



**BOARD OF DIRECTORS**

**METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY**

**WORK SESSION**

**THURSDAY, SEPTEMBER 9, 2021**

**MEETING MINUTES**

Board Chair Rita Scott called the meeting to order at 12:05 P.M.

<b>Board Members Present</b>	<b>Staff Members Present</b>
Stacy Blakley	Jeffrey Parker
Jim Durrett	Collie Greenwood
William Floyd	Rhonda Allen
Roderick Frierson	Melissa Mullinax
Freda Hardage	Ralph McKinney
Russell McMurry <sup>1</sup>	Manjeet Ranu
Al Pond	Raj Srinath
Kathryn Powers	M. Scott Kreher
Rita Scott, <b>Chair</b>	
Reginald Snyder	
Christopher Tomlinson <sup>1</sup>	

Also, in attendance: MARTA Board General Counsel Justice Leah Ward Sears of Smith, Gambrell & Russell, LLP; Carrie Rocha of Jacobs, Kirk Talbott, Paula Nash, Jacqueline Holland, Donna DeJesus, Jonathan Hunt, Kevin Hurley, Jacob Vallo, and Tyrene Huff.

**Report from the Chair**

***Approval of August 12, 2021 Work Session Meeting Minutes***

Board Chair Rita Scott asked for a motion to approve the minutes. The motion was made by Board Member Freda Hardage and seconded by Board Member Jim Durrett. The minutes were approved unanimously by a vote of 9 to 0 with 11 members present.<sup>1</sup>

Board Chair Rita Scott shared that on Wednesday, September 8, 2021, Congresswoman Nikema Williams hosted a transit needs roundtable along with the Southern Environmental Law Center. It was for Transit members and those concerned about the transit needs in Atlanta.

<sup>1</sup>Russell McMurry is Commissioner of the Georgia Department of Transportation (GDOT) and Christopher Tomlinson is Executive Director of the Georgia Regional Transportation Authority (GRTA). Per the MARTA Act, both are non-voting members of the Board of Directors.

Chair Scott commented that Carden Wycoff, a MARTA Rider's Advisory Council Member, a very active member, attended the roundtable and was very valuable in adding transit needs. The purpose of the roundtable was to talk about what is equitable transit needs in the Metro area.

The Infrastructure bill is significant throughout the country and Georgia is one of the eight states that they are looking at to give additional funds. It's going to help with our capital programs and the transit needs in Georgia. She stated that we have a great opportunity with the group we have in Congress and our Senators to make sure Georgia is number one in receiving funds for transit.

### **Report from the General Manager/CEO**

#### ***Municipal Bond Financing [See attached]***

Chief Financial Officer, Raj Srinath, provided an overview of MARTA Municipal Bond Financing.

#### ***Federal Transportation Funding [See attached]***

GM/CEO Jeffrey Parker provided an overview of the Federal Transportation Funding included in various passed bills. He discussed the bills that have the most significant impact on MARTA as an agency.

#### ***COVID-19 Vaccination***

GM/CEO Parker notified the Board of a resolution around a vaccination policy in your Board packets. We seek endorsement from the MARTA Board of Directors around a vaccination and testing program for unvaccinated employees. It will be presented at the Board meeting.

#### ***Comments by the General Manager/CEO***

GM Parker announced various upcoming meetings and events.

### **Executive Session**

Board Member Freda Hardage made a motion to enter into an executive session to discuss litigation and real estate matters, seconded by Board Member Pond. The motion was approved unanimously by a vote of 9 – 0 with 11 members present.<sup>1</sup> The Board entered the executive session at 12:53 P.M. and returned at 1:38 P.M.

### **Other Matters**

None

**Adjournment**

The Work Session adjourned at 1:38 P.M.

Respectfully submitted,

A handwritten signature in blue ink that reads "Tyrene L. Huff". The signature is written in a cursive style with a large initial 'T'.

