

TRI[®]MET
Memo

Date: June 24, 2020

To: Board of Directors

From: Doug Kelsey

Subject: **RESOLUTION NO. 20-06-27 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING THE ISSUANCE OF PAYROLL TAX REVENUE BONDS**

1. Purpose of Item

The purpose of this item is to request that the TriMet Board of Directors (“Board”) adopt a Resolution authorizing the issuance of revenue bonds, in one or more series, to provide up to \$200 million for projects plus additional amounts that are required to pay costs related to the bonds.

TriMet estimates that the total principal amount of revenue bonds required for this purpose will not exceed \$200 million to pay for costs of issuance plus the costs of transit projects and transit supportive systems, such as the following projects: those in TriMet’s Capital Improvement Program, bus and vehicle replacements, Columbia Bus Base, Powell Garage and the Max Red Line Extension and Reliability Improvement Project.

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other: Issuance of Payroll Tax Bonds

3. Reasons for Board Action

ORS 287A.150 (the “Act”) requires Board approval and a publication of notice before bonds may be issued pursuant to the Act. And, the Federal Transit Administration (the “FTA”) requires local governments seeking federal Capital Investment Grant (“CIG”) funds for Federal Projects (such as the Red Line Extension and Improvement Project) to have enacted all legislative approvals necessary for the commitment of the local government share of total project funding.

4. Type of Action

- Resolution
- Ordinance 1st Reading

- Ordinance 2nd Reading
 Other _____

5. **Background**

This resolution authorizes the issuance and sale of revenue bonds to pay transit projects and transit supportive systems and costs of issuance as noted above and will allow continuation of projects in the FY2021 Capital budget supported by bond proceeds. Background on one of the projects expected to be financed with the bonds is provided below.

Better Red Project - Background

Elaine L. Chao, US Transportation Secretary, announced on May 29th that TriMet's Red Line Extension Project has been allocated \$99.99 million in funding to advance the readiness of the project for a construction grant agreement.

TriMet anticipates applying for a construction grant agreement through the FTA Capital Investment Grant (CIG) program for the MAX Red Line Extension and Reliability Improvement Project (the "Better Red Project") in August 2020. The FTA requires that the TriMet Board make all approvals necessary to commit its local matching funds without any further Board action. This resolution will provide the FTA with the assurance necessary that no further Board action is needed to demonstrate both the commitment and funding capability of TriMet for the Better Red Project. This action will move the project forward in readiness to take advantage of allocated Federal funding for the project.

Prior to considering this resolution, the Board passed Resolution No. 19-04-28, adopting the Locally Preferred Alternative (the "LPA") for the Better Red Project. As required by the FTA, the LPA described the mode of transit, the general alignment, and station locations of the Better Red Project.

Subsequently, in Resolution 19-04-29, the Board authorized an Intergovernmental Agreement (the "IGA") with the Port of Portland for the Better Red Project. The IGA outlined the respective roles and actions of each local government regarding the Project. The IGA committed TriMet to expend \$13.9 million of its funds for the Project in FY2020, and specified TriMet's commitment of an additional \$86.1 million from bonds supported by its Payroll Tax Revenues, as would be fully authorized by the Board's approval of this resolution.

On July 22, 2019, the FTA granted TriMet's request to enter into the Project Development (the "PD") phase of the FTA's CIG program for the Better Red Project, on the basis of the Board's approval of TriMet's FY2020 budget. In granting TriMet's request, the FTA noted that during the PD phase, TriMet must complete the following tasks:

- Select a LPA,

- Have the LPA adopted into the fiscally constrained long-range transportation plan,
- Complete the environmental review process, and
- Develop sufficient information for the project's evaluation and rating under the CIG criteria (which includes demonstration of funding commitment.)

By the Board's authorization of bonds for the Better Red Project under this resolution, the Board fully commits the entirety of TriMet's \$101 million local match contribution for the MAX Red Line Extension and Reliability Improvement Project, and, thereby, provides sufficient evidence of commitment of TriMet's local match contribution to justify the FTA's provision of the federal share.

