses in this responsibility center are attributable to METRORail operations.
Fare Collection Maintenance (2233)

Function: Installs and maintains fare collection equipment on all bus and rail services, including contracted services but not including vanpool or METROLift services.

Allocation Base:

B4 100%

Allocation Rationale: The departmental expenses should be apportioned across all service modes for which fares are collected with the smart card system.

4. Information Technology (2280)

Function: Operates and supports all computer and information technology functions for the authority.

Allocation Base:

B4 95%
D8 5%

Allocation Rationale: The Vice President of IT suggested peak vehicles as a reasonable allocation base for most of this department’s expenses, because so many of the major systems that IT supports are tied to vehicles (e.g., APCs, AVLs, etc.) A direct allocation was added for METROLift to recognize the support provided to it for functions such as the reservation system.

5. Executive Office (2130, 2060, 2300, 2320, 2330, and 2350)

Function: Administration of the President’s Office, Real Estate, Government Affairs, the Board of Directors, Audit, and Legal Departments.

Allocation Base:

R1 100%

Allocation Rationale: The above functions deal with all services. Ridership is the only common base which is relevant for all services and is thus used for the allocation factor.

6. Administration (2340)

Function: Provides administrative functions such as the mailroom and print shop for the entire Authority.
Allocation Base:

R1  100%

Allocation Rationale: The above functions deal with all services. Ridership is the only common base which is relevant for all services and is thus used for the allocation factor.

7. Human Resources and Diversity (2400)

Function: Hires employees (costs include relocation and agency fees) and manages the Training, Compensation, and Benefits programs for employees.

Allocation Base:

R1  50%
R3  50%

Allocation Rationale: The number of employees needed for each service category will drive the expenditures in personnel. Clearly, METRO-operated services require more METRO employees than contractor-operated services, although contractor-operated services still require support from many METRO employees. One-half of the costs will be allocated to METRO-operated services only while the rest will be spread among all modes.

8. Procurement and Materials (2460)

Function: Includes the Business Development, Procurement, and Materials and Distribution sections. Writes contracts for the procurement of contract services, construction projects, and materials and buys materials for all METRO functional areas, with the Maintenance Department being the largest user of materials.

Allocation Base:

M5  84%
R2  16%

Allocation Rationale: In FY 2007, Materials and Distribution accounts for 84% of the non-capitalized costs in this department. Since this area primarily supports Maintenance, the costs are allocated on METRO-operated miles just as most Maintenance Department costs are. The remaining 16% (Business Development and Procurement) support all modes, and the costs are allocated on ridership to all modes except METROVan.

9. Comunications and Marketing (2500)
Function: Provides marketing and communication for all METRO services and the direct cost of METROVan service.

a. **METROVan (2539)**

Function: Organization of and subsidization of vanpools. A portion of the costs are recovered through a grant provided by the Houston-Galveston Area Council.

Allocation Base:

D10  100%

Allocation Rationale: All expenses in this responsibility center are attributable to the METROVan Program.

b. **All Other Communications and Marketing (2500 minus 2539)**

Function: Includes all marketing, communications, and customer service functions.

Allocation Base:

R1  100%

Allocation Rationale: Marketing, customer service, and public relations efforts support all METRO services, fixed-route services as well as non-fixed route services. Boardings are the only common service attribute to all services and is, therefore, used as the allocation base.

10. **Contingency (2600)**

Function: A non-functional area which currently includes payments under merit program for salaried employees.

Allocation Base:

R1  50%
R3  50%

Allocation Rationale: The number of salaried employees needed for each service category will drive the expenditures in personnel. Clearly, METRO-operated services require more salaried METRO employees than contractor-operated services, although contractor-operated services still require support from many METRO employees. Therefore, consistent with the Human Resources allocation, ½ of the costs will be allocated to METRO-operated services only while the other half will be spread among all modes.
D. Depreciation

1. **Land Improvements (5130101)**

   Description: Depreciation of park & ride lot improvements only.

   Allocation Base:
   
   P1 100%

   Allocation Rationale: Since all costs in this category relate to Park & Ride lots, allocation is based on the number of lots served by each mode.

2. **Bus Stops (5130102)**

   Description: Depreciation of all signs (bus stops, HOV, and transit centers), bus shelters, and trash cans.

   Allocation Base:
   
   M4 100%

   Allocation Rationale: The number of bus stops and shelters for each service category is related to the number of revenue miles operated. The exception is park & ride services, which have stops over only a small portion of the revenue miles. Since the number of miles of stops for park & ride are so small compared to the miles of stops for local and express services (and are shared miles as well), no allocation is made to park & ride service.

3. **Transitways (5130103)**

   Description: Depreciation of the transitways.