Tyrene L. Huff  
Assistant Secretary to the Board

YouTube link: <https://youtu.be/UQTGAIUMApq>



# Overview of Municipal Bond Financing

September 9, 2021



## Topics for Discussion

- |           |  |
|-----------|--|
| Section 1 | Fundamentals of Bonds                                |
| Section 2 | Explanation of Credit Ratings                        |
| Section 3 | Flow of funds to repay the bonds – Trustee Intercept |
| Section 4 | Responsibilities of MARTA’s Board and Key Officials  |



# **Section 1: Fundamentals of Bonds**

## What is a Bond?

- A bond represents a loan from an investor to an issuer (MARTA) for a set period of time.
- While the bond is outstanding, MARTA agrees to pay regular principal and interest payments to the investor owning the bond until the bond reaches final maturity.
- Bonds are commonly issued by a government or a company to finance or refinance new capital projects, capital improvements, or acquisitions.
- Bonds can also be issued to refund/refinance previously issued bonds to obtain interest rate savings.

## Why are they often referred to as “Tax-Exempt” Bonds?

- Within certain tax law parameters, the investor does not pay state or federal income tax on the interest payments they receive from MARTA.
- When bonds are “tax-exempt”, investors are willing to accept a lower interest rate than if the bonds were taxable.
- MARTA can issue both taxable and tax-exempt bonds.



# How are Bonds Repaid and Secured?

The two most common types of municipal bonds are distinguishable by their security characteristics:

## I. Revenue Bonds (*MARTA has historically issued this type of bond, secured by its sales tax and ad valorem receipts*)

- Issued to finance specific capital projects
- Secured solely by the pledged sales tax and title ad valorem tax on motor vehicles (“TAVT”) revenues
- Bonds that share the same lien on the same pledged revenues are said to be “on parity” with each other
- Subordinate-lien bonds, which are also called junior-lien bonds or second- or third-lien bonds, may be also issued and those bonds are paid from revenues remaining after the debt service on the senior lien bonds has been paid.

## II. General Obligation ("G.O.") Bonds (*MARTA cannot issue this type of bond*)

- Backed by the full faith and credit and taxing power of a state, local government, or non-profit institution
- All sources of revenue, (unless specifically limited), will be used to pay debt service on the bonds



## New Money Bonds

- Tax-Exempt New Money Bonds are issued to fund capital projects
  - Project funds for future capital projects; or
  - Cash reimbursement for previous capital projects
- Eligibility for tax-exemption is based on certain guidelines from the IRS
  - Public use for governmental purposes
  - Weighted average maturity of the bonds may not exceed 120% of the expected weighted average useful life of the assets financed

## Refunding Bonds

- Refunding (refinancing) bonds are issued to redeem/refinance previously issued bonds
- Refunding (refinancing) bonds are typically issued to obtain interest rate savings
- Refunding bonds are subject to the same IRS rules as new money bonds

## **MARTA can issue either fixed rate or variable rate bonds**

- MARTA can decide to sell its debt with fixed interest rates, similar to a homeowner borrowing a 30-year home mortgage with a fixed rate.
- MARTA can also decide to sell its debt with variable interest rates.
  - Rates can be selected that reset daily, weekly, monthly, or semi-annually based on an underlying index that moves as the financial markets change.
- Historically, variable rates are lower than fixed rates, but MARTA would be subject to interest rate volatility.
- MARTA's policy, which is consistent with industry best practices permits up to 20% of the debt portfolio in variable and 80% in fixed rate debt. Currently, MARTA has less than 6% of the debt portfolio in variable rate mode.

