EXHIBIT NO. 1

24
9-28-04

City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 23, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER PS

SUBJECT: CONSIDERATION OF METRO MATTERS INTERJURISDICTIONAL CAPITAL FUNDING AGREEMENT

ISSUE: Regional funding agreement to substantially increase Metrobus and Metrorail capital funding, and the resultant long-term cost of this agreement to the City.

RECOMMENDATION: That City Council authorize the City Manager to execute, on behalf of the City, the Metro Matters Funding Agreement (Attachment I) in substantially the form presented to Council with such changes as are approved by the City Manager and the City Attorney. The execution of this document by the City Manager shall constitute conclusive evidence of his approval, and that of the City Attorney, of any and all changes from the documents made available to the Council.

BACKGROUND: Over the past year the Washington Metropolitan Area Transit Authority (WMATA) Board of Directors discussed and then approved a proposed "Metro Matters" capital improvement program (Attachment II) which identified $1.5 billion in unfunded, urgent capital needs of the region's WMATA bus and rail transit system over the next six years above and beyond the previously existing WMATA capital plans for which the region's governments (The District of Columbia, the State of Maryland on behalf of Montgomery County and Prince George's County, Arlington County, Fairfax County, the City of Fairfax, the City of Falls Church, and the City of Alexandria) had planned to fund.

The timing of the region's governments being requested to consider and approve the Metro Matters Funding Agreement relates to existing contract options from its most recent rail car purchase. Under these options WMATA can purchase 120 additional rail cars at a very favorable price. These options begin to expire on November 14, 2004. WMATA (and therefore the region) can save $90 million by exercising these options from the Italian firm that is the lead manufacturer of the rail cars. This savings derives from changes in international currency exchange rates, as well as commodity prices (such as steel) which have occurred since the option agreement was originally negotiated.

The Metro Matters program, when combined with the prior WMATA six-year capital plan (FY 2005 to FY 2010), totals $3.2 billion and has four elements:

1. The **Infrastructure Renewal Program** (IRP), is aimed at keeping the existing WMATA existing facilities and vehicles in a state of good repair through capital investment renewal. The IRP is proposed at a $2.4 billion funding level.

2. The **Rail Car Program** will improve Metrorail performance by adding eight-car trains to some of the most overcrowded Metrorail line and will also support further ridership growth. The rail car program proposes a $0.6 billion funding level and includes not only the purchase of 120 additional rail cars, but also the creating of the Metrorail system's capacity to support eight car trains.

3. The **Bus Program** is aimed at relieving overcrowding and supporting future bus ridership growth at a cost of just under $0.2 billion.

4. The **Security Program**, which is assumed to be fully federally funded as a homeland security initiative, is aimed at improving Metro's capacity to operate in an emergency, as well as to prevent emergencies through the implementation of protective measures.

All of these elements combine to support public transit as a stable and reliable form of public transportation in the region with increased capacity, which will help address regional public clean air needs, as well as traffic congestion issues. For the City, the Metro Matters program also is consistent with the City's Approved Strategic Plan (Goal 3: "An integrated, multimodal transportation system that efficiently and effectively gets people from point "A" to point "B", as well as many of that Goal's specific objectives).

The Metro Matters Funding Agreement, while addressing $3.2 billion in capital investments, does not come close to funding the $12.2 billion 10-year Capital Funding Plan which WMATA previously identified as its long-term capital need. While the Metro Matters Funding Agreement will about double on a ramp-up basis the region's contributions to WMATA, it will leave about $9.0 billion not funded. For example, the replacement of outdated Metrobus bus garages, such as the WMATA garage on Royal Street in the City, is not funded under the Metro Matters Agreement.

The Metro Matters Agreement contemplates the District of Columbia, the State of Maryland, Fairfax County, Arlington County, the City of Fairfax, the City of Falls Church and the City of Alexandria agreeing to provide $1.9 billion over the next 20 years, with some $0.9 billion being provided in the FY 2005 through FY 2010 time period. Federal government transit capital assistance is estimated at $1.2 billion over the FY 2005 to FY 2010 time period. Other miscellaneous sources will cover the remaining $0.1 billion costs of the Metro Matters Program. Each local share is determined by long-standing consensus-driven formulae which seek to equitably divide WMATA capital costs among its participating governments. All of the participating governments' chief executive officers are recommending approval of the Metro Matters program, and it appears that approval by all other local governmental signatories will occur in the next few weeks.

Under the Agreement, the City will fund 4.4% of the $1.9 billion. Some of this City's obligation may be paid by the Commonwealth of Virginia if the State can be convinced to increase its transit funding to Northern Virginia, or transportation funding in general. This 4.4% share translates into a $40.7 million City obligation for the FY 2005 to FY 2010 time period, and a $41.8 million City share for the FY 2011 to FY 2024 time period.

This City share is proposed to ramp-up from a FY 2005 level of $4.6 million (compared to the $4.7 million that the City has already budgeted for FY 2005) to an $8.8 million City share by FY 2010 (compared to $4.0 million currently in the CIP). The total City six-year share of $40.7 million is some $11.9 million more than the $28.8 million that is now in the Capital Improvement Program for FY 2005 to FY 2010. The following chart depicts the ramp-up and how it compares with the City's current CIP:

Metro Matters Funding Agreement
City of Alexandria Share

Expenditures ($ in millions)	FY05	FY06	FY07	FY08	FY09	FY10	6 YEAR TOTAL	FY 2011-FY 2024	20 YEAR TOTAL
FY 2005 - 2010 Approved City CIP (Pre-Metro Matters)	4.70	5.90	5.40	4.80	4.00	4.00	28.80	n/a	28.80
Proposed Metro Matters Funding Agreement	4.55	5.85	6.28	7.31	7.92	8.78	40.69	41.81	82.50
Additional Funds Required/(Surplus)	(0.15)	(0.05)	0.88	2.51	3.92	4.78	11.89	41.81	53.70

A more detailed 20-year funding chart is included as Attachment A-4A (ii) of the Metro Matters Funding Agreement.

The Metro Matters Funding Agreement represents the results of four months of long, intensive staff-level negotiations between WMATA and its local funding partners. Initially, WMATA wanted a much more costly 20-year agreement, but the compromise was a core six-year Metro Matters Agreement, plus the post six-year costs of debt service of WMATA capital borrowings, and the payment of the tail-end costs of contracts initiated during the first six years in subsequent years. The final negotiations of the Agreement were not concluded and the final Agreement text not finalized until yesterday.

The key terms and conditions of the Metro Matters Funding Agreement include:

1. The obligations to pay by the District of Columbia, the State of Maryland and the participating local governments in Virginia is subject to appropriation and is not legally binding. However, this pledge represents a "moral obligation" which is expected to be honored. This is a similar pledge which has been previously used to fund WMATA capital needs during the construction of the original 103-mile Metrorail system.

2. WMATA is changing its practice of requiring the local share to be paid prior to a contract being awarded, and is shifting to a cash flow obligation basis which will allow WMATA to undertake significantly more projects in the short-term than it would otherwise.

3. WMATA is also changing its practice of not using debt as a capital financing tool, and would be undertaking long-term debt issuances so that some of the capital investments, such as rail cars, could be financed over their useful life, rather than solely on a cash basis, as it did previously.

4. The amounts due assume that the federal government will provide special grants of $260 million. This is being sought in the legislative re-authorization of T-21 by Congress for the Rail Car Program. If federal funding does not occur, then the $260 million would become local costs (the City's 4.4% share, if these federal funds do not materialize, would be $11.4 million) and would likely be financed by WMATA over a 20 to 30 year period (the useful life of the new rail cars).

5. The District of Columbia will sign the same Metro Matters Funding Agreement as will all other local governments. However, due to its unique laws and Congressional appropriation process, the District will also have a separate funding agreement which will include language which overrides the Metro Matters Funding Agreement in some technical areas. None of the District's overriding special language would change the timing and the amount of funds due from the District to WMATA under the Metro Matters Funding Agreement.

6. No federal funds may be used to pay the local share. This is due to the use of federal funds by WMATA for the Metro Matters program which requires non-federal sources as the match in the Metro Matters Program. Because VDOT now has started including some federal funds in Urban Funds allocated to Virginia localities, Urban Funds may no longer be used as a local match. This will mean a reallocation within the City's CIP of Urban Funds from transit to non-transit transportation projects and the need for all local capital funds to pay for the Metro Matters program.

7. The local share is capped in the annual and aggregate amount, with the exception of the federal grant shortfall exception (see #4 above), as well as a few non-material exceptions related to WMATA borrowing costs. Any increase in the local share beyond those

exceptions would require the formal agreement of all signatories to the Metro Matters Funding Agreement.

8. It is likely that near the end of the core six-year period of this initial Metro Matters Funding Agreement, that a Metro Matters Funding Agreement II will need to be negotiated and developed among the signatories to take this Metrobus and Metrorail capital investment program to its next phase (FY2011 and beyond). This will have the effect of increasing the City's share from FY 2011 to 2024 above the current $41.8 million. This multi-agreement approach is similar to how the 103-mile Metrorail system local financial obligations were originally structured and financed (ICCA-I, II, III, IV and V).

9. The Metro Matters Funding Agreement would not become effective until all parties approve and sign the Agreement.

While the Royal Street garage replacement was not funded in the Metro Matters Funding Agreement, WMATA's General Manager has agreed that over the next twelve months WMATA staff "will continue to aggressively pursue identification of alternate sites" for the Royal Street garage, and then "develop a feasible financial plan to accommodate such a relocation." City staff will work with WMATA on this effort.

FISCAL IMPACT: As previously indicated, the City's share of this Metro Matters Funding Agreement is $40.7 million over the FY 2005 to FY 2010 time period ($11.9 million more than in the current City CIP), and then $41.8 million from 2011 to the year 2024 (beyond the scope of the City's current CIP). The only exception would be if the new rail cars are financed over 30 years, then the local share payments would go to 2034. For FY 2005 and FY 2006, the total due from the City to WMATA under the Metro Matters program is slightly less than currently planned in the City's CIP.

It is likely that the additional City share will be financed by a combination of City cash capital contributions, additional bond issuance and special state transit capital funding, which will need to be sought from the Governor and the General Assembly as a high priority of the region. A number of alternatives are being discussed for this upcoming General Assembly session. A tempering factor in this increased financial obligation is the gradual ramp-up of the local contributions in the Metro Matters Agreement, which provides some short-term relief and gives a few years of time to work through to approval needed changes in the state budget, as well as transportation financing policy and laws in order to provide a higher level of state transit capital funding.

ATTACHMENTS:

Attachment I. Metro Matters Funding Agreement

Attachment II. WMATA Metro Matters Report: *"America's Transit System Stands at the Precipice of a Fiscal and Service Crisis"*

STAFF:

Mark Jinks, Assistant City Manager
Karen Snow, Assistant City Attorney
Morgan Routt, Analyst, Office of Management and Budget
Jim Maslanka, Division Chief, Transportation and Environmental Services

METRO MATTERS FUNDING AGREEMENT

Among

The State of Maryland

The District of Columbia;

Arlington County, Virginia;

Fairfax County, Virginia;

The City of Alexandria, Virginia;

The City of Fairfax, Virginia;

The City of Falls Church, Virginia;

And

The Washington Metropolitan Area Transit Authority

TABLE OF CONTENTS

TABLE OF ATTACHMENTS*

* There may be minor internal inconsistencies with the numbers contained in the attachments due to rounding.

METRO MATTERS FUNDING AGREEMENT

THIS METRO MATTERS FUNDING AGREEMENT (Agreement) is made and entered into this ____ day of ____________, 2004, by and among **the Washington Metropolitan Area Transit Authority (WMATA)**, a body corporate and politic created by interstate compact between Maryland, Virginia, and the District of Columbia; **the State of Maryland, acting by and through the Washington Suburban Transit District and the Department of Transportation; the District of Columbia; Arlington County, Virginia; Fairfax County, Virginia; the City of Alexandria, Virginia; the City of Fairfax, Virginia;** and **the City of Falls Church, Virginia (Contributing Jurisdictions)**:

RECITALS

1. The WMATA transit system has played a critical role in the growth and prosperity of the National Capital Region and environs, and WMATA's continued economic vitality is essential to the regional transportation system and the environmental quality, economic, educational and cultural life of the Washington region.

2. The WMATA system was built and is operated through the substantial investment of public funds by the Federal Government and by State and local governments in the region.

3. The lack of secure and reliable dedicated funding to rehabilitate and maintain the WMATA transit system and to replace rail cars, buses, and other key transit assets is creating a transportation crisis, threatening the continued health and vitality of the system and jeopardizing the public investment.

4. WMATA has a proposed a FY 2005-2010 Capital Improvement Program budget that will invest almost $1.9 billion in the WMATA transit system, but that budget still leaves almost $1.5 billion of unfunded critical capital needs for the WMATA system.

5. To address this problem, the Parties have agreed upon a Financial Plan that will, with the cooperation and participation of the Federal Government, provide sufficient revenues to fund the Metro Matters Program, including the Funded Infrastructure Renewal Program, for fiscal years 2005-2010.

6. The funding mechanisms to be implemented in the Metro Matters Program Integrated Financial Plan, through the transition to expenditure based budgeting, provide a one-time opportunity to make resources available in fiscal years 2005-2010 to fund WMATA's critical capital needs on an expedited basis.

7. The Parties acknowledge that the plans developed for financing the Metro Matters Program and the transition to expenditure based budgeting contemplate a schedule of expenditure commitments of the Contributing Jurisdictions during fiscal years 2005-2010 and beyond. These expenditure commitments will require a steady and substantial average Federal and non-Federal level of financial contributions for WMATA's Infrastructure Renewal Program needs over the long term of approximately $435M per year for the 89.5 mile Adopted Regional System, as estimated in the WMATA Facilities and Equipment Condition Assessment Report by Frederic R. Harris, Inc., July 22, 1998. See Attachment 1.

8. The specific funding commitments for the term of this Agreement are made by the Contributing Jurisdictions for WMATA FY 2005-2010 and, as reflected in the Integrated Financial Plan (Attachment 4A) and the Detailed Allocated Contributions (Attachment 4C), for the additional fiscal years necessary to meet the Metro Matters expenditure requirements and pay

WMATA debt service for projects commenced during FY 2005-2010. It is the understanding and expectation of the Parties that this Agreement will be amended, or superceded by a new agreement, prior to FY 2011 to fund: (a) WMATA's ongoing IRP needs as shown on Attachment 1; and (b) the Outyear Funding Requirements resulting from WMATA's transition to expenditure based budgeting which are shown as the shaded and blocked portions of Attachment 4B.

NOW, THEREFORE, in consideration of the mutual promises and obligations hereinafter set forth, the Parties hereby agree as follows:

SEC. 1 DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings, unless the context otherwise requires:

(1) "Agreement" means this Metro Matters Funding Agreement.

(2) "Allocated Contribution" means the financial share of the cost of the Metro Matters Program to be contributed by a Contributing Jurisdiction, in accordance with the terms of this Agreement and the Attachments hereto.

(3) "Annual Work Plan" means the annual plan developed by WMATA and submitted to the Contributing Jurisdictions which identifies, by Program Element, the Metro Matters Program projects and activities to be undertaken in a specific fiscal year and the estimated annual cash requirement of those projects and activities, as more specifically described in Section 4 of this Agreement.

(4) "Authorized Representative" means the individual designated by the chief executive officer (or comparable officials) of a Contributing Jurisdiction or WMATA to take actions on behalf of that Party regarding issues that arise in carrying out this Agreement.

(5) "Contributing Jurisdictions" means the State of Maryland acting by and through the Washington Suburban Transit District and the Department of Transportation; the District of Columbia; Arlington County, Virginia; Fairfax County, Virginia; the City of Alexandria, Virginia; the City of Fairfax, Virginia; and the City of Falls Church, Virginia.

(6) "Days" means calendar days, unless otherwise specifically provided.

(7) "Debt" means any bond, security, debt issuance, certificate of participation, Grant Anticipation Debt, or other evidence of indebtedness issued by a public body, and includes commercial paper, lines of credit, and letters of credit to finance the program of projects set forth in Attachments 3A, 3B, 3C, and 3D.

(8) "Discretionary Grant" means any award of discretionary Federal financial assistance for a new or existing fixed guideway system from the capital investment grant program authorized under Section 5309 of Title 49 of the U.S. Code, or from a similar discretionary grant program under which funds are provided on other than a formula basis.

(9) "Expenditure based" or "expenditure basis" means the actual cash outlay used to pay a vendor or contractor for approved project activities as work is performed.

(10) "Federal grant" means an award of financial assistance, including formula grants, discretionary grants, and cooperative agreements, in the form of money, or property in lieu of money, by the Federal Government through the Federal Transit Administration to an eligible grantee. The term does not include technical assistance which provides services instead of money, or other assistance in the form of revenue sharing, loans, loan guarantees, interest subsidies, insurance, or direct appropriations. Also, the term does not include assistance, such as a fellowship or other lump sum award, which the grantee is not required to account for.