6. Senior Lien Payroll Tax Bonds

TriMet expects to issue the bonds in multiple series in FY2021 to pay for the projects described above.

7. Financial/Budget Impact

Payroll Tax Revenue will be pledged to pay debt service on the Senior Lien Payroll Tax Bonds and are anticipated to fully cover all debt service payments.

The proposed bond issues comply with and are consistent with TriMet's Debt Management Policy and Strategic Financial Plan ("SFP").

8. Impact if Not Approved

If this Resolution is not approved, TriMet will be unable to issue the Senior Lien Payroll Tax Revenue Bonds on schedule and risks being unable to demonstrate to the FTA the requisite level of local funding committed to the MAX Red Line Extension and Reliability Improvement Project. A failure to demonstrate the commitment of sufficient local funding may jeopardize the anticipated FTA CIG award for this project.

RESOLUTION NO. 20-06-27

RESOLUTION NO. 20-06-27 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING THE ISSUANCE OF PAYROLL TAX REVENUE BONDS

The Board of the Tri-County Metropolitan Transportation District of Oregon (“TriMet”) finds:

A. It is financially feasible and in the best interests of TriMet to authorize the issuance of revenue bonds to provide \$200 million for costs of transit projects and transit supportive systems, such as the following projects: those in TriMet’s Capital Improvement Program, bus and vehicle replacements, Columbia Bus Base, Powell Garage and the MAX Red Line Extension and Reliability Improvement Project (collectively, the “Projects”).

B. ORS 287A.150 and related provisions of ORS Chapter 287A (the “Act”) permit TriMet to authorize revenue bonds by publishing a notice describing the revenue bonds. Unless at least five percent of TriMet’s electors sign and file a petition to refer the bonds to an election within sixty days after the notice is published, TriMet may issue the revenue bonds described in the notice.

C. The revenue bonds authorized by this resolution will be secured by payroll and self-employment taxes, State payments in-lieu of taxes and related amounts (collectively, the “Payroll Tax Revenues”).

D. The Board adopts this resolution to authorize the revenue bonds described in the notice that is attached to this resolution as Exhibit A and to delegate to TriMet staff the authority to sell and issue those bonds.

NOW, THEREFORE, BE IT RESOLVED by the TriMet Board as follows:

Section 1. Revenue Bonds Authorized.

TriMet hereby authorizes the issuance of a principal amount of revenue bonds that is sufficient to provide net proceeds of up to \$200 million to pay for costs of the Projects, plus additional amounts that are required to pay costs related to the bonds, including costs of issuance, capitalized interest, and funding debt service reserves. TriMet estimates that the total principal amount of revenue bonds required for this purpose will not exceed \$200 million. The revenue bonds described in this Section 1 (the “Bonds”) shall be issued and sold in accordance with the Act and Section 3 of this resolution, and shall be secured solely by a senior lien of Payroll Tax Revenues described in the Trust Indenture dated April 1, 2001, as it has and may be amended (the “Indenture”), and on parity with TriMet’s outstanding Senior Lien Payroll Tax Bonds issued under the Indenture.

Section 2. Notice; Procedure.

In accordance with ORS 287A.150, the Bonds may not be sold, and no purchase agreement for those the bonds may be executed, until at least sixty (60) days after publication of the Notice of

Revenue Bond Authorization in substantially the form which is attached to this resolution as Exhibit "A" (the "Notice"). TriMet shall cause that notice to be published promptly after adoption of this resolution. The Notice shall specify the last date on which petitions may be submitted, and shall be published in at least one newspaper of general circulation within the boundaries of TriMet in the same manner as are other public notices of TriMet.

If TriMet receives petitions for an election, containing valid signatures of not less than five percent (5%) of TriMet's electors, by the date indicated in the Notice: the question of issuing the Bonds shall be placed on the ballot at the next legally available election date; and, no Bonds may be sold until the question of issuing the Bonds is approved by a majority of the electors of TriMet who vote on that question.

Section 3. Delegation.

