

RESOLUTION NO. 2017-120

REPEALING CHAPTER 420 OF THE CODIFIED RULES AND REGULATIONS
OF THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY AND
ENACTING A NEW DEBT POLICIES CHAPTER 420

WHEREAS, pursuant to Resolution No. 1989-176, the Board of Trustees of the Authority codified the resolutions establishing its policies and procedures; and

WHEREAS, over the years, many of the resolutions have been amended; and

WHEREAS, at the present time, the Authority deems it necessary to review, revise and update the Codified Rules and Regulations of the Greater Cleveland Regional Transit Authority; and

WHEREAS, the Authority has conducted a review and determined that the debt policies chapter should be repealed and a new chapter enacted.

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

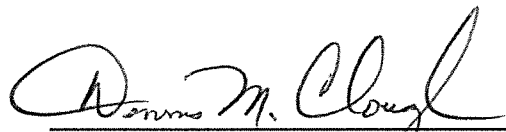
Section 1. That Chapter 420 is hereby repealed in its entirety.

Section 2. That the attached debt policies chapter, Chapter 420 Debt Policies, is hereby enacted.

Section 3. That this resolution shall become effective immediately upon its adoption.

Attachment A: Chapter 420 Debt Policies

Adopted: December 19, 2017



President

Attest:



CEO, General Manager/Secretary-Treasurer

CHAPTER 420
Debt Policies

- 420.01 Purpose; scope.
- 420.02 Integration of capital planning and debt financing activities.
- 420.03 Debt limitations.
- 420.04 Restrictions on borrowing.
- 420.05 Types of debt permitted.
- 420.06 Method of sale.
- 420.07 Use of external finance professionals.
- 420.08 Structuring debt.
- 420.09 Tax-exempt debt.
- 420.10 Retirement of debt.
- 420.11 Investment of debt proceeds.
- 420.12 IRS regulations regarding arbitrage.
- 420.13 Debt refunding.
- 420.14 Follow-up analysis.
- 420.15 Disclosure requirements.
- 420.16 Periodic review and amendment.
- 420.17 Debt service requirements.
- 420.18 Recordkeeping.

CROSS REFERENCES

- General provisions – see 49 U.S.C.A. 5323
- State of good repair grants – see 49 U.S.C.A. 5337
- Authority – see Sections 103 and 141-150 (as applicable) of the Internal Revenue Code of 1986, as amended
- Limitation on tax rate; exemption – see Ohio Const. Art XII, Sec. 2
- Debt limitations – see Ohio Const. Art. XII, Sec. 11, Ohio R.C. 306.40
- Sinking fund – see Ohio Const. Art. XII, Sec. 11
- Creation of Authority – see Ohio R.C. 306.31
- Board of Trustees to manage and conduct affairs – see Ohio R.C. 306.34
- Authority to make contracts – see Ohio R.C. 306.35(B)
- Authority to apply for and accept grants or loans – see Ohio R.C. 306.35(R)
- Powers and Duties – see Ohio R.C. 306.35
- Revenue bonds – see Ohio R.C. 306.37 et seq.
- Bonds secured by trust agreement – see Ohio R.C. 306.38
- General obligation bonds; final judgment bonds; use of proceeds; election; tax levy; anticipatory notes; issuance of obligation without vote – see Ohio R.C. 306.40
- Ten-mill limitation – see Ohio R.C. 5705.02
- Expenditures – see Bylaws Art. VII, Sec. 3
- General Manager and Secretary-Treasurer – see Bylaws, Article II,

Section 8

Finance and Administration Division - see ADM. Ch. 286

Financial policies and procedures; funds - see FIN. Ch. 460

420.01 PURPOSE; SCOPE.

(a) 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.

(b) The debt policies established herein cover the following areas:

- (1) Integration of capital planning and debt financing activities
- (2) Debt limitations
- (3) Restrictions on borrowing
- (4) Types of debt permitted
- (5) Methods of sale
- (6) Use of external finance professionals
- (7) Structuring debt
- (8) Tax-exempt debt
- (9) Retirement of debt
- (10) Investments of debt proceeds
- (11) IRS regulations regarding arbitrage
- (12) Debt refunding
- (13) Follow-up analysis
- (14) Disclosure requirements
- (15) Periodic review and amendment
- (16) Debt service requirements

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14.)

