



Finance and Capital Committee

Action Item III-A

February 11, 2021

**Amendment to FY2021 Capital Budget, FY2022
Capital Budget Work Session, and
Six-Year CFA and Capital Program Update**

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

<input checked="" type="radio"/> Action <input type="radio"/> Information	MEAD Number: 202250	Resolution: <input checked="" type="radio"/> Yes <input type="radio"/> No
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TITLE:

FY21 Capital Budget Amendment & FY22 Work Session

PRESENTATION SUMMARY:

Staff will recommend an amendment to the FY2021 Capital Budget and request authorization to negotiate or compete a bond issuance; present a summary of the FY2022 Capital Budget; and provide an update on progress towards completion of a six-year Capital Funding Agreement.

PURPOSE:

To provide an update on the FY2021 and FY2022 Capital Budgets and to increase to the FY2021 Capital Budget, primarily to accelerate station platform state of good repair projects and authorize the negotiation or competitive sale of a series of Dedicated Funding bonds.

DESCRIPTION:

The FY2021 Capital Budget amendment increases the FY2021 budget for certain projects in the Capital Improvement Program (CIP). The vendors associated with the projects receiving additional funding are:

Platform Rehab Program	AECOM-STV JV
	Clark Construction Group, LLC
	HNTB Corporation
	Kiewit Infrastructure Company
	North Carolina Granite Co
	Parsons Transportation Group Inc
	Summitville Tiles Inc
	Transportation Management Service Inc
Potomac Yard Station	A. Morton Thomas and Associates, Inc.
	AECOM, USA, INC.

	AECOM-STV JV
	Gannett Fleming Engineers and Architects
	Gannett Fleming-Parsons Joint Venture II
	LTK Engineering Services
	Mott MacDonald I&E, LLC
	P2D
	Potomac Yard Constructors
	STV/Systra
	WSP USA Inc.
COVID IT Equipment	Carahsoft Technology Corp
	Dell Marketing LP

Key Highlights:

- Metro's Capital Improvement Program is focused on restoring and improving the safety, security, state of good repair, and reliability of the system.
- Recognizing the need to address overdue state of good repair needs as expeditiously as possible, Metro is accelerating the station platform rehabilitation program. Eleven platform reconstructions are complete and Metro will advance the replacement of 11 additional platforms over the next two years.
- Staff will request an amendment to increase the FY2021 Capital Budget by \$255 million to support these platform projects, a schedule update for the Potomac Yard station reimbursable project, and information technology equipment to support remote work and cyber security during the pandemic.
- Approval is requested to negotiate or competitively sell Dedicated Funding backed bonds.
- An update on the negotiations of a renewed Capital Funding Agreement is provided in advance of presenting the final agreement to the Board for adoption in April.

Background and History:

On April 2, 2020, the Board approved capital investments in the amount of \$9.714 billion for the FY2021-2026 CIP and \$1.821 billion for the FY2021 Capital Budget. On May 28, 2020 and July 23, 2020, the Board amended the approved FY2021 budget resulting in a current FY2021 amended budget of \$1.832 billion. The program includes funding to move forward Bus and Paratransit, Rail, and Support projects. These projects improve safety, state of good repair, asset conditions, reliability and customer satisfaction moving Metro closer to its performance goals.

Discussion:

WMATA continues to partner with the Jurisdictions to deliver safe, affordable and reliable public transportation. In this role, Metro has continued to leverage this period of low ridership to aggressively address overdue capital needs and deliver the capital program. By accelerating these projects and programs, Metro is working to efficiently and effectively deliver a capital program that improves safety, security, and the state of good repair. The action before the Board will increase the total budget by \$255 million and is anticipated, when combined with plans for dedicated funding-backed debt in the amount of approximately \$550 million (including unspent proceeds from the Series 2020A bonds) to result in a total FY2021 Capital Budget of \$2.087 billion.

Additionally, this request is to authorize negotiation or competitive sale of 2021A bonds in the amount of \$360 million excluding fees, cost of debt service reserve, cost of issuance and any premiums on the sale of bonds. The duration of the bonds is not to exceed past 25 years with the intent to reimburse for eligible expenses incurred before the issuance of bonds. Release of these bonds will allow continued support of the Capital Improvement Program to continue without disruption. Staff will return to the Board later this Fiscal Year for formal authorization to issue dedicated funding-backed debt.