## Interim or Short-Term Borrowings:

- When MARTA desires to spend money on a project in advance of a bond issue or in anticipation of receiving other funds, there are two primary options available:
  - MARTA can use its own cash, and then be reimbursed later when the bonds are issued
  - Interim or short-term financing can be utilized to bridge funding shortfalls during project construction and repaid with expected state/federal funds or proceeds of a bond issue
    - ❖ Examples of interim or short-term borrowings include:
      - Bond Anticipation Notes
      - Short Term Bank Loans
      - Commercial Paper

## Environmental, Social and Governance (ESG) Designated Bonds:

Environmental	Social	Governance
Climate change	Underserved/disadvantaged populations inclusion	Internal system of practices, controls, and procedures
Usage of renewables	Affordable housing	Management structure
Waste & pollution	Health & safety of employees	Board diversity & structure
Energy efficiency	Impact on local communities	Employee relations

- Investors are increasingly focused on ESG criteria as they decide which bonds to purchase and hold in their investment portfolio.
- Although institutional investors have a duty to maximize shareholder value, there is growing awareness that ESG ratings are an indicator of a company's long-term performance as well as its ethical standing.
- ESG financing market is large and growing rapidly, with over \$575 billion of green, social, sustainability and sustainability-linked bonds issued so far in 2021, which is \$100 billion more than all of 2020.\*

\*According to data compiled by Bloomberg.



## **Section 2: Credit Ratings**

# What is a Credit Rating?

- A credit rating for MARTA is similar to a credit score for an individual.
- A credit rating is an opinion, expressed in alphanumeric symbols by the rating agencies (S&P, Moody's, and Fitch), on the likelihood of default of a specific issuer with respect to a specific financial obligation

Moody's	S&P	Fitch	
Aaa	AAA	AAA	Prime
Aa1	<b>AA+</b>	AA+	High grade
<b>Aa2</b>	AA	AA	
Aa3	AA-	<b>AA-</b>	
A1	A+	A+	Upper medium grade
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Lower medium grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Speculative
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	
B2	B+	B	
B3	B-	B-	