(c) The Authority will analyze all viable financing options for each proposed borrowing. Among other considerations, financing alternatives will be assessed with respect to costs, risk exposure, impact on credit ratings, and impact on financial flexibility of the Authority. The Authority will utilize the type of financing that complies with the Authority's legal authority and is in the best interest of the Authority.

420.02 INTEGRATION OF CAPITAL PLANNING AND DEBT
FINANCING ACTIVITIES.

The Authority produces a 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.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14. Res. 2017-XXX. Passed XX-XX-17.)

420.03 DEBT LIMITATIONS.

(a) In General. The Authority will fully comply with all statutory debt limitations imposed by the Ohio Revised Code, particularly Section 306.40, and those developed by the Board of Trustees.

(b) Commitment and Limitations on Annual Amounts for Debt Service and Capital Contributions. In order to minimize the need for issuing debt and to financially commit to the capital improvement plan, the Authority will adhere to the financial policies prescribed for the transfer of sales tax revenue to the capital improvement fund and the bond retirement fund as it relates to capital projects and debt service payments.

(c) Statutory Limits for General Obligation Debt.

- (1) Ohio R.C. 306.40 limits the principal amount of bonds which are supported by property taxes to five percent of the total assessed valuation of properties within the territory of the Authority. Ohio law provides an exemption from this limitation when the Authority's fiscal officer in connection with each issue of its unvoted general obligation bonds certifies that revenues of the Authority from sources other than property taxes, after paying operation and maintenance expenses of the facilities financed by those bonds and any money required for the payment of any revenue bonds of the authority, would be sufficient to pay the debt service on those bonds.
- (2) Ohio R.C. 306.40, restricts annual principal and interest payments on the Authority's unvoted general obligation bonds in any year to one-tenth of one percent of the total assessed valuation of the properties within Cuyahoga County.

(d) Constitutional Limits for General Obligation Debt.

Article XII, Section 11, of the Ohio 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 Ohio R.C. 5705.02

limits to ten mills (one mill equals one dollar (\$1.00) of tax for each one thousand dollars (\$1,000) of assessed valuation) the amount of taxes that may be levied without a vote of the people.

(e) None of the above debt limitations apply to revenue bonds, which are secured only by a pledge of and a lien on the revenues of the Authority, or to notes issued in anticipation of the collection of current revenues, which notes have a maximum six months' maturity.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14. Res. 2017-XXX. Passed XX-XX-17.)

420.04 RESTRICTIONS ON BORROWING.

(a) 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.

(b) The Authority will pursue all other potential funding sources prior to issuing debt (i.e. Federal and State grant programs).

(c) The Authority will not issue debt for any capital improvement for a term that exceeds the useful life of that improvement.

(d) Debt financing may be used only under the following conditions:

- (1) For major capital projects with a useful life of not less than five years or when the useful life of the project will exceed the term of the debt by a factor of one and one-half.
- (2) When expected future revenues or cost savings are projected to be sufficient to cover principal and interest payments; and in the case of unvoted general obligations, when the certification described in subsection (c) hereof can be made.
- (3) That the amount of total outstanding debt or debt service payments for the Authority shall not exceed statutory limitations.
- (4) When a thorough study has been made of the best debt financing vehicles or structure available.

(Res. 1996-109. Passed 8-20-96. Res. 2011-79. Passed 9-20-11. Res. 2014-060. Passed 7-15-14. Res. 2017-XX Passed XX-XX-17.)

420.05 TYPES OF DEBT PERMITTED.

The Authority will identify and pursue the financing alternatives that best meet the needs of the Authority and that 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.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14.)

420.06 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.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14.)

420.07 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, bond registrars, paying agents, arbitrage calculating agents, trustees, escrow agents, bond insurers or other credit enhancement providers^[DT1]. The time period of these services may be for a specific transaction or for a period of time.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14. Res. 2017-XXX. Passed XX-XX-17.)

