City of Alexandria

City Council Chambers at Del Pepper Community Resource Center
4850 Mark Center Drive
Alexandria, VA 22311

Legislation Details (With Text)

File #:	18-7111	**Name:**	VRE Debt Financing Agreement Resolution
Type:	Resolution	**Status:**	Agenda Ready
File created:	11/17/2017	**In control:**	City Council Legislative Meeting
On agenda:	2/13/2018	**Final action:**	
Title:	Consideration of a Resolution for the City of Alexandria to authorize Virginia Railway Express (VRE) to enter into a debt financing agreement with the Virginia Resources Authority (VRA) for the purpose of refinancing VRE's existing Railroad Rehabilitation and Improvement Financing (RRIF) loan. [ROLL-CALL VOTE]		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. 18-7111_Attachment 1 Resolution, 2. 18-7111_VRE RRIF - Attachment 2 Term Sheet, 3. 18-7111_After Items		

Date	Ver.	Action By	Action	Result

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 7, 2018

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:
Consideration of a Resolution for the City of Alexandria to authorize Virginia Railway Express (VRE) to enter into a debt financing agreement with the Virginia Resources Authority (VRA) for the purpose of refinancing VRE's existing Railroad Rehabilitation and Improvement Financing (RRIF) loan. [ROLL-CALL VOTE]

ISSUE: Consideration of a Resolution for the City of Alexandria to authorize Virginia Railway Express (VRE) to enter into a debt financing agreement for the purpose of refinancing existing debt.

RECOMMENDATION: That the City Council adopt by roll call vote the resolution (Attachment 1) to approve issuance of refinancing debt for VRE equipment.

BACKGROUND: NVTC, with the consent of PRTC and the VRE Participating and Contributing

Jurisdictions, (Alexandria is a Contributing Jurisdiction) entered into a financing agreement with the Federal Railroad Administration (FRA) through its Railroad Rehabilitation and Improvement Financing (RRIF) program in 2007 and borrowed a total of $69.0 million for new VRE railcars delivered between 2008 and 2012. The current outstanding principal balance on the loan is approximately $52 million, and the loan is now administered by the Build America Bureau of the U.S. Department of Transportation (USDOT).

VRE analyzed several refinancing options for this loan and determined that a refinancing through the VRA pooled bond program is the most cost-effective option to maximize savings. VRA's borrowing program has financed over $7.5 billion of infrastructure projects for borrowers in the Commonwealth including cities, counties, towns, and regional authorities responsible for financing water and sewer, solid waste and regional jail projects.

The VRA program allows borrowers to realize low interest rates attributable to VRA's high credit ratings (AAA/AA) and to share the upfront costs of issuance with other borrowers in the VRA pooled financing program. Other aspects of the program also streamline the borrowing process for users - in particular, there is no need for VRE to get a public credit rating or develop detailed disclosure documents as would be required by a stand alone public sale of municipal bonds. Six member localities of VRE have used the VRA program for their own infrastructure needs, including Fairfax County, City of Manassas, Prince William County, Stafford County, City of Manassas Park, and the City of Fredericksburg, according to VRA's most recently published official statement (dated November 1, 2017). In 2012, PRTC also utilized VRA financing to purchase buses. AlexRenew has also used VRA for its bond financing needs.

The current annual debt service (principal and interest) on the RRIF loan is $4.8 million. Approximately $3.74 million of this debt service is paid using Federal transit formula funds, $0.75 million is paid with state transit capital funds, and the remaining $0.3 million is met using local subsidy dollars. This mix of funding would continue to be used to pay the lower total amount of annual debt service on the VRA loan

DISCUSSION: VRE applied to VRA for their spring 2018 pooled bond sale and has been accepted. The terms and conditions of the proposed loan are summarized in the VRA Term Sheet dated December 15, 2017 (Attachment 2). Debt service on the VRA loan would be payable on a semi-annual basis, and the final maturity of the loan would not exceed the final maturity on the existing RRIF loan. This structure would create roughly level annual savings for VRE. Based on current market conditions and the terms and conditions outlined in the Term Sheet, this proposed refinancing would generate net present value savings of approximately 12% of the refunded principal, which is above the typical threshold of 3% for such refinancing.

As a condition of the loan, VRA requires assurance that they will benefit from the financial provisions embodied in the Master Agreement among NVTC, PRTC and the member jurisdictions. This is why City Council consideration is required. The proposed loan would be secured by all of VRE's gross revenues, which include fare revenue, eligible state funding, eligible federal funding, and the local subsidy payments from each member jurisdiction. The Term Sheet also includes financial covenants that VRE would have to observe over the life of the loan such as minimum levels of debt service coverage.

On December 15, 2017, the VRE Operations Board recommended that the two Commissions approve a debt refinancing agreement with VRA for the purpose of achieving debt service savings through the refinancing of VRE's existing RRIF loan.

On January 4, 2018, the Commissions (NVTC and PRTC) approved resolutions to approve the debt financing agreement.

FISCAL IMPACT: The adoption of this resolution has no fiscal impact to the City, and does not affect the City's annual subsidy to VRE. If for some reason VRE does not enter into the financing agreement with VRA, the RRIF loan will remain in place unchanged. The State-aid intercept provision (in the event of non-payment) does not apply to Alexandria, as contributing jurisdictions are not making a moral obligation pledge as outlined in the Term Sheet. This is consistent with all prior VRE borrowings going back to VRE's inception.

ATTACHMENTS:
Attachment 1: City of Alexandria Resolution Approving Issuance of Refinancing debt for VRE equipment
Attachment 2: VRA Term Sheet

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