

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

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| <input checked="" type="checkbox"/> Action <input type="checkbox"/> Information | MEAD Number:<br>201046 | Resolution:<br><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
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**TITLE:**

FY2015 Interim Financing Resolution

**PRESENTATION SUMMARY:**

To provide an update and seek approval to include the final credit parameters of interim financing by amending Resolution No. 2014-37, adopted July 24, 2014, which authorizes the General Manager (GM/CEO), Chief Financial Officer (CFO), or Treasurer to negotiate and execute interim financing in an amount not to exceed \$250 million.

**PURPOSE:**

To include updated terms and conditions for the \$250 million Grant Anticipation Notes (GANS), including customary "make whole" provisions relative to changes in tax laws, capital adequacy, default or similar market rates.

**DESCRIPTION:**

**Key Highlights:**

- As a follow up to the board authorization of July, staff is seeking board approval to incorporate two customary terms and conditions of debt placement through an amendment
- \$250 million short-term GANS debt issuance being negotiated supports the FY2015 capital projects.
- Consistent with the timeline approved by the Board in July, repayment of the GANS will occur within one year.
- The basic interest rate will not exceed 1.5 percent, with additional flexibility limited to tax law changes, capital adequacy, default or similar market rates.
- During the period when the short-term debt is outstanding, WMATA will utilize the additional time to increase the rate of draws on awarded and pending federal grants.

**Background and History:**

As a result of timing differences between cash inflows and outflows, WMATA requires additional liquidity to prevent any interruption of cashflow for capital projects. The Capital Funding Agreement (CFA) 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 Board's 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." Interim borrowing authority is also provided for under Section 21 ("Temporary Borrowing") of the WMATA Compact.

In accordance with the CFA, in May 2014, the Board authorized an increase to WMATA's short term Line of Credit (LOC) with Wells Fargo Bank, Bank of America and U.S. Bank to a maximum amount of \$302.5 million. These credit facilities primarily support WMATA's capital programs, but are also available to address operating cashflow needs allowing WMATA to utilize its resources efficiently.

Furthermore, enhanced review of WMATA's capital grant expense reimbursement and FTA's manual draw down process continue to impact WMATA's cashflow. To cover near term cashflow needs, the Board authorized the GANS, with a one year repayment timeline, which will be secured by undrawn, awarded federal grants, with a subordinate pledge of gross revenues. In July 2014, thirteen financial institutions responded to an RFP for the GANS debt placement issued by WMATA's Financial Advisor.

#### **Discussion:**

As the financial institutions finalize their credit analysis and client due diligence, they have requested that WMATA agree to two customary terms and conditions associated with debt placement:

- "Make whole" provisions related changes in tax laws and capital adequacy requirements; and
- Adjusted interest rate for Events of Default such as failure to meet debt service obligations, provide financial reports, insolvency, or bankruptcy filing.

As they are customary, staff believes that other financial institutions would request similar terms as well. While WMATA continues to take actions to carefully manage cashflow, including identifying non-safety critical capital projects in FY2015 that can be deferred, the issuance of short-term debt is necessary and required to meet near term cashflow needs. These reductions will not impact safety-critical functions but may include deferring work or vacancy backfills that would have minimal impact on the customer experience.

**FUNDING IMPACT:**

If approved, the interim financing will support the existing FY2015 capital budget, requiring no modification to overall capital funding amounts. Costs associated with the borrowing will be funded within the approved FY2015 budget.

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| Project Manager:           | Melissa Lee |
| Project Department/Office: | CFO/TRES    |

**TIMELINE:**

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| <b>Previous Actions</b>                       | May 2014 - Board authorizes increasing line of credit to total of \$302.5 million.         |
| <b>Anticipated actions after presentation</b> | Fall 2014 - Staff negotiates and executes interim financing to reflect final credit terms. |

**RECOMMENDATION:**

To adopt the proposed resolution which will amend Resolution No. 2014-37, adopted July 24, 2014, authorizing the GM/CEO, CFO, or Treasurer to negotiate and execute interim financing instruments in an amount not to exceed \$250 million with a term of one year or less, at a basic interest rate not to exceed 1.50% per annum, to extend authority to the Acting Treasurer or any successor Treasurer to perform obligations created in the financing documents and to reflect final credit parameters.

**PRESENTED AND ADOPTED: September 24, 2014**

**SUBJECT: REVISED APPROVAL TO NEGOTIATE AND EXECUTE INTERIM FINANCING  
NOT TO EXCEED \$250 MILLION**

**2014-50**

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

WHEREAS, In 2011, the Washington Metropolitan Area Transit Authority (WMATA) and its contributing jurisdictions entered into a multi-year capital funding and construction agreement known as the Capital Funding Agreement (CFA); and

WHEREAS, WMATA and its contributing jurisdictions have entered into the CFA to provide the Plan of Financing for the capital projects and under which the contributing jurisdictions have agreed to that Plan of Financing as contemplated in Compact sections 17 and 18; and

WHEREAS, WMATA's ability to drawdown federal grant funds for reimbursement of eligible capital expenditures is currently restricted by the Federal Transit Administration (FTA) and requires manual submission of comprehensive documentation before drawdown requests can be approved; and

WHEREAS, This drawdown restriction has had a substantial impact on WMATA's cash flow; and

WHEREAS, The FTA has informed WMATA that the drawdown restrictions will remain in place until the Financial Management Oversight report findings are closed and FTA has ensured that new financial processes and controls are in place and are being effectively applied; and

WHEREAS, Compact Section 21 and the CFA permit WMATA to issue various financial instruments necessary for the interim financing of projects under the Agreement; and

WHEREAS, The General Manager and Chief Executive Officer (GM/CEO), the Chief Financial Officer (CFO), the Treasurer, and the Acting Treasurer have determined that there is a need to issue such financial instruments to fund various projects covered by the CFA; and

WHEREAS, WMATA solicited and received proposals from underwriters and commercial banks to provide such financial instruments to WMATA; now, therefore be it

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

**Ayes: 7 – Mr. Downs, Mr. Downey, Mrs. Hudgins, Mr. Dyke, Ms. Bowser, Mr. Acosta and Mr. Goldman**

*RESOLVED*, That the Board of Directors authorizes the GM/CEO, the CFO, the Treasurer, or the Acting Treasurer to negotiate and execute short-term financing instruments with one or more investment and/or commercial banks with the following terms: (a) duration to be no more than one year; (b) an aggregate amount not to exceed \$250 million, including principal, any required debt service reserve, and the costs of issuance, as applicable (including but not limited to underwriters' fees, financial advisory fees, Trustee fees, bank fees, printing costs, and legal fees); (c) at an interest rate not exceeding 1.50% per annum for the base rate, or such additional or adjusted rates such as but not limited to tax make-whole, capital adequacy, or default rates as determined by the GM/CEO or the CFO to be consistent with proposals received from such underwriters and commercial banks and in WMATA's interest which are necessary to meet market requirements in such financing instruments; and (d) to obtain the underwriting, Trustee, printing, and other services necessary to issue the financing instruments; and be it further

*RESOLVED*, That the Board of Directors authorizes the GM/CEO, the CFO, the Acting Treasurer, or any successor Treasurer to perform any obligations under the terms of the financing instrument; and be it further

*RESOLVED*, That Resolution 2014-37, adopted by the Board of Directors on July 24, 2014 shall remain in full force and effect except as modified by this Resolution; 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.  
4.1 Bonds  
4.6 Lines of Credit Issued to WMATA