

RESOLUTION NO. 2021-65

RESOLUTION AUTHORIZING THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY TO PROVIDE FOR THE (I) DEFEASANCE OF CERTAIN OUTSTANDING SALES TAX SUPPORTED BONDS INCLUDING (A) SALES TAX SUPPORTED CAPITAL IMPROVEMENT AND REFUNDING BONDS, SERIES 2012, (B) SALES TAX SUPPORTED CAPITAL IMPROVEMENT AND REFUNDING BONDS, SERIES 2015, (C) SALES TAX SUPPORTED CAPITAL IMPROVEMENT REFUNDING BONDS, SERIES 2016, AND (D) SALES TAX SUPPORTED CAPITAL IMPROVEMENT BONDS, SERIES 2019, FOR A TOTAL AGGREGATE PRINCIPAL AMOUNT OF THE PRIOR BONDS BEING DEFEASED NOT TO EXCEED \$50,000,000, AND WITH THE ESCROW REQUIREMENTS, NOT TO EXCEED A TOTAL AGGREGATE AMOUNT OF \$62,000,000 AND; (II) AUTHORIZING AN ESCROW TRUST AGREEMENT WITH THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.; AND (III) OTHER MATTERS RELATED TO SUCH DEFEASANCE OF THE PRIOR BONDS AS DEFINED BELOW

WHEREAS, at an election held in July, 1975, the electors of the Greater Cleveland Regional Transit Authority (the "Authority") approved a one percent (1.0%) sales and use tax (the "Sales Tax") to be levied by the Authority on all sales of tangible personal property and other transactions subject to sales and use taxes by the State of Ohio (the "State") within the boundaries of the County of Cuyahoga, Ohio (the "County"), which Sales Tax is unlimited in duration but is subject to reduction by a vote of the electors; and

WHEREAS, this Board of Trustees has heretofore determined the necessity of making certain capital improvements to the Authority's transportation system including (i) capital improvements to the University, Mayfield, and Brookpark rail stations and acquiring, constructing, rehabilitating and improving bridges, transit centers, tracks, road stations, buses and bus stops, (ii) rehabilitating Park-N-Rides and (iii) modifying and rehabilitating heavy and light rail systems (collectively, the "Series 2012 Project"); and

WHEREAS, this Board of Trustees has previously authorized and issued \$42,390,000 Greater Cleveland Regional Transit Authority Sales Tax Supported Capital Improvement Bonds, Series 2012, (the "Series 2012 Bonds") dated as of June 7, 2012 for the purpose of financing a portion of the Series 2012 Project; and refunding the Authority's General Obligation (Limited Tax) Capital Improvement and Refunding Bonds, Series 2004 (the "Series 2004 Bonds"), the Secretary-Treasurer of this Authority heretofore certified as to the estimated life of the improvements constituting the Series 2012 Project and the maximum maturity of the Series 2012 Bonds, in connection with the authorizing resolution with respect to the Series 2012 Bonds; and such Series 2012 Bonds are currently outstanding in the principal amount of \$10,500,000; and

WHEREAS, this Board of Trustees has heretofore determined the necessity of making certain capital improvements to the Authority's transportation system including (i) capital improvements to the Brookpark rail station, the Puritas substation, Fairhill substation and the West 65th Street substation and acquiring, constructing, rehabilitating and improving bridges, transit centers, tracks, road stations, buses and bus stops, (ii) equipment acquisition including buses and compressors, (iii) rehabilitating Park-N-Rides and (iv) modifying and rehabilitating heavy and light rail systems (collectively, the "Series 2015 Project"); and

WHEREAS, this Board of Trustees has previously authorized and issued \$51,425,000 Greater Cleveland Regional Transit Authority Sales Tax Supported Capital Improvement and Refunding Bonds, Series 2015, (the "Series 2015 Bonds") dated as of April 16, 2015 for the purpose of financing a portion of the Series 2015 Project and refunding the Authority's General Obligation (Limited Tax) Capital Improvement Bonds, Series 2008A (the "Series 2008A Bonds"), and the Master Tax Exempt Lease/Purchase Agreement dated October 16, 2007, by and between Key Government Finance, Inc. and the Authority, which lease proceeds were issued in the principal amount of \$25,000,000 (the "Series 2007 Lease Obligations") and the Secretary-Treasurer of this Authority heretofore certified as to the estimated life of the improvements constituting the Series 2015 Project and the maximum maturity of the Series 2015 Bonds, in connection with the authorizing resolution with respect to the Series 2015 Bonds; and such Series 2015 Bonds are currently outstanding in the principal amount of \$41,360,000; and