 MARTA's Current Credit Ratings

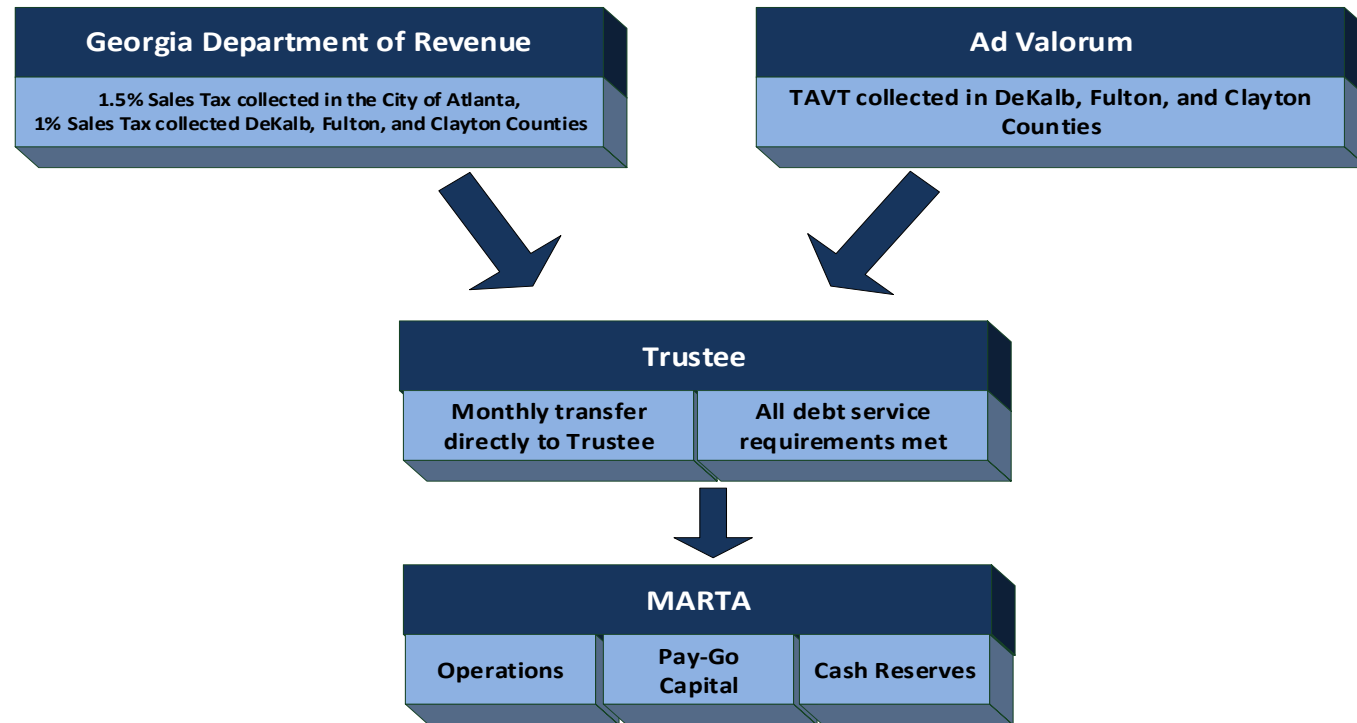


## **Section 3: The Flow of Funds to Repay the Bonds - Trustee Intercept**



# Bond Payments Flow of Funds

- Bondholders Principal and Interest (“P&I”) payments are a priority
- The P&I payments to bondholders are typically due every six months
- A Trustee Intercept is in place to receive and hold the money
- Each month the Trustee sets aside an equal amount to be used to make the upcoming P&I payment, and then sends the remaining funds to MARTA





## **Section 4: Responsibilities of MARTA's Board and Key Officials**

## Rules and Regulations Covering the Issuance of Bonds

- Municipal securities are subject to the federal securities laws administered by the SEC.
- Unlike corporate securities, municipal securities generally are exempt from the registration requirements of the Securities Act of 1933.
- Although this exemption from registration creates a key distinction between corporate and municipal offerings, many of the principles of law (for example, 10b-5, 15c-2-12, etc.) are applicable to both corporate and municipal securities.

## MARTA Board and Staff Statements to Investors

- Statements by municipal issuers to investors, or potential investors, and even statements to the public generally, if likely to be heard and relied upon by the securities market, are subject to regulation by the SEC under two key antifraud provisions of federal law:
  - Section 17(a) of the Securities Act of 1933 and
  - Rule 10b-5 promulgated by the SEC pursuant to Section 10 of the Securities Exchange Act of 1934
- These laws and regulations are designed to ensure that investors buying or selling securities have access to the information necessary to make an informed investment decision.

## **SEC Rule 10b-5:**

“... [T]he issuer has ultimate responsibility for ensuring that its official statements meet the disclosure standards of the securities laws and has primary liability for failure to meet them. In this regard, the Commission has pursued numerous antifraud enforcement actions against municipal issuers for materially misleading statements or omissions in offering materials.”

*Securities and Exchange Commission*

*Report on the Municipal Securities Market, at 59 (July 31, 2012).*

# SEC Rule 15c2-12 – Continuing Disclosure Requirements

## Required Material Events – File Within 10 Business Days of Their Occurrence

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, IRS notices or material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material

## **SEC Rule 15c2-12 – Continuing Disclosure Requirements (Continued)**

### **Required Material Events – File Within 10 Business Days of Their Occurrence**

11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the obligated person
13. Merger, consolidation or acquisition of the obligated person or issuer, if material
14. Appointment of a successor or additional trustee or name change of a trustee, if material
15. Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, any of which affect security holders; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties

## Importance of Accurate Disclosure

- In order to comply with these laws for a public offering of municipal securities, MARTA prepares a document analogous to a corporate prospectus, called an “Official Statement,” that includes all of the information an investor would need to decide whether to purchase MARTA’s bonds.
- Liability for false, misleading or incomplete statements or omissions under the antifraud laws attaches not only to the entity making the statements but also potentially to its directors, governing board members, officers and staff.
- Individual officials or members of the staff found to have violated the law may be subjected to penalties, fines, injunctions or, in extreme cases, incarceration, and there is no official immunity from these consequences.
- In addition, underwriters can be held liable for failing to discover and correct such fraudulent statements or omissions.