(11) "FTA" means the Federal Transit Administration.

(12) "Formula grant" means any award of Federal financial assistance from the urban formula program authorized under Section 5307 of Title 49 of the U.S. Code or the fixed guideway modernization program authorized under Section 5309 of Title 49 of the U.S. Code, or similar successor programs.

(13) "Funded IRP" means the IRP approved by the WMATA Board of Directors, for budgeting purposes for fiscal year 2005, and for planning purposes for fiscal years 2006-2010.

(14) "Grant Anticipation Debt" means any debt issuance the principal and interest on which are to be paid with the proceeds of Federal grant funds.

(15) "Interim Funding Sources" means one or more letters of credit or lines of credit and related reimbursement agreements, standby bond purchase agreements, commercial paper, or similar agreements or obligations, or any combination of the foregoing, issued to or for WMATA or entered into with WMATA by a bank, insurance company, or other financial institution, or one or more resolutions, indentures, or other security agreements providing for bonds or other evidence of indebtedness of WMATA.

(16) "IRP" means the Infrastructure Renewal Program component of the Capital Improvement Program budget adopted annually by the WMATA Board of Directors.

(17) "Metro Matters Program" means the Metro Matters Capital Improvement Program that is the subject of this Agreement, consisting of the following four Program Elements: the Funded and Unfunded IRP; the Rail Car Program; the Bus Program, and the Security Program, as more specifically described in Attachments 3A-3D to this Agreement.

(18) "Non-Federal funds" means funds provided by State and local sources and debt sources.

(19) "Obligation based" or "obligation basis" means the encumbrance of funds in order to provide sufficient cash resources to meet the entire expenditure requirements over the term of an obligation to a vendor or contractor.

(20) "Outyear Funding Requirements" means the ongoing expenditure and debt service requirements for the Metro Matters Program which extend beyond any given fiscal year, which are shown for fiscal years 2011-2024 as the shaded and blocked portion of Attachment 4B.

(21) "Party" or "Parties" means WMATA and the Contributing Jurisdictions.

(22) "Program Element" means one of the four categories of capital improvements in the Metro Matters Program, as described in Section 2(b) of this Agreement and Attachments 3A-3D to this Agreement.

(23) "Unfunded IRP" means that portion of the IRP for which funding had not been budgeted or allocated prior to the execution of this Agreement.

(24) "WMATA" or "Authority" means the Washington Metropolitan Area Transit Authority.

(25) "YOE" means "Year of Expenditure".

SEC. 2 METRO MATTERS PROGRAM

(a) **<u>Agreement of the Parties</u>.** -- WMATA and the Contributing Jurisdictions hereby agree to and adopt the Metro Matters Program, including the funding priorities described in Attachment 2 and each of the projects and activities in the Metro Matters Program set forth in Attachments 3A – 3D to this Agreement. The Parties further agree to comply with the terms and conditions of this Agreement and to fully and faithfully carry out their respective obligations under this Agreement. Any commitment or agreement of any Contributing Jurisdiction provided for or under this Agreement shall be subject to the annual appropriation of funds and other limitations on expenditures or obligations under the law of the Contributing Jurisdiction or under other applicable law. This Agreement shall not constitute an indebtedness of the Contributing Jurisdictions until funds are duly appropriated and quarterly payments become due pursuant to Section 5(c)(3) of this Agreement, nor shall it constitute an obligation for which the Contributing Jurisdictions are obligated to levy or pledge any form of taxation or for which the Contributing Jurisdiction has levied or pledged any form of taxation.

(b) Elements of Metro Matters Program.

(1) Program Elements. -- The Metro Matters Program covered by this Agreement consists of the following four major categories of capital improvements:

(A) IRP projects and activities (Funded and Unfunded IRP) – Program Element A.

(B) Rail cars and facilities – Program Element B.

(C) Buses and facilities -- Program Element C.

(D) Security projects and activities -- Program Element D.

(2) Description. -- The Metro Matters Program, including the specific projects and activities in each Program Element, is summarized in Attachment 2 and more specifically described in Attachments 3A, 3B, 3C, and 3D to this Agreement. Except as provided in Section 6 of this Agreement, projects and activities in the Metro Matters Program can only be modified after the Effective Date of this Agreement pursuant to an agreement among all of the Authorized Representatives of the Parties.

(c) Cost. -- The Estimated Program Cost of the Metro Matters Program is approximately $3.3 billion in YOE dollars. The estimated cost for each project and activity in the four Program Elements of the Metro Matters Program is set forth in Attachment 2 to this Agreement. The Estimated Program Cost is subject to adjustment in accordance with the annual budget reconciliation process described in Section 6 of this Agreement.

(d) **Schedule.** -- The Metro Matters Program will be implemented over the period beginning WMATA fiscal year 2005 and ending fiscal year 2010. There will be an Annual Work Plan for each fiscal year, as more specifically described in Section 4 of this Agreement.

(e) **Agreement to Fund Metro Matters Program.** -- WMATA and the Contributing Jurisdictions hereby concur in and agree to fund the Metro Matters Program in accordance with the funding schedule set forth in Attachment 4A to this Agreement.

(f) **Authorized Representative.** – Within 30 days after the Effective Date of this Agreement, WMATA and each of the Contributing Jurisdictions shall designate an Authorized Representative to act on that Party's behalf in implementing this Agreement.

SEC. 3 METRO MATTERS FINANCIAL PLAN

(a) **Integrated Financial Plan.** -- WMATA and the Contributing Jurisdictions hereby agree to and adopt the Integrated Financial Plan for the Metro Matters Program. The Integrated Financial Plan, set forth in Attachment 4A to this Agreement, identifies the sources and uses of funds for the Metro Matters Program, including (1) the amounts to be disbursed for each Program Element; (2) the amounts to be disbursed for debt service; (3) the estimated amounts to be funded by Federal funds, non-Federal funds, and debt sources; and (4) the Allocated Contribution amounts to be provided annually by each Contributing Jurisdiction.

(b) **Funding Sources.**

(1) General. – Except as provided in paragraph (3) of this subsection, the projects and activities in the Metro Matters Program shall be funded in the most cost effective

manner from one or more of the following sources: (A) direct capital contributions by the Contributing Jurisdictions; (B) the issuance of Debt by WMATA, with WMATA's debt service to be paid with funds received from the Contributing Jurisdictions; (C) Federal financial assistance, including FTA new fixed guideway discretionary funds, fixed guideway modernization funds, urban formula funds, and such other Federal financial assistance as may be made available; and (D) such other funding sources, cash management strategies or financing methods as the WMATA Board determines to be appropriate to accomplish the goals of the Metro Matters Program, including, by way of example, bus leases. The specific amounts estimated from each funding source are set forth in the Integrated Financial Plan. A more specific description of the sources of funding is set forth in Section 5 of this Agreement.

(2) Federal Funding Assumption. -- The Integrated Financial Plan includes an assumption of Federal funding for the Metro Matters Program (A) in the amount of $1.1488 billion to be funded with Federal formula grant funds; and (B) in the amount of $260 million, to be funded with new Federal discretionary grant funds made available from the Federal transit/highway program for WMATA's fiscal years 2006-2010 (Federal fiscal years 2005-2009). In recognition of the region's needs, the Parties agree to work cooperatively with their respective congressional delegations to secure at least $260 million in new Federal discretionary grant funds. The Parties pledge to seek a balanced regional approach to securing such funding. The Parties acknowledge that the non-Federal match for the new Federal discretionary grant funds will be provided on a regional basis and included in the Allocated Contributions. If new Federal discretionary grant funds are not received on a timely basis in the amount assumed in the Integrated Financial Plan and other direct cash resources are not otherwise available, WMATA intends to issue, with the approval of the WMATA Board, Grant Anticipation Debt (or other

debt) in an amount sufficient, together with the Federal grants received, to provide the level of Federal funding assumed in the Integrated Financial Plan.

(3) Security. -- It is the Parties' intention that all security equipment and activities in Program Element D will be funded with 100% Federal Government funds.

(c) Formula for Contributing Jurisdiction Funding. -- The Allocated Contributions of the Contributing Jurisdictions for the Metro Matters Program, as set forth in the Integrated Financial Plan, have been calculated based on a weighted distribution of the Board-adopted FY 2005 Allocation Formulas applied to each element of the Metro Matters Program as follows:

(1) Infrastructure Renewal Program -- Rail Capital and Bus Capital formulas (weighted average);

(2) Rail Systems Access Program -- Rail Capital formula; and

(3) Bus Systems Access Program -- Bus Capital formula.

(d) Debt Service. -- The Integrated Financial Plan for the Metro Matters Program includes the estimated cost of WMATA debt service to be incurred in connection with the Program. If additional WMATA debt financing is necessary during the term of this Agreement to fully implement the Metro Matters Program due to a change in the assumptions set out in the Integrated Financial Plan or any other reason, the resulting additional WMATA debt service costs will be included in an updated Integrated Financial Plan prepared as part of the Annual Work Plan and Annual Budget Reconciliation Processes described in Sections 4, 5, and 6 of this Agreement.

(e) FY 2005 Metro Matters Projects. -- WMATA and the Contributing Jurisdictions agree that the elements of the Metro Matters Program for which obligations or expenditures are required in WMATA Fiscal Year 2005 will be funded in accordance with the WMATA Fiscal Year 2005 Work Plan and Budget set forth in Attachment 5 to this Agreement.

SEC. 4 IMPLEMENTATION OF METRO MATTERS PROGRAM

(a) **Annual Work Plan**. -- WMATA shall, as a part of its annual budget process each year during the term of this Agreement, develop and submit to the Contributing Jurisdictions a draft Annual Work Plan for each Program Element of the Metro Matters Program. The draft Annual Work Plan shall be submitted to the Contributing Jurisdictions by December 15, and the final Annual Work Plan shall be submitted to the Contributing Jurisdictions immediately following the March WMATA Board meeting. The Annual Work Plan shall be based upon and be consistent with the updated Metro Matters Program and the updated Integrated Financial Plan prepared pursuant to the reconciliation process under Section 6 of this Agreement.

(b) **Contents of Plan**. -- The Annual Work Plan shall include --

(1) an identification of the projects and activities in each Program Element of the Metro Matters Program for which funds will be obligated or expended during the next WMATA fiscal year;

(2) a budget for the Annual Work Plan that includes a cost estimate for each project and activity in the Plan, by Program Element;

(3) a statement of each Contributing Jurisdiction's required Allocated Contribution for the Annual Work Plan, including an identification of what portion of that contribution is a direct capital contribution, and what portion (if any) is to be used by WMATA to pay debt service on WMATA debt;

(4) a summary of the Metro Matters Program projects and activities undertaken in the then-current WMATA fiscal year, by Program Element, together with the costs incurred to date and the estimated remaining costs for those projects and activities; and

(5) a summary of the projects and activities remaining to be carried out under the Metro Matters Program in future WMATA fiscal years (beyond the year covered by the Annual Work Plan) and the estimated cost to complete those projects and activities.

(c) **Review by Contributing Jurisdictions**. -- The Contributing Jurisdictions may submit written comments to WMATA on any element of the Annual Work Plan when comments are provided on WMATA's proposed budget for the upcoming fiscal year.

(d) **WMATA Implementation Responsibilities**.

(1) General. -- WMATA will administer the Metro Matters Program and carry out all necessary procurement actions and management oversight. All procurement actions will be undertaken in accordance with WMATA procurement policies and applicable law.

(2) Federal Grants. -- To the extent that Federal financial assistance is provided for any project or activity in the Metro Matters Program, WMATA will develop the required Federal grant applications and/or other necessary documentation to meet FTA or other Federal program requirements, and will carry out the federally assisted project or activity in compliance with all applicable Federal requirements.

(e) **Adjustments in Bus Program Element**. -- WMATA and the Contributing Jurisdictions shall, on a periodic basis after the purchase of the base order of 50 buses for fiscal years 2006 and 2007, reassess the non-regional bus routes and the number of buses needed for the Bus Program element of the Metro Matters Program, and may (on the basis of such reassessment) make such adjustments to the number of buses purchased for fiscal years 2008-2010 as the Parties determine to be appropriate. Any such adjustment shall be reflected in the updated Integrated Financial Plan.

SEC. 5 IMPLEMENTATION OF CAPITAL FINANCIAL PLAN

(a) <u>Cash Sources</u>.

(1) Federal Funds. -- WMATA commits to take all necessary and appropriate actions to secure Federal funding in the amounts set forth in the Integrated Financial Plan (including Federal formula and discretionary grant funds under the Federal transit/highway program and such other Federal financial assistance as may be made available during the term of this Agreement) to assist in the funding of the Metro Matters Program. WMATA will manage the Metro Matters Program within the funding amounts shown in Attachment 4A, except as otherwise provided in paragraph (3) of this subsection.

(2) Non-Federal Funds. -- The Contributing Jurisdictions each commit to make their Allocated Contributions in the amounts set forth in the Integrated Financial Plan, as specified in Attachment 4C. Such contributions shall be made in accordance with the requirements and procedures in subsection (c) of this Section. The source of funds for such capital contributions is in the discretion of each Contributing Jurisdiction; provided that such funds must qualify as local match under applicable FTA grant program requirements. The Contributing Jurisdictions also acknowledge and agree that their Allocated Contribution amounts may be adjusted as described in paragraph (3) of this subsection.

(3) Cap on Allocated Contribution Amounts. -- The required contributions of the Contributing Jurisdictions may not be increased above the annual or aggregate amounts set forth in the Detailed Allocated Contributions in Attachment 4C, except with the approval of the WMATA Board due to one of the following circumstances:

(A) the cost of debt financing in the Integrated Financial Plan increases over the estimated amount, due to changes in assumptions such as interest rates;

(B) WMATA debt issuances, in addition to those assumed in the Integrated Financial Plan, are necessary to fully implement the Metro Matters Program on schedule, due to reduced levels or delayed receipt of Federal grant funds; or

(C) Interim Funding Sources are utilized by WMATA in accordance with subsection (f) of this Section.

(4) Notification Process. -- If WMATA proposes an increase in the Allocated Contributions of the Contributing Jurisdictions, WMATA shall provide advance notice to the Contributing Jurisdictions, as part of the Annual Work Plan and Annual Budget Reconciliation Processes, identifying the estimated amount of the increase and the specific reasons therefore.

(5) Additional Limitations.

(A) As authorized in Section 5(e) of this Agreement, WMATA and the District of Columbia have entered into a separate Local Funding Agreement for Metro Matters of even date herewith ("DCLFA") to address certain issues concerning the implementation of this Agreement that must be handled separately according to District of Columbia law. The implementation of District of Columbia obligations, representations, and warranties under this Agreement shall be controlled by the provisions of the DCLFA set forth on Attachment 7 to the extent of any inconsistency between this Agreement and the provisions of the DCLFA identified on Attachment 7, provided, however, that nothing in the DCLFA shall affect the amount or timing of the District of Columbia Allocated Contributions. Section 5(a)(4) of the DCLFA provides that, if the District of Columbia exercises its prepayment rights for all long term debt under 5(b)(4) of this Agreement, then notwithstanding anything to the contrary herein, the

Allocated Contribution of the District of Columbia may not be increased above the aggregate amount of $756.33 million without written approval of the District of Columbia.

(B) In the event WMATA proposes an increase in the District of Columbia's Allocated Contribution in excess of $756.33 million, the District of Columbia shall provide written approval of or objection to such increase as part of the Annual Work Plan and Annual Budget Reconciliation Processes.

(C) In the event that (i) WMATA proposes an increase that would cause the District of Columbia's Allocated Contribution to exceed an aggregate amount of $756.33 million; and (ii) the District of Columbia denies or withholds approval of the increase in excess of that stated amount, all other Contributing Jurisdictions shall be relieved of any obligation to fund the increase proposed by WMATA in their Allocated Contributions.

(D) In the event that the District of Columbia denies or withholds approval of such increase, all Parties shall cooperate to develop alternative solutions to any resulting revenue or program shortfalls.

(b) Debt Sources.

(1) General. -- In accordance with the Integrated Financial Plan for each Program Element, all or any portion of any Program Elements A, B, and C of the Metro Matters Program may be funded through short or long term debt financing as described in this subsection and in accordance with Section 21 and Articles IX and X of the WMATA Compact.

