



## DEBT MANAGEMENT POLICY – FEBRUARY 2025

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Exhibit A  
Resolution 25-02-05

### **Policy Statement**

It is the policy of the Tri-County Metropolitan Transportation District of Oregon (“TriMet” or “the District”) to adhere to sound debt issuance practices, including a commitment to long-term capital and financial planning, full and timely repayment of all borrowings; achieving the lowest practical cost of borrowing commensurate with prudent level of risk; and maintaining access to capital markets through preserving and enhancing the quality of the District’s bonds and other debt.

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## **1. SCOPE AND AUTHORITY**

This Debt Management Policy governs the issuance and management of all debt and capital lease financings of the District funded from capital markets. TriMet has broad authority to issue debt in different ways:

- ORS 287A.150 gives TriMet authority to issue revenue bonds.
- ORS 267.330 permits TriMet to issue General Obligation bonds secured by property tax levy, with voter approval.
- Other statutes give TriMet authority to issue notes and lease/installment purchase obligations.

All TriMet debt must be authorized pursuant to a resolution of TriMet's Board of Directors ("Board"). All debt obligations of TriMet will comply with the requirements of State statutes, and any other applicable laws, regulations and bond indentures.

This policy establishes guidelines for the issuance and management of debt of the District, including: General Obligation bonds, Full Faith and Credit bonds, Revenue Bonds secured by Payroll Taxes or Federal, State or Local Grant Revenues, Leases and any other borrowing authorized by the Board.

While adherence to this Debt Management Policy is required under normal circumstances, changes in capital markets, and other unforeseen circumstances may produce situations that are not covered by this policy. Thus, the District may, with Board approval, enter into financing and other related agreements with terms and/or provisions that deviate from this policy but that deviation will be noted in the report to the Board request for approval.

## **2. OBJECTIVES**

The District's objectives in relation to debt issuance and management are as follows:

- Provide for full and timely repayment of all debt
- Establish guidelines for the amount and type of debt
- Achieve the lowest possible cost of capital while balancing all TriMet's financial needs
- Comply with all federal and state laws
- Ensure ongoing access to capital markets
- Establish guidelines for post-issuance compliance with disclosure and tax regulations applicable to outstanding debt

## **3. ADMINISTRATION**

### **3.1 Delegation of Authority**

3.1.1 The ultimate responsibility and authority for issuance of debt resides with the Board of Directors. The Board hereby designates the Chief Financial Officer (CFO), with the knowledge and consent of the General Manager, to

manage debt issuance and the debt portfolio, and to ensure compliance with this policy.

3.1.2 The CFO may, with the knowledge and consent of the General Manager, designate personnel under his/her supervision to administer the policy, maintain accounting records, and prepare reports. No person may engage in a debt transaction except as provided under the terms of this policy and the procedures established by the CFO. The CFO shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of personnel under his/her supervision. All participants in the debt management process will seek to act responsibly as custodians of the public trust.

3.2 **Policy Review**

This Debt Management Policy shall be reviewed and adopted by the Board of Directors no less than every five years.

4. **DEBT MANAGEMENT**

4.1 **Terms and Structure**

4.1.1 **Terms.** TriMet may issue long-term or short-term debt. When debt is issued to finance capital acquisitions, the weighted average term of the issuance debt should not exceed the weighted average estimated useful life of the asset being financed up to a maximum term of 35 years. With respect to various forms of debt, TriMet will structure debt to comply with the provisions in Section 6 of this policy. Additionally TriMet will not issue debt with larger-than-usual one-time payments at the end of the term (balloon payments).

4.1.2 **Structure.** Debt may be structured as fixed rate or variable rate. TriMet may issue tax-exempt or taxable debt.

4.1.3 **Commercial Paper.** Commercial paper programs are considered variable rate debt. Board authorization is required for the issuance of a commercial paper program, but periodic issuance of commercial paper within approved limits of the program does not require further board action.

4.1.4 **Variable Rate Limits.** Unless explicitly approved by the Board, the amount of variable rate debt as a percentage of total long term debt shall not exceed the following limits for each category of debt:

Type	Limit
General Obligation Bonds	No variable rate debt

<b>Full Faith and Credit Bonds</b>	20% of total outstanding full faith and credit bonds.
<b>Senior Lien Payroll Tax Debt</b>	20% of total outstanding senior lien payroll tax debt
<b>Debt Secured by Federal, State or Local Grants</b>	35% of total grant secured debt maturing in more than two years. 100% of total grant secured debt maturing within two years.
<b>Other Debt</b>	Approved on a case-by-case basis by the Board.

