



Wake County Transit Planning Advisory Committee

TPAC Budget and Finance Subcommittee

April 12, 2017

The adopted Wake Transit Plan included several key metrics and targets given the transit plan's focus on capital as well as significantly increasing local bus service. Section 5.01 of the Transit Interlocal Agreement requires GoTriangle to maintain adequate operating fund balance and capital fund balance in the Wake Transit major operating and capital funds per debt and capital policies and guidelines mutually agreed to by the TPAC. Accordingly, the TPAC Budget and Finance Subcommittee's January – March work plan included the formalization of financial policies to guide annual Wake Transit Work Plans and the long-term financial planning model.

The attached draft policies, which include background, guidelines, and procedures, cover three areas:

- Operating Fund Balance and Liquidity
- Capital Fund Balance and Liquidity
- Debt Policies and Guidelines

The policies are not fundamentally different than the benchmarks used in presentations made to the Transit Advisory Committee while the Wake Transit Plan was being developed nor are they significantly different than the metrics and guidelines discussed in the Adopted Wake Transit Plan.

Also attached is a Billing, Payment, and Reimbursement Policy with a corresponding sample template. While it is envisioned that the operating and capital agreements will have detail language concerning billing and payment provisions regarding specific appropriations in the FY 2018 Wake Transit Work Plan, it is proposed that this policy and template serve as the overarching approach regarding the flow of funds between the tax district and agencies receiving Wake County Tax Revenue and Wake Transit Plan Revenue.

A powerpoint with additional information will be presented at the April 12, 2017 TPAC meeting. The goal of releasing the policies at the April 12th TPAC meeting is to allow for sufficient discussion, review, and any changes such that the policies may be recommended by TPAC on April 25, 2017 in conjunction with the FY 2018 Wake County Transit Work Plan.

Triangle Tax District – Wake Operating and Wake Capital Funds Debt Policies and Guidelines

Background

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. The Triangle Tax District is a special district covering Durham, Orange, and Wake Counties. The Wake Transit Financial Plan Agreement requires that transit plans within the special district are parallel and separate. To that end, 100 percent 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. Section 5.01 of the Wake Transit Governance Interlocal Agreement also 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 percent 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 Interlocal Agreement.

Funding Sources

Wake Operating and Wake Capital Funds are dependent upon the voters of Wake County, and the North Carolina General Assembly (through the 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 cannot increase the assessment of these fees, as a county or municipality may increase the local ad valorem tax rate to address revenue shortfalls. It is the intent that a portion of these revenues will be used to pay debt service.

The Wake Transit Plan also anticipates the receipt of federal and/or state financial revenue in the future towards additional operating and capital projects. 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.

Debt Policy

It is expected that debt will periodically be issued by GoTriangle in support of the Wake Transit Plan. Any debt to be issued will be reviewed and recommended by the Wake Transit Plan Advisory Committee (TPAC), approved by the Capital Area Metropolitan Planning Organization (CAMPO), and approved and authorized by the GoTriangle Board of Trustees. Subsequently, 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.

Proposed debt issues 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 intent that all rated debt issued on behalf of 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 envisioned 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 three times 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 Interlocal Agreement, plus additional farebox 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 annual debt service excluding principal payments on short-term debt. This is defined as Wake County tax revenue, plus additional farebox 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. It is the intent that cash above a debt service coverage ratio in excess of 1.00, with full funding of reserves, will be used for cash funding of capital projects.

Bonds issued under future additional bond tests contained in bond documents will conform with Triangle Tax District – Wake Operating and Wake Capital Funds Debt Policies, including adherence to debt service coverage ratios.

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 farebox 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.

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.

It is anticipated that 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 will not be more than two times 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 fund balances of the Triangle Tax District – Wake Operating and Wake Capital Funds shall have a liquidity position that the rating agencies deem is adequate to meet the Wake Transit Work Plan's needs and challenges. Therefore, the combined liquidity position shall be a minimum of 180 days unrestricted cash maintained when unrestricted cash is added together in the Triangle Tax District Wake Operating and Wake Capital Funds.

