

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

<input checked="" type="radio"/> Action <input type="radio"/> Information	MEAD Number: 100265	Resolution: <input checked="" type="radio"/> Yes <input type="radio"/> No
---	------------------------	--

TITLE:

Increase Line of Credit & Issue Metro Matters Bond

PURPOSE:

Request approval to extend and increase the expiring line of credit and issue long-term bonds pursuant to the MetroMatters Agreement.

DESCRIPTION:

Metro currently has a line of credit for \$100 million that will expire in May 2009 and a Commercial Paper Facility for \$330 million that will expire in September 2010.

Therefore, two financial transactions are requested:

- 1) To extend the line of credit for an additional year and to increase up to \$250 million in order to support the capital and operating programs, and
- 2) To issue long-term bonds of up to \$550 million (composed of \$488 million in principal, any required debt service reserve and the costs of issuance), at an indicative average interest rate of 5.5% and for a term not to exceed 25 years to replace the short-term Commercial Paper Facility and fund future capital expenses.

FUNDING IMPACT:

Program: MetroMatters Program Management and Debt Service

Project: MetroMatters Credit Facilities and Debt Service

Budget: Costs of Line of Credit fees and interest are within the existing FY09 and FY10 estimated budget.

This Action: Commensurate with needs within the approved total budget.

Operating Budget Impact: No impact unless draw on line of credit to fund operating expenses.

Bond issuance costs will be paid from the bond proceeds. Estimated financial impact for each jurisdiction is shown on Schedule A - Opt In or Out Analysis.

RECOMMENDATION:

- Approval to negotiate and execute agreements to extend the expiring \$100 million Line of Credit Facility for one year from its current expiration date and increase the size of the Line of Credit to \$250 million in order to support the capital and operating programs.
- Approval to issue Bonds in an amount up to \$550 million principal, at an average indicative interest rate of 5.5% and for a term not to exceed 25 years, subject to the jurisdictions opting out with a commensurate reduction in the principal amount. Bond issuance activities include hiring of underwriters, financial advisor, and other related services, which are to be funded with bond proceeds.

SUBJECT: APPROVAL TO NEGOTIATE BONDS IN AN AMOUNT NOT TO EXCEED \$550 MILLION

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

WHEREAS, In 2004, the Washington Metropolitan Area Transit Authority (Metro) and its sponsoring jurisdictions entered into a multiyear capital funding and construction agreement known as the Metro Matters Funding Agreement; and

WHEREAS, The Metro Matters Funding Agreement permitted Metro to issue bonds necessary for the long-term financing of projects under the Agreement subject to the jurisdictions' rights to prepay their share of the necessary bonds; and

WHEREAS, Staff has determined that there is a need to issue such long-term bonds to fund various projects covered by the Metro Matters Funding Agreement; now, therefore, be it

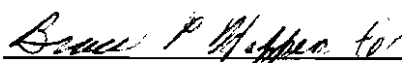
RESOLVED, That the Board of Directors authorizes the General Manager, the Chief Financial Officer and the Treasurer to negotiate long-term bonds with the following terms: duration to be no more than 25 years; an aggregate amount not to exceed \$550 million composed of \$488 million in principal, any required debt service reserve, and the costs of issuance (including but not limited to underwriters' fees, financial advisory fees, printing costs, and legal fees); and an indicative average interest rate not to exceed 5.5% and to obtain the underwriting, Trustee, printing, and other services necessary to issue the bonds; and be it further

RESOLVED, That Staff shall give the funding jurisdictions the option to prepay their share of the bonds before the final size of the bond issue is established in accordance with the terms of the Metro Matters Funding Agreement; and be it further

RESOLVED, That Staff shall return to the Board of Directors for its final approval of the terms of the bond issue before such bonds may be issued; and be it finally

RESOLVED, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



Carol B. O'Keeffe
General Counsel

SUBJECT: APPROVAL TO NEGOTIATE AND EXECUTE ONE OR MORE LINES OF CREDIT FOR AN AMOUNT NOT TO EXCEED \$250 MILLION

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

WHEREAS, In 2004, the Washington Metropolitan Area Transit Authority (Metro) and its sponsoring jurisdictions entered into a multiyear capital funding and construction agreement known as the Metro Matters Funding Agreement; and

WHEREAS, The Metro Matters Funding Agreement permitted Metro to enter into short-term financing vehicles to provide cash flows to smooth out differences between capital construction cash requirements and jurisdictional capital contributions; and

WHEREAS, Metro previously established both a Commercial Paper facility and a short-term loan with Wachovia Bank to meet those cash flow requirements; and

WHEREAS, There is a need for further short-term financing pending the issuance of long-term bonds and to smooth out any differences between Metro's cash requirements and jurisdictional contributions; and

WHEREAS, There exists the possibility of temporary shortfalls in the Operating budget which can be ameliorated by the short-term use of the Lines of Credit; and

WHEREAS, Staff has explored the renewal of the Wachovia short-term loan and the development of similar loans with other financial institutions to meet Metro's short-term loan requirements; and

WHEREAS, Wachovia Bank, JP Morgan Chase Bank and Bank of America have expressed interest in providing short-term loans and/or lines of credit to Metro; now, therefore, be it

RESOLVED, That the Board of Directors authorizes the General Manager, the Chief Financial Officer and the Treasurer to negotiate revolving lines of credit and/or loans with one or more of Wachovia Bank, JP Morgan Chase Bank and Bank of America with the following terms: duration to be no more than 364 days; an aggregate amount of \$250 million for all such lines of credit/short-term loans; an interest rate not to exceed the one month LIBOR rate plus 150 basis points, such additional fees and in such amounts as are contained in the existing Wachovia Bank short-term loan approved by the Board in Resolution 2008-23;

and closing costs including legal fees as were paid to close the existing Wachovia short-term loan; and be it further

RESOLVED, That the documentation of all such lines or credit or short-term loans approved of in this Resolution shall be in substantially the form as agreed to in the existing Wachovia short-term loan approved by the Board of Directors in Resolution No. 2008-23, and John B. Catoe, Jr., Carol D. Kissal, and Raj Srinath are, and each of them hereby is, authorized to execute all required documents to implement the lines of credit and/or short-term loans approved of in this Resolution in the name of and on behalf of Metro with such changes as the person who executes the same may approve (provided such changes, when viewed as a whole, do not have a materially adverse effect on the interests of Metro), the execution of such documents to be conclusive evidence of such person's approval of all such changes; and be it further

RESOLVED, That the Board of Directors approves of granting the same indemnifications to Wachovia Bank, JP Morgan Chase Bank and Bank of America in connection with the lines of credit and/or short-term loans approved of in this Resolution as were granted to Wachovia Bank in Resolution 2008-26 in connection with the existing short-term loan; and be it further

RESOLVED, That the Board of Directors authorizes Staff to use the lines of credit and/or short-term loan for short periods of time 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 line of credit or short-term loan and not from any capital funds provided by the funding jurisdictions or from federal grants; and be it finally

RESOLVED, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



Carol B. O'Keeffe
General Counsel