

ATTACHMENT B

Research Triangle Regional Public Transportation Authority

Triangle Tax District -

Wake Transit Financial Policies and Guidelines



Recommended by Transit Planning Advisory Committee April 25, 2017

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DRAFT FOR RECOMMENDATION

Background

The Triangle Tax District is a special district covering Durham, Orange, and Wake Counties. The Triangle Tax District – Wake Operating Fund (“Wake Operating Fund”) and the Triangle Tax District – Wake Capital Fund (“Wake Capital Fund”) are required to be budgeted and reported as major funds by the Wake Transit Governance Interlocal Agreement (“Wake Transit Governance ILA”). These funds are reported as a blended component unit in the financial statements of the Research Triangle Regional Public Transportation Authority (“GoTriangle”). The Wake Transit Financial Plan Agreement requires that transit plans within the special district are parallel and separate. To that end, 100% of all transit revenues collected on behalf of Durham and Orange Counties will remain solely dedicated and segregated for the benefit of the Durham-Orange Transit Plan. Likewise, all transit revenues collected on behalf of Wake County will be segregated and solely dedicated to fund the Wake Transit Work Plan.

GoTriangle will be responsible for the financial management of the funds received pursuant to the Wake Transit Work Plan. Per the Wake Transit Governance ILA, GoTriangle is required to maintain the following financial policies and guidelines mutually agreed to by the Wake Transit Planning Advisory Committee (“TPAC”). The operating fund includes the allocation of resources for specified operating projects and services to be undertaken by specified project sponsors and also contains the annual administrative budget for the major fund for financing the overhead costs related to Wake Operating and Capital Fund administrative functions.

Section 5.01 of the Wake Transit Governance ILA includes specific duties for GoTriangle as administrator of the tax district related to debt. These include the prohibition of pledging, representing, appropriating, or covenanting to appropriate any portion of Wake County tax revenue or Wake Transit Work Plan revenue to cover any debt service, encumbrances, operating, or other expenses that do not arise from the Wake County Transit Work Plan; requiring approval from the North Carolina Local Government Commission (“LGC”) for all issuances of debt, as required by law; prohibition of creating any security interest in real or personal property unless 100% of the proceeds of the related financing are in support of the Wake Transit Work Plan; disclosure of the governance and financial plan agreements; and review of financing documents and other related requirements as set forth in the Wake Transit Governance ILA.

Wake Operating and Capital Funding Sources

The Wake Operating Fund is dependent upon the voters of Wake County, and the North Carolina General Assembly (through North Carolina General Statutes, “NCGS”) for the most significant revenue streams. Local funds are the ½ Cent Local Option Sales Tax (Article 43 of NCGS 105), a \$3 regional transit authority registration tax, a \$7 vehicle registration tax, and a portion of the tax collected on rental car transactions in Wake County. GoTriangle can neither increase nor decrease the rate of assessment for these revenue sources, whereas a county or municipality may increase or decrease the local ad valorem tax rate to address revenue shortfalls and/or additional operating or project needs. NCGS 105-508.2 and NCGS 105-564 require that the local option sales tax and the \$3 increase in the regional transit authority registration tax not supplant or replace existing funds or other resources for public transportation systems. Accordingly, it is anticipated that any existing funds that are provided for transportation systems which are requested to be funded in the future by the Wake Transit Work Plan would be funded out of revenue received as a result of the County \$7 vehicle registration tax. The Wake Transit Plan also anticipates the receipt of federal and state revenue in the future to support additional operating projects. However, such revenue received from these sources is usually intended for specific operating services and/or capital projects.

The Wake Capital Fund is dependent upon the transfers from the Wake Operating Fund.

The Wake Transit Plan also anticipates the receipt of federal and/or state revenue in the future towards capital projects. If federal and/or state revenue is not achieved, projects will not go forth as contemplated until further modeling is determined to maintain fiscal sustainability to the overall Wake Transit Plan. Debt financing also may be issued in support of capital projects budgeted for in the Wake Capital Fund, within applicable statutory and policy limits. Projects that rely significantly on federal or state funding will not go forth as planned if federal or state funding is not realized; debt funding that supports these projects will not be issued if federal or state funding has not been awarded.

