



GoTriangle  
Operations & Finance Committee  
March 04, 2021  
8:30 am-10:00 am Eastern Time

*Based on NC safer at home executive orders in response to COVID-19, the GoTriangle Operations & Finance Committee will meet remotely on Thursday, March 4, 2020, at 8:30 am.*

*Click here to: Join Webex Meeting  
Meeting Number / Access code: #171 387 2144  
Password: 1234  
Or dial: +1 415-655-0003*

**I. Call to Order and Adoption of Agenda**

*(1 minute Vivian Jones)*

ACTION REQUESTED: Adopt agenda with any changes requested.

**II. Draft Minutes - February 4, 2021**

*(1 minute Michelle Dawson)*

ACTION REQUESTED: Approve minutes.

**III. GoTriangle Financing Options**

*(90 minutes Sandra Freeman)*

*Jill Jaworski, PFM Financial Consultants*

*Rebecca Joyner, Parker Poe*

Presentation

**IV. FY22 Budget**

*(15 minutes Sandra Freeman)*

**V. Adjournment**

*(Vivian Jones)*

**GoTriangle Board of Trustees**  
**Operations & Finance Committee Meeting Minutes**  
**February 4, 2021**  
Held Remotely via WebEx

**Committee Members Present:**

Corey Branch (arr. 8:37 a.m.)  
Vivian Jones, Committee Chair  
Michael Parker

Jennifer Robinson  
Steve Schewel  
Stelfanie Williams (arr. 8:35 a.m.)

**Committee Members Absent:**

Valerie Jordan

**Other Board Members Present:**

Will Allen III

Committee Chair Vivian Jones called the meeting to order at 8:32 a.m. with the roll call. A quorum was present.

**I. Adoption of Agenda**

**Action:** A motion was made by Parker and seconded by Schewel to adopt the agenda.

**II. Approval of Minutes**

**Action:** A motion was made by Parker and seconded by Schewel to approve the minutes of the December 3, 2020, meeting.

**Action:** Upon vote by roll call, the two prior motions were carried unanimously.

**III. Suspension of Routes 311 and NRX**

Andrea Neri explained that although most all routes directly operated by GoTriangle resumed service in June 2020, routes 311 and NRX continued a suspension due to anticipation of low ridership resulting from work from home policies in place at Research Triangle Park employers. He said recent FTA guidance classifies a temporary service change that lasts more than 12 months as a permanent change. This requires GoTriangle to conduct public engagement, complete a Title VI service equity analysis and obtain Board of Trustees approval to continue the suspension.

Neri stated the public outreach period started January 21<sup>st</sup> and will run until February 20<sup>th</sup>. Three comments had been received by January 29<sup>th</sup>, none of which included any complaints about the service suspension. The analysis shows the suspension of Route 311 has a disproportionate burden on low-income riders;

however, the route's low-income population (7.3%) is below that of the system (22.9%). The analysis also shows the suspension of route NRX indicates a disparate impact on minorities, with minorities representing 53.6% of the population affected from the suspension, above the area average of 40.7%. As a whole, the proposed service change does not have a disparate impact on minority or low income populations.

Neri requested the committee to recommend approval for the continued suspension of routes 311 and NRX and authorize the President/CEO authority to determine when the routes would resume service.

Williams and Branch arrived.

**Action:** A motion was made by Schewel and seconded by Robinson to recommend that the Board approve the suspension of the 311 and NRX and designate the president and CEO authority to determine when routes would resume service. The motion was carried unanimously.

#### IV. FY21 Q2 Financial Report

Sandra Freeman reviewed the first half results for FY21, which are attached and hereby made a part of these minutes.