## 4.2 Debt Purposes

TriMet may issue debt for the following purposes:

- 4.2.1 ***New Money Financing.*** May be issued to provide capital funds to invest in replacement of assets, rehabilitation of existing capital assets, and the acquisition of new assets consistent with the TriMet Capital Improvement Program (CIP). Debt may also be issued to reimburse TriMet for the payment of costs of capital assets/projects initially funded with general revenues.

TriMet may also issue debt with the following optional designations, if appropriate:

### ***Social Bonds:***

To qualify as a social bond, the proceeds must finance or refinance social projects or activities that achieve positive social outcomes and/or address a social issue. These bonds are issued in accordance with Social Bonds Principles (SBP) from the International Capital Market Association (ICMA) which improve disclosure and transparency in the social bond market. Examples of project categories eligible for social bonds include socioeconomic advancement, affordable housing, access to essential services, and affordable basic infrastructure.

### ***Green Bonds:***

These bonds are devoted to financing new and existing projects or activities with positive environmental impacts. These bonds are issued in accordance with the Green Bond Principles (GBP) from ICMA, a set of voluntary guidelines that promote more transparent, unified reporting on bonds' environmental objectives and estimated impact. Examples of project categories for green bonds include renewable energy, energy efficiency, clean transportation, green buildings, and climate change adaptation.

***Sustainability Bonds:***

Sustainability bonds are issues where proceeds are used to finance or re-finance a combination of green and social projects or activities. These bonds can be issued by companies, governments and municipalities, as well as for assets and projects and should follow the Sustainability Bond Guidelines from ICMA, which are aligned with both the GBP and SBP.

***Sustainability-linked Bonds:***

Sustainability-linked Bonds are structurally linked to TriMet's achievement of climate or broader sustainable development goals, such as through a covenant linking the coupon of a bond.

***Other Bond Designations***

As deemed appropriate, beneficial, and in accordance with industry standards, TriMet may issue bonds with designations other than those previously specified.

4.2.2 ***Refunding Debt.*** May be issued to redeem all or a portion of outstanding bond issues, in order to meet any of the following objectives:

- Reduce borrowing costs through refinancing at a lower interest rate. Refunding debt is authorized when the net present value savings is either (1) greater than 3% of the par amount of the refunded bonds or (2) greater than \$5,000,000. Only fixed rate refundings are authorized by this policy without the prior approval of the Board
- Repay money borrowed under interim financing.
- Restructure the debt repayment schedule.
- Modify unfavorable bond covenants.

Subject to applicable law, refunding bond structures may include current or advance refundings, forward refundings, tender and/or exchange bonds, or other financial structures used in the market from time-to-time consistent with these objectives.

4.2.3 ***Interim Borrowing.*** TriMet may issue debt, commercial paper, or enter into a line of credit to meet interim cash flow funding needs. TriMet may also issue interim borrowing in anticipation of issuance of long term bonds, which will be used to redeem the interim borrowing. TriMet will not use borrowing to finance operating needs except in the case of extreme financial emergency which is beyond its control or reasonable ability to forecast.

Debt may be issued and secured by the following sources:

- 4.3.1 **General Obligation Bonds.** General Obligation bonds are secured by TriMet's ad valorem taxing power which enables TriMet to assess, levy and collect a tax on all taxable property within the District on an annual basis. General Obligation bonds must be approved by voters in the District.
- 4.3.2 **Full Faith and Credit Bonds.** Full Faith and Credit Bonds are secured by the full faith and credit of the District.
- 4.3.3 **Payroll Tax Bonds.** Payroll Tax Bonds are secured by a pledge of payroll tax revenues (including employer payroll taxes, self-employment payroll taxes, and payments received from the State of Oregon in lieu of taxes on payroll). TriMet may pledge these revenues on a senior or subordinate basis in support of debt.
- 4.3.4 **Debt Secured by Federal, State or Local Grants.** Grant Revenue Bonds are secured by a pledge of specific federal, state or local grant funds.
- 4.3.5 **Other Debt.** Other debt includes leases (which are secured by the specific assets named in the lease) and lines of credit. The issuance of these other forms of debt must be approved by the Board.