Governance

GoTriangle will adhere to and comply with stated Wake Transit Financial Policies and Guidelines, notwithstanding applicable federal and state statutes and regulations.

If the ongoing financial review indicates that the Wake Transit financial results fail or will likely fail to meet minimum requirements as outlined in the Wake Transit Financial Policies and Guidelines, the TPAC Budget and Finance Subcommittee and the Planning and Prioritization Subcommittee will identify potential alternatives to ensure the fiscal health of the Wake Transit Plan. All modifications to the Wake Transit Work Plan will require recommendation by the TPAC, and approval by CAMPO, and GoTriangle.

Financial Policies

Wake Operating Fund Balance and Liquidity Policy and Guidelines

Purpose: As administrator of the Triangle Tax District, GoTriangle will maintain sound financial practices including minimum fund balance and liquidity requirements.

Fund Balance and Liquidity Policy:

It is the policy of the Triangle Tax District to maintain both minimum fund balance and cash reserve requirements. Based on the funding sources and responsible fiscal management, the Wake Operating Fund will maintain a fund balance to be used as a resource for unexpected, but agreed upon, financial demands and to demonstrate strong liquidity to credit rating agencies as well as federal and state governments. This information will be used to support applications for additional funding towards Wake transit projects, including applications for the issuance of debt, and requesting federal and state grant resources.

- The minimum fund balance for the Wake Operating Fund will be 25% of the subsequent year's adopted sales tax budget in Wake Operating Fund
- A minimum of 90 days unrestricted cash must be maintained in the Wake Operating Fund

The policy should be administered under the following requirements:

- All restricted, committed, assigned, and unassigned fund balance, as defined in Governmental Accounting Standards Board (GASB) Statement 54, may be used in the calculation of the minimum fund balance requirement.
- Funds may only be spent in accordance with the external guidelines and enabling legislation as defined in the Wake Transit Governance ILA.
- Idle funds as defined by NCGS 159-30 will be invested in accordance with applicable North Carolina General Statutes and GoTriangle's investment guidelines, attached as Exhibit A.

Procedures:

The Wake Transit Financial Model for the Wake Operating Fund will include projections of fund balance and annual expenditures. Quarterly reporting will be provided by GoTriangle to the TPAC, CAMPO, which will allow a review of budget compared to actuals for the Wake Operating Fund. Additionally, this quarterly review will ensure that sufficient fund balance will be available at year end to meet the adopted reserve requirement as defined above. The annual Wake Transit Work Plan will include funds allocated, if needed, to maintain the Wake Operating Fund balance. To demonstrate progress and compliance with this Policy, GoTriangle will include a calculation of this liquidity measure within the statistical section of its Comprehensive Annual Financial Report (“CAFR”) and on its quarterly reports.

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Wake Capital Fund Balance Policy and Guidelines

Purpose: As administrator of the Triangle Tax District, GoTriangle will maintain sound financial practices including minimum fund balance requirements.

Capital Fund Balance Policy: It is the policy of the Triangle Tax District to maintain a minimum capital fund balance. Based on the nature of the funding sources and responsible fiscal management, the Wake Capital Fund will maintain a fund balance to act as a resource for capital project funding shortfalls.

- The target fund balance for the Wake Capital Fund will be five percent (5%) of the Wake Transit Work Plan 10-year Capital Improvement Plan (CIP).

The policy should be administered under the following requirements:

- The goal is to reach and maintain a capital fund balance reserve of five percent (5%) of the CIP by June 30, 2021, pending application for Federal Transit Administration full funding grant agreements for major capital projects envisioned in the Wake Transit Plan.
- The five percent (5%) fund balance will be separate and apart from project contingency budgeted as a part of individual projects appropriated in the Wake Capital Fund.
- Idle funds as defined by NCGS 159-30 will be invested in accordance with applicable North Carolina General Statutes and GoTriangle's investment guidelines, attached as Exhibit A.