(2) WMATA Responsibility. -- WMATA may issue debt to assist in the financing of the Metro Matters Program in accordance with the Integrated Financial Plan. The WMATA Board may authorize the issuance of such debt, in one or more issuances during the term of this Agreement, at such times as it determines appropriate, in its discretion, taking into

account factors such as the cash flow needs of the Metro Matters Program, market conditions for financing, and WMATA's debt capacity. Any debt issued by WMATA under this subsection may be secured by a lien and pledge of WMATA's gross revenues, or (subject to any required FTA approval) of WMATA's capital assets. Any such debt secured by WMATA's gross revenues shall be subordinate to the 1993 Gross Revenue Bonds, and may be on parity with or subordinate to the 2003 Gross Revenue Transit Refunding Bonds and the Gross Revenue Transit Bonds Series 2003B. For any such debt that is secured by WMATA's capital assets, WMATA will endeavor, consistent with the cash flow needs of the Integrated Financial Plan and with market demands, to match the length of the debt financing to the useful life of the pledged assets, unless WMATA determines that market or other financial considerations make a different debt length more prudent. In addition to debt secured by gross revenues or capital assets as described in this paragraph, WMATA may issue debt in accordance with subsection (f) of this Section.

(3) Contributing Jurisdiction Responsibility. -- The Contributing Jurisdictions which have not elected to prepay pursuant to paragraph (4) of this subsection each commit to make the annual contributions necessary in order that WMATA can make payments of debt service on debt issued by WMATA under paragraph (2) of this subsection. The amount of such contributions is included in the respective Allocated Contribution amounts of the Contributing Jurisdictions set forth in the Integrated Financial Plan. Such contributions shall be made in accordance with the requirements and procedures in subsection (c) of this Section. The obligation to make contributions to pay such debt service shall survive the term of this Agreement and shall remain in effect throughout the term of the WMATA debt issuance involved, but in no event shall such obligation remain in effect later than the end of WMATA's Fiscal Year 2024, except as provided in Section 9 of this Agreement.

(4) Prepayment Alternative for Contributing Jurisdictions.

(A) Election. -- A Contributing Jurisdiction may elect to prepay its portion of the debt financing (other than commercial paper, letter of credit, or line of credit) needed to fund the Metro Matters Program, as described in the Integrated Financial Plan, in lieu of making annual contributions to pay WMATA debt service pursuant to paragraph (3) of this subsection. The elections and commitments of the Contributing Jurisdictions to make such prepayments, as of the Effective Date of this Agreement, are reflected in the Integrated Financial Plan. If any update to the Integrated Financial Plan during the term of this Agreement contemplates long-term debt issuances by WMATA, then the Contributing Jurisdictions shall have an opportunity to change their elections regarding prepayment, by notice to WMATA. Such notice shall be provided in writing no later than forty-five (45) days after the date WMATA notifies the Contributing Jurisdictions of the need to make an election regarding such additional debt issuance.

(B) Responsibility for Repayment. -- If a Contributing Jurisdiction issues debt to make its prepayment under this paragraph, it shall pay the proceeds of such debt issuance directly to WMATA in accordance with its Allocated Contribution as set forth in the Integrated Financial Plan and in accordance with the procedures set forth in Attachment 6. Such Contributing Jurisdiction shall be solely responsible for the repayment of the principal and interest of any debt it issues under this paragraph.

(c) Contributing Jurisdiction Commitment.

(1) General. – The maximum amount of the Contributing Jurisdictions' Allocated Contribution of the costs of the Metro Matters Program is subject to the provisions of Section 5(a)(5)(C) of this Agreement. Nothing in this Agreement shall be construed to obligate a

Contributing Jurisdiction to have, as of the date that it enters into this Agreement, funding or an appropriation in the full amount of its Allocated Contribution of the costs of the Metro Matters Program. The Contributing Jurisdictions shall be solely responsible for their Allocated Contributions of the cost of the Metro Matters Program. Each Contributing Jurisdiction commits, throughout the term of this Agreement, to use all reasonable efforts to pursue all legally available means to secure the necessary and appropriate budget, legislative, and appropriations actions in order to obtain funding in the full amount of its Allocated Contribution of the costs of the Metro Matters Program. Each Contributing Jurisdiction shall be solely responsible for providing its Allocated Contribution of the cost of the Metro Matters Program, and in no circumstance shall one Contributing Jurisdiction be responsible for the Allocated Contribution or other obligations of any other Contributing Jurisdiction under this Agreement.

(2) Annual Commitment. -- Each Contributing Jurisdiction shall annually provide WMATA with written notice, concurrent with comments on WMATA's proposed budget, that funds have been or are intended to be appropriated to cover its Allocated Contribution for WMATA's upcoming fiscal year, and committing to make payment of such Allocated Contribution to WMATA. If a Contributing Jurisdiction's appropriations process is not completed by June 1, such Contributing Jurisdiction shall provide to WMATA: (A) a written explanation for the failure to make such submissions by June 1 and confirmation that amounts equal to its Allocated Contribution have been or will be included in the next fiscal year budget to be considered by the Contributing Jurisdiction's fiscal authority; and (B) written assurances that all reasonable efforts will be undertaken to secure the ultimate appropriation of funds in a prompt and timely fashion.

(3) Quarterly Payments. -- Each Contributing Jurisdiction's Allocated Contribution shall be paid to WMATA on a quarterly basis in advance, no later than the first day of each quarter, throughout the term of this Agreement. WMATA shall submit bills to the Contributing Jurisdictions for such quarterly payments forty-five (45) days prior to the date such payments are due.

(4) Debt Service Costs.

(A) The Integrated Financial Plan assumes the issuance of debt and associated debt service costs. In the event that the amount of debt service costs set forth in the Integrated Financial Plan exceeds the actual debt service costs, WMATA shall, if practicable, adjust the debt issuance accordingly.

(B) To the extent that WMATA issues debt in addition to the debt identified in the Integrated Financial Plan to carry out the Metro Matters Program, the resulting debt service costs shall be included in the Allocated Contributions of the Contributing Jurisdictions not electing to prepay pursuant to subsection (b)(4) of this Section.

(5) Conditions on Commitment. – Notwithstanding any other provision of this Agreement, the commitment of a Contributing Jurisdiction under this subsection shall be subject to the annual appropriation of funds and other limitations on expenditures or obligations under the law of the Contributing Jurisdiction or under other applicable law.

(d) Timeliness of Payment.

(1) Treatment of Payments. -- Interest shall accrue on all payments made by a Contributing Jurisdiction until the funds are expended. WMATA shall place such funds so contributed into an interest earning account, with interest to be compounded monthly at WMATA's then current earnings rate for its short-term investments. Interest earned on funds

contributed by a Contributing Jurisdiction shall be applied as a credit against future payments for Allocated Contributions due from that jurisdiction under this Agreement, unless otherwise directed in writing by that jurisdiction.

(2) Non-Payment or Late Payments. -- If a Contributing Jurisdiction fails to make a quarterly payment in full to WMATA when such payment is due, WMATA may issue debt or otherwise advance funds to replace the amount of payment not timely received. Unless the Contributing Jurisdiction's failure to pay results from a failure to appropriate by its fiscal body(ies), WMATA may charge such Contributing Jurisdiction an amount equal to the sum of (A) the financing and interest costs and expenses incurred by or on behalf of WMATA in connection with such debt issuance or advance of funds; (B) any administrative costs incurred by WMATA in connection with obtaining such replacement funding; and (C) any penalties or losses incurred by WMATA as a result of such late or non-payment. The total amount of the charges assessed under this paragraph, together with the unpaid quarterly payment, shall be due and payable to WMATA no later than thirty (30) days after the date of assessment by WMATA, and if not paid by that date shall be subject to an additional 10% penalty on the total unpaid amount, plus interest compounded monthly at the WMATA short-term investment earnings rate until the date of full payment.

(e) Local Funding Agreements. -- WMATA, with the approval of the WMATA Board, may enter into Local Funding Agreements with some or all of the Contributing Jurisdictions, consistent with this Agreement and the Attachments hereto, to establish arrangements to implement the Contributing Jurisdiction's commitment to pay its Allocated Contribution of the cost of the Metro Matters Program, in the event that the budgetary process of a Contributing Jurisdiction makes such an agreement necessary or appropriate.

(f) Interim Funding Sources and Security Interests.

(1) Interim Funding Authority. -- The WMATA Board of Directors is authorized to use Interim Funding Sources, including borrowing, on behalf of WMATA in such amounts and at such times as, in the Board's sole judgment, are necessary and appropriate for the purpose of implementing the projects and activities in the Metro Matters Program funded through direct capital contributions.

(2) Security Interests. -- WMATA may create security interests in its rights and interests in amounts paid or received as direct capital contributions from the Contributing Jurisdictions under this Agreement, as such amounts shall become available and are paid to or for the account of WMATA under the terms of this Agreement. Such amounts may be pledged as security for the costs of Interim Funding Sources. Each Contributing Jurisdiction shall comply with any reasonable and legal request of WMATA to execute, acknowledge, and deliver appropriate instruments and assurances as may be necessary or desirable to confirm and effectuate any such security interest created by WMATA in connection with Interim Funding Sources. Nothing in this subsection shall be construed as requiring any Contributing Jurisdiction to make any payment under this Agreement to anyone other than WMATA. For purposes of this subsection, the "cost of Interim Funding Sources" includes payments of principal and interest thereunder and all fees, expenses, and other amounts incurred or payable under any Interim Funding Sources.

(3) Limitation. -- The borrowing authority authorized by this subsection may not be used by any Contributing Jurisdiction to satisfy its funding obligations under this Agreement.

(g) **WMATA Risk Mitigation**. -- Section 22 of the WMATA Compact prohibits WMATA from making any commitment or incurring any obligations with respect to the construction or acquisition of any transit facilities "until funds are available therefor." The Parties acknowledge that the commitments of the Contributing Jurisdictions under this Agreement are designed to satisfy the requirements of Section 22 as the Authority moves to an expenditure based budget. In order to address the risk of non-appropriation or late payment of funds by a Contributing Jurisdiction or insufficient funding by the Federal Government, and to assure compliance with Section 22 of the WMATA Compact, WMATA intends to establish a risk mitigation credit facility using one or more of the following: a line of credit, letter of credit, commercial paper program, or other credit facility determined by WMATA in its discretion to be appropriate and feasible.

(h) **Amendment to Agreement**. -- In addition to making the funding commitments described in this Section, the Parties agree to negotiate in good faith over an amendment to this Agreement, or a new agreement, prior to FY 2011, in order to:

(1) Provide the funding required to fund (A) WMATA's ongoing IRP needs as shown on Attachment 1; and (B) the Outyear Funding Requirements resulting from WMATA's transition to expenditure based budgeting which are shown as the shaded and blocked portions of Attachment 4B; and

(2) Reevaluate the Contributing Jurisdictions' Allocated Contributions, and modify the financial share of the cost of any ongoing IRP expenditures for projects approved and initiated after FY 2010 based on an allocation formula to be agreed upon at that time.

SEC. 6 ANNUAL BUDGET RECONCILIATION PROCESS

(a) **Reconciliation**. -- As part of its annual budget process in each year during the term of this Agreement, WMATA shall prepare a reconciliation of –

(1) the actual expenditures for projects and activities under the Metro Matters Program to date, as compared to the planned expenditures for such projects and activities for the same time period;

(2) the actual Allocated Contribution of each of the Contributing Jurisdictions to date, as compared to the scheduled Allocated Contribution of each Contributing Jurisdiction for the same time period;

(3) the projected Allocated Contributions of each Contributing Jurisdiction during the remaining term of this Agreement;

(4) the actual amount of Federal grant funds received for the Metro Matters Program to date, as compared to the budgeted or projected amount of Federal grant funds for the same time period; and

(5) the estimated cost to complete the remaining projects and activities in the Metro Matters Program.

(b) **Revenue Shortfalls**. -- If the reconciliation process conducted under subsection (a) of this Section reveals that there are shortfalls in revenues for the Metro Matters Program due to late or insufficient contributions by a Contributing Jurisdiction or to the receipt of less than the assumed level of Federal formula funding described in Section 3(b)(2)(A) of this Agreement, or both, WMATA shall develop a recovery plan for addressing such shortfalls. Such recovery plan, as approved by the WMATA Board of Directors through its annual budget process, shall include one or more of the following alternatives: (1) utilization of Interim Funding Sources; (2) value engineering, project re-design, or other cost reduction measures for future projects or activities; (3) re-scheduling of projects or activities in the Metro Matters Program; (4) subject to agreement of the Contributing Jurisdictions, increasing the levels of Allocated Contributions from the Contributing Jurisdictions; and/or (5) the implementation of Project Deferrals under subsection (d) of this Section. Any shortfall in the level of Federal discretionary funding specified in Section 3(b)(2)(B) of this Agreement shall be addressed by the issuance of debt in accordance with that Section and not by the use of the recovery plan alternatives set forth in this subsection.

(c) **Revenue Increases**. -- If the reconciliation process conducted under subsection (a) of this Section in FY 2010 reveals that Federal funds have been received which substantially exceed the assumed level of Federal funding as specified in Section 3(b)(2) of this Agreement, such excess Federal funds shall be applied (1) to the unfunded priorities in the order of the priorities set forth in Attachment 3; or (2) to any outstanding indebtedness, thereby reducing the Allocated Contributions of the Contributing Jurisdictions, as determined by the WMATA Board of Directors through its annual budget process.

(d) **Project Deferrals**. -- If WMATA is unable to satisfactorily address revenue shortfalls under subsection (b) of this Section, the WMATA Board may, through the next WMATA budget process, modify the Metro Matters Program to defer certain projects or activities in order to assure that the Metro Matters Program can be funded during the term of this Agreement within the amount of available financial resources.

(e) **Updated Metro Matters Program and Integrated Financial Plan**. The WMATA staff shall, as soon as practical after each annual reconciliation process conducted under this Section, develop an updated Metro Matters Program and updated Integrated Financial

Plan for the Metro Matters Program. Those updated documents, if approved by the WMATA Board, will replace and supercede all previous versions of the Metro Matters Program and Integrated Financial Plan.

(f) Final Distribution. -- Any amounts remaining at the expiration of this Agreement shall be first used to fund any remaining unfunded projects or activities in the Metro Matters Program as indicated in the attached Metro Matters Program, and then, if any funds remain, will be credited or refunded to the Contributing Jurisdictions, as directed by the Contributing Jurisdictions.

(g) Financial Records.

(1) Maintenance of Records. -- During the term of this Agreement, WMATA agrees to maintain separate and complete accounting records which are consistent with generally accepted governmental accounting procedures and which accurately reflect all income and expenditures of funds which may be provided under this Agreement. WMATA will retain all such records for three (3) years after completion or termination of this Agreement, unless there is an outstanding written Contributing Jurisdiction or FTA financial or audit question, which is not resolved by the Contributing Jurisdiction or FTA auditor. The records of WMATA must be in sufficient detail to determine the nature of the cost incurred or expenditure made by WMATA for work funded by this Agreement.

(2) Audits.

(A) Timing for Performance. -- A Contributing Jurisdiction may perform an audit of WMATA's expenditures of funds provided by this Agreement for the three (3) fiscal years preceding a request for audit from the Contributing Jurisdiction. Any such audit shall be commenced within sixty (60) days after the date of the release of the WMATA audit for the preceding fiscal year, and shall be completed (to the maximum extent practicable) within 180 days after the date it is commenced. The Contributing Jurisdiction will assume all financial responsibility for any costs associated with the performance of such audits. If more than one Contributing Jurisdiction initiates an audit on a timely basis under this paragraph, the audits shall be consolidated into a single audit for the applicable fiscal years and the Contributing Jurisdictions participating in the audit shall share in the cost of the audit. WMATA agrees to cooperate fully with a Contributing Jurisdiction or its authorized agent or designee in the conduct of any audit carried out in accordance with this paragraph. In addition to the foregoing, in the event that any Contributing Jurisdiction's bond, the proceeds of which were used to meet the funding obligation of the Agreement or any transaction pertaining to such Contributing Jurisdiction's bond, is the subject of any tax, securities or similar federal or state law investigation, inquiry or suit, WMATA shall promptly allow the Contributing Jurisdiction access, at the Contributing Jurisdiction's expense, to any record it may have relating to WMATA's use of the proceeds of such Contributing Jurisdiction's bond so that the Contributing Jurisdiction may participate and respond to any aspect of such investigation, inquiry or suit. In the event WMATA is notified that any Contributing Jurisdiction's bond, the proceeds of which were used to meet funding obligations of this Agreement or any transaction pertaining to any such Contributing Jurisdiction's bond, is the subject of any tax, securities or similar federal or state law investigation, inquiry or suit, WMATA shall promptly notify the Contributing Jurisdiction and allow the Contributing Jurisdiction to participate in all aspects of the conduct or any response WMATA may make in such regard.

(B) <u>Audit Results</u>. -- If it is determined as a result of such an audit under this paragraph that the Contributing Jurisdiction has made payments in excess of or less than the amount(s) provided for pursuant to the terms and conditions of this Agreement and the Integrated Financial Plan, WMATA will make appropriate adjustments in the amount due to WMATA from such Contributing Jurisdiction in the next fiscal year. The audit rights provided under this paragraph shall survive the termination date of this Agreement.

