

**Triangle Tax District**

**Orange County – Transit**

**Financial Policies and Guidelines**

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## Orange 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 Orange Operating Fund will maintain a fund balance to be used as a resource for expected and 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 Orange County Transit projects, including applications for the issuance of debt, and request federal and state grant resources.

A minimum of 90 days unrestricted cash must be maintained in the Orange Operating Fund

Cash is defined as 'on-deposit' in the bank account.

The policy should be administered under the following requirements:

All restricted, committed, assigned and unassigned fund balance, as defined in Governmental Account 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 Article II of the Orange County Transit Governance ILA.

Idle funds as defined in N.C.G.S. 159-30 will be invested in accordance with applicable North Carolina General Statutes and GoTriangle's investment guidelines.

### Procedures:

The Orange County Transit Financial Model for the Orange Operating Fund will include projections of fund balance and annual expenditures. Annual reporting will be provided by GoTriangle to the SWG, Orange County Board of Commissioners, DCHC MPO Policy Board and GoTriangle Board of Trustees, which will allow a review of budget compared to actuals for the Orange Operating Fund. Additionally, this annual review will ensure that sufficient fund balance will be available at year end to meet the adopted reserve requirement as defined above. The Orange County Transit Annual Work Program will include funds allocated, if needed, to maintain the Orange Operating Fund balance to meet financial policy guidelines. To demonstrate progress and compliance with this policy, GoTriangle will include a calculation of this liquidity measure within the statistical section of its Annual Comprehensive Financial Report ("ACFR").

## Orange 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

Orange Capital Fund will maintain a fund balance to act as a resource for capital project funding shortfalls.

The target fund balance for the Orange Capital Fund will be five percent (5%) of a 10-year rolling horizon timeframe to further inform the Orange County Transit Multi-Year Vision Plan's Capital Improvement Plan (CIP).

The policy should be administered under the following requirements:

The five percent (5%) fund balance will be separate and apart from project contingency budgeted as a part of individual projects appropriated in the Orange Capital Fund.

Idle funds as defined by N.C.G.S. 159-30 will be invested in accordance with applicable North Carolina General Statutes and GoTriangle's investment guidelines.

Procedures:

Projections of the fund balance as a percentage of the Orange County Transit Annual Work Program'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 ACFR.

## Orange County Transit 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 Orange County Transit Multi-Year Vision Plan.

**Policy:** It is the policy of the Orange Operating Fund and the Orange 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 SWG and adopted by the Orange County Board of Commissioners and GoTriangle Board of Trustees.

The adopted budget ordinances for the Orange Operating Fund, the Orange Capital Fund, and the operating/capital funding agreements with the participating partners are the controlling documents for billing, payments, and reimbursement.

Dollars appropriated in the Orange Capital Fund are appropriated pursuant to Section 13.2 of N.C.G.S. 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 Orange Operating Fund and the Orange 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 Orange County Transit template and associated required documentation.

GoTriangle's reimbursement requests will be paid following review by the Staff Working Group Administrator. All other reimbursement requests will be reviewed by GoTriangle. Upon approval, GoTriangle will send payment to all parties.

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 are recommended to be completed quarterly but will be no more frequent than on a monthly basis.

Advance payments and/or establishment of a working capital fund for specific circumstances 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 statement signed by the requesting agency's Finance Officer or designee, stating funds were spent in accordance with the Orange County Transit's Annual Work Program and associated 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 project agreements.

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## Debt Policy and Guidelines

Purpose: As administrator of the Triangle Tax District, GoTriangle may issue debt to support approved capital projects in the Orange County Transit Multi-Year Vision Plan. It is the goal of the SWG 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 Orange County Transit Multi-Year Vision Plan.

### Debt Policy:

It is expected that debt will periodically be issued by GoTriangle in support of the Orange County Transit Multi-Year Vision Plan under the following requirements:

Any debt to be issued will be reviewed and recommended by the SWG, approved by the Orange County Board of Commissioners, and approved and authorized by the GoTriangle Special Tax Board (pursuant to N.C.G.S. 160A-167).

Per North Carolina Law, debt issuances will be approved by the Local Government Commission.

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 expenditure amounts, as modeled in the Orange County Transit Financial Model, which is mutually agreed to by the SWG. The Orange Transit Financial Model assumptions will be agreed to annually by the SWG through coordination efforts defined in the Governance ILA.

### 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 Orange County Transit Multi-Year Vision Plan will obtain a rating no lower than A1 (Moody's) or A+ (S&P/Fitch) and preferable in a double-A category.

