



Finance & Administration Committee

Action Item III-A

February 11, 2016

Lines of Credit Renewal

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
201708

Resolution:
 Yes No

TITLE:

Renewal of Lines of Credit

PRESENTATION SUMMARY:

Staff proposes a change to the Board process for seeking authorization to renew existing or enter into new Lines of Credit (LOCs). Staff proposes that the Board delegate authority to the General Manager/Chief Executive Officer, Chief Financial Officer and/or the Treasurer to negotiate and execute all required LOC documents.

PURPOSE:

To establish a delegation of authority for the LOC program, maintain WMATA's access to liquidity and decrease the LOC capacity.

DESCRIPTION:

WMATA currently has four LOCs with three financial institutions totaling \$302.5 million in capacity, with \$218.75 million outstanding as of December 31, 2015. Wells Fargo Bank extended two LOCs and Bank of America and U.S. Bank extended one LOC, respectively. The four LOCs expire during the months of March, April, May and June 2016. It is advantageous for WMATA to maintain its LOCs in order to provide adequate liquidity for cash flow management. The LOCs primarily support the capital program and are also available to address operating cash flow needs allowing WMATA to utilize its resources wisely. Any costs incurred as a result of an operating budget shortfall, including interest, shall be solely payable out of the operating budget and charged to the jurisdiction or jurisdictions causing the need to use the LOC or charged pursuant to the applicable subsidy formula when the use of LOC is from a non-jurisdictional requirement.

Key Highlights:

The proposed change to a delegation of Board authority would benefit WMATA by optimizing staff's ability to align liquidity levels with cash flow needs, streamlining the administrative process and increasing staff's flexibility to negotiate with multiple financial institutions.

Background and History:

Historically, staff has sought annual Board authorization to negotiate and execute existing and/or new LOC documents for a specified duration of time. During this process staff also recommended increases or decreases to the LOC capacity. In addition, the

LOCs maintained maturity dates aligned with the fiscal year end. This practice was modified during the current fiscal year in order to begin to re-align the LOC maturity dates with cash flow high points.

During fiscal year 2014 the Board authorized the expansion of WMATA's LOC capacity from \$150 million to \$325 million, and staff executed agreements in the amount of \$302.5 million, in order to adequately manage the cash flow needs arising from the timing differences in cash inflows and cash outflows as a result of the restricted Federal Transit Administration (FTA) draw process. During fiscal year 2015 staff requested Board authority to renew the LOC capacity at \$302.5 million. Staff made significant progress on accessing FTA funds through the manual draw process and a portion of the receipts was utilized to repay 30% or \$84 million of the outstanding balance on the LOCs.

Discussion:

Staff anticipates maintaining a LOC capacity not to exceed \$302.5 million through July 1, 2016, with a subsequent capacity reduction to \$250 million in fiscal year 2017.

FUNDING IMPACT:

Costs associated with the LOCs are funded within the approved FY16 budget	
Project Manager:	Melissa Lee
Project Department/Office:	CFO/TRES

TIMELINE:

Previous Actions	May/2015 - Approval of the FY2016 Budget
	May/2015 - Last Board authorization to renew LOCs
Anticipated actions after presentation	

RECOMMENDATION:

Approve the proposed Board resolution to delegate authority to the General Manager/Chief Executive Officer, Chief Financial Officer and/or the Treasurer to negotiate and execute all required LOC documents.



Washington Metropolitan Area Transit Authority

Renewal of Lines of Credit

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Purpose

Request Board approval to delegate authority for the Line of Credit program to the General Manager/Chief Executive Officer, Chief Financial Officer and/or Treasurer





Background

- LOCs provide WMATA with access to liquidity to bridge periodic gaps in cash flows
- Historically, staff has sought Board authorization to negotiate and execute documents annually with specified financial institutions
- Four LOC agreements with three financial institutions in the aggregate amount of \$302.5 million

