

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

☒ Action ☐ Information

MEAD Number:
203413

Resolution:
☒ Yes ☐ No

TITLE:

Amendment to Resolution 2022-29

PRESENTATION SUMMARY:

Staff is seeking authorization to amend Resolution 2022-29 Approving Negotiation of Series 2023A Dedicated Revenue Bonds to (1) to increase the maximum maturity term of the bonds from 25 years to 28 years to maximize the cash received from the sale of bonds and (2) to clarify the Board's intent to use a portion of the bond proceeds to reimburse FY23 capital program expenditures.

PURPOSE:

Staff has evaluated proposed bond structure and seeks authorization to amend Resolution 2022-29 Approving Negotiation of Series 2023A Dedicated Revenue Bonds to (1) to increase the maximum maturity term of the bonds from 25 years to 28 years to maximize the cash received from the sale of bonds and (2) to clarify the Board's intent to use a portion of the bond proceeds to reimburse FY23 capital program.

DESCRIPTION:

The following is a list of potential participants in the bond sale including underwriters, financial advisors, bond counsel and disclosure counsel:

- Jefferies LLC
- Kestrel Verifiers
- RBC Capital Markets
- Ramirez & Co., Inc.
- Siebert Williams Shank & Co., LLC
- UBS Financial Services Inc.
- Frasca & Associates, LLC
- Phoenix Capital Partners, LLC
- Hogan Lovells US LLP

Key Highlights:

- Amend Series 2023A bond duration limit to not exceed 28 years.

- Clarify intent to reimburse CIP expenditures incurred prior to bond issue.

Background and History:

The Authority Debt Policy (Res. 2022-06) authorizes long-term debt up to a maximum maturity of 30 years. On October 27, 2022, the Board of Directors approved resolution 2022-29 authorizing WMATA to negotiate the issuance of Series 2023A Dedicated Revenue bonds on a negotiated sales method for a term not to exceed 25 years. Due to recent increases in the base interest rates by the Federal Reserve Board, the interest rates in the bond markets have also increased. [As a result, the amount of cash generated by the proposed 2023A bond sale will be reduced. According to Metro's financial advisors, the impact of the increased interest rates can be minimized by extending the maturity of the 2023A bonds from 25 years to 28 years .](#)

Further, although Resolution 2022-29 stated an intent to reimburse the Authority with some of the 2023A bond proceeds for certain expenses consistent with IRS regulations, staff inadvertently left out that the eligible reimbursable expenses also are related to CIP project expenses incurred prior to the issuance of the 2023A bonds. Thus an amendment is necessary to clarify the Board's intent regarding eligible reimbursable expenses.

Discussion:

Metro's financial advisors, Phoenix Capital Partners and Frasca & Associates, recommend the Series 2023A bonds maximum maturity term be extended to not to exceed 28 years with the objective of maximizing bond proceeds with an anticipated final maturity of 27.4 years.

The Authority's tax counsel recommends including clarity on the intent to reimburse capital program expenditures incurred prior to the bond issuance.

FUNDING IMPACT:

Define current or potential funding impact, including source of reimbursable funds.	
Debt service for the Series 2023A Dedicated Revenue Bonds will be paid from future Dedicate Funding Revenues.	
Project Manager:	Robert M. Haas, Vice President and Treasurer
Project Department/Office:	CFO/TRES

TIMELINE:

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Previous Actions	<p>October 2022 - Resolution 2022-29 granting approval to proceed with negotiation of Series 2023A Dedicated Revenue Bonds</p> <p>Resolution 2022-06 Approving the FY 2023 Operating and Capital Budget; FY 2023-2028 Capital Improvement Program and the Debt Policy</p> <p>Resolution 2022-22 amending the FY2023 Capital Budget</p>
Anticipated actions after presentation	<p>December 2022 – Staff to prepare the bond offering documents and apply for bond credit ratings</p> <p>January 2023 - Seek Board approval for the Series 2023A Dedicated Revenue Supplemental Bond Resolution and additional bond offering documentation</p> <p>February 2023 - Bond sale</p>

RECOMMENDATION:

Amend Resolution 2022-29 Approval to Proceed with Negotiation of Series 2023A Dedicated Revenue Bonds to (1) to increase the maximum maturity term of the bonds from 25 years to 28 years and (2) to clarify the Board's intent to use a portion of the bond proceeds to reimburse FY23 capital program.

SUBJECT: AMENDMENT OF RESOLUTION 2022-29 AUTHORIZING NEGOTIATION OF
SERIES 2023A DEDICATED REVENUE BONDS

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

WHEREAS, In Resolution 2022-29, the Board of Directors authorized staff to negotiate the sale of Series 2023A Dedicated Revenue Bonds with a duration to be no longer than 25 years and an aggregate amount not to exceed \$392 million in principle; and

WHEREAS, Staff recommends increasing the duration to 28 years due to the increase in interest rates and clarifying that the intent is to use part of the bond proceeds to reimburse capital program expenditures for fiscal year 2023;

NOW, THEREFORE, be it

RESOLVED, That Resolution 2022-29 is amended by deleting the first *RESOLVED* clause in its entirety and replacing it with the following:

RESOLVED, That the Board of Directors authorizes the General Manager and Chief Executive Officer and the Chief Financial Officer, and each of them individually, to obtain the underwriting, trustee, printing, and other services necessary to sell the bonds on a negotiated basis and issue the bonds to fund a portion of the fiscal year 2023 Capital Program; and be it further

RESOLVED, That Resolution 2022-29 is amended by deleting the second *RESOLVED* clause in its entirety and replacing it with the following:

RESOLVED, That long-term bonds, if issued, to have a duration of no more than 28 years and an aggregate amount not to exceed \$392 million in principal; and be it finally

RESOLVED, That to proceed with the timely issuance of the bonds, this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,

/s/

Patricia Y. Lee
Executive Vice President and General Counsel

WMATA File Structure No.:
4.1 Bonds

PROPOSED