420.08 STRUCTURING DEBT.

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

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

(c) 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 may pursue such enhancement, provided that net ^[DT2]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.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14. Res. 2017-XXX. Passed XX-XX-17.)

420.09 TAX-EXEMPT DEBT.

(a) 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.

(b) 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.
(Res. 2014-060. Passed 7-15-14.)

420.10 RETIREMENT OF DEBT.

(a) The Authority will retire all debt on or before the maturity date.

(b) The Authority maintains a segregated bond retirement fund to provide for principal and interest payment on its debt. The "set aside" provisions of Section 460.04(b) (original Resolution 1980-376, passed November 5, 1980, as amended by Resolution 1981-18, passed January 20, 1981 and Resolution 2001-177, passed December 4, 2001) 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.

(c) 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.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14. Res. 2017-XXX. Passed XX-XX-17.)

420.11 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.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14.)

420.12 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, once debt proceeds are depleted to zero. All necessary rebates will be filed and paid when due.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14.)

420.13 DEBT REFUNDING.

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

- (1) Achieve interest rate savings in a favorable interest rate environment;
- (2) Update covenants on outstanding debt which impair efficient operations;
- (3) Restructure the pattern of debt service associated with outstanding bond

issues; and

- (4) Alter bond characteristics, such as call provisions or payment dates, on existing debt.

(b) The Authority will initiate a refinancing for interest rate savings when the present value savings exceed one percent of the par amount of the bonds being analyzed (inclusive of all costs of issuance). Generally, the Authority will execute the refunding once present value savings exceed three percent of the proposed refunded bonds.^[D13]

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14. Res. 2017-XXX. Passed XX-XX-17.)

420.14 FOLLOW-UP ANALYSIS.

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

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14.)

420.15 DISCLOSURE REQUIREMENTS.

The Authority will provide rating agencies, Electronic Municipal Market Access (“EMMA”) and other interested parties with current versions of its Comprehensive Annual Financial Report (“CAFR”) in a timely manner. The Authority will include all information required by its continuing disclosure certificates 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.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14. Res. 2017-XXX. Passed XX-XX-17.)

420.16 PERIODIC REVIEW AND AMENDMENT.

(a) 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.

(b) Amendments or revisions to these debt policies may be initiated or proposed by any member of the Board of Trustees or by the General Manager of the Authority.

(c) 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.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14.)

420.17 DEBT SERVICE REQUIREMENTS.

(a) Definitions. For the purpose of this section, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

- (1) "Debt Service" shall mean the principal of, interest on, and any premium on indebtedness.
- (2) "Indebtedness" shall mean:
 - A. Any general obligation bonds and any notes in anticipation of such bonds issued by the Authority pursuant to Ohio R.C. 306.40, and as provided in Ohio R.C. Chapter 133 without a vote of the electors residing within the territorial boundaries of the Authority;
 - B. Any money borrowed in anticipation of the collection of current revenues, and any notes issued therefor, pursuant to Ohio R.C. 306.49 and as provided in Ohio R.C. 133.30; and
 - C. Any revenue bonds issued by the Authority pursuant to Ohio R.C. 306.37, including sales tax supported bonds issued under Ohio R.C. Chapter 133.
 - D. The term "indebtedness" shall not include:
 1. Any bonds or notes in anticipation of such bonds issued by the Authority pursuant to a vote of the electorate within its territorial boundaries, pursuant to and as provided in Ohio R.C. 306.40 and Ohio R.C. Chapter 133, or
 2. Any notes issued by the Authority, pursuant to Ohio R.C. 306.49 and as provided in Ohio R.C. 5705.193, in anticipation of the collection of the proceeds of a tax levy authorized by a vote of the electors within its territorial boundaries.
 - E. Only the defined indebtedness shall be subject to the procedures set forth herein.

