



**Finance, Administration and Oversight Committee**

**Action Item III-A**

**February 14, 2008**

## **Metro Matters Borrowing**

**Washington Metropolitan Area Transportation Authority  
Board Action/Information Summary**

Action  
 Information

MEAD Number:

Resolution:  
 Yes  No

**PURPOSE**

To request Board of Directors approval of a resolution to:

- a) authorize the Chief Financial Officer (CFO) to negotiate and execute an increase in the existing commercial paper program from \$330 million to \$600 million, and
- ~~b) authorize the CFO to prepare and negotiate two bond issues. The first series of bonds will be issued no later than June 30, 2009. The second series of bonds will be issued after June 30, 2010 when the final accounting of the Metro Matters Program has been completed.~~

**DESCRIPTION**

Long term debt (bonds) was always a funding element of the Metro Matters Integrated Financial Plan. However, issuance of bonds right now is a more expensive proposition than continuing with short term borrowing (commercial paper) because short term interest rates are very low. A more balanced portfolio of long term mixed with short term debt will ultimately minimize financial risk; however, now is not the time to commit to bonds. This issue has been discussed with Metro's financial advisor and CFO's from all of Metro's contributing jurisdictions and there is agreement on this course of action.

**FUNDING IMPACT**

There is no change to Metro Matters project budgets or jurisdictional contributions through FY10. Savings will accrue to the jurisdictions in FY11 and beyond due to reduced interest expense and lower debt service costs. The total values of these savings can be calculated after June 30, 2010 with the final audit of all Metro Matters costs and revenues.

**RECOMMENDATION**

To request Board of Directors approval of a resolution to allow for an expansion of the commercial paper program and ~~preparation to negotiate two bond issues.~~

PRESENTED AND ADOPTED:

SUBJECT: AUTHORIZATION TO INCREASE COMMERCIAL PAPER AND NEGOTIATE  
LONG-TERM BOND ISSUE

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

WHEREAS, The Washington Metropolitan Area Transit Authority (the "Authority") and its funding jurisdictions entered into the Metro Matters Funding Agreement (MMFA) by which the Authority agreed to make various improvements to the Metro system to be funded by jurisdictional contributions; and


WHEREAS, The MMFA authorized the creation of a Commercial Paper Facility to provide a short-term borrowing source and also contemplated the issuance of long-term bonds to help fund the projects described in the MMFA; and

WHEREAS, Current interest rates favor the continued use of an increased Commercial Paper Facility; now, therefore be it

*RESOLVED*, That the Board of Directors authorizes the Chief Financial Officer to negotiate an increase in the Commercial Paper Facility from \$330 million to \$600 million and, if the only material change to the existing Commercial Paper Facility is the increased amount, to authorize the General Manager to execute the necessary documents to implement such increased amount without further Board approval; and be it finally

*RESOLVED*, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,

  
\_\_\_\_\_  
Carol B. O'Keeffe  
General Counsel



# Metro Matters Borrowing

*Presented to the Board of Directors:*

**Finance, Administration and Oversight  
Committee**

February 14, 2008





### Chief Financial Officer Briefings

---

- Coordination meetings have been held with CFO's representing all contributing jurisdictions
- Many jurisdictions rely on same financial advisor as WMATA good common base of knowledge
- Short-term vs. long-term borrowing is a familiar issue being considered in the jurisdictions:
  - ✓ Short term is less expensive
  - ✓ Long term is more predictable



## Metro Matters Borrowing

---

### Metro Matters: \$759 Million Potential Bond Issue

---

- Long term debt (bonds) was always a funding element of the Metro Matters Integrated Financial Plan... **\$611 Million, beginning in FY2006**
- Additional debt is an option to fund shortfalls in federal discretionary funding for rail cars:

Federal Discretionary Funding:			
		Bus	
\$ Millions	RailCars	Earmark	
Metro Matters	\$260	\$0	
Actual Funding	<u>\$104</u>	<u>\$8</u>	
Additional Debt	\$156	(\$8)	<u>\$148</u>

