



Finance and Capital Committee

Action Item III-B

December 10, 2020

**Termination of Prince George's County
Parking Surcharge**

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

☒ Action ☐ Information

MEAD Number:
202232

Resolution:
☒ Yes ☐ No

TITLE:

Termination of Parking Surcharge Agreement

PRESENTATION SUMMARY:

Prince George's County (County), the Maryland Transportation Authority (MDTA), and Metro have agreed to the termination of the Prince George's County parking surcharge agreement. Terminating the agreement requires multiple approvals by the Board: (1) use the surcharge fund to defease the parking facility bonds, (2) reduce the parking surcharge in the County to zero, and (3) terminate the parking surcharge agreement. This Board approval initiates the termination process.

PURPOSE:

Staff seeks Board approval to:

1. Use the accumulated parking surcharge reserves to defease the bonds issued by MDTA
2. Reduce the parking surcharge in Prince George's County to zero
3. Terminate Prince George's County parking surcharge agreement

DESCRIPTION:

A parking surcharge fee is currently included in the daily parking rate of Park & Ride facilities in Prince George's County, which is authorized under a parking surcharge agreement by and between WMATA, Prince George's County, and MDTA dated in 2002. All parties to the agreement seek to reduce the parking surcharge to zero, use the accumulated surcharge reserves to defease the bonds, and terminate the Prince George's County parking surcharge agreement. The remaining fund balance from the surcharge reserves shall then be transferred to a dedicated account that the General Manager can use to support future parking and/or station access infrastructure at Metrorail stations in Prince George's County.

Key Highlights:

- The daily parking rates in Prince George's County includes a surcharge fee, which is collected by Metro to pay debt service on bonds issued by MDTA to build three parking garages in the County.

- A balance has accumulated in excess of the rent due each month, such that enough revenue has accumulated over the years to retire the debt of the facility bonds.
- The three parties to the agreement (MDTA, County, and Metro) have agreed to use the reserve fund balance to defease MDTA's bonds, eliminate the parking surcharge reserves, and terminate the parking surcharge agreement.

Background and History:

During the 1980s, Metro and its partner jurisdictions desired to build additional parking facilities to improve the public's access to the Metrorail system as demand for parking was high and expected to grow. Rather than funding facilities directly through Metro's capital budget, the Board approved a parking surcharge fee program to create a source of revenue to repay debt service on bonds that would be issued by the local jurisdictions. In 1988, the Board approved this fee structure. Metro currently has parking surcharge agreements with Prince George's County/MDTA, Montgomery County and Fairfax County.

In 1989, the Board approved and implemented a parking surcharge agreement with Prince George's County (Resolution #89-43). In September 2002, the agreement was amended and supplanted by the Amended and Restated Surcharge Implementation Agreement (Surcharge Agreement), a three-party agreement between Metro, the County, and MDTA, whereby the MDTA would be the bond-issuing entity for any new parking facilities bonds. Metro collects the parking surcharge fees, places them in an account from which it makes rent payments to MDTA, who in turn makes its debt service payments. The Surcharge Agreement has been used to finance three parking garages at New Carrollton, Largo Town Center, and College Park Metro stations.

The Surcharge Agreement stipulates that, for the parties to terminate the agreement, all the facility bond debt must first be retired. Currently, there is \$26.5 million accumulated reserve in the surcharge account along with debt service reserve to fully prepay the debt (remaining balance on which is \$18.3 million), or "defease," MDTA's facility bonds. The County and MDTA have requested to use the accumulated surcharge reserves to defease the bonds and then reduce the surcharge fee to zero.

Discussion:

The parking surcharge fee is added to Metro's base parking rate of \$3.95 per day. Parking customers pay a daily parking rate that is the sum of Metro's base parking rate plus the parking surcharge fee. Currently, the parking surcharge fee in Prince George's County is equal to \$1.25, except at three stations (Landover, Addison Road, and Prince George's Plaza) where the surcharge fee is \$0.75. Therefore, the daily parking rate paid by Metro's parking customers in Prince George's County is \$5.20, except at the three stations listed above, where the daily parking rate is \$4.70 for Addison Road and

Prince George's Plaza and \$3.00 for Landover.

There are several benefits to terminating the Surcharge Agreement. Firstly, the price of parking for commuters can be lowered. By terminating the Surcharge Agreement, staff proposes to reduce the daily parking rate in Prince George's County as part of the FY22 budget process. The proposed rate change will require Title VI analysis and Board approval prior to effectuating the change.

A second benefit of paying off the facility bonds earlier than the due date is MDTA's ability to reduce its overall debt obligations by \$18.3 million.