##### ***Year to Date Revenues***

- Total revenues through December - \$20.0 million (40%), compared to \$14.9 million in FY20 same period
- Federal grant revenue - \$11 million (including CARES Act reimbursement)
- Transit service revenue - \$2.7 million, compared to \$.7 million in FY20 (due to timing change of transit services reimbursements from quarterly to monthly)
- \$5 Vehicle Registration taxes - \$3.4 million, compared to \$3.2 million in FY20 (time change of revenue posting from quarterly to monthly)
- Vehicle Rental taxes - \$1.8 million, compared to \$3.6 million in FY20 (due to COVID-19 travel restrictions)
- FY21 CARES Act grant reimbursement - \$7.9 million (received in full)

##### ***Year to Date Expenses***

- Total expenses through December - \$19 million (35.6%), compared to \$22 million in FY20 same period
- Transit operations expenses - \$12 million, compared to \$12.1 million in FY20
- Administrative department expenses - \$2.3 million, compared to \$2.7 million in FY20
- Capital expenditures - \$4.7 million, compared to \$7.2 million in FY20

Parker asked how much recurring revenues are down, not considering CARES Act funds, and how much is anticipated for GoTriangle in the new CARES Act grant. Freeman responded that information should be available by next month.

Parker asked if GoTriangle would receive any State funding for providing transportation to vaccine sites. Lattuca replied no, funds were mostly allocated to rural transit providers.

Parker noted that sales tax revenues are up in Chapel Hill and asked if there could be timing differences between the two years. Jones stated that Wake Forest's revenues are up 7% over the prior year.

Freeman also shared revenue and expense results from the three tax districts. Durham revenues through December were \$18.3 million (42.5% of FY21 budget); Orange, \$4.6 million (32.1%); and Wake, \$57 million (25%). Expenses are significantly under budget in all three counties: Durham, \$5.4 million; Orange, \$1.8 million; and Wake, \$5.3 million. She stated that the expenses would increase as some capital projects that were held back due to the uncertainty of revenues during the pandemic are released.

Freeman noted that the obvious concerns are the vehicle rental tax and fare revenue.

Freeman shared historical trends of GoTriangle cash and investments. She stated that staff would be bring to the committee in April information on the investment policy and a strategy for going forward.

Parker then asked if there would be a discussion of the vehicle rental tax allocation. Freeman and Lattuca responded yes, as part of the FY22 budget.

### **VIII. Adjournment**

**Action:** The meeting was adjourned at 9:13 a.m.

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Vivian Jones, Committee Chair

Attest:

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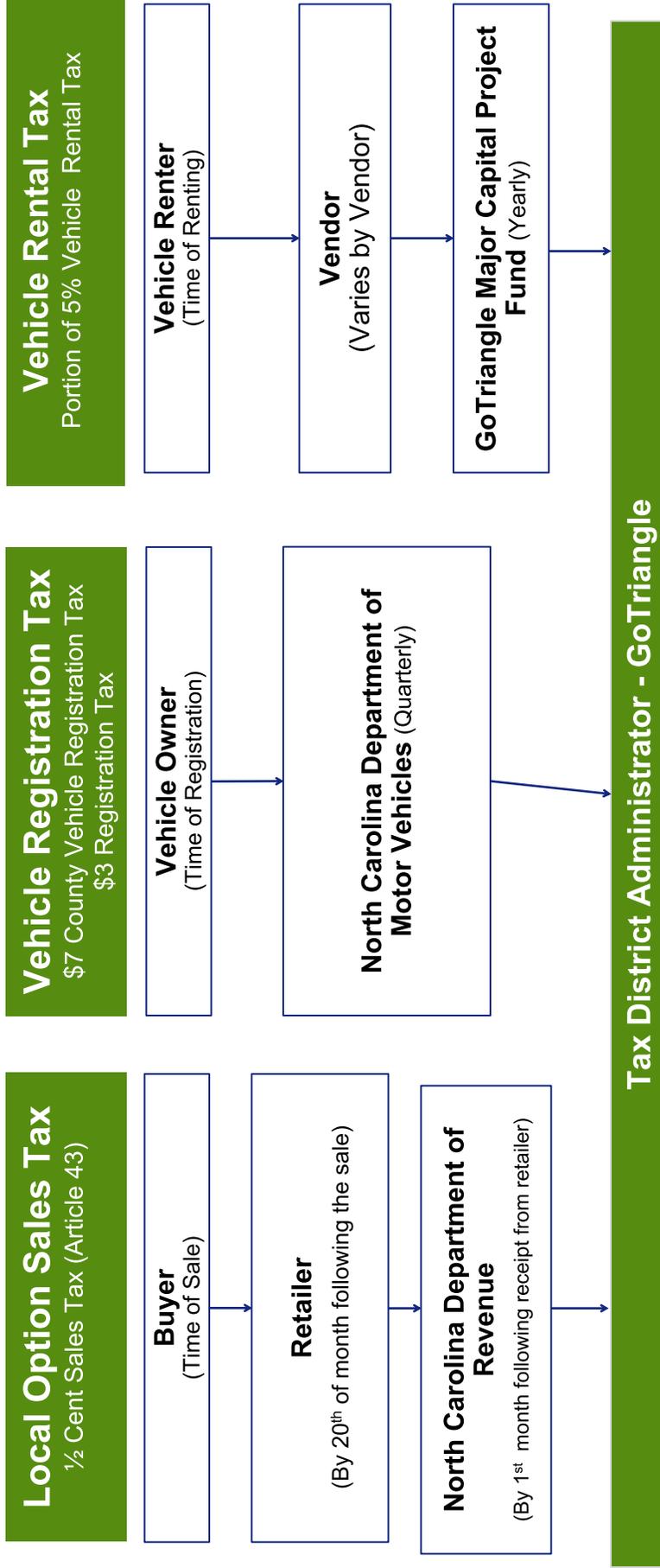
Michelle C. Dawson, CMC  
Clerk to the Board of Trustees



