

To: Capital Metro Board of Directors

From: Catherine Walker, EVP, Chief Financial Officer

Date: August 4, 2022

Subject: CapMetro and Austin Transit Partnership Financial Integration

The purpose of this memo is to provide more information regarding the impact of Project Connect on CapMetro's annual budgets, as part of the governance structure for the Project Connect program and our partnership with the Austin Transit Partnership (ATP). If you have any questions regarding this information, please contact Ed.Easton@capmetro.org.

During the July Finance, Audit and Administration Committee meeting, Board Members requested more detail about transfers to ATP in the FY2023 Proposed Budget. In the Fiscal Year 2023 Proposed Budget, CapMetro is scheduled to provide \$30 million to the ATP for the Project Connect program being jointly implemented by the partners. CapMetro will receive reimbursement from the ATP for all capital and operating expenses related to Project Connect. For clarification, refer to [page 44 of CapMetro's Proposed Budget Presentation](#).

As part of CapMetro and the City of Austin's commitment to voters in 2020 when Project Connect was put on the ballot by the City, the CapMetro Board approved Resolution AI-2020-1297, the Community Financial Commitment Resolution, to complement the City's Contract with Voters Resolution. CapMetro's resolution included the following general provisions related to financial commitments, and the full resolution is attached for reference:

- Agreement that the System Plan and associated Implementation Sequence Plan can only be modified by the CapMetro Board and Austin City Council, under joint concurrence and agreement that if sufficient funds existed to do more than just the initial investment, those funds can be used to fund additional transit infrastructure components;
- A commitment to contribute funds to ATP for the implementation of Project Connect, including the balance of CapMetro's Capital Expansion Fund or a commitment of FY 2021 funds to fund initial corporate functions; a commitment to contribute longer-term towards the operations and maintenance of the system;

The "2021 Support Services and Project Implementation ILA between the CapMetro and ATP" is attached here for reference and includes terms for the initial two years of support and services to implement the program, expiring in 2023. The agreement allows CapMetro to implement some elements of the program on behalf of the partnership, namely the MetroRapid, MetroRail, and Pickup components and also allows CapMetro to provide certain services to ATP, such as IT, human resources, and marketing and communications; these expenses are to be reimbursed by ATP based on the schedule outlined in Exhibit A of the document. The agreement requires CapMetro and ATP leadership to meet in good faith to negotiate and approve an annual budget consistent with Exhibit A of the document, a process which happened for Fiscal Year 2022 and is underway for Fiscal Year 2023.

To support the 2021 Agreement, CapMetro and ATP are working collaboratively to articulate specific agreements related to the reimbursement by ATP to CapMetro for the MetroRapid Expo Center and Pleasant Valley bus rapid transit lines' capital expenses, as well as the MetroRail capital expenses. Both interlocal agreements are anticipated to be presented to the CapMetro and ATP Boards in the coming months.

Additionally, a separate agreement related to reimbursement of capital for Park and Ride/transit centers for the MetroRapid Expo Center and Pleasant Valley bus rapid transit lines will come to the Board later this year. This agreement is separate from the general MetroRapid capital agreement for MetroRapid lines because the land acquisition process for this activity has delayed final cost estimates for these project elements.

Additional future agreements will likely still be necessary to further support the program, but the exact needs and terms of some of those agreements are still undefined.

Attachments:

1. CapMetro Community Financial Commitment Resolution (CapMetro Resolution No AI-2020-1297)
2. 2021 Support Services and Project Implementation ILA between the CapMetro and ATP