

Capital Requirements

The capital program is laid out in the Vision and Need White Paper. It identifies a \$7.4 billion capital program, \$5.5 billion is reasonably anticipated to be funded, and \$1.9 billion has no funding source identified (funding for WMATA's safety and security program is not included in this amount). The capital requirements do not include any system expansions, such as Dulles or the Anacostia Light Rail. Extensions are currently funded by the jurisdiction in which they are constructed.

Below is a documentation of the contents of the funded and unfunded portions of the capital program per Capital Expense element (as identified in the Vision and Need White Paper) and the benefits of investment.

Funded Capital Program - \$5.5 Billion

The funded portion of the capital program partially funds the maintenance and rehabilitation of WMATA's existing systems and purchases enough capacity (120 rail cars and 185 buses) to stave off unmanageable congestion through FY2012.

Unfunded Capital Program - \$1.9 billion

A combination of new federal funding and dedicated funding is assumed to pay for the unfunded portions of the capital program. The contents of the unfunded portion of the capital program are listed below:

FY2011-FY2015 Infrastructure Renewal Program (\$360 million)

WMATA's current funding sources, as projected, will not fund the maintenance and rehabilitation of the final 17 miles of Metrorail. Failure to fund the full maintenance and rehabilitation needs of the rail system will lead to a decline in service reliability and an increase in operating costs.

Capacity Expansion (\$1.546 billion)

The Capacity Expansion program element will fund the balance of capacity enhancement projects identified in the 10-Year Capital Improvement Plan, but not in the Metro Matters Program.

Costs of the Capacity Expansion element assume the issuance of debt to smooth the funding requirements. The projections assume two debt issuances with 10-year maturities at 5.5% for \$635million in FY2008 and \$1,435 million in FY2012 for

Key projects in the Capacity Expansion element are:

- 130 rail cars
- 275 buses
- Pedestrian connections between Gallery Place and Metro Center and between Farragut North and Farragut West Metrorail stations
- Customer service improvements in real time information and bus stop and shelter upgrades

- Bus running way improvements
- Bicycle and pedestrian access improvements

The investments only relieve crowding through 2017. Congestion mitigation beyond 2017 will require additional capital investment.

Funding Level Assumptions

The Capital Funding assumptions laid out in the Vision and Need White Paper are as follows:

- **State/Local Revenue** – Total of \$2.0 billion ranging from \$102.5 to \$198 million between FY2005 and FY2010; FY2011 and beyond +2.75% per year
- **Federal Formula Funding** - \$159.4 to \$227.3 million between FY2005 and FY2010; FY2011 and beyond +2.75% per year
- **Federal Discretionary Funds** - Assumes \$260 million in discretionary funds provided by the federal government for Metro Matters Rail Car Program
- **Internally Generated Funds** - Assumes \$1.3 million per year in interest earned on WMATA accounts
- **Debt Issuance** - Assumes \$780M in debt issued to fund Metro Matters and ongoing IRP needs. Repayment of the debt is from State/Local and Federal Formula Funding.

Based on these funding levels WMATA faces average annual capital shortfall of \$231 million between FY2008 and FY2015. WMATA's funding partners are capable of funding maintenance of effort as reflected in the average annual investment of \$435 million per year for system renewal, but ***dedicated funding is required to pay for capacity expansions and shortfalls in the renewal program.***

Operating Requirements

WMATA's operating expenses are based on the following:

- **Base System** - Current services for Metrobus and Metrorail service.
- **Capacity Enhancements** – Operating expenses associated with fleet expansion such as the Metro Matters vehicles and the 130 rail cars and 275 buses and facilities in the unfunded portion of the capital budget.
- **System Expansions** – Operating expenses associated with new fixed guideway service, the Anacostia Light Rail Line or Dulles Metrorail Extension.

WMATA's operating revenues are based on the following:

- **Base System** – Revenue generated by current Metrobus and Metrorail system and revenue provided by funding partners.
- **Capacity Enhancement** – Revenue generated by new service provided by fleet expansion.
- **System Expansion** – Revenue generated by new fixed guideway service.
- **Fare Action** – Fare increases required to maintain a 57% cost recovery
- **Subsidy** - Subsidy requirements of the base system, which are equal to the difference between base system expenses and base system revenue and fare action.

MetroAccess revenues and expenses are not included in the calculation of WMATA's funding requirements. MetroAccess is growing exponentially and requires a separate solution. Its omission from this analysis should not suggest that it has no funding issues. A summary of the Regional Paratransit Taskforce recommendations is included as a part of this information package.

Given these assumptions WMATA has an operating shortfall of \$720 million between 2006 and 2015 equal to the difference between the revenue and expenses generated by capacity enhancements and system extensions. It is assumed that WMATA's funding partners are capable of funding a "maintenance of effort" – funding current services – but ***dedicated funding is required to fund the operating cost of capacity enhancements and extensions.***