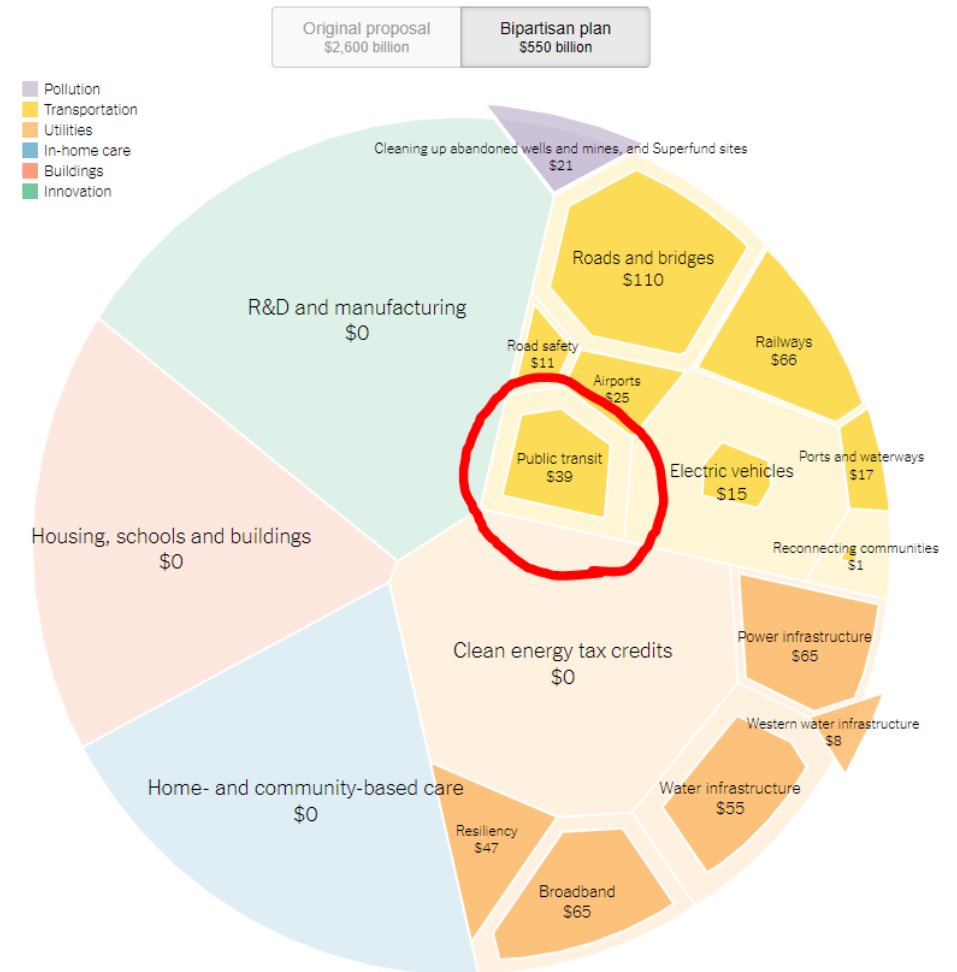
Thank You



# INFRASTRUCTURE BILL & SURFACE TRANSPORTATION REAUTHORIZATION

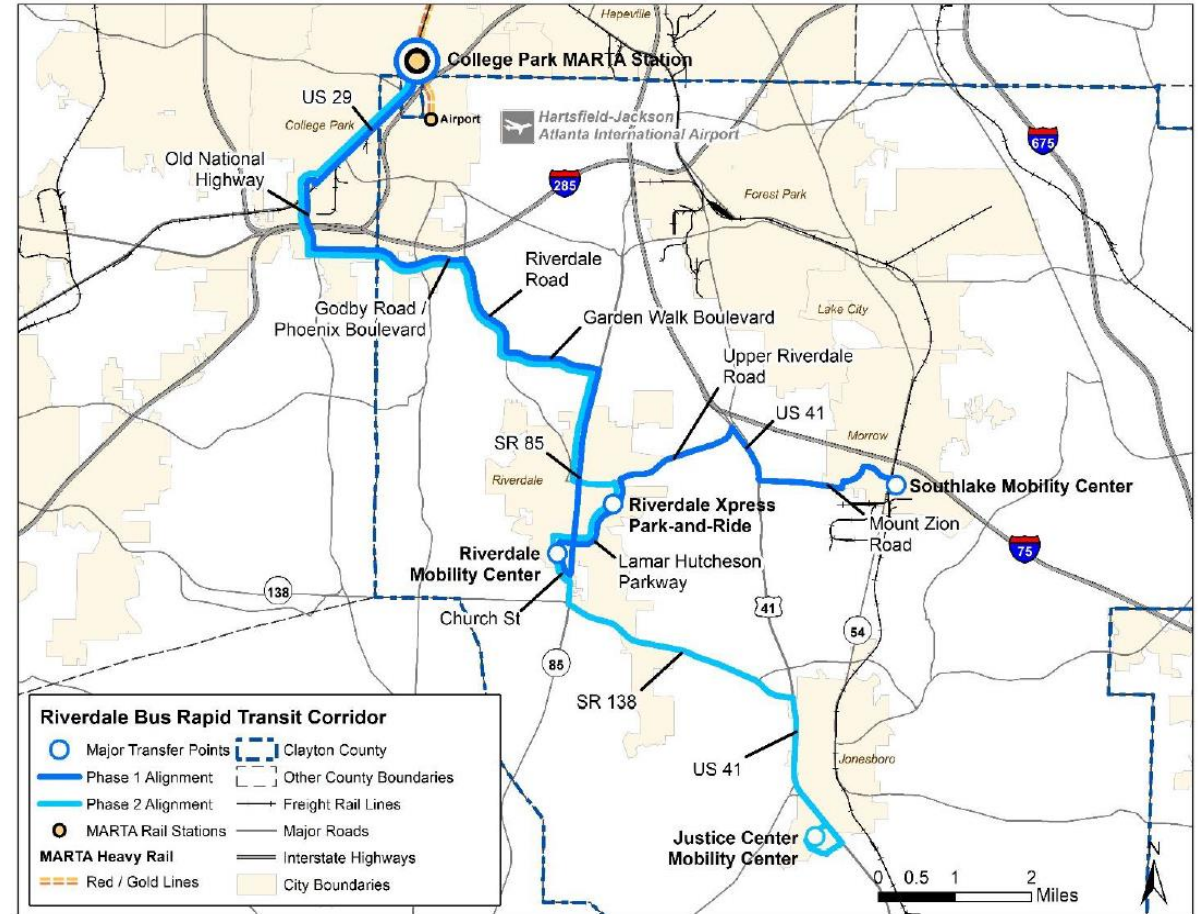
Transit Funding Included in...

- ✓ American Jobs Plan: \$85B
- ✓ House INVEST Act: \$109B
- ✓ Senate Bipartisan Framework: \$49B
- ✓ Senate Bipartisan Bill: \$39B
  - ✓ Transit “lost” \$10B



# INFRASTRUCTURE BILL & SURFACE TRANSPORTATION REAUTHORIZATION

- ✓ Senate bill (H.R. 3684) increases federal transit formula funds by 30%
  - ✓ MARTA annual formula funding \$108M->\$140M
- ✓ MARTA Priority: Small Starts Program - INCLUDED
  - ✓ Eligibility increased to \$400M
  - ✓ Federal share increased to \$150M



# INFRASTRUCTURE BILL & SURFACE TRANSPORTATION REAUTHORIZATION

- ✓ Numerous new grant programs administered by Secretary Buttigieg

## Major USDOT Discretionary Grant Programs

(Billion Dollars/year)	FY 2021 Actual	FY22-26 Average
Office of the Secretary	1.0	3.8
Federal Aviation Adm.	0.7	1.3
Federal Highway Adm.	1.3	6.2 to 8.8
Federal Railroad Adm.	0.6	8.8 to 11.8
Federal Transit Adm.	2.6	4.1 to 7.1
Federal Maritime Adm.	0.2	0.5
Pipeline/Hazmat Safety	Negligible	0.2
<b>TOTAL</b>	<b>6.5</b>	<b>24.6 to 33.3</b>

- Competitive grant funds quadrupled.
- FHWA, FRA and FTA competitive grants will be supplemented by unknown amounts of annual GF appropriations.



