


Date: February 26, 2025

To: Board of Directors

From: Sam Desue, Jr. 

Subject: **RESOLUTION NO. 25-02-05 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AMENDING TRIMET’S DEBT MANAGEMENT POLICY**

1. Purpose of Item

This Resolution requests that the TriMet Board of Directors (Board) amend the TriMet Debt Management Policy.

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other – Amend Debt Management Policy

3. Reason for Board Action

Board authority is required to amend TriMet’s Debt Management Policy.

4. Type of Action

- Resolution
- Ordinance 1st Reading
- Ordinance 2nd Reading
- Other _____

5. Background

The Board has ultimate responsibility and authority for the issuance and management of TriMet debt, consistent with best practices and the Board’s fiduciary oversight of TriMet’s finances. That responsibility and authority is reflected in TriMet’s Debt Management Policy.

At its April 2011 meeting, the Board adopted its first Debt Management Policy (Policy), pursuant to Resolution No. 11-04-23. The Policy was subsequently amended in 2014, via Resolution No. 14-04-21, in 2018, via Resolution No. 18-01-02, and in 2019, via Resolution No. 19-10-80.

The Policy provides guidance for TriMet’s debt issuance, debt repayment, and borrowing practices, while ensuring the District’s financial stability, accountability, long term sustainability and commitment to long term financial planning. TriMet’s compliance with its Policy demonstrates to rating agencies, capital markets, and the public that its debt issuance aligns with a comprehensive financial plan.

Pursuant to the Policy, TriMet currently holds outstanding senior lien payroll tax revenue bonds, capital grant receipt revenue bonds and a long term lease obligation. The District has consistently made timely payments on all principal and interest obligations. As a result,

Kroll, Moodys and Standard & Poor's have given TriMet's Senior Lien Payroll Debt their highest industry ratings for special revenue debt: Triple A.

This Resolution proposes the adoption of several amendments to the existing Policy, the most significant of which are summarized below. The amended Policy is attached hereto as Exhibit A, and all revisions to the existing Policy are redlined in the attached Exhibit B.

Section 4.1.1 Debt Management, Term and Structure, Terms

Updated language clarifies that the term of a debt's issuance as well as the life of assets financed by such debt shall be measured by a weighted average calculation (for the purposes of comparing debt terms against asset lives). The amended Policy now explicitly prohibits larger than usual one-time payments at the end of a debt term (balloon payments).

Section 4.2.1 Debt Management, Debt Purposes, New Money Financing

The amended Policy now expressly allows for the issuance of bonds designated as "social bonds," "green bonds," "sustainability bonds," and "sustainability linked bonds." Other designations which are not specifically named in the Policy may also be used as deemed beneficial.

Section 6.2 Limitations, Senior Lien Payroll Tax and Full Faith and Credit Bond Obligations

Language concerning the debt limit was revised. The amended Policy now states that payroll tax bond debt service "shall not exceed" 7.5% of continuing revenues. Previously this section stated TriMet payroll tax bond debt shall "remain below" 7.5% of continuing revenues. Updated language also clarifies what must occur if continuing revenues decline, causing debt service to exceed the 7.5% debt ceiling. In such an event, no further debt may be issued until revenues recover, debt service payments are reduced, or the Board authorizes additional capacity for debt service.

Section 7.2 Methods and Structures for Issuing Debt, Negotiated Sale

Language was added stating that TriMet will solicit underwriters for negotiated sales of bonds at least once every 10 years.

Section 7.3 Methods and Structures for Issuing Debt, Private Placement

The amended Policy now clarifies that private placement obligations may be federally tax-exempt or taxable and carry similar or identical pledges and promises as publicly issued debt. New language also states that private placement loans may be secured with payroll tax revenues, other dedicated revenues such as fares, or TriMet's full faith and credit.

Section 7.4 Methods and Structures for Issuing Debt, Transportation Infrastructure and Innovation Act (TIFIA) Loans

The amended Policy now details the Transportation Infrastructure and Innovation Act (TIFIA) loan program. TIFIA loans may finance up to 33% of a project's costs, and interest rates are based on US Treasury investments. TIFIA loans require a dedicated payment source selected at the discretion of TriMet.

Section 9 Investment of Debt Proceeds

New language clarifies the three allowable uses of interest earned on unspent bond proceeds. Uses for such earned interest include payment for capital projects, debt service, and arbitrage rebate obligations.

Section 10 Use of Debt Proceeds

This new section provides clarity on allowable uses of debt proceeds. Long term debt proceeds must be used to produce capital assets. Accounting standards issued by the Governmental Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) define what is considered a capital asset.

