

Measure R Short-Term Borrowing

Board Staff Briefing

May 14, 2015



Metro[®]

Issue

- State and Federal grants require that Metro pay project expenses and request reimbursement of the payments.
- A short-term borrowing program will help bridge the gap between when expenditures are required and when programmed funding is received.
- Without short-term liquidity, we may be faced with delaying or stopping projects until funds can be accumulated to construct projects on a “pay go” basis.

Estimated Benefits of Short-Term Borrowing to Avoid Project Delays

Example	Estimated Amounts
Estimated expenditures for FY16 for Regional Connector Project	\$228.4 million
Estimated cost of one year delay (FY16) for Regional Connector Project (based on estimated project cost escalation and one year of extended overhead)	\$94.4 million
Estimated cost of one year short-term borrowing to fund \$228.4 million of FY16 Regional Connector Project expenditures	\$2.1 million
Estimated savings from short-term borrowing to avoid one year delay in Regional Connector Project expenditures, after issuance and interest costs	\$92.3 million

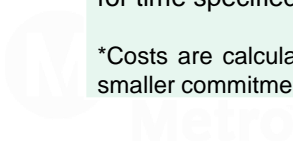
Comparison of Short and Long Term Borrowing Costs

	Estimated Annual Interest Cost At \$300M
I. <u>Short-Term Borrowing Program</u> ¹	
(Based on bank proposals received)	
Current short-term rates (borrowing rate of 0.83%)	\$ 2,488,000
5-year historic average of short-term rates (borrowing rate of 0.85%)	\$ 2,548,400
10-year historic average of short-term rates (borrowing rate of 1.92%)	\$ 5,745,100
II. <u>Long-Term Borrowing</u>	
TIFIA Loans (Crenshaw rate of 2.43%) ²	\$ 7,290,000
Measure R Bonds (estimated rate of 3.29%)	\$ 9,870,000
Savings for one year from short-term borrowing at current rates versus TIFIA	\$ 4,802,000
Savings for one year from short-term borrowing at current rates versus Measure R Bonds (at estimated rate of 3.29%)	\$ 7,382,000
¹ This analysis assumes the terms of the costliest bank proposal.	
² TIFIA loan terms differ – this analysis assumes most advantageous TIFIA loan.	

Summary of Proposals and Recommendations

Credit Agreements Supporting \$300 Million Measure R Short-Term Borrowing Program

Rank	Bank	Maximum Commitment Amount	Estimated Annual Cost based on Commitment Amount	Estimated Annual Interest Cost Normalized for Comparison Purposes At \$300M*
<u>5-Year Revolver Program</u> (Estimated borrowing rate of .49% to .83%)				
1	Bank of the West	\$50 million	\$252,200	\$1,513,000
2	State Street	\$100 million	\$488,600	\$1,465,700
3	RBC	\$150 million	\$1,018,500	\$2,036,900
4	JP Morgan	\$300 million	\$2,488,000	\$2,488,000
<u>3-Year Revolver Program</u> (Estimated borrowing rate of .43% to .63%)				
1	Bank of the West	\$50 million	\$214,700	\$1,288,000
2	State Street	\$100 million	\$438,600	\$1,315,700
3	RBC	\$150 million	\$703,500	\$1,406,900
4	Wells Fargo	\$75 million	\$397,000	\$1,588,000
5	Bank of America	\$300 million	\$1,813,000	\$1,813,000
6	JP Morgan	\$300 million	\$1,858,000	\$1,858,000
7	Barclays	\$150 million	\$944,000	\$1,888,000
<u>3-Year CP Program</u> (Estimated borrowing rate of .64%)				
	Bank of Tokyo - Mitsubishi	\$ 300 million	\$1,916,900	\$1,916,900
Currently recommended proposers are indicated in bold. Terms are locked for time specified in each proposal.				
*Costs are calculated on per \$300 million basis, although most proposals are for smaller commitment amounts.				



Benefits of Short-Term Borrowing Program

Short-Term Financing:

- Short-term interest rates are very attractive now, including bank fees and marketing costs.
- Relatively fast to issue additional debt when needed.
- No need to borrow more than current project requirements so no extra interest costs or negative arbitrage.
- Can be repaid without any penalty.

End Presentation

Discussion