


**Date:** January 23, 2019

**To:** Board of Directors

**From:** Doug Kelsey 

**Subject:** **RESOLUTION 19-01-03 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) DELEGATING AUTHORITY TO THE GENERAL MANAGER TO AUTHORIZE LINES OF CREDIT OR SIMILAR FINANCIAL INSTRUMENTS FOR THE PURPOSE OF INTERIM FINANCING CAPITAL PROJECTS AND TO FINANCE OPERATIONS IN ADVANCE OF DELAYED FEDERAL APPROPRIATIONS OR DELAYED OR REDUCED PAYROLL TAX REVENUES**

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**1. Purpose of Item**

The purpose of this item is to request that the TriMet Board of Directors (“Board”) authorize the General Manager to secure up to \$60 million in revolving lines of credit (LOC) or similar financial instruments for the purpose of providing interim financing for capital projects, or working capital to meet potential cash flow needs due to delayed or reduced federal grant disbursements or reduced payroll tax revenues.

**2. Type of Agenda Item**

- Initial Contract
- Contract Modification
- Other – Authorizing Resolution

**3. Reason for Board Action**

Board approval is required to authorize short term borrowings under ORS 287A.180.

**4. Type of Action**

- Resolution
- Ordinance 1<sup>st</sup> Reading
- Ordinance 2<sup>nd</sup> Reading
- Other \_\_\_\_\_

**5. Background**

In October 2008, the Board approved Resolution 08-10-85 delegating authority to the General Manager to authorize a LOC or similar financial instrument for the purpose of financing operations in advance of delayed federal formula appropriations. TriMet did not use the authority granted by that Resolution.

In March, 2009, the Board approved Resolution 09-03-24, rescinding the earlier resolution and again delegating authority to the General Manager to authorize a LOC or similar financial instrument for the purpose of financing capital projects and to finance operations in advance of delayed federal appropriations in the not-to-exceed amount of \$60 million. The LOC was executed in 2009 and was subsequently amended in 2010 and 2011. TriMet used \$50 million of the \$60 million authority, leaving \$10 million of authority available. Last week, TriMet executed a LOC for the remaining \$10 million authority previously granted by Resolution 09-03-24.

Due to the current partial shutdown of the federal government, payment to TriMet of \$67 million in already overdue federal grant funds were put on hold and will remain so for the duration of the shutdown. As a result, TriMet is in need of funds to meet its short-term cash flow needs during the month of January, until it receives payroll tax revenue on or about February 8, 2019.

Due to the uncertainty of the duration of the current federal shutdown and the financial impacts of funding expenses in advance of revenue receipts (such as initiating bus service last September to be paid with HB2017 funds that will not be received until next summer), staff is seeking Board authorization for the General Manager to secure revolving LOCs or similar financial instruments for the purpose of financing operations in advance of delayed federal appropriations, state or other local funding, and for capital projects in advance of dedicated funds in emergency situations.

In FY2019, TriMet expects to receive approximately \$428 million from Employer Payroll Tax, Employee Payroll Tax, and Self Employed Tax revenues. The requested LOC will provide an interim source of working capital to meet TriMet's cash flow needs in the event federal, state or local funding is reduced or delayed.

This Resolution authorizing a Line Of Credit is designed to grant maximum flexibility in financing structure. Decisions concerning the specific financing structure and terms will be determined at the time the financing is put in place. The Finance and Audit Committee will be kept informed about the utilization of this authority.

**6. Procurement Process**

Upon authorization of this Resolution, staff expects to undertake a competitive process among local qualifying banks to establish a revolving LOC with the bank that offers the most competitive terms.

7. **Diversity**

Workforce diversification will be a procurement factor in selecting a bank to use for the LOC. TriMet is limited by statute in the size of banks with which it can work, therefore it is unlikely that there will be bidders that could qualify under DBE or MBE.

8. **Financial/Budget Impact**

The LOC will provide another tool for staff to use to manage the agency's financial position and will facilitate paying for day-to-day operating expenses in the case of a shortfall in revenue receipts.

9. **Impact if Not Approved**

The lack of liquidity may affect TriMet's ability to withstand either a decline in revenues or a delay in delivery of revenues. This could affect timing with regard to hiring staff and service increases, based on when revenues are projected to arrive.