**\$611M + \$148M = \$759M Maximum Bond Issue**



### \$222 Million Less Debt Required

---

- Significant savings have accrued:
  - Long term-debt issue has been avoided to-date
  - Less debt service expense (interest costs)
- Reasons include:
  - Projects got off to slower start  
(lower expenditures early in the program)
  - Use of internal borrowing/commercial paper

Total Debt Now Required is \$537 Million  
**\$222 Million Debt Reduction**



# Metro Matters Borrowing

## Recap of Metro Matters Revenues

<b>FY2005 - FY2010 \$ Millions</b>	<b>Original Metro Matters Agreement</b>	<b>Current Budget/ Forecast</b>	<b>Change</b>
<b>State &amp; Local Funding</b>	<b>\$918</b>	<b>\$918</b>	<b>\$0</b>
<b>Federal Formula Grants</b>	<b>\$1,149</b>	<b>\$1,157</b>	<b>\$8</b>
<b>Misc Funding</b>	<b>\$83</b>	<b>\$90</b>	<b>\$7</b>
<b>Federal Discretionary Funding:</b>			
<b>Rail Cars</b>	<b>\$260</b>	<b>\$104</b>	<b>(\$156)</b>
<b>Bus Earmark</b>	<b>\$0</b>	<b>\$8</b>	<b>\$8</b>
<b>Program Revenue</b>	<b>\$2,409</b>	<b>\$2,276</b>	<b>(\$133) -5.5%</b>

*Excluding Long-Term Debt Issue*





## Recap of Metro Matters Expenditures

---

<b>FY2005 - FY2010 \$ Millions</b>	<b>Original Metro Matters Agreement</b>	<b>Current Budget/ Forecast</b>	<b>Change</b>
<b>Expenditure on Projects</b>	<b>\$2,667</b>	<b>\$2,667</b>	<b>\$0</b>

*Infrastructure Renewal Projects  
Eight-Car Train Initiative  
Bus Improvement Initiative*



# Metro Matters Borrowing

## Recap of Metro Matters Debt

<b>FY2005 - FY2010 \$ Millions</b>	<b>Original Metro Matters Agreement</b>	<b>Current Budget/ Forecast</b>	<b>Change</b>
Program Revenue	\$2,409	\$2,276	(\$133)
Expenditure on Projects	\$2,667	\$2,667	\$0
<b>Funding Shortfall</b>	<b><u>\$258</u></b>	<b><u>\$391</u></b>	<b><u>\$133</u></b>



<b>Shortall Financing</b>	<b>\$258</b>	<b>\$391</b>	<b>\$133</b>
<i>Issue Debt</i>	<i>Revenue</i>	<b>\$611</b> *	<b>\$537</b>
<i>Debt Service</i>	<i>(Expense)</i>	<b>(\$353)</b>	<b>(\$147)</b>

**\$73 Less Debt**  
**\$206 Less Expense**

\* Could increase by \$156 million for rail cars



### Continue with Commercial Paper and Initiate Process for Long-Term Debt

---

- Short term interest is cheaper than long term, current commercial paper is 1.0% vs. 4.5% for long term
- Financial Advisor recommends to continue with commercial paper to meet cashflow needs and initiate a process to issue long-term debt including the conversion of the commercial paper to long-term debt
- Increase the limit of commercial paper from \$330 million previously approved by the Board to \$600 million



### Recommendations

---

- That the Board approve a resolution:
  - ✓to authorize staff to negotiate an increase in the limit of commercial paper to \$600 million
  - ✓to authorize the General Manager to execute the Commercial Paper amendment without further action by the Board if the only material change is the amount of the facility
  - ✓to authorize staff to prepare and negotiate two bond issues; the first bond to be issued no later than June 30, 2009, and the second bond to be issued after June 30, 2010 when the final accounting of Metro Matters has been completed