# Local Revenue – Overview \*

Transit Revenue Source	Collection Start	Authorization
<p><b>½ Cent Sales Tax (Article 43)**</b></p>	<ul style="list-style-type: none"> <li>• Durham and Orange – April, 2013</li> <li>• Wake – April, 2017</li> </ul>	<ul style="list-style-type: none"> <li>• General Assembly passed legislation allowing for voter referendums in Durham, Orange, and Wake Counties</li> </ul>
<p><b>\$7 County Vehicle Registration Tax</b></p>	<ul style="list-style-type: none"> <li>• Durham and Orange – July, 2013</li> <li>• Wake – July, 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Approved by County Board of Commissioners for inclusion in Transit plans</li> </ul>
<p><b>\$3 from the Regional Vehicle Registration Tax</b></p>	<ul style="list-style-type: none"> <li>• Durham and Orange – October, 2014</li> <li>• Wake – August, 2018</li> </ul>	<ul style="list-style-type: none"> <li>• General Assembly permitted regional public transportation authorities to levy up to \$8 per registration***</li> <li>• GoTriangle Board approved increase by \$3 as being available for expansion/enhanced services and capital in the 3 counties</li> </ul>
<p><b>5% Vehicle Rental Tax</b>  <small>A portion of the allocated to Wake, Durham, and Orange County Δ</small></p>	<ul style="list-style-type: none"> <li>• Durham and Orange – April, 2013</li> <li>• Wake – April, 2017</li> </ul>	<ul style="list-style-type: none"> <li>• Approved by General Assembly in 1997</li> </ul>

