

OFFICIAL STATEMENT DATED SEPTEMBER 24, 2019

NEW ISSUE — BOOK-ENTRY-ONLY

RATINGS: (See “RATINGS” herein)

MOODY’S: Aaa

S&P: AAA

Kroll: AAA

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel (“Bond Counsel”) to the Tri-County Metropolitan Transportation District of Oregon (“TriMet”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2019A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2019A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In the opinion of Bond Counsel, interest on the Series 2019B Bonds is not excludable from gross income for federal income tax purposes under existing law. In the opinion of Bond Counsel, interest on the Series 2019 Bonds is exempt from Oregon personal income tax under existing law. See “TAX MATTERS” herein for a discussion of the opinion of Bond Counsel.*

**\$237,815,000**

**TRI-COUNTY METROPOLITAN  
TRANSPORTATION DISTRICT OF OREGON**



**\$188,390,000**

**SENIOR LIEN PAYROLL TAX  
REVENUE BONDS  
SERIES 2019A**

**\$49,425,000**

**SENIOR LIEN PAYROLL TAX  
REVENUE REFUNDING BONDS  
SERIES 2019B  
(FEDERALLY TAXABLE)**

**DATED: Date of Delivery**

**DUE: September 1, as shown on inside cover**

This Official Statement describes the Tri-County Metropolitan Transportation District of Oregon (“TriMet”) and its \$188,390,000 aggregate principal amount Senior Lien Payroll Tax Revenue Bonds, Series 2019A (the “Series 2019A Bonds”) and \$49,425,000 aggregate principal amount Senior Lien Payroll Tax Revenue Refunding Bonds, Series 2019B (Federally Taxable) (the “Series 2019B Bonds” and collectively with the Series 2019A Bonds, the “Series 2019 Bonds”). The Series 2019 Bonds are payable from, and secured by a pledge of and a first lien on, the Trust Estate, which includes payroll and self-employment taxes imposed by TriMet and collected by the Oregon Department of Revenue and State payments in-lieu of taxes assessed, collected and distributed by the Oregon Department of Administrative Services.

The Series 2019 Bonds are being issued on a parity with TriMet’s outstanding Senior Lien Payroll Tax Revenue Bonds pursuant to a Trust Indenture dated as of April 1, 2001, as amended and supplemented, between TriMet and The Bank of New York Mellon Trust Company, N.A., as Trustee (i) to pay costs of transit-related capital projects, (ii) to refund certain outstanding Senior Lien Bonds, and (iii) to pay costs of issuing the Series 2019 Bonds.

Interest on the Series 2019 Bonds from the date of their delivery is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2020. The Series 2019 Bonds are subject to redemption prior to maturity as described herein.

The Series 2019 Bonds are being issued as fully registered bonds, registered initially in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interest in the Series 2019 Bonds will be made in book-entry form in denominations of \$5,000 and integral multiples thereof. Purchasers of Series 2019 Bonds will not receive certificates representing their interests in the Series 2019 Bonds purchased. So long as DTC or its nominee is the registered owner of the Series 2019 Bonds, payments of principal and interest on the Series 2019 Bonds will be made directly to DTC, and disbursements of such payments to the Beneficial Owners will be the responsibility of the Direct Participants and the Indirect Participants as described herein.

The Series 2019 Bonds are offered when, as and if issued and delivered by TriMet and accepted by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice and subject to receipt of the final approving opinion of Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel to TriMet. Certain legal matters will be passed upon for TriMet by Shelley Devine, General Counsel to TriMet, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Portland, Oregon. The Series 2019 Bonds are expected to be available for delivery through the facilities of DTC in New York, New York, on or about October 9, 2019.

**J.P. Morgan**

**Morgan Stanley**

**Citigroup**

**\$188,390,000**  
**TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON**  
**SENIOR LIEN PAYROLL TAX REVENUE BONDS**  
**SERIES 2019A**

<b>Due (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP<sup>†</sup> (89546R)</b>
2034	\$7,395,000	5.000%	1.710%*	RN6
2035	7,695,000	3.000	2.380*	RP1
2036	7,930,000	3.000	2.440*	RQ9
2037	8,255,000	5.000	1.830*	RR7
2038	8,675,000	5.000	1.890*	RS5
2039	9,075,000	4.000	2.240*	RT3

**\$62,855,000 3.000% Term Bond maturing September 1, 2044**  
**Price to Yield 2.720%\* (CUSIP No. 89546RRU0<sup>†</sup>)**

**\$76,510,000 3.000% Term Bond maturing September 1, 2049**  
**Price to Yield 2.770%\* (CUSIP No. 89546RRV8<sup>†</sup>)**

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\* Priced to call date of September 1, 2029.

**\$49,425,000**  
**TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON**  
**SENIOR LIEN PAYROLL TAX REVENUE REFUNDING BONDS**  
**SERIES 2019B**  
**(FEDERALLY TAXABLE)**

<b>Due (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP<sup>†</sup> (89546R)</b>
2020	\$710,000	1.863%	1.863%	QW7
2021	725,000	1.863	1.863	QX5
2022	740,000	1.888	1.888	QY3
2023	755,000	1.921	1.921	QZ0
2024	770,000	1.971	1.971	RA4
2025	785,000	2.088	2.088	RB2
2026	800,000	2.138	2.138	RC0
2027	820,000	2.246	2.246	RD8
2028	8,200,000	2.346	2.346	RE6
2029	8,385,000	2.396	2.396	RF3
2030	5,910,000	2.496	2.496	RG1
2031	4,440,000	2.546	2.546	RH9
2032	3,480,000	2.646	2.646	RJ5
2033	3,580,000	2.696	2.696	RK2
2034	3,675,000	2.746	2.746	RL0

**\$5,650,000 3.026% Term Bond maturing September 1, 2040**  
**Price to Yield 3.026% (CUSIP No. 89546RRM8<sup>†</sup>)**

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**TRI MET**  
Service Area



**TRI-COUNTY METROPOLITAN TRANSPORTATION  
DISTRICT OF OREGON**

**BOARD OF DIRECTORS**

Bruce Warner, Board President, District 1: Washington County  
Osvaldo “Ozzie” Gonzalez, District 2: N, NW and portions of SW Portland  
Dr. Linda Simmons, District 3: SW Portland  
Lori Irish Bauman, District 4: SE Portland  
Keith Edwards, District 5: N and NE Portland  
Travis Stovall, Board Vice President, District 6: E. Multnomah County  
Kathy Wai, District 7: Clackamas County

**DISTRICT OFFICIALS**

Doug Kelsey, General Manager  
Shelley Devine, General Counsel  
Dee Brookshire, Executive Director, Finance and Administrative Services  
Nancy Young-Oliver, Director, Budgets and Grants  
Cara Fitzpatrick, Director, Financial Services

**BOND COUNSEL**

Hawkins Delafield & Wood LLP  
Portland, Oregon

**MUNICIPAL ADVISOR**

Ross Financial  
San Francisco, California

**TRUSTEE, PAYING AGENT AND REGISTRAR**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by TriMet to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by TriMet. The information and expressions of opinion stated herein are subject to change without notice and neither the delivery of this Official Statement, nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of TriMet or DTC since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No website mentioned in this Official Statement is intended to be part of this Official Statement, and investors should not rely upon any other information presented on any such website in determining whether to purchase the Series 2019 Bonds. Inactive textual references to any TriMet website are not hyperlinks and do not incorporate such websites by reference.

In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series 2019 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2019 Bonds to the public. The Underwriters may offer and sell the Series 2019 Bonds to certain dealers (including dealers depositing the Series 2019 Bonds to investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof. The Underwriters may change the public offering prices from time to time without prior notice.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, DO NOT REFLECT HISTORICAL FACTS BUT ARE FORECASTS AND “FORWARD LOOKING STATEMENTS.” NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, WORDS SUCH AS “ESTIMATE,” “FORECAST,” “ANTICIPATE,” “EXPECT,” “INTEND,” “PLAN,” “BELIEVE” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS AND OTHER FORWARD LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

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APPENDIX B: Audited Financial Statements for Fiscal Years Ended June 30, 2019 and 2018

APPENDIX C: Form of Bond Counsel Legal Opinion

APPENDIX D: Form of Continuing Disclosure Undertaking

APPENDIX E: Information About DTC and Its Book-Entry-Only System

APPENDIX F: Summary of the Indenture

APPENDIX G: Demographic Information



## OFFICIAL STATEMENT

Relating to

**\$188,390,000**  
**SENIOR LIEN PAYROLL TAX REVENUE**  
**BONDS**  
**SERIES 2019A**

**\$49,425,000**  
**SENIOR LIEN PAYROLL TAX REVENUE**  
**REFUNDING BONDS**  
**SERIES 2019B**  
**(FEDERALLY TAXABLE)**

### INTRODUCTION

This Official Statement, including the cover page, inside cover page, table of contents and appendices, sets forth certain information regarding the Tri-County Metropolitan Transportation District of Oregon (“TriMet”) and its \$188,390,000 aggregate principal amount Senior Lien Payroll Tax Revenue Bonds, Series 2019A (the “Series 2019A Bonds”) and \$49,425,000 aggregate principal amount Senior Lien Payroll Tax Revenue Refunding Bonds, Series 2019B (Federally Taxable) (the “Series 2019B Bonds”) and collectively with the Series 2019A Bonds, the “Series 2019 Bonds”).

#### Authorization for the Series 2019 Bonds

The Series 2019 Bonds are being issued under and pursuant to Oregon Revised Statutes (“ORS”) Chapter 267, ORS Chapter 287A and related provisions of the laws of the State of Oregon (the “State”), and pursuant to Resolution 19-05-32 adopted by TriMet’s Board of Directors (the “Board”) on May 15, 2019 and Resolution 15-06-37 adopted by TriMet’s Board on June 24, 2015. The Series 2019 Bonds are being issued pursuant to a Trust Indenture, dated as of April 1, 2001, as amended and supplemented, including supplements made by a Tenth Supplemental Trust Indenture, to be dated as of delivery date of the Series 2019 Bonds. The Trust Indenture, as amended and supplemented (the “Indenture”) is between TriMet and The Bank of New York Mellon Trust Company, N.A. as trustee (the “Trustee”).

Capitalized terms used in this Official Statement and not otherwise defined herein have the respective meanings assigned thereto in the Indenture, a summary of which is included in Appendix F.

#### TriMet

TriMet is a municipal corporation established in 1969 under State law, particularly ORS Chapter 267, to provide public transportation in the Portland, Oregon metropolitan area. TriMet’s service area covers 533 square miles within Multnomah, Washington and Clackamas counties. TriMet provides transit service to the Portland, Oregon metropolitan area through its integrated mass transit system of bus service, commuter rail and light rail. The purpose of TriMet’s transit programs is to provide mass transit alternatives to the use of the automobile, to reduce air pollution, to relieve traffic congestion and to provide transportation services to the region’s residents and employees, including seniors and persons with disabilities, as well as persons dependent on transit. See APPENDIX A—“TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON.”

#### Purpose of the Series 2019 Bonds

The Series 2019 Bonds are being issued (i) to pay costs of transit-related capital projects, (ii) to refund certain outstanding Senior Lien Bonds, and (iii) to pay costs of issuing the Series 2019 Bonds. See “PLAN OF FINANCING” herein.

## **Security and Sources of Payment for the Series 2019 Bonds**

The Series 2019 Bonds and all other Senior Lien Bonds issued under the Indenture are payable from and secured by a pledge of and first lien on the Trust Estate, which includes the Specified Tax Revenues described herein and the moneys and investments (including investment earnings) on deposit in the debt service account created in the Indenture (the “Debt Service Account”). Specified Tax Revenues consist of payroll taxes and self-employment taxes assessed by TriMet and payments received from the State of Oregon in-lieu of taxes on State payrolls (“State in-lieu payments”). The Indenture provides that the Specified Tax Revenues are paid directly to the Trustee by the State of Oregon. Approximately \$372.8 million of Specified Tax Revenues were collected during the fiscal year (“FY”) ended June 30, 2019. Under the Indenture, the Series 2019 Bonds are also payable from any lawfully available funds of TriMet if the Trustee does not have sufficient amounts in the Debt Service Account to make Senior Lien Bond payments when due. See “SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR LIEN BONDS” and “THE SPECIFIED TAX REVENUES—Collection of Specified Tax Revenues.”

The Series 2019 Bonds are being issued as “Additional Bonds” under the Indenture, on a parity with TriMet’s Series 2009A Bonds, Series 2009B Bonds, Series 2012A Bonds, Series 2015A Bonds, Series 2015B Bonds, Series 2016A Bonds, Series 2017A Bonds, and Series 2018A Bonds outstanding in the aggregate principal amount of \$445,190,000 as of September 2, 2019. The Outstanding Bonds, together with the Series 2019 Bonds and any Additional Bonds, Completion Bonds or Refunding Bonds that may be issued in the future under the Indenture, are referred to in this Official Statement as the “Senior Lien Bonds.” See “SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR LIEN BONDS” for a description of the security for Senior Lien Bonds. As described below, before issuing any other Additional Bonds that are not Completion Bonds or Refunding Bonds, TriMet must, among other things, deliver to the Trustee a report from a Qualified Consultant certifying that Specified Tax Revenues for any period of 12 consecutive months during the 18 months immediately preceding the date of issuance of the Additional Bonds, after adjustment as permitted by the Indenture, are at least four times the maximum Annual Debt Service for the Outstanding Bonds, including any parity Derivative Products and the Additional Bonds being issued. See “SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR LIEN BONDS—Additional Senior Lien Bonds” and APPENDIX F—“SUMMARY OF THE INDENTURE—Conditions Precedent to Issuance of Additional Bonds.”

### **Continuing Disclosure**

TriMet is covenanting for the benefit of the holders and beneficial owners of the Series 2019 Bonds to provide certain financial information and operating data and to give notices of certain events, if material, to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). See “CONTINUING DISCLOSURE” below and APPENDIX D—“FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

## **DESCRIPTION OF THE SERIES 2019 BONDS**

### **General**

When issued, the Series 2019 Bonds will be dated the date of their delivery, will bear interest at the rates per annum and will mature, subject to prior redemption, on September 1 of the years and in the aggregate principal amounts, set forth on the inside cover page of this Official Statement. Interest on the Series 2019 Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2020, until maturity or prior redemption. Interest on the Series 2019 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

The Series 2019 Bonds are being issued in fully registered form in denominations of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC is to act as securities depository for the Series 2019 Bonds. Individual purchases may be made only in book-entry form, and purchasers will not receive certificates representing their interest in the Series 2019 Bonds purchased. Except as provided in the Indenture, so long as Cede & Co. (or such other name as may be requested by an authorized representative of DTC) is the registered owner of the Series 2019 Bonds, as nominee of DTC, references herein to “Owners,” “Bondholders” or “Registered Owners” mean Cede & Co. and not the Beneficial Owners of the Series 2019 Bonds. In this Official Statement, the term “Beneficial Owner” means the person for whom its DTC Participant acquires an interest in the Series 2019 Bonds.

So long as Cede & Co. is the Registered Owner of the Series 2019 Bonds, the principal of and interest on the Series 2019 Bonds are payable by wire transfer to Cede & Co. (or such other name as may be requested by an authorized representative of DTC), as nominee for DTC which, in turn, is to remit such amounts to the Direct Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX E—“INFORMATION ABOUT DTC AND ITS BOOK-ENTRY-ONLY SYSTEM.”

So long as the Series 2019 Bonds are subject to the Book-Entry System with DTC, they may be exchanged and transferred only in accordance with the rules, regulations and practices of DTC. During any period in which the Series 2019 Bonds are not subject to the Book-Entry System, the exchange and transfer of Series 2019 Bonds will be permitted as set forth in the Indenture.

### **Redemption of Series 2019 Bonds**

*Optional Redemption of Series 2019 Bonds.* The Series 2019 Bonds maturing on or after September 1, 2030 are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2029, in any order of maturity and by lot within a maturity, at a redemption price equal to 100 percent of the principal thereof, plus accrued interest thereon to the date fixed for redemption.

*Make Whole Optional Redemption of Series 2019B Bonds.* Before the Series 2019B Bonds are subject to optional redemption as outlined in the previous paragraph, those bonds are subject to make whole optional redemption pursuant to the language and definitions below. The Series 2019B Bonds may be redeemed, in whole or in part, at the option of TriMet, at any time at a redemption price equal to the greater of (i) 100% of the principal amount of the Series 2019B Bonds of such maturity to be redeemed and (ii) the sum of the present values of the applicable remaining scheduled payments of principal and interest on the Series 2019B Bonds of such maturity to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2019B Bonds are to be redeemed, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, defined below, plus 5 basis points, with respect to the Series 2019B Bonds maturing in each of the years 2020 through 2022; plus 10 basis points, with respect to the Series 2019B Bonds maturing in each of the years 2023 through 2029; and plus 15 basis points, with respect to the Series 2019B Bonds maturing in each of the years 2030 through 2040, plus, in each case, accrued and unpaid interest on the Series 2019B Bonds being redeemed to the date fixed for redemption.

“Treasury Rate” means, with respect to any redemption date, with respect to the Series 2019B Bonds of a particular maturity, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue with respect thereto, computed as of the second business day immediately preceding that redemption date, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price with respect thereto for that redemption date.

“Comparable Treasury Issue” means, with respect to the Series 2019B Bonds of a particular maturity, the United States Treasury security selected by the Independent Investment Banker which has an actual maturity comparable to the remaining average life of the Series 2019B Bonds of such maturity to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2019B Bonds of such maturity to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date, with respect to the Series 2019B Bonds of a particular maturity, (A) the average of the applicable Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker for the Series 2019B Bonds obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers as designated by TriMet.

“Reference Treasury Dealer” means each of four firms, as designated by TriMet, and their respective successors; provided, however, that if any of them ceases to be a primary U.S. Government securities dealer in the City of New York (a “Primary Treasury Dealer”), TriMet will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date for the Series 2019B Bonds of a particular maturity, the average, as determined by the Independent Investment Banker and communicated to TriMet, of the bid and asked prices for the applicable Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker and communicated to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding that redemption date.

“Business Day” means any day, other than a Saturday or Sunday, and other than a day on which the Trustee is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed.

*Mandatory Redemption of Series 2019A Bonds.* The Series 2019A Bonds maturing on September 1, 2044, if not earlier optionally redeemed or purchased in accordance with the Indenture, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount thereof, plus accrued interest to the date fixed for redemption, by lot in the principal amounts and on the dates shown in the following schedule:

<b>Series 2019A Bonds Due September 1, 2044</b>	
<b>Redemption Date (September 1)</b>	<b>Principal Amount</b>
2040	\$ 9,395,000
2041	12,770,000
2042	13,160,000
2043	13,560,000
2044 <sup>†</sup>	13,970,000

<sup>†</sup>Final Maturity.

The Series 2019A Bonds maturing on September 1, 2049, if not earlier optionally redeemed or purchased in accordance with the Indenture, are subject to mandatory sinking fund redemption at a

redemption price equal to 100 percent of the principal amount thereof, plus accrued interest to the date fixed for redemption, by lot in the principal amounts and on the dates shown in the following schedule:

**Series 2019A Bonds Due September 1, 2049**

<b>Redemption Date (September 1)</b>	<b>Principal Amount</b>
2045	\$ 14,395,000
2046	14,835,000
2047	15,290,000
2048	15,755,000
2049 <sup>†</sup>	16,235,000

<sup>†</sup>Final Maturity.

*Mandatory Redemption of Series 2019B Bonds.* The Series 2019B Bonds maturing on September 1, 2040, if not earlier optionally redeemed or purchased in accordance with the Indenture, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount thereof, plus accrued interest to the date fixed for redemption, by lot in the principal amounts and on the dates shown in the following schedule:

**Series 2019B Bonds Due September 1, 2040**

<b>Redemption Date (September 1)</b>	<b>Principal Amount</b>
2035	\$ 995,000
2036	975,000
2037	955,000
2038	930,000
2039	910,000
2040 <sup>†</sup>	885,000

<sup>†</sup>Final Maturity.

**Notice of Redemption**

While the Series 2019 Bonds are in book-entry form, and unless the Owner consents to a shorter period, the Trustee is required to give DTC notice of redemption not less than twenty (20) days nor more than sixty (60) days prior to the date fixed for redemption.

**Conditional Notice of Redemption**

Notices of optional redemption may state that the optional redemption is conditioned upon receipt by the Trustee of moneys sufficient to pay the redemption price of such Series 2019 Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and the Indenture provides that any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. The Indenture requires notice of such rescission or of the failure of any such condition to be given by the Trustee to affected Owners of Series 2019 Bonds as promptly as practicable.

**Effect of Notice of Redemption**

The Indenture provides that official notice of redemption having been given (other than conditional notices of optional redemption as described above), the Series 2019 Bonds or portions of Series 2019 Bonds so to be redeemed shall, on the date fixed for redemption, become due and payable at

the redemption price therein specified, and from and after such date (unless TriMet fails to pay the redemption price) such Series 2019 Bonds or portions of such Bonds shall cease to bear interest.

### **Defeasance**

The Indenture permits the defeasance of the Series 2019 Bonds. See “TAX MATTERS” below and APPENDIX F—“SUMMARY OF THE INDENTURE—Defeasance.”