WHEREAS, this Board of Trustees has previously authorized and issued \$15,410,000 Greater Cleveland Regional Transit Authority Sales Tax Supported Capital Improvement Refunding Bonds, Series 2016, (the "Series 2016 Bonds") dated as of May 26, 2016 for the purpose of refunding a portion of the Series 2012 Bonds and such Series 2016 Bonds are currently outstanding in the principal amount of \$15,000,000; and

WHEREAS, this Board of Trustees has heretofore determined the necessity of making certain capital improvements to the Authority's transportation system including (i) capital improvements to Tower City rail station, (ii) acquiring, constructing, rehabilitating and improving bridges, transit centers, tracks, road stations, buses and bus stops, (iii) acquiring railcars, (iv) overhead catenary system and substation upgrades, and (v) modifying and rehabilitating heavy and light rail systems, (collectively, the "Series 2019 Project"); and

WHEREAS, this Board of Trustees has previously authorized and issued \$30,000,000 Greater Cleveland Regional Transit Authority Sales Tax Supported Capital Improvement Bonds, Series 2019, (the "Series 2019 Bonds") dated as of May 7, 2019 for the purpose of financing a portion of the Series 2019 Project and the Secretary-Treasurer of this Authority heretofore certified as to the estimated life of the improvements constituting the Series 2019 Project and the maximum maturity of the Series 2019 Bonds, in connection with the authorizing resolution with respect to the Series 2019 Bonds; and such Series 2019 Bonds are currently outstanding in the principal amount of \$29,095,000; and

WHEREAS, this Board of Trustees desires, if a net present value debt service savings can be obtained, to cash defease with Available Funds (as defined herein) all or a portion of the Series 2012 Bonds, the Series 2015 Bonds, the Series 2016 Bonds and the Series 2019 Bonds (such bonds to be cash defeased are referred to collectively hereinafter as the "Prior Bonds"), which would result in debt service cost savings which will accrue to the benefit of this Authority.

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

SECTION 1. That this Board of Trustees has determined that it is necessary to utilize existing unencumbered general funds of the Authority (the "Available Funds") to be deposited into the Bond Retirement Fund and then to the escrow fund(s) as provided in the Escrow Agreement (as defined herein) in order to (i) contribute such funds into a defeasance escrow to defease the Prior Bonds, and ultimately to redeem the Prior Bonds on or about the respective

Redemption Dates, and (ii) pay reasonable fees and costs associated with such defeasance and redemption.

SECTION 2. That the cash defeasance of the Prior Bonds with Available Funds will enable the Authority, in the judgment of the Secretary-Treasurer, based on the written analysis of PFM Financial Advisors LLC, as financial advisor to the Authority (the "Financial Advisor"), to obtain net present value debt service savings with respect to the Prior Bonds, which net present value debt service savings shall meet the Authority's debt policy threshold. The Prior Bonds shall be called for redemption or retired on the date or dates specified in the Escrow Agreement (as defined herein). The President of the Board of Trustees or his designee, the General Manager, CEO, and the Deputy General Manager of Finance/Secretary-Treasurer of this Authority, independently or in conjunction with one another, are hereby authorized to execute those agreements and certificates deemed necessary by bond counsel to effectuate the defeasance and redemption of the Prior Bonds, and to take such other necessary actions in order to comply with the legal requirements of the Internal Revenue Code of 1986, as amended, (the "Code") as well as the Ohio Revised Code, and any other applicable state or federal rules, regulations, I.R.S. rulings/letters/memoranda and/or legal precedent, in order to effectively and efficiently defease and redeem tax-exempt obligations.

SECTION 3. That the President of the Board of Trustees or his designee, the General Manager, CEO, and the Deputy General Manager of Finance/Secretary-Treasurer of this Authority are hereby authorized without further action of this Board of Trustees to execute and deliver (i) an escrow trust agreement (the "Escrow Agreement") with The Bank of New York Mellon Trust Company, N.A. for its services as escrow trustee (the "Escrow Trustee") for the Prior Bonds; and (ii) any additional documents as shall be deemed necessary or appropriate in the carrying out of the transactions authorized by this Resolution or contemplated by the instruments referred to in this Resolution, in each case in such form as such officer may approve, the execution thereof by such officer to be conclusive evidence of such authorization and approval.