## 5. CREDIT RATINGS AND ENHANCEMENTS

5.1 **Ratings.** TriMet's rating strategy is designed to achieve the best economic results for the District. This includes attaining the appropriate balance between minimizing borrowing costs and maximizing financial flexibility.

5.2 **Credit Enhancement.** TriMet may secure credit enhancement for all or a portion of a debt issue. Credit enhancement may include municipal bond insurance, a letter or line of credit, a liquidity facility, or other similar credit enhancement products.

## 6. LIMITATIONS

### 6.1 General Obligation Bonds

All General Obligation Bonds issued by TriMet must be approved by a vote of the electors residing within the TriMet District. ORS 267.330 limits the amount of TriMet's General Obligation Debt to 2.5% of the real market value of all taxable property within TriMet's jurisdictional boundaries.

### 6.2 Senior Lien Payroll Tax and Full Faith and Credit Bonds and Obligations

Annual debt service on obligations guaranteed by a senior lien pledge of specified revenues (payroll tax, self employment tax, state in lieu payments) are limited to



a percentage of projected Continuing Revenues<sup>1</sup>. Projected debt service on Senior Lien Obligations shall not exceed 7.5% of TriMet's projected Continuing Revenues.

Increases in the debt ceiling above 7.5% will require a Board adopted amendment to this policy. Issuance of Senior Lien Obligations will be in compliance with all covenants in effect at the time of issuance.

If after issuing payroll tax obligations Continuing Revenues decline causing debt service to exceed the 7.5% ceiling, no further debt shall be issued until such time as (1) revenues recover, or (2) debt service payments are reduced, or (3) additional capacity for debt service is authorized by the Board.

### **6.3 Subordinate Lien of Payroll Tax or Other Operating Revenues**

TriMet may pledge Payroll Tax Revenues, on a subordinate basis to Senior Lien Payroll Tax Bonds, as additional security for borrowings, which are secured by other revenue sources. In such cases, anticipated revenues from other revenue sources should be sufficient to repay the debt service of such debt. TriMet may also pledge Payroll Tax Revenues, on a subordinate basis to Senior Lien Payroll Tax Bonds, to secure borrowings through federal loan programs, such as TIFIA (see section 7.4 below) or other borrowings.

Any issuance of Payroll Tax Bonds secured on a subordinate basis to Senior Lien Payroll Tax Bonds may only be utilized with prior approval of the TriMet Board. In connection with Board approval, the CFO shall present to the Board an analysis that discusses the financial benefits and risks of using a subordinate lien pledge of Payroll Tax Revenues and any other operating revenues to secure the payment debt service. This analysis should also consider any limitation or cost impact on issuing additional debt.

### **6.4 Debt Secured by Federal, State or Local Grants**

TriMet may pledge Federal, State or Local Grant Revenues as security on bonds. Debt secured solely by grant revenues will be issued only when the anticipated receipts are sufficient to meet all debt service requirements.

### **6.5 Long-term Leases**

TriMet is a party to long-term Lease-leasebacks and Sale-leaseback agreements secured by light rail vehicles. These transactions are funded by payment agreements and securities in trust which are not considered legal defeasances, and as such, are subject to some financial risk. Any lease payment that is not facilitated by a payment agreement or paid with trust investments will be paid with general funds of TriMet. In the event that these leases can be terminated early or restructured in a manner that reduces financial risk to the District, The

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<sup>1</sup> Continuing Revenue is defined as Total Continuing Revenue less revenues that are restricted by law or contract so they cannot be used to pay debt service on Senior Lien Payroll Tax Bonds. These include legally restricted grant funds and state revenues not available for payroll tax debt service.

Board authorizes the CFO, with the knowledge and consent of the General Manager, to execute any agreement necessary to terminate or restructure these lease transactions and directs the CFO to report to the Board the results of the termination or restructuring.

#### 6.6 **Equipment Leases**

In procuring equipment for the District, an analysis regarding cost effectiveness of leasing vs. purchasing should be performed. The lease or rental rate should be based on the consideration of:

- Rental cost of comparable property, if any,
- Market Conditions in the area,
- The type, life expectancy, condition, and value of the property to be leased,
- Alternatives available, and
- Other provisions of the agreement.

Equipment leases under \$500,000 must be reviewed and approved by the CFO.