# Local Revenues – Flow Process

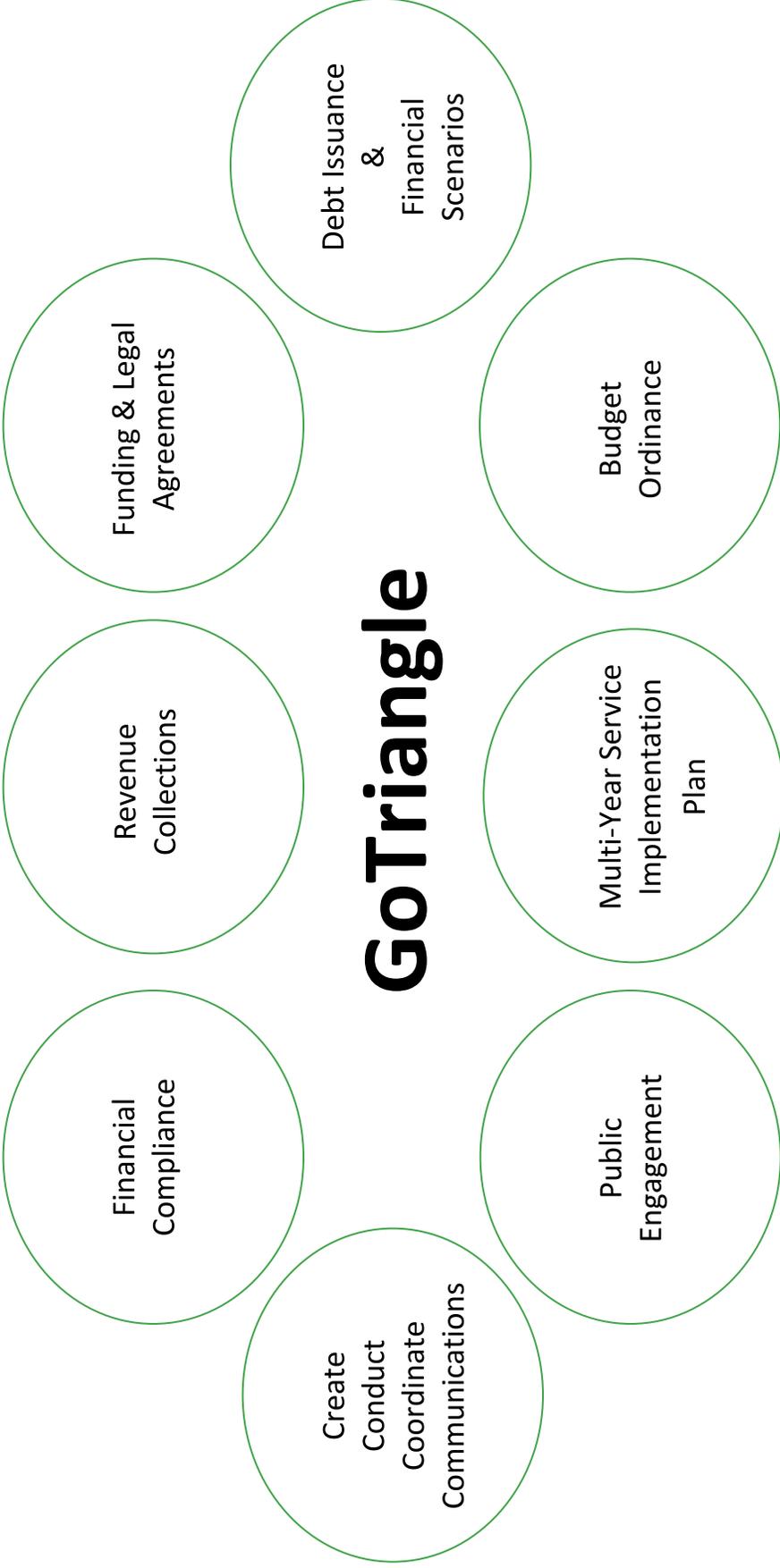


# Local Revenues – Collections

\$130.9M



# Transit Plan – Agency Responsibilities



# Transit Plan – Project Sponsor Responsibilities

Commuter Rail Transit

Bus Operations

Bus Infrastructure

Transit Planning

Vehicle Acquisition

Legal Support

Transit Centers

Technology and Data Performance

# Financing Method Overview

- Primary Financing Options Available in NC
  - General Obligation Bonds
  - Revenue Bonds
  - Special Obligation Bonds
  - Installment Financing

# General Obligation Bonds

- Security – General taxing power; property tax pledge
- Legal Authority – Voter approval required
  - Exception: Two-Thirds and Refunding
- Structure – Typical 20-year term
- Often sold competitively if new money
- Often publicly-offered but can be privately placed