Triangle Tax District – Wake Capital Fund Balance Policy

Background

The Triangle Tax District – Wake Capital Fund (“Wake Capital Fund”) is to be budgeted and reported as a major fund per the Wake Transit Governance Interlocal Agreement. It is reported as a blended component unit in the financial statements of the Research Triangle Regional Public Transportation Authority (“GoTriangle”). GoTriangle will be responsible for the financial management of the funds received pursuant to the Wake Transit Work Plan. The Wake Transit Governance Interlocal Agreement requires GoTriangle to maintain capital fund balances per the policies and guidelines mutually agreed to by the Wake Transit Planning Advisory Committee (TPAC). The Wake Capital Fund allocates resources to specific project sponsors for specific projects. Appropriations are made pursuant to Section 13.2 of the North Carolina General Statutes, Chapter 159 and budgeted to projects, programs, or implementation elements in a multi-year major fund such that funding does not revert to available capital fund balance at the end of the fiscal year.

Funding Sources

The Wake Capital Fund is dependent upon the transfers from the Triangle Tax District – 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 will be issued in support of capital projects budgeted for in the Wake Capital Fund, within applicable statutory and policy limits.

Fund Balance Policy

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 fund balance reserve will be built up over a period of several years in annually adopted Wake Transit Work Plans. The five percent fund balance will be separate and apart from project contingency budgeted as a part of individual projects appropriated in the Wake Capital Fund.

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. The actual fund balance reported in the GoTriangle Comprehensive Annual Financial Report (CAFR) will be used to determine historical compliance. The amount designated for fund balance reserve purposes will be compared to the total spending expected in the CIP. A schedule showing the calculation will be included in the Statistical Section of the GoTriangle CAFR.

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.

GoTriangle management and staff will provide financial report information to the TPAC on a quarterly basis. The GoTriangle CAFR will serve as the final report for the fiscal year.

As it remains a sound fiscal policy to invest idle cash in interest bearing deposits, the idle cash held for liquidity purposes will be invested in accordance with applicable North Carolina General Statutes and GoTriangle's investment guidelines.

Triangle Tax District – Wake Operating Fund, Fund Balance and Liquidity Policy

Background

The Triangle Tax District – Wake Operating Fund (“Wake Operating Fund”) is to be budgeted and reported as a major fund per the Wake Transit Governance Interlocal Agreement. It is reported as a blended component unit in the financial statements of the Research Triangle Regional Public Transportation Authority (“GoTriangle”). GoTriangle will be responsible for the financial management of the funds received pursuant to the Wake Transit Work Plan. Per the Wake Transit Governance Interlocal Agreement, GoTriangle is required to maintain operating fund balances per the 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 Triangle Tax District Wake Operating and Capital Fund administrative functions.

Funding Sources

The Triangle Tax District – 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 cannot 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. N.C.G.S 105-508.2 and N.C.G.S 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 that in the future are requested to be funded 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.

Fund Balance and Liquidity Policy

Sound financial policies establish a foundation for fiscal strength for the Wake Operating Fund. 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 and the federal and state government. 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 percent of the Fund's annual operating expenditures for the subsequent year's adopted budget. For liquidity purposes, a minimum of 90 days unrestricted cash must be maintained in the Wake Operating Fund.

All restricted, committed, assigned, and unassigned fund balance (as defined in Governmental Accounting Standards Board (GASB) Statement 54) will be used in the calculation of the above ratio. Because the funding sources are created and authorized by bodies external to the Wake Operating Fund, the funds only may be spent in accordance with the external guidelines and enabling legislation. As a public authority, these restrictions on funding sources are typical and do not interfere with the Authority's goal of high-quality, convenient public transportation for Wake County.

Funds in the Wake Operating Fund will be invested according to GoTriangle's written investment policy.

Procedures

The Wake Transit Financial Model will include projections of the fund balance for the Wake Operating Fund against projected annual expenditures. Quarterly reporting will be provided to the TPAC, Capital Area Municipal Planning Organization (CAMPO), and GoTriangle, 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 liquidity standard as defined above. The annual Wake Transit Work Plan will include funds allocated, if needed, to maintain the Wake Operating Fund 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 and on its quarterly reports.

