

RESOLUTION NO. 2014-60

ADOPTING DEBT POLICIES FOR THE GREATER CLEVELAND REGIONAL  
TRANSIT AUTHORITY

WHEREAS, the Board of Trustees is charged with the responsibility under the Ohio Revised Code Chapter 306 to manage and conduct the affairs of the Greater Cleveland Regional Transit Authority in accordance with rules and regulations established to control the administration of the acquisition, operation, maintenance, and improvement of public transit facility; and

WHEREAS, the Greater Cleveland Regional Transit Authority periodically issues debt to finance its capital improvement program; and

WHEREAS, having a clearly-defined set of Debt Policies for the issuance and management of debt for the Greater Cleveland Regional Transit Authority will assist the Board of Trustees and management in exercising their responsibilities in the public interest.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Greater Cleveland Regional Transit Authority, Cuyahoga County, Ohio:

Section 1. That the Debt Policies shown in Attachment A hereto are hereby adopted as official policy of the Authority.

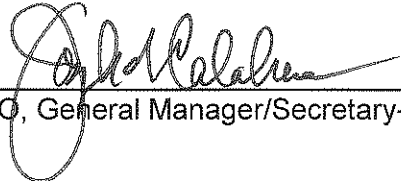
Section 2. That the General Manager/Secretary-Treasurer of the Authority is hereby authorized to undertake the necessary actions to implement these Debt Policies.

Section 3. That this resolution shall take effect immediately upon its adoption.

Attachment A - Greater Cleveland Regional Transit Authority Debt Policies

Adopted: July 15, 2014

  
\_\_\_\_\_  
President

Attested:   
\_\_\_\_\_  
CEO, General Manager/Secretary-Treasurer

## GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

### DEBT POLICIES

#### 1.0 PURPOSE/SCOPE

- 1.1 Strong financial management is critical to the success of the Greater Cleveland Regional Transit Authority (the "Authority"). The debt policies described herein are designed to guide the Authority's borrowing and overall capital financing strategy. Its provisions set parameters for issuing and managing debt, and will ensure consistency and continuity in financial management decision-making.
- 1.2 The Debt Policies established herein cover the following areas:
  - 1.2.1 Integration of Capital Planning and Debt Financing Activities
  - 1.2.2 Debt Limitations
  - 1.2.3 Restrictions on Borrowing
  - 1.2.4 Types of Debt Permitted
  - 1.2.5 Methods of Sale
  - 1.2.6 Use of External Finance Professionals
  - 1.2.7 Structuring Debt
  - 1.2.8 Tax-exempt Debt
  - 1.2.9 Retirement of Debt
  - 1.2.10 Investments of Debt Proceeds
  - 1.2.11 IRS Regulations Regarding Arbitrage
  - 1.2.12 Debt Refunding
  - 1.2.13 Follow-up Analysis
  - 1.2.14 Disclosure Requirements
  - 1.2.15 Periodic Review and Amendment

#### 2.0 LEGAL AUTHORITY

The legal authority for these debt policies are derived from the following sources:

- 2.1 From Ohio Revised Code Chapter 306, Regional Transit Authority:
  - 2.1.1 Section 306.31 Creation of Authority
  - 2.1.2 Section 306.34 Board of Trustees to manage and conduct affairs
  - 2.1.3 Section 306.35 Powers and Duties
  - 2.1.4 Section 306.37 Revenue Bonds
  - 2.1.5 Section 306.38 Bonds secured by trust agreement
  - 2.1.6 Section 306.40 General obligation bonds; final judgment bonds; use of proceeds; election; tax levy; anticipatory notes; issuance of obligation without vote
- 2.2 Ohio Revised Code Chapter 5705, Section 2, Ten-mill limitation
- 2.3 Ohio Constitution, Article XII, Section 2, Limitation on tax rate; exemption
- 2.4 Ohio Constitution, Article XII, Section 11, Sinking fund
- 2.5 From the Authority's Bylaws, Article II, Section 8, General Manager and Secretary-Treasurer.
- 2.6 Sections 103 and 141-150 of the Internal Revenue Code of 1986, as amended

### 3.0 INTEGRATION OF CAPITAL PLANNING & DEBT FINANCING ACTIVITIES

The Authority produces a six-year capital improvements plan (CIP) and updates the plan annually as part of the Authority's budget process. Debt requirements will be identified during the capital improvement planning process. The timing of debt financing will be based on both cash flow needs and market considerations.

### 4.0 DEBT LIMITATIONS

- 4.1 The Authority will fully comply with all statutory debt limitations imposed by the Ohio Revised Code and those developed by the Board of Trustees.
- 4.2 Consistent with the Authority's Financial Policies, and in order to minimize the need for issuing debt, the Authority will commit an amount equivalent to at least 10% of annual sales tax revenues to capital projects. These funds will be used to fund annual capital projects as well as to retire outstanding debt.
- 4.3 In addition to the debt limitations imposed by law, the Authority shall not commit to incur capital expenditures, nor structure a debt amortization schedule, which would require debt service contributions and/or capital transfers from the General Fund in excess of an amount equivalent to 15% of annual sales tax revenues.