SECTION 4. With respect to the funding of any escrow fund(s) necessary or appropriate in connection with the cash defeasance of the Prior Bonds, the General Manager, CEO, and the Deputy General Manager of Finance/Secretary-Treasurer of this Authority are hereby authorized to take any and all appropriate action for the order and purchase, at the appropriate time, of Escrow Securities such as United States Treasury Obligations, State and Local Government Series ("SLGS"), open market treasuries and similar defeasance obligations for the credit of such escrow fund(s) and to execute the Escrow Agreement with the Escrow Trustee in connection with the cash defeasance of such Prior Bonds with Available Funds. Such Escrow Securities may be in the form or forms recommended in writing by the Financial Advisor and Dinsmore & Shohl LLP. The Financial Advisor (or a subsidiary or related entity of the Financial Advisor), is hereby specifically authorized to (i) procure on behalf of the Authority, at the appropriate time, Escrow Securities such as open market treasuries and similar defeasance obligations for the credit of the escrow fund(s) as provided in the Escrow Agreement, and (ii) execute and file on behalf of the Authority any subscriptions for SLGS, as may be necessary, in order to fund, in part, such escrow fund(s) in connection with the cash defeasance of the Prior Bonds. In addition, the General Manager, CEO and the Deputy General Manager of Finance/Secretary-Treasurer of this Authority are hereby authorized to employ a verification agent with respect to the cash defeasance of the Prior Bonds.

SECTION 5. That it is found and determined that all formal actions of this Board of Trustees concerning and relating to the adoption of this Resolution were adopted in an open meeting of this Board of Trustees, and that all deliberations of this Board of Trustees and of any of its committees that resulted in such formal action, were in meetings open to the public, in compliance with the law, including Section 121.22 of the Revised Code, and in compliance with (H.B.) 197 and (H.B.) 404 which allow public bodies to conduct meetings and hearings virtually/electronically until July 1, 2021.

SECTION 6. That this Resolution shall take effect immediately upon its adoption.

ADOPTED: June 29, 2021



President

ATTEST:



Secretary-Treasurer

CERTIFICATE

I hereby certify that the foregoing is a true and correct copy of a Resolution adopted on the 29th day of June 2021.


Secretary-Treasurer



Greater Cleveland Regional Transit Authority
STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION: AUTHORIZING THE DEFEASANCE OF CERTAIN OUTSTANDING SALES TAX SUPPORTED BONDS	Resolution No.: 2021 -65
	Date: June 24, 2021
	Initiator: Cash Management
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 authorize the defeasance of an amount not to exceed \$62,000,000 of certain outstanding Series 2012, Series 2015, Series 2016 and Series 2019 Sales Tax Supported Bonds (the "Sales Tax Supported Bonds").
- 2.0 DESCRIPTION/JUSTIFICATION: The defeasance of the Sales Tax Supported Bonds will enable the Authority to obtain an expected range of 9%-14% in net present value savings on such bonds.
- 3.0 PROCUREMENT BACKGROUND: The Authority secured the services of an outside bond counsel in 2019 for a period of five years and a financial advisor in 2017 for a period of five years. These professionals will assist the Authority with the defeasance of the Sales Tax Supported Bonds.
- 4.0 DBE/AFFIRMATIVE ACTION BACKGROUND: Does not apply.
- 5.0 POLICY IMPACT: The bonds are being defeased within the constraints of the Greater Cleveland Regional Transit Authority's Financial and Debt Policies. The defeasance of the Sales Tax Supported Bonds for net present value savings is contingent upon favorable market conditions.
- 6.0 ECONOMIC IMPACT: Depending on certain market conditions, the defeasance of the Sales Tax Supported Bonds may result in net present value savings of approximately \$11,500,000.00. The amount of debt service savings realized is dependent on market conditions at the time of the defeasance. Unencumbered general funds will be deposited in the Bond Retirement Fund and then transferred to an escrow account to be used for the defeasance of the Sales Tax Supported Bonds and reasonable fees and costs associated with the transaction.
- 7.0 ALTERNATIVES: Rejection of this resolution will prevent the Authority from taking advantage of the current opportunity to defease the Sales Tax Supported Bonds, resulting in the Authority not realizing a possible debt service savings that the defeasance would provide.
- 8.0 RECOMMENDATION: It is recommended that the resolution be adopted to defease the Sales Tax Supported Bonds for the opportunity to lower the Authority's debt service requirements and realize a net present value savings from past debt issuances.
- 9.0 ATTACHMENTS: None.

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

General Manager, Chief Executive Officer