SEC. 7 DISPUTES

(a) **<u>Informal Resolution</u>** -- The Parties agree to use all reasonable efforts to resolve any disputes, which arise under or otherwise relate to this Agreement. If the Parties, at staff level, cannot resolve such a dispute through initial discussions within thirty (30) days after the date it first arises, then the Party seeking a resolution shall, through its Authorized Representative, provide written notice of the nature of the dispute and the issues involved to the Authorized Representatives of each other Party involved. Such other Parties shall respond within thirty (30) days, stating their position on the issue presented and their proposal for resolution. The Authorized Representatives shall then meet within the next thirty (30) days in an attempt to resolve the dispute. If the dispute is not resolved within thirty (30) days following the date of the last meeting, any Party to the dispute may refer the matter to the WMATA Board for resolution.

(b) **<u>Alternative Resolution</u>**. -- If a dispute arising under this Agreement is not resolved pursuant to subsection (a) of this Section, the Parties thereto may agree to pursue a mutually acceptable alternative dispute resolution procedure. If such a procedure is not utilized or does not result in a final and binding resolution of the dispute, any Party thereto may pursue a civil action for appropriate relief in a court of competent jurisdiction.

SEC. 8 REPRESENTATIONS AND WARRANTIES

(a) By WMATA. -- WMATA makes the following representations as of the Effective Date of this Agreement as a basis for the undertakings pursuant to this Agreement.

(1) WMATA has full power and authority to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder;

(2) WMATA by proper WMATA Board action has duly authorized the execution and delivery of this Agreement;

(3) When executed and delivered by the Contributing Jurisdictions and by WMATA, this Agreement will constitute the legal, valid and binding obligation of WMATA enforceable in accordance with its terms, except as such enforceability is limited by annual appropriations, bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally.

(4) No director, officer, or employee of WMATA who exercises or has exercised any functions or responsibilities over any procurement contract in connection with the Metro Matters Program shall have or obtain a personal or financial interest or benefit from any activity in connection with the procurement contract or have an interest in any contract, subcontract, or agreement with respect thereto during the term of this Agreement.

(b) By Contributing Jurisdictions. -- Each Contributing Jurisdiction makes the following representations as of the Effective Date of this Agreement as a basis for the undertakings pursuant to this Agreement.

(1) The Contributing Jurisdiction has all necessary power and authority to enter into the transactions contemplated by this Agreement and to carry out its individual obligations hereunder;

(2) Each Contributing Jurisdiction has individually duly authorized the execution and delivery of this Agreement;

(3) When executed and delivered by each Contributing Jurisdiction, this Agreement will constitute the legal, valid and binding obligation of the individual entity enforceable in accordance with its terms, except as such enforceability is limited by annual appropriations, bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally;

(4) No officer, or employee of any Contributing Jurisdiction who exercises or has exercised any functions or responsibilities over a procurement contract in connection with the Metro Matters Program shall have or obtain a personal or financial interest or benefit from any activity in connection with the procurement contract or have an interest in any contract, subcontract, or agreement with respect therewith during the term of this Agreement.

SEC. 9 EFFECTIVE DATE AND TERM OF AGREEMENT

(a) Effective Date. The Parties acknowledge and agree that this Agreement is in consideration of and contingent upon the execution of the Local Funding Agreement for Metro Matters by and between WMATA and the District of Columbia to be executed concurrently with the execution of this Agreement. Accordingly, this Agreement shall take effect on the date of execution by the last signatory to either this Agreement or the District of Columbia Local Funding Agreement for Metro Matters.

(b) The Term. The term of this Agreement shall begin on the Effective Date and shall terminate on the later of (1) the expiration of the funding commitments of the Contributing Jurisdictions under this Agreement, including commitments to provide funds for the payment of debt service on WMATA debt issued to fund the Metro Matters Program, provided, however, that in no event shall the term of any debt service issuance extend beyond 2034; or (2) the completion of the projects and activities in the Metro Matters Program and the payment of all costs thereof, provided, however that, except as permitted in Section 9(b)(1) of this Agreement, such completion and payment shall not extend beyond WMATA FY 2024.

SEC. 10 RECITALS

The Recitals set forth in this Agreement are material parts of this Agreement and are binding on the Parties to the same extent as the other terms and conditions hereof.

SEC. 11 NO THIRD PARTY BENEFICIARIES

The Parties to this Agreement do not intend any non-signatory to this Agreement or any other third Party to be a third Party beneficiary to this Agreement, nor do the Parties intend for any such third Party to have any rights or benefits under this Agreement or to have standing to bring an action or claim in any court or other forum to enforce any provision of this Agreement.

SEC. 12 AMENDMENTS

This Agreement may be amended or modified only by written agreement duly executed by all the Parties.

SEC. 13 NOTICES

All notices under this Agreement shall be in writing and shall be deemed to have been sufficiently given or served when presented personally or sent by the U.S. Postal Service or by a courier service or national overnight delivery service, to any Party as follows:

To the State of Maryland,
Department of Transportation:

Director, Washington Area Transit Programs
Maryland Department of Transportation
8720 Georgia Avenue, Suite 904
Silver Spring, MD 20910

with a copy to:

Chairman, Washington Suburban Transit District
8720 Georgia Avenue, Suite 904
Silver Spring, MD 20910

To the District of Columbia:

Dan Tangherlini
Director
District Department of Transportation
2000 14th Street, N.W.
Washington, D.C. 20009

With copies to:

Chief Financial Officer for the District of Columbia
John A. Wilson Building, Room 203
1350 Pennsylvania Avenue, N.W.
Washington, DC 20004

Attorney General for the District of Columbia
John A. Wilson Building, Room 409
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

To Arlington County, Virginia:

Barbara M. Donnellan
Director
Department of Management and Finance
2100 Clarendon Boulevard, Suite 501
Arlington, VA 22201

with a copy to:

Randy Bartlett
Director
Department of Environmental Services
2100 Clarendon Boulevard, Suite 501
Arlington, VA 22201

To Fairfax County, Virginia:

Young Ho Chang, P.E.
Director
Fairfax County Department of Transportation
12055 Government Center Parkway, 10th Floor
Fairfax, VA 22035-5511

To the City of Alexandria, Virginia:

City Manager
City of Alexandria
301 King Street
Alexandria, VA 22314

To the City of Fairfax, Virginia:

Robert F. Lederer
Mayor
City of Fairfax
10455 Armstrong Street
Fairfax, VA 22030

with a copy to:

Alexis Verzosa
Transportation Director
City of Fairfax
10455 Armstrong Street
Fairfax, VA 22030

To the City of Falls Church, Virginia:

City Manager
City of Falls Church
300 Park Avenue
Falls Church, VA 22046

To the Washington Metropolitan Area Transit Authority:

Edward L. Thomas
Assistant General Manager
Washington Metropolitan Area Transit Authority
Department of Planning and Strategic Programs
600 Fifth Street, N.W., Eighth Floor
Washington, D.C. 20001

with a copy to:

The General Counsel
Washington Metropolitan Area Transit Authority
600 Fifth Street, N.W., Second Floor
Washington, D.C. 20001

SEC. 14 SUCCESSORS AND ASSIGNS

This Agreement shall be binding on the successors and assigns of the Contributing Jurisdictions and WMATA.

SEC. 15 NO DEBT GUARANTEES

No Contributing Jurisdiction guarantees the debt of WMATA or any other Contributing Jurisdiction, nor any obligation of WMATA or any other Contributing Jurisdiction.

SEC. 16 REQUIREMENT FOR ANNUAL APPROPRIATIONS

Notwithstanding any other provisions of this Agreement, all obligations of the Contributing Jurisdictions are subject to discretionary annual appropriation of funds by the governing bodies thereof or other appropriate legislative bodies thereof and shall be consistent with the anti-deficiency laws applicable to each Contributing Jurisdiction.

SEC. 17 COUNTERPARTS

This Agreement may be executed in eight (8) identical counterparts, each of which shall constitute an original and all of which shall constitute, collectively, one agreement. The counterpart with the most recent date shall determine the date of entry of this Agreement by the Parties listed on page one.

IN WITNESS WHEREOF, WMATA and the Contributing Jurisdictions have executed this Agreement on this ______ day of __________, 2004.

WASHINGTON METROPOLITAN AREA
TRANSIT AUTHORITY

Attest:

____
Secretary

By:

_________________________________[Seal]
Richard A. White
General Manager and Chief Executive Officer

Dated: ________________

Approved as to Form and Legal Sufficiency:

By: _______________________________
Office of General Counsel

[signatures continued on following page]

STATE OF MARYLAND
acting by and through the Washington Suburban Transit District and the Department of Transportation

MARYLAND DEPARTMENT OF
TRANSPORTATION

Attest:

______________________	By: ______________________ [Seal]
Witness	Robert L. Flanagan Secretary

and

WASHINGTON SUBURBAN
TRANSIT DISTRICT

Attest:

______________________	By: ______________________ [Seal]
Witness	Robert J. Smith Chairman

Approved as to Form and Legal Sufficiency:

By: ______________________
Assistant Attorney General

Date: ______________________

[signatures continued on following page]

DISTRICT OF COLUMBIA

Attest:

______________________________	By: ____________________________[[Seal]]
Witness	Anthony A. Williams Mayor

Approved as to Form and Legal Sufficiency:

By: ______________________________
Attorney General

Dated: ______________

[signatures continued on following page]

COUNTY BOARD OF ARLINGTON
COUNTY, VIRGINIA

Attest:

____
Antoinette Copeland
Clerk to the County Board

By: ___________________________[Seal]
Barbara A. Favola
Chair
County Board
Arlington County, Virginia

Approved as to Form and Legal Sufficiency:

By: ______________________________
Arlington County Attorney

Dated: ________________

[signatures continued on following page]

FAIRFAX COUNTY, VIRGINIA

Attest:

____
Clerk to the Board of Supervisors

By: ______________________________[Seal]
Gerald E. Connolly
Chair
Board of Supervisors
Fairfax County, Virginia

Approved as to Form and Legal Sufficiency:

By: ______________________________
County Attorney

Dated: ________________

[signatures continued on following page]

CITY OF ALEXANDRIA, VIRGINIA

Attest:

______________________________ By: __________________________[Seal]

City Clerk City Manager

Approved as to Form and Legal Sufficiency:

By: ____________________________

City Attorney

Dated: ________________

[signatures continued on following page]

CITY OF FAIRFAX, VIRGINIA

Attest:

______________________________ By: ______________________[Seal]

City Clerk

Robert F. Lederer
Mayor

Approved as to Form and Legal Sufficiency:

By: ___________________________
City Attorney

Dated: __________________

[signatures continued on following page]

CITY OF FALLS CHURCH, VIRGINIA

Attest:

____
City Clerk

By: ____________________________[Seal]
Daniel McKeever
City Manager

Approved as to Form and Legal Sufficiency:

By: ____________________________
City Attorney

Dated: ____________________

TABLE OF ATTACHMENTS*

* There may be minor internal inconsistencies with the numbers contained in the attachments due to rounding.

ATTACHMENT 1
(SUMMARY)

Average Annual Expenditures

ATTACHMENT 1 shows projected annual expenditures required to fully implement the Infrastructure Renewal Program between FY 2011 and FY 2024 for the 89.5 mile Adopted Regional System. Annual fluctuations are primarily due to the replacement and rehabilitation of rolling stock.

Metro Matters Funding Agreement

ATTACHMENT 1

Summary of Long-Term IRP Expenditure Requirements

(In Millions)

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
IRP PROGRAM	290.1	213.7	282.2	403.4	433.2	258.9	387.8	402.8	482.9	466.3	454.2	471.0

Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024	20-Year Total	6-Year Total	FY 2011-FY 2024
IRP PROGRAM	450.3	367.5	309.3	354.8	417.4	511.4	477.2	537.2	7,971.6	1,881.6	6,090.0

Average Annual Expenditure	$	435.0

Notes
(1) FY 2005 obligations are shown in FY 2005 and not in the year of expenditure. Obligations of all other years are shown in the year of the expenditures.
(2) The FY 2011 to FY 2024 IRP needs are based on Frederick R. Harris Report for the 89.5 mile system. It does not include capital renewal costs for the remainder of the system
(3) Figures do not include funding required for annual program smoothing or risk mitigation.

ATTACHMENT 2
(SUMMARY)

Summary of Metro Matters Program Elements

ATTACHMENT 2 summarizes the estimated cost of the Metro Matters Program including the cost of the credit facility.

ATTACHMENT 2

Metro Matters Program Elements

	Estimated Cost (in millions)	
Infrastructure Renewal Program (IRP)		
Protect Investment:		
1st Urgent Priority		
• Recapitalize existing capital assets according to useful life cycles		
• Overcome deferrals that begin in FY 2006		
• Approved (Funded) IRP	$ 1,846.6	
• Remainder of (Unfunded) IRP	524.9	
• Combined IRP	$ 2,371.5	see Attachment 3A
Rail Car Program		
Leverage Investment:		
2nd Urgent Priority		
• Relieve crowding and keep pace with ridership growth		
• Purchase 120 rail cars		
• Provide systems capability for 8-car trains	$ 600.6	see Attachment 3B
Bus Program		
Leverage Investment:		
3rd Urgent Priority		
• Relieve crowding and keep pace with ridership growth		
• Purchase 185 buses		
• Improve operating efficiency and customer service		
• Construct a new maintenance/storage garage, and improve facilities for passengers	$ 171.5	see Attachment 3C
System Expansion Program - Planning		
Plan Future Investment:		
• Approved for FY2005 Capital Budget	$ 3.0	
Credit Facility		
Facilitate Investment:		
• Required to satisfy anti-deficiency requirements		
• Provide short-term liquidity to manage program expenditures	$ 12.0	
Security Program		
Secure Investment:		
4th Urgent Priority		
• Continue operations during an emergency		
• Implement other security protective measures		
• Will begin when sufficient federal funds are received	$ 143.5	see Attachment 3D
Total without Security Program	**$ 3,158.6**	
Total	**$ 3,302.1**	

Note: Attachments 3A-3D do not include financing costs

ATTACHMENT 2

ATTACHMENT 3A
(SUMMARY)

IRP Projects and Activities

ATTACHMENT 3A describes the obligations and expenditures for the projects contained in the Approved (Funded) Infrastructure Renewal Program (IRP), followed by the obligations and expenditures for the projects of the Remainder of the IRP (the Unfunded IRP). The third portion of this attachment is the obligations and expenditures for the projects and costs of the combined IRP. Shaded portions of the table correspond to anticipated expenditures.

ATTACHMENT 3A

Approved Infrastructure Renewal Program (Funded IRP)

(In Millions)

Annual Obligations

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Total	FY 2011+	Grand Total
Capital Projects									
Rolling Stock: Bus	$ 43.3	$ 52.8	$ 34.8	$ 23.3	$ 14.0	$ 72.8	$ 240.7		
Rolling Stock: Rail	5.4	0.8	-	-	-	-	6.2		
Passenger Facilities	67.2	52.0	50.0	31.4	22.6	67.1	290.1		
Maintenance Facilities	34.5	21.5	13.6	14.5	8.6	46.1	138.9		
Systems	74.8	30.5	40.1	29.2	17.4	64.8	256.9		
Track and Structures	19.4	10.3	10.3	9.2	9.0	20.5	78.7		
Information Technology	4.7	2.0	2.0	1.0	1.0	5.0	15.7		
Program Management and Support	14.1	10.4	8.1	6.9	4.0	15.7	59.3		
Preventive Maintenance	20.7	20.7	20.7	20.7	20.7	20.7	124.2		
Subtotal: Capital Projects	$ 284.1	$ 201.1	$ 179.5	$ 136.2	$ 97.3	$ 312.5	$ 1,210.6		
Financing Expenses									
TIFIA Financing Expenses	$ -	$ 106.8	$ 133.2	$ 161.6	$ 198.4	$ -	$ 600.0		
Vertical Transportation Financing Expenses	6.0	6.0	6.0	6.0	6.0	6.0	36.0		
Subtotal: Financing Expenses	$ 6.0	$ 112.8	$ 139.2	$ 167.6	$ 204.4	$ 6.0	$ 636.0		
Total Approved IRP - Obligations	$ 290.1	$ 313.9	$ 318.7	$ 303.8	$ 301.6	$ 318.5	$ 1,846.6		
Total Approved IRP - Expenditures (1)	$ 290.1	$ 207.1	$ 254.5	$ 339.9	$ 338.4	$ 144.8	$ 1,574.8	$ 271.9	$ 1,846.6

Remainder of Infrastructure Renewal Program (Unfunded IRP)

