



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of May 16, 2009**

DATE: May 12, 2009

SUBJECT: Appropriation of funds for Metro Matters pending reimbursement from proceeds of bond issue

C. M. RECOMMENDATION: Appropriate \$25.9 million from Utilities Fund PAYG accounts (519) as a temporary mechanism to make payment in June to the Washington Metropolitan Area Transit Authority for a portion of the County's obligation under the Metro Matters agreement pending reimbursement from issuance of County bonds, anticipated to close in July.

ISSUE: Should the County use temporary funding to make a capital payment to WMATA in early June in anticipation of a bond closing in July?

SUMMARY: The County is responsible for a net \$25.9 million payment in early June to the Washington Metropolitan Area Transit Authority ("WMATA" or "Metro") related to the Metro Matters agreement. The County is currently in the process of issuing bonds for this payment, but closing is not anticipated until July. In order to make the payment to Metro in early June, the County intends to temporarily use PAYG funds which will be reimbursed from bond proceeds upon closing in July.

BACKGROUND: The Metro Matters agreement, approved by the County and other jurisdictions in 2005, put a plan in place to fund critical infrastructure improvements to the Metrorail and Metrobus systems, including a new and expanded rail car fleet, station, and facility improvements and Metrobus improvements, among other items. The agreement anticipated that WMATA would issue bonds to fund a portion of these improvements. WMATA is now getting ready to issue these bonds.

Under the Metro Matters agreement, jurisdictions have the option to "opt-out" of WMATA's bond issue by issuing their own bonds. This option was negotiated by the jurisdictions because most jurisdictions have a better long-term bond rating than WMATA's. (WMATA's bond rating is in the single-A category.)

Staff have analyzed the cost difference between WMATA's cost of capital and the County's cost of capital. As expected, the County's cost would be lower: an estimated 4.64% for the County

County Manager: _____

County Attorney: _____

Staff: Michelle Cowan, Department of Management and Finance

vs. 5.50% for WMATA, or approximately \$100,000 to \$150,000 in debt service savings annually.

DISCUSSION: The County's share of WMATA's bond issue is approximately \$36.6 million. There are state grant funds available at NVTC that can only be used for rolling stock at WMATA; Arlington's share of these funds is \$10.7 million, resulting in a net amount needed of approximately \$25.9 million.

WMATA is requesting funds on or before June 9 as they have outstanding short-term debt that matures at that time. County staff is currently working on a bond issue for permanent financing that is anticipated to close in July. (At the June Board meeting, staff will present its proposed plan of finance and a resolution to approve the bond issue.) In order to make the payment to Metro in early June, the County intends to temporarily use PAYG funds which will be reimbursed from bond proceeds upon closing in July.

Under federal tax law, the County is required to adopt a reimbursement resolution within 60 days after the proposed expenditure, which states its intent to reimburse itself from tax-exempt bond proceeds. This resolution is included in Attachment I.

FISCAL IMPACT: The temporary loan for a six to eight week period from Utilities Fund PAYG accounts has no material fiscal impact.

ATTACHMENT I

RESOLUTION OF THE COUNTY BOARD
OF ARLINGTON COUNTY, VIRGINIA DECLARING ITS INTENTION
TO REIMBURSE ITSELF FROM PROCEEDS OF A FINANCING OF A CAPITAL
IMPROVEMENT PROJECT

WHEREAS, the County Board of Arlington County, Virginia (the “County Board”) has determined that it is necessary or desirable to advance money to pay the cost of financing various capital projects for the Washington Metropolitan Area Transit Authority (the “Metro Projects”);

NOW, THEREFORE, BE IT RESOLVED that the County Board adopts this declaration of official intent under Treasury Regulations Section 1.150-2; and

BE IT RESOLVED that the County Board reasonably expects to reimburse advances made or to be made by the County to pay the costs of the Metro Projects from proceeds of its debt. The maximum amount of debt expected to be issued for the Metro Projects is \$25,900,000; and

BE IT RESOLVED that this resolution shall take effect immediately upon its adoption.

Adopted this ___th day of May, 2009

Hope Halleck
Clerk, County Board
Arlington County, Virginia