(b) Payment of debt service on the outstanding unvoted general obligation bonds of the Authority is secured by a pledge of all revenues of the Authority, except those specifically limited to another use or prohibited from that use by the Ohio Constitution, state or federal law, or any revenue bond trust agreement entered into by the Authority. While in practice that debt service has been and is paid from the receipts of the Authority's sales and use tax, that debt service is also payable, in the event it is not paid from other sources, from the proceeds of a levy by the Authority of ad valorem taxes within the ten-mill limitation imposed by Ohio law. The Authority may also, with the approval of the voters of the Authority, issue general obligation

bonds secured by a pledge of and the authority to levy and collect ad valorem property taxes that are unlimited as to amount or rate.^[DT4]

(c) Debt Service Schedule. Beginning with any indebtedness incurred after February 1, 1981, and with respect to such indebtedness and any and all indebtedness incurred thereafter, the Secretary-Treasurer of the Authority shall:

- (1) A. Maintain a current schedule (the "Debt Service Schedule") showing:
 1. The amount of outstanding indebtedness;
 2. The form in which such indebtedness has been issued;
 3. The date or dates on which the principal of such indebtedness will mature;
 4. The date or dates on which the interest on such indebtedness will be payable;
 5. The amount of principal or interest due on each of the dates referred to in divisions (1)A.4. and 5. of this section; and
 6. A calculation of the amount that would be required to be set aside, each month in order to accumulate, on the basis of equal monthly installments, an amount sufficient to pay debt service.
- B. With respect to any notes constituting part of the indebtedness, such amount shall include only the amounts that would have to be accumulated each month over the period while such notes will be outstanding in order to pay interest on the notes at maturity or other interest payment date or dates.
- C. With respect to any bonds constituting part of the indebtedness, such amount shall include only the amounts that would have to be accumulated each month to pay interest on each such bond at the next succeeding interest payment date and to pay the portion of the principal of each such bond that is payable at the next succeeding principal payment date.

^[DT5](2) Set aside and deposit in the Bond Retirement Fund maintained by a Trustee selected by the Authority for the benefit of the Authority and the bondholders of the Authority's indebtedness, from the sales and use taxes received each month, an amount equal to the aggregate of the amounts shown in the Debt Service Schedule as required to be set aside that month and to make up for any deficiency in the amounts required to be set aside in previous months, provided that the amount to be deposited in a particular month may be reduced by:

- A. The amount in the Bond Retirement Fund in excess of the amount required to meet the set-aside obligations for the preceding months; and
- B. The amount of interest income received during the month or

estimated to be received in subsequent months from the investment or reinvestment of amounts previously set aside.

- (3) Provide to the Board of Trustees quarterly or more frequently when directed by the Board of Trustees a report on the status of the Bond Retirement Fund, including investments of amounts therein.

(d) Annual Budget. Based on the Debt Service Schedule, provision shall be made in each annual budget of the Authority for the payment of debt service payable in the next succeeding fiscal year.

(Res. 1980-376. Passed 11-5-80; Res. 1981-18. Passed 1-20-81; Res. 2001-177. Passed 12-4-01; Res. 2012-34. Passed 4-17-12. Res. 2017-XXX. Passed XX-XX-17.)

420.18 Recordkeeping

Records relating to the Authority's debt will be kept in accordance with Chapter 216, Public Records. (Res. 2017-XXX. Passed XX-XX-17.)



TITLE/DESCRIPTION: REPEALING CHAPTER 420 OF THE CODIFIED RULES AND REGULATIONS OF THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY AND ENACTING A NEW DEBT POLICIES CHAPTER 420.	Resolution No.: 2017- 120
	Date: December 14, 2017
	Initiator: Legal
ACTION REQUEST: <input checked="" type="checkbox"/> Approval <input type="checkbox"/> Review/Comment <input type="checkbox"/> Information Only <input type="checkbox"/> Other _____	

- 1.0 PURPOSE/SCOPE: This resolution will repeal Chapter 420 and also enact a new Debt Policies chapter of the Codified Rules and Regulations ("Code") of the Greater Cleveland Regional Transit Authority.
- 2.0 DESCRIPTION/JUSTIFICATION: The Policies and Procedures of the Board of Trustees were codified in 1989, pursuant to Resolution 1989-176. The code book has been updated periodically. It is now time for a comprehensive review and update so that the updated Code will conform to the current structure and operations of the Authority.

