Finance & Administration Committee

Action Item III-A

December 4, 2014

Replacement Credit Facility

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

◉ Action ○ Information	MEAD Number: 201151	Resolution: ◉ Yes ○ No

TITLE:

Replacement Facility

PRESENTATION SUMMARY:

Request Board authority to issue long-term debt in an amount not to exceed $440 million to repay the $200 million interim financing issuance and a portion of the outstanding lines of credit.

PURPOSE:

This item requests Board authorization for the General Manager, Chief Financial Officer and Acting Treasurer or Treasurer to (a) negotiate the issuance of long-term debt with the following terms: an indicative average interest rate to be established by the Board prior to final issuance; duration no longer than 25 years; principal amount not to exceed $440 million, excluding any required debt service reserve and cost of issuance (including but not limited to underwriters' fees, financial advisory fees, printing costs, and legal fees); and to (b) obtain the underwriting, Trustee, printing, and other services necessary to issue the debt.

This issuance will support financing of WMATA's capital improvement program (CIP). The funds will primarily be used to repay some of the outstanding lines of credit and the interim financing that matures in the first quarter of FY2016. These outstanding balances are providing liquidity for the capital program while WMATA addresses the Financial Management Oversight (FMO) report findings.

DESCRIPTION:

Key Highlights:

• A long-term debt (Replacement Facility) issuance not to exceed $440 million will be needed early in fiscal year 2016.
• The duration of the debt will not exceed 25 years.
• Debt will be issued at an indicative interest rate to be established by the Board prior to final issuance.
• The Preliminary Official Statement will be presented to the Board for approval.

Background and History:

WMATA's Series 2003 Gross Revenue Transit Refunding bonds matured in July 2014, leaving the Series 2009A and 2009B bonds as the remaining outstanding issuances. In June 2009 WMATA issued Gross Revenue Transit bonds under the 2003 Gross Revenue Bond Resolution as authorized under the Metro Matters Program to retire the Commercial Paper program and fund future capital expenses. The Series 2009A and Series 2009B bonds mature in 2032 and 2034, respectively. The Capital Funding Agreement, which succeeded the Metro Matters agreement, authorizes an additional principal amount of $440 million in long-term debt to finance capital projects during the FY2011 to FY2016 period.

WMATA currently has three short-term lines of credit totaling $302.5 million with Wells Fargo Bank, Bank of America and U.S. Bank. These lines of credit primarily support WMATA's capital programs and are also available to address operating cash flow needs allowing WMATA to utilize its resources efficiently. As of September 2014, WMATA has fully utilized those lines of credit.

In July 2014, the Board authorized the execution of up to $250 million in Interim Financing. This financing, which requires repayment in one year, is secured by undrawn, awarded federal grants, with a subordinate pledge of gross revenues. WMATA closed the transaction at $200 million in October 2014.

WMATA anticipates utilizing the proposed $440 million long-term debt issuance to repay the interim financing and a portion of the outstanding lines of credit.The interim financing and lines of credit were utilized to support the unfunded portions of the CIP. The long-term debt issuance will support the ability to align the duration of the debt with the useful life of the projects.

Discussion:

Pursuant to Section 4(b)(2) of the Capital Funding Agreement, all or any portion of the CIP may be funded through short- or long-term debt financing. A Contributing Jurisdiction may elect to prepay its portion of the long-term debt financing in lieu of an annual contribution to pay debt service. WMATA utilized short-term debt to fund some portions of its capital program and will use a long term debt issuance to better align costs with the useful life of the projects in the capital program. A portion of the outstanding lines of credit and the interim financing will be repaid with the long term debt issuance.