#### 4.4 Statutory limitations

There are three limitations which relate to the Authority's ability to issue debt:

- 4.4.1 Section 306.40 of the Ohio Revised Code limits the principal amount of bonds which are supported by property taxes to 5 percent of the assessed valuation within the Authority's territory.
- 4.4.2 The second limitation, which is also contained in Section 306.40 of the Ohio Revised Code, restricts annual principal and interest payments on the Authority's unvoted general obligation bonds to one-tenth of one percent (.1%) of the assessed valuation.
- 4.4.3 The third constraint is derived from both the Ohio Constitution and the Ohio Revised Code. Article XII, Section 11, of the constitution requires that any political subdivision incurring debt must provide for the levying of taxes sufficient to pay principal and interest on that debt. Section 2 of the same Article and Section 5705.02 of the Ohio Revised Code limits to ten mills (one mill equals \$1 of tax for each \$1,000 of assessed valuation) the amount of taxes that may be levied without a vote of the people.

#### 4.5 Reserve millage

Although the Authority has statutory authority to levy a one mill ad valorem property tax for the payment of debt service, the Authority has never levied such a tax and has no plans to do so. The Authority will reserve this tax levying ability for emergencies only.

## 5.0 RESTRICTIONS ON BORROWING

- 5.1 The Authority will use current revenues to meet daily operational and working capital needs. The Authority will not issue long-term debt to fund its operations.
- 5.2 The Authority will pursue all other potential funding sources prior to issuing debt (i.e. federal and state grant programs).
- 5.3 The Authority will not issue debt for any capital improvement for a term that exceeds the useful life of that improvement.

## 6.0 TYPES OF DEBT PERMITTED

The Authority will identify and pursue the financing alternatives that best meet the needs of the Authority and are within statutory limitations. Financing alternatives may include, but are not limited to, general obligation or revenue debt (i.e. notes and bonds), sales tax supported debt, certificates of participation, commercial paper, variable rate debt, domestic and foreign leases, and State Infrastructure Bank financing.

## 7.0 METHOD OF SALE

The Authority will determine on an issue by issue basis the most effective method of sale. Sales may be competitive, negotiated or by private placement.

## 8.0 USE OF EXTERNAL FINANCE PROFESSIONALS

The Authority will seek the services of financial professionals as required. These professionals may include, but are not limited to, underwriters, financial advisors, bond counsel, underwriter's counsel, bond registrars, paying agents, arbitrage calculating agents, trustees, escrow agents, and bond insurers. The time period of these services may be for a specific transaction or for a period of time.

## 9.0 STRUCTURING DEBT

### 9.1 Structure of debt schedules

Debt amortization schedules will be structured to minimize interest expense within the constraints of revenues available for debt service.

### 9.2 Call Provisions

Bond issues may include call features to maximize the Authority's ability to advance refund or retire the debt early.

9.3 Credit enhancement considerations

For each debt issue, the Authority will analyze the potential benefit of utilizing credit enhancement (bond insurance, bank letters of credit, etc.) and will pursue such enhancement provided cost savings are obtainable. Further, the Authority will only pursue credit enhancement from companies that maintain the highest possible rating by nationally recognized rating agencies for their products.

10.0 TAX-EXEMPT DEBT

The Authority will comply with federal tax law applicable to its outstanding tax-exempt debt obligations to ensure that interest paid on such tax-exempt debt remains exempt from federal income tax.

The General Manager/Secretary-Treasurer is hereby authorized, in accordance with the authority granted to him by the Greater Cleveland Regional Transit Authority Bylaws, to issue all necessary administrative procedures to implement this policy without further action by the Board of Trustees.

11.0 RETIREMENT OF DEBT

11.1 The Authority will retire all debt on or before the maturity date.

11.2 The Authority maintains a segregated bond retirement fund to provide for principal and interest payment on its debt. A “set aside” resolution (Resolution No. 1981-18, as amended by Resolution Nos. 2001-177 and 2012-34) requires monthly transfers to the bond retirement fund in such amounts that will ensure that an adequate fund balance is maintained to meet current obligations.

11.3 It is permitted to transfer interest earned on the investment of debt proceeds, within the Capital Improvement Fund, for the purpose of mitigating the set-aside transfers required from the General Fund.

12.0 INVESTMENT OF DEBT PROCEEDS

The Authority will invest bond proceeds in accordance with its general investment of funds policies. The Authority will not issue taxable debt for the sole purpose of reinvesting the proceeds in an attempt to generate profits.