A new Debt Policies chapter is being enacted to update the policies, and to incorporate language from Chapter 460, Financial Policies, that belongs in Chapter 420. This chapter was reviewed by GCRTA's outside financial advisor and outside bond counsel.
- 3.0 PROCUREMENT BACKGROUND: Does not apply.
- 4.0 AFFIRMATIVE ACTION/DBE BACKGROUND: Does not apply.
- 5.0 POLICY IMPACT: Adoption of the resolution will result in a clear, accurate and current policy.
- 6.0 ECONOMIC IMPACT: Does not apply.
- 7.0 ALTERNATIVES: Not adopting this resolution. Not adopting this resolution would result in the Code remaining out of date.
- 8.0 RECOMMENDATION: It is recommended that this resolution be adopted.
- 9.0 ATTACHMENT: A. Redline of Chapter 420

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



CEO, General Manager/Secretary-Treasurer

CHAPTER 420
Debt Policies

420.01	Purpose; scope.
420.02	Legal authority.
420.03 420.02	Integration of capital planning and debt financing activities.
420.04 420.03	Debt limitations.
420.05 420.04	Restrictions on borrowing.
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CROSS REFERENCES

~~Purchase or operation of buses~~General provisions - see 49 U.S.C.A. 53231602(f)

~~State of good repair grants~~Expenditure of funds in connection with acquisition of buses, bus equipment or bus-related facilities - see 49 U.S.C.A. 53371602(h)

Authority - see Sections 103 and 141-150 (as applicable) of the Internal Revenue Code of 1986, as amended

Limitation on tax rate; ~~exception-exemption~~ - see Ohio Const. Art XII, Sec. 2

Debt limitations - see Ohio Const. Art. XII, Sec. 11. Ohio R.C. 306.40

Sinking fund - see Ohio Const. Art. XII, Sec. 11

Creation of Authority - see Ohio R.C. 306.31

Board of Trustees to manage and conduct affairs - see Ohio R.C. 306.34

Authority to make contracts - see Ohio R.C. 306.35(B)

Authority to apply for and accept grants or loans - see Ohio R.C. 306.35(R)

Powers and Duties - see Ohio R.C. 306.35

Revenue bonds - see Ohio R.C. 306.37 et seq.

Bonds secured by trust agreement - see Ohio R.C. 306.38

General obligation bonds; final judgment bonds; use of proceeds; election; tax levy; anticipatory notes; issuance of obligation without vote - see Ohio R.C. 306.40

Ten-mill limitation – see Ohio R.C. 5705.02

Expenditures - see Bylaws Art. VII, Sec. 3

General Manager and Secretary-Treasurer – see Bylaws, Article II, Section 8

Finance and Administration Division - see ADM. Ch. 286

Financial policies and procedures; funds - see FIN. Ch. 460

420.01 PURPOSE; SCOPE.

(a) 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.

(b) The debt policies established herein cover the following areas:

- (1) Integration of capital planning and debt financing activities
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(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14.)

(c) The Authority will analyze all viable financing options for each proposed borrowing. Among other considerations, financing alternatives will be assessed with respect to costs, risk exposure, impact on credit ratings, and impact on financial flexibility of the Authority. The Authority will utilize the type of financing that complies with the Authority's legal authority and is in the best interest of the Authority.

~~420.02 LEGAL AUTHORITY.~~

~~(a) The legal authority for these debt policies is derived from the following sources:~~

- ~~(1) Ohio R.C. Chapter 306, Regional Transit Authority, and, more specifically, the following sections:
 - ~~A. 306.31 Creation of Authority~~
 - ~~B. 306.34 Board of Trustees to manage and conduct affairs~~
 - ~~C. 306.35 Powers and duties~~
 - ~~D. 306.37 Revenue bonds~~
 - ~~E. 306.38 Bonds secured by trust agreement~~
 - ~~F. 306.40 General obligation bonds; final judgment bonds; use of proceeds; election; tax levy; anticipatory notes; issuance of obligation without vote.~~~~
 - ~~(2) Ohio R.C. 5705.02 Ten mill limitation.~~
 - ~~(3) Ohio Constitution, Article XII, Section 2 Limitation on tax rate; exemption.~~
 - ~~(4) Ohio Constitution, Article XII, Section 11 Sinking fund.~~
 - ~~(5) The Authority's Bylaws, Article II, Section 8 General Manager and Secretary Treasurer.~~
 - ~~(6) Sections 103 and 141-150 of the Internal Revenue Code of 1986, as amended.~~
- ~~(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14.)~~

~~420.03~~420.02 INTEGRATION OF CAPITAL PLANNING AND 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.