TriMet may sell and issue the Bonds pursuant to this Section 3 as soon as permitted by ORS 287A.150. The General Manager or the designee of the General Manager (each of whom is referred to as the "General Manager" in this resolution) may take the following actions on behalf of TriMet:

- (1) Sell and issue the Bonds in one or more series, and in accordance with TriMet's Debt Management Policy.
- (2) Participate in the preparation of, authorize the distribution of, and deem final the preliminary and final official statements and any other disclosure documents for each series of the Bonds.
- (3) Establish the final principal amounts, interest rates, payment terms and dates, and other terms for each series of the Bonds, select one or more lenders or underwriters and negotiate the terms of the sale of any series of Bonds with those lenders or underwriters, or publish a notice of sale, receive bids and award the sale of that series to the bidder complying with the notice and offering the most favorable terms to TriMet.
- (4) Execute one or more supplemental trust agreements that amend and supplement the Indenture and authorize and describe each series of Bonds. A supplemental trust agreement may contain any amendments or additional covenants for the benefit of the owners of the Bonds that the General Manager determines are desirable to facilitate compliance with the Indenture or sell the Bonds on favorable terms.
- (5) Undertake to provide continuing disclosure for each series of the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
- (6) Appoint and enter into agreements with paying agents and other professionals and service providers.
- (7) Designate the Bonds as "Green Bonds" if applicable.
- (8) Issue any series of Bonds with interest that is includable in gross income under the United States Internal Revenue Code of 1986, as amended (the "Code").

- (9) Issue any series of Bonds with interest that is excludable from gross income under the Code, and enter into related covenants.
- (10) If the United States Congress permits TriMet to issue “interest subsidy bonds” or other forms of federally subsidized borrowings that lower TriMet’s borrowing costs, issue any series of Bonds in a manner that allows TriMet to achieve those lower costs, and enter into related covenants.
- (11) Execute and deliver any documents and take any other action in connection with the Bonds that the General Manager finds will be advantageous to TriMet.

Section 6. Effective Date.

This resolution shall take effect on the date it is adopted.

Adopted this 24th day of June, 2020

Presiding Officer

Attest:

Recording Secretary

Approved as to legal sufficiency:



Bond Counsel

Exhibit A
Resolution 20-06-27
Notice of Revenue Bond Authorization

NOTICE IS HEREBY GIVEN that the Board of the Tri-County Metropolitan Transportation District of Oregon (“TriMet”) adopted Resolution 20-06-27 on June 24, 2020, authorizing the issuance of revenue bonds in one or more series to finance costs of transit projects and transit supportive systems, such as the following projects: those in TriMet’s Capital Improvement Program, bus and vehicle replacements, Columbia Bus Base, Powell Garage and the MAX Red Line Extension and Reliability Improvement Project (collectively, the “Projects”).

The bonds will be payable solely from TriMet’s revenues or other property. The bonds described in this notice are expected to be paid primarily from TriMet’s payroll and self-employment taxes, State payments in-lieu of taxes and related amounts. The bonds will not be general obligations of TriMet, and neither the authorization nor issuance of the bonds described in this notice will authorize TriMet to levy any taxes.

The bonds will be issued in an amount sufficient to produce net proceeds for the Projects of \$200 million. Bonds may also be issued to pay costs related to the bonds, including costs of issuance, capitalized interest and funding debt service reserves. TriMet estimates that the total principal amount of bonds required for this purpose will not exceed \$200 million. Bond proceeds will be used solely to pay for costs of the Projects and costs related to the bonds.

If written petitions requesting an election on the issuance of the bonds, signed by not less than five percent (5%) of TriMet’s electors, are filed with TriMet’s Recording Secretary at TriMet’s offices on or before August 25, 2020 the question of issuing the bonds shall be placed on the ballot at the next legally available election date.

TriMet’s offices are located at 1800 SW 1st Ave., Suite 300, Portland, OR 97201, and a copy of the resolution authorizing the bonds is available from the Recording Secretary at that address. The bonds will be issued and sold under ORS 287A.150 and related statutes; this Notice is published pursuant to ORS 287A.150(4).

Dated: June 24, 2020.

Presiding Officer

Attest:

Recording Secretary

Approved as to legal sufficiency:



Bond Counsel