



**Finance & Administration Committee**

**Information Item IV-B**

**March 12, 2015**

**Evaluation of Alternative  
Funding Mechanisms**

Washington Metropolitan Area Transit Authority  
**Board Action/Information Summary**

Action  Information

MEAD Number:  
201370

Resolution:  
 Yes  No

**TITLE:**

Evaluation of Alternative Funding Mechanisms

**PRESENTATION SUMMARY:**

Staff will present information to the Committee on alternative funding mechanisms that can be used to advance WMATA's capital program.

**PURPOSE:**

The Committee will be presented with staff's findings from an evaluation of alternative funding mechanisms for the advancement WMATA's capital program. This information was requested by the Board in January 2015 as part of Resolution 2015-08 which gave initial authorization to staff to pursue a debt issuance of up to \$440 million.

**DESCRIPTION:**

**Key Highlights:**

- In January, Board gave initial authorization to staff to pursue a debt issuance of up to \$440 million. Issuance of any debt is contingent on follow-up Board approval of amount and terms of proposed issuance.
- Board also directed staff to provide an evaluation in March of potential alternative funding options including short-term financing, grant reimbursements, private placements, and the potential reduction or deferral of capital projects.
- The key finding from the evaluation is the recommendation by WMATA's Municipal Advisor that short- or medium-term Grant Anticipation Notes (GANs), with a maturity of one to five years and in an amount of up to \$220 million, could serve as an alternative to long-term debt for the financing of WMATA's capital program.

**Background and History:**

Resolution 2015-08, which was approved in January 2015, gave the GM/CEO, CFO, and Treasurer initial authorization to pursue a debt issuance in a principal amount not to exceed \$440 million in order to retire existing short-term debt incurred to meet the cash flow needs of the capital program. Prior to finalizing the debt issuance amount and structure, however, the Board directed staff to evaluate alternative financing options including short term financing, grant reimbursements, private placements, and the potential reduction or deferral of capital projects. Staff were directed to report the findings of this evaluation back to the Board in March.

**Discussion:**

The evaluation of alternative funding mechanisms and discussions with the jurisdictions have allowed staff to develop a debt structure and amount that is more closely aligned with WMATA’s immediate cash flow and capital funding needs. Below is a summary of the each option evaluated by staff.

**Capital Improvement Program:** Metro staff, in consultation with jurisdictional staff, have been re-evaluating projected capital expenditures for the remainder of FY2015 and for FY2016 and beyond. Staff’s current expectation is that the FY2016 capital funding requirement will be lowered, and that this will include a reduction in the need for long-term debt as a project funding source in the near term. However, despite cash flow improvements from recovery of delayed FTA reimbursements, pressures remain on the amount and availability of cash in the near term.

**Grant Reimbursements:** Staff continues to prepare manual drawdown packages for FTA, and WMATA has been awarded three new grants since January 2015. A fourth grant application is pending and award is anticipated in March 2015. The award of these grants will facilitate WMATA’s ability to increase the rate of federal reimbursements over the next few months.

**Alternative Financing Options:** WMATA’s Municipal Advisor, Public Financial Management (PFM), prepared a report which analyzed multiple financing arrangements which utilized either short- or long-term debt securities for funding WMATA’s current cash flow and capital funding needs. PFM’s analysis, together with input from WMATA staff, pointed toward WMATA issuing short-term debt in the form of Grant Anticipation Notes (GANs). The GANs could be issued with a maturity of one to five years and would have a principal amount of up to \$220 million.

**FUNDING IMPACT:**

Information item only -- no immediate impact on funding.	
Project Manager:	Allen Hoppe
Project Department/Office:	CFO/TRES

**TIMELINE:**

<b>Previous Actions</b>	January 2015 - Resolution approved giving staff initial authority to pursue long-term debt issuance of up to \$440 million
<b>Anticipated actions after presentation</b>	Spring 2015 (date TBD) - Present terms of proposed debt issuance to Board for final review and approval

**RECOMMENDATION:**

No recommendation at this time - information only.



Washington Metropolitan Area Transit Authority

# Evaluation of Alternative Funding Mechanisms

Finance & Administration Committee  
March 12, 2015



# Purpose

Present an evaluation of the proposed debt issuance and alternative funding mechanisms for the capital program





## Actions Completed

- Outreach to jurisdictions on FY2016-FY2021 capital program
- Internal re-assessment of projected liquidity requirements
- Discussions with jurisdictional finance officers, Municipal Advisor (PFM), and counsel



## Findings and Conclusions

- Immediate need for debt financing for capital program has decreased
- Short-term/medium-term debt of up to \$220 million in the form of Grant Anticipation Notes (GANs) addresses near-term requirements
- New GANs would allow a reduction in outstanding lines of credit (LOC)



## Potential Structure

- Maturity of one to five years
- Repaid with FTA grant reimbursements and backed by pledge of gross revenues
- Lower interest cost than LOC alternatives
- LOC capacity would remain available for short-term cashflow needs



## Next Steps

- Present terms of proposed debt issuance to Board for final review and approval