~~(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14. Res. 2017-XXX. Passed XX-XX-17.)~~

~~420.04~~420.03 DEBT LIMITATIONS.

(a) In General. The Authority will fully comply with all statutory debt limitations imposed by the Ohio Revised Code, particularly Section 306.40, and those developed by the Board of Trustees.

~~(b) Commitment of Minimum Annual Amount to Capital Projects. 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 ten percent 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.~~

~~(c) Debt Service Contributions and Capital Transfer Limitations. 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 fifteen percent of annual sales tax revenues.~~

(b) Commitment and Limitations on Annual Amounts for Debt Service and Capital Contributions. In order to minimize the need for issuing debt and to financially commit to the capital improvement plan, the Authority will adhere to the financial policies prescribed for the transfer of sales tax revenue to the capital improvement fund and the bond retirement fund as it relates to capital projects and debt service payments.

~~(c) Statutory Limitations for General Obligation Debt. There are three limitations which relate to the Authority's ability to issue debt:~~

- ~~(1) Ohio R.C. 306.40 limits the principal amount of bonds which are supported by property taxes to five percent of the total assessed valuation of properties within the territory of the Authoritythe assessed valuation within the Authority's territory. Ohio law provides an exemption from this limitation when the Authority's fiscal officer in connection with each issue of its unvoted general obligation bonds certifies that revenues of the Authority from sources other than property taxes, after paying operation and maintenance expenses of the facilities financed by those bonds and any money required for the payment of any revenue bonds of the authority, would be sufficient to pay the debt service on those bonds.~~
- ~~(2) The second limitation, which is also contained in Ohio R.C. 306.40, restricts annual principal and interest payments on the Authority's unvoted general obligation bonds in any year to one-tenth of one percent of the total assessed valuation of the properties within Cuyahoga County.~~

~~(3d) Constitutional Limits for General Obligation Debt.~~

~~The third constraint is derived from both the Ohio Constitution and the Ohio Revised Code. Article XII, Section 11, of the Ohio 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 Ohio R.C. 5705.02 limits to ten mills (one mill equals one dollar (\$1.00) of tax for each one thousand dollars (\$1,000) of assessed valuation) the amount of taxes that may be levied without a vote of the people.~~

(e) None of the above debt limitations apply to revenue bonds, which are secured only by a pledge of and a lien on the revenues of the Authority, or to notes issued in anticipation of the collection of current revenues, which notes have a maximum six months' maturity.

[DT1]

~~(e) 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.~~

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14. Res. 2017-XXX. Passed XX-XX-17.)

420.05420.04 RESTRICTIONS ON BORROWING.

(a) 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.

(b) The Authority will pursue all other potential funding sources prior to issuing debt (i.e. Federal and State grant programs).

(c) The Authority will not issue debt for any capital improvement for a term that exceeds the useful life of that improvement.

(d) Debt financing may be used only under the following conditions:

- (1) For major capital projects with a useful life of not less than five years or when the useful life of the project will exceed the term of the debt by a factor of one and one-half.
- (2) When expected future revenues or cost savings are projected to be sufficient to cover principal and interest payments; and in the case of unvoted general obligations, when the certification described in subsection (c) hereof can be made.
- (3) That the amount of total outstanding debt or debt service payments for the Authority shall not exceed statutory limitations.
- (4) When a thorough study has been made of the best debt financing vehicles or structure available.

(Res. 1996-109. Passed 8-20-96; Res. 2011-79. Passed 9-20-11. Res. 2014-060. Passed 7-15-14. Res. 2017-XX Passed XX-XX-17.)