Actions recommended by the SWG, or adopted by the Orange County Board of Commissioners and GoTriangle Board of Trustees shall not diminish the financial health of Orange Operating and/or Orange Capital Funds.

Debt will be issued to ensure sufficient flexibility to meet future obligations outlined in the Orange County Transit Multi-Year Vision Plan and to take advantage of opportunities based on market conditions.

The gross debt service coverage ratio will not go below 2 times (2X) gross revenue to annual debt service, excluding short-term principal payments.

Gross revenue is defined as Orange County Locally Dedicated Transit Funding Sources as stated in Section 2 of the Orange County Transit Governance ILA, plus additional farebox revenue attributed to services funded by Orange County Locally Dedicated Transit Funding Sources plus any federal funds received.

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 Orange County Locally Dedicated Transit Funding Sources, plus additional fare box revenue attributed to services funded by Orange County Locally Dedicated Transit Funding sources plus and federal funds received, less the sum of expenses for tax district administration, and transit operations.

Upon the full funding of reserves, any cash that maintains the Orange Transit plan in accordance with above mentioned rules 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 Orange Operating Funds and Orange Capital Funds Debt Policies

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 35 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 Orange County Transit Multi-Year Vision Plan will be authorized under N.C.G.S. 160A-20. Alternative debt instruments may be evaluated and utilized subject to recommendation by the SWG and approved by the Orange County Board of Commissioners and GoTriangle Board of Trustees.

The combined liquidity position of the Orange Capital and Operating Funds shall be a minimum of 180 days unrestricted cash to meet the needs of the Orange County Transit Multi-Year Vision Plan.

If a project sponsor seeks repayment for debt issued outside of the Orange County Transit Multi-Year Vision Plan it will be paid after all debt service and operating expenses of the plan have been paid and will subordinate to as debt issued by Tax District Administration. Debt payments reimbursed to the project sponsor will be identified as a yearly capital project and included in all Capital Improvement programs (CIP) upon initial approval.

Select SWG members of SWG subcommittee members (if/when applicable) 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 Orange County Transit Multi-Year Vision Plan

Providing assistance as needed for guidance associated with debt issuances to include interactions with rating agencies.

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## Increased Cost of Existing Services (ICES)

**UPDATE Spring 2023 – Parties and Implementation Partners will refer to legacy language from prior Transit Governance ILA to define how operators can seek funding to support increased cost of services. This language is shown below.**

The Orange County Transit Multi-Year Vision Plan (Plan) provides that all funding for bus services will be appropriated based on the supporting financial plan/model to Chapel Hill Transit (CHT), GoTriangle, and Orange Public Transit (OPT). The use of these bus service funds shall be limited to the support of new bus services above and beyond the existing transit system services in place at the time of the adoption of the local option ½ cent sales tax in November of 2012. However, CHT and OPT may use a portion of the bus service funds provided in the Plan to pay for the increased cost of existing services during the duration of this Agreement in the manner described below.

The “CHT Share” shall be a percentage derived by dividing the CHT local expenditures for bus services each year by the total of local expenditures for bus services by both CHT and OPT in that year. The “OPT Share” shall be a percentage derived by dividing the OPT local expenditures for bus services each year by the total of local expenditures for bus services by both CHT and OPT in that year. The respective CHT and OPT local expenditures for bus services in any year shall be based initially upon the audited financial statements for the fiscal year ending June 30, 2011. Local bus services expenditures shall include assigned overhead without any consideration of federal or state financial assistance. The determination of the CHT Share and OPT Share will be made each year thereafter based upon the most recent audited annual local expenditures for bus service by both.

CHT may use a portion of the bus services funds provided in the Plan up to a maximum amount that equals the CHT Share percentage of the prior year total receipts from the Orange County local vehicle registration fee of \$7.00 permitted by Article 52 of NCGS 105. OPT may use a portion of the bus services funds provided in the Plan up to a maximum amount that equals the OPT Share percentage of the prior year total receipts from the Orange County local vehicle registration fee of \$7.00 permitted by Article 62 of NCGS 105.

**The suggested scenario/formula below is drafted for future consideration by parties and implementation partners upon the next deliberation of the Multi-Year Transit Vision Plan.**

Purpose: Transit operators in Orange County are able to use one Locally Dedicated Transit Funding Source (the County Vehicle Registration Tax, pursuant to N.C.G.S. 105-570, which is levied at \$7.00 per year) to supplement projected increased costs of existing, or baseline, services that were in operation prior to the passage of the County’s ½ cent sales tax dedicated to public transportation investment.