## RESOLUTION 19-01-03

### RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING THE GENERAL MANAGER TO SECURE LINES OF CREDIT OR SIMILAR FINANCIAL INSTRUMENTS FOR THE PURPOSE OF INTERIM FINANCING CAPITAL PROJECTS AND TO FINANCE OPERATIONS IN ADVANCE OF DELAYED FEDERAL APPROPRIATIONS OR DELAYED OR REDUCED PAYROLL TAX REVENUES

**WHEREAS**, TriMet relies on Federal grants and payroll tax revenues to pay for costs of capital projects and costs of operations; and

**WHEREAS**, Federal grants are due for reauthorization, and the reauthorization may result in delayed payment of those grants to TriMet. In addition, conditions in the economy may delay or reduce payroll tax revenues; and

**WHEREAS**, These factors may create cash flow difficulties which could be alleviated if TriMet obtains a line of credit that allows borrowing for interim financing of capital projects and in anticipation of delayed or reduced grant funds and payroll tax revenues; and

**WHEREAS**, ORS 287A.180 authorizes TriMet to borrow money to provide interim financing for capital projects and in anticipation of payroll tax revenues and grants; and

**WHEREAS**, Borrowings authorized by ORS 287A.180 in anticipation of taxes must mature within thirteen months, and borrowings authorized by ORS 287A.180 in anticipation of grants and for interim financing of capital projects must mature within five years. Both types of borrowings may be refunded, and may be secured by all or any part of the revenues of TriMet that may lawfully be used to pay the borrowing; and

**WHEREAS**, It is desirable to authorize borrowings for interim financing of capital projects and in anticipation of payroll tax revenues and grants;

#### **NOW, THEREFORE, BE IT RESOLVED:**

**A. Borrowing Authorized.** The TriMet Board hereby authorizes TriMet to enter into financings in an aggregate principal amount outstanding not to exceed \$60,000,000. The financings will be issued pursuant to ORS 287A.180 for interim financing of capital projects and in anticipation of payroll tax revenues and federal grants.

**B. Delegation.** The General Manager of TriMet or the person authorized in writing by the General Manager to act for the General Manager under this Resolution (the "General Manager") may, on behalf of TriMet and without further Board action:

- (1) Enter into lines of credit or loan agreements or issue notes or other obligations (the "Obligations") pursuant to ORS 287A.180 in an aggregate principal amount outstanding not to exceed \$60,000,000. The Obligations may

be structured as revolving lines of credit, if desirable, where proceeds can be drawn, repaid and redrawn. Obligations so authorized may be issued to provide funds for interim financing of capital projects and in anticipation of delayed or reduced grant funds and payroll tax revenues, and to pay costs of issuing the Obligations;

(2) Issue additional Obligations to amend, extend or refund the Obligations authorized by this resolution and to pay costs of such additional Obligations;

(3) Secure Obligations by a pledge or other commitment of all or any portion of the following:

(a) TriMet's full faith and credit and legally available funds,

(b) Amounts due TriMet from the Federal Transit Administration and other granting agencies,

(c) TriMet's payroll tax and self-employment tax revenues, and

(d) Proceeds of any series of Obligations.

(4) Issue and sell the Obligations in one or more series, and either: (a) select one or more underwriters or lenders to purchase each series of Obligations and negotiate the terms of sale of that series of Obligations with those underwriters or lenders, or (b) publish a notice of sale, receive bids and award the sale of any series of Obligations to the bidder complying with the notice and offering the most favorable terms to TriMet;

(5) Establish the final principal amounts, payment terms, interest rates, sale prices, and other terms of each series of Obligations, subject to the limitations in this Resolution and ORS 287A.180;

(6) Participate in the preparation of, authorize the distribution of, and deem final any disclosure documents relating to the Obligations;

(7) Enter into covenants that are intended to provide additional security for the owners of the Obligations, including covenants limiting TriMet's use of the sources described in sections B(3)(b), (c) and (d) of this Resolution;

(8) Provide that Obligations bear interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended ("Code"), and covenant with the owners of those Obligations to maintain the excludability of interest on those Obligations from gross income under the Code;

(9) Provide that Obligations bear interest that is includable in gross income under the Code;

(10) Execute and deliver each series of Obligations to its purchaser and apply the proceeds as permitted by this resolution; and

(11) Execute and deliver any agreements or certificates and take any other action in connection with any Obligations that the General Manager finds desirable to issue the Obligations and provide interim financing of capital projects and financing in anticipation of delayed or reduced grant funds and payroll tax revenues.

**C. Effective Date.** This Resolution shall take effect on the date of its adoption.

Dated: January 23, 2019

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Presiding Officer

Attest:

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Recording Secretary

  
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Carol J. McCoog, Bond Counsel