420.06420.05 TYPES OF DEBT PERMITTED.

The Authority will identify and pursue the financing alternatives that best meet the needs of the Authority and that 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.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14.)

420.07 420.06 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.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14.)

420.08 420.07 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 or other credit enhancement providers~~. The time period of these services may be for a specific transaction or for a period of time.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14. Res. 2017-XXX.
Passed XX-XX-17.)

420.09 420.08 STRUCTURING DEBT.

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

(b) Call Provisions. Bond issues may include call features to maximize the Authority's ability to advance, refund or retire the debt early.

(c) 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~~ may pursue such enhancement, provided that ~~net~~ net 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.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14. Res. 2017-XXX.
Passed XX-XX-17.)

420.10 420.09 TAX-EXEMPT DEBT.

(a) 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.

(b) 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.
(Res. 2014-060. Passed 7-15-14.)

~~420.11~~420.10 RETIREMENT OF DEBT.

(a) The Authority will retire all debt on or before the maturity date.

(b) The Authority maintains a segregated bond retirement fund to provide for principal and interest payment on its debt. The "set aside" provisions of Section ~~460.06(c)~~460.04(b) (original Resolution 1980-376, passed November 5, 1980, as amended by Resolution 1981-18, passed January 20, 1981 and Resolution 2001-177, passed December 4, 2001) 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.

(c) 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.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14. Res. 2017-XXX.
Passed XX-XX-17.)

~~420.12~~420.11 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.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14.)

~~420.13~~420.12 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 once debt proceeds are depleted to zero. All necessary rebates will be filed and paid when due.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14.)

~~420.14~~420.13 DEBT REFUNDING.

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

to:

- (1) Achieve interest rate savings in a favorable interest rate environment;
- (2) Update covenants on outstanding debt which impair efficient operations;
- (3) Restructure the pattern of debt service associated with outstanding bond issues; and
- (4) Alter bond characteristics, such as call provisions or payment dates, on existing debt.

(b) The Authority will initiate a refinancing for interest rate savings when the present value savings exceed one percent of the par amount of the ~~outstanding issue~~bonds being analyzed (inclusive of all costs of issuance). Generally, the Authority will execute the refunding once present value savings exceed three percent of the ~~outstanding par~~proposed refunded bonds.^[DT5]

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14. Res. 2017-XXX.
Passed XX-XX-17.)

~~420-15~~420.14 FOLLOW-UP ANALYSIS.

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

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14.)

~~420-16~~420.15 DISCLOSURE REQUIREMENTS.

The Authority will provide rating agencies, ~~national information repositories~~ Electronic Municipal Market Access ("EMMA") and other interested parties with current versions of its ~~Current Comprehensive Annual Financial Report ("CAFR")~~ in a timely manner. The Authority will include all information required by its continuing disclosure certificates ~~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.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14. Res. 2017-XXX.
Passed XX-XX-17.)

~~420-17~~420.16 PERIODIC REVIEW AND AMENDMENT.

(a) 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.

(b) Amendments or revisions to these debt policies may be initiated or proposed by any member of the Board of Trustees or by the General Manager of the Authority.

(c) 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.

(Res. 1996-109. Passed 8-20-96; Res. 2014-060. Passed 7-15-14.)

~~420-18420.17~~ DEBT SERVICE REQUIREMENTS.

(a) Definitions. For the purpose of this section, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

(1) "Debt Service" shall mean the principal of, interest on, and any premium on indebtedness.

(2) "Indebtedness" shall mean:

- A. Any general obligation bonds and any notes in anticipation of such bonds issued by the Authority pursuant to Ohio R.C. 306.40, and as provided in Ohio R.C. Chapter 133 without a vote of the electors residing within the territorial boundaries of the Authority;
- B. Any money borrowed in anticipation of the collection of current revenues, and any notes issued therefor, pursuant to Ohio R.C. 306.49 and as provided in Ohio R.C. 133.30; and
- C. Any revenue bonds issued by the Authority pursuant to Ohio R.C. 306.37, including sales tax supported bonds issued under Ohio R.C. Chapter 133.
- D. The term "indebtedness" shall not include:
 - 1. Any bonds or notes in anticipation of such bonds issued by the Authority pursuant to a vote of the electorate within its territorial boundaries, pursuant to and as provided in Ohio R.C. 306.40 and Ohio R.C. Chapter 133, or
 - 2. Any notes issued by the Authority, pursuant to Ohio R.C. 306.49 and as provided in Ohio R.C. 5705.193, in anticipation of the collection of the proceeds of a tax levy authorized by a vote of the electors within its territorial boundaries.
- E. Only the defined indebtedness shall be subject to the procedures set forth herein.

