

Basic Term Sheet

Revised Quarter Cent Agreement between the City of Austin and Capital Metro

As before, the City carries out transportation projects and Capital Metro reimburses the City for its costs, but under a revised payment methodology.

The amendment establishes a new payment method for Capital Metro for the remaining balance of \$51 million (Capital Metro has paid \$59 million of its original \$110 million commitment).

- Payments are made annually at the beginning of each fiscal year, rather than monthly.
- Payments are only made in years when Capital Metro's collected sales tax exceeds an agreed upon "Threshold Amount".
 - The baseline Threshold Amount starts at the amount of Capital Metro's 2010 sales tax revenue budget of \$134.1 million.
 - The Threshold Amount increases annually thereafter at a rate of 3.3% to account for estimated inflation.
- Capital Metro will pay the City 35% of the excess above the Threshold Amount.
- Payments to the City will be for project invoices sent to Capital Metro for work completed.
- If 35% of the excess in any year is greater than the amount the City has invoiced, the remaining portion of the 35% will be set aside in a reserve account to pay future invoices. This will help prevent Capital Metro from spending down its cash before meeting its obligations due to the City.

The City may modify the project list, with certification by Capital Metro, as long as the project meets any one of several broad transportation criteria defined in the original interlocal agreement.

The City may bill Capital Metro for interest incurred related to project undertaken as part of this agreement, remaining within the \$51 million that is committed.

- Capital Metro has indicated that their external auditors (KPMG) have advised them that they cannot pay the City interest on any part of the remaining commitment of \$51 million; otherwise, Capital Metro would have to book that transaction as a liability on its balance sheet at a time when they are experiencing severe liquidity problems.

Capital Metro assures enforceability of the amendment by agreeing to waive sovereign immunity.

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Either party can request to revisit the amendment at any time.

The amendment officially terminates Capital Metro payments to the City under the Incident Management Program. Capital Metro made its final payment to the City for this traffic management program as of the end of fiscal year 2009.