# Revenue Bonds

- Security – Pledge of Net Revenues
  - Revenues received in connection with operation of the “System”
- Legal Authority – No voter approval required
- Legal Covenants
  - Rate Covenant
  - Additional Bonds Test
- Structure – Typically 25-year term
- Typically sold negotiated
- Publicly-offered or privately placed depending on size

## Special Obligation Bonds

- Security – Pledge of Designated Revenues
  - Usually sales tax and other non-tax sources
  - Revenues must not be “levied” by issuing entity
    - *Unconstitutional pledge of tax without a vote of the people*
  - This is the only way to do a “sales tax bond” in NC
- Legal Authority – No voter approval required
- Legal Covenants
  - Additional Bonds Test
- Structure – Typically 25-year term
- Typically sold negotiated
- Publicly-offered or privately placed depending on size

# Installment Financing

- AKA Limited Obligation Bonds (LOB) or Certificates of Participation
- Security
  - Pledge to appropriate for debt service
  - Secured by lien on financed asset (real property or equipment)
- Legal Authority – No voter approval required
- Master Indenture allows for cross-collateralization
- Structure – Typically 10-20 year term
- Rating Factors (essential v. non-essential)
- Typically sold negotiated
- Active private placement market in IFCs

# Current Status of Financing Options

- General Obligation
  - Technically authorized but not a viable alternative
    - No property tax to pledge
- Revenue Bonds
  - Authorized but farebox revenues a weak credit
  - No precedent for treating sales tax as a “revenue”
- Special Obligation
  - Not Authorized if issued by GoTriangle
    - GoTriangle is a permitted issuer under SOB statute BUT
    - GoTriangle levies the sales tax and is thereby constitutionally prohibited from pledging the sales tax
  - Also, transit projects not currently an authorized SOB project
- Installment Financing Contract/Limited Obligation Bonds

## LOBs – Current Viable Option

- GoTriangle currently responsible for issuing debt to implement the Durham, Orange and Wake County transit plans
- Under NC law, GoTriangle is limited, on a practical basis, to the issuance of Limited Obligation Bonds
- LOBs create certain challenges
  - Not the lowest cost borrowing tool
  - Requires physical assets to secure loan
  - Can use local revenues to pay debt service – BUT can't pledge them to its repayment

# LOB Challenge: Higher Borrowing Cost

The highest rated borrowing structures are usually General Obligation Bonds and Special Obligation Bonds secured by high quality taxes, such as Sales Tax

Features which reduce LOB credit quality

- Security is restricted to physical assets such as tracks or buildings (lenders prefer access to funds rather than illiquid assets)
- Local revenues (e.g. sales tax) cannot be pledged to secure the debt
- Payments to bondholders must be appropriated each year (risk of non-appropriation)
- Features such as Additional Bonds Tests, which prevent over-leveraging in the future (a credit positive) are difficult to implement

## LOB Challenge: Pledge of Assets

- In order to secure a LOB, there must be an asset which can be pledged
  - Value of asset typically  $\geq 50\%$  of the bond amount
- Preference for real property assets (i.e. buildings over rail line)
- Can only pledge assets you own and certain projects, (e.g. CRT, BRT) could have limited GoTriangle-owned assets
- Though unlikely, in the event of default, the bondholders could pursue foreclosure of the asset.

# Additional Challenges

## Wake County Interlocal Agreement restrictions

- Wake tax and fee revenues used only for Wake projects
- Wake assets can only secure Wake LOBs
- Complicates cross-county projects such as CRT; separate borrowings needed
- Prohibits a GoTriangle “master” cross-collateralized structure that could improve credit quality

## Administration of multiple local revenue streams and overlapping projects

- Projects will be both for single transit plans and for multi-county projects
- Challenge to manage if funds and assets must always remain segregated

Significant borrowing will be needed for BRT and CRT and GoTriangle does not have control of each county’s local revenues under their transit plan

While LOBs limit GoTriangle’s legal exposure to bondholders, any default would be detrimental to GoTriangle’s credit and ability to borrow going forward