Section 10.1.1 Use of Debt Proceeds, Projects Financed by Long Term Debt, New Assets

This new subsection states that TriMet may use long term debt to pay for costs incurred to bring capital assets to the condition and location necessary for their intended use.

Section 10.1.2 Use of Debt Proceeds, Projects Financed by Long Term Debt, Software

This new subsection permits debt financing to purchase software if the purchase provides an indefinite use of the software (i.e., perpetual licenses). While TriMet may not use bonds to pay recurring subscription licensing costs, initial development and setup costs of subscription-licensed software may be paid by debt proceeds, as long as TriMet is expected to use the software for a minimum of ten years. Any use of debt proceeds for software requires review and approval by the CFO.

Section 10.1.3 Use of Debt Proceeds, Projects Financed by Long Term Debt, Existing Assets

This new subsection states that costs to extend the life or increase the functionality of an existing asset may be eligible for debt financing. One-time major repair and maintenance projects, which result in future economic benefits beyond those expected when an asset was originally placed in service, may also qualify for bond financing. Assessments of whether a cost extends the life of an asset or increases its functionality must be made by TriMet's Finance Division in accordance with generally accepted accounting principles (GAAP). The CFO will consult with bond counsel prior to authorizing the use of bond proceeds for a project not considered capital in nature, a major repair, or a maintenance project under GAAP.

Section 10.2 Use of Debt Proceeds, Minimum Project Cost

This new subsection requires that capital projects financed by long term debt must be expected to spend at least \$10 million of debt proceeds within the 24 months following the issuance of the debt.

Section 10.3 Use of Debt Proceeds, Matching Financing

This new subsection states that debt financing is limited to 95% of a project's estimated cost unless otherwise approved by the CFO. Remaining project costs must be covered by non-debt financing sources, such as grants, local sources, or general funds.

Section 11.3 Compliance and Disclosure, Arbitrage Tax Compliance

Amended Policy language clarifies that the CFO is responsible for arbitrage compliance and TriMet's goal is to minimize the cost of arbitrage rebate and yield restriction payments. The amended Policy allows for the use of an arbitrage rebate service provider to undertake various tasks related to arbitrage tax planning and periodic rebate calculations. The amended Policy requires that when an arbitrage rebate is due, TriMet will strive to provide for this payment from previously earned interest on the bonds. If earned interest is not set aside for arbitrage rebate payments, TriMet's general funds must pay such costs.

6. **Financial/Budget Impact**

See Section 7.

7. **Impact if Not Approved**

If the Board does not approve the amended Policy, TriMet may be unable to obtain the lowest cost of debt financing available. This would increase infrastructure costs and delay the delivery of capital projects.

RESOLUTION NO. 25-02-05

**RESOLUTION NO. 25-02-05 OF THE TRI-COUNTY METROPOLITAN
TRANSPORTATION DISTRICT OF OREGON AMENDING TRIMET'S
DEBT MANAGEMENT POLICY**

WHEREAS, the TriMet Board of Directors (Board) has the authority under ORS 267.300 to provide financing for TriMet's transit system and related facilities; and

WHEREAS, in 2011, via Resolution No. 11-04-23, the Board adopted a Debt Management Policy (Policy); and

WHEREAS, the Policy was subsequently amended in 2014, via Resolution No. 14-04-21; in 2018, via Resolution No. 18-01-02; and in 2019, via Resolution No. 19-10-80; and

WHEREAS, the Policy provides guidance for TriMet's debt issuance, debt repayment, and borrowing practices, while ensuring the District's financial stability, accountability, long term sustainability and commitment to long term financial planning; and

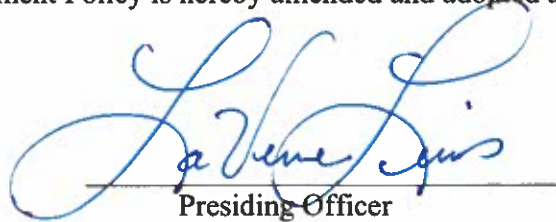
WHEREAS, TriMet's compliance with its Policy ensures that the District can meet its capital needs without overextending its financial position, and demonstrates to rating agencies, capital markets, and the public that its debt issuance aligns with a comprehensive financial plan; and

WHEREAS, the adoption and periodic amendment, as necessary, of such a Policy is consistent with "best practices" and the Board's fiduciary oversight of TriMet's financial position;

NOW, THEREFORE, BE IT RESOLVED:

1. That the TriMet Debt Management Policy is hereby amended and adopted as set forth in the attached Exhibit A.

Dated: February 26, 2025


Presiding Officer

Attest:


Recording Secretary

Approved as to Legal Sufficiency:


Legal Department