### 7. **METHODS AND STRUCTURES FOR ISSUING DEBT**

TriMet has authority to use the following methods and structures for issuing debt, together with any other lawfully available methods and structure:

#### 7.1 **Competitive Sale**

In a competitive sale, TriMet's debt will be offered for sale on a set date and time. Financial institutions will have the opportunity to purchase the debt through a competitive bid. The award of the debt will be made to the bidder that offers the lowest cost of borrowing, as defined in the bid documents.

#### 7.2 **Negotiated Sale**

In a negotiated sale, TriMet's debt will be purchased by an investment bank or syndicate that has been selected by TriMet through a competitive request for proposal process. TriMet will solicit for underwriter services no less than once every ten years.

#### 7.3 **Private Placement**

In a private placement, TriMet's debt is sold to commercial banks or a limited group of qualified investors. Private placement obligations may be federally tax-exempt or taxable. Private placement obligations can carry similar or identical pledges and promises as publicly issued debt. TriMet can secure private placement loans with payroll tax revenues, other dedicated revenues such as fares, or its full faith and credit. A sale of debt by private placement maybe be used when it is anticipated to result in cost savings, to provide other advantages when compared to other methods of sale, or if access to the public market is unavailable.

7.4 ***Transportation Infrastructure Finance and Innovation Act (TIFIA) Loans***

The TIFIA loan program is managed by the U.S. Department of Transportation's (DOT) Office of Innovative Program Delivery. The program provides loans, loan guarantees, and lines of credit to local governments including transportation districts. Loans are awarded for specific projects and can finance up to 33% of the total project cost. Interest rates on TIFIA loans are based on US Treasury rates and initial repayment can be deferred up to five years with a final repayment due in up to 35 years. TIFIA loans can be secured by TriMet's payroll tax revenues or another dedicated financing source at TriMet's discretion.

7.5 **Determination of Method of Sale**

The method of sale will be determined in consultation with TriMet's independent financial advisor, with the objective of providing TriMet with the lowest overall cost of financing and most efficient market access.

**8. INDEPENDENT FINANCIAL ADVISOR**

TriMet will retain an Independent Financial Advisor to assist with the sale of debt to the public. The Financial Advisor will have expertise in municipal debt issuance and the pricing of municipal securities, and be in good standing with the MSRB Registration system. The Financial Advisor will assist with:

- Analysis of the costs and risks of debt issues
- Development of an underwriter Request for Proposal for negotiated bond sales and evaluation of responses
- Management of the process for debt sold competitively
- Evaluation of the structuring and pricing of the debt issues and underwriting fees for comparable sales by other issuers.
- Recommendations regarding the terms and conditions of debt issues
- Evaluation of legal documentation and terms for debt issuance
- Other assistance as requested in relation to debt issuance

**9. INVESTMENT OF DEBT PROCEEDS**

Debt proceeds will be invested in accordance with the TriMet's Investment Policy, applicable laws and bond covenants. At the discretion of the CFO, with the knowledge and consent of the General Manager, interest earned on unspent bond proceeds can be allocated to capital projects, used for debt service, or set aside to satisfy future arbitrage rebate obligations.

## 10. USE OF DEBT PROCEEDS:

### 10.1 Projects Financed by Long Term Debt:

Projects financed by debt with repayment terms exceeding one year must result in a capital asset(s). Capital assets generally include property, plant, and equipment. Accounting standards issued by the Governmental Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) define what is considered a capital asset.

**10.1.1 New Assets:** TriMet can use long-term debt to pay for costs incurred to bring capital assets to the condition and location necessary for their intended use. Such costs include physical construction of the asset and activities required to prepare the asset for its intended use. For example, eligible costs include administrative and technical activities such as the development of plans or the process of obtaining permits from authorities. It also includes activities undertaken after construction has begun in order to overcome unforeseen obstacles, such as technical problems, labor disputes, or litigation.

**10.1.2 Software:** New software, developed either internally or externally, may qualify as a capital asset. Debt financing is acceptable to purchase software if the purchase allows TriMet an indefinite use of the software (i.e. perpetual licenses). TriMet will not use bonds to pay recurring subscription licensing costs, however, initial development and setup costs related to a subscription that is not indefinite may be covered by debt issuances 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.

**10.1.3 Existing Assets:** Generally, costs incurred for replacement or betterment of property, plant, and equipment are considered capital when they extend the life or increase the functionality of the asset. Day to day costs of maintaining or repairing an asset, including mid-life overhauls, are not considered capital in nature and are not to be financed with bonded debt. Assessments of whether a cost extends the useful life of an asset or increases its functionality will be made by Finance in accordance with Generally Accepted Accounting Principles (GAAP) and guidance issued by the Federal Transportation Administration (FTA).