## **SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR LIEN BONDS**

### **The Specified Tax Revenues and the Trust Estate**

In the Indenture, TriMet has pledged as security for the payment of the principal of, premium, if any, and interest on the Senior Lien Bonds: (a) the “Specified Tax Revenues” described below, (b) the moneys and investments (including investment earnings) on deposit from time to time in the Debt Service Account, (c) any Credit Facility given as security for the payment of any amounts owing under or with respect to any specific series of Bonds together with all moneys drawn or paid thereunder, subject to certain conditions specified in the Indenture, and (d) such other properties and assets and interest in properties and assets as may be pledged to the payment of the Bonds pursuant to any Supplemental Indenture (collectively, the “Trust Estate”). The lien of this pledge is superior to all other liens on the Trust Estate. See APPENDIX F—“SUMMARY OF THE INDENTURE—Pledge of Trust Estate.” Receipts from the Statewide Transit Tax as defined in APPENDIX A—“TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON—Revenue Sources” are not pledged to the Senior Lien Bonds.

The Series 2019 Bonds are secured by the Specified Tax Revenues and amounts in the Debt Service Account, but are not currently secured by any Credit Facility or other properties or assets.

The “Specified Tax Revenues” pledged as part of the Trust Estate to the payment of the Outstanding Bonds are comprised of TriMet’s payroll taxes, self-employment taxes, and State in-lieu payments. See “THE SPECIFIED TAX REVENUES.”

The Indenture provides that the Series 2019 Bonds are also payable from any lawfully available funds of TriMet if the Trustee does not have sufficient amounts in the Debt Service Account to make Senior Lien Bond payments when due. See “SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR LIEN BONDS—Collection and Application of Revenues” and APPENDIX F—“SUMMARY OF THE INDENTURE.”

### **Covenants With Respect to Specified Tax Revenues**

In the Indenture, TriMet covenants that it will, to the extent permitted by law, impose and collect the payroll and self-employment taxes and collect the State in-lieu payments in amounts sufficient to pay Senior Lien Bonds and TriMet’s other obligations. The employer payroll tax and self-employed tax, since their inception, have been administered by the Oregon Department of Revenue under contract with TriMet. State in-lieu payments are assessed by the Oregon Department of Administrative Services in accordance with ORS 291.405. The Indenture also restricts TriMet’s ability to reduce the Specified Taxes. See APPENDIX F—“SUMMARY OF THE INDENTURE—Financial and Related Covenants—Tax Reductions and Substitute Taxes.”

## **Collection and Application of Revenues**

The Specified Tax Revenues are collected for TriMet by the State of Oregon, which deposits the Specified Tax Revenues directly into the Revenue Fund held by the Trustee under the Indenture. The Revenue Fund is currently an account of the Trustee in the Oregon Short Term Fund (the “Trustee OSTF Account”). The Trustee makes required weekly deposits to the Debt Service Account as described in the paragraph below. For more information on the collection of Specified Tax Revenues, see “THE SPECIFIED TAX REVENUES—Collection of Specified Tax Revenues.”

On the last Business Day of each week (a “Settlement Date”) the Indenture requires the Trustee to make substantially equal transfers of Specified Tax Revenues from the Revenue Fund to the Debt Service Account for each Series of Bonds, so that an amount sufficient to make each Bond principal and interest payment will be transferred to the Debt Service Account on the fourth Settlement Date before each Bond principal and interest payment date.

Specified Tax Revenues held by the Trustee on each Settlement Date that exceed the required transfers to the Debt Service Account (the “Excess”) may be deposited in the interest account for the 2013 FFGA Bonds, described below, before being remitted to TriMet. Upon remittance of the Excess by the Trustee to TriMet, the Excess shall no longer be subject to the lien and pledge of the Indenture but shall be unrestricted and unencumbered funds of TriMet which may be used and applied by TriMet for any lawful purpose.

On the seventh day before a Senior Lien Bond principal or interest payment date, if the Trustee does not have sufficient amounts in the Debt Service Account to make the Senior Lien Bond payments that are due on that payment date, the Trustee is required to notify TriMet, and TriMet is required to pay the deficiency to the Trustee from any lawfully available funds of TriMet. For more information on the deposits and transfers to and from the Revenue Fund and Debt Service Account, see APPENDIX F—“SUMMARY OF THE INDENTURE—Revenue Fund and Accounts; Deposits to and Application of Revenue Fund.”

## **Additional Senior Lien Bonds**

The Indenture permits TriMet to issue Additional Bonds, Completion Bonds and Refunding Bonds, as defined in the Indenture, and, among other conditions, requires that TriMet obtain a report from a Qualified Consultant certifying that Specified Tax Revenues for any period of 12 consecutive months during the 18 months immediately preceding the issuance of such Additional Bonds and adjusted as permitted by the Indenture, are at least four times the maximum Annual Debt Service for the Outstanding Bonds, including any Derivative Products and the additional Bonds then to be issued. “Annual Debt Service” includes debt service on Outstanding Bonds, parity Derivative Products, and the proposed Additional Bonds. TriMet may convert variable rate Bonds to fixed rates, and issue certain Completion Bonds and Refunding Bonds without obtaining this report. See APPENDIX F—“SUMMARY OF THE INDENTURE—Completion Bonds” and “—Refunding Bonds.”

## **Subordinate Debt**

The Indenture permits TriMet to incur indebtedness or issue bonds, notes, warrants or similar obligations that are secured by a pledge of all or any part of the Specified Tax Revenues that is subordinate to the pledge securing the Senior Lien Bonds.

TriMet currently has two outstanding obligations that are secured by a subordinate pledge of Specified Tax Revenues: (1) its \$325,000,000 Payroll Tax and Grant Receipt Revenue Bonds, Series 2013 (the “2013 FFGA Bonds”) and (2) its \$60,000,000 Maximum Aggregate Principal Amount

Revolving Credit Agreement and Subordinate Lien Payroll Obligations, Series 2019A (Tax-Exempt) and Series 2019B (Federally Taxable) (the “2019 Subordinate Revolving Line”). See “DEBT INFORMATION – Long-Term Debt” herein information about early redemption of the 2013 FFGA Bonds on September 26, 2019.

The 2013 FFGA Bonds and any parity bonds (collectively the “FFGA Bonds”) are payable from all legally available funds of TriMet, and are secured by: (i) a first lien on amounts received by TriMet under a full funding grant agreement (the “FFGA”) between TriMet and the Federal Transit Administration for the Portland-Milwaukie light rail line (the “PMLR”); and (ii) a second lien on the Specified Tax Revenues. The 2013 FFGA Bond documents obligate the Trustee to set aside Excess Specified Tax Revenues to pay the interest on the 2013 FFGA Bonds after the Trustee sets aside Specified Tax Revenues to pay Senior Lien Bonds, and before the Trustee sends any remaining Excess Specified Tax Revenues to TriMet. TriMet has been receiving payments under the FFGA, and expects to pay principal of the 2013 FFGA Bonds, which have annual principal payments that began November 1, 2016, from amounts TriMet receives under the FFGA. See “CERTAIN INVESTMENT CONSIDERATIONS—Federal Funding.” TriMet has paid interest on the FFGA Bonds from the Excess Specified Tax Revenues.

The 2019 Subordinate Revolving Line is payable from all legally available funds of TriMet and is secured by a third lien on the Specified Tax Revenues, which is subordinate to the Senior Lien Bonds and the 2013 FFGA Bonds.

See “DEBT INFORMATION—Long-Term Debt” and Table 4, “TriMet’s Outstanding Long-Term Debt – as of September 2, 2019” herein for more information regarding TriMet’s outstanding borrowings.

TriMet does not currently have plans to issue additional subordinate obligations. See APPENDIX A—“TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON—Future Debt Plans” and APPENDIX F—“SUMMARY OF THE INDENTURE—Short Term Debt, Subordinated Debt and Other Issuer Obligations.”

## **Derivative Products**

The Indenture permits TriMet to enter into Derivative Products payable from the Specified Tax Revenues on parity with Senior Lien Bonds. TriMet has not entered into any Derivative Products secured by a lien under the Indenture and has no current plans to do so. The use of Derivative Products is not addressed by TriMet’s current debt management policy, and under Oregon law, the TriMet Board is required to approve a derivative policy prior to TriMet entering into such agreements.

## **Events of Default and Remedies**

The Indenture specifies a number of Events of Default and remedies and under certain circumstances the Trustee is permitted or required to declare the principal of and accrued interest on all Senior Lien Bonds to be immediately due and payable, subject to certain cure rights of TriMet and certain other conditions. See APPENDIX F—“SUMMARY OF THE INDENTURE—Events of Default.”

## **THE SPECIFIED TAX REVENUES**

TriMet has pledged its Specified Tax Revenues to pay the Bonds. The Specified Tax Revenues consist of TriMet’s payroll taxes received from certain employers within the district boundaries of TriMet (“payroll taxes”) and self-employment taxes (“self-employment taxes”), both assessed pursuant to ORS 267.380 and 267.385, and State in-lieu payments received pursuant to ORS 291.405 to 291.407.



The Specified Tax Revenues also include any Substitute Tax and any additional revenues TriMet may subsequently pledge to secure Senior Lien Bonds. See APPENDIX F—“SUMMARY OF THE INDENTURE—Financial and Related Covenants—Tax Reductions and Substitute Taxes” and the definitions of “Specified Tax Revenues” and “Substitute Tax” therein. TriMet does not now impose any Substitute Tax and has no current plans to impose any Substitute Tax. TriMet has no current plans to pledge additional revenues.

Specified Tax Revenues are TriMet’s largest source of revenue and are used to pay operating expenses, to make capital expenditures, and to make debt service payments.

## Revenue Sources

The payroll taxes and self-employment taxes are currently imposed directly on any resident or non-resident employer or any self-employed individual performing services within the TriMet service district. The tax is calculated on the amount of gross payroll or self-employment income paid for services performed within the TriMet service district. Certain businesses are exempt from payroll taxes and self-employment taxes, including, for example, federal credit unions, insurance companies, public school districts, 501(c)(3) entities (except hospitals), religious organizations such as churches, truck drivers (non-resident long-haul drivers), domestic household employers and seasonal agricultural workers. See “THE SPECIFIED TAX REVENUES—Collection of Specified Tax Revenues” for a description of how these taxes are collected.

*Payroll Taxes and Self-Employment Taxes.* TriMet’s payroll and self-employment tax rate was initially established by the Oregon Legislative Assembly (the “Legislative Assembly”) at 0.300 percent in 1969 and enacted in 1970. The current tax rate is 0.7637 percent.

Under Oregon law, TriMet needs statutory authorization from the Legislative Assembly to increase payroll tax and self-employment tax rates. TriMet has statutory authority to increase the existing rate of payroll taxes and self-employment taxes to compensate for withdrawal of unincorporated areas and small cities from TriMet. See “THE SPECIFIED TAX REVENUES—Revenue Impacts of Withdrawal from TriMet.”

In 2009, the Legislative Assembly gave the TriMet Board the authority to increase the rate for payroll and self-employment taxes by 1/10<sup>th</sup> of a percent, in addition to any increases resulting from withdrawals (the “2009 Rate Authority”). That legislation requires that the additional increases be phased in over ten years, prohibits any annual increase from exceeding .02 percent, and requires the TriMet Board to find, before implementing any additional increase, that the economy in the TriMet district has recovered to an extent sufficient to warrant the increase in tax. In September 2015, the TriMet Board approved implementation of the increase authorized under the 2009 Rate Authority, with an approval of the full increase of 1/10<sup>th</sup> of a percent spread evenly over ten years. The phase in of this increase began in January 2016. Effective January 1, 2019, the rate for payroll and self-employment taxes is now 0.7637 percent, up from 0.7537 percent, which was the rate as of January 1, 2018. The rate for payroll and self-employment taxes was 0.7437 percent as of January 1, 2017 and 0.7337 percent as of January 1, 2016.

Before the 2009 Rate Authority, the most recent legislative rate increase authority was in 2003 and allowed the TriMet Board to increase the rate for payroll and self-employment taxes by 1/10<sup>th</sup> of one percent (from 0.6218 percent to 0.7218 percent) over a ten year period, in addition to any increases resulting from withdrawals. The TriMet Board used that authority to approve ten annual rate increases 1/100<sup>th</sup> of one percent each. The first increase was effective on January 1, 2005, and the last increase under that authority took effect on January 1, 2014.

*State In-Lieu Payments.* Under ORS 291.405, the Oregon Department of Administrative Services is permitted to assess State agencies and to provide moneys from such assessments to mass transit districts as reimbursement for the benefit the State receives from such transit districts. The rate of assessment is limited to 0.6 percent of the total wages paid to State employees for performing services within the boundaries of the transit district. State in-lieu payments are not subject to the rate increases described above. The State in-lieu payments have been made every year since FY 1983. If the State stops making State in-lieu payments, current statutes authorize TriMet to impose payroll taxes directly on the State. See “THE SPECIFIED TAX REVENUES—Collection of Specified Tax Revenues.”

The historical payroll and self-employment tax revenues and historic State in-lieu payments, are shown in Table 1. See “THE SPECIFIED TAX REVENUES—Historical Specified Tax Revenues” and “Table 1—Historical Payroll, Self-Employment and State in-lieu Tax Revenues.”

### **Revenue Impacts of Withdrawal From TriMet**

TriMet collects the employer payroll, self-employment, and State in-lieu payments only from employers and self-employed persons within its boundaries. ORS 267.205 and ORS 267.207 define the district boundaries of TriMet. State law requires TriMet to increase its base tax rate automatically if territory from within TriMet’s district boundaries is withdrawn by petition, and TriMet has done so in the past, as described below.

Under Oregon law, small cities with a population of less than 10,000 and unincorporated areas, but not large cities such as Portland, may petition for withdrawal from TriMet. ORS 267.253 provides that a petition for withdrawal from TriMet may be filed only during the period from January 1 to August 30 in every fifth calendar year. The most recent withdrawal petition period ended on August 30, 2016, and withdrawals may not be filed again until 2021. TriMet is not aware of any intention to file a withdrawal petition. Withdrawal petitions under ORS 267.253 must be signed by at least 15 percent of the registered voters in the affected area. Such withdrawal petitions are not automatically approved. Following public hearing and completion of a study by TriMet, the TriMet Board may deny or approve the petition. The Board’s decision is subject to judicial review.

If territory is withdrawn via petition from the TriMet district boundaries, the withdrawal may reduce the amount of wages that are subject to the payroll taxes, the amount of income from self-employment that is subject to the self-employment taxes and the amount of State in-lieu payments received by TriMet if State offices are located within the area that is withdrawn. State law currently provides that if an area withdraws from TriMet via petition, the lost revenue will be recaptured by an automatic increase in the rates for payroll taxes and self-employment taxes to a rate that is calculated to produce the same revenues that TriMet would have received if the withdrawal had not occurred, based upon collections in the year before the withdrawal. Such increases are in addition to established limitations on rate increases established by the Legislative Assembly. If any area that is receiving service withdraws from TriMet, the service is withdrawn when the boundary change becomes effective. Alternatively, the area that withdraws may elect to pay TriMet to continue service.

The most recent withdrawal of territory from TriMet took effect on January 1, 2013. At that time, the Boring area, which is a suburban community located approximately 22 miles southeast of downtown Portland, withdrew from the TriMet district and TriMet increased its payroll and self-employment tax rate 0.001905 percent (\$0.019 per \$1,000) effective that same date. TriMet expects that if further withdrawals occur, they will not have a material impact on TriMet’s ability to pay its obligations secured by the Specified Tax Revenues, including the Series 2019 Bonds, when due. See “THE SPECIFIED TAX REVENUES—Historical Specified Tax Revenues” and “Table 1—Historical Payroll, Self-Employment and State in-lieu Tax Revenues.”

The City of Wilsonville (“Wilsonville”) adopted a resolution on February 1, 2016 directing Wilsonville staff to begin negotiating with TriMet to remove certain areas from TriMet’s service territory. Any such withdrawal is subject to TriMet’s approval. There have been no discussions between TriMet and Wilsonville on this matter beyond discussion in early 2016. TriMet anticipates responding to any further inquiries from Wilsonville in a manner that serves TriMet’s long-term interests.

### **Collection of Specified Tax Revenues**

The employer payroll tax and self-employment tax, since their inception, have been administered by the Oregon Department of Revenue (the “DOR”) under contract with TriMet. The DOR is responsible for all aspects of collection, except boundary-related issues. DOR’s responsibilities include, but are not limited to, form and instruction preparation, payment processing, record keeping, taxpayer inquiries and compliance audits. The employer payroll tax is calculated on the amount of gross payroll and the self-employment tax is calculated on income paid for services performed within the TriMet district boundaries. For most employers, the payroll tax is paid with their quarterly State income tax withholding payments. The self-employment tax is due annually and is reported separately from State income tax. The majority of self-employment taxes are due on April 15.

When collections of the payroll and self-employment taxes reach \$10,000 after the deduction of DOR actual administrative costs, the balance is deposited in the Trustee OSTF Account. In FY 2019, administrative costs amounted to approximately one percent of total collected. State in-lieu of tax payments are assessed by the Oregon Department of Administrative Services in accordance with ORS 291.405. The Oregon Department of Administrative Services (“DAS”) pays any moneys it receives under ORS 291.405 to the State Treasurer for deposit in the Mass Transit Assistance Account (the “MTA Account”). The moneys in the MTA Account are continuously appropriated to DAS. At the end of each calendar quarter DAS distributes TriMet’s share of moneys in the MTA Account to the Trustee OSTF Account. Once the Specified Tax Revenues are deposited to the Trustee OSTF Account, the Trustee credits those Specified Tax Revenues to the Debt Service Account in the amounts required under the Indenture, and distributes the remainder to TriMet. See “SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR LIEN BONDS—Collection and Application of Revenues” and APPENDIX F—“SUMMARY OF INDENTURE—Revenue Fund and Accounts; Deposits to and Application of Revenue Fund.”

## Historical Specified Tax Revenues

Table 1 summarizes historical Specified Tax Revenues during the period FY 2010 through FY 2019. The historical Specified Tax Revenues shown in Table 1 were derived from TriMet’s audited financial statements.

**TABLE 1**  
**HISTORICAL PAYROLL, SELF-EMPLOYMENT**  
**AND STATE IN-LIEU TAX REVENUES<sup>(1)</sup>**  
**(\$000s)**

<b>Fiscal Year</b>	<b>Payroll Tax</b>	<b>Percent Change</b>	<b>Self-Employment</b>	<b>Percent Change</b>	<b>State-In-Lieu</b>	<b>Percent Change</b>	<b>Total</b>	<b>Percent Change</b>
2010	\$ 194,241	(2.3)%	\$ 10,165	31.3%	\$ 2,676	7.8%	\$ 207,082	0.2%
2011	211,280	8.8	10,919	7.4	2,659	(0.6)	224,858	8.6
2012	232,756	10.2	12,451	14.0	2,872	8.0	248,079	10.3
2013	242,669	4.3	13,138	5.5	2,706	(5.8)	258,513	4.2
2014	258,185	6.4	13,594	3.5	2,795	3.3	274,574	6.2
2015	273,308	5.9	14,784	8.8	3,202	14.6	291,294	6.1
2016	305,667	11.8 <sup>(2)</sup>	16,358	10.6	1,975	(38.3) <sup>(2)</sup>	324,000	11.2
2017	317,875	4.0	16,285	(0.5)	1,971	(0.2)	336,131	3.7
2018	340,352	7.1	16,627	2.1	2,063	4.7	359,043	6.8
2019	354,487	4.2	16,254	(2.2)	2,009	(2.6)	372,751	3.8

(1) Tax rate changes are as follows: FY 2010 through FY 2014 +0.01 percent in each year; FY 2013, City of Boring withdrawal +0.001905 percent. No increase in rates in FY 2015. Beginning in January 2016, TriMet has phased in the 2009 Rate Authority. See “Revenue Sources” above.

(2) Payroll taxes increased and State in-lieu taxes decreased in FY 2016 due in part to Portland State University’s separation from the Oregon University System, triggering a reclassification of Portland State University as a regular payroll tax paying entity from a State-in-lieu payer. *Source:* TriMet.

## Debt Service Coverage

The following Table 2 summarizes total historical Specified Tax Revenues for FY 2010 through FY 2019 and Senior Lien Bond debt service during those FYs.

**TABLE 2**  
**HISTORICAL SPECIFIED TAX REVENUES, SENIOR LIEN DEBT SERVICE**  
**AND DEBT SERVICE COVERAGE**  
**(\$000s)**

<u>Fiscal Year</u>	<u>Total Specified Tax Revenues<sup>(1)</sup></u>	<u>Scheduled Debt Service Payments for Outstanding Senior Lien Bonds</u>	<u>Gross Coverage</u>
2010	\$ 207,082	\$ 13,682	15.1x
2011	224,858	16,403	13.7
2012	248,079	15,499	16.0
2013	258,513	14,059	18.4
2014	274,574	18,308	15.0
2015	291,294	17,777	16.4
2016	324,000	17,268	18.8
2017	336,131	23,981	14.0
2018	359,043	33,411	10.7
2019	372,751	36,878	10.1

(1) See Table 1 for explanations of increases in certain FYs.  
*Source:* TriMet.

## Forecast Specified Tax Revenues

TriMet receives regular economic forecast information based on payroll tax, self-employment tax and State in-lieu payments from ECONorthwest, a regional economic consulting and forecasting firm. TriMet uses this information, and sometimes modifies it to take into account current trends, in preparing its own financial forecasts for operations and capital planning purposes. The forecast assumes cash receipts in a given period, while TriMet's audit and the information in Tables 1 and 2 are based on amounts earned during a given period.