Financial Institutions	Wells Fargo Bank	Bank of America	U.S. Bank
Capacity	\$75.00MM \$63.75MM	\$88.75MM	\$75.00MM
Expiration	03/11/2016 04/15/2016	06/21/2016	05/16/2016



Path to Less Reliance on LOCs

FY2014

- LOC capacity increased from \$150 million to \$302.5 million to support the Capital Program's cash flow timing differences

FY2015

- LOC capacity fully utilized as of September 2014
- Repaid \$84 million of the outstanding LOC balance as of June 2015

FY2016

- Outstanding LOC balances to be reduced with significant recovery of FTA funds and Series 2016 debt issuance

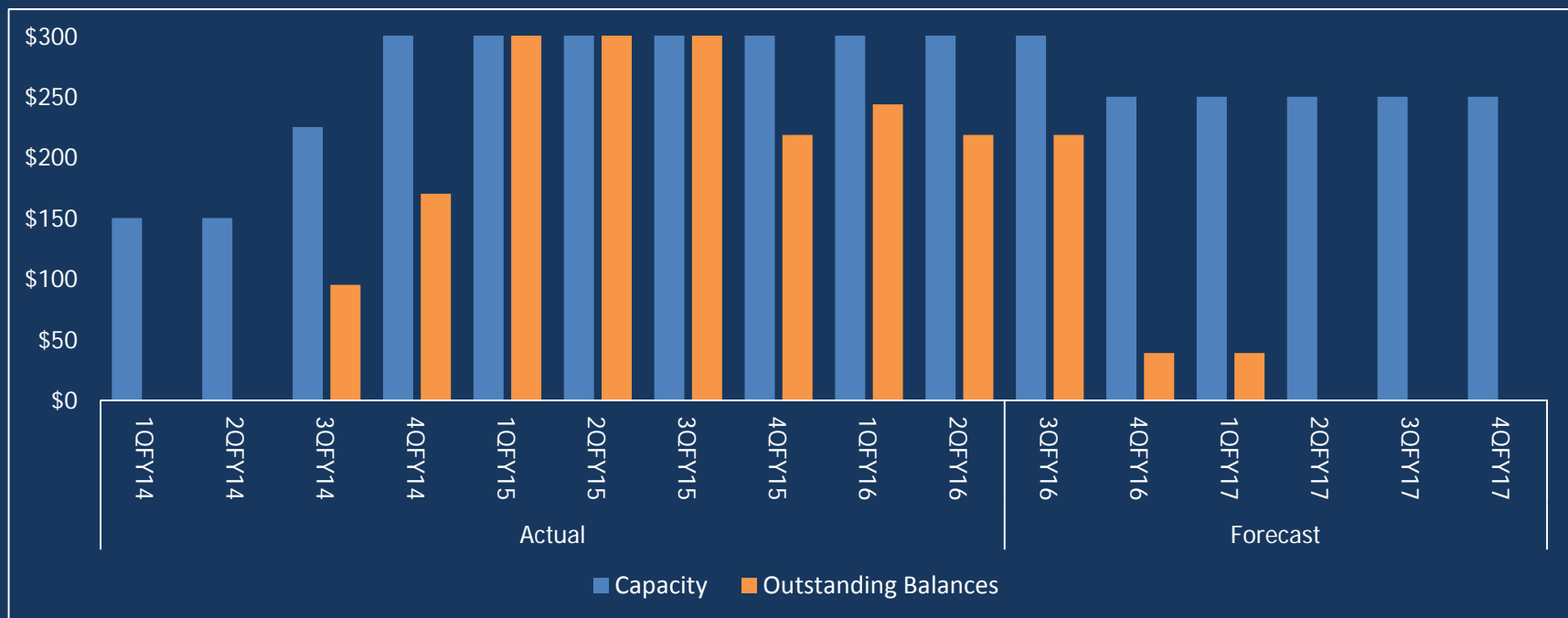
FY2017

- Reduce LOC capacity and cost



Capacity and Outstanding Balances

- Anticipate lower capacity and outstanding balances by fiscal year end





Proposed Authorization Framework

Action	Current	Proposed
LOC capacity	Not to exceed \$302.5 million	Not to exceed \$250 million
Interest rate	Not to exceed one-month LIBOR plus 1.50%	Not to exceed one-month LIBOR plus 1.50%
Other fees	Includes legal fees, availability fees, etc.	Includes legal fees, availability fees, etc.
Term of Agreement	364 days	Not to exceed one year
Indemnifications	Board approval	Board approval