(b) Payment of debt service on the outstanding unvoted general obligation bonds of the Authority is secured by a pledge of all revenues of the Authority, except those

specifically limited to another use or prohibited from that use by the Ohio Constitution, state or federal law, or any revenue bond trust agreement entered into by the Authority. While in practice that debt service has been and is paid from the receipts of the Authority's sales and use tax, that debt service is also payable, in the event it is not paid from other sources, from the proceeds of a levy by the Authority of ad valorem taxes within the ten-mill limitation imposed by Ohio law. The Authority may also, with the approval of the voters of the Authority, issue general obligation bonds secured by a pledge of and the authority to levy and collect ad valorem property taxes that are unlimited as to amount or rate. [DT6]

(c) Debt Service Schedule. Beginning with any indebtedness incurred after February 1, 1981, and with respect to such indebtedness and any and all indebtedness incurred thereafter, the Secretary-Treasurer of the Authority shall:

- (1) A. Maintain a current schedule (the "Debt Service Schedule") showing:
1. The amount of outstanding indebtedness;
 2. The form in which such indebtedness has been issued;
 3. The date or dates on which the principal of such indebtedness will mature;
 4. The date or dates on which the interest on such indebtedness will be payable;
 5. The amount of principal or interest due on each of the dates referred to in divisions (1)A.4. and 5. of this section; and
 6. A calculation of the amount that would be required to be set aside, each month in order to accumulate, on the basis of equal monthly installments, an amount sufficient to pay debt service.

B. With respect to any notes constituting part of the indebtedness, such amount shall include only the amounts that would have to be accumulated each month over the period while such notes will be outstanding in order to pay interest on the notes at maturity or other interest payment date or dates.

C. With respect to any bonds constituting part of the indebtedness, such amount shall include only the amounts that would have to be accumulated each month to pay interest on each such bond at the next succeeding interest payment date and to pay the portion of the principal of each such bond that is payable at the next succeeding principal payment date.

~~D. In computing the amount of such interest on any such notes or bonds where such interest is to be paid other than on the first day of the month, the amount required to be paid during a period of less than a month shall be prorated on the basis of the remaining number of days in that month.~~ [DT7]

- (2) Set aside and deposit in the Bond Retirement Fund maintained by a Trustee selected by the Authority for the benefit of the Authority and the bondholders of the Authority's indebtedness, from the sales and use taxes received each month, an amount equal to the aggregate of the amounts shown in the Debt Service Schedule as required to be set aside that month and to make up for any deficiency in the amounts required to be set aside in previous months, provided that the amount to be deposited in a particular month may be reduced by:
 - A. The amount in the Bond Retirement Fund in excess of the amount required to meet the set-aside obligations for the preceding months; and
 - B. The amount of interest income received during the month or estimated to be received in subsequent months from the investment or reinvestment of amounts previously set aside.
- (3) Provide to the Board of Trustees quarterly or more frequently when directed by the Board of Trustees a report on the status of the Bond Retirement Fund, including investments of amounts therein.

(ed) Annual Budget. Based on the Debt Service Schedule, provision shall be made in each annual budget of the Authority for the payment of debt service payable in the next succeeding fiscal year.

(Res. 1980-376. Passed 11-5-80; Res. 1981-18. Passed 1-20-81; Res. 2001-177. Passed 12-4-01; Res. 2012-34. Passed 4-17-12. Res. 2017-XXX. Passed XX-XX-17.)

420.18 Recordkeeping

Records relating to the Authority's debt will be kept in accordance with Chapter 216, Public Records. (Res. 2017-XXX. Passed XX-XX-17.)