Annual Obligations

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Total	FY 2011+	Grand Total
Capital Projects									
Rolling Stock: Bus	$ -	$ -	$ 30.0	$ 62.4	$ 55.9	$ -	$ 148.3		
Rolling Stock: Rail	-	-	-	3.3	1.1	33.2	37.6		
Passenger Facilities	-	7.5	7.0	7.1	11.5	1.3	34.3		
Maintenance Facilities	-	1.2	9.7	29.4	17.6	22.5	80.5		
Systems	-	11.0	18.1	8.4	10.3	17.8	65.5		
Track and Structures	-	4.2	7.1	13.3	23.3	22.5	70.5		
Information Technology	-	1.4	4.0	5.9	5.0	3.1	19.5		
Program Management and Support	-	-	5.0	7.5	15.0	41.0	68.5		
Preventive Maintenance	-	-	-	-	-	0.2	0.2		
Subtotal: Capital Projects	$ -	$ 25.4	$ 80.9	$ 137.3	$ 139.6	$ 141.6	$ 524.9		
Financing Expenses									
TIFIA Financing Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Vertical Transportation Financing Expenses	-	-	-	-	-	-	-		
Subtotal: Financing Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Total Remainder of IRP - Obligations	$ -	$ 25.4	$ 80.9	$ 137.3	$ 139.6	$ 141.6	$ 524.9		
Total Remained of IRP - Expenditures	$ -	$ 6.6	$ 27.6	$ 63.7	$ 94.8	$ 114.1	$ 307.0	$ 217.9	$ 524.9

(1) The FY2005 IRP will continue to be managed on an obligation basis. For the purposes of calculated expenditures over the 6-year period, the FY2005 IRP is considered expended and will be managed independently of the remainder of the Metro Matters progr

Metro Matters Funding Agreement

Combined Infrastructure Renewal Program (IRP)

(In Millions)

Annual Obligations	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Total	FY 2011+	Grand Total
Capital Projects									
Rolling Stock: Bus	$ 43.3	$ 52.8	$ 64.8	$ 85.6	$ 69.9	$ 72.6	$ 389.0		
Rolling Stock: Rail	$ 5.4	$ 0.8	$ -	$ 3.3	$ 1.1	$ 33.2	$ 43.9		
Passenger Facilities	$ 67.2	$ 59.5	$ 56.9	$ 38.5	$ 34.0	$ 68.4	$ 324.5		
Maintenance Facilities	$ 34.5	$ 22.8	$ 23.4	$ 44.0	$ 26.2	$ 68.5	$ 219.4		
Systems	$ 74.8	$ 41.5	$ 58.2	$ 37.6	$ 27.7	$ 82.6	$ 322.3		
Track and Structures	$ 19.4	$ 14.5	$ 17.4	$ 22.5	$ 32.3	$ 43.0	$ 149.2		
Information Technology	$ 4.7	$ 3.4	$ 6.0	$ 6.9	$ 6.0	$ 8.1	$ 35.1		
Program Management and Support	$ 14.1	$ 10.4	$ 13.1	$ 14.4	$ 19.0	$ 56.8	$ 127.8		
Preventive Maintenance	$ 20.7	$ 20.7	$ 20.7	$ 20.7	$ 20.7	$ 20.9	$ 124.4		
Subtotal: Capital Projects	**$ 284.1**	**$ 226.5**	**$ 260.4**	**$ 273.5**	**$ 236.9**	**$ 454.1**	**$ 1,735.5**		
Financing Expenses									
TIFIA Financing Expenses	$ -	$ 106.8	$ 133.2	$ 161.6	$ 198.4	$ -	$ 600.0		
Vertical Transportation Financing Expenses	$ 6.0	$ 6.0	$ 6.0	$ 6.0	$ 6.0	$ 6.0	$ 36.0		
Subtotal: Financing Expenses	**$ 6.0**	**$ 112.8**	**$ 139.2**	**$ 167.6**	**$ 204.4**	**$ 6.0**	**$ 636.0**		
Total Combined IRP (obligations)	**$ 290.1**	**$ 339.3**	**$ 399.6**	**$ 441.1**	**$ 441.2**	**$ 460.1**	**$ 2,371.5**		
Total Expenditures (1)	$ 290.1	$ 213.7	$ 262.3	$ 403.6	$ 433.2	$ 258.9	$ 1,861.6	$ 509.9	$ 2,371.5

(1) The FY2005 IRP will continue to be managed on an obligation basis. For the purposes of calculated expenditures over the 6-year period, the FY2005 IRP is considered expended and will be managed independently of the remainder of the Metro Matters progr

ATTACHMENT 3A (continued)

ATTACHMENT 3B
(SUMMARY)

Rail Car and Facilities

ATTACHMENT 3B describes the obligations and expenditures for the projects contained in the Rail Car Program broken down by work to be done and expenditures for each fiscal year. Shaded portions of the table correspond to anticipated expenditures.

Second Urgent Priority: Rail Car Program

(In Millions)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011+	Total
Vehicles								
• 120 rail cars (6000 series rail car option)	• exercise option for 120 rail cars $ 27.9	• 24 rail cars delivered $ 55.4	• 72 rail cars delivered $ 101.2	• 24 rail cars delivered $ 30.9	$ 8.5	$ 3.4	$ 1.9	$ 229.1
Facilities								
• New Carrollton Yard	• construct maintenance facilities	• complete maintenance facilities						
• Brentwood Yard	• design additional mainten-ance capacity	• move shop to Greenbelt • construction	• complete maintenance facilities	• contract close-out				
• Greenbelt Yard	• design additional mainten-ance capacity	• move shop from Brentwood • construction	• complete maintenance facilities	• contract close-out				
• Shady Grove Yard	• design additional mainten-ance capacity	• construct maintenance facilities	• complete maintenance facilities	• contract close-out				
Subtotal: Facilities	$ 0.4	$ 59.1	$ 59.8	$ 10.3				$ 129.6
Systems								
• Traction Power	• design systems $ 10.4	• procure and test $ 101.6	• test and implement upgrades $ 98.6	• complete upgrades $ 24.8				$ 235.5
• Precison Stopping	• design systems $ 0.5	• procure and test $ 3.1	• test and implement upgrades $ 2.4	• complete upgrades $ 0.5				$ 6.6
Subtotal: Systems	$ 10.9	$ 104.7	$ 101.0	$ 25.4	$ -	$ -	$ -	$ 242.0
Total Expenditures	**$ 39.2**	**$ 219.1**	**$ 262.0**	**$ 66.6**	**$ 8.5**	**$ 3.4**	**$ 1.9**	**$ 600.6**
Total Obligations	$ 420.2	$ 99.3	$ 81.2	$ -	$ -	$ -	$ -	$ 600.6

ATTACHMENT 3B

ATTACHMENT 3C
(SUMMARY)

Bus and Facilities

ATTACHMENT 3C describes the obligations and expenditures for the projects contained in the Bus Program broken down by work to be done and expenditure for each fiscal year. Shaded portions of the table correspond to anticipated expenditures.

Third Urgent Priority: Bus Program

(In Millions)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011+	Total
Vehicles • Procurement of up to 185 buses	• procure up to 185 buses	• 25 buses delivered $ 11.9	• 25 buses delivered $ 12.3	• 30 buses delivered $ 15.1	• 40 buses delivered $ 20.7	• 65 buses delivered $ 34.6		$ 94.6
Garages • Construct a new garage in Virginia	• design and NEPA $ 3.2	• construction $ 8.9	• construction $ 20.6	• complete garage $ 16.2				$ 48.9
Customer Facilities • Bus Stop Improvements • Transit Centers with ITS	• design • design and NEPA $ 3.8	• installation • procurement $ 5.8	• installation • construction $ 6.0	• installation • construction $ 6.1	• complete install. • complete constr. $ 6.3			$ 28.0
Total Expenditures	**$ 7.0**	**$ 26.6**	**$ 38.9**	**$ 37.4**	**$ 27.0**	**$ 34.6**	**$ -**	**$ 171.5**
Total Obligations	$ 22.3	$ 26.2	$ 64.1	$ 29.3	$ 29.6	$ -	$ -	$ 171.5

Note: Procure 50 buses in FY 2006 and FY 2007, with options for up to 135 additional buses.
Bus program to be reviewed based on analysis of bus route structuring in December 2005 and December 2007.

ATTACHMENT 3C

ATTACHMENT 3D
(SUMMARY)

Security Program

ATTACHMENT 3D describes the obligations and expenditures for the projects contained in the Security Program broken down by work to be done and expenditure for each fiscal year. Work will be performed on this element if and when federal funding for this element is received by WMATA. Shaded portions of the table correspond to anticipated expenditures.

Security Program

(In Millions)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011+	Total
Back-Up Operations Control Center (OCC)								
• Construct / rehab. facilities	$ 2.3	$ 17.6	$ 22.7	$ 17.9	$ 2.0	$ -	$ -	$ 62.5
Other Security Initiatives								
• Chemical / Biological Detection	1.0	6.0	6.0	6.0	1.0	-	-	20.0
• Expand Intrusion Detection Systems to Bus Facilities	0.6	2.4	2.4	0.6	-	-	-	6.0
• Decontamination	0.2	0.8	0.8	0.2	-	-	-	2.0
• Additional Cameras on Buses	1.3	5.2	5.2	1.3			-	13.0
• MTPD Equipment	0.3	0.5	0.5	0.5	0.5	0.3	-	2.6
• Card Access/Intrusion Monitoring at Field Locations	0.5	1.0	2.0	1.5	-	-	-	5.0
• Customer & Employee Communication	0.1	0.2	0.2	-	-	-	-	0.5
• Upgrade Public Address System at Rail Stations	3.2	4.8	5.8	6.8	6.8	4.6	-	32.0
Subtotal	7.2	20.9	22.9	16.9	8.3	4.9	-	81.0
Total Expenditures	**$ 9.5**	**$ 38.5**	**$ 45.6**	**$ 34.8**	**$ 10.3**	**$ 4.9**	**$ -**	**$ 143.5**
Total Obligations	$ 46.5	$ 74.0	$ 23.0	$ -	$ -	$ -	$ -	$ 143.5

Note: It is assumed that this program will be 100% federally funded.

ATTACHMENT 3D

ATTACHMENT 4
(SUMMARY)

Introduction to Integrated Financial Plan

ATTACHMENT 4 begins by describing the four elements of the Metro Matters Program and provides the funding priority for each element. The second portion of the attachment demonstrates how the funding gap between the funds needed to cover all portions of the Metro Matters and the amounts currently pledged by the federal government and the Contributing Jurisdictions is resolved. Finally, the attachment introduces three other attachments that describe the Integrated Funding Plan and a longer-term view of the needs of WMATA.

Metro Matters Funding Agreement

The Board established a 6-year capital plan totaling $3.3 billion. For planning purposes the Board committed to fund $1.8 billion. The remaining $1.5 billion was unfunded and subdivided into four urgent, unfunded priorities:

- 1st Urgent Priority – Unfunded IRP
- 2nd Urgent Priority – Rail Car Program
- 3rd Urgent Priority – Bus Program
- 4th Urgent Priority – Security Program

The Authority proposes to close the gap with the Metro Matters Funding Agreement and Integrated Financial Plan, as shown below.

Metro Matters Funding Agreement

Summary of Steps Used to Close Metro Matters Funding Gap
(In Millions)

	Gap Closing Measure	Cumulative Gap
Starting 6-Year Metro Matters Funding Gap (1)		1,441
Add: Credit Facility	(12)	
		1,453
Add: Reduction in Internally Generated Funds	(7)	
		1,460
Subtract: Security Funded Entirely by Federal Government	144	
		1,316
Subtract: Convert to Cash Flow: Funded IRP	272	
		1,044
Subtract: Convert to Cash Flow: Unfunded IRP	218	
		826
Subtract: Convert to Cash Flow: Rail Car Program	2	
		824
Subtract: Local/State Funding for Unfunded IRP at Expenditure Levels	307	
		517
Subtract: Additional Federal Funding (2)	260	
		257
Subtract: Proceeds from Financing Mechanisms	257	
Remaining 6-Year Gap		0
Federal Share of Gap Closing Funds	404	28%
Local Share of Gap Closing Funds	1,056	73%
Local Share of Gap Closing: Cash	564	39%
Local Share of Gap Closing: Conversion to Cash Flow	492	34%

(1) 6-Year Gap composed of the Unfunded IRP ($524.9M), the Rail Car Program ($600.6M), the Bus Program ($171.5M), and the Security Program ($143.5M).

(2) Up to $260 million in additional federal grants assumed to be generated from reauthorization. Amounts from reauthorization below $260 million will be offset through the use of grant anticipation debt.

The sources and uses tables, shown on Attachment 4A, shows the annual program expenditures, the annual funding by source, and the level of debt the Authority will take on for the 6-year program. Attachment 4B shows the annual program expenditures, the annual funding by source, and the level of debt the Authority will take on for the Metro Matters Funding Agreement and the outyear funding requirements necessary to maintain the 89.5-mile system.

Integrated Financial Plan

ATTACHMENT 4A is the Integrated Financial Plan. It shows the allocation of the sources of funds and the use of funds over the six-year term of the Metro Matters Program along with the expenditures for work obligated during that term. It sets out when debt will need to be issued, the assumptions relating to the debt issuances, and the estimated repayment schedule.

Metro Matters Financial Plan (1)

($, millions)

#	Program Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	20-Year	6-Year	FY 2011-
	WMATA Fiscal Year (ending June 30,)		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total	Total	FY 2024
	USES																								
	CASH DISBURSEMENTS FOR PROJECTS	(2)																							
1	IRP	(3)	290.1	213.7	282.2	403.4	433.2	258.9	200.9	136.4	82.9	32.3	21.2	17.3	-	-	-	-	-	-	-	-	2,371.5	1,881.6	489.9
2	SAP - RAIL		39.2	219.2	262.0	66.5	8.5	3.4	1.9	-	-	-	-	-	-	-	-	-	-	-	-	-	600.6	598.7	1.9
3	SAP - BUS		7.0	26.6	38.9	37.4	27.0	34.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	171.5	171.5	-
4	SEP - PLANNING	(4)	3.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.0	3.0	-
5	CREDIT FACILITY and CP PROGRAM FEES	(5)	2.0	2.0	2.0	2.0	2.0	2.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12.0	12.0	-
6	**SUBTOTAL CASH EXPENDITURES**		341.3	461.5	585.1	509.3	470.7	298.9	202.8	136.4	82.9	32.3	21.2	17.3	-	-	-	-	-	-	-	-	3,158.6	2,636.8	491.8
	CASH DISBURSEMENTS FOR DEBT SERVICE	(6)																							
7	**SUBTOTAL DEBT SERVICE**		-	12.2	26.3	36.9	45.8	232.0	49.6	47.8	48.9	48.8	48.8	47.3	45.7	35.1	27.6	23.1	23.1	23.1	23.1	12.5	858.5	383.1	505.4
8	**TOTAL USES OF FUNDS**		341.3	473.7	611.3	546.2	516.5	530.9	252.4	184.2	131.8	81.1	70.0	64.5	45.7	35.1	27.6	23.1	23.1	23.1	23.1	12.5	4,017.1	3,019.9	997.1
	SOURCES																								
	BASE CASH SOURCES																								
9	FEDERAL FORMULA GRANT FUNDS	(7)	159.4	173.3	183.6	195.1	210.2	227.3	54.3	-	-	-	-	-	-	-	-	-	-	-	-	-	1,203.1	1,148.8	54.3
10	FEDERAL DISCRETIONARY GRANT FUNDS	(8)	-	-	65.0	65.0	65.0	65.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	260.0	260.0	-
11	STATE AND LOCAL FUNDS	(9)	102.5	132.0	141.7	164.8	178.7	198.0	198.0	184.2	131.8	81.1	70.0	64.5	45.7	35.1	27.6	23.1	23.1	23.1	23.1	12.5	1,860.4	917.6	942.8
12	MISC INTERNAL CIP FUNDING SOURCES	(10)	31.3	13.7	19.7	6.0	6.0	6.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	82.7	82.7	-
13	**SUBTOTAL BASE CASH SOURCES**		293.1	319.0	409.9	430.8	459.8	496.3	252.4	184.2	131.8	81.1	70.0	64.5	45.7	35.1	27.6	23.1	23.1	23.1	23.1	12.5	3,406.2	2,409.1	997.1
	DEBT AND RELATED CAPITAL SOURCES																								
14	**SUBTOTAL DEBT SOURCES**		48.2	154.6	201.4	115.4	56.6	34.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	610.9	610.9	-
15	**TOTAL SOURCES OF FUNDS**		341.3	473.7	611.3	546.2	516.5	530.9	252.4	184.2	131.8	81.1	70.0	64.5	45.7	35.1	27.6	23.1	23.1	23.1	23.1	12.5	4,017.1	3,019.9	997.1
	FUNDING BY JURISDICTION	(11)(12)																							
16	**DISTRICT OF COLUMBIA**		37.6	46.4	51.9	60.4	65.4	72.5	72.5	67.5	48.3	29.7	25.6	23.6	16.7	12.8	10.1	8.5	8.5	8.5	8.5	4.6	681.5	336.2	345.3
17	MONTGOMERY COUNTY		17.2	22.5	24.1	28.1	30.4	33.7	33.7	31.4	22.5	13.8	11.9	11.0	7.8	6.0	4.7	3.9	3.9	3.9	3.9	2.1	316.8	156.1	160.7
18	PRINCE GEORGE'S COUNTY		19.7	24.9	26.7	31.0	33.7	37.3	37.3	34.7	24.8	15.3	13.2	12.2	8.6	6.6	5.2	4.3	4.3	4.3	4.3	2.3	350.8	173.2	177.6
19	**MARYLAND SUBTOTAL**		36.9	47.4	50.8	59.1	64.1	71.0	71.0	66.1	47.3	29.1	25.1	23.2	16.4	12.6	9.9	8.3	8.3	8.3	8.3	4.5	667.6	329.3	338.3
20	ALEXANDRIA		4.6	5.9	6.3	7.3	7.9	8.8	8.8	8.2	5.8	3.6	3.1	2.9	2.0	1.6	1.2	1.0	1.0	1.0	1.0	0.6	82.5	40.7	41.8
21	ARLINGTON		8.7	11.5	12.3	14.3	15.5	17.2	17.2	16.0	11.5	7.1	6.1	5.6	4.0	3.0	2.4	2.0	2.0	2.0	2.0	1.1	161.5	79.6	81.9
22	CITY OF FAIRFAX		0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	3.6	1.8	1.8
23	FAIRFAX COUNTY		14.2	18.3	19.7	22.9	24.8	27.5	27.5	25.6	18.3	11.3	9.7	9.0	6.3	4.9	3.8	3.2	3.2	3.2	3.2	1.7	258.5	127.5	131.0
24	FALLS CHURCH		0.3	0.4	0.4	0.5	0.5	0.6	0.6	0.5	0.4	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	5.2	2.6	2.6
25	**VIRGINIA SUBTOTAL**		27.9	36.3	39.0	45.3	49.1	54.5	54.5	50.6	36.2	22.3	19.2	17.7	12.6	9.6	7.6	6.3	6.3	6.3	6.3	3.4	511.3	252.1	259.2
26	TOTAL		102.5	132.0	141.7	164.8	178.7	198.0	198.0	184.2	131.8	81.1	70.0	64.5	45.7	35.1	27.6	23.1	23.1	23.1	23.1	12.5	1,860.4	917.6	942.8
27	**OUTSTANDING METRO MATTERS DEBT**	(13)	48.9	200.8	395.1	497.8	535.6	365.7	336.9	307.2	275.9	242.9	206.1	172.9	137.3	110.4	89.3	71.6	52.8	32.9	11.8	0.0			

