

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

Action  Information

MEAD Number:  
200809

Resolution:  
 Yes  No

**TITLE:**

Authorize Line of Credit Increase

**PRESENTATION SUMMARY:**

Request Board authorization to increase existing lines of credit availability from \$250 million to an amount not to exceed \$325 million.

**PURPOSE:**

Approve the proposed Board Resolution to increase Metro's lines of credit capacity from \$250 million to an amount not to exceed \$325 million to provide for adequate cash flow management through the end of the fiscal year.

**DESCRIPTION:**

This item requests the Board to approve an expansion of Metro's lines of credit by an amount not to exceed \$75 million, from \$250 million up to \$325 million. Since the February 27, 2014 Board authorization to secure an additional \$100 million line of credit (from \$150 million to \$250 million), the FTA restricted Metro's drawdown of federal funds to a manual method, which is more time consuming than originally anticipated due to the FTA requiring extensive documentation to support each drawdown request. To facilitate future drawdowns, management has established new processes and formed an internal team to assemble, review, and transmit the required supporting documentation to FTA.

Until the frequency and amounts of draws on federal grants increases, we believe the additional lines of credit capacity will be needed to adequately manage cash flow through the end of the fiscal year.

**Key Highlights:**

The increased borrowing is expected to be needed in the final month of this fiscal fourth quarter (June 2014). Repayment of the lines of credit will be achieved once our pending and forthcoming FTA grant applications are approved, and the ensuing rate of draws against them increases sufficiently.

**Background and History:**

Metro currently has three short term lines of credit totaling \$250 million with Wells Fargo

Bank, Bank of America and U.S. Bank. These lines of credit primarily support Metro's capital programs and are also available to address operating cash flow needs allowing Metro to utilize its resources wisely. Prior to FY2013, Metro's lines of credit availability totaled \$200 million; however they were reduced to \$150 million in FY2013, based on anticipated cash flows.

**Discussion:**

A consequence of timing between cash inflows (operating revenues, jurisdictional subsidy payments, Federal grant draws) and cash outflows (operating and capital spending and debt service payments) can, at times, cause unrestricted fund balances to be insufficient to cover short term cash flow needs. Therefore, interim borrowing against a line of credit becomes necessary. The current Capital Funding Agreement provides for interim funding sources in Section 4(b)(8)(A) as follows: "Interim Funding Authority. – The WMATA Board of Directors is authorized to use Interim Funding Sources, including borrowing, on behalf of WMATA in such amounts and at such times as, in the Boards sole judgment are necessary and appropriate for the purpose of implementing the projects and activities in the Capital Improvement Program and any Annual Work Plan funded through direct capital contributions."

**FUNDING IMPACT:**

Costs associated with the lines of credit will be funded within the approved FY2014 budget.	
Project Manager:	Raj Srinath
Project Department/Office:	CFO/TRES

**TIMELINE:**

<b>Previous Actions</b>	Approval of the FY2014 budget. Authorization of the existing lines of credit. (April 2013)
<b>Anticipated actions after presentation</b>	Report on use of lines of credit in the FY2014 year end financial summary report to the Board.

**RECOMMENDATION:**

Approve the proposed Board Resolution to increase Metro's lines of credit capacity from \$250 million to an amount not to exceed \$325 million.

**PRESENTED AND ADOPTED: May 22, 2014**

**SUBJECT: FISCAL YEARS 2014 AND 2015 ADDITIONAL LINES OF CREDIT**

**2014-29**

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

WHEREAS, The Washington Metropolitan Area Transit Authority's (WMATA) Board of Directors pursuant to Resolution 2014-10 authorized Metro to negotiate the extensions of the existing short-term lines of credit in an amount not to exceed \$250 million that support the capital program and operating cash flow needs, which will be expiring on June 30, 2014; and

WHEREAS, The Capital Funding Agreement, section 4(b)(8)(A) authorizes the use of interim funding sources to implement the projects and activities in the Capital Improvement Program; and

WHEREAS, WMATA continues to experience delays in the execution of Metro's Federal Fiscal Year (FY) 2013 Federal Transit Administration (FTA) grants; and

WHEREAS, Grants already awarded are being drawn down at a slower than anticipated rate because of limitations placed by FTA on the drawdown of Federal funds under existing grants through the automated Electronic Clearing House Operation application; and

WHEREAS, The above conditions have resulted in less than anticipated federal funds reimbursable receipts, and additional capacity in Metro's lines of credit is required to support the capital program and operating cash flow needs; now, therefore be it

*RESOLVED*, That the Board of Directors authorizes the General Manager and Chief Executive Officer, the Acting Chief Financial Officer, and the Treasurer, or each of them individually, to negotiate and execute all required documents to enter into additional lines of credit for FY 2014 and 2015, in an amount not to exceed \$75 million in total with Wells Fargo Bank and/or Bank of America and/or U.S. Bank with such amounts to be in addition to the \$250 million available under the lines of credit authorized in Resolution 2014-10; and be it further

*RESOLVED*, That the Board of Directors authorizes the temporary use of these lines of credit for the interim funding of the approved capital program with all costs of such usage charged to the credit facility capital project; and be it further

**Motioned by Mrs. Hudgins, seconded by Mr. Downey**

**Ayes: 8 – Mr. Downs, Mr. Downey, Mr. Nichols, Mrs. Hudgins, Mr. Dyke, Ms. Bowser, Mr. Acosta and Mr. Goldman**

*RESOLVED*, That the Board of Directors authorizes the use of these lines of credit for short periods of time to manage any potential cash shortfall in the operating program; provided, however, that all costs of such usage (including interest) shall be solely payable out of the operating budget—or, if applicable, charged to the jurisdiction or jurisdictions causing the need to use the lines of credit—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,

  
\_\_\_\_\_  
Kathryn H.S. Pett  
General Counsel

WMATA File Structure Nos.:  
4.6 Lines of Credit Issued to WMATA