Program Benefits

- Optimize staff's ability to align liquidity levels with cash flow timing needs
- Streamline the administrative process
- Increase staff's flexibility to negotiate with multiple financial institutions



Recommendation

Approve the proposed Board Resolution to delegate authority for the Line of Credit program to the General Manager/Chief Executive Officer, Chief Financial Officer and/or Treasurer



SUBJECT: RENEWAL OF LINES OF CREDIT

RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, Four existing short-term Lines of Credit (LOCs) that support the Capital program and Operating cash flow needs, will be expiring during the months of March, April, May, and June 2016; and

WHEREAS, It is advantageous to the Washington Metropolitan Area Transit Authority (WMATA) to negotiate renewal of these LOCs in an amount not to exceed \$302.5 million for the four LOCs; and

WHEREAS, Improvements made since the Financial Management Oversight review and imposition of draw restrictions allow Staff to recommend a reduction in the Board-authorized LOC capacity from \$302.5 million to \$250.0 million beginning on July 1, 2016; and

WHEREAS, These LOCs routinely expire due to their short duration, and are routinely approved by the Board of Directors due to their nature as a necessary and recurring business need; and

WHEREAS, It will be more efficient to delegate to the General Manager/Chief Executive Officer, Chief Financial Officer and Treasurer, or each of them individually (LOC Executives), management of the LOCs held by WMATA within certain parameters established by this Board; and

WHEREAS, The Board of Directors desires to establish a framework for managing WMATA's LOC needs and to allow any one of the LOC Executives to reallocate WMATA's LOC needs among new and existing financial institutions through this delegation program; now, therefore be it

RESOLVED, That the Board of Directors authorizes any one of the LOC Executives to negotiate and execute all required documents to extend the expiring short-term LOCs to a term less than one year; and be it further

RESOLVED, That the aggregate amount of WMATA's open LOCs shall not exceed \$302.5 million from the effective date of this Resolution through July 1, 2016, and that

the aggregate amount of WMATA's open LOCs shall not exceed \$250 million after July 1, 2016; and be it further

RESOLVED, That the Board of Directors authorizes the use of LOCs for the interim funding of the approved Capital program with all costs of such usage charged to the applicable Capital project; and be it further

RESOLVED, That the Board of Directors authorizes the interim use of the LOCs to ameliorate the impact of any shortfall in the Operating budget; provided, however, that all costs of such usage (including interest) shall be payable solely out of the Operating budget and charged to the jurisdiction or jurisdictions causing the need to use the LOC or charged pursuant to the applicable subsidy formula when the use of the LOC is from a non-jurisdictional requirement, but in no case from any Capital funds; and be it further

RESOLVED, That beginning with the LOCs approved above, the Board of Directors establishes an LOC program and delegates responsibility and decision-making authority for that program to the LOC Executives subject to the following limitations:

- a) The rate paid on any LOCs shall not exceed the then-current one-month LIBOR plus an annual rate of 1.50%; and
- b) Fees and transaction costs paid by WMATA on an LOC may include the fee types and transaction costs contained in existing short-term loans approved by the Board and additional fee types and transaction costs (and each in amounts) which are reasonable and customary for the industry at the time of entering into the new or renewed LOC; and
- c) LOCs shall have a term which is less than one year; and
- d) New financial institutions may be included in the LOC program, provided, however, that if such new financial institution requires an indemnification from WMATA any such indemnification must be approved by the Board of Directors; and be it finally

RESOLVED, That to meet the March 13, 2016 deadline for the renewal of the first to expire LOCs, this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



Mark R. Pohl
Acting General. Counsel