# Potential Solutions

- 1. Counties issue LOBs to finance projects**
  - Repayment of LOBs with GoTriangle transfer of sales tax and other local revenues to each county
  - Potential to cross-collateralize assets within each county
  - Potential to improve cost of borrowing
  - No need to amend the Wake ILA
  - No legislative changes required – can do within existing statutory framework
- 2. Counties issue SOBs to finance projects**
  - Pledge of and repayment by sales tax and other local revenues
  - Improves cost of borrowing
  - No need to amend the Wake ILA
  - Requires legislative change to SOBs statute to make transit a SOBs-eligible project

## Potential Solutions (cont'd)

3. GoTriangle issues LOBs to finance projects using “master” structure
  - Repayment of LOBs with sales tax and other local revenues, without across-county limitations
  - Allows for cross-collateralization of assets across counties
  - Eliminates administrative challenges of multiple borrowing programs
  - No legislative changes required – can do within existing statutory framework
  - Requires renegotiation of ILA's
    - Prohibited in Wake and not addressed in Durham and Orange
  
4. GoTriangle issues SOBs to finance projects
  - Pledge of and repayment by sales tax and other local revenues
  - Improves cost of borrowing
  - Requires legislative change to authorizing statute
  - Requires legislative change to SOBs statute to make transit a SOBs-eligible project
  - Likely requires re-vote of each of the sales tax questions
  - May require renegotiation of ILA's
    - Prohibited in Wake and not addressed in Durham and Orange





**OPERATIONS AND FINANCE COMMITTEE  
PRELIMINARY BUDGET REVIEW  
March 4, 2021**



## **FY22 Budget Process Overview**

Complete:

- Staff Budget Kickoff
- Meeting with Department Primes
- Establishment of Revenue and Expenditure Assumptions
- Finance/IT overlay of appropriate allocations  
(insurance, IT needs, etc.)
- Review of Funding Sources



## FY22 Draft GoTriangle Budget Assumptions

Total Draft GoTriangle Revenue and Expenses

Total Revenue - \$30M (FY21 Budget - \$51M)

Total Expenditures - \$36M (FY21 Budget - \$53M)

**Net deficit - \$6M (Grant Revenues are still under review and are not included)**

CARES Act Funds - FY22 (\$5.0M) - FY21 (\$7.9M)

No SMAP Funding in FY22 or FY21

Vehicle Rental Tax: FY22 - \$4.2M (FY21 Budget - \$5.2)

(Half of the vehicle rental tax is allocated to Durham, Orange and Wake Plans)\*

Total \$5 Vehicle Registration Tax: \$6.3M (FY21 Budget - \$6.5M)

Fares and Consignment: FY22 Fares (\$273K) and consignment (\$381K)

Rental Income: \$0 Lease Income and \$572K Plaza building expenses

Headcount - FY22 FTE's - 280 (FY21 Budget- 272) - Includes Durham, Orange and Wake Transit Plans

Average Merit - 3% (FY21 Budget - 3%)

3% increase in current run rate for employee healthcare; employee only coverage - \$500/employee

Bus operations revenue hours of 141,118 (directly operated) (FY21 Budget 134,568)

Contracted Services Hours :

FY22 - 11,665 (FY21 - 11,744)

FY22 requested capital expenditures total \$5.0M and are currently under review and not included

*\*Reviewing transitioning \$1.5M of rental tax from transit plans to GoTriangle*



## **FY22 Draft Durham Transit Plan Budget Assumptions**

Total Durham Transit Draft Revenue and Expenses

**Total Revenue - \$34.4M (FY21 budget - \$32.0M)**

Total Durham Transit Draft Half-Cent Tax: \$31.2M (FY21 Budget - \$28.5M)

Total Durham Transit Draft Vehicle Rental Tax: \$0.9M (FY21 Budget - \$1.1M)

Total Durham Transit Draft \$3 Vehicle Registration Tax: \$0.7M (FY21 Budget - \$0.7M)

Total Durham Transit Draft \$7 Vehicle Registration Tax: \$1.7M (FY21 Budget - \$1.6M)

