

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

☒ Action ☐ Information

MEAD Number:
201996

Resolution:
☒ Yes ☐ No

TITLE:

Line of Credit Indemnification to Banks

PRESENTATION SUMMARY:

Staff is requesting that the Board approve indemnification of SunTrust Bank and PNC Bank, N.A. in connection with their respective line of credit agreements and is substantially similar in substance and form to the indemnification language approved through resolution for the remaining two banks in the line of credit program.

PURPOSE:

To obtain Board approval of indemnification language for the new banks participating in the Authority's line of credit program. The addition of new banks provide cost reductions in the line of credit program through competition.

DESCRIPTION:

Key Highlights:

Metro needs to provide the financial institutions bidding on participating in the line of credit program with some contractual indemnification language as provided to the existing banks.

Background and History:

Indemnification provisions are standard clauses in bank lending agreements and have been requested by, and provided to, the banks who have participated in Metro's past lines of credit. Metro has developed indemnification language similar to indemnification to which past Boards have authorized for Metro's lines of credit.

Discussion:

Staff recently invited thirteen banks to participate in the Authority's line of credit through a competitive bidding process. Five banks did not submit bids; four bids were equal to or higher than the current rates; and four banks, including the incumbent banks, submitted bids with rates and fees 40%-50% lower than the expiring LOC. Staff estimates the new LOC structure with four participating

banks will produce an annual savings in excess of \$450,000 over the expiring LOC that is presently split between two banks.

Staff further anticipates future competitive bidding through the LOC program may bring additional banks into Metro's sphere of bank relationships.

FUNDING IMPACT:

Define current or potential funding impact, including source of reimbursable funds.	
Project Manager:	Robert Haas
Project Department/Office:	Treasury / JGB
	Request is to approve an indemnification clause in a line of credit agreement.

TIMELINE:

Previous Actions	February 2018: Held bank presentation opening bidding on line of credit participation April 2018: Received bids from banks and selected four banks, including two new bank partners.
Anticipated actions after presentation	May 2018: Execute line of credit agreements with participating banks

RECOMMENDATION:

Recommend the Board approve the resolution providing indemnification to SunTrust Bank and PNC Bank as participating lenders in Metro's line of credit program.

SUBJECT: DELEGATION OF AUTHORITY TO INDEMNIFY FINANCIAL INSTITUTIONS
IN THE LINE OF CREDIT PROGRAM

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

WHEREAS, Pursuant to Board Resolution 2011-30, Board of Directors' approval is required for the Washington Metropolitan Area Transit Authority (WMATA) to enter into indemnification agreements with third parties in non-procurement contracts; and

WHEREAS, Board Resolution 2016-06 established a Line of Credit program and delegated authority for that program to the General Manager/Chief Executive Officer (GM/CEO), Chief Financial Officer and Treasurer, subject to Board of Directors' approval for any indemnification as may be required by the financial institution; NOW, THEREFORE, be it

RESOLVED, That the Board of Directors authorizes the GM/CEO or his designee to indemnify SunTrust Bank and PNC Bank, N.A., so long as the indemnification is substantially similar to the following language:

Debtor shall protect, indemnify and save harmless Bank from and against all losses, liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) (collectively, "Damages") imposed upon, incurred by or asserted against Bank on account of (i) the Loan Documents or any failure or alleged failure of Debtor to comply with any of the terms or representations of this Agreement; (ii) any claim of loss to the Collateral; (iii) any failure or alleged failure of Debtor to comply with any law, rule or regulation applicable to the Collateral; (iv) any Damages whatsoever by reason of any alleged action, obligation or undertaking of Bank relating in any way to or any matter contemplated by the Loan Documents; or (v) any claim for brokerage fees or such other commissions relating to the Collateral or any other Secured Obligations, provided that such indemnity shall be effective only to the extent of any Damages that may be sustained by Bank in excess of any net proceeds received by it from any insurance of Debtor (other than self-insurance) with respect to Damages. Nothing contained herein shall require Debtor to indemnify Bank for any Damages resulting from Bank's gross

negligence or its willful misconduct. The indemnity provided for herein shall survive payment of the Secured Obligations and shall extend to the officers, directors, employees and duly authorized agents of Bank. In the event Bank incurs any Damages arising out of or in any way relating to the transaction contemplated by the Loan Documents (including any of the matters referred to in this section), the amounts of such Damages shall be added to the Secured Obligations, shall bear interest, to the extent permitted by law, at the interest rate borne by the Secured Obligations from the date incurred until paid and shall be payable on demand; and be it finally

RESOLVED, That in order to enter into new lines of credit as soon as possible, this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



Patricia Y. Lee
General Counsel

WMATA File Structure No.:
15.2.1 Grants of Indemnification