TriMet projects total Specified Tax Revenues for FY 2020 to be \$411.2 million or \$38.4 million over Specified Tax Revenues in FY 2019, a projected 10.3 percent increase. The average annual growth of Specified Tax Revenues has been 5.2 percent over the last twenty years.

Payroll tax revenues for FY 2020, based on current tax rates, are projected to be \$389.6 million or an estimated 9.9 percent increase over FY 2019 due to growth in employment, wages and salaries, and the January 1, 2020 rate increase for payroll taxes. Payroll tax revenues are projected to increase 6.6 percent in FY 2021.

Self-employment tax revenues for FY 2020 are projected to be \$19.5 million or an estimated 19.9 percent increase over FY 2019, and are projected to increase 9.9 percent in FY 2021. The self-employment tax revenues are expected to make up 4.7 percent of the Specified Tax Revenues in FY 2020.

The State in-lieu payments tax rate is 0.006. State in-lieu payments for FY 2020 are projected to increase 12.7 percent from FY 2019. The State in-lieu payments for FY 2021 are projected to increase 1.5 percent from FY 2020.

## PLAN OF FINANCING

The proceeds to be received from the sale of the Series 2019 Bonds are to be applied (i) to pay costs of transit-related capital projects, (ii) to refund certain outstanding Senior Lien Bonds, and (iii) to pay costs of issuing the Series 2019 Bonds.

### Projects

TriMet expects to finance all or a portion of the costs of certain transit projects and transit supportive services described below with proceeds of the Series 2019A Bonds. These capital projects represent a portion of the projects in TriMet’s Capital Improvement Program (“CIP”) for FYs 2020 through 2024. Other transit-related capital projects may be substituted for any of these projects.

<b>Project Summary</b>	<b>Estimated Bond Proceeds (In Millions)</b>
Columbia Bus Base	\$ 68
Replacement of Buses and Light Rail Vehicles	42
Red Line to Fair Complex	32
Division Transit	25
Powell Garage	21
Ruby Junction Expansion	12
<b>Total</b>	<b>\$200</b>

### Plan of Refunding

TriMet plans to use a portion of the proceeds of the Series 2019B Bonds to achieve debt service savings by refunding all or a portion of the Outstanding Senior Lien Bonds shown in the table below (collectively, the “Refunded Bonds”).

The use of a portion of the proceeds of the Series 2019B Bonds and the selection of the Outstanding Senior Lien Bonds to be refunded are subject to market conditions. TriMet may determine not to refund some or all of the Outstanding Senior Lien Bonds if the refunding will not produce sufficient savings. TriMet may also refund Outstanding Senior Lien Bonds that are not shown in the table below if market conditions warrant.

The proceeds of the Series 2019B Bonds are expected to be used to refund the Refunded Bonds on the respective dates fixed for redemption shown in the table below, and at the prices (expressed as a percentage of the principal amounts to be redeemed) set forth in the table below, and pay the costs of issuing the Series 2019B Bonds. For this purpose, TriMet intends to establish one or more escrow deposit accounts (the “Escrow Deposit Accounts”) with The Bank of New York Mellon Trust Company, N.A. TriMet expects to purchase direct obligations of the United States or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States for deposit into the Escrow Deposit Accounts together with cash or cash equivalents, if necessary, in an amount sufficient to provide for the redemption of the Refunded Bonds.

**TABLE 3**  
**OUTSTANDING PAYROLL TAX REVENUE BONDS TO BE REFUNDED**  
**WITH PROCEEDS OF THE SERIES 2019B BONDS**

<b>Series</b>	<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Redemption Date</b>	<b>Redemption Price</b>	<b>CUSIP Number (89546R)</b>
2015A	9/1/2028	\$2,690,000	5.000%	9/1/2025	100%	LC6
	9/1/2029	2,825,000	5.000	9/1/2025	100	LD4
	9/1/2030	2,970,000	5.000	9/1/2025	100	LE2
	9/1/2031	3,125,000	5.000	9/1/2025	100	LF9
	9/1/2032	3,285,000	5.000	9/1/2025	100	LG7
	9/1/2033	3,455,000	5.000	9/1/2025	100	LH5
	9/1/2034	3,630,000	5.000	9/1/2025	100	LJ1
	9/1/2040 <sup>†</sup>	6,000,000	5.000	9/1/2025	100	LL6
<b>Series</b>	<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Redemption Date</b>	<b>Redemption Price</b>	<b>CUSIP Number (89546R)</b>
2015B	9/1/2028	\$4,770,000	5.000%	9/1/2025	100%	MB7
	9/1/2029	5,010,000	5.000	9/1/2025	100	MC5
	9/1/2030	2,545,000	5.000	9/1/2025	100	MD3
	9/1/2031	1,035,000	5.000	9/1/2025	100	MG6

<sup>†</sup> Term Bond.

### Verification

Samuel Klein and Company, Certified Public Accountants (the “Verification Agent”) is expected to deliver to TriMet on or before the date the Series 2019B Bonds are issued its reports indicating that it has verified the mathematical accuracy of the mathematical computations relating to the sufficiency of the cash, if any, and maturing principal of and interest on the escrow investments to pay, when due, prepayment price, the principal of, and interest and premium on the Refunded Bonds.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by TriMet and its representatives. The Verification Agent has restricted its procedures to recalculating the computations provided by TriMet and its representatives and has not evaluated or examined the assumptions or information used in the computations.

## ESTIMATED APPLICATION OF PROCEEDS

The estimated application of the proceeds of the Series 2019 Bonds are as follows:

### Estimated Sources and Uses of Funds

<b>Sources of Funds</b>	<b>Series 2019A</b>	<b>Series 2019B</b>
Par amount	\$188,390,000.00	\$49,425,000.00
Original issue premium	12,232,580.10	
Debt Service Fund		224,673.91
<b>Total sources</b>	<b>\$200,622,580.10</b>	<b>\$49,649,673.91</b>
<b>Uses of Funds</b>		
Project Costs	\$200,000,000.00	
Escrow Deposit	0.00	\$49,480,916.72
Costs of Issuance <sup>(1)</sup>	622,580.10	168,757.19
<b>Total uses</b>	<b>\$200,622,580.10</b>	<b>\$49,649,673.91</b>

(1) Costs of issuance include underwriters' discount, trustee fees, legal fees, municipal advisory fees, printing and other expenses.

## DEBT INFORMATION

### Long-Term Debt

TriMet has a number of long-term debt issues outstanding.

*Senior Lien Bonds.* TriMet has eight series of bonds Outstanding that are Senior Lien Bonds payable from and secured by a pledge of Specified Tax Revenues on parity with the pledge that will secure the Series 2019 Bonds. As presented in Table 4 below, those Senior Lien Bonds were outstanding as of September 2, 2019 in the aggregate principal amount of \$445,190,000.

*FFGA Bonds with a Second Lien on Specified Tax Revenues.* TriMet has issued one series of FFGA Bonds: \$25,000,000 was outstanding as of September 2, 2019. The outstanding 2013 FFGA Bonds have been called for early redemption and funds to pay off such 2013 FFGA Bonds have been deposited with the bond trustee. As of September 26, 2019, such 2013 FFGA Bonds will no longer be outstanding. The 2013 FFGA Bonds are payable from all legally available funds of TriMet. Additionally, they are secured by: (i) a first lien on amounts received by TriMet under a FFGA between TriMet and the Federal Transit Administration for the PMLR; and (ii) a second lien on the Specified Tax Revenues. The 2013 FFGA Bond documents obligate the Trustee to set aside Excess Specified Tax Revenues to pay the interest on the 2013 FFGA Bonds after the Trustee sets aside Specified Tax Revenues to pay Senior Lien Bonds, and before the Trustee sends any remaining Excess Specified Tax Revenues to TriMet. See "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR LIEN BONDS—Subordinate Debt."

*2019 Subordinate Revolving Line with a Third Lien on Specified Tax Revenues.* The 2019 Subordinate Revolving Line is a revolving line of credit with a \$60,000,000 maximum principal amount. As of September 2, 2019, the line has a balance of zero. TriMet entered into the 2019 Subordinate Revolving Line to provide short term liquidity to address potential timing mismatches in the receipts of federal grants or other projected revenues. The 2019 Subordinate Revolving Line also allows borrowings for interim financing of capital projects. The 2019 Subordinate Revolving Line is payable from all legally available funds of TriMet, and is secured by a third lien on the Specified Tax Revenues, which is



subordinate to the Senior Lien Bonds and the 2013 FFGA Bonds. Upon the early redemption of the 2013 FFGA Bonds on September 26, 2019, the 2019 Subordinate Revolving Line will be secured by a second lien on the Specified Tax Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR LIEN BONDS—Subordinate Debt.”

*Capital Grant Receipt Revenue Bonds.* TriMet has three series of Capital Grant Receipt Revenue Bonds outstanding; \$222,535,000 aggregate principal amount of those bonds were outstanding as of September 2, 2019. The Capital Grant Receipt Revenue Bonds are not secured by the Specified Tax Revenues or the Trust Estate, and are payable only from federal grant funds payable to TriMet under Section 5307 of Title 49 of the U.S. Code.

**TABLE 4**  
**TRIMET’S OUTSTANDING LONG-TERM DEBT – AS OF SEPTEMBER 2, 2019**

	<u>Dated Date</u>	<u>Final Maturity Date</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>
<b>Bonds Secured by Specified Tax Revenues</b>				
Senior Lien Bonds				
Series 2009A and 2009B	10/27/09	09/01/33	\$ 49,550,000	\$ 12,530,000
Series 2012A	08/30/12	09/01/22 <sup>(1)</sup>	93,290,000	8,575,000
Series 2015A and 2015B	09/09/15	09/01/40	134,590,000	110,775,000
Series 2016A	05/11/16	09/01/37	74,800,000	73,720,000
Series 2017A	02/22/17	09/01/41	97,430,000	92,760,000
Series 2018A	06/20/18	09/01/48	148,245,000	146,830,000
Subordinate Lien Bonds				
2013 FFGA Bonds	03/07/13	09/26/19 <sup>(2)</sup>	\$ 325,000,000	\$ 25,000,000
2019 Subordinate Revolving Line	05/24/19	05/24/22	60,000,000 <sup>(3)</sup>	0
<b>Total Bonds Secured by Specified Tax Revenues</b>			<b>\$ 982,904,998</b>	<b>\$ 470,190,000</b>
<b>Bonds Not Secured by Specified Tax Revenues</b>				
Capital Grant Receipt Revenue Bonds, Series 2011A	06/30/11	10/01/27	\$ 142,380,000	\$ 32,620,000
Capital Grant Receipt Revenue Bonds, Series 2017A	08/30/17	09/01/21 <sup>(1)</sup>	76,015,000	76,015,000
Capital Grant Receipt Revenue Bonds, Series 2018A	02/06/18	10/01/34	113,900,000	113,900,000
<b>Total Bonds Not Secured by Specified Tax Revenues</b>			<b>\$ 332,295,000</b>	<b>\$ 222,535,000</b>
<b>Total Long-Term Debt</b>			<b>\$1,315,199,998</b>	<b>\$ 692,725,000</b>

(1) Reflects latest of the undefeased maturities.

(2) Optional redemption date.

(3) Maximum aggregate principal amount of the 2019 Subordinate Revolving Line.

Source: TriMet.

### Future Debt Plans

TriMet anticipates issuing \$400 million or more of Senior Lien Bonds between FYs 2021 and 2027, depending upon the level of external funding from federal, state, and local sources available to fund the CIP. See APPENDIX A—“TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON—Capital Improvements.”

TriMet may issue additional bonds, which could include Senior Lien Bonds and grant anticipation bonds, to finance its regional projects that are under development and are dependent on additional levels of approval.

TriMet may also issue refunding bonds to achieve debt service savings.

## DEBT SERVICE REQUIREMENTS

The debt service requirements on the Outstanding Senior Lien Bonds, the Series 2019 Bonds, and the interest of the 2013 FFGA Bonds are summarized in the following Table 5.

**TABLE 5**  
**DEBT SERVICE REQUIREMENTS SECURED BY SPECIFIED TAX REVENUES<sup>(1)(2)</sup>**

Fiscal Year	Outstanding Senior Lien Bonds <sup>(3)</sup>	Series 2019A Bonds		Series 2019B Bonds		Total Senior Lien Debt Service	Interest Payments on FFGA Bonds	Total Debt Service
		Principal	Interest	Principal	Interest			
2020	\$31,418,157	-	\$2,456,975	-	\$487,775	\$34,362,907	\$ 375,000	\$34,737,907
2021	30,382,182	-	6,228,950	710,000	1,229,999	38,551,131	-	38,551,131
2022	30,382,932	-	6,228,950	725,000	1,216,632	38,553,514	-	38,553,514
2023	30,385,669	-	6,228,950	740,000	1,202,893	38,557,512	-	38,557,512
2024	30,382,169	-	6,228,950	755,000	1,188,655	38,554,774	-	38,554,774
2025	30,384,332	-	6,228,950	770,000	1,173,815	38,557,097	-	38,557,097
2026	30,384,457	-	6,228,950	785,000	1,158,031	38,556,438	-	38,556,438
2027	30,381,732	-	6,228,950	800,000	1,141,284	38,551,966	-	38,551,966
2028	30,386,382	-	6,228,950	820,000	1,123,523	38,558,855	-	38,558,855
2029	23,110,132	-	6,228,950	8,200,000	1,018,129	38,557,211	-	38,557,211
2030	23,120,007	-	6,228,950	8,385,000	821,490	38,555,447	-	38,555,447
2031	25,773,281	-	6,228,950	5,910,000	647,281	38,559,512	-	38,559,512
2032	27,366,122	-	6,228,950	4,440,000	517,003	38,552,075	-	38,552,075
2033	28,429,354	-	6,228,950	3,480,000	414,442	38,552,746	-	38,552,746
2034	28,428,003	-	6,228,950	3,580,000	320,143	38,557,096	-	38,557,096
2035	21,221,325	7,395,000	6,044,075	3,675,000	221,427	38,556,827	-	38,556,827
2036	23,962,463	7,695,000	5,743,775	995,000	155,915	38,552,153	-	38,552,153
2037	24,014,156	7,930,000	5,509,400	975,000	126,109	38,554,665	-	38,554,665
2038	24,064,788	8,255,000	5,184,075	955,000	96,908	38,555,771	-	38,555,771
2039	24,114,550	8,675,000	4,760,825	930,000	68,388	38,548,763	-	38,548,763
2040	24,162,225	9,075,000	4,362,450	910,000	40,548	38,550,223	-	38,550,223
2041	24,213,875	9,395,000	4,040,025	885,000	13,390	38,547,290	-	38,547,290
2042	11,537,875	12,770,000	3,707,550	-	-	28,015,425	-	28,015,425
2043	11,537,750	13,160,000	3,318,600	-	-	28,016,350	-	28,016,350
2044	11,536,375	13,560,000	2,917,800	-	-	28,014,175	-	28,014,175
2045	11,537,300	13,970,000	2,504,850	-	-	28,012,150	-	28,012,150
2046	11,536,250	14,395,000	2,079,375	-	-	28,010,625	-	28,010,625
2047	11,539,350	14,835,000	1,640,925	-	-	28,015,275	-	28,015,275
2048	11,540,600	15,290,000	1,189,050	-	-	28,019,650	-	28,019,650
2049	11,539,075	15,755,000	723,375	-	-	28,017,450	-	28,017,450
2050	-	16,235,000	243,525	-	-	16,478,525	-	16,478,525
<b>Total</b>	<b>\$ 688,772,868</b>	<b>\$188,390,000</b>	<b>\$143,631,950</b>	<b>\$49,425,000</b>	<b>\$14,383,780</b>	<b>\$1,084,603,598</b>	<b>\$ 375,000</b>	<b>\$1,084,978,598</b>

(1) Does not reflect principal payments on TriMet's outstanding 2013 FFGA Bonds that are payable from all legally available funds of TriMet, and are secured by a second lien on the Specified Tax Revenues. TriMet expects to pay principal of the 2013 FFGA Bonds from amounts TriMet receives under the FFGA. The 2013 FFGA Bonds have been called for early redemption on September 26, 2019 and will no longer be outstanding after that date. TriMet expects to pay interest on the 2013 FFGA Bonds from the Excess of Specified Tax Revenues. Also does not reflect principal or interest payments due under the 2019 Subordinate Revolving Line, which as of the date of the Official Statement, has a balance of zero. See "SECURITY AND SOURCES OF PAYMENT FOR THE SENIOR LIEN BONDS—Subordinate Debt" for a discussion of the 2013 FFGA Bonds and the 2019 Subordinate Revolving Line.

(2) Interest payments are rounded up to the nearest dollar. Totals may not add due to rounding.

(3) Excludes debt service on the Refunded Bonds

Source: TriMet.

## CERTAIN INVESTMENT CONSIDERATIONS

### Economy of Tri-County Area and the State

The Series 2019 Bonds are secured by a pledge of the Specified Tax Revenues, which include payroll taxes and self-employment taxes assessed by TriMet. The level of payroll taxes and self-employment taxes collected at any time is dependent upon the level of employment and wages paid. As a result, any substantial deterioration in the level of employment within the Tri-County Area could have a

material adverse impact upon the level of payroll taxes and self-employment taxes received by TriMet and therefore upon the ability of TriMet to pay principal of and interest on the Series 2019 Bonds. For information regarding demographic and employment information within the Tri-County Area, see APPENDIX G—“DEMOGRAPHIC INFORMATION.”

### **Seismic or Other Disaster**

The State of Oregon is located in an area of seismic activity along the Pacific coast. The scientific consensus is that the State of Oregon and the Pacific Northwest region is subject to periodic great earthquakes along the Cascadia Subduction Zone, a large fault that runs offshore from Northern California to British Columbia. Geologists are predicting the Pacific Northwest is due for a major earthquake (magnitude 8.7 to 9.1). Such an earthquake would cause widespread damage to structures and infrastructure in western Oregon and the Tri-County Area, and total damage in coastal areas inundated by a possible accompanying tsunami. Other disasters in the Tri-County Area could be caused by any number of factors including climate change, terrorism, or human error. Any disaster could adversely affect the economy of the Tri-County Area and have a material adverse impact on TriMet’s operations and Specified Tax Revenues collected. TriMet cannot predict the potential effect of such events on the financial condition of TriMet or on TriMet’s ability to pay the principal of and interest on the Series 2019 Bonds.

### **Cybersecurity**

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to TriMet’s systems technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To reduce and mitigate the risk of business operations impact and/or damage from cybersecurity incidents, TriMet has invested in multiple forms of cybersecurity and operational safeguards, including adopting a Cyber Security Policy (the “Cyber Policy”) to support, maintain, and secure critical infrastructure and data systems, manage risk, and improve cybersecurity event detection and remediation. TriMet’s Information Technology Department has established a cybersecurity team to work across all TriMet departments to implement the Cyber Policy, which is reviewed on an annual basis.

TriMet has also appointed a Manager of Information Security, who is responsible for identifying, evaluating, responding, and reporting on information security risks in a manner that meets compliance and regulatory requirements, and aligns with and supports the cybersecurity risk posture of TriMet.

While TriMet cybersecurity and operational safeguards are periodically tested, no assurances can be given by TriMet that such measures will ensure against all potential cybersecurity threats and attacks, and accompanying disruptions and costs. In order to offset some of the potential financial costs and risks associated with a breach, TriMet also maintains a Cyber-Liability insurance policy.

### **Bankruptcy Currently Not Authorized**

TriMet is currently not authorized under Oregon state law to file Chapter 9 municipal bankruptcy. Although TriMet is not aware of any active discussion by Oregon lawmakers regarding this issue, the Oregon Legislative Assembly could authorize TriMet to file for Chapter 9 municipal bankruptcy in the future.

### **Federal Funding**

TriMet relies on federal grants, among other sources, for certain capital projects. Congress establishes the legal authority for federal funding of transit programs through authorizing legislation.

Each year Congress needs to pass legislation, which when signed by the President, appropriates funds for agencies such as the Federal Transit Administration and the Department of Transportation, which distribute federal funding. On December 4, 2015, Congress enacted the Fixing America’s Surface Transportation Act (the “FAST Act”). The FAST Act authorizes approximately \$305 billion in federal highway and transit spending over five years for transportation projects. TriMet cannot predict whether long-term funding will be approved in the future and of what that approval will consist.

### **Loss of Tax Exemption**

As discussed under “TAX MATTERS—Series 2019A Bonds—Federally Tax-Exempt,” interest on the Series 2019A Bonds could become includable in federal gross income, possibly from the date of issuance of the Series 2019A Bonds, as a result of acts or omissions of TriMet subsequent to the issuance of the Series 2019A Bonds.

### **Failure to Maintain Credit Ratings**

Certain rating agencies have assigned ratings to TriMet’s Series 2019 Bonds. The ratings issued reflect only the views of such rating agencies. Any explanation of the significance of these ratings should be obtained from the respective rating agencies. TriMet undertakes no responsibility to maintain its current credit ratings on the Series 2019 Bonds or to oppose any downward revision, suspension or withdrawal. See “RATINGS” herein. There is no assurance current TriMet ratings will continue for any given period or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in the respective judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings could be expected to have an adverse effect on the market price of the Series 2019 Bonds.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Series 2019 Bonds or, if a secondary market exists, that the Series 2019 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse developments or economic prospects connected with a particular issue, secondary trading practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Initiative and Referendum**

The State Constitution reserves to the (1) people of the State the initiative power to amend the State constitution or to enact State legislation by placing measures on the statewide general election ballot for consideration by the voters and the referendum power to approve or reject at an election certain acts passed by the Legislative Assembly, and (2) voters in the TriMet District the initiative and referendum power as to legislation of TriMet. From time to time, initiatives and referenda affecting the collection of Specified Tax Revenues or the operations of TriMet could be adopted. See APPENDIX A—“TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON—Initiative and Referendum Process.”