Procedures:

Projections of the fund balance as a percentage of the Wake Transit Work Plan's CIP will be maintained, demonstrating future compliance with this policy. To demonstrate progress and compliance with this Policy, GoTriangle will include a calculation within the statistical section of its CAFR and on its quarterly reports.

Wake Operating Billing, Payment and Reimbursement Policy and Guidelines

Purpose: As administrator of the Triangle Tax District, GoTriangle will be responsible for the billing, payment, and reimbursement of funds that support approved expenditures as part of the Wake Transit Plan.

Policy: It is the policy of the Wake Operating Fund and the Wake Capital Fund and participating local governments and other entities to maintain strong billing, payment and reimbursement practices.

Guidelines:

- Transit expenditures by the participating local governments and other entities are to be budgeted annually and recommended by the TPAC and adopted by CAMPO and GoTriangle.
- The adopted budget ordinances for the Wake Operating Fund, the Wake Capital Fund, and the capital funding agreements and operating funding agreements with the participating partners are the controlling documents for billing, payments, and reimbursement.
- Dollars appropriated in the Wake Operating Fund will lapse at the end of the year unless encumbered as of June 30, included as provision in the operating ordinance and appropriated in the next fiscal year.
- Dollars appropriated in the Wake Capital Fund are appropriated pursuant to Section 13.2 of NCGS Chapter 159 and therefore do not lapse at the end of the year, and are available for reimbursement requests for the duration of the respective project unless subsequently amended by Board action or project closeout.
- Reimbursement payments made for expenditures in conjunction with appropriations from the Wake Operating Fund and the Wake Capital Fund will be made to the participating local governments and other participants after GoTriangle Finance Department has received a request for reimbursement using the pre-established Wake Transit template and associated required documentation.
- Payments will be made in accordance with the North Carolina Local Government Budget and Fiscal Control Act.

- Submissions for reimbursement may be done as often as is efficient and effective for the local participating entity; however, disbursements from GoTriangle will be no more frequent than on a monthly basis.
- Advance payments may be considered by GoTriangle.
- The request for reimbursement and supporting documentation should be submitted either in writing or by electronic means as specified in the terms of the operating and capital agreements.
- Reimbursement requests will include a signed statement signed by the requesting agency's Finance Officer or designee, stating funds were spent in accordance to the Wake Transit Work Plan and with laws, rules, and regulations, and the request for funds includes items due and payable.
- Projects that involve federal funding agreements may require additional documentation and review that will be incorporated in future operating and capital agreements.

DRAFT FOR RECOMMENDATION

Debt Policy and Guidelines

Purpose: As administrator of the Triangle Tax District, GoTriangle may issue debt to support approved capital projects in the Wake Transit Plan. It is the goal of the TPAC that debt issuances will strive to obtain favorable ratings available for transit financing. The debt policy outlines the requirements and criteria set forth to achieve this goal and to advance the Wake Transit Plan.

Debt Policy:

It is expected that debt will periodically be issued by GoTriangle in support of the Wake Transit Plan under the following requirements:

- Any debt to be issued will be reviewed and recommended by the TPAC, approved CAMPO, and approved and authorized by the GoTriangle Board of Trustees.
- Per North Carolina Law, debt issuances will be approved by the LGC.
- Debt service payments will be made in accordance with the North Carolina Local Government Budget and Fiscal Control Act.
- Any proposed debt issuance will be evaluated using prospective revenue and expenditure amounts, as modeled in the Wake Transit Financial Model, which is mutually agreed to by the TPAC. The Wake Transit Financial Model assumptions will be agreed to annually by the TPAC.

Debt Guidelines:

Debt issuances that are incorporated as part of the financial model will be modeled using the following guidelines:

- It is the goal that all rated debt issued on behalf of approved capital projects in the Wake Transit Plan will obtain a rating no lower than A1 (Moody's) or A+ (S&P/Fitch), and preferably in a double-A category.
- Actions recommended by the TPAC, or adopted by CAMPO or GoTriangle shall not diminish the financial health of the Wake Operating and/or Wake Capital Funds.
- Debt will be issued to ensure sufficient flexibility to meet future obligations outlined in the Wake Transit Plan and to take advantage of opportunities based on market conditions.