Footnotes:

(1) Does not include Security Program, the implementation of which is dependent upon full Federal funding of the Security Program
(2) Shaded FY 2005 figures are shown for display purposes only and are not subject to the Metro Matters Funding Agreement.
(3) FY 2005 IRP is presented on an obligation basis. Expenditures resulting from FY 2005 IRP obligations are not included in FY 2006 and beyond.
(4) Does not include reimbursable projects such as Dulles or the Largo Extension. The FY2005 SEP Planning is composed of $1M in the SAP for bus enhancements and $2M in the SEP for planning
(5) Credit facility fees assume a two tier credit facility and commercial paper program totalling $300 million through FY 2010.

(6) Commercial paper program assumes 3% interest cost, bus system debt assumes 10-year term and all-in interest rate of 5.25%. Bus system debt is assumed for all SAP bus procurements and expenditures for IRP buses in FY 2008 and FY 2009. Rail system debt assumes 18-year term and all-in interest rate of 6%.
(7) Federal formula funds are projected to grow at 2.75% after FY 2010.
(8) Up to $260 million in additional federal grants assumed to be generated from reauthorization. Amounts from reauthorization below $260 million could be offset through the use of grant anticipation debt.
(9) For the long-term display case, state and local funding is projected to grow at 1.5% per year.
(10) Miscellaneous Internal CIP Funding Sources includes capitalized fare revenue and interest earned on WMATA cash accounts
(11) Summary total, see Attachment 4c for a detailed total
(12) Allocation for FY 2005 IRP is per approved FY 2005 budget. A single allocation formula is applied to balance of the program, and is weighted average of total obligations of FY 2006 to FY 2010 IRP and entire bus and rail programs.
(13) Debt figures include year-end outstanding principal for short-term (e.g. commercial paper) and long-term debt (e.g. certificates of participation) issued for the Metro Matters program in FY 2005 and after. Debt issued prior to FY 2005 is excluded.

ATTACHMENT 4A

ATTACHMENT 4B
(SUMMARY)

Integrated Financial Plan – Long Term

ATTACHMENT 4B shows the long term (FY 2005-2024) display of the sources and uses of funds for the Metro Matters Program and future IRP and System Expansion Program project development activities. The attachment also displays the timing and payment streams for debt issuances and the Jurisdictional Allocated Contributions. The footnotes contain various assumptions as to interest rates and contribution growth rates for federal formula and local contributions. The shaded portion of the chart demonstrates the outyear funding requirements for FY 2011-2024.

ATTACHMENT 4B

Metro Matters Financial Plan (1)

($, millions)

#	Program Year / WMATA Fiscal Year (ending June 30.)	1 / 2005	2 / 2006	3 / 2007	4 / 2008	5 / 2009	6 / 2010	7 / 2011	8 / 2012	9 / 2013	10 / 2014
	USES										
	CASH DISBURSEMENTS FOR PROJI (2)										
1	IRP (3)	290.1	213.7	282.2	403.4	433.2	258.9	387.8	402.8	482.9	466.3
2	SAP - RAIL	39.2	219.2	262.0	66.5	8.5	3.4	1.9	-	-	-
3	SAP - BUS	7.0	26.6	38.9	37.4	27.0	34.6	-	-	-	-
4	SEP - PLANNING (4)	3.0	-	-	-	-	-	-	-	-	-
5	CREDIT FACILITY and CP PROGRA (5)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
6	SUBTOTAL CASH EXPENDITURES	341.3	461.5	585.1	509.3	470.7	298.9	391.7	404.8	484.9	468.3
	CASH DISBURSEMENTS FOR DEBT (6)										
7	SUBTOTAL DEBT SERVICE	-	12.2	26.3	36.9	45.8	232.0	48.8	48.8	48.8	48.8
8	TOTAL USES OF FUNDS	341.3	473.7	611.3	546.2	516.5	530.9	440.5	453.6	533.7	517.1
	SOURCES										
	BASE CASH SOURCES										
9	FEDERAL FORMULA GRANT FUND (7)	159.4	173.3	183.6	195.1	210.2	227.3	233.5	240.0	246.6	253.3
10	FEDERAL DISCRETIONARY GRANT (8)	-	-	65.0	65.0	65.0	65.0	-	-	-	-
11	STATE AND LOCAL FUNDS (9)	102.5	132.0	141.7	164.8	178.7	198.0	201.0	204.0	207.1	210.2
12	MISC INTERNAL CIP FUNDING SOI (10)	31.3	13.7	19.7	6.0	6.0	6.0	6.0	1.3	1.3	1.3
13	SUBTOTAL BASE CASH SOURCES	293.1	319.0	409.9	430.8	459.9	496.3	440.5	445.3	454.9	464.8
	DEBT AND RELATED CAPITAL SOURCES										
14	SUBTOTAL DEBT SOURCES	48.2	154.6	201.4	115.4	56.6	34.6	0.0	8.3	78.8	52.3
15	TOTAL SOURCES OF FUNDS	341.3	473.7	611.3	546.2	516.5	530.9	440.5	453.6	533.7	517.1
	FUNDING BY JURISDICTION (11)										
16	DISTRICT OF COLUMBIA	37.6	48.4	51.9	60.4	65.4	72.5	73.6	74.7	75.8	77.0
17	MONTGOMERY COUNTY	17.2	22.5	24.1	28.1	30.4	33.7	34.3	34.8	35.3	35.8
18	PRINCE GEORGE'S COUNTY	19.7	24.9	26.7	31.0	33.7	37.3	37.9	38.4	39.0	39.6
19	MARYLAND SUBTOTAL	36.9	47.4	50.8	59.1	64.1	71.0	72.1	73.2	74.3	75.4
20	ALEXANDRIA	4.6	5.9	6.3	7.3	7.9	8.8	8.9	9.0	9.2	9.3
21	ARLINGTON	8.7	11.5	12.3	14.3	15.5	17.2	17.5	17.7	18.0	18.3
22	CITY OF FAIRFAX	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
23	FAIRFAX COUNTY	14.2	18.3	19.7	22.9	24.8	27.5	27.9	28.4	28.8	29.2
24	FALLS CHURCH	0.3	0.4	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.6
25	VIRGINIA SUBTOTAL	27.9	36.3	39.0	45.3	49.1	54.5	55.3	56.1	56.9	57.8
26	TOTAL	102.5	132.0	141.7	164.8	178.7	198.0	201.0	204.0	207.1	210.2
27	OUTSTANDING METRO MATTERS DI (12)	46.9	200.8	395.1	497.8	535.6	365.7	337.7	316.5	365.5	388.3

#	Program Year / WMATA Fiscal Year (ending June 30.)	11 / 2015	12 / 2016	13 / 2017	14 / 2018	15 / 2019	16 / 2020	17 / 2021	18 / 2022	19 / 2023	20 / 2024	20-Year Total	6-Year Total	FY 2011-FY 2024
	USES													
	CASH DISBURSEMENTS FOR PROJI (2)													
1	IRP (3)	454.2	471.0	450.3	367.5	309.3	354.8	417.4	511.4	477.2	537.2	7,971.6	1,881.6	6,090.0
2	SAP - RAIL	-	-	-	-	-	-	-	-	-	-	600.6	598.7	1.9
3	SAP - BUS	-	-	-	-	-	-	-	-	-	-	171.5	171.5	-
4	SEP - PLANNING (4)	-	-	-	-	-	-	-	-	-	-	3.0	3.0	-
5	CREDIT FACILITY and CP PROGRA (5)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	40.0	12.0	28.0
6	SUBTOTAL CASH EXPENDITURES	456.2	473.0	452.3	369.5	311.3	356.8	419.4	513.4	479.2	539.2	8,786.7	2,666.8	6,119.9
	CASH DISBURSEMENTS FOR DEBT (6)													
7	SUBTOTAL DEBT SERVICE	48.8	47.3	45.7	137.2	166.4	23.1	23.1	23.1	23.1	12.5	1,098.6	353.1	745.5
8	TOTAL USES OF FUNDS	505.0	520.3	497.9	506.7	477.7	379.9	442.5	536.5	502.3	551.6	9,885.3	3,019.9	6,865.4
	SOURCES													
	BASE CASH SOURCES													
9	FEDERAL FORMULA GRANT FUND (7)	260.3	267.5	274.8	282.4	290.1	298.1	306.3	314.7	323.4	332.3	5,072.0	1,148.8	3,923.3
10	FEDERAL DISCRETIONARY GRANT (8)	-	-	-	-	-	-	-	-	-	-	260.0	260.0	-
11	STATE AND LOCAL FUNDS (9)	213.3	216.5	219.8	223.1	186.2	80.5	134.9	220.4	177.6	218.1	3,630.2	917.6	2,712.6
12	MISC INTERNAL CIP FUNDING SOI (10)	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	105.6	82.7	22.9
13	SUBTOTAL BASE CASH SOURCES	474.9	485.3	495.9	506.7	477.7	379.9	442.5	536.5	502.3	551.6	9,067.8	2,409.1	6,658.7
	DEBT AND RELATED CAPITAL SOURCES													
14	SUBTOTAL DEBT SOURCES	30.1	35.0	2.0	-	-	-	-	-	-	-	817.6	610.9	206.7
15	TOTAL SOURCES OF FUNDS	505.0	520.3	497.9	506.7	477.7	379.9	442.5	536.5	502.3	551.6	9,885.3	3,019.9	6,865.4
	FUNDING BY JURISDICTION (11)													
16	DISTRICT OF COLUMBIA	78.1	79.3	80.5	81.7	68.2	29.5	49.4	80.7	65.0	79.9	1,329.6	336.2	993.5
17	MONTGOMERY COUNTY	36.4	36.9	37.5	38.0	31.7	13.7	23.0	37.6	30.3	37.2	618.4	156.1	462.2
18	PRINCE GEORGE'S COUNTY	40.2	40.8	41.4	42.0	35.1	15.2	25.4	41.5	33.4	41.1	684.2	173.2	511.0
19	MARYLAND SUBTOTAL	76.5	77.7	78.8	80.0	66.8	28.9	48.4	79.1	63.7	78.2	1,302.6	329.3	973.2
20	ALEXANDRIA	9.5	9.6	9.7	9.9	8.3	3.6	6.0	9.8	7.9	9.7	161.0	40.7	120.3
21	ARLINGTON	18.5	18.8	19.1	19.4	16.2	7.0	11.7	19.2	15.4	19.0	315.3	79.6	235.7
22	CITY OF FAIRFAX	0.4	0.4	0.4	0.4	0.4	0.2	0.3	0.4	0.3	0.4	7.0	1.8	5.2
23	FAIRFAX COUNTY	29.6	30.1	30.5	31.0	25.9	11.2	18.7	30.6	24.7	30.3	504.5	127.5	377.0
24	FALLS CHURCH	0.6	0.6	0.6	0.6	0.5	0.2	0.4	0.6	0.5	0.6	10.2	2.6	7.6
25	VIRGINIA SUBTOTAL	58.7	59.5	60.4	61.3	51.2	22.1	37.1	60.6	48.8	60.0	998.0	252.1	745.9
26	TOTAL	213.3	216.5	219.8	223.1	186.2	80.5	134.9	220.4	177.6	218.1	3,631.2	917.6	2,713.6
27	OUTSTANDING METRO MATTERS DI (12)	388.4	394.1	367.3	245.1	89.3	71.6	52.8	32.9	11.8	0.0			

Footnotes:
(1) Does not include Security Program, the implementation of which is dependent upon full Federal funding of the Security Program
(2) Shaded FY 2005 figures are shown for display purposes only and are not subject to the Metro Matters Funding Agreement.
(3) FY 2005 IRP is presented on an obligation basis. Expenditures resulting from FY 2005 IRP obligations are not included in FY 2006 and beyond.
(4) Does not include reimbursable projects such as Dulles or the Largo Extension. The FY2005 SEP Planning is composed of $1M in the SAP for bus enhancements and $2M in the SEP for planning
(5) Credit facility fees assume a two tier credit facility and commercial paper program totaling $300 million through FY 2010.
(6) Commercial paper program assumes 3% interest cost, bus system debt assumes 10-year term and all-in interest rate of 5.25%. Bus system debt is assumed for all SAP bus procurements and expenditures for IRP buses in FY 2008 and FY 2009. Rail system debt assumes 18-year term and all-in interest rate of 6%.
(7) Federal formula funds are projected to grow at 2.75% after FY 2010.
(8) Up to $260 million in additional federal grants assumed to be generated from reauthorization. Amounts from reauthorization below $260 million could be offset through the use of grant anticipation debt.
(9) For the long-term display case, state and local funding is projected to grow at 1.5% per year.
(10) Miscellaneous Internal CIP Funding Sources includes capitalized fare revenue and interest earned on WMATA cash accounts
(11) Allocation for FY 2005 IRP is per approved FY 2005 budget. A single allocation formula is applied to balance of the program, and is weighted average of total obligations of FY 2006 to FY 2010 IRP and entire bus and rail programs.
(12) Debt figures include year-end outstanding principal for short-term (e.g. commercial paper) and long-term debt (e.g. certificates of participation) issued for the Metro Matters program in FY 2005 and after. Debt issued prior to FY 2005 is excluded.

ATTACHMENT 4B

ATTACHMENT 4C
(SUMMARY)

Details for Jurisdictional Allocated Contributions

ATTACHMENT 4C contains the detailed breakdown by Fiscal Year and Jurisdiction for each jurisdiction's Allocated Contributions for the Metro Matters Program.