### **Competition Due to Ride Sharing and Other Transportation Options**

TriMet, as a transportation provider, competes with other transportation options available in the region. Recent decline in ridership may be in part due to ride sharing companies like Uber and Lyft that are currently operating in the region. eScooters are also operating throughout Portland and have begun

appearing in the suburban parts of the service area. TriMet cannot predict how ride sharing or other transportation options will develop in the region and whether they will impact ridership or passenger revenues in the future. TriMet is taking a proactive approach by taking steps to position itself as the mobility broker in the region.

## **LITIGATION**

To the knowledge of TriMet, there is no litigation pending or threatened which would in any way (i) restrain or enjoin the issuance, sale or delivery of the Series 2019 Bonds or (ii) question the validity of the Series 2019 Bonds or the authority of TriMet to make principal and interest payments or to collect Specified Tax Revenues to Series 2019 Bonds.

TriMet is a defendant in various legal actions resulting from normal transit operations. Although the outcome of such actions cannot presently be determined, it is the opinion of TriMet's management and legal counsel that settlement of these matters will not have a material adverse effect on TriMet's financial position, results of operations or cash flows.

## **TAX MATTERS**

### **Series 2019A Bonds – Federally Tax-Exempt**

#### Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to TriMet, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2019A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2019A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by TriMet in connection with the Series 2019A Bonds, and Bond Counsel has assumed compliance by TriMet with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2019A Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to TriMet, under existing statutes, interest on the Series 2019A Bonds is exempt from State of Oregon personal income tax.

Bond Counsel expresses no opinion as to any other federal, state, or local tax consequences arising with respect to the Series 2019A Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or in interpretations thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action thereafter taken or not taken in reliance upon an opinion of other counsel, regarding federal, state or local tax matters, including, without limitation exclusion from gross income for federal income tax purposes of interest on the Series 2019A Bonds.

### Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2019A Bonds in order that interest on the Series 2019A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2019A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2019A Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. TriMet has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2019A Bonds from gross income under Section 103 of the Code.

### Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2019A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a 2019A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2019A Bonds.

Prospective owners of the Series 2019A Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2019A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2019A Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Series 2019A Bonds. In general, the issue price for each maturity of Series 2019A Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Series 2019A Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2019A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2019A Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of

determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

### Bond Premium

In general, if an owner acquires a Series 2019A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2019A Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Series 2019A Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the Series 2019A Bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2019A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2019A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2019A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

## Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2019A Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2019A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2019A Bonds.

Prospective purchasers of the Series 2019A Bonds should consult their own tax advisors regarding the foregoing matters.

## **Series 2019B Bonds – Federally Taxable**

### Opinion of Bond Counsel

In the opinion of Bond Counsel to TriMet, interest on the Series 2019B Bonds (i) is included in gross income for federal income tax purposes pursuant to the Code, and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of Oregon.

The following discussion is a brief summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of Series 2019B Bonds by original purchasers of the Series 2019B Bonds who are “U.S. Holders”, as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Series 2019B Bonds will be held as “capital assets”; and (iii) does not discuss all of the United States federal income tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances or to U.S. Holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Series 2019B Bonds as a position in a “hedge” or “straddle”, U.S. Holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, U.S. Holders who acquire Series 2019B Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Certain taxpayers that are required to prepare certified financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Series 2019B Bonds at the time that such income, gain or loss is taken into account on such financial statements instead of under the rules described below.

U.S. Holders of Series 2019B Bonds should consult with their own tax advisors concerning the United States federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Series 2019B Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

### Original Issue Discount

In general, if Original Issue Discount (“OID”) is greater than a statutorily defined *de minimis* amount, a U.S. Holder of a Series 2019B Bond having a maturity of more than one year from its date of issue must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such U.S. Holder holds such Series 2019B Bond) the daily portion of OID, as it accrues (generally on a constant-yield method) and regardless of the U.S. Holder’s method of accounting. “OID” is the excess of (i) the “stated redemption price at maturity” over (ii) the “issue price”. For purposes of



the foregoing: “issue price” means the first price at which a substantial amount of the Series 2019B Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); “stated redemption price at maturity” means the sum of all payments, other than “qualified stated interest”, provided by such Series 2019B Bond; “qualified stated interest” is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and “*de minimis* amount” is an amount equal to 0.25 percent of the Series 2019B Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity. A U.S. Holder may irrevocably elect to include in gross income all interest that accrues on a Series 2019B Bond using the constant-yield method, subject to certain modifications.

#### Acquisition Discount on Short-Term Series 2019B Bonds

Each U.S. Holder of a Series 2019B Bond with a maturity not longer than one year (a “Short-Term Series 2019B Bond”) is subject to rules of Sections 1281 through 1283 of the Code, if such U.S. Holder is an accrual method taxpayer, bank, regulated investment company, common trust fund or among certain types of pass-through entities, or if the Short-Term Series 2019B Bond is held primarily for sale to customers, is identified under Section 1256(e)(2) of the Code as part of a hedging transaction, or is a stripped bond or coupon held by the person responsible for the underlying stripping transaction. In any such instance, interest on, and “acquisition discount” with respect to, the Short-Term Series 2019B Bond accrue on a ratable (straight-line) basis, subject to an election to accrue such interest and acquisition discount on a constant-interest-rate basis using daily compounding. “Acquisition discount” means the excess of the stated redemption price of a Short-Term Series 2019B Bond at maturity over the U.S. Holder’s tax basis therefor.

A U.S. Holder of a Short-Term Taxable Note not described in the preceding paragraph, including a cash-method taxpayer, must report interest income in accordance with the U.S. Holder’s regular method of tax accounting, unless such U.S. Holder irrevocably elects to accrue acquisition discount currently.

#### Bond Premium

In general, if a Series 2019B Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Series 2019B Bond other than “qualified stated interest” (a “Taxable Premium Bond”), that Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the U.S. Holder of a Taxable Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant-yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to the U.S. Holder’s basis in the Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the U.S. Holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder's original acquisition cost.

#### Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Series 2019B Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued

interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the Series 2019B Bond.

Pursuant to the Indenture, TriMet may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Series 2019B Bond to be deemed to be no longer outstanding (a "defeasance"). For federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Series 2019B Bonds subsequent to any such defeasance could also be affected.

#### Information Reporting and Backup Withholding

In general, information reporting requirements will apply to non-corporate U.S. Holders of the Series 2019B Bonds with respect to payments of principal, payments of interest, and the accrual of OID on a Series 2019B Bond and the proceeds of the sale of a Series 2019B Bond before maturity within the United States. Backup withholding may apply to U.S. Holders of Series 2019B Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the Internal Revenue Service.

#### U.S. Holders

The term "U.S. Holder" means a beneficial owner of a Series 2019B Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

#### Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, at the state level, may adversely affect the tax-exempt status of interest on the Series 2019B Bonds under Oregon state law and could affect the market price or marketability of the Series 2019B Bonds.

Prospective purchasers of the Series 2019B Bonds should consult their own tax advisors regarding the foregoing matters.

### **UNDERWRITING**

The Series 2019 Bonds are being purchased for reoffering by J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, and Citigroup Global Markets Inc. (collectively, the "Underwriters"). The Bond Purchase Contract provides that the Underwriters will purchase all of the Series 2019 Bonds, if any are purchased. The purchase price of the Series 2019A Bonds is \$200,335,549.51, which is equal to the principal amount of the Series 2019A Bonds (\$188,390,000), plus original issue premium of \$12,232,580.10 and less an Underwriters' discount of \$287,030.59. The purchase price of the Series 2019B Bonds is \$49,347,921.07, which is equal to the principal amount of the Series 2019B Bonds (\$49,425,000), and less an Underwriters' discount of \$77,078.93.

The obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2019 Bonds to the public. The Underwriters may offer and sell the Series 2019 Bonds to certain dealers (including dealers depositing the Series 2019 Bonds to investment trusts) and others at prices lower than the public offering prices stated on the inside front cover page hereof. The Underwriters may change the public offering prices from time to time.

J.P. Morgan Securities LLC (“JPMS”), an underwriter of the Series 2019 Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2019 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2019 Bonds that such firm sells.

Morgan Stanley & Co. LLC, an underwriter of the Series 2019 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2019 Bonds.

Citigroup Global Markets Inc., an underwriter of the Series 2019 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

## **RATINGS**

The Series 2019 Bonds have received ratings of “Aaa,” “AAA,” and “AAA” by Moody’s Investors Service, S&P Global Ratings and Kroll Bond Rating Agency, respectively. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody’s Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York, 10007; S&P Global Ratings, 55 Water Street, New York, New York, 10004; and Kroll Bond Rating Agency, 845 Third Avenue, New York, New York, 10022. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the Series 2019 Bonds.

## **THE TRUSTEE, PAYING AGENT AND REGISTRAR**

The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, serves as Trustee pursuant to the Indenture. The obligations of the Trustee are described in the Indenture. The Trustee has undertaken only those duties and obligations that are expressly set forth in the Indenture. The Trustee has not independently passed upon the validity of the Series 2019 Bonds, the security of the payment therefore, the value or condition of any assets pledged to the payment thereof, the adequacy of the provisions for such payment, the status for federal or state income tax purposes of the interest on the Series 2019 Bonds, or the investment quality of the Series 2019 Bonds. Except for the contents in this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and has assumed no responsibility for the nature, content, accuracy or completeness of the information included in

this Official Statement. The Trustee will also act as the paying agent and registrar for the Series 2019 Bonds.

### **MUNICIPAL ADVISOR**

TriMet has retained Ross Financial, San Francisco, California as Municipal Advisor in connection with the authorization and issuance of the Series 2019 Bonds. The Municipal Advisor's fee is contingent on closing of the Series 2019 Bonds.

### **LEGALITY**

Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel to TriMet, will render an opinion with respect to the validity and enforceability of the Series 2019 Bonds and the Indenture. Hawkins Delafield & Wood LLP from time to time represents the Underwriters on unrelated transactions. The form of the opinion of Bond Counsel appears as Appendix C to this Official Statement. Certain legal matters will be passed upon for TriMet by Shelley Devine, General Counsel to TriMet, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Portland, Oregon. Orrick, Herrington & Sutcliffe, LLP from time to time represents TriMet in certain other bond matters.

### **CONTINUING DISCLOSURE**

TriMet has covenanted for the benefit of the holders and beneficial owners of the Series 2019 Bonds to provide certain financial information and operating data (the "Annual Disclosure Report") by not later than nine months following the end of TriMet's FY and to provide notices of the occurrence of certain listed events. The Annual Disclosure Report and the notices of certain listed events are to be filed by TriMet with the Municipal Securities Rulemaking Board (the "MSRB"). The specific nature of the information to be contained in the Annual Disclosure Report and in notices of events is to be listed in an agreement (the "Continuing Disclosure Certificate") to be executed and delivered by TriMet as a condition to the issuance of the Series 2019 Bonds. The form of the Continuing Disclosure Certificate is included in this Official Statement as Appendix D. These covenants are being made by TriMet to assist the Underwriters in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5), as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule").

TriMet did not timely file certain annual financial information for FY 2017. That information was filed with the MSRB on April 12, 2018 but was not accompanied by a timely failure to file notice. Other than as noted in this paragraph, TriMet believes that in the previous five years it has not failed to comply, in all material respects, with any previous continuing disclosure undertakings under the Rule.

### **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between TriMet and the purchasers or holders of any of the Series 2019 Bonds. Any statements made in this Official Statement involving matters of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of TriMet, since the date hereof.

### **OFFICIAL STATEMENT**

At the time of the original delivery of and payment for the Series 2019 Bonds, TriMet will deliver a certificate of its Authorized Representative addressed to the Underwriters to the effect that Authorized Representative has examined this Official Statement and the financial and other data concerning TriMet contained herein and that, to the best of the Authorized Representative's knowledge and belief, (i) this



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## APPENDIX A

### TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON

All capitalized terms used and not defined in this Appendix A shall have the meanings assigned to such terms in the forepart of this Official Statement to which this Appendix A is attached. Unless otherwise specifically noted herein, source data for tables is provided by TriMet.

#### General

TriMet is a municipal corporation established in 1969 under Oregon law, particularly ORS Chapter 267, to provide public transportation in the Portland, Oregon metropolitan area. TriMet's service area covers approximately 533 square miles within Multnomah, Washington and Clackamas counties. See "Service Area" below.

#### Board of Directors

TriMet policy is set by a seven member Board of Directors. Board members are unpaid citizen volunteers appointed to four-year terms by the governor of the State and confirmed by the Oregon Senate. Each Board member represents a geographical district. Board members with expired terms serve until another member is appointed and confirmed.

**TABLE A-1  
TRIMET BOARD OF DIRECTORS**

<b>District No.</b>	<b>Director</b>	<b>Date of Original Appointment</b>	<b>Current Term Expiration</b>
1	Bruce Warner, President	February 20, 2012	February 19, 2020
2	Osvaldo "Ozzie" Gonzalez	June 1, 2018	May 31, 2022
3	Dr. Linda Simmons	December 14, 2016	May 31, 2019 <sup>(1)</sup>
4	Lori Irish Bauman	May 14, 2015	May 31, 2019 <sup>(1)</sup>
5	Keith Edward	May 25, 2018	May 24, 2022
6	Travis Stovall	February 20, 2012	February 19, 2020
7	Kathy Wai	May 25, 2018	May 24, 2022

(1) Directors continue to serve past expiration dates until reappointed or replaced.

Source: TriMet.

#### Key Administrative Staff

*Doug Kelsey, General Manager*, was appointed General Manager of TriMet on March 6, 2018. Prior to becoming General Manager, Mr. Kelsey served as TriMet's Chief Operating Officer. In that position, Doug was responsible for all operational and maintenance functions and IT, and chaired TriMet's Capital Committee. Before joining TriMet, Mr. Kelsey served as COO at TransLink in Vancouver, B.C., and as president of its bus and rail companies. He coordinated transportation plans for the Vancouver Olympic and Paralympic Games and has supported strategic plans of other Olympic Games, including those in London and Sochi. Mr. Kelsey earned a bachelor's degree in business administration from Principia College and also graduated from the CEO program at the Kellogg School of Management at Northwestern University.

*Shelley Devine, General Counsel*, oversees the Legal Department and advises the General Manager and the TriMet Board. Ms. Devine joined TriMet in 2008 as Senior Deputy General Counsel focusing on labor, employment and operations. Ms. Devine became General Counsel in March, 2014. Prior to joining TriMet, Ms. Devine served as legal counsel for two national companies headquartered in

Portland. Ms. Devine received a Bachelor's Degree in Journalism from the University of Oregon and a JD from the University of California, Berkeley.

*Dee Brookshire, MBA, CGFM, Executive Director, Finance and Administrative Services,* oversees TriMet's financial services, administrative services, budgets and grants administration, procurement, contracts administration, supply chain management, revenue operations, and risk management. Ms. Brookshire has more than 30 years' experience in public agency and private sector finance, including seven years as Chief Financial Officer for Sacramento Regional Transit District. Ms. Brookshire received a Bachelor's Degree from California State University, Sacramento, and a Masters of Business Administration from the University of Nevada, Reno. She joined TriMet in 2014.

*Nancy Young-Oliver, CPA, CISA, CFE, MBA, Director, Budget and Grants,* is responsible for grants administration and budgeting. Ms. Young-Oliver is a Certified Public Accountant and received a Masters of Business Administration degree from Portland State University. She has 19 years' experience in auditing and public accounting. She joined TriMet in 2015.

*Cara Fitzpatrick, CPA, CFE, Director, Financial Services,* oversees TriMet's Financial Services including accounting, cash management, investments, financial reporting, payroll services, and pension administration. Ms. Fitzpatrick received a Bachelor's Degree in Accounting from the University of Wisconsin, Madison. She joined TriMet in 2017 with more than 15 years' experience in auditing and accounting for and with public agencies, including Multnomah County and the City of Tigard.

### **Staff and Bargaining Units**

As of August 1, 2019, TriMet has approximately 2,685 union and 524 non-union full time and part time employees. Of these 1,389 are bus drivers and 268 are rail operators. Also employed are 763 maintenance personnel, of which 341 are for bus maintenance, 374 are for light rail facilities, trains and equipment and 48 are for other transit facilities. The Amalgamated Transit Union (the "ATU") represents TriMet's union employees.

On December 13, 2017, the ATU and TriMet negotiated a labor agreement that was retroactively effective from December 1, 2016 and runs through November 30, 2019 (the "2017 Agreement"). Under Oregon statutes, mass transit districts are subject to a no-strike provision and, while negotiating the current contract, TriMet operated under work rules existing in the contract which expired November 30, 2016. TriMet works under a statute that requires that an arbitrator determine the provisions of a disputed labor contract in the event that the parties are unable to agree.

### **Service Area**

TriMet provides a mass transit system to the more populous parts of Multnomah, Washington and Clackamas counties in Oregon (the "Tri-County Area"), which include the greater Portland metropolitan area. The portion of the Tri-County Area served by TriMet covers an area of approximately 533 square miles. The Tri-County Area contains a total population of approximately 1.8 million, approximately 44 percent of the population of the State of Oregon. The major cities in the TriMet service area are Portland, Oregon, with a 2018 population of 648,740; Gresham, Oregon, with a 2018 population of 110,505; and Beaverton, Oregon with a 2018 population of 97,000. See the economic and demographic information about the Tri-County Area in APPENDIX G—"DEMOGRAPHIC INFORMATION" and the TriMet service area map in the forepart of this Official Statement.

The three counties which comprise the Tri-County Area, Multnomah, Washington and Clackamas, are amongst the counties with the highest per capita personal income in Oregon. See APPENDIX G—"DEMOGRAPHIC INFORMATION."



## Operations

*Scope of Operations.* As of June 2018, TriMet's services included 86 bus lines, a 59-mile light rail system (known as the Metropolitan Area Express or "MAX") and a 14.7-mile, heavy rail commuter line (known as the Westside Express Service or "WES"). TriMet's 86 bus lines serve 16 major transit centers where buses and trains meet, and include 77 routes that connect with MAX light rail, the Portland Streetcar (which is owned by the City of Portland and described below), or TriMet's WES commuter rail line. TriMet's bus and MAX services are concentrated in downtown Portland along the Portland Transit Mall.

TriMet's passenger facilities include 1,080 bus shelters; 680 buses; 6,630 bus stops; 33 park-and-ride lots, with approximately 11,812 parking spaces; and 253 paratransit buses and 15 vans that provide door-to-door service as part of TriMet's current paratransit service ("LIFT") for passengers with disabilities unable to ride TriMet buses or MAX. TriMet's facilities also include approximately 1,800 bike parking spaces, including six bike-and-ride facilities with secure parking for 380 bicycles, 500 bike lockers and 900 bike rack spaces.

TriMet's MAX light rail system, a 59-mile system with five lines, includes 145 vehicles and 97 stations. The City of Portland owns and operates the Portland Streetcar system, which provides service in downtown Portland and inner Northwest and inner southwest Portland neighborhoods. The infrastructure of the Portland Streetcar is owned and financed by the City of Portland. TriMet does not pay for costs of capital construction related to the Portland Streetcar, however, through separate Master and Operating Agreements with the City of Portland, TriMet personnel provide assistance with the operation and maintenance of the Portland Streetcar. TriMet contributes approximately 60 percent of the operating costs, net of revenue, for the Portland Streetcar.

TriMet's Accessible Transportation Program or LIFT service is a shared-ride door-to-door public transportation service for people who are unable to use buses or MAX due to a disability. The LIFT service boundary is three-fourths of a mile beyond TriMet's bus and MAX lines. LIFT service operates during the same hours as bus and MAX services, generally 4:30 a.m. to 2:30 a.m., seven days a week.

The WES commuter rail line uses existing freight rail tracks to serve the cities of Beaverton, Tigard, Tualatin and Wilsonville along the I-5/Highway 217 corridor in the western part of TriMet's service area. WES trains are operated for TriMet by Portland & Western Railroad, Inc., (the "Railroad") a regional freight railroad company owned by Genesee & Wyoming Inc., on tracks owned by the Railroad. WES trains run approximately every 30 minutes, Monday through Friday, during the morning and afternoon rush hours.

The weighted average age of the fixed-route bus fleet is 7 years and the weighted average age of TriMet's light rail vehicles is 18 years. In FY 2019, TriMet operated 26.2 million fixed-route bus miles, 9.3 million light rail car miles, 0.2 million commuter rail miles and 7.9 million paratransit vehicle miles. TriMet's entire system is wheelchair accessible.

*Ridership.* Table A-2, below, shows ridership information during the period FY 2009 through FY 2019. As reflected in the table, ridership declines and increases periodically. TriMet attributes these changes to a number of factors including service cuts, restoration of service, elimination of the free rail zone, and economic conditions in the region.

As shown in the following table, ridership has declined over the past few years. TriMet attributes that decline to a number of factors including demographic shifts, fuel prices, ride sharing companies (e.g. Uber, Lyft) and telecommuting.