FUNDING IMPACT:

Costs associated with the debt issuance will be funded from bond proceeds. Estimated jurisidiction funding impact attached.	
Project Manager:	Melissa Lee
Project Department/Office:	CFO/TRES

TIMELINE:

Previous Actions	February 2014: Board approved the increase of the lines of credit capacity from $150 million to $250 million. May 2014: Board approved the increase of the lines of credit capacity from $250 million to $325 million. July 2014: Board approved the execution of an interim financing in an amount not to exceed $250 million.
Anticipated actions after presentation	First Quarter 2015: WMATA will issue prepayment notifications to the jurisdictions. Second/Third Quarter 2015: Seek Board approval of Preliminary Official Statement.

RECOMMENDATION:

Approve the proposed Board Resolution to issue long-term debt (Replacement Facility) in a principal amount not to exceed $440 million.

Washington Metropolitan Area Transit Authority

Replacement Credit Facility

Finance & Administration Committee
December 4, 2014

Purpose

- Request Board authorization to negotiate and execute a long-term debt replacement facility

Background

- Outstanding long-term debt (Series 2009A and 2009B) issued to retire Commercial Paper Program and fund Metro Matters program

- The Capital Funding Agreement authorizes the issuance of $440 million to fund capital expenses under the FY2011-16 Capital Improvement Program

Capital Program Funding

- $302.5 million in short-term lines of credit currently utilized to support capital program
- $200 million interim financing closed in October 2014
- Manual drawdown on federal funds likely to continue through FY2015
- Long-term debt replacement facility will repay interim financing and a portion of lines of credit

Recommendation

- Authorize GM/CEO, CFO or Treasurer to negotiate and execute a debt replacement facility in principal amount not to exceed $440 million; for a term not to exceed twenty-five years; and at an indicative rate to be established by the Board prior to final issuance

SUBJECT: APPROVAL TO NEGOTIATE BONDS IN A PRINCIPAL AMOUNT NOT TO EXCEED $440 MILLION

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

WHEREAS, In 2010, the Washington Metropolitan Area Transit Authority (Metro) and its sponsoring jurisdictions entered into a multiyear capital funding and construction agreement known as the Capital Funding Agreement; and

WHEREAS, The Capital Funding Agreement permitted Metro to issue bonds necessary for the long-term financing of projects under the Agreement subject to the jurisdictions' rights to prepay their share of the necessary bonds; and

WHEREAS, Staff has determined that there is a need to issue such long-term bonds to fund various projects covered by the Capital Funding Agreement and to reduce outstanding indebtedness which was incurred in the funding of various projects covered by the Capital Funding Agreement; and

WHEREAS, It is the intent of Metro to reimburse itself for eligible expenses to the extent permitted by the Internal Revenue Code of 1986 and regulations issued under such Internal Revenue Code; and

WHEREAS, Staff has further determined that the bonds should be issued in late Fiscal Year 2015 or early Fiscal Year 2016 and Metro is required to provide at least 120 days' notice to the sponsoring jurisdictions before the bonds may be issued; now, therefore, be it

RESOLVED, That the Board of Directors authorizes the General Manager, the Chief Financial Officer and the Treasurer to negotiate long-term bonds with the following terms: duration to be no more than 25 years; an aggregate amount not to exceed $440 million in principal, excluding any required debt service reserve, and the costs of issuance (including but not limited to underwriters' fees, financial advisory fees, printing costs, legal fees, and such other fees which the General Manager or the Chief Financial Officer deem necessary to complete the sale of such bonds); and an indicative average interest rate to be established by the Board prior to final issuance; and to obtain the underwriting, Trustee, printing, and other services necessary to issue the bonds; and be it further

RESOLVED, That Staff shall give the sponsoring jurisdictions the option to prepay their share of the bonds before the final amount of the bond issue is established in accordance with the terms of the Capital Funding Agreement; and be it further

RESOLVED, That Staff shall return to the Board of Directors for its final approval of the terms of the bond issue before such bonds may be issued; and be it finally

RESOLVED, That, in order to provide the required notice to the sponsoring jurisdictions and meet the schedule for bond issuance, this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,

Kathryn H.S. Pett
General Counsel

WMATA File Structure No.:
4.1 Bonds