Metro Matters Financial Plan

($, millions)

	Program Year	1	2	3	4	5	6	7	8	9	10
	WMATA Fiscal Year (ending June 30,)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	FUNDING BY JURISDICTION (1)										
16	**DISTRICT OF COLUMBIA**	37.6112	48.3515	51.8803	60.3515	65.4350	72.5254	72.5254	67.4577	48.2610	29.7136
17	MONTGOMERY COUNTY	17.2208	22.4986	24.1365	28.0799	30.4451	33.7441	33.7441	31.3862	22.4546	13.8249
18	PRINCE GEORGE'S COUNTY	19.6754	24.8679	26.6826	31.0397	33.6542	37.3010	37.3010	34.6945	24.8214	15.2822
19	**MARYLAND SUBTOTAL**	36.8960	47.3646	50.8213	59.1196	64.0993	71.0451	71.0451	66.0807	47.2759	29.1071
20	ALEXANDRIA	4.5506	5.8549	6.2822	7.3060	7.9236	8.7821	8.7821	8.1684	5.8439	3.5960
21	ARLINGTON	8.7164	11.4736	12.3110	14.3212	15.5274	17.2100	17.2100	18.0074	11.4521	7.0509
22	CITY OF FAIRFAX	0.1606	0.2564	0.2740	0.3186	0.3456	0.3831	0.3831	0.3563	0.2549	0.1569
23	FAIRFAX COUNTY	14.2159	18.3463	19.6653	22.6996	24.8284	27.5186	27.5186	25.5969	18.3120	11.2744
24	FALLS CHURCH	0.2960	0.3710	0.3961	0.4631	0.5021	0.5565	0.5565	0.5178	0.3703	0.2280
25	**VIRGINIA SUBTOTAL**	27.9496	36.3012	38.9605	45.3105	49.1271	54.4505	54.4505	50.6457	36.2332	22.3083
26	TOTAL	102.4568	132.0173	141.6521	164.7817	178.6614	198.0210	198.0210	184.1841	131.7701	81.1291
27	**OUTSTANDING METRO MATTERS DEBT**	48.9	200.8	395.1	497.8	536.6	365.7	336.9	307.2	275.9	242.9

	Program Year	11	12	13	14	15	16	17	18	19	20	20-Year	6-Year	FY 2011-
	WMATA Fiscal Year (ending June 30,)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total	Total	FY 2024
	FUNDING BY JURISDICTION (1)													
16	**DISTRICT OF COLUMBIA**	25.6373	23.6346	16.7237	12.8376	10.1180	8.4564	8.4564	8.4564	8.4564	4.5665	681.4560	336.1549	345.3011
17	MONTGOMERY COUNTY	11.9283	10.9966	7.7811	5.8730	4.7076	3.9345	3.9345	3.9345	3.9345	2.1247	316.7840	156.1246	160.6592
18	PRINCE GEORGE'S COUNTY	13.1858	12.1557	8.6013	6.6026	5.2039	4.3493	4.3493	4.3493	4.3493	2.3486	350.8148	173.2211	177.5936
19	**MARYLAND SUBTOTAL**	25.1140	23.1522	16.3824	12.5756	9.9115	8.2838	8.2838	8.2838	8.2838	4.4733	667.5988	329.3459	338.2529
20	ALEXANDRIA	3.1044	2.8619	2.0251	1.6646	1.2252	1.0240	1.0240	1.0240	1.0240	0.5630	82.5136	40.7011	41.8126
21	ARLINGTON	6.0836	5.6084	3.9885	3.0463	2.4010	2.0067	2.0067	2.0067	2.0067	1.0836	161.4981	79.5598	81.9385
22	CITY OF FAIRFAX	0.1364	0.1246	0.0883	0.0678	0.0534	0.0447	0.0447	0.0447	0.0447	0.0241	3.5616	1.7577	1.8239
23	FAIRFAX COUNTY	9.7277	8.9678	6.3456	4.8711	3.8391	3.2087	3.2087	3.2087	3.2087	1.7327	256.5142	127.4943	131.0199
24	FALLS CHURCH	0.1967	0.1813	0.1283	0.0986	0.0776	0.0649	0.0649	0.0649	0.0649	0.0360	5.2262	2.5767	2.6495
25	**VIRGINIA SUBTOTAL**	19.2479	17.7443	12.5558	9.6362	7.5954	6.3489	6.3489	6.3489	6.3489	3.4264	511.3337	252.0894	259.2442
26	TOTAL	69.9991	64.5312	45.6619	35.0514	27.6259	23.0691	23.0691	23.0691	23.0691	12.4681	1,860.3868	917.5993	942.7983
27	**OUTSTANDING METRO MATTERS DEBT**	208.1	172.9	137.3	110.4	89.3	71.6	52.8	32.9	11.8	0.0			

Footnotes:

(1) Allocation for FY 2005 IRP is per approved FY 2005 budget. A single allocation formula is applied to balance of the program, and is weighted average of total obligations of FY 2006 to FY 2010 IRP and entire bus and rail programs.

ATTACHMENT 4C

ATTACHMENT 5
(SUMMARY)

FY 2005 Work Plan and Budget

ATTACHMENT 5 shows the Annual Work Plan for FY 2005. Page A-5(ii) shows the work that will be begun in FY 2005 and page A-5(iii) shows the amount of funding required for the fiscal year from each jurisdiction. Any scheduled debt issuances are also listed. The IRP for FY 2005 is shown on an obligation basis while all other program elements are based on cash expenditures.

FY 2005 Work Plan: Programming

(in millions $)

Infrastructure Renewal Program Protecting WMATA's investment in those capital assets that provide safe and reliable transportation.		
Capital Projects		
• Rolling Stock: Bus	$	43.3
• Rolling Stock: Rail	$	5.4
• Passenger Facilities	$	67.2
• Maintenance Facilities	$	34.5
• Systems	$	74.8
• Track and Structures	$	19.4
• Information Technology	$	4.7
• Program Management and Support	$	14.1
• Preventive Maintenance	$	20.7
Subtotal: Capital Projects	$	284.1
Financing Expenses		
• TIFIA Financing Expenses	$	-
• Vertical Transportation Financing Expenses	$	6.0
Subtotal: Financing Expenses	$	6.0
Total	**$**	**290.1**

Rail Car Program Relieve crowding and meet ridership growth by procuring rail cars and upgrading necessary systems.		
Vehicles		
• Exercise option for 120 rail cars	$	27.9
Facilities		
• Brentwood, Greenbelt, New Carrollton, and Shady Grove rail yards		
• Complete designs for expanded maintenance and storage capacity	$	0.4
Systems		
• Complete designs for increased traction power and imporved precision stopping	$	10.9
Total	**$**	**39.2**

Bus Program Keep pace with ridership growth and improve service by procuring buses and improving passenger facilities.		
Vehicles		
• Procure up to 185 buses	$	-
Garage		
• Design and conduct environmental work for new bus maintenance and storage garage in Virginia	$	3.2
Customer Facilities		
• Design bus stop and transit center improvements	$	3.8
Total	**$**	**7.0**

System Expansion Program (SEP)		
System Expansion Program		
• Project Development	$	3.0
Total	**$**	**3.0**

Metro Matters Credit Facility Meets Anti-Deficiency Requirements and provides short-term liquidity.		
Credit Facility		
• Commercial Paper/Letter of Credit	$	2.0
Total	**$**	**2.0**

Metro Matters Agreement: FY 2005 Funding	**$**	**341.3**

Security Program Continue operations during an emergency and implement other security measures. Requires 100% federal funding.		
Back-Up Operations Control Center (OCC)		
• Construct & rehabilitate facilities	$	2.3
Other Security Initiatives		
• Various Projects (refer to attachment 3-D)	$	7.2
Total	**$**	**9.5**

FY2005 Work Plan Jurisdictional Payment

(in millions $)

Jurisdiction		Total Payment		Cash		Debt Service (1)(2)
DISTRICT OF COLUMBIA	$	37.6	$	37.6	$	-
MONTGOMERY COUNTY	$	17.2	$	17.2	$	-
PRINCE GEORGE'S COUNTY	$	19.7	$	19.7	$	-
MARYLAND SUBTOTAL	$	36.9	$	36.9	$	-
ALEXANDRIA	$	4.6	$	4.6	$	-
ARLINGTON	$	8.7	$	8.7	$	-
CITY OF FAIRFAX	$	0.2	$	0.2	$	-
FAIRFAX COUNTY	$	14.2	$	14.2	$	-
FALLS CHURCH	$	0.3	$	0.3	$	-
VIRGINIA SUBTOTAL	$	28.0	$	28.0	$	-
TOTAL	$	102.5	$	102.5	$	-

(1) Debt issuance is anticipated in FY2005, with repayment not contemplated until FY2006, subject to market requirements

(2) Cost of issuance for the Credit Facility in FY2005 is from other eligible sources - not local cash contributions; such as, Misc Internal CIP or capitalization of issuance costs

ATTACHMENT 6
(SUMMARY)

Contributing Jurisdiction Debt Option

ATTACHMENT 6 describes the mechanics of implementing a WMATA debt issuance if one or more jurisdictions opts not to participate in the debt issuance.

Implementation of Metro Matters Funding Agreement Debt Option

As provided for under section 5(b)(4) of the Agreement, Contributing Jurisdictions may opt out of long-term debt issued by WMATA as part of the Metro Matters financial plan.

Long-term debt will include debt with a term longer than one year including, but not limited to, revenue bonds, certificates of participation, revenue anticipation notes and leases but excluding debt issued under the Commercial Paper Program.

Jurisdictions will not have the option to opt out of short-term debt and credit facilities (including the Commercial Paper Program) that WMATA will use to balance short-term cash flow requirements.

Each year WMATA will indicate its plans to issue long-term debt and provide for local jurisdictions to opt out as part of the annual work program approval process. WMATA will make its best efforts to estimate the debt issue's par amount, net proceeds, structure, the anticipated average interest rate and cost of issuance, and timing to facilitate local decision-making.

Any local jurisdiction that chooses to opt out of the debt issue will fund its proportion of the net proceeds in cash on or before the date of closing of the debt issue. The jurisdiction's share of the proposed net proceeds will be determined by the Metro Matters Program allocation formula.

The debt service for the bond issue will be paid by the remaining jurisdictions according to their pro rata share, as determined by the Metro Matters Program allocation formula.

Example:

In FY 2006, the Metro Matters Financial Plan indicates a need for $120 million in debt financing. WMATA plans to issue long-term debt to meet this need and estimates annual debt service of $9.6 million per year. Jurisdiction A, whose share of the Metro Matters formula is 20% chooses to opt out of the debt and informs WMATA in writing of that decision during the approval period for the annual work program.

At closing of the bond issue, Jurisdiction A provides $24 million (20% of $120M) to WMATA and WMATA funds the balance with the proceeds of the bond issue.

The size of the bond issue is reduced to net $96 million. Debt service is set at $7.7 million per year.

Jurisdiction A has no further obligation regarding this debt issue. The remaining jurisdictions will make capital contributions to WMATA when billed so WMATA can make timely payments to the lenders.

The following table portrays how the election of Jurisdiction A to opt out of the FY 2006 bond issue would affect the allocation of capital contributions for this debt issue among the remaining jurisdictions:

Debt Issue of $120 million in 2006

Jurisdiction	Metro Matters Allocation	Initial Debt Service Estimate	Allocation for this Debt Issue After Opting	Final Debt Service
A	20.0%	$1.9	0.0%	$0.0
B	15.0%	$1.4	18.8%	$1.4
C	12.0%	$1.2	15.0%	$1.2
D	30.0%	$2.9	37.5%	$2.9
E	5.0%	$0.5	6.3%	$0.5
F	15.0%	$1.4	18.8%	$1.4
G	3.0%	$0.3	3.8%	$0.3
Total	**100.0%**	**$9.6**	**100.0%**	**$7.7**

Capital contributions for debt issues will be considered the "first in" funds from the local jurisdictions relative to annual and total funding caps. Annual funding caps for the opting out jurisdiction will be reduced by the estimated debt service that would be due if the Jurisdiction did not opt out. The balance of the local funding capacity will be used to pay project expenditures along with federal funds and other miscellaneous capital revenue sources.

The following tables show how Jurisdiction A's cash contributions between FY 2006 – 2010 would be affected by its election to opt out of a $120 million debt issue in FY 2006.

District of Columbia Controlling Agreement Provisions

ATTACHMENT 7 identifies provisions of the Local Funding Agreement for Metro Matters (DCLFA) entered into by and between the District of Columbia and the Washington Metropolitan Area Transit Authority pursuant to Section 5(e) of this Agreement that will control the implementation of the District of Columbia's obligations, representations and warranties to the extent of any inconsistency between this Agreement and the DCLFA.

District of Columbia Controlling Agreement Provisions

Identification of controlling DCLFA terms in the event of inconsistency:

Section 1(5)	DEFINITIONS: Capital Funds
Section 1(6)	DEFINITIONS: Capital Projects
Section 2(a)	METRO MATTERS PROGRAM: Agreement of the Parties
Section 5(a)(2)	IMPLEMENTATION OF CAPITAL FINANCIAL PLAN: Cash Sources: Non-Federal Funds
Section 5(a)(5)	IMPLEMENTATION OF CAPITAL FINANCIAL PLAN: Cash Sources: D.C. Limitation
Section 5(c)(1)	IMPLEMENTATION OF CAPITAL FINANCIAL PLAN: Contributing Jurisdiction Commitment: General
Section 5(c)(4)(B)	IMPLEMENTATION OF CAPITAL FINANCIAL PLAN: Contributing Jurisdiction Commitment: Debt Service Costs: Issuance of Debt
Section (6)(g)(1)	ANNUAL BUDGET RECONCILIATION PROCESS: Financial Records: Maintenance of Records
Section 9(c)	EFFECTIVE DATE AND TERM OF AGREEMENT: Amendment
Section 17	SINGLE OBLIGATION
Section 18	CONTROLLING AGREEMENT

Attachment II

America's transit system stands at the precipice of a fiscal and service crisis.

metro

September 2003

The Washington Metropolitan Area Transit Authority (WMATA), which has served the national capital region for three decades, is facing serious funding challenges caused by the paradox of an "aging" infrastructure and "growing" ridership. If not soon addressed, these funding challenges will push "America's Transit System" into the downward spiral that previously affected other older, major transit systems in this country. New York, Philadelphia and Chicago are examples of transit systems that, at various times during their history, suffered the serious consequences of under-investment. This short-sightedness resulted ultimately in the need for an even higher level of resources to return their assets to a state of good repair and, in some cases, also resulted in significant ridership losses due to service degradation impacted by a worn-out physical plant and serious overcrowding conditions.

This booklet addresses the acute funding needs of the world-renowned system we all know as Metro. At a bare minimum, Metro requires $1.5 billion over the next six years to protect, leverage and secure the more than $9.4 billion public investment in the Metrorail system. The value of this investment, together with the investment in the Metrobus system, equates to approximately $24 billion in today's dollars. In light of the current economic and funding environment, the Board and staff of Metro are concerned that the public is not sufficiently aware of the critical funding and potential service quality issues that are now confronting "America's Transit System." A re-commitment of the federal, state, and local partnership that created Metro in 1967 is urgently needed to address these issues before it is too late.

The Board and staff of Metro are concerned that the public is not sufficiently aware of the critical funding and potential service quality issues that are now confronting "America's Transit System." A re-commitment of the federal, state and local partnership that created Metro in 1967 is urgently needed to address these issues before it's too late.

Metro Matters

Metro Matters to this Region

Through its network of trains, buses and MetroAccess paratransit vehicles, the Metro system ties together the national capital region and opens doors for people i ways that few other services can. Each day, commuters take the train to work, children ride the bus to school, and people with disabilities take MetroAccess vans to appointments. People ride Metro to activities and destinations that sustain the lifeblood of the regional economy: sporting events, concerts, shopping centers, restaurants and theaters. And visitors from throughout the world ride the system — itself a monument — to tourist destinations throughout the region. Approximately 1.15 million trips per day are made on Metro, and another 250,000 trips per day ar made on the region's local bus and commuter rail systems. Without a viable transit system the quality of life in this region will deteriorate, economic development will suffer, vehicular traffic will increase and air quality will worsen.

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At the Precipice of a Crisis

Metro stands at the precipice of a crisis that, left unchecked, will lead to a dark future fo this transit system and the region it serves. The crisis centers on Metro's ability to sustai service levels and system reliability and to meet future demands for service. In order to accomplish this, Metro urgently needs an adequate level of capital funding to moderniz existing assets, provide additional bus and rail capacity and ensure an adequate level of system security. Worse yet, failure to address infrastructure needs will constrain capacity below its current limits because the system will not be able to maintain its current performance levels.

Metro urgently needs an adequate level of capital funding to modernize existing assets, provide additional bus and rail capacity and ensure an adequate level of system security.

The General Accounting Office (GAO) in a July 2001 report called Metro "a victim of its own success." The report pointed to the "growing pains" of increased ridership and "aging pains" of a system needing to modernize and replace key assets. Despite a successful 25 percent growth in ridership during a recent five-year period, Metro is concerned that capital funding deferrals will increase severe overcrowding and eventually cripple the system, driving commuters back into their cars and onto the region's already clogged, congested roadways. Further, "severe" air pollution will get even worse, potentially costing the region millions of federal dollars for transit and transportation improvements. By anyone's definition, these are unacceptable outcomes.

Prioritization of Capital Funding Needs

In response to recommendations by the GAO and others, Metro spent considerable time documenting and prioritizing its capital funding needs. In November 2002, the Board of Directors adopted a comprehensive 10-year Capital Improvement Plan (CIP), totaling $12.2 billion. Although the program had already been scaled back from earlier plans, Metro significantly reduced the program further to reflect only the Authority's most urgent capital priorities in light of the funding challenges currently faced by our funding agencies. The other needs did not go away. The six-year capital program acknowledges the current funding environment, defers many key projects and eliminates others. The program funding level has been scaled back from $12.2 billion to a "bare bones" set of urgent unfunded capital priorities totaling $1.5 billion over a six-year period, to meet the following needs:

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1. Protect the Metro investment.
2. Leverage the Metro investment.
3. Secure the Metro investment.