**TABLE A-2**  
**TRIMET RIDERSHIP: FISCAL YEARS ENDED 2009-2019**  
**(000s)**

FY	Fixed Route Bus and Rail		Paratransit		System	
	Annual	Average Weekday	Annual	Average Weekday	Annual	Average Weekday
2009	101,467	323	1,088	3.7	102,555	327
2010	99,337	315	1,073	3.6	100,410	319
2011	100,003	318	1,064	3.6	101,067	322
2012	102,238	325	1,063	3.6	103,301	329
2013	99,247	316	1,038	3.6	100,285	320
2014	98,775	315	1,037	3.6	99,812	319
2015	100,711	321	1,042	3.6	101,753	325
2016	100,479	319	1,065	3.7	101,544	323
2017	97,969	312	1,018	3.5	98,986	315
2018	96,059	306	1,009	3.5	97,068	310
2019	95,693	305	962	3.3	96,655	309

Source: TriMet.

### Revenue Sources

In FY 2019, total operating and non-operating revenue were derived from the following sources: approximately 59 percent from Specified Tax Revenues, 17 percent from passenger fares, 16 percent from state and federal operating grants and 5 percent from other sources such as advertising, payments for contracted operations, and interest earnings. See APPENDIX B—“AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2019 AND 2018.”

TriMet has the authority to raise certain kinds of additional revenues without State legislation, but TriMet’s actions may be referable. See “Initiative and Referendum Process—Local Measures” below.

In July 2017 the Oregon legislature adopted a new statewide wage withholding tax (the “Statewide Transit Tax”) to fund public transit, including TriMet. Beginning July 1, 2018 nearly every employer in Oregon is required to withhold and remit to the State 0.1% (one-tenth of one percent) of an employee’s wages. The Oregon Department of Transportation estimates that this new Statewide Transit Tax will provide an additional \$40 million annually to TriMet after the first year (due to the timing of collection and subsequent distribution of the tax revenues). The Statewide Transit Tax is not part of the Specified Tax Revenues.

### Capital Improvements

*Capital Program Committee.* TriMet’s capital planning process was redesigned in FY 2015 with the establishment of the Capital Program Committee (the “CPC”) whose primary function is to assist the General Manager in the development and management of the Capital Improvement Program (the “CIP”).

The CPC is comprised of TriMet’s ten executive team members plus the Chief Information Officer and, under the General Manager’s authority, is responsible for managing and administering TriMet’s CIP. The CPC meets monthly and is chaired by the Chief Operating Officer with the Director of Capital Projects serving as vice-chair.

The CPC reviews, evaluates and recommends projects and upon approval and addition to the CIP, monitors the progress of the overall program of projects both within their respective divisions and as a group, the progress of the TriMet-wide CIP. If projects are stalled or delayed, funding may be shifted to other projects to keep as many going forward to completion as possible throughout the year.

*Capital Improvement Program.* The current five-year CIP contains approximately 75 projects with an estimated total cost of \$1.3 billion. Significant near term projects over \$25 million include the Division Bus Rapid Transit (in August 2015 the Federal Transportation Administration approved commencement of project development), Southwest Corridor High Capacity Transit, vehicle purchases (include both replacement and expansion diesel and electric buses), Accessible Transportation Program (“ATP”) vehicles, and light rail vehicles, planning for the expansion of the MAX Red Line to Fairplex, renovation of the Powell Garage (including the development of the electric bus charging infrastructure at that location), Columbia Bus Base renovation and development, and Blue Line MAX station rehabilitation. Several of the projects listed assume additional external funding from local and federal sources that are not yet approved.

The CIP classifies projects within nine categories including system expansion programs; transit security and safety programs; infrastructure programs; facilities programs; fleet programs; equipment programs; information technology programs; planning/studies programs; or other programs.

Cost estimates are provided over a five-year time horizon within which the first year of the five-year plan is the adopted Capital Budget for the current FY. The CPC is in the process of expanding the time horizon of the CIP to provide thirty-five year projections on known replacement programs such as vehicle replacements and infrastructure rehabilitation.

Table A-3, below, provides a summary of TriMet’s five-year CIP.

**TABLE A-3  
TRIMET CAPITAL IMPROVEMENT PLAN (CIP SUMMARY)**

<b>PROJECTS</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>5 Year Total</b>
Fleet	\$70,583,811	\$84,385,964	\$105,233,264	\$96,953,681	\$108,128,976	\$465,285,697
System Expansion <sup>(1)</sup>	71,204,283	142,155,602	147,710,976	60,724,109	5,609,831	427,404,801
Facilities	108,756,635	106,042,466	33,302,204	18,338,116	16,262,743	282,752,164
Infrastructure	24,967,541	26,715,419	6,217,266	5,268,003	2,985,872	66,154,101
Information Technology	15,849,370	17,662,379	11,643,381	4,744,527	2,631,358	52,531,016
Equipment	4,084,746	14,465,462	536,703	1,079,334	701,056	20,867,301
Transit Safety & Security <sup>(2)</sup>	4,619,427	5,396,092	4,093,319	527,163	-	14,636,001
Other	377,121	5,000	-	-	-	382,121
<b>Total</b>	<b>\$300,442,934</b>	<b>\$396,828,385</b>	<b>\$308,737,113</b>	<b>\$187,684,934</b>	<b>\$136,319,836</b>	<b>\$1,330,013,202</b>

(1) System Expansion does not include the cost of Southwest Corridor project after FY 2021, when design is expected to be completed. Assumes Division Transit project is completed in FY 2023. FY 2024 only reflects the finalization of the MAX Red Line to Fair Complex project.

(2) The most significant Safety & Security projects are only forecasted through FY 2022 at this time. Additional expenditure for future years is expected to be clarified with the FY 2021 CIP process.

Source: TriMet.

TriMet’s capital budget for FY 2020 includes but is not limited to the following major expenditures:

Diesel Bus Purchases & Refurbishments .....	\$41.4 million
Powell Master Plan .....	40.8
Columbia Bus Base .....	33.3
Division Transit Project .....	27.2
LRV Fleet Replacement & Expansion.....	18.7
Southwest Corridor .....	17.0
MAX Red Line Extension .....	13.9
Portland-Milwaukie Light Rail .....	10.8
eFare .....	8.5
Enhanced Transit Concepts.....	7.2
Relocate Safety & Security Facility .....	7.1
Steel Bridge Improvements.....	6.6
Electric Vehicle Charging Infrastructure .....	6.2
Ruby Junction Expansion .....	5.6
Elevator End of Life Replacement/Refurbishment.....	5.2
Cleveland Crew Room Renovation .....	4.5
ATP Vehicle Replacement & Expansion.....	3.8
<b>Total:</b>	<u>\$257.8 million</u>

### Debt Management

It is the policy of TriMet to adhere to sound debt issuance practices, including a commitment to long-term capital and financial planning, full and timely repayment of all borrowings; to achieve the lowest practical cost of borrowing commensurate with prudent level of risk; and to maintain access to capital markets through preserving and enhancing the quality of TriMet’s borrowings.

TriMet has not defaulted on any bonds and has not used bond proceeds to pay operating costs. TriMet’s Board adopted Resolution 18-01-02 approving the most recent version of the Debt Management Policy on January 24, 2018. The policy includes the following guidelines:

- TriMet may issue long-term or short-term debt. When debt is issued to finance capital acquisitions, the term of debt should not exceed the estimated useful life of the asset being financed up to a maximum term of 35 years.
- Annual debt service on Senior Lien Payroll Tax and Full Faith and Credit Bonds are limited as a percentage of projected continuing revenues. TriMet’s policy is to limit annual debt service on its Senior Lien Payroll Tax Bonds, Lease payments and Full Faith and Credit Bonds to below 6.0 percent of its projected annual continuing revenues.
- The method of sale will be determined in consultation with TriMet’s independent municipal advisor, with the objective of providing TriMet with the lowest overall cost of financing and most efficient market access.

TriMet’s Debt Management Policy is subject to change at any time by Board action. The Board is considering revising the Debt Management Policy in October 2019, to, among other things, raise the limit of annual debt service on Senior Lien Payroll Tax Bonds, Lease payments and Full Faith and Credit Bonds described above.

## **Audits**

The Oregon Municipal Audit Law (ORS 297.405 to 297.555, as amended) requires an audit and examination to be made of the accounts and financial affairs of every municipal corporation at least annually. Unless the municipality elects to have the audit performed by the State Division of Audits, the audit must be performed by accountants whose names are included on the roster prepared by the State Board of Accountancy.

TriMet's audits for the FYs ended June 30, 2019 and 2018 were performed by Moss Adams LLP, Portland, Oregon (the "Auditor"). A copy of the financial statements and supplementary information for June 30, 2019 and 2018, with the Auditor's report therein, is included in Appendix B. The Auditor was not engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor has not performed any procedures relating to this Official Statement. TriMet did not request the Auditor to consent to inclusion of its reports for FYs ended June 30, 2019 and 2018 in this Official Statement.

### **Statewide Transportation Improvement Fund (STIF) – Agreed Upon Procedures Audit**

With the implementation of the Statewide Transit Tax (see "Revenue Sources" above), TriMet is required to be audited on the use of the funds it receives from that tax. Consistent with guidance provided by the Oregon Secretary of State, the Oregon Department of Transportation developed agreed-upon procedures for the program audit of the Statewide Transportation Improvement Fund.

In May of FY 2019, TriMet received the first allocation of the Statewide Transit Tax funds totaling \$25.8 million. In FY 2020 and beyond, TriMet will receive a quarterly allocation of such funds anticipated to total \$40 million annually. In October 2019, and annually thereafter, TriMet will receive an agreed-upon audit performed by the external auditors as required by the Oregon Department of Transportation. The auditors will issue a report with respect to TriMet's compliance with this program per State Statutes.

## **Budgeting Process**

TriMet prepares an annual budget in accordance with provisions of the Oregon Local Budget Law (ORS Chapter 294, as amended) ("Oregon Budget Law"), which provides procedures for the preparation, presentation, administration and appraisal of budgets. During the months from November through April of each year, TriMet staff develops a proposed budget under the supervision of the Executive Director of Finance and Administration. Oregon Budget Law requires a balanced budget.

The budget process begins with TriMet's forecast of revenues and expenditures. The forecast is for a period of at least ten years. The Executive Director of Finance and Administration presents the forecast results, assumptions and major financial issues to the General Manager. The General Manager decides which revenue and expenditure measures TriMet will pursue and the level of capital and operating funding in the upcoming budget year. Approval of the budget requires a majority vote of the Board.

The approved budget must be submitted to the Multnomah County Tax Supervising and Conservation Commission (the "TSCC") by May 15 of each year. The TSCC reviews the budget and holds a public hearing. Prior to the public hearing, a notice of hearing is published. Publication is governed by strict time and mode requirements. At the hearing, members of TriMet's Board and senior management answer TSCC questions on the budget and other major issues affecting TriMet. TriMet's budget must be certified and approved by the TSCC prior to adoption by the Board. Final adoption of the annual budget and appropriation of funds by the Board must occur no later than June 30 each year.

Supplemental budgets, if required, are considered and adopted by the same process as the regular budget, including public hearing and notice requirements and certification by the TSCC. During the course of the FY, interfund transfers and changes and reductions in spending may be made with approval of the Board and do not require formal budget amendments or supplements.

### **Fiscal Year 2019 and 2020 Budgets**

The budget for TriMet's FY 2019 (the "FY 2019 Budget") adopted by the Board May 23, 2018, continues to focus on safety, improving service, operating and maintaining the existing transit system and continued commitment to strengthen pension reserves.

The budget for TriMet's FY 2020 (the "FY 2020 Budget") adopted by the Board June 26, 2019, focuses on safety, improving service, operating and maintaining the existing transit system, continued commitment to strengthen pension reserves, and funding projects with the Statewide Transit Tax.

TriMet's adopted budgets for FY 2019 and FY 2020 are summarized in Table A-5. The beginning fund balance shown in the FY 2020 Budget is based on a projection of revenues and expenditures for FY 2019.

**TABLE A-5  
TRIMET ADOPTED BUDGETS**

	<b>FY 2019 General Fund Operating Account Budget</b>	<b>FY 2020 General Fund Operating Account Budget<sup>(1)</sup></b>
<b>Resources</b>		
Beginning fund balance <sup>(2)</sup>	\$ 661,821,294	\$ 576,860,298
<b>Operating revenues</b>		
Passenger	113,100,000	110,000,000
Other	20,454,193	20,934,285
<b>Total operating revenue</b>	<b>133,554,193</b>	<b>130,934,285</b>
<b>Tax revenue</b>		
Employer payroll	370,702,761	389,650,000
Self-employed	19,567,280	19,495,000
Employee payroll <sup>(3)</sup>	18,044,000	-
State "in-lieu"	2,114,621	2,265,000
<b>Total tax revenue</b>	<b>410,428,662</b>	<b>411,410,000</b>
<b>Other revenue</b>		
Federal operating grants	92,707,042	100,725,641
State operating grants	1,993,678	850,297
Local operating grants	1,220,869	1,164,800
Interest	1,984,970	1,450,000
STIF	-	36,299,560
Miscellaneous	3,993,625	6,210,000
<b>Total other revenue</b>	<b>101,900,184</b>	<b>146,700,298</b>
<b>Total operating resources (excluding beginning Fund balance)</b>	<b>645,883,039</b>	<b>689,044,583</b>
Capital Program Contributions/Resources	55,739,844	48,403,328
Light Rail Program Resources	65,664,144	-
Other Non-Operating Resources <sup>(4)</sup>	10,976,449	14,571,877
Bond Proceeds	-	200,000,000
<b>Total resources</b>	<b>1,440,084,770</b>	<b>1,528,880,086</b>
<b>Expenditures</b>		
Office of the General Manager	2,979,505	952,880
Chief Operating Officer	-	12,179,876
Public Affairs	16,704,821	17,994,338
Safety & Security	30,377,644	29,472,081
Information Technology	14,339,133	18,259,635
Finance & Administrative Services	20,819,136	25,674,959
Labor Relations & Human Resources	5,291,774	5,674,736
Legal Services	2,371,088	5,018,424
Operations <sup>(5)</sup>	405,934,781	-
Transportation	-	255,408,166
Maintenance	-	155,130,215
Engineering & Construction	5,548,378	4,034,395
Debt Service	148,093,957	104,556,532
Regional Fund Exchanges <sup>(4)</sup>	4,786,635	-
OPEB & Pension UAAL	51,066,768	50,839,019
<b>Total</b>	<b>708,313,620</b>	<b>685,195,256</b>
Contingency	21,249,408	24,019,235
Pass Through Requirements	10,976,449	27,260,669
Capital Programs	265,793,280	300,442,934
Light Rail Programs	-	-
Project Interim Financing	-	-
Ending Fund Balance	433,752,013	491,961,992
<b>Total Requirements</b>	<b>\$ 1,440,084,770</b>	<b>\$ 1,528,880,086</b>

- 
- (1) Budget, authorized by the Board on June 26, 2019.
  - (2) Budgeted beginning fund balance is updated annually in the budget process to reflect the most recent projections, thus budgeted beginning fund balance for FY 2020 is not equal to budgeted ending fund balance for FY 2019.
  - (3) Described elsewhere in this Official Statement as receipts from the Statewide Transit Tax.
  - (4) Regional Fund Exchanges was retitled Other Non-Operating Requirements and now includes Pass Through Revenue & Requirements and Special Payments no longer included in operating requirements.
  - (5) Due to reorganization, the Operations division has been dissolved into Chief Operating Officer, Transportation, Maintenance and other existing divisions.

*Source:* TriMet.

## **Financial Tables**

TriMet's historical financial data including combining balance sheets and statements of revenues, expenses and changes in net assets are shown in Tables A-6 and A-7. The historical financial data shown in Tables A-6 and A-7 were derived from TriMet's audited financial statements for FYs 2015 through 2019.



**TABLE A-6**  
**SUMMARY OF TRIMET STATEMENTS OF NET POSITION**  
**FOR FISCAL YEARS ENDED JUNE 30**  
**(\$000s)**

	2015	2016	2017	2018	2019
<b>Assets</b>					
<b>Current Assets (unrestricted)</b>					
Cash & cash equivalents	\$ 56,522	\$ 58,590	\$ 77,321	\$65,927	\$116,896
Investments	11,359	4,323	28,845	-	10,281
Taxes & other receivables	88,342	98,560	103,510	110,260	112,457
Grants receivable	24,843	40,125	16,636	67,817	7,829
Prepaid expenses	12,483	10,205	7,668	9,927	10,185
<b>Current Assets (restricted) <sup>(1)</sup></b>					
Cash & cash equivalents	32,796	57,740	90,580	97,229	58,492
Investments	151,283	102,463	120,220	384,085	300,196
Taxes & other receivables	656	204	160	11,918	26,855
Grants receivable	3,508	100,658	101,136	102,962	34,636
Prepaid expenses	1,033	724	638	-	-
Prepaid lease	10,956	5,051	-	-	-
<b>Total Current Assets</b>	393,781	478,643	546,714	850,125	677,827
<b>Capital Assets</b>					
Land and other	232,347	231,713	232,785	235,191	235,089
Construction in progress	1,126,782	99,121	125,422	160,731	222,190
Property & equipment	2,950,866	4,121,284	4,157,256	4,215,390	4,307,242
Less accumulated depreciation	(1,298,485)	(1,407,732)	(1,518,062)	(1,629,487)	(1,750,271)
<b>Net Capital Assets</b>	3,011,510	3,044,386	2,997,401	2,981,825	3,014,250
Prepaid lease expenses	80,141	67,840	71,424	31,521	30,759
Long-term restricted lease deposit	35,376	-	-	-	-
Materials, supplies & other	26,572	32,765	39,059	41,552	45,541
Other assets	1,836	1,792	1,659	427	256
<b>Total Assets</b>	3,549,216	3,625,426	3,656,257	3,905,450	3,768,633
<b>Deferred outflows of resources</b>					
Deferred outflows related to OPEB	-	-	-	14,401	13,490
Unamortized loss on pension assets	55,545	80,070	55,574	32,539	30,040
Unamortized loss on refunded debt	419	6,740	5,928	11,942	10,766
<b>Total deferred outflows of resources</b>	55,964	86,810	61,502	58,882	54,296
<b>Total assets and deferred outflows of resources</b>	\$3,605,180	\$3,712,236	\$3,717,759	\$3,964,332	3,822,929

[Table continued on next page]

**TABLE A-6**  
**SUMMARY OF TRIMET STATEMENTS OF NET POSITION**  
**FOR FISCAL YEARS ENDED JUNE 30**  
**(\$000s)**

[Table continued from prior page]

	2015	2016	2017	2018	2019
<b>Liabilities</b>					
<b>Current liabilities (unrestricted)</b>					
Accounts payable	\$ 16,481	\$ 24,300	\$ 27,835	32,609	37,833
Accrued payroll	24,917	19,322	20,579	22,927	23,843
Current portion of non-current liabilities	8,195	6,881	6,021	5,890	8,785
Unearned revenue	18,794	12,921	12,468	14,983	16,619
<b>Current liabilities (restricted)</b>					
Accounts payable	10,262	10,463	4,075	7,671	16,589
Current portion of long-term debt	19,349	111,533	101,040	94,290	47,206
Unearned revenue	1,000	1,000	1,000	1,000	1,000
Unearned capital project revenue	35,839	12,398	12,474	9,877	34,193
Other accrued liabilities	6,732	6,725	8,065	8,473	9,732
Unearned lease revenue, current portion	10,956	5,051	-	-	-
<b>Total current liabilities</b>	152,525	210,594	193,557	197,720	195,800
<b>Noncurrent liabilities</b>					
Long-term debt	685,783	651,628	639,675	817,701	730,800
Unearned lease revenue	5,051	-	-	-	-
Long-term lease liability	65,727	55,914	59,321	62,076	63,151
Net pension liability	177,449	201,973	151,504	148,088	148,848
Other postemployment benefits liability	475,009	520,615	563,846	786,138	725,025
Other long-term liabilities	12,101	13,681	14,399	15,662	16,459
<b>Total noncurrent liabilities</b>	1,421,120	1,443,811	1,428,745	1,829,665	1,684,283
<b>Total liabilities</b>	1,573,645	1,654,405	1,622,302	2,027,385	1,880,083
<b>Deferred inflows of resources</b>					
Unamortized gain on pension investments	62,186	49,295	54,583	20,813	11,569
Unamortized gain on leases	18,370	17,312	16,370	15,712	14,799
Deferred inflow related to OPEB	-	-	-	2	84,720
<b>Total deferred inflows of resources</b>	80,556	66,607	70,953	36,527	111,088
<b>Net Position</b>					
Net investment in capital assets	2,416,392	2,502,486	2,509,481	2,586,479	2,495,838
Restricted	52,216	11,296	35,892	17,777	63,209
Unrestricted	(517,629)	(522,558)	(520,869)	(703,836)	(727,289)
<b>Total net position</b>	1,950,979	1,991,224	2,024,504	1,900,420	1,831,758
<b>Total liabilities, deferred inflows of resources &amp; net position</b>	<u>\$3,605,180</u>	<u>\$3,712,236</u>	<u>\$3,717,759</u>	<u>\$3,964,332</u>	<u>\$3,822,929</u>

(1) Certain proceeds of TriMet's bonds as well as resources for their repayment are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by bond covenants.

Source: TriMet. Derived from TriMet's Audited Financial Statements for FYs 2015 through 2019. This summary is not audited.