   Allocation Base:
   
   P1 2.5%
   Traffic Management 97.5%

   Allocation Rationale: Transitway depreciation is split between park & ride modes (modes that are primary users of the transitways) and a direct charge to the Traffic Management budget. While over 99% of the vehicles on the transitways are carpools or vanpools—which are considered Traffic Management functions—buses weight significantly more and, therefore, contribute proportionately more to the depreciation of the assets. Adjusting to reflect a heavier axle load for buses (at about 7 times more than passenger vehicle), the resulting allocation based on 2003 traffic volumes is 97.5% to Traffic Management and 2.5% to buses. The 2.5% to buses is further allocated to primary transitway modes (park & ride) by the number of lots operated by METRO and First Transit.
4. **Motor Buses (5130401)**

Description: Depreciation of METRO's bus fleet including fareboxes, wheelchair lifts, destination signs, communication equipment that are installed on the buses, and the METROLift vans.

Allocation Base:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>B1</td>
<td>94%</td>
</tr>
<tr>
<td>D8</td>
<td>6%</td>
</tr>
</tbody>
</table>

Allocation Rationale: The amount of depreciation allocated to each mode is calculated outside the model by OMB. The calculation is based on the actual amount of depreciation booked in 2007 for each type of bus or van.

5. **Rail Vehicles**

Description: Depreciation of METRO's rail fleet.

Allocation Base:

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>D6</td>
</tr>
</tbody>
</table>

Allocation Rationale: All expenses in this responsibility center are attributable to METRORail.

6. **Auto Equipment Transit (5130501)**

Description: Depreciation of staff cars, transit police vehicles, wreckers, and any other non-revenue vehicles needed for the authority.

Allocation Base:

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>M2</td>
</tr>
</tbody>
</table>

Allocation Rationale: Since Automotive Equipment depreciation for Traffic Management has a separate budget line item, all of these costs are allocated to the transit modes. The depreciation is allocated the same as support vehicle maintenance, on total revenue miles for all services.

7. **Shop and Garage Equipment (5130701)**

Description: Depreciation of shop and garage equipment for METRO's bus operating and maintenance facilities.
Allocation Base:

M3 100%

Allocation Rationale: Since most of this account is for maintenance equipment, vehicle miles for METRO-operated services is the most appropriate allocation base.

8. **Property Equipment and Others (5130702)**

Description: Depreciation of whatever is not placed in any other category. Some examples include water coolers, forklifts, body armor & equipment, cameras, forklifts, and some miscellaneous data processing equipment such as memory modules and print servers.

Allocation Base:

R2 100%

Allocation Rationale: As with other accounts that support all METRO services, this depreciation expense is allocated to all modes on ridership except METROVan

9. **Data Processing Equipment (5130703)**

Description: Depreciation of computer equipment.

Allocation Base:

B4 100%

Allocation Rationale: Since the largest single depreciation expense in this account is for computer equipment, this entire account is allocated on the same rationale as the IT Department.

10. **Communication Equipment (5130901)**

Description: Depreciation of all communication equipment not on buses including police radios, telephone system, etc.

Allocation Base:

M2 100%

Allocation Rationale: This benefits all service categories except METROVan and is allocated on revenue miles.
11. **Fare Collection Equipment** (5131101)

Description: Depreciation of all spare fare collection equipment and parts.

Allocation Base:

- B4 100%

Allocation Rationale: The amount of spare fare collection equipment needed for each mode is determined by the peak bus requirement for each fixed-route service.

12. **Building and Building Improvements** (5131201)

Description: Depreciation of the bus operating facilities, transit centers, and other METRO facilities such as Buffalo Bayou and Central Stores.

Allocation Base:

- B4 100%

Allocation Rationale: The largest component of this category are bus operating facilities, and their capacities are based on peak buses. In addition, the modes represented by this allocation base are also those modes that use the transit centers. Therefore, peak buses for all fixed-route service categories are used as the allocation base.

13. **Furniture and Fixtures** (5131202)

Description: Depreciation of all office furniture, fixtures, and equipment.

Allocation Base:

- R2 100%

Allocation Rationale: As with many of the other administrative expenses, the percentages of ridership for each mode (except METROVan) seem to result in the most equitable allocation.

14. **Leasehold Improvements** (5131203)

Description: Depreciation of improvements to the Murphy’s Deli at 1900 Main Street. Items are depreciated over the life of the lease.
Allocation Base:

R2 100%

Allocation Rationale: Again, the fairest allocation of these administrative costs seems to be with ridership percentages.

E. Gain or Loss on Disposal of Fixed Assets

This line should be allocated in the same fashion as the depreciation was allocated for the disposed items. Therefore, the allocation base must be decided each time the model is run once the disposed assets have been identified. However, if a large group of various items occurs, then M3 will be the default allocation base.