# INFRASTRUCTURE BILL & SURFACE TRANSPORTATION REAUTHORIZATION

✓ Georgia Delegation leads on advocating additional funding for transit in budget reconciliation.



Jeffrey A. Parker @CEOMARTA · Sep 3

Thank you @ossoff @SenatorWarnock @RepHankJohnson @NikemaWilliams @RepLucyMcBath @repdavidscott and @SanfordBishop - MARTA is so proud that Georgia is leading on advocating for transit! 🚆🚇



Miryam Lipper @MiryamLipper · Sep 2

NEW: Sens. @Ossoff, Warnock and every member of the Georgia Democratic delegation are joining Senate Banking Committee members to ask leadership to commit at least \$30 billion to transit to make a transformative investment for Georgians of color who delivered the Senate.

## for \$30 Billion in Transit Funding in Reconciliation Bill

and rural communities across our nation. Investments in transit are a racial and economic justice."

off led a group of Senate Banking, Housing, and Urban Affairs to be dedicated to expanding transit and transportation in the upcoming economic justice for their constituents.

1 (D-MA), Tina Smith (D-MN), and Chris Van Hollen (D-MD) joined ed Brown and Senate Majority Leader Chuck Schumer. The Banking it in the budget reconciliation bill and a total instruction of \$332

using, and Urban Affairs, representing an array of states with ig, Housing, and Urban Affairs Committee allocate at least \$30 billion "Senators wrote. "Transit is vital for urban, suburban, and rural matter of equity and racial and economic justice."

is less likely to own a car than white Americans, increasing their tino Americans are twice as likely compared to white Americans to

so vital to addressing the climate crisis," and that investments in

ag. Working class families need access to both affordable housing and nts in housing and transit will have positive transformational benefits and address the climate crisis," they wrote.

## delegation in Calling for Additional Public Transportation Funding for Georgia in Upcoming Bill

portionately impacts people of color in our state," the delegation wrote

1 Ossoff led every Democratic member of the Georgia Congressional delegation in a ad transportation in Georgia in the upcoming budget reconciliation bill, citing the i, and Latino Georgians of a lack of adequate public transit funding.

res Sanford D. Bishop, Jr. (GA-02), Hank Johnson (GA-04), Nikema Williams (GA- us (GA-07), and David Scott (GA-13) joined Sen. Ossoff in asking Speaker of the Chuck Schumer, and the Senate and House Chairs responsible for transit funding, to dedicate at least \$30 billion to transit in order to help low-income Georgians

ans constituents, especially people of color, are counting on us to make a -income Georgians."

are disproportionately affected by the lack of current transit options, for example: households lives within a half-mile of a high-capacity transit stop. a grocery or convenience store within 30 minutes by transit. comprise 79% of public transit commuters. rely to own a car than white Americans and, among urban residents, Latino l) to white Americans to regularly use public transit.

are bill fell far short of President Biden's original proposal to Congress.

it and Jobs Act was an important first step towards making necessary investments in us for transit than was proposed in President Biden's American Jobs Plan and a level lity needs of our communities and respond to the climate crisis," the Georgia

he Senate majority — from Atlanta, to Augusta, to Valdosta — are counting on stak investment.

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# INFRASTRUCTURE BILL & SURFACE TRANSPORTATION REAUTHORIZATION

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- ✓ Senate passed amended INVEST Act (H.R. 3684) on 8/10
- ✓ House steps:
  - ✓ Pass Senate Amended H.R. 3684, scheduled for 9/27
  - ✓ Adopt Budget Reconciliation (\$3.5 Trillion proposed) to fund programs not funded in H.R. 3684