**TABLE A-7**  
**SUMMARY OF TRIMET STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS FOR FISCAL YEARS ENDED JUNE 30**  
**(\$000s)**

	2015	2016	2017	2018	2019
<b>Revenues</b>					
<b>Operating revenues</b>					
Passenger revenue	\$ 116,734	\$ 118,069	\$ 116,895	\$113,836	\$106,833
Auxiliary transportation & other revenue	36,701	25,704	26,000	26,245	28,989
<b>Total operating revenues</b>	<u>153,435</u>	<u>143,773</u>	<u>142,895</u>	<u>140,081</u>	<u>135,822</u>
<b>Operating expenses</b>					
Labor	139,920	155,069	166,117	182,834	194,640
Fringe benefits	166,847	190,385	181,795	191,097	190,732
Materials and services	82,913	89,581	98,160	115,423	124,317
Utilities	8,573	9,488	10,647	9,986	10,412
Purchased transportation	36,396	27,979	30,301	30,950	30,577
Depreciation expense	91,555	132,999	129,750	131,914	132,943
Other operating expense	10,340	10,181	10,597	13,454	17,633
<b>Total operating expenses</b>	<u>536,544</u>	<u>615,682</u>	<u>627,367</u>	<u>675,658</u>	<u>701,254</u>
<b>Operating loss</b>	<u>(383,109)</u>	<u>(471,909)</u>	<u>(484,472)</u>	<u>(535,577)</u>	<u>(565,432)</u>
<b>Nonoperating revenues and (expenses)</b>					
Payroll tax and other tax revenue	292,077	325,074	337,206	359,470	372,751
Grant revenue	47,596	72,550	92,708	119,207	99,668
Interest income	464	803	1,388	5,972	14,490
Gain on disposal of capital assets	-	-	-	-	6,144
Pass through revenue	-	-	-	-	4,563
Pass through expense	-	-	-	-	(4,563)
Funding exchanges and other payments	-	-	-	-	(11,882)
Net leveraged lease expense	(206)	278	1,119	741	907
Interest and other expense	(2,703)	(16,227)	(18,830)	(19,454)	(25,385)
<b>Total nonoperating revenues, net</b>	<u>337,228</u>	<u>382,478</u>	<u>413,591</u>	<u>465,936</u>	<u>456,693</u>
Loss before contributions	(45,881)	(89,431)	(70,881)	(69,641)	(108,739)
Capital contributions	226,380	129,676	104,161	113,870	40,077
<b>Changes in net position</b>	<u>180,499</u>	<u>40,245</u>	<u>33,280</u>	<u>44,229</u>	<u>(68,662)</u>
Cumulative effect of restatement	-	-	-	(168,313)	-
<b>Total net position-beginning</b>	<u>1,770,480</u>	<u>1,950,979</u>	<u>1,991,224</u>	<u>2,024,504</u>	<u>1,900,420</u>
<b>Total net position-ending</b>	<u>\$ 1,950,979</u>	<u>\$ 1,991,224</u>	<u>\$ 2,024,504</u>	<u>1,900,420</u>	<u>1,831,758</u>

*Source:* TriMet. Derived from TriMet's Audited Financial Statements for FYs 2015 through 2019. This summary is not audited.

### Management's Discussion of Financial Results

To address the impact of the financial recession, TriMet beginning in FY 2010 underwent a series of cost reductions through service cuts, non-union wage and hiring freezes, administrative layoffs, and deferral of capital purchases to balance its budgets. The TriMet Board also recognized the importance of developing a financial strategy to minimize the impact of future downturns. In July 2014, TriMet adopted a Strategic Financial Plan (the "SFP") that re-affirmed its commitment to maintain and grow service and ensure long-term financial health. The SFP is a set of financial guidelines that focus on dedicating a revenue stream to grow service, keeping costs in check, maintaining appropriate financial reserves, protecting TriMet assets and creating a plan to fully fund pension trusts and reduce post-employment benefits liabilities.

As the economy has strengthened, TriMet implemented service restoration in FY 2014, and has begun improvements in maintenance and capital replacement. The efforts made during the financial recession combined with an improved economy, have improved the financial condition of TriMet. For additional information concerning FYs ended June 30, 2019 and 2018, see APPENDIX B—"AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2019 AND 2018—Management's Discussion and Analysis."

All amounts set forth below have been rounded.

In FY 2019, total payroll taxes and other tax revenues were \$372.8 million, an increase of \$13.7 million, or 3.8 percent, compared to FY 2018. Employer payroll tax revenue increased \$14.1 million or 4.2 percent indicating continued growth of employment conditions in the area.

At June 30, 2019, total assets were \$3,768.6 million, a decrease of \$136.8 million, or 3.5 percent, compared to June 30, 2018. At June 30, 2018, total assets were \$3,905.4 million, an increase of \$249.2 million, or 6.8 percent, compared to June 30, 2017. The increases for FY 2018 were mainly due to significant grants receivable for federal awards outstanding at year-end as well as large increases in cash and investments directly related to bond issues over FY 2017. The decreases for FY 2019 were primarily due to decreases in cash and investments as spending of bond proceeds increased. In addition, large Federal Transportation Administration grants that were outstanding and a receivable at June 30, 2018, were received prior to June 30, 2019 and therefore grants receivable from FY 2018 to FY 2019 decreased significantly.

For FY 2019, passenger revenues were \$106.8 million, a decrease of \$7.0 million or 6.2 percent compared to FY 2018. There were no fare increases during FY 2019. Passenger revenues were \$113.8 million for FY 2018, a decrease of \$5 million or 4.0 percent from FY 2017.

As described above, passenger revenues have declined over the past few years. In July of 2017, TriMet launched the Hop Fastpass™ ("Hop") Electronic Fare Collection system. The Hop system is an account-based payment system that features stored value, online account management and fare capping to limit the cost for a day and monthly pass. In connection with the Hop launch, TriMet offered Hop cards to transit riders at no cost in exchange for paper tickets. The Hop transition accounted for some of the decrease in passenger revenues. System wide ridership decreases due in part to demographic shifts, fuel prices, ride sharing companies (e.g. Uber, Lyft) and telecommuting also contributed to decline in passenger revenues.

In FY 2019, total operating expenses were \$701.3 million. This is an increase by \$31.1 million or 4.6% from FY 2018. This increase is primarily noted in materials and services which increased \$14.3 or 13.1% over the prior year, reflecting TriMet's commitment to the State of Good Repair and the overhaul of light-rail vehicles. Labor and fringe benefit costs make up 27.8 percent of total operating expenses. Labor totaled \$194.6 million for FY 2019, an increase of \$11.8 million, or 6.5 percent.

In FY 2018, total operating expenses were \$675.7 million. This is an increase by \$48.3 million or 7.7 percent from FY 2017. The increase was primarily noted in labor and fringe benefits. The labor increase of \$16.7 million or 10.1 percent is a result of finalizing the union contract during FY 2018 and the retroactive salary component in the union agreement. Fringe benefits increase of \$9.3 million or 5.1 percent was also due in part to the union contract as well as the implementation of GASB 75, other postemployment benefits.

At June 30, 2019, total net position was \$1,831.8 million, a decrease of \$68.7 million, or 3.6 percent compared to June 30, 2018. At June 30, 2018, total net position was \$1,900.4 million, an increase of \$44.2 million, or 2.4 percent from June 30, 2017. The increase for FY 2018 primarily resulted from an

increase in grant revenues for the Federal Preventative Maintenance funds, specifically the State of Good Repair Section 5337 funds. The decrease for FY 2019 primarily resulted from an increase in operating expenses for materials and services as noted in the previous paragraph.

Capital contributions include federal grants and other local government contributions restricted for the purchase or construction of capital assets. TriMet received capital contributions of \$44.1 million, during FY 2019, primarily due to finalizing contributed capital costs of \$30.1 million on the PMLR as the project period nears the end of the federal close-out for the FFGA. In FY 2018, TriMet recorded \$113.9 million in capital contributions. Of that amount, \$100,000 was received under the FFGA for PMLR and the remaining amount was related to a Federal Transit Administration grant for buses and bus facilities formula program.

At June 30, 2019, TriMet had invested \$3,014.3 million in capital assets, net of accumulated depreciation. Total capital assets net of depreciation increased \$32.4 million or 1.1 percent during FY 2019; the increase was noted in construction in progress and buildings primarily due to the purchase and property acquisition of land and a building to develop a distribution center and bus garage. Total capital assets net of depreciation decreased \$15.6 million or 0.5 percent during FY 2018. The decrease was noted in rail right-of-way and stations.

For additional information concerning TriMet’s capital assets, see Note 4 to the audited financial statements attached as Appendix B to this Official Statement.

### Cash, Cash Equivalents and Investments

ORS Chapter 294 authorizes TriMet to invest in obligations of the U.S. Treasury and U.S. Government agencies and instrumentalities, certain bankers’ acceptances and corporate indebtedness, repurchase agreements, the State of Oregon Local Government Investment Pool (the “LGIP”), time certificates of deposits and various interest-bearing bonds of State municipalities. As of June 30, 2019, TriMet had the following investments:

**TABLE A-8**  
**CASH AND INVESTMENTS AS OF JUNE 30, 2019**  
**(\$000s)**

	<u>Fair Value</u>	<u>% of Portfolio</u>	<u>Weighted Average Maturity (years)</u>
Cash on hand	\$ 426	0.1%	-
Demand deposits with financial institutions	24,917	5.1	
State of Oregon local government investment pool	48,822	10.0	
Commercial paper	-	-	
Federal National Mortgage Association	-	-	
Federal Home Loan Bank	31,314	6.4	0.43
U.S. Treasuries	380,386	78.4	2.39
<b>Total Cash and Investments</b>	<u>\$ 485,865<sup>(1)</sup></u>		

(1) Includes \$310,477 of restricted cash and investments.  
Source: TriMet.

TriMet’s investment policy, interest rate risk, credit risk and concentration of credit risk are described in Note 2 of TriMet’s audited financial statements in Appendix B.

## **Lease Transactions**

TriMet currently is a party to one leveraged lease (the “Lease”), which is scheduled to remain in effect until 2038. The Lease is all that remains outstanding of eleven leveraged lease transactions that TriMet had entered into between 1997 and 2005, each with approval from the U.S. Department of Transportation. The Lease is not secured by a pledge of or lien on the Specified Tax Revenues and is described in greater detail in Appendix B. See APPENDIX B-“AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2019 AND 2018—Notes to Financial Statements, 8. Lease Transactions at pp 44-45.”

During 2005, TriMet entered into the outstanding Lease, consisting of a sale-leaseback transactions for 28 light rail vehicles. The Lease does not terminate until 2038 and will require periodic payments totaling \$153.5 million. All these payments were originally expected to be made by third parties. Currently about \$74.1 million of these payments are expected to be paid by Assured Guaranty (“AG”) as successor to Financial Security Assurance, an additional \$68.8 million of US Treasuries have been set aside in trust to make these payments, and TriMet is expected to pay a total of \$10.6 million, with the next scheduled payment of \$0.2 million from TriMet due in January 2020. However, under certain circumstances TriMet could be required to post security and make any payments that are not made by AG or from the collateral. See APPENDIX B-“AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2019 AND 2018—Notes to Financial Statements, 8. Lease Transactions at pp 44-45.”

In February 2017, TriMet obtained a lien release and terminated a trust related to previously outstanding lease-leaseback transaction.

## **Pension Responsibilities**

TriMet contributes to two single-employer defined contribution plans — the TriMet Defined Contribution Retirement Plan for Management and Staff Employees (the “Management DC Plan”) and the TriMet Defined Contribution Plan for Union-Represented Employees (the “Union DC Plan”); TriMet also contributes to two single-employer defined benefit public employee retirement plans — the TriMet Defined Benefit Retirement Plan for Management and Staff Employees (the “Management DB Plan”) and the Pension Plan for Bargaining Unit Employees of TriMet (the “Bargaining Unit DB Plan”). In a defined benefit plan, the investment risk for the plan assets is borne by the employer, and in a defined contribution plan, the investment risk for the plan assets is borne by the employee. TriMet contributions plus investment earnings fund TriMet’s defined benefit plans, and a combination of employee and TriMet contributions plus investment earnings fund the defined contribution plans.

The Management DC Plan covers all TriMet non-union employees hired on or after April 27, 2003 and also non-union employees hired earlier who elected to be covered by the Management DC Plan. The Management DB Plan covers all TriMet non-union employees hired before April 27, 2003 (other than those who elected to be covered under the Management DC Plan for service after April 27, 2003). The Bargaining Unit DB Plan covers all full-time and part-time employees hired prior to August 1, 2012. The Union DC Plan covers all full time and part time employees represented by the ATU who are hired on or after August 1, 2012. The Management DC Plan and the Union DC Plan are administered by a third-party administrator, ICMA-RC, and are overseen by an administrative committee appointed by the TriMet Board.

Each DB Plan is overseen by a separate board of trustees (the “plan trustees”). The TriMet Board appoints four plan trustees in the case of the Management DB Plan. The Bargaining Unit DB Plan has six trustees: three are appointed by the TriMet Board and three are appointed by the ATU.

The actuarial value of assets and liabilities and annual required contributions of each of the Management DB Plan and the Bargaining Unit DB Plan are determined by independent actuaries appointed by the DB Plan trustees and are based upon assumptions approved by the respective plan trustees. Cheiron (“Cheiron”) recently prepared the actuarial valuation reports for the Management DB Plan as of July 1, 2019 (the “2019 Management DB Plan Valuation Report”), and the Bargaining Unit DB Plan as of July 1, 2019 (the “2019 Bargaining Unit DB Plan Valuation Report”), which were both released in August 2019. The next actuarial valuation reports for the plans are expected to be dated July 1, 2020 and completed in the August 2020.

As noted below and in the Audited Financial Statements attached hereto, the funded status of the defined benefit plans will change over time depending upon, among other things, the market performance of the investments of each plan, future changes in compensation and benefits of covered employees, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of the plans. No assurance can be given that unfunded accrued actuarial liabilities of the plans will not materially increase.

In FY 2014, TriMet adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement established standards for the measurement and recognition and presentation of Net Pension Liability in TriMet’s financial statements. Net Pension Liabilities recorded at June 30, 2016, 2017, 2018 and 2019 for the Management DB Plan and the Bargaining Unit DB Plan totaled \$202.0 million, \$151.5 million, \$148.1 million and \$148.8 million respectively.

*Management DC Plan.* Under the Management DC Plan, TriMet contributes to the Management DC Plan 8.0 percent of considered compensation each pay period for eligible employees. Employees make a one-time irrevocable election to contribute between zero and 15 percent of their compensation to the Plan on a pretax basis. Voluntary, after-tax employee contributions, up to 15 percent of compensation, are allowed and may be adjusted by the employee at any time. Plan participants fully vest in TriMet’s contributions after three years of service with TriMet. Upon severance from employment, TriMet is required to contribute 60 percent of the employee’s unused sick leave (up to a maximum of 1,700 hours) to the Management DC Plan.

As of June 30, 2019 and 2018 respectively, there were 449 active employees and 399 active employees were covered by the Management DC Plan. TriMet contributions and employee contributions in FY 2019 and FY 2018 were \$4.7 million and \$4.1 million, respectively.

*Union DC Plan.* Union employees hired on or after August 1, 2012 are eligible for the Union DC Plan, which has similar features of the Management DC Plan. TriMet is obligated to contribute 8.0 percent of considered compensation to the Union DC Plan. Employees make a one-time irrevocable election to contribute between zero and 15 percent of their compensation to the Union DC Plan on a pretax basis. Additionally, voluntary, after-tax employee contributions, up to 15 percent of compensation, are allowed and may be adjusted by the employee at any time. Plan participants fully vest in TriMet’s contributions after three years of service with TriMet. Upon severance from employment, TriMet is required to contribute 60 percent of the employee’s unused sick leave (up to a maximum of 1,700 hours) to the Union DC Plan.

As of June 30, 2019 and 2018 respectively, 1,517 active employees and 1,256 active employees were covered by the Union DC Plan. TriMet contributions and employee contributions in FY 2019 and FY 2018 were \$10.2 million and \$7.8 million, respectively.

*Management DB Plan.* The Management DB Plan covers all TriMet non-union employees hired before April 27, 2003 who are not covered by the Management DC Plan. Participation began at the date of hire with benefits being 100 percent-vested after five years of service. Covered employees who retire

at or after age 62, with five years of service, are entitled to an annual retirement benefit payable monthly for life. Covered employees also have the option to receive their benefits as a lump sum upon retirement. Those receiving benefits monthly receive an annual cost of living increase equal to 90 percent of the annual change in the U.S. Consumer Price Index up to a maximum of 7 percent.

Benefits vary based upon final average salary, job classification, date of hire and converted, unused sick leave computations. TriMet is required to maintain funds under the Management DB Plan sufficient to pay benefits when due. No employee contributions are required or permitted under the Management DB Plan.

The funding policy of the Management DB Plan provides for an actuarially determined contribution (the “ADC”). The ADC is comparable to the Annual Required contribution (the “ARC”), and the change in terminology is due to the implementation of GASB 68. The ADC consists of two components: the normal cost for the year (generally, the actuarial present value of benefits attributed to employee service performed during the current year) and an amount required to amortize the past service liabilities of the plan. The normal cost is determined as the level percentage of pay over the length of service of each active employee between entry age and assumed exit age. Historically, TriMet has paid at least the ARC for the plan on an annual basis. In FY 2014, TriMet began funding the ADC on a monthly basis.

For purposes of the actuarial valuation for FY 2019, TriMet and Cheiron used an assumed long-term expected return on plan assets of 6.3 percent and a discount rate of 6.3 percent. Other assumptions used in the 2019 Management DB Plan Valuation Report include an annual cost of living increase of 2.25 percent, inflation of 2.5 percent, and annual salary increases of 2.75 percent.

**TABLE A-9  
MANAGEMENT DB PLAN  
NET PENSION LIABILITY (\$000s)**

	Actuarial Valuation Date				
	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Total pension liability	\$ 129,132	\$ 133,362	\$ 138,988	\$142,289	\$144,958
Plan fiduciary net position (Market value of plan assets)	111,100	114,997	123,956	132,253	134,946
Plan fiduciary net position as a percent of total pension liability	86.0%	86.2%	89.2%	92.9%	93.1% <sup>(1)</sup>
Annual covered payroll	\$ 12,751	\$ 12,722	\$ 10,591	9,446	8,280
Net pension liability	18,032	18,365	15,032	10,036	10,012
Net pension liability as a percentage of payroll	141.4%	144.4%	141.9%	106.3%	120.9%
Actuarially Determined Contribution (the “ADC”)	\$ 4,219	\$ 4,242	\$ 3,735	\$3,252	\$2,443
Contributions	6,559	7,036	6,330	6,497	6,240
Contributions excess (deficiency)	2,340	2,794	2,595	3,244	3,798
Contributions as a percent of covered payroll	51.4%	55.3%	59.8%	68.8%	75.37%

(1) Per the most recent actuarial results reflected in the 2019 Management DB Plan Valuation Report as of July 1, 2019, plus the future expected interest earnings, the Management DB Plan is considered fully funded at 93.1%

Source: TriMet. Derived from TriMet’s Audited Financial Statements for FYs 2015 through 2019. This summary is not audited. See Note 12 in APPENDIX B--“AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2019 AND 2018” for data.



*Bargaining Unit DB Plan.* The Bargaining Unit DB Plan covers all full-time and part-time employees represented by the ATU who were hired before August 1, 2012. Union employees in the Bargaining Unit DB Plan begin to participate on their date of hire with benefits being 100 percent vested after 10 years of service. Covered members retiring at or after age 58 with 10 or more years of service receive a monthly benefit for life that is the product of a benefit multiplier and years of service, with annual cost of living adjustments each May 1 based upon the US Urban Wage Earners and Clerical Workers Consumer Price Index. Each February 1, the retirement benefit multiplier is also adjusted based upon the amount of any general wage adjustments received by bargaining unit employees during the previous 12 months.

The benefit multiplier (monthly amount per year of service) for covered members retiring on or after February 1, 2016, is \$83.78 per month. No employee contributions are required or permitted under the Bargaining Unit DB Plan.

Pursuant to the terms of the Working and Wage Agreement for union employees, TriMet is required to fund the Bargaining Unit DB Plan in accordance with actuarial principles, amortizing past service liabilities over a period of 40 years or less. The funding policy of the Bargaining Unit DB Plan provides for an ADC. Historically, TriMet has paid at least the ARC for the plan on an annual basis. In FY 2014, TriMet began funding the ADC on a monthly basis.

For purposes of the 2019 Bargaining Unit DB Plan Valuation Report, TriMet and Cheiron used an assumed long-term expected return on plan assets of 6.75 percent and a discount rate of 6.75 percent. Other assumptions used in the valuation include an annual pre and post-retirement benefit increase of 2.25 percent, inflation of 2.5 percent and annual salary increases of 2.75 percent.

**TABLE A-10  
BARGAINING UNIT DB PLAN  
NET PENSION LIABILITY (\$000s)**

	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>
Total pension liability	\$ 625,233	\$ 656,437	\$ 657,399	\$ 698,934	\$ 713,755
Plan fiduciary net position (Market value of plan assets)	465,815	472,829	520,927	560,882	574,920
Plan fiduciary net position as a percent of Total pension liability	74.5%	72.0%	79.2%	80.2%	80.5%
Annual covered payroll	\$ 116,556	\$ 117,666	\$ 106,596	\$ 109,924	\$ 97,406
Net pension liability	159,418	183,608	136,472	138,052	138,836
Net pension liability as a percentage of payroll	136.8%	156.1%	128.1%	129.6%	142.53%
Actuarially determined contribution (the "ADC")	\$ 31,926	\$ 28,030	\$ 28,497	\$ 24,566	\$ 26,040
Contributions	37,793	38,027	35,862	35,228	37,718
Contributions excess (deficiency)	5,867	9,997	7,365	10,662	8,677
Contributions as a percentage of covered payroll	32.4%	32.3%	33.6%	32.05%	35.64%

*Source:* TriMet. Derived from TriMet's Audited Financial Statements for FYs 2015 through 2019. This summary is not audited. See Note 13 in APPENDIX B-"AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2019 AND 2018," for data.