- The gross debt service coverage ratio will not go below 3 times (3X) gross operating revenue to annual debt service, excluding short term principal payments.
 - Operating revenue is defined as Wake County tax revenue as stated in Section 2.37 of the Wake Transit Governance ILA, plus additional fare box revenue attributed to services funded by Wake County tax revenue.
- The debt service coverage (i.e., the ability to pay debt service after operations) will not go below 1.25 times (1.25X) annual debt service excluding principal payments on short-term debt.
 - Debt service coverage is defined as Wake County tax revenue, plus additional fare box revenue attributed to services funded by Wake County tax revenue, less the sum of expenses for tax district administration, transit plan administration, and transit operations.
- Upon the full funding of reserves, any cash above 1.00 times (1X) debt service coverage may be used as cash funding for capital projects to provide additional sources of funding for capital projects to minimize debt levels.
- Future bonds issued will conform and adhere to:
 - Additional bonds test contained in bond documents, and
 - Debt service coverage ratios of the Wake Operating Funds and Wake Capital Funds Debt Policies
- Debt burden will be evaluated as total debt outstanding in support of the Wake Transit Work Plan to operating revenues.
 - Operating revenues are defined as Wake County tax revenue, plus additional fare box revenue attributed to services funded by Wake County tax revenue.
 - Net burden will be evaluated as total debt outstanding in support of the Wake Transit Work Plan to operating revenues, less the sum of expenses for tax district administration, transit plan administration, and transit operations.
- A Debt Service Reserve Fund (“DSRF”) will be established for debt issuances where the DSRF creates a lower cost of funds and does not exceed the minimum amount permitted under federal tax law.
- Investment of bond proceeds will be in accordance with all applicable North Carolina statutes and federal tax law.

- Debt will be structured in a manner consistent with the useful life of related projects, not to exceed a final maturity of 30 years. Principal amortization will be level debt service or faster, except for deferrals of principal in connection with construction period financing or short term financing related to future receipt of federal and/or state funds.
- Debt issued in support of the Wake Transit Plan will be authorized under NCGS 160A-20. Alternative debt instruments may be evaluated and utilized subject to recommendation by the TPAC and approval by CAMPO and GoTriangle.
- The amount of debt outstanding at any time will not be more than two times (2X) the collateral pledged. Additional agreements such as construction and acquisition agreements, lease agreements, and transfer of title for assets financed may be executed to support issuance of debt.
- The combined liquidity position of the Wake Capital and Operating Funds shall be a minimum of 180 days unrestricted cash to meet the needs of the Wake Transit Plan.
- Select TPAC members or TPAC subcommittee members will participate in the following:
 - RFP and/or selection process of:
 - Financial Advisor; Investment Consultant for GoTriangle (as necessary)
 - Underwriter(s); Bond Counsel; and any other necessary roles related to GoTriangle debt financing in support of the Wake Transit Plan
 - Providing assistance as needed for guidance associated with debt issuances to include interactions with rating agencies



GoTriangle Investment Guidelines

Exhibit A

3.0 FINANCIAL

3.10 INVESTMENT POLICY & PROCEDURE

3.10.1 Investment Policy

- A. TTA shall remain 100% invested at all times with the exception of moneys held for petty cash or moneys held in a compensating balance account. (100% invested refers to actual investments as well as the use of interest bearing checking accounts).
- B. G.S. 159-30(c) authorizes TTA to invest in obligations of the United States of America or obligations fully guaranteed both as to principal and interest by the United States of America; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust, a money market fund.
- C. Eligible deposits and investments are limited to those restricted by the federal government (refer to the North Carolina Department of the State Treasurer Policies Manual, Cash Management tab, beginning with page 16). The guidelines state that proper diversification of the investment portfolio must be achieved in order to minimize risks brought on by economic and market changes.
- D. Collateralization for deposits shall be in accordance with Title 20, Chapter 7 of the North Carolina Administrative Code (NCAC). All deposits for TTA shall be fully protected through deposit insurance and eligible collateral securities pursuant to 20 NCAC 7. The Financial Reporting Manager shall notify the TTA depository when an account is opened that the moneys deposited are public funds subject to collateralization and shall file a "Public Deposit Status Report" with each depository and the State Treasurer promptly after June 30. The Financial Reporting Manager shall maintain a file of the list of financial institutions using the Pooling Method from the Department of the State Treasurer. There shall be a signed escrow agreement with a third party escrow agent for each Dedicated Method depository that holds uninsured deposits, unless the escrow agent is the Federal Home Loan Bank or the Federal Reserve