ICES Policy: An equitable formula is to be used in determining annual allocations of available funds from the projects County Vehicle Registration Tax for each fiscal year to all operators providing services within Orange County (Chapel Hill Transit, Orange Public Transit & GoTriangle).

Variables include:

- Total Revenue Service Hours for Fixed Route Bus Services, per provider, at the end of FY2013
- Total Expenditures for Fixed Route Bus Services, per provider, at the end of FY2013
- Average annual historical cost escalation rate, per provider, from FY2013 to current fiscal year

- Mutually agreed upon cost escalation rate for upcoming fiscal year

Step one: Calculate ratio of Fixed Route Bus Revenue Service Hours operated by each agency in Orange County at the end of FY2013.

NOTE: GoTriangle will need to account for estimated number of hours of revenue service and associated costs operated ONLY within Orange County at end of FY2013.

Step two: Apply the ratio of each operator's revenue service hours to the upcoming fiscal year's County Vehicle Registration Tax projected amount. These three individual ratios will be applied in Step five.

Step three: calculate the estimated increased cost of services from FY2013 by escalating Total Expenditures for Fixed Route Bus Services, per provider, at the end of FY2013 (see NOTE for GoTriangle above) using the average annual historical cost escalation rate, per provider, from FY2013 to current fiscal year.

Step four: Through agency coordination, a mutually agreed upon escalation rate will be used to calculate the upcoming fiscal year's projected costs for the continuation of baseline services from FY2013.

Step five: Apply the ratios realized in Step two to each operator's projected costs calculated in Step four. This will indicate level of funding needed to support those FY2013 baseline services and associated increased cost of those services in the upcoming fiscal year.

IF the sum of ICES calculated for the upcoming fiscal year for each agency in step five is greater than the available amount of funding projected to be available from the County Vehicle Registration Tax funding source, then each agency and its governing jurisdiction are responsible for funding for the balance from other local funding sources not already dedicated to supporting local public transportation investments.

If the sum of ICES calculated for the upcoming fiscal year for each agency in step five is less than the available amount of funding projected to be available from the County Vehicle Registration Tax funding source, then the SWG will advise the Tax District and associated governing bodies on appropriate allocation into reserves.

## Carryover Policy

### Capital

- Orange County Tax District will work towards development and maintaining a capital reserve fund
- Capital project allocations as defined by the transit plan will be reserved and can be drawn on throughout the life of the project as per annual work plan programming
- Capital reserve fund dollars appropriated within the annual programming are available for reimbursement requests for the duration of each project unless subsequently amended by Board action or until project closeout.
  - Upon project closeout, any leftover funds (surplus) will be released and made available for future capital projects upon recommendation from the Orange County Staff Working Group.

### Operating

- Dollars appropriated in the operating fund will lapse at the end of the year as of June 30
- Any unutilized operating funds will be returned to the operating fund balance for future programming

## Bus Operating Cost Per Hour Policy

Transit agencies will be reimbursed for the following cost categories:

- Operations
- Fuel
- Maintenance
- Supervision of operators, safety, and maintenance staff

No overhead may be charged to the Tax District as part of bus service operations including service planning, financial management, management of contracts with operators or interlocal agreements, capital purchases, leasing of facilities, non-operations facility maintenance, etc. Those costs may be requested and paid for through other Transit Plan projects subject to approval of the Transit Plan and Annual Work Program.

The approval of the annual work program will include an estimated cost per hour for each agency. This cost per hour should be consistent with the transit agency's overall cost per hour paid through other funding sources. As such, the Transit Plan and local funding growth rates should be consistent when controlling for any new or expanded services. If any agency requests an increase that exceeds 2.5% compared to the previous year's Work Plan, transit agencies will be encouraged to submit a second quarter amendment that will include documentation to the Staff Working Group to verify their budgets meet this policy and be included as part of the recommendation of the amendment request. If the increase is recommended by the Staff Working Group, the revised cost per hour will be the starting point plus 2.5% increase for the following years cost per hour.

Reimbursements will be made based on the estimated cost per hour for quarters 1, 2, and 3. Quarter 4 will include a reconciliation based on the actual annual cost per hour. Transit agencies are expected to complete the Durham Transit Reimbursement year-end reconciliation template that is included in the reimbursement template. The cost per hour that is listed in the reconciliation template should be consistent with other funding source cost per hours across the transit agency's network.

GoTriangle will use a consistent cost per hour across all three County Transit Plans (i.e., Durham, Orange & Wake Counties).

## Exhibit A: GoTriangle Financial Policies & Procedures (for reference)

[INSERT GOTRIANGLE FINANCIAL POLICIES & PROCEDURES DOCUMENT AS EXHIBIT A]

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