## **Other Post-Employment Benefit Responsibilities**

TriMet provides post-employment health care and life insurance benefits (“OPEB”), in accordance with the Working and Wage Agreement for union employees and TriMet’s personnel policies to all eligible employees and their qualified dependents, who retire from TriMet on or after attaining age 55 with service of at least 10 years for union employees hired before October 24, 2014 and five years for non-union employees hired before April 27, 2003 and 10 years for non-union employees hired between April 27, 2003 and April 30, 2009. TriMet-provided benefits are secondary to Medicare benefits, where applicable, and TriMet pays the Medicare part B premium for eligible union retirees. TriMet provides a \$10,000 life insurance benefit to union retirees and to eligible non-union retirees hired before May 1, 2009. There were 1,852 inactive employees or beneficiaries receiving benefit payments and 3,111 active employees (union and non-union retirees) receiving the post-employment health care and life insurance benefits at January 1, 2019.

TriMet no longer pays retiree medical premiums for non-union employees hired after April 2009. TriMet pays a monthly stipend for retired union employees under the age of 65 who were hired on or after October 24, 2014.

ORS 243.303 requires that TriMet permit such retirees and their dependents to continue to receive health insurance by paying the premiums themselves at a rate that is blended with the rate for current employees until the retirees and spouses are eligible for federal Medicare coverage and until children reach the age of 18. GASB Statement No. 75 (described below), and formerly under GASB Statement No. 45, refers to this as an “implicit subsidy” and requires that the corresponding liability be determined and reported.

TriMet paid the costs of postemployment healthcare and life insurance benefits totaling \$23.0 million and \$22.6 million in FYs 2019 and 2018, respectively. TriMet has also created a trust fund for future net OPEB obligations. An initial deposit was made to the fund in June 2012 of \$400,000, and TriMet’s plans are to substantially fund the Management DB Plan (currently, considered fully funded, see “TABLE A-9” above) and the Bargaining Unit DB Plan before making additional deposits to the OPEB trust.

In June 2015, GASB approved new accounting and financial reporting standards for state and local government OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (GASB 74), applies to OPEB plans. Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), applies to state and local employers that sponsor OPEB, such as TriMet. Generally, the new OPEB standards parallel those applied to defined-benefit pension plans and participating employers by GASB 67 and 68, respectively. The new standards introduce new procedures for measuring OPEB liabilities and costs, require employers to report a net OPEB liability on their financial statements, and require more extensive disclosure in plan and employer financial statements. GASB 74 is effective for plans with Fiscal Years beginning after June 15, 2016. GASB 75 is effective for employers for Fiscal Years beginning after June 15, 2017.

TriMet retained Cheiron to determine for accounting purposes the actuarial present value of the projected cost of TriMet’s OPEB responsibilities and information related to GASB 75. According to the actuarial valuation report as of January 1, 2019, TriMet’s Net OPEB liability, based on the explicit and implicit subsidies, as of January 1, 2018 was \$786,138,070 and as of January 1, 2019 was \$725,024,789. For purposes of this actuarial valuation, TriMet and the Cheiron used an assumed long-term expected return on plan assets of 0.00 percent because of the small amount of assets in the OPEB trust and a discount rate of 3.44 percent as of January 1, 2018 and 4.10% as of January 1, 2019. Other assumptions used in the valuation include an annual post-retirement benefit increase of 2.25 percent, inflation of 2.5 percent and annual salary increases of 2.75 percent.

Table A-11 below presents components of TriMet’s annual OPEB cost for the calendar years beginning January 1, 2017, 2016, and 2015 and a schedule of funding progress presented in accordance with GASB 45 and prior to the implementation of GASB 75 beginning after June 15, 2017.

**TABLE A-11  
TRIMET OPEB COSTS (\$000s)**

	<u>Jan. 1, 2015</u>	<u>Jan. 1, 2016</u>	<u>Jan. 1, 2017</u>
Actuarial Accrued Liability (AAL)	\$ 711,180	\$ 760,727	\$ 769,305
Actuarial Value (Market Value of Assets)	401	401	401
Funded Ratio	0.06%	0.05%	0.05%

**ANNUAL REQUIRED CONTRIBUTION (ARC)**

	<u>Jan. 1, 2015</u>	<u>Jan. 1, 2016</u>	<u>Jan. 1, 2017</u>
Total Annual Required Contribution (ARC)	\$ 73,999	\$ 76,628	\$ 76,658
Covered payroll	154,966	167,369	173,892
ARC as a percentage of payroll	47.8%	45.7%	44.1%
Contributions made	\$ 17,617	\$ 17,107	\$ 16,554

*Source:* TriMet; based on actuarial valuations and other post-employment benefits (OPEB) as of January 1, 2017 in accordance with GASB Statement No. 45.

The table below presents TriMet’s Net OPEB liability and related ratios for the calendar years beginning January 1, 2018 and 2019 presented in accordance with GASB 75.

**TABLE A-12  
OTHER POSTEMPLOYMENT BENEFIT OBLIGATION (OPEB)  
NET OPEB LIABILITY**

	<u>Jan. 1, 2018</u>	<u>Jan. 1, 2019</u>
Total OPEB liability	\$ 786,541,410	\$ 725,435,906
Plan fiduciary net position (Market value of assets)	403,340	411,317
Plan fiduciary net position as a percent of Total OPEB liability	0.05%	0.06%
Annual covered payroll	\$ 198,559,646	\$ 219,239,977
Net OPEB liability	786,138,070	725,024,789
Net OPEB liability as a percentage of covered employee payroll	395.92%	330.70%
Contributions	\$ 22,646,628	\$ 23,022,074
Contributions as a percentage of covered employee payroll	11.4%	10.5%

*Source:* TriMet; based on actuarial valuations and other post-employment benefits (OPEB) as of January 1, 2018 in accordance with GASB Statement No. 75.

## **Initiative and Referendum Process**

The State Constitution, Article IV, Section 1, reserves (1) to the people of the State the initiative power to amend the State constitution or to enact State legislation by placing measures on the statewide general election ballot for consideration by the voters and the referendum power to approve or reject at an election certain acts passed by the Legislative Assembly, and (2) to voters in TriMet the initiative and referendum power as to legislation of TriMet.

### *State Initiative Measures*

State law permits any person to file a proposed initiative with the Secretary of State's office without payment of fees or other burdensome requirements. To place a proposed initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. The next election at which initiative petitions may appear on the ballot will be held in November of 2020.

### *State Referendum Petitions*

Within 90 days after the end of a legislative session, any person may file a petition seeking to have any act passed by the Legislative Assembly that does not become effective earlier than 90 days after the end of the legislative session referred to the voters for their approval or rejection at the next general election, or at a special election provided for by the Legislative Assembly. To place a proposed referendum on the ballot, the proponents must submit to the Secretary of State within 90 days after the end of the legislative session referendum petitions signed by the number of qualified voters equal to four percent of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. Any elector may sign a referendum petition for any measure on which the elector is entitled to vote. An act approved by the voters through the referendum process becomes effective 30 days after the date of the election at which it was approved. A referendum on part of an act does not prevent the remainder of the act from becoming effective as provided in the act.

### *Local Measures*

The TriMet Board has the power to create local legislation by enacting ordinances. Regular ordinances can be referred to a vote if a petition is signed by a number of TriMet voters that is at least equal to four percent of the number of TriMet voters who voted in the last election for Governor of the State of Oregon (approximately, 32,000 signatures), and filed no later than ninety days after the TriMet Board enacts the regular legislation. Emergency legislation is not subject to referral, and tax legislation cannot be enacted by emergency ordinance. The voters of TriMet also may initiate legislation by filing petitions signed by a number of TriMet voters that is at least equal to six percent of the number of TriMet voters who voted in the last election for Governor of the State of Oregon (approximately, 48,000 signatures). Initiative petitions are placed on the ballot on the next available election date. Oregon law currently authorizes elections four times each year, in March, May, September and November. A larger number of signatures is required to refer or initiate legislation affecting TriMet routes, schedules or fare changes. No initiative or referendum petitions are currently being circulated to initiate or refer TriMet legislation.

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS FOR  
FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

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**Report of Independent Auditors and  
Financial Statements with Supplementary Information  
June 30, 2019 and 2018  
(including Audit Comments and Disclosures Required by State Regulations)**



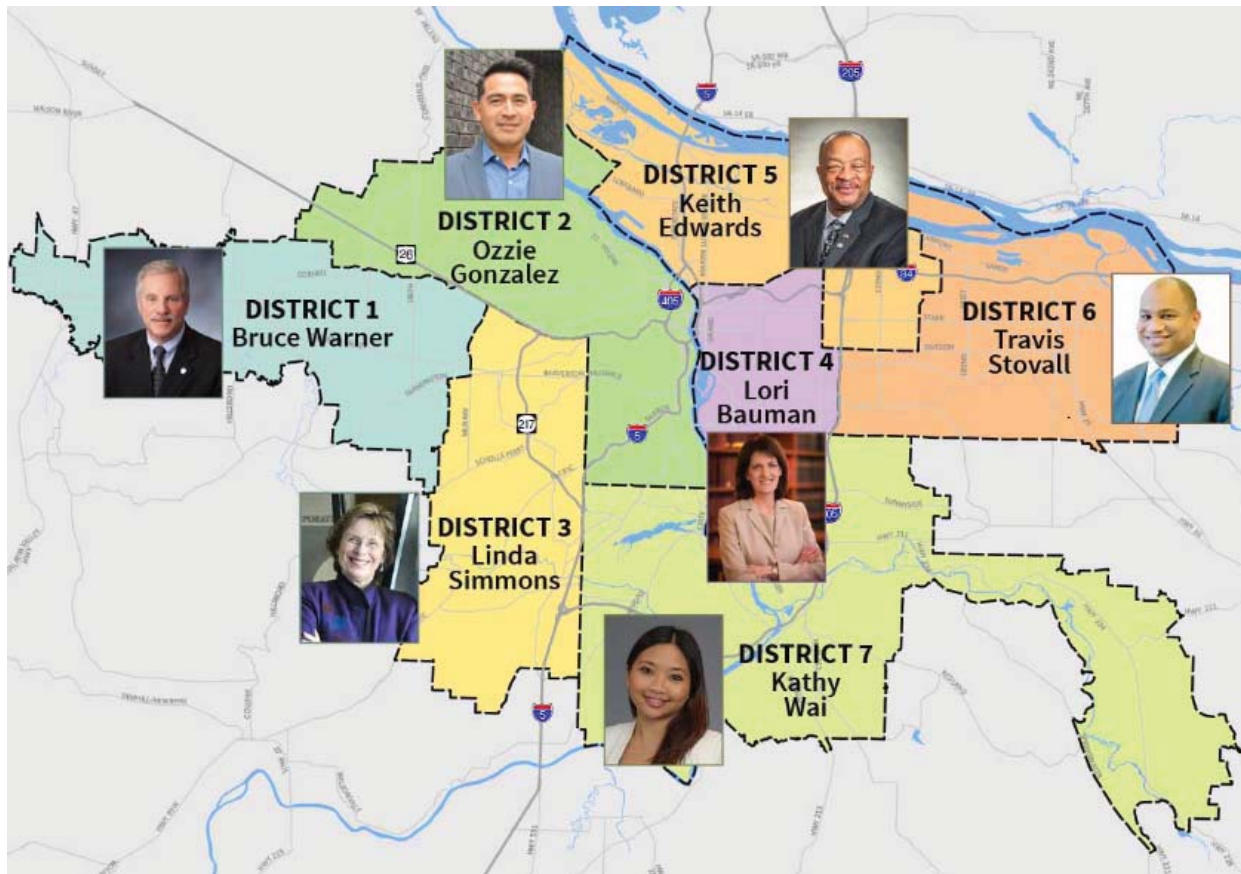




## Board of Directors

<u>Name</u>	<u>District</u>	<u>Term Expires</u>
Bruce Warner, President	#1	February 19, 2020
Ozzie Gonzalez	#2	May 31, 2022
Linda Simmons	#3	May 31, 2019*
Lori Irish Bauman	#4	May 31, 2019*
Keith Edwards	#5	May 24, 2022
Travis Stovall	#6	February 19, 2020
Kathy Wai	#7	May 24, 2022

*\*Board members will continue to serve until reappointed or replaced*



Board of Directors	1800 S.W. 1 <sup>st</sup> Avenue, Suite 300 Portland, Oregon 97201
General Manager	Doug Kelsey 1800 S.W. 1 <sup>st</sup> Avenue, Suite 300 Portland, Oregon 97201
General Counsel and Registered Agent	Shelley Devine 1800 S.W. 1 <sup>st</sup> Avenue, Suite 300 Portland, Oregon 97201

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## Financial Section







## **Report of Independent Auditors**

The Board of Directors  
Tri-County Metropolitan Transportation District of Oregon

### **Report on the Financial Statements**

We have audited the accompanying statements of net position of the Enterprise Fund and statements of fiduciary net position of the Retirement Plan for Management and Staff Employees, Pension Plan for Bargaining Unit Employees and Total Trust Fund (pension plan trust funds) of Tri-County Metropolitan Transportation District of Oregon (the District), as of June 30, 2019 and 2018, and the statements of revenues, expenses, and changes in net position and cash flows of the Enterprise Fund for the years ended June 30, 2019 and 2018, and the statements of changes in fiduciary net position of the Pension Plan Trust Funds for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund, the Retirement Plan for Management and Staff Employees, Pension Plan for Bargaining Unit Employees and total trust fund of the District as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows for the Enterprise Fund, and changes in financial position for the Retirement Plan for Management and Staff Employees, Pension Plan for Bargaining Unit Employees, and Total Trust Fund of the District for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress, changes in net pension liability and related ratios, pension contributions and investment returns, and changes in the District's net OPEB liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The reconciliation of revenues and expenses (budget basis) to schedule of revenues and expenses (GAAP basis), reconciliation of fund balance (budget basis) to net position (GAAP basis), revenues and expenses budget (budget basis) and actual – general fund, and schedule of bonds payable obligations outstanding are presented for purposes of additional analysis and are not a required part of the basic financial statements.



These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, reconciliation of revenues and expenses (budget basis) to schedule of revenues and expenses (GAAP basis), reconciliation of fund balance (budget basis) to net position (GAAP basis), revenues and expenses budget (budget basis) and actual – general fund, and schedule of bonds payable obligations outstanding were fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated September 11, 2019, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Julie Desimone, Partner for  
Moss Adams LLP  
Portland, Oregon  
September 11, 2019

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## **Management's Discussion and Analysis**

(dollars in thousands)

This section provides an overview and analysis of key data presented in the basic financial statements of Tri-County Metropolitan Transportation District of Oregon ("TriMet" or "the District") for the fiscal years ended June 30, 2019 and 2018, including the District operations within the Enterprise Fund, the TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund and the Pension Plan for Bargaining Unit Employees of TriMet Trust Fund ("the Trust funds"). The Enterprise Fund accounts for all activities and operations of the District except for the activities included within the Trust funds. The TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund accounts for the assets of the non-union employee benefit plan held by the District in a trustee capacity. The Pension Plan for Bargaining Unit Employees of TriMet Trust Fund accounts for the assets of the union employee benefit plan held by the District in a trustee capacity. Information within this section should be used in conjunction with the basic financial statements and accompanying notes. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

TriMet, a public corporation in the State of Oregon, is a regional transit authority providing a high-capacity transportation system throughout parts of Multnomah, Washington and Clackamas Counties through light rail ("MAX"), commuter rail ("WES"), Streetcar, and bus transportation systems.

In accordance with requirements set forth by the Governmental Accounting Standards Board (GASB), the District's financial statements employ the accrual basis of accounting in recognizing increases and decreases in economic resources. Accrual accounting recognizes all revenues and expenses incurred during the year, regardless of when cash is received or paid.

The basic financial statements, presented on a comparative format for the years ended June 30, 2019 and 2018, are comprised of:

**Statements of Net Position** – The District presents its statement of net position using the balance sheet format. The statement reflects assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District. Net position is separated into three categories: net investment in capital assets, net position – restricted, and net position – unrestricted.

**Statements of Revenues, Expenses and Changes in Net Position** – This statement reflects the transactions that have increased or decreased the District's total economic resources during the fiscal year. Revenues are presented net of allowances and are summarized by major source. Revenues and expenses are classified as operating or non-operating based on the nature of the transaction.

**Statements of Cash Flows** – This statement presents the sources and uses of cash separated into four categories of activities: operating, noncapital financing, capital and related financing, and investing.

**Statements of Pension Plan Fiduciary Net Position** – This statement presents the Plan's assets and liabilities and the resulting net position restricted for pensions. The statement reflects the Plan's investments, at fair value, along with cash and cash equivalents, receivables and other assets and liabilities.

**Statements of Changes in Pension Plan Fiduciary Net Position** – This statement reflects the transactions that have increased or decreased the Plan's net position for the fiscal year. This statement reflects District contributions and investment earnings along with deductions for retirement benefits and administrative expenses.

The Notes to the Financial Statements, presented at the end of the basic financial statements, are considered an integral part of the District's presentation of financial position, results of operations, and changes in cash flows.

**Management's Discussion and Analysis**

*continued*

(dollars in thousands)

**ENTERPRISE FUND FINANCIAL HIGHLIGHTS**

**Financial Highlights for 2019**

- Net position totaled \$1,831,758 at June 30, 2019 as noted in the table below (see Table 1).
- Net position decreased \$68,662 or 3.6 percent in 2019 which compares to an increase of \$44,229 in net position in 2018.
- Total operating revenues were \$135,822 for fiscal year 2019. This is a decrease by \$3,178 or 2.3 percent from 2018. The decrease is noted in passenger revenues.
- Total operating expenses were \$701,254 for fiscal year 2019. This is an increase by \$31,056 or 4.6 percent from 2018. The increase is primarily noted in materials and services which increased \$14,354 or 13.1 percent over the prior year demonstrating TriMet's commitment to the State of Good Repair and inventory for the overhaul of light-rail vehicles.

**Financial Highlights for 2018**

- Net position totaled \$1,900,420 at June 30, 2018 as noted in the table below (see Table 1).
- Net position increased \$44,229 in 2018, which compares to an increase of \$33,280 in 2017.
- Total operating revenues were \$139,000 for fiscal year 2018. This is a decrease of \$5,639 or 3.9 percent from 2017.
- Total operating expenses were \$670,198 for fiscal year 2018. This is an increase by \$41,087 or 6.5 percent from 2017. The increase was primarily noted in labor and fringe benefits. The labor increase of \$16,717 or 10.1 percent is a result of finalizing the union contract (December 1, 2016 to November 30, 2019) during fiscal year 2018 and the retroactive salary component in the union agreement. Fringe benefits increase of \$9,302 or 5.1 percent was also due in part to the union contract as well as the implementation of GASB #75, other postemployment benefits.

**Management's Discussion and Analysis**

*continued*  
(dollars in thousands)

**ENTERPRISE FUND FINANCIAL SUMMARY**

**Statements of Net Position**

The following table reflects a condensed summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of TriMet as of June 30, 2019, 2018 and 2017.

	<b>Net Position As of June 30</b> (dollars in thousands)						
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>Increase (decrease)</b>			
				<b>2019 - 2018</b>		<b>2018 - 2017</b>	
				<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>Assets</b>							
Current and other assets	\$ 754,383	\$ 923,625	\$ 658,856	\$ (169,242)	(18.3)%	\$ 264,769	40.2 %
Capital assets, net of depreciation	3,014,250	2,981,825	2,997,401	32,425	1.1 %	(15,576)	(0.5)%
<b>Total assets</b>	<b>3,768,633</b>	<b>3,905,450</b>	<b>3,656,257</b>	<b>(136,817)</b>	<b>(3.5)%</b>	<b>249,193</b>	<b>6.8 %</b>
<b>Deferred outflows of resources</b>	<b>54,296</b>	<b>58,882</b>	<b>61,502</b>	<b>(4,586)</b>	<b>(7.8)%</b>	<b>(2,620)</b>	<b>(4.3)%</b>
Total assets and deferred outflows of resources	<u>\$ 3,822,929</u>	<u>\$ 3,964,332</u>	<u>\$ 3,717,759</u>	<u>\$ (141,403)</u>	<u>(3.6)%</u>	<u>\$ 246,573</u>	<u>6.6 %</u>
<b>Liabilities</b>							
Current liabilities	\$ 195,800	\$ 197,720	\$ 193,557	\$ (1,920)	(1.0)%	\$ 4,163	2.2 %
Noncurrent liabilities	1,684,283	1,829,665	1,428,745	(145,382)	(7.9)%	400,920	28.1 %
<b>Total liabilities</b>	<b>1,880,083</b>	<b>2,027,385</b>	<b>1,622,302</b>	<b>(147,302)</b>	<b>(7.3)%</b>	<b>405,083</b>	<b>25.0 %</b>
<b>Deferred inflows of resources</b>	<b>111,088</b>	<b>36,527</b>	<b>70,953</b>	<b>74,561</b>	<b>204.1 %</b>	<b>(34,426)</b>	<b>(48.5)%</b>
<b>Net position</b>							
Net investment in capital assets	2,495,838	2,586,479	2,509,481	(90,641)	(3.5)%	76,998	3.1 %
Restricted	63,209	17,777	35,892	45,432	255.6 %	(18,115)	(50.5)%
Unrestricted	(727,289)	(703,836)	(520,869)	(23,453)	3.3 %	(182,967)	35.1 %
<b>Total net position</b>	<b>1,831,758</b>	<b>1,900,420</b>	<b>2,024,504</b>	<b>(68,662)</b>	<b>(3.6)%</b>	<b>(124,084)</b>	<b>(6.1)%</b>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,822,929</u>	<u>\$ 3,964,332</u>	<u>\$ 3,717,759</u>	<u>\$ (141,403)</u>	<u>(3.6)%</u>	<u>\$ 246,573</u>	<u>6.6 %</u>

Current and other assets decreased \$169,242, or 18.3 percent, in 2019, due primarily to a decrease in grants receivable at year-end June 30, 2019. In fiscal year 2019, federal transit administration grants for preventative maintenance were received prior to year-end as compared to the prior fiscal year, when they were still outstanding as of year-end. In addition, there was a decrease in cash and investments in fiscal year 2019 due to the spending of bond proceeds on various capital projects.