Bank. The Financial Reporting Manager shall request and receive timely confirmations of collateral pledged by Dedicated Method institutions. A file of all pledges of collateral and a record of pledged securities per Dedicated Method depository shall be maintained by the Financial Reporting Manager. There shall be no releases or substitutions of collateral securities resulting in a decrease in the market value of securities pledged by Dedicated Method depositories without prior approval by the Chief Financial Officer. The Financial Reporting Manager shall request and receive a statement of collateral pledged from each Dedicated Method institution at least quarterly including the total par and market value of the securities.

- E. The Chief Financial Officer shall be responsible for obtaining custody and providing safekeeping of securities and deposit certificates according to G.S. 159-30(d). All securities purchased by TTA shall be delivered (or book entered) to the Authority's custodian and placed in its custody account in the name of TTA. All such custodial agreements shall be between TTA and the custodian in the name of TTA. Certificates of deposit purchased by TTA shall be delivered to the Financial Reporting Manager.
- F. The Financial Reporting Manager shall ensure proper diversification of the investment portfolio in order to minimize risks brought on by economic and market changes.
- G. Diversification by Financial Institution:
 - 1. No more than 50% of TTA's moneys shall be invested in any obligation that does not bear the full faith and credit of the United States of America.
 - 2. No more than 50% of TTA's total moneys shall be placed with a single financial institution.
 - 3. No more than 25% of the overall portfolio shall be invested in the securities of a single issuer, except for the U.S. Treasury or U.S. backed instruments (i.e. GNMA's)
 - 4. No more than 10% of the portfolio shall be invested in a regular savings account.
 - 5. No more than 10% of the portfolio shall be invested in overnight securities or in highly marketable, short-term securities which can be quickly sold to meet liquidity needs.

H. Diversification by Classes of Securities:

Type of Security	Maximum percentage
U.S. Treasury Certificates, Bonds, Notes, and Bills.	100% of Portfolio
Obligations of U.S. Government-sponsored entities (Instrumentality)	75% of Portfolio
Collateralized Governmental Mortgage Obligations of Government sponsored enterprises (i.e. Freddie Mac or Fannie Mae)	10% of Portfolio
Collateralized Governmental Mortgage Obligations of Ginnie Mae	40% of Portfolio
North Carolina State and Local Bonds	50% of Portfolio
Certificates of Deposit	100% of Portfolio
Commercial papers, Bankers Acceptance	25% of Portfolio
NCCMT Certified Mutual Funds	100% of Portfolio
Repurchase Agreement	As required for overnight cash flow, or 25%
Ginnie Mae Pools	50% of Portfolio

I. Maturities Schedule:

1. Short Term Portfolio: No less than \$500,000 of the total investment portfolio shall mature within seven days. No less than 25% of the portfolio shall mature in 90 days.
2. Intermediate Term Portfolio: the average maturity of the portfolio shall not exceed five years.
3. Long Term Portfolio: The average maturities of this portfolio shall not exceed twenty years. Any exceptions must be approved by the Chief Financial Officer. Reasons for exceptions may include anticipated higher market yields.

Note: The North Carolina Capital Management Trust (NCCMT) maintains this level of diversification for issuers and industries; therefore, a unit of government's investment with the NCCMT would not be subject to these limits.

