METROPOLITAN TRANSIT AUTHORITY

DEBT POLICY

As Adopted February 25, 2021

1.0 Purpose

The purpose of the Metropolitan Transit Authority ("METRO") Board of Directors' ("Board") Debt Policy is to establish guidelines for the utilization of debt instruments. Debt Instruments may include senior lien sales tax revenue bonds, subordinate lien sales tax revenue bonds, commercial paper, bank lines, standby purchase agreements or letters of credit, variable rate demand notes, variable rate auction rate notes, capital leases, grant anticipation revenue vehicles, farebox revenue bonds, contractual obligations and revenue and appropriation bonds ("Debt Instruments"). Debt Instruments may be used to finance capital assets, infrastructure improvements, and additions, to refund or defease existing obligations, to fund capitalized interest, costs of issuance or to make deposits to reserve funds and other funds required or provided for in such Debt Instruments. Defeased leases are not considered Debt Instruments for purposes of this policy. Debt Instruments may be used to fund non-capital related operating expenses as allowed under state and Federal laws.

METRO will ensure that all uses of Debt Instruments are in compliance with state and Federal laws, the guidelines contained herein, adopted and active bond ordinances, insurance covenants and existing financial agreements. Further, METRO will ensure that the utilization of any Debt Instrument provides the most prudent and cost-effective funding possible taking all material matters into account.

2.0 Debt Limits:

2.1 Lines/Letters of Credit/Standby Purchase Agreements not enhancing a Debt Instrument – Up to $100 million and one year term (non-voted).

2.2 Lines/Letters of Credit/Standby Purchase Agreements enhancing a Debt Instrument – No limit.

2.3 Commercial Paper – Up to $400 million (non-voted).

2.4 Notes – Up to $400 million (non-voted).

2.5 Sales Tax Bonds – Up to voter authorized amounts and 40 years (voted).

2.6 Capital Leases – No limit.

2.7 Contractual Obligations – No limit

2.8 Fare Box Revenue Bonds – No authorization currently.

2.9 Grant Anticipation Revenue Vehicles – No authorization currently.

2.10 Revenue & Appropriation Bonds – No limit.

3.0 Structure of Debt Instruments

3.1 Term – The term of the Debt Instruments should equal the lesser of the useful life of the facility being financed or 40 years after the project is placed in service. There shall be no balloon amortization schedules when long-term Debt Instruments are planned for permanent financing.

3.2 Subordinate Lien Obligations – Subordinate lien obligations may be recommended by the Finance/Audit Committee for Board approval, and shall be based on the overall financing structure of METRO.

3.3 Capital Leases – Capital leases or other equipment financing will generally only be used if the present value of lease payments is less than the present value of debt service payments on notes or bonds issued for the same time frame. Capital leases may be used, however, to increase long-term borrowing capacity regardless of this present value calculation.

4.0 Financial Policies

4.1 Sales tax projections used in long term planning shall be performed by external economist(s) with management adjustments for the current year.

4.2 The General Fund should be managed to maintain a working capital reserve minimum of 15% of annualized budgeted operating expenditures.

4.3 Proceeds from the sale of capital assets should also be placed in a capital reserve and only used for the purposes of the reserve.

4.4 Bond Reserve Funds – It is the goal of METRO to only use bond reserve funds when economically feasible. It is METRO's goal to satisfy the liquidity requirements sought by bond investors and credit agencies by maintaining healthy General Fund working capital.

5.0 Variable Rate Exposure

5.1 METRO anticipates issuing commercial paper in the inaugural years of the issuance of Debt Instruments and then converting to fixed rates over time. As a result, variable rate debt will initially constitute 100% of METRO's Debt Instruments. Over time METRO will reduce this exposure to more traditional ratios.

5.2 Conservative budgeting practices should be utilized for budgeting interest costs on variable rate debt such as 1% above the two year historical average rate for the Bond Market Association index plus ongoing costs such as credit facilities. Savings from budget versus actual should be used to pay off variable rate debt annually.

5.3 Commercial paper may be used to provide interim financing. Outstanding commercial paper shall be counted as variable rate debt. METRO shall select commercial paper dealers through a competitive process. A minimum of two commercial paper dealers should be utilized for programs greater than $100 million to ensure competitive pricing. The maximum maturity shall not exceed

270 days. Principal outstanding under a commercial paper program may be refinanced to a longer term with fixed or variable rate debt.

6.0 Method of Sale – METRO may use both competitive and negotiated sales.

6.1 Negotiated Sales – In general negotiated sales may be used in any of the following circumstances:

6.1.1 Complex transactions that require extensive financial modeling, credit analysis, or pre-marketing efforts, or that are interest rate sensitive;

6.1.2 Volatile financial markets; or

6.1.3 To better accomplish the objectives of METRO's Small Business Program.

6.1.4 Short-term re-marketings.

6.2 Competitive Sales – Competitive sales may be used when each of the following circumstances are satisfied:

6.2.1 Long-term, fixed rate senior lien sales tax revenue bonds being issued for new projects or to currently refund commercial paper;

6.2.2 Simple structure and financial analysis;

6.2.3 Stable financial markets; and

6.2.4 Moderate par amounts.

7.0 Refunding of Fixed Rate Debt Parameters

7.1 Overall transaction, net of costs of issuance, should produce positive net present value ("PV") savings of at least approximately 3.5% of the refunded par.

7.2 The METRO Board, however, retains the right to consider and approve refunding transactions not meeting the above criteria.

8.0 Continuing Disclosure

METRO shall comply with all continuing disclosure agreements to which it enters in order to comply with SEC Rule 15c2-12. These filings may include the filing of annually updated financial information as well as notice of specified material events as appropriate.

9.0 Interest Rate Swaps and Derivative Debt Instruments

Derivative products shall not be used by METRO.