IV. VARIABLE COST MODEL

The cost allocation model can also be used to estimate variable operating costs by mode. In this case, variable costs are those that change as service levels are incrementally changed. Clearly, all costs are variable over a long period of time or with enormous changes in service; however, this variable cost model is intended to capture those costs that vary as service increases or decreases a typical amount for METRO service annually.

The far right hand column for each responsibility center’s costs denotes whether the costs are considered variable (“Yes”) or fixed (“No”). To estimate the variable costs, all costs in columns with a “No” should be set to zero. The remaining costs are variable costs.

V. COST EFFECTIVENESS INDICATORS

The last section of the model calculated various cost effectiveness indicators for METRO services. The indicators are presented in a number of ways:

- Aggregated and disaggregated

  An aggregate cost effectiveness indicator includes all costs for a service in one indicator. For example, Operating Cost/Revenue Mile for METRO-operated Local multiplied by revenue miles for METRO-operated local yields the total cost for METRO-operated local service for 2007.

  Disaggregate cost effectiveness indicators split the allocated costs into three groups: those generally associated with hours, miles, and peak vehicles. Then, to generate total costs for a mode for the year, all three indicators must be multiplied by their service statistics. The three totals are the summed to yield total operating costs for the year. The far right column in the cost allocation model indicates with an H, M, or P in which disaggregate cost effectiveness indicator (cost/scheduled vehicle hour, cost/scheduled vehicle mile, or cost/peak vehicle) each cost centers allocated costs are included.

- With and without depreciation
Since some analyses appropriately include depreciation costs and some do not, the cost effectiveness indicators are presented both ways.

- Gross and net of operating grants

Cost effectiveness indicators are presented both net and gross of the FTA operating grants referred to in the model documentation. So the indicators that say “net” are the net operating costs with the benefit of the grants included, while those called “gross” are METRO’s gross costs without the credit for the grants.
## FY2007 Cost Allocation Model - FY07 FINAL

### I. SERVICE LEVELS

<table>
<thead>
<tr>
<th>SERVICE VARIABLE</th>
<th>CODE</th>
<th>ALLOC. CODE</th>
<th>%</th>
<th>Local METRO</th>
<th>Express METRO</th>
<th>Local &amp; Express FT</th>
<th>Park &amp; Ride FT</th>
<th>METROLift</th>
<th>Special Events</th>
<th>Charter Int &amp; Ext</th>
<th>METROVan</th>
<th>METRORail</th>
<th>Reserved</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Vehicle Miles</td>
<td>56,155,986</td>
<td>22,024,690</td>
<td>2,935,016</td>
<td>5,246,830</td>
<td>1,811,986</td>
<td>16,400,081</td>
<td>302,238</td>
<td>1,940</td>
<td>795,292</td>
<td>56,155,986</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Revenue Vehicle Hours</td>
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<td>1,761,252</td>
<td>201,181</td>
<td>67,975</td>
<td>786,919</td>
<td>35,073</td>
<td>329</td>
<td>57,654</td>
<td>3,590,572</td>
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<td></td>
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<tr>
<td>Served Vehicle Miles</td>
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</tbody>
</table>

### II. ALLOCATION FACTORS

#### MILES

- Total Revenue Miles (M1) 100.0% 39.22% 5.23% 11.82% 9.34% 3.23% 29.20% 0.54% 0.00% 1.42%
- METRO-Monitored Rev Mi (M2) 100.0% 39.22% 5.23% 11.82% 9.34% 3.23% 29.20% 0.54% 0.00% 1.42%
- METRO-Oper Bus Veh Miles (M3) 100.0% 69.74% 10.45% 18.98% 0.83% 0.01%
- Local & Express Rev Mi (M4) 100.0% 69.70% 9.29% 21.01%
- METRO-Op Veh (Bus & Car) Mi (M5) 100.0% 68.24% 10.23% 18.57% 0.81% 0.01% 2.15%
- Fixed Route Bus Rev. Mi (M6) 100.0% 65.24% 10.23% 18.57% 0.81% 0.01% 2.15%