FUNDING IMPACT:

FY2021 Capital Budget will increase by \$255 million.

Platform Phase 3	\$176
Platform Phase 4	\$29
Potomac Yard	\$39
COVID Capital Expenses (New Project)	\$11
Total FY21 increase	\$255

(in millions)

TIMELINE:

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Previous Actions	<p>April 2020- Approval of Fiscal Year 2021 Operating Budget and Capital Budget, Fare and Service Changes and Public Participation Report</p> <p>May 2020- Amendment of FY 2021 Operating and Capital Budget</p>
Anticipated actions after presentation	<p>Spring 2021 – Request Board Approval to Issue Dedicated Funding-Backed Debt</p> <p>Spring 2021 – Request Board Approval of the FY2022 Capital Budget and Six-Year Capital Improvement Program</p> <p>Spring 2021 – Request Board Approval of the FY2022 to FY 2027 Capital Funding Agreement and DC Local Capital Funding Agreement</p>

RECOMMENDATION:

Staff recommends approval of \$255 million increase to FY2021 Capital Budget to support accelerated platform state of good repair program, Potomac Yard reimbursable project, IT investments for remote work, and cyber security. Additionally, staff recommends approval to negotiate or competitively sell up to \$360 million in Dedicated Funding backed bonds.

SUBJECT: AMEND FISCAL YEAR 2021 CAPITAL BUDGET AND AUTHORIZE THE NEGOTIATION OR COMPETITIVE SALE OF THE SERIES 2021A DEDICATED FUNDING BONDS

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

WHEREAS, Resolution 2011-30, as amended, requires Board of Directors approval for changes to total expense authorization of the Annual Capital Budget; and

WHEREAS, On July 23, 2020, the Board adopted the fiscal year (FY) 2021 Capital Budget as amended (Resolutions 2020-09 and 2020-28); and

WHEREAS, That in order to maintain a balanced Capital Budget, additional funding is anticipated to be provided through the issuance of dedicated funding debt and an increase in the Potomac Yard Reimbursable project funding provided by the City of Alexandria; and

WHEREAS, On February 27, 2020, the Board adopted the Debt Management Policy, which requires that negotiation or competitive sale of a series of bonds, such as contemplated by the FY 2021 Capital Budget, be authorized by the Board (Resolution 2020-04); and

WHEREAS, WMATA intends to reimburse itself for eligible expenses incurred before the issuance of the bonds covered in this resolution to the extent permitted by the Internal Revenue Code of 1986 and regulations issued under such Code;

NOW, THEREFORE, be it

RESOLVED, That the fiscal year 2021 Capital Budget is amended by increasing the total expense authorization by \$255 million; and be it further

RESOLVED, That the Board of Directors authorizes the General Manager/Chief Executive Officer and the Chief Financial Officer, and each of them individually, to obtain the underwriting, Trustee, printing, and other services necessary to negotiate or competitively sell and issue the bonds; and be it further

RESOLVED, That the long-term bonds, if issued, shall have the following terms: duration to be no more than 25 years; an aggregate amount not to exceed \$360 million in principal, excluding any required debt service reserve, 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/Chief Executive Officer or the Chief Financial Officer deem necessary to complete the sale of such bonds), and any premium on the sale of the bonds; all of such expenses, costs, premium, and fees being authorized by the Board of Directors to be included in the bond issuance in addition to the aggregate principal amount listed above; and be it further

RESOLVED, That an indicative average interest rate and the method of sale will be established by the Board of Directors prior to final issuance; and be it further

RESOLVED, That staff shall bring to the Board of Directors the total amount of the proposed issuance (principal, any anticipated premium, plus anticipated costs) and terms of the proposed issuance for final review and approval before bonds may be issued; and be it finally

RESOLVED, That to prevent interruption of the fiscal year 2021 Capital Program and the timely issuance of the bonds, this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,

/s/ Patricia Y. Lee

Patricia Y. Lee

Executive Vice President and General Counsel

WMATA File Structure Nos.:

4.1 Bonds

4.2.2. Fiscal Year budgets