Specific one time major repair and maintenance projects carried out as part of a periodic inspection and overhaul and that result in future economic benefits beyond those initially expected when an asset was originally placed in service may qualify for recognition as capital cost and may be eligible for bond financing.

The CFO will consult with bond counsel prior to authorizing the use of bond proceeds for a project which is not considered capital in nature or is a major repair or maintenance project per GAAP.

### **10.2 Minimum Project Cost**

New capital projects financed by long term debt must each have an expected spend of at least \$10 million of debt proceeds within the 24 months following the issuance of the debt.

### **10.3 Matching Financing**

Debt financing is limited to 95% of a project's estimated cost unless otherwise approved in writing by the CFO. Remaining project costs must be covered by a non-debt financing source such as grants, local sources, or general funds from TriMet's ongoing operations.

### **10.4 Reallocation of Debt Financed Projects:**

When debt is issued specific projects will be declared to utilize the funding generated by the debt issuance. From time to time, as needed, the CFO is authorized to add or remove capital projects from the list of those projects declared in the original debt issuance documents (as long as the terms of the debt financing allow for reallocation) Reasons for shifting bond projects include, but are not limited to, unexpected project cost differences and longer than expected project completion timelines. The CFO will ensure any shifting of projects does not violate any debt covenant, law, rule, or regulation concerning TriMet's outstanding tax-exempt and taxable debt issuances.

## **11. COMPLIANCE AND DISCLOSURE**

The CFO is responsible for maintaining relationships with rating agencies and investors. In addition, the CFO will ensure that the District complies with disclosure requirements associated with debt.

### **11.1 Disclosure in Official Statements**

The CFO shall oversee the preparation of official statements and other disclosure documents that are used in connection with TriMet's borrowing. The CFO shall ensure that disclosure documents comply with applicable Federal and state laws, including securities laws, and do not contain material misstatements or omissions.

### **11.2 Continuing Disclosure Requirements**

In connection with publicly sold bonds, TriMet will agree to provide annual disclosure filings in compliance with Securities and Exchange Commission Rule 15c2-12 (the "Rule") that are filed with the Municipal Securities Rulemaking Board ("MSRB") and to file with the MSRB notice of "material events" defined by the Rule. The CFO shall monitor the annual disclosure requirements that apply to TriMet and oversee the preparation of annual updates and required notices of material events.

### **11.3 Arbitrage Tax Compliance**

The CFO shall oversee the preparation of all documents required for initial debt issuance and ongoing tax compliance related to bonds and other forms of financing.

The CFO is responsible for maintenance of a system of record keeping in the event an arbitrage rebate is required in accordance with the federal tax code. This effort includes tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebate earnings to the federal government in a timely manner in order to preserve the tax-exempt status of TriMet's outstanding debt issues. It is TriMet's policy to minimize the cost of arbitrage rebate and yield restriction while strictly complying with the law.

Because of the complexity of the Federal arbitrage rebate statutes and regulations, and the severity of potential penalties for non-compliance, the District may retain an arbitrage rebate services provider in connection with its outstanding and proposed Bonds, and may also solicit related legal and tax advice from its bond counsel or separate tax counsel, including but not limited to:

- The periodic calculation of any accrued arbitrage rebate liability and of any rebate payments due under and in accordance with the Code and the related rebate regulations;
- Advice regarding strategies for minimizing arbitrage rebate liability;
- The preparation and filing of periodic forms and information required to be submitted to the Internal Revenue Service;
- The preparation and filing of requests for reimbursement of any prior overpayments; and
- Other related matters as requested by the District.

In the event an arbitrage rebate is due to the IRS TriMet will strive to provide for this payment out of previously earned interest on the bonds. This can involve setting aside periodic earned interest for the purposes of a potential rebate when an arbitrage rebate is anticipated. In the event earned interest is not set aside for arbitrage rebate payments, TriMet's general funds will be responsible for such costs.

## **12. EXCEPTIONS TO POLICY**

Exceptions to this policy concerning use of debt proceeds can be approved at the discretion of the CFO, with the knowledge and consent of the General Manager, in line with the overall intent of this debt policy for good stewardship of TriMet's financial resources.