Current and other assets increased \$264,769 or 40.2 percent, in 2018, due primarily to increases in Investments related to debt issuance in fiscal year 2018 and an increase in Payroll Tax receivable as a result of increases in rate and improved economic conditions.

Deferred outflows of resources decreased \$4,586, or 7.8 percent in 2019, and \$2,620 or 4.3 percent in 2018. This decrease is due to the amortization of prior year deferrals.

## **Management's Discussion and Analysis**

*continued*

(dollars in thousands)

Current liabilities consist primarily of accounts payable, accrued compensation, current portion of bonds payable and unearned revenue. The decrease in current liabilities of \$1,920, or 1.0 percent in 2019 was due to a decrease in the current portion of long-term debt as debt maturities came due and were paid. The increase in current liabilities of \$4,163, or 2.2 percent, in 2018 was due to an increase in accrued payroll and increases in restricted and unrestricted accounts payable at year-end as projects related to bond spending ramped up.

Noncurrent liabilities consist primarily of long-term debt, long-term lease liabilities, net pension liabilities and OPEB liabilities. Noncurrent liabilities decreased \$145,382, or 7.9 percent, in 2019, primarily due to decreases in long-term debt. Also in 2019, the OPEB liability significantly decreased due to an increase in the discount rate used in the actuarial valuation for OPEB. Noncurrent liabilities increased \$400,920, or 28.1 percent, in 2018, primarily due to the implementation of GASB Statement No. 75 to recognize the net OPEB obligation. Also in 2018, the District issued over \$300,000 in long-term debt.

Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets. When there are significant unspent bond proceeds, the proceeds are an offset to the related indebtedness.

Net position restricted includes amounts restricted for principal and interest payments of amounts due related to outstanding revenue bonds (discussed in Note 5), as well as restricted deposits related to the lease transactions (discussed in Note 8), and other funds that are restricted in purpose.

Unrestricted net position has a negative balance for both fiscal years 2019 and 2018. This is primarily attributable to the net pension liability and other postemployment benefits obligation in the District's financial statements. Net pension liabilities recorded on the statement of net position totaled \$148,848 and \$148,088 for the years ended June 30, 2019 and 2018, respectively. The District continues to fund the defined benefits pension plan liabilities. The District's defined benefits plans are closed plans. The OPEB obligation recorded on the statement of net position totaled \$725,025 and \$786,138 for the years ended June 30, 2019 and 2018, respectively. The decrease in OPEB from 2018 is due to an increase in the discount rate used in the actuarial valuation to calculate the liability. In fiscal year 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The OPEB plan remains open for union employees.

### **Changes in Net Position**

The District's total revenues increased \$4,833, or 0.8 percent, during fiscal year 2019 (see Table 2). Passenger revenue decreased \$7,004 or 6.2 percent, Payroll and other tax revenue increased \$13,708, or 3.8 percent, and Grant revenue decreased \$19,965, or 16.7 percent, due to timing of appropriations as discussed above.

The District's total revenues increased \$48,372, or 8.3 percent, during fiscal year 2018 (see Table 2). Passenger revenue decreased \$4,803, or 4.0 percent, Payroll and other tax revenue increased \$21,837, or 6.5 percent, and Grant revenue increased \$26,925, or 29.0 percent, due to timing of appropriations as discussed above.

The State's employment and wage growth remained reasonably strong throughout fiscal year 2019. And the Portland region continues to create jobs at a robust pace. The transportation sector also continues to stay strong and has surpassed its pre-recession levels. During the economic downturn, TriMet took steps to cut costs, including reduction of service. The efforts made during the financial recession combined with an improved economy, have improved the financial condition of TriMet, allowing for restoration and expansion of service levels and overall strengthening of the District's financial position.

**Management’s Discussion and Analysis**

*continued*

(dollars in thousands)

**Table 2**

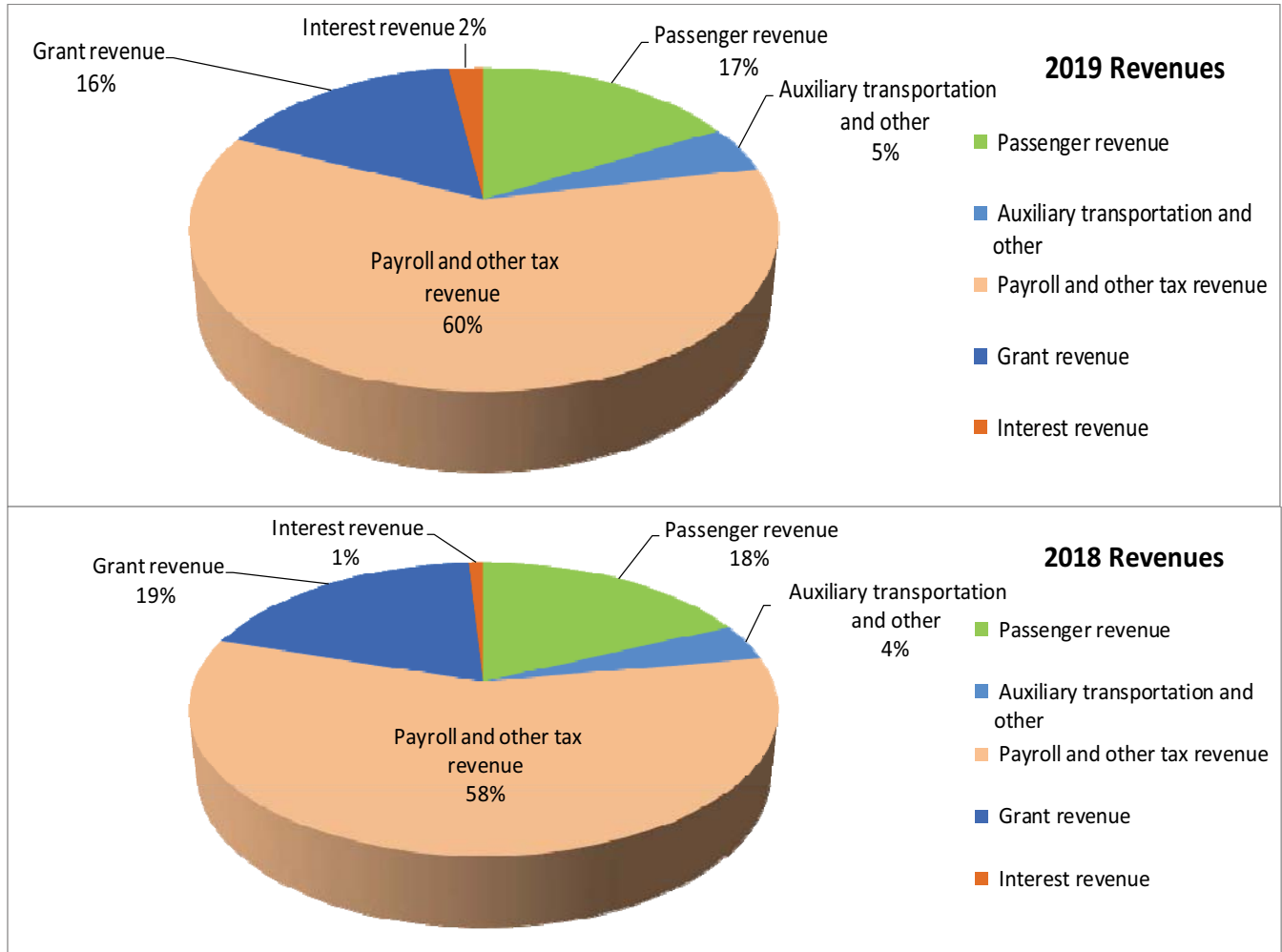
**Changes in Net Position  
For the Years Ended June 30**  
(dollars in thousands)

	2019	2018	2017	Increase (decrease)			
				2019 - 2018		2018 - 2017	
				\$	%	\$	%
<b>Revenues</b>							
Operating revenues							
Passenger revenue	\$ 106,832	\$ 113,836	\$ 118,639	\$ (7,004)	(6.2)%	\$ (4,803)	(4.0)%
Auxiliary transportation and other	28,990	25,164	25,929	3,826	15.2 %	(765)	(3.0)%
Non-operating revenues							
Payroll and other tax revenue	372,751	359,043	337,206	13,708	3.8 %	21,837	6.5 %
Grant revenue	99,668	119,633	92,708	(19,965)	(16.7)%	26,925	29.0 %
Gain on disposal of capital assets	6,144	1,081	71	5,063	468.4 %	1,010	1,423 %
Pass through revenue	4,563	4,041	4,079	522	12.9 %	(38)	(0.9)%
Interest revenue	14,490	5,972	1,388	8,518	142.6 %	4,584	330.3 %
Net leveraged lease income	906	741	1,119	165	22.3 %	(378)	(33.8)%
Total operating and non-operating revenues	634,344	629,511	581,139	4,833	0.8 %	48,372	8.3 %
<b>Expenses</b>							
Labor	194,641	182,834	166,117	11,807	6.5 %	16,717	10.1 %
Fringe benefits	190,732	191,097	181,795	(365)	(0.2)%	9,302	5.1 %
Materials and services	124,317	109,963	96,841	14,354	13.1 %	13,122	13.6 %
Utilities	10,412	9,986	10,647	426	4.3 %	(661)	(6.2)%
Purchased transportation	30,577	30,950	30,301	(373)	(1.2)%	649	2.1 %
Depreciation expense	132,943	131,914	129,750	1,029	0.8 %	2,164	1.7 %
Other operating expense	17,632	13,454	10,597	4,178	31.1 %	2,857	27.0 %
Pass through expense	4,563	4,041	4,079	522	12.9 %	(38)	(0.9)%
Interest and other expense	25,384	19,454	18,830	5,930	30.5 %	624	3.3 %
Funding exchanges and other payments	11,882	5,459	3,063	6,423	117.7 %	2,396	78.2 %
Total expenses	743,083	699,152	652,020	43,931	6.3 %	47,132	7.2 %
Loss before contributions	(108,739)	(69,641)	(70,881)	(39,098)	56.1 %	1,240	(1.7)%
Capital contributions	40,077	113,870	104,161	(73,793)	(64.8)%	9,709	9.3 %
Increase in net position	(68,662)	44,229	33,280	(112,891)	(255.2)%	10,949	32.9 %
Net position-as previously reported	1,900,420	2,024,504	1,991,224	(124,084)	(6.1)%	33,280	1.7 %
Cumulative effect to implement GASB #75	-	(168,313)	-	168,313	0.0 %	(168,313)	0.0 %
Net position - beginning restated	1,900,420	1,856,191	1,991,224	44,229	2.4 %	(135,033)	(6.8)%
Total net position - ending	\$ 1,831,758	\$ 1,900,420	\$ 2,024,504	\$ (68,662)	(3.6)%	\$ 44,229	(6.1)%

**Management’s Discussion and Analysis**

*continued*  
(dollars in thousands)

The following charts display the allocation of District revenues for fiscal years 2019 and 2018:



- Total operating and non-operating revenues were \$634,344 for fiscal year 2019, an increase of 0.8 percent.
- Total payroll and other tax revenues increased 3.8 percent, totaling \$372,751 for fiscal year 2019. Employer payroll tax revenue increased \$14,134, or 4.2 percent due to continued strong employment conditions in the District and the rate increase effective January 2019. Self employment and other tax revenues decreased slightly by (\$373), or 2.2 percent over fiscal year 2018.

In 2004, the TriMet Board of Directors (Board) adopted Ordinance No. 279 increasing TriMet’s employer payroll and self employment tax rate. The increase went into effect January 1, 2005 and was phased in over a 10 year period. The rate has increased by .0001 each January 1 since 2005 and the final increase occurred January 1, 2014, when it reached 0.007237.

In 2009, the Legislative Assembly gave the Board the authority to increase the rate for payroll and self-employment taxes by an additional .001, in addition to any increases resulting from service area withdrawals. That legislation requires that the additional increases be phased in over ten years, prohibits any annual increase from exceeding .0002, and requires the TriMet Board to find, before implementing any additional increase, that the economy in the District has recovered to an extent sufficient to warrant the increase in tax. Effective January 1, 2016, the TriMet Board approved a 0.0001 increase as authorized by the 2009 legislation. The January 1, 2018 effective rate was 0.007537 and on January 1, 2019, the effective rate increased to 0.007637 as a result of the 2009 legislation.



## **Management's Discussion and Analysis**

*continued*

(dollars in thousands)

- Grant revenue decreased \$19,965, or 16.7 percent, compared to fiscal year 2018. Revenues in this category include Federal Preventive Maintenance Funds and other operating support. Revenues under these programs are recognized when the grants are approved/authorized by the granting agency, funds are appropriated, and eligible expenses have been incurred. As such, the decrease in revenues in the current year resulted from timing differences in grant approval during the year, as compared to the prior year. The decrease was noted in receipts for the State of Good Repair Section 5337 funds. These funds are for on-going preventative maintenance of bus and rail fleets.
- Passenger revenue was \$106,832 for the fiscal year 2019, a decrease of 6.2 percent. Pass revenue and cash fares accounted for the majority of this decrease. In July of 2017, TriMet launched the Hop Fastpass™ (Hop) Electronic Fare Collection system. The Hop system is an account based payment system that features stored value, online account management and fare capping to limit the cost for day and monthly pass. In connection with the Hop launch, TriMet offered Hop cards to transit riders at no cost in exchange for paper tickets. The Hop transition accounted for some of the decrease in passenger revenues. System wide ridership decrease includes, but is not limited to demographic shifts, fuel prices, Transportation Network Company (Uber, Lyft) and telecommuting.
- Total net position at June 30, 2019, was \$1,831,758, a decrease of \$68,662 or 3.6 percent from 2018. The change in net position is primarily attributable to the following factors:
  - Decrease of \$19,965 or 16.7 percent in grant revenues for the State of Good Repair Section 5337 grant funds for preventative maintenance. Fiscal year 2018 included additional grant funds for the 2016-2017 reporting period. Grant receipts in 2018 were held up due to delays in negotiations and consensus with local partners on the suballocation method for formula funds.
  - Increase of \$14,354 or 13.1 percent in materials and services expenses. The increase is due to an increase in materials for light-rail vehicle (LRV) components, under the LRV progressive overhaul program to maintain state of good repair and asset management of the LRV fleet.
  - Increase of \$6,423 or 117.7 percent in funding exchanges and other payments. In fiscal year 2019, TriMet made a \$5,000 payment to the State of Oregon Department of Transportation in accordance with an intergovernmental agreement as part of a multi-agency approach to address multiple transportation, safety and freight issues in the region.
  - Decrease of \$73,793 or 64.8 percent in capital contributions. Capital contributions for the Portland to Milwaukie light rail system (PMLR) were \$100,000 in fiscal year 2018, as compared to \$30,665 in fiscal year 2019. As the project period for the Full-Funding Grant Agreement (FFGA) on the PMLR comes to a close, the Federal resources have significantly decreased.
- Total net position at June 30, 2018, was \$1,900,420, an increase of \$44,229 or 2.4 percent from 2017. The change in net position is primarily attributable to the following factors:
  - Increase of \$26,925 or 29.0 percent in grant revenues for the State of Good Repair Section 5337 grant funds. In March of 2018 the District was awarded \$10.1 million of 5337 grant funds held back for the 2016-2017 fiscal period. The delay in receipts was due to negotiations and consensus with local partners on the suballocation method and how grant resources are distributed.
  - Increase of \$4,584 or 330.3 percent in interest revenues over the prior year due to an increase in the District's investment portfolio as a result of over \$300 million in new bond issues and other restricted investments in fiscal year 2018.
  - Increase of \$16,717 or 10.1 percent in labor and an increase of \$9,302 or 5.1 percent fringe benefits. The increases are directly related to the execution of a union contract, Working Wage Agreement (WWA), between the District and its union, Amalgamated Transit Union, in fiscal year 2018. The contract period is for three years. The previous union agreement expired in November 2016. The WWA included a large amount (\$4,800) for the retroactive pay adjustment as well as cost of living adjustments related to fiscal year 2017.

## Management’s Discussion and Analysis

*continued*  
(dollars in thousands)

### Operating Revenues

Operating revenues are composed of passenger fares and other revenue related to operations.

#### Passenger Revenue

Passenger revenue includes fares earned from cash receipts from riders for the sale of passes and tickets, and employer paid pass and other group fare revenue programs. In fiscal year 2019, the District experienced an overall decrease in passenger revenue of 6.2 percent.

#### Auxiliary Transportation and Other Revenue

Auxiliary Transportation and Other Revenue includes revenue from LIFT paratransit service, Streetcar operating revenues, Local grants and operating assistance from other local governments. In fiscal year 2019, auxiliary transportation and other revenues increased \$3,826 or 15.2 percent. The increase is due to the sale of clean fuel credits in the amount of \$1,775. Oregon’s Clean Fuels Program is designed to reduce the carbon emissions produced by the state’s transportation fuels. Under the program, providers of clean fuels, such as businesses that own electric vehicle charging stations, compressors for natural gas, or dispensers for propane will be given credits, which can be sold to obligated companies to offset commercial tax liabilities. TriMet’s electrically-powered light rail system generates the clean fuel credits. In fiscal year 2018, auxiliary transportation and other revenues decreased \$765 or 3.0 percent. Over the past two years, auxiliary revenues have remained relatively constant.

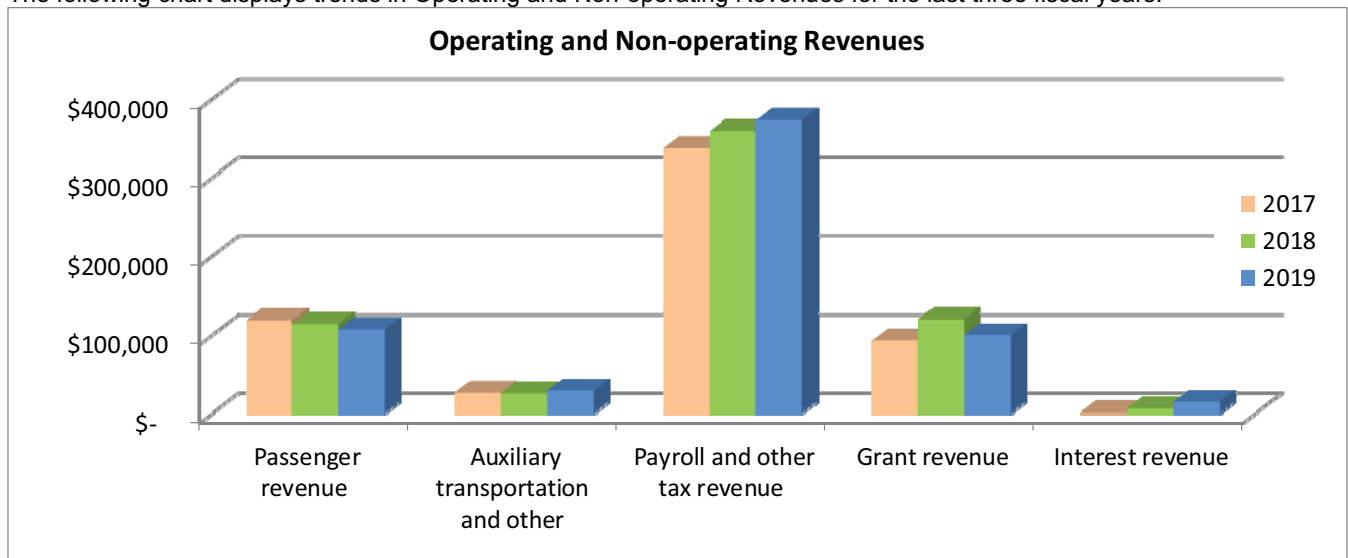
### Non-operating Revenues

Non-operating revenues include Payroll and other tax revenue, Grant revenue, Pass-through revenues, Gain on disposal of capital assets and Interest revenue. Gain on disposal of capital assets increased by \$5,063 or 468.4 percent over fiscal year 2018. During fiscal year 2019, two properties were sold resulting in a significant gain. The Federal interest in these properties will be transferred to another future Federal capital project. The cash proceeds from the sale of land is recorded to restricted cash and investments in the financial statements. Interest revenue has increased year over year. In fiscal year 2019 the increase is attributable to long-term investments held for future payments on