If the ongoing financial review indicates that the expected fund balance will fail to meet the minimum percentage, the TPAC Budget and Finance Subcommittee and the Planning and Prioritization Subcommittee will identify potential alternatives to ensure the Wake Operating Fund fund balance is restored to the appropriate amount in order to maintain a

25 percent minimum fund balance of the Fund's expenditures. All modifications will require subsequent action by the TPAC, CAMPO, and GoTriangle.

TPAC Draft 4.12.17

Triangle Tax District – Wake Operating and Wake Capital. Payment and Reimbursement Policy and Guidelines

Annual Payments, Operational Reimbursements, and Capital Outlay Payments

The following policies will apply to both the Triangle Tax District – Wake Operating Fund (“Wake Operating Fund”) and Triangle Tax District – Wake Capital Fund (“Wake Capital Fund”).

Transit expenditures by the participating local governments and other entities are to be budgeted annually and recommended by the Wake Transit Planning Advisory Committee (TPAC) and adopted by the Capital Area Metropolitan Planning Organization (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 North Carolina General Statute 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 Triangle 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 will be considered.

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 sworn 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.

Wake Transit Work Plan Reimbursement Request **SAMPLE**

AGENCY: City of Raleigh

SUBMISSION DATE: October 1, 2017

Name	Work Plan Item	Accounting Code	GoTriangle Accounting Code	Wake Transit Work Plan Authorized Appropriation	Amount Spent To Date, by Raleigh	Amount Reimbursed To Date, by GoTriangle	Amount Requested, by Raleigh	Appropriation Remaining
WAKE OPERATING								
TAX DISTRICT ADMINISTRATION								
Salaries and Benefits								
Contracted Services								
TRANSIT PLAN ADMINISTRATION								
Salaries and Benefits		GoRaleigh Transit Planner		95,000.00	15,832.00	7,916.00	7,916.00	79,168.00
Contracted Services		Downtown Operations Study		875,000.00	20,000.00	5,000.00	15,000.00	855,000.00
Technology				-	-	-	-	-
Insurance				-	-	-	-	-
Printing and Publications				-	-	-	-	-
Other				-	-	-	-	-
TRANSIT OPERATIONS		Sunday Service Spans		1,274,790.00	212,465.00	106,232.50	106,232.50	1,062,325.00
TRANSIT OPERATIONS		7 South Saunders		193,875.00	32,312.50	16,156.25	16,156.25	161,562.50
TOTALS - WAKE OPERATING				2,438,665.00	280,609.50	135,304.75	145,304.75	2,158,055.50
WAKE CAPITAL								
CAPITAL PLANNING								
BUS INFRASTRUCTURE		Poole Road Park and Ride Facility		1,140,000.00	-	-	-	1,140,000.00
BUS AQUISION		GoRaleigh Bus Purchases		8,000,000.00	-	-	-	8,000,000.00
TOTALS - WAKE CAPITAL				9,140,000.00	-	-	-	9,140,000.00
TOTALS FOR OPERATING & CAPITAL				\$ 11,578,665.00	\$ 280,609.50	\$ 135,304.75	\$ 145,304.75	\$ 11,298,055.50

We hereby certify that to the best of our knowledge and belief, that this statement of balance and expenditures from the Triangle Tax District Wake Operating and/or Capital Fund is correct and that the expenditures are in accordance with the laws and the rules and regulations as outlined in the Wake Transit Master Participation Agreement, Wake Transit Governance Agreement, and Wake Transit Financial Plan Agreement. This request for funds includes only items due and payable per the terms and conditions of the FY 2018 Transit Operations and/or Capital Agreements between the City of Raleigh and GoTriangle, as administrator of the Triangle Tax District. The City's expenditures funded from the Triangle Tax District Wake Operating and/or Capital Funds are reconciled quarterly to the Triangle Tax District's ledger and the City is in compliance with reporting requirements outlined in any and all applicable FY 2018 Transit Operating and Capital Agreements. Supporting documentation for all expenditures is maintained on file at the City of Raleigh and is available upon request.