#### HOURS

- Total Rev Hrs ex Van (H1) 100.0% 49.02% 4.78% 13.94% 5.85% 1.89% 21.92% 0.98% 0.01% 1.61%
- Total Rev Hrs ex Van & Rail (H2) 100.0% 49.82% 4.86% 14.17% 5.95% 1.92% 22.27% 0.99% 0.01%
- METRO-Oper Rev Hr (H3) 100.0% 80.84% 7.88% 9.85% 1.81% 0.01%
- Spec Evnts & Charter Rev Hr (H4) 100.0% 99.08% 0.92%
- Fixed Route Bus Rev. Hr (H5) 100.0% 64.94% 6.33% 18.47% 7.75% 2.51%
- METRO-Oper FR Bus Veh Hrs (H6) 100.0% 79.60% 8.96% 11.44%
- METRO-Oper Bus Payhrs Reg (H7) 100.0% 78.81% 8.74% 12.45%
- Fixed Route Contract Veh Hrs (H8) 100.0% 85.96% 14.04%
- Fixed Route All Veh Hrs (H9) 100.0% 61.44% 6.92% 17.63% 8.83% 2.88% 2.31%

#### FACILITIES

- P&R Lot Served (P1) 100.00% 55.81% 5.67% 14.15% 6.37% 1.99% 4.10% 0.71% 0.00% 11.56%

#### RIDERSHIP

- Total Boarding Passengers (R1) 100.0% 57.14% 5.81% 14.49% 6.52% 2.04% 1.44% 0.73% 0.00% 11.83%
- METRO Operated Service (R2) 100.0% 59.96% 7.08% 7.95% 0.89% 0.00% 14.43%
- Passenger Miles ex Van (R3) 100.0% 44.31% 8.40% 11.11% 20.40% 5.92% 3.17% 1.56% 0.01% 5.13%

#### PEAK BUS FACTORS

- Fixed Route Peak Buses (B1) 100.0% 56.69% 8.00% 12.04% 20.74% 6.68%
- METRO Op Fed Rte Pk Bus (B2) 100.0% 56.69% 8.00% 25.01%
- Unused (B3) 0.0%
- Metro Owned Peak Vehicles (B4) 100.0% 51.73% 7.87% 11.86% 20.42% 6.57% 1.56%

#### DUMMY FACTORS

- Local METRO (D1) 100.0% 100.0%
- Unused (D2) 0.0%
- Local and Express FT (D3) 100.0% 100.0%

### III. COST ALLOCATION (0002 Net Transit Expenses)

#### OPERATIONS
<table>
<thead>
<tr>
<th>SERVICE VARIABLE</th>
<th>CODE</th>
<th>TOTALS</th>
<th>ALLLOC. CODE</th>
<th>%</th>
<th>Local METRO</th>
<th>Express METRO</th>
<th>Local &amp; Express FT</th>
<th>Park &amp; Ride METRO</th>
<th>Park &amp; Ride FT</th>
<th>METROLift</th>
<th>Special Events</th>
<th>Charter Int &amp; Ext</th>
<th>METROVan</th>
<th>METROtail</th>
<th>Reserved</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>SVPI/Operations</td>
<td>0100</td>
<td>835,841</td>
<td>H1</td>
<td>90%</td>
<td>$395,262</td>
<td>$38,533</td>
<td>$12,407</td>
<td>$47,196</td>
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<td>$176,701</td>
<td>$7,876</td>
<td>$73</td>
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<tr>
<td>Sr. Director Transportation</td>
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<td>H2</td>
<td>100%</td>
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<td>Transportation General</td>
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<td>Rail Operating Facilities</td>
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<td>D6</td>
<td>100%</td>
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<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$4,500,915</td>
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<td>H6</td>
<td>100%</td>
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<td>Special Events Administration</td>
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<td>H4</td>
<td>15%</td>
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<td>$0</td>
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<td>$0</td>
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<td>METRO Special Events</td>
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<td>H4</td>
<td>100%</td>
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<td>$0</td>
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<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<td>$0</td>
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</tr>
<tr>
<td>FT Special Events</td>
<td>0382</td>
<td>0</td>
<td>D9</td>
<td>100%</td>
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</tr>
<tr>
<td>Special Events Special Rollup</td>
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<td>0</td>
<td>D9</td>
<td>100%</td>
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</tr>
<tr>
<td>Facilities Maintenance - Admin</td>
<td>1341,1345</td>
<td>172,824</td>
<td>B2</td>
<td>54%</td>
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<tr>
<td>Facilities Maintenance - P&amp;O</td>
<td>1342</td>
<td>8,215,204</td>
<td>H9</td>
<td>100%</td>
<td>$6,553,432</td>
<td>$73,792</td>
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<td>$94,170</td>
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</tr>
<tr>
<td>Public Facilities - Pub. Fac.</td>
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<td>P1</td>
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<td>Environmental Services</td>
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<tr>
<td>Operations Planning</td>
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<tr>
<td>NEAD</td>
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**FY2007 Cost Allocation Model**
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<th>Park &amp; Ride METRO</th>
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<th>Charter</th>
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**FY07 Cost Allocation**

**FINAL revisedmodel-4-30-08, Cost Allocation**