Lastly, there will be a balance of \$8.2 million in parking surcharge reserve funds after the bonds are defeased. The County and Metro have agreed to place those funds into a dedicated account whose funds to be used to support future parking and/or pedestrian and bicycle infrastructure at Metrorail stations in Prince George's County, subject to both the County's and Metro's approval. The County and Metro staff have also agreed in principle (consistent with past Board approvals) that while this Surcharge Agreement is proposed to be terminated, that the two parties would be willing to enter into a new parking surcharge agreement in the future if a joint development project in Prince George's County requires that this mechanism is the most appropriate means to finance the new parking facilities or station access improvements. Any future agreement would require Board approval prior to effectuating the agreement.

Steps Required to Terminate Agreement

The Surcharge Agreement requires specific steps when preparing for termination:

1. Defeasement of the bonds using the surcharge reserve and/or other committed funding sources
2. Reduce the surcharge fee to zero dollars
3. Transfer title of parking garages from MDTA to WMATA and terminate the underlying ground leases
4. Terminate the Surcharge Agreement

FUNDING IMPACT:

Elimination of the surcharge will not impact Metro's revenues.	
Project Manager:	Rick Liu
Project Department/Office:	LAND

TIMELINE:

Previous Actions	December 1988 – Board established the concept for base
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	fees and surcharge fees and set forth conditions governing surcharge fee use for Metro parking facilities May 1989 - Board approved parking surcharge agreement with Prince George's County February 2001 – Board approves new parking garages at College Park, New Carrollton, and Largo Town Center September 2002 – Metro enters into Amended and Restated Surcharge Implementation Agreement with Prince George's County, which incorporates MDTA as a party into the agreement, who would issue bonds and lease the facilities to Metro
Anticipated actions after presentation	December 2020 – Metro to provide a 45-day notice to parties of intent to defease the facility bonds December 2020 – As part of FY22 budget, staff proposes to change the daily parking rates in Prince George's County to \$4.45 - \$4.95, except at Landover where the rate will remain \$3.00 February 2021 – Close on defeasance transaction and obtain supporting documentation March 2021 – Record documents vesting title of the parking facilities in Metro's name as required by facility leases once the bonds are defeased March 2021 – Release ground leases, as required by ground lease agreements, once bonds are defeased April 2021 – Request (by WMATA or any agreement party) to terminate the parking surcharge agreement (30-day notice) May 2021 - Eliminate Surcharge May/June 2021 - Move remaining fund balance from surcharge reserves into proper WMATA dedicated account to support Metrorail future parking or station access infrastructure in Prince George's County.

RECOMMENDATION:

Board approval to:

1. Use the accumulated parking surcharge reserves to defease the bonds issued by MDTA
2. Reduce the parking surcharge in Prince George's County to zero
3. Terminate the Prince George's County parking surcharge agreement

Prince George's County Parking Surcharge Agreement Termination

Finance & Capital Committee
December 10, 2020



Purpose

Seek Board approval to:

- Use the accumulated parking surcharge reserves to defease the bonds issued by MDTA
- Reduce the parking surcharge in Prince George's County to zero
- Terminate the Prince George's County parking surcharge agreement

Background

- December 1988 Board established base parking rate, surcharge fees and reserve accounts
- May 1989 Board approved parking surcharge agreement with Prince George's County
- February 2001 Board approved use of parking surcharge agreement to finance parking garages at College Park, New Carrollton, and Largo Town Center Metro stations
- September 2002 WMATA entered into Amended and Restated Surcharge Implementation Agreement with Prince George's County and Maryland Transportation Authority (MDTA)
- July 2015 Balance in parking surcharge reserve account surpasses callable balance on bonds
- April 2017 Board approved use of \$6 million of excess surcharge revenue to fund transit and parking infrastructure improvements at New Carrollton
- November 2020 Prince George's County requests termination of Surcharge Agreement; MDTA agrees to request to terminate Surcharge Agreement

How the Surcharge Agreement Works

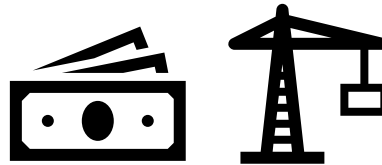
- Surcharge Agreement is three-party agreement among WMATA, Prince George's County and MDTA
- MDTA issued bonds to fund construction of garages at College Park, New Carrollton, Largo Town Center
- WMATA collects surcharge fees and makes payments to MDTA to pay debt service on bonds issued



Surcharge Agreement

WMATA & jurisdictions entered into Surcharge Agreement:

1. Established surcharge fees above WMATA's base parking fee
2. Agreed to uses and projects



Financing & Construction

- MDTA issued debt to finance construction of garages



Operations

- WMATA operated garages, collected surcharge fees
- WMATA makes recurring payments to MDTA, applied to debt service

Surcharge Reserves Exceed Debt Balance

- Surcharge revenue has accumulated in excess of debt service, approximately \$2 million annually
- Balance in reserve fund sufficient to defease remaining debt

Balances	
Average annual net surcharge revenue, after facility rental payment	\$2.0 million
Current balance of surcharge and debt service reserves	\$26.5 million
Remaining balance on bond debt, including interest	\$18.3 million
Balance remaining after defeasance	\$8.2 million

- Fund balance to be placed in account and used for parking improvements, station access improvements, and other station improvements that promote TOD, subject to agreement by Metro and Prince George's County

Next Steps

Est. Date	Actions	Responsible Party
December 2020	Board approvals requested	Board
February 2021	Close on defeasance transaction	MDTA
March 2021	Transfer title of parking garages to WMATA and terminate ground lease	MDTA
April 2021	Terminate surcharge agreement	All parties
May 2021	Eliminate surcharge	Board

Proposed Parking Rate Changes in FY22 Budget

- With surcharge reduced to \$0.00, staff proposes in FY22 Budget parking rate changes below:

Metro Station	Current Parking Rate	Proposed Rate	Increase / Decrease
All Prince George's County Park & Rides, other than:	\$5.20	\$4.95	↓
Addison Road	\$4.70	\$4.45	↓
Prince George's Plaza	\$4.70	\$4.45	↓

- Staff evaluates no impact to FY22 budget due to low parking utilization projections
- Changes will be vetted through FY22 budget-related Title VI analysis and public hearings

Recommendation

Approval to:

- Use the accumulated parking surcharge reserves to defease the bonds issued by MDTA
- Reduce the parking surcharge in Prince George's County to zero
- Terminate the Prince George's County parking surcharge agreement

SUBJECT: APPROVAL TO USE THE PRINCE GEORGE'S COUNTY SURCHARGE RESERVE FUND PROCEEDS TO DEFEASE MDTA BONDS, TERMINATE THE SURCHARGE AGREEMENT, AND ELIMINATE THE SURCHARGE AT METRO PARKING FACILITIES IN PRINCE GEORGE'S COUNTY

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

WHEREAS, Pursuant to Resolution 2011-30 Attachment B, the Board of Directors is required to approve changes to parking surcharge agreements; and

WHEREAS, Pursuant to Resolution 2001-17, as amended by Resolution 2017-18, the Board authorized the Amended and Restated Surcharge Implementation Agreement (the "Surcharge Agreement") with Prince George's County and the Maryland Transportation Authority (MDTA) to construct Metro parking facilities financed by the issuance of bonds by MDTA, with the WMATA rental payments to MDTA funded by the collection of surcharge fees at Metrorail parking facilities in Prince George's County; and

WHEREAS, Prince George's County has requested and MDTA has agreed that the balance in the Prince George's County Surcharge Reserve Fund ("Fund") be first used to defease the MDTA bonds; and

WHEREAS, Prince George's County has requested and MDTA has agreed that, upon payoff of the MDTA bonds, the surcharge at Prince George's County Metro parking facilities be reduced from \$1.25 to \$0.00, and that the Surcharge Agreement be terminated; and

WHEREAS, Prince George's County has agreed to use the remaining balance of the Fund to support future parking and/or station access infrastructure at Metrorail stations in Prince George's County;

NOW, THEREFORE, be it

RESOLVED, That the Board of Directors authorizes the General Manager and Chief Executive Officer or his designee to use the Prince George's County Surcharge Reserve Fund balance first to defease the Maryland Transportation Authority bonds issued for the construction of the parking facilities; and be it further

RESOLVED, That, upon defeasance of the Maryland Transportation Authority bonds, the Board of Directors authorizes the General Manager and Chief Executive Officer to reduce the surcharge amount from up to \$1.25 to \$0.00 at Prince George's County Metro parking facilities and then terminate the Surcharge Agreement; and be it further

RESOLVED, That any remaining Prince George's County Surcharge Reserve Fund balance shall be transferred to a dedicated account that the General Manager and Chief Executive Officer will authorize to be used to support future parking and/or station access infrastructure at Metrorail stations in Prince George's County; and be it finally

RESOLVED, That this Resolution shall become effective 30 days after adoption in accordance with § 8(b) of the Compact.

Reviewed as to form and legal sufficiency,

/s/ Patricia Y. Lee

Patricia Y. Lee

Executive Vice President and General Counsel

WMATA File Structure No.:
12.8.4 Parking Facility Surcharge