13.0 IRS REGULATIONS REGARDING ARBITRAGE

The Authority will fully comply with all arbitrage rebate requirements of the federal tax code and Internal Revenue Service regulations, and will perform arbitrage rebate calculations for each issue subject to rebate, on an annual basis. All necessary rebates will be filed and paid when due.

#### 14.0 DEBT REFUNDING

14.1 The Authority will monitor its debt portfolio for refunding opportunities on a regular basis. The Authority will consider refunding for various reasons, including to:

Achieve interest rate savings in a favorable interest rate environment,

Update covenants on outstanding debt which impair efficient operations,

Restructure the pattern of debt service associated with outstanding bond issues,

Alter bond characteristics, such as call provisions or payment dates, on existing debt.

14.2 The Authority will initiate a refinancing for interest rate savings when the present value savings exceed 1% of the par amount of the outstanding issue (inclusive of all costs of issuance). Generally, the Authority will execute the refunding once present value savings exceed 3% of the outstanding par.

#### 15.0 FOLLOW-UP ANALYSIS

The Authority will prepare a follow-up analysis for every debt issuance to assess overall market performance.

#### 16.0 DISCLOSURE REQUIREMENTS

The Authority will provide rating agencies, national information repositories and other interested parties with current versions of its CAFR in a timely manner. The Authority will include all information required by the Security and Exchange Commission's Rule 15c2-12(b)(5) in the statistical section of the CAFR, unless this information is otherwise available in the form of a current Annual Information Statement or Official Statement prepared in connection with the issuance of debt. In addition, the Authority's debt limitations will be updated at least annually and reported in the statistical section of the CAFR.

#### 17.0 PERIODIC REVIEW AND AMENDMENT

17.1 The debt policies delineated herein will be subject to review and revision by the Board of Trustees at least once every three years. This does not preclude the Board of Trustees from revising specific policies included herein or adopting additional policies should the Board of Trustees determine that the best interests of the public and/or the Authority would be served by making such a revision.

17.2 Amendments or revisions to these debt policies can be initiated or proposed by any member of the Board of Trustees or by the General Manager of the Authority.

17.3 Proposed amendments or revisions to these debt policies shall be subject to review and study by the Finance Committee of the Board of Trustees. The Finance Committee will make recommendations on any proposed amendment or revision to the Board of Trustees. The Board of Trustees must approve any amendment or revision by majority vote before said amendment or revision will become the official policy of the Authority.



Greater Cleveland Regional Transit Authority  
**STAFF SUMMARY AND COMMENTS**

TITLE/DESCRIPTION:  AMENDING THE DEBT POLICY AND AUTHORIZING THE GENERAL MANAGER/SECRETARY-TREASURER TO ISSUE ADMINISTRATIVE PROCEDURES	Resolution No.: 2014- 60
	Date: July 10, 2014
	Initiator: Finance & Administration
ACTION REQUEST: X Approval <input type="checkbox"/> Review/Comment <input type="checkbox"/> Information Only <input type="checkbox"/> Other _____	

- 1.0 PURPOSE/SCOPE: This action will allow the Authority to amend the Debt Policy adopted by the Board of Trustees and also authorize the General Manager/Secretary-Treasurer to issue administrative procedures to implement the Debt Policy.
- 2.0 DESCRIPTION/JUSTIFICATION: The Authority has recently issued tax-exempt debt and desires to update the Debt Policy to state that GCRTA will comply with federal tax laws. It is desired to authorize the General Manager/Secretary-Treasurer to issue administrative procedures necessary to implement the Debt Policy.
- 3.0 PROCUREMENT BACKGROUND: Not Applicable
- 4.0 DBE/AFFIRMATIVE ACTION BACKGROUND: Does not apply
- 5.0 POLICY IMPACT: The amendment updates the Debt Policy adopted by the Board of Trustees and allows the General Manager/Secretary-Treasurer to issue administrative procedures to implement the Debt Policy.
- 6.0 ECONOMIC IMPACT: By having written procedures, this will continue to allow the Authority to issue debt at an acceptable interest rate.
- 7.0 ALTERNATIVES: Rejection of this resolution will prevent the Authority from updating the Debt Policy adopted by the Board of Trustees and prevent the General Manager/Secretary-Treasurer from issuing administrative procedures to fully implement the Debt Policy. This will cause the Authority to be more susceptible to scrutiny from the Internal Revenue Service.
- 8.0 RECOMMENDATION: It is recommended that the Board of Trustees pass this resolution to update the Debt Policy adopted by the Board of Trustees and to allow the General Manager/Secretary-Treasurer to issue administrative procedures to implement the Debt Policy.
- 9.0 ATTACHMENTS: None.

Recommended and certified as appropriate to the availability of funds, legal form and conformance with the Procurement requirements.



CEO General Manager/Secretary-Treasurer