A combined program spending level of $515 million per year represents an annual expenditure level that is only 2 percent of the WMATA asset value. This is hardly an extravagant amount to protect such a significant public asset that plays such an indispensable role in our region's attractiveness and quality of life.

The existing Metrorail and Metrobus system is valued at approximately $24 billion at current replacement cost. For Fiscal Year 2004, WMATA is authorized to spend approximately $265 million for basic recapitalization and access enhancement programs. This represents slightly more than 1 percent of the WMATA asset value. The "bare bones" $1.5 billion, six-year program represents an average increase of $25(million per year for basic capital programs. This spending level represents another approximately 1 percent of asset value. Therefore, a combined program spending leve of $515 million per year represents an annual expenditure level that is only 2 percent of the WMATA asset value. This is hardly an extravagant amount to protect such a significant public asset that plays such an indispensable role in our region's attractiveness and quality of life.

WMATA'S UNFUNDED URGENT PRIORITIES SIX-YEAR PROGRAM

	COST IN MILLIONS
1. Protect the Metro investment	$516
2. Leverage the Metro investment	
— railcars	$625
— buses	$171
3. Secure the Metro investment	$150
TOTAL	$1,462 ($1.5 billion)

1. Protect the Metro Investment

The region now has a set of extremely valuable transportation assets. As with any business, WMATA's first priority is to protect the investment by replacing and rehabilitating its assets (e.g. trains, buses, elevators, escalators, maintenance and passenger facilities, track, power cables, etc.).

This is the least exciting part of the overall capital program because it does not usually produce ground-breakings and ribbon-cuttings. However, this is where the effects of the previously described "aging pains" are the most dramatic. Man critical infrastructure assets are already becoming stressed due to deferred rehabilitation and replacement cycles.

The people of this region expect high-quality, reliable service. Currently, the Metrorail system operates at a 98.3 percent level of service reliability, which i in all likelihood, the highest in the United States. System reliability will suffer and conditions will only worsen over the next two to three years without additional resources.

It is currently projected that Metro will be short by $516 million for asset rehabilitation and replacement over the next six years — even with an assumption of minimal growth in federal funding levels. Time is rapidly running out, and without adequate funding, Metro service will be affected in ways that will be much more visible to customers. The rail system will experience far more door closing problems, mechanical breakdowns and irritating delays and offloads. Trains will operate at reduced speeds to ensure safety as tracks begin to wear down. More elevators and escalators will remain out-of-service for longer periods of time because of inadequate funding for preventive maintenance and overhauls. Buses will break down more frequently, and bus schedules will become less dependable. Metro will never compromise public safety, but, essentially, the amount of time it takes to travel from one place to another will increase due to mechanical difficulties, and customers will experience more crowding on the system if vehicle availability declines or service frequency is adversely affected by the lack of reliable equipment. Further, it may lead people to seek alternative ways to travel if transit service is neither reliable nor comfortable.

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2. Leverage the Metro Investment

RAIL SYSTEM IMPROVEMENTS

Although the rail system is designed to operate with up to eight-car trains, Metro only operates four- and six-car trains due to its insufficient funding. Metro is currently only using 58 percent of the system's maximum design capacity, thus trains are extremely crowded. Metro must add the necessary assets to leverage the existing investment and bring additional capacity to customers in a very cost-effective way.

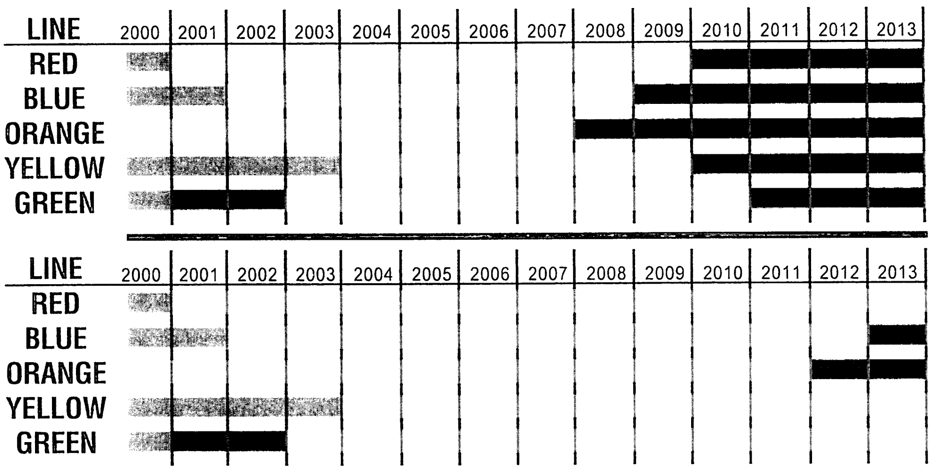
Operation of eight-car trains is a breakthrough that the system desperately needs in order to relieve severe overcrowding conditions that exist today and to keep pace with projected ridership increases.

Operation of eight-car trains is a breakthrough that the rail system desperately needs in order to relieve severe overcrowding conditions that exist today and to keep pace with projected ridership increases. The cost of equipping one-third of the Metrorail system with eight-car trains, including the associated facilities and electrical power, is $625 million.

Capacity limitations become even more acute during a service delay. While it might take only ten minutes to clear a train that breaks down, the effects on the customer are much more severe. As the train is being removed from the scene, customers continue to enter the affected station and stations along the line — making the platform even more crowded, especially at busy transfer stations. It's not unusual for people to wait at least two and three trains during a delay before being able to board. With Metro's current capacity limitations, a 10 minute train delay easily becomes a 20-30 minute delay to the customer.

The problem will only get worse. Each year, ridership continues to increase, especially during the peak periods of travel. During Fiscal Year 2003, Metrorail achieved its highest ridership total in its 27-year history, carrying 184,364,325 customers, nearly four million more than in Fiscal Year 2002. This marks the seventh consecutive year of increased ridership for Metrorail.

Operation of eight-car trains will add capacity to transport almost 30,000 additional passengers during the peak periods and will put Metro closer to



Congested (80-100 people per railcar) Highly congested (100-120 people per railcar) Unmanageable (120+ people per railcar)

he top chart represents the current highly congested condition (when people feel uncomfortable and cramped during the Jsh period) of every Metrorail line in 2004. It further shows that without additional investment in new rail cars, demand ill begin to outpace capacity, and the system will become congested with unmanageable crowding. Unmanageable owding is defined as the point where passengers are no longer allowed to board the trains because the cars are too owded. At this point, train delays become excessive and the system begins to fail.

he bottom chart shows that adding 120 cars by 2006 will relieve the unmanageable crowding conditions beyond the 10-ear planning horizon for the Red, Yellow and Green lines. However, the Orange and Blue lines are projected to exceed the 20 passengers per car threshold near the end of the 10-year period.

operating at maximum capacity — using 76 percent of the system's maximum design capacity instead of the 58 percent utilized today. The cars will significantly reduce the most extreme levels of overcrowding and will also reduce the average level of passenger crowding during the overall peak period, from almost total use of available seating and standing capacity to a much more comfortable level.

Under a procurement option to a railcar purchase currently underway, Metro has an opportunity to purchase 120 railcars at an extremely favorable price. The first option phase must be exercised by October 2004. Failing to act on this procurement will cost the region millions of dollars more and will add substantially to the time it takes to receive the railcars. Metro is fast approaching a crisis condition.

BUS SYSTEM IMPROVEMENTS

Metro also needs to purchase 185 buses and invest in bus facilities at a cost of $171 million over the next six years. The additional buses would allow the Authority to sustain minimum customer growth requirements by adding vehicles to existing markets and penetrating the highest priority developing markets not currently served by bus. Adding buses would also decrease the average age of our bus fleet, increase the miles operated between service interruptions, increase overall service reliability and lower customer service complaints.

The addition of 185 buses into the system would require one new bus garage. This facility would provide for a redistribution of buses to enhance operating efficiency and provide adequate growth for future fleet expansion. The current Metrobus fleet is 1,447 vehicles, with an average age of 8.1 years. In the last fiscal year, Metrobus carried 147,835,000 passengers.

To better serve our customers, the six-year plan includes funding for safe and secure access and facilities, enhanced customer amenities, improved bus

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system image and visibility, an improved transfer environment and coordinate and consistent facilities across the region. Approximately 2,800 bus stops have been identified for safety and access improvements across the region. Initial efforts will be to more fully develop the regional safety improvement program and identify specific requirements at each location.

Without the use of the Metro system, gridlock would ensue on the region's roadways to a degree that would make all emergency transportation and evacuation plans inoperable.

3. Secure the Metro Investment

In addition to being the commuting mode of choice for workers in the downtow core, Metro is a national security asset for the region, as underscored by the events of September 11, 2001. On that day, Metro calmly and successfully move hundreds of thousands of people away from the danger and chaos that occurred in the downtown core, immediately rerouting trains away from high-threat areas Metro is a key component in emergency transportation and Continuity of Operations Plans for the entire region, including the civilian and military federa workforce. Without the use of the Metro system, gridlock would ensue on the region's roadways to a degree that would make all emergency transportation anc evacuation plans inoperable. The system is truly a national asset. In order to secure the Metro system, $150 million is needed in critical infrastructure protection.

Economic Development

The "highest and best use of land" encouraged by the presence of Metro has been a key facto in the development of the regional economy, currently estimated to be $290 billion annually. Although this is the sixth largest metropolitan area in the country, the regional economy is the fourth largest. And keeping the regional transit system viable is critical to future economic vitality. Currently, more than $25 billion in economic development value exists at or near Metrorail stations. Some parts of our region have learned how to capitalize on effective utilitization of land surrounding Metrorail stations. In Arlington County, for example, development around Metrorail stations account for 7 percent of the County's land area, but generates 46 percent of the County's tax base. While the downturn in the national economy has taken a toll on the level of occupied office space, commercial vacancy rates are as much as 23 percent lower near Metrorail stations, office rentals command a premium of almost $2 per square foot and residential rental rates are about 25 percent higher.

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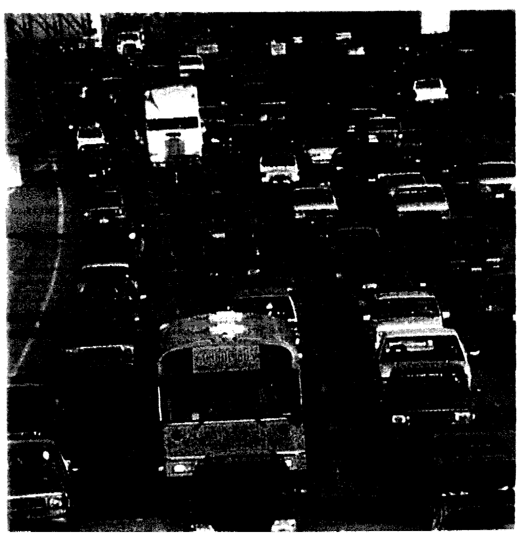
Just as the original $9.4 billion transit investment helped nurture the region's unprecedented growth, the transportation system built with that investment will be an important tool for coping with future growth and mobility challenges. Preserving this asset, and further utilizing its full potential, is a matter of vital importance for businesses and residents in this region.

Traffic Congestion

Every weekday, Metro carries more than 40 percent of the rush-hour trips into the heart of the region's job center and nearly 20 percent of all rush-hour trips in the WMATA service area. In a region ranked third nationally for traffic congestion, Metro removes more than 325,000 vehicles from the roads daily — equivalent to 1,400 miles of highway traffic lanes, an 11 percent expansion of the region's current highway network.



The role of Metro becomes more critical as this region grows. The Metropolitan Washington Council of Governments (COG) projects that population in this region is expected to increase by 14 percent and that jobs will increase by 18 percent by the year 2015. By 2025, population is expected to increase by 31 percent and jobs by 41 percent. COG also projects that transit work trips would

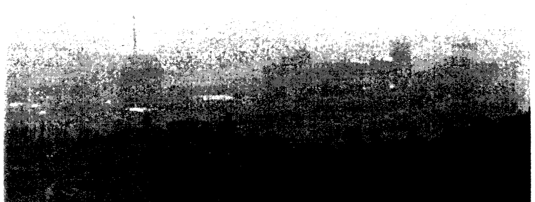
Today, only 25 percent of the region's jobs and only 3 percent of the region's households are within one half mile of a Metro station. Bus service is also inadequate to meet the needs of many of our residents. This region is in danger of perpetual traffic gridlock.

naturally grow by 36 percent during the same period, from 580,000 daily trips to 786,000 daily trips. However, due to the restrictions in rail and bus capacity in tl region, this growth will be reduced to 682,000 daily trips, or cut in half. Thus, th availability of transit services will be a determining factor in the ability of the region to cope with its growth.

Today, only 25 percent of the region's jobs and only 3 percent of the region's households are within one-half mile of a Metro station. Bus service is also inadequat to meet the needs of many of our residents. These facts indicate that even within th areas that are targeted for future development, there are many people for whom transit is not a realistic option unless more service is offered. This region is in dang of perpetual traffic gridlock.

Air Quality

The Environmental Protection Agency has designated the Washington metropolitan region a "severe" non-attainment area for ozone. The region has consistently failed to meet EPA air quality standards, affecting the health and well-being of the residents of the region. The District of Columbia has one of the highest incidences in the nation o asthma in children, believed to be caused by particulate matter pollution. The Americ Lung Association has given the Washington metropolitan area a grade of "F," its wors rating, for the quality of the region's air and the impact of poor air quality on the region's population. In addition to these impacts, air pollution introduces into the air more than 40 toxins that cause illnesses ranging from emphysema to cancer.



The region has consistently failed to meet EPA air quality standards, affecting the health and well-being of the residents of the region. Transit plays a major role in improving air quality.

Transit plays a major role in improving air quality. By attracting commuters and other out of their automobiles, Metrorail and Metrobus services eliminate more than 10,00 tons of pollution each year and save the region from using 75 million gallons of gasoli annually. Metro has an extensive clean fleet program which includes the use of Ultra Low Sulfur Diesel Fuel, exhaust after-treatment devices on buses and Compressed Natural Gas buses. Recently, Metro received a U.S. Department of Energy "Clean Cities National Partner Award" for its commitment to environmentally friendly and low-emissions bus fleet programs.

Metro Matters to the Federal Government

As the nation's capital, Washington, D.C. hosts more than 22 million visitors and tourists annually, most of whom use Metro to meet with their elected representatives, visit museums or attend celebrations and rallies on the National Mall. Metro carries large numbers of people to our country's most significant national celebrations — the Inauguration of the President of the United States and the July 4 Independence Day celebration.

Metro was conceived nearly 40 years ago as the prime mover of the federal workforce, and the investment has paid handsome dividends to the federal government. More than 50 federal agencies or employment centers are located adjacent to Metro stations, and the General Services Administration requires that proximity to Metrorail be an evaluation factor in any action to relocate federal employees or office buildings throughout the Washington metropolitan region.

Metro was conceived nearly forty years ago as the prime mover of the federal workforce and the investment has paid handsome dividends to the federal government. Today, almost half of Metrorail's peak period riders, 47 percent, are federal employees.

Metro makes it possible for the federal government — and those doing business with the federal government — to get to work. Almost half of Metrorail's peak-period riders, 47 percent, are federal employees. Acknowledging that transit is an efficient, cost-effective way to move people during key commuter periods, the federal government recently extended the transit benefit program as a mandated benefit to all of its workforce based in the Washington, DC metropolitan area. The benefit provides up to $100 per month in subsidized fares to these employees.

Failure Is Not An Option

WMATA will continue to do its part to sustain the world-class public transportation system and engineering marvel that is a trademark of the national capital region. The Board and staff are committed to making the best use of existing assets, operating efficiently and cost-effectively, and reducing expenses wherever possible through an ongoing review of our budgets for cost savings opportunities. Nevertheless, the fiscal crisis that has been looming is now here, and the region is running out of time. Failure to act on this crisis will result in a significant deterioration of our regional transit system, a severe degradation of service reliability and increased overcrowding. Such conditions will drive people away from the Metro system and back onto a highway and road network that is incapable of handling today's demands.

The fiscal crisis that has been looming is now here and the region is running out of time. Failure to act will result in a significant deterioration of the Metro system. Now is the time for a renewed federal, state and local commitment to the Metro system.

Given these dramatic challenges and the current funding environment, the future quality of life of the national capital region could suffer if critical funding issues are left unaddressed.

Metro matters to the people of this region. They have supported it in the strongest ways possible — at the farebox and through continuous increases in ridership. Now is the time for a renewed federal, state and local commitment. Metro urges you to take immediate action to address the crisis that — in very real ways — affects the quality of life for every person in the national capital region.

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