### **\$9.9M - Operating Expenses**

#### Operating Expense

Tax District Administration -\$0.4M

Transit Plan Administration - \$1.9M

Transit Operations - \$7.7M

### **\$12.0M Capital Expenses**

#### Capital Expense

Capital Planning - \$0.3M

Transit Infrastructure \$7.0M

Vehicle Acquisitions - \$4.6M

***Total Durham Transit Plan Expenses - \$21.9M***

*Next Step - Durham SWG recommend Draft Work Plan for public comment (April)*

*Note: variations due to rounding*



## **FY22 Draft Orange Transit Plan Budget Assumptions**

Total Orange Transit Draft Revenue and Expenses

**Total Revenue - \$8.9M (FY21 Budget - \$8.8M)**

Total Orange Transit Draft Half-Cent Tax: \$7.4M (FY21 Budget - \$7.1M)

Total Orange Transit Draft Vehicle Rental Tax: \$0.4M (FY21 Budget - \$0.6M)

Total Orange Transit Draft \$3 Vehicle Registration Tax: \$0.3M (FY21 Budget - \$0.3M)

Total Orange Transit Draft \$7 Vehicle Registration Tax: \$0.8M (FY21 Budget - \$0.8M)

### **\$4.5M - Operating Expenses**

#### Operating Expense

Tax District Administration -\$0.25M  
 Transit Plan Administration - \$0.54M  
 Transit Operations - \$4.10M

### **\$3.0M Capital Expenses**

#### Capital Expense

Capital Planning - \$0.0M  
 Transit Infrastructure \$0.3M  
 Vehicle Acquisitions - \$0.9M  
 Bus Rapid Transit (BRT) - \$1.8M

***Total Orange Transit Plan Expenses - \$7.9M***

*Next Step - Orange SWG recommend Draft Work Plan for public comment (April)*



## FY22 Draft Wake Transit Plan Budget Assumptions

Total Wake Transit Draft Revenue and Expenses

**Total Revenue - \$175.4M (FY21 Budget - \$110.8M)**

Total Wake Transit Draft Half-Cent Tax: \$97.0M (FY21 Budget - \$29.8M)

Total Wake Transit Draft Vehicle Rental Tax: \$2.8M (FY21 Budget - \$3.5M)

Total Wake Transit Draft \$3 Vehicle Registration Tax: \$2.8M (FY21 Budget - \$3.0M)

Total Wake Transit Draft \$7 Vehicle Registration Tax: \$6.8M (FY21 Budget - \$7.1M)

Total Wake Transit Draft Other Revenue\*: \$66.0M (FY21 Budget - \$67.4M)

### **\$27.4M - Operating Expenses**

#### Operating Expense

Tax District Administration -\$0.5M

Transit Plan Administration - \$4.7M

Transit Operations - \$22.2M

### **\$100.8M Capital Expenses**

#### Capital Expense

Capital Planning - \$0.6M

Bus Rapid Transit (BRT) - \$12.0M

Bus Infrastructure \$75.4M

Bus Acquisitions - \$12.8M

**Total Wake Transit Plan Expenses - \$128.2M**

*\*Other Revenue includes - federal, state, fares, prior year funds, debt proceeds*

*Next Step - FY22 Draft Wake Transit Work Plan is currently available for public comment*

## **FY22 Proposed Headcount \*Increases**

### **Finance and Administration**

1 Finance and Administration Position

### **EEO/DBE**

1 EEO/DBE Position

### **Bus Maintenance**

1 new diesel mechanic

### **Bus Supervision**

4 Transportation Service Supervisors (approved in FY21)

1 Safety and Security Specialist

***\*Under Review***



## Next Steps

- Identify additional areas of opportunity and make appropriate adjustments in departmental and capital spending
- FY22 Draft Budget to Operations and Finance Committee (April 1, 2021)
- FY22 Budget Workshop (April 21, 2021)
- FY22 Draft Budget to Operations and Finance Committee (May 6, 2021)
- 1st Reading - May Board Meeting (May 26, 2021)
- 2nd Reading/Ordinance Adoption - June Board Meeting (June 23, 2021)