J. The Financial Reporting Manager shall constantly monitor the investment portfolio and make adjustments as necessary.

- K. The Financial Reporting Manager shall review daily the cash position of TTA and decide what moneys can be deposited or invested for certain periods of time. If any deposits or investments are to be made, the Financial Reporting Manager will make this determination and then institute a bidding process for TTA's moneys as follows:
1. For eligible investment vehicles, the Financial Reporting Manager shall solicit offers from an approved list of financial institutions and broker/dealers. The Financial Reporting Manager shall review the various offers and determine the appropriate investment vehicle, considering such factors as the safety of the investment, the rate, and the maturity. All interest rates shall be quoted on a discount basis. For securities purchased by TTA, the Financial Reporting Manager shall instruct the seller that securities are to be delivered to TTA's escrow agent, who will disburse moneys. The Financial Reporting Manager will be responsible for notifying the financial institution that placed the highest bid.
 2. Wire transfers, both incoming and outgoing, shall be handled by an individual other than the person receiving the telephone quotes (usually the Chief Financial Officer). Wires will be processed by the institution's deadline with written confirmation forwarded the next business day. These confirmations will be documented by the Financial Reporting Manager and delivered to the Chief Financial Officer for review.
 3. An individual shall be assigned by the Chief Financial Officer to monitor the safekeeping of securities, both owned by TTA and pledged for TTA's deposit. Once securities are escrowed, this individual shall receive timely written confirmations from the safekeeping agent acknowledging delivery of the specified securities. These confirmations shall be recorded and forwarded to the Chief Financial Officer for review.

3.10.2 Investment Procedure

- A. The Chief Financial Officer determines moneys available for investment, usually in the form of excess cash either in the checking account or in the North Carolina Capital Management Trust, or proceeds from the maturity of a security. The Financial Reporting Manager calls approved financial institutions and gets quotes on desired securities. Quotes with pertinent information such as CUSIP number, coupon rate, maturity value, etc. are faxed to the Financial Reporting Manager. The Financial

Reporting Manager submits these quotes to the Chief Financial Officer for review.

- B. The Chief Financial Officer evaluates the purchase options and yields, and checks to see if they are in accordance with the desired portfolio mix as specified in the policy above. Securities are typically purchased by TTA in blocks of \$500,000 and \$1,000,000.
- C. When a decision has been made on the purchase, the Financial Reporting Manager calls the financial institution to purchase the instrument at the quoted price. A total cost of the purchase is obtained which, if relevant, will include accrued interest paid to the previous holder. Also at this time, arrangements are made for the settlement date of the purchase. The financial institution executes the electronic purchase and delivers the certificates to TTA's custodial bank where they are held in trust.
- D. If funds are not readily available in the money market account with the custodial trust for settlement then the Financial Reporting Manager must wire funds from another TTA account (i.e. the checking account or the general investment account held with the North Carolina Capital Management Trust). Funds must be wired from the North Carolina Capital Management Trust by 12:00 noon and from the financial institution by 4:00 p.m. This transaction is documented on a wire transfer form [see Exhibit 3-C], which is also used as the source to record the journal entry to the general ledger.
- E. The Financial Reporting Manager notifies, by telephone, the custodian's trust department that a security has been purchased and gives them the total cost, settlement date, date that funds will arrive (if applicable), and identifies the sender of the funds. The contact at the trust department calls their operation center to advise of the incoming wire.
- F. The Financial Reporting Manager prepares a letter to the trust operations department for notification of the purchase. The letter is first faxed and later mailed. One copy is sent to the contact at the trust department and one copy is retained for file purposes and for support documentation for the wire transfer.
- G. A confirmation is sent to the Financial Reporting Manager by the financial institution from which the security was purchased and is retained in TTA's file. The custodian's month-end statement will reflect the purchase transaction.

- H. An investment schedule is maintained by the Financial Reporting Manager, which depicts the cash and investment portfolio, along with expected income and other pertinent information (i.e. maturity date, CUSIP numbers, etc.) This schedule is used to record the interest accruals to the general ledger and to reconcile to the general ledger.

- I. A semi-annual report, entitled Report of Cash & Investments [see Exhibit 3-D], is filed in January and July to report the investment portfolio and market values to the NC Local Government Commission for compliance purposes. The Financial Reporting Manager is responsible for completing and filing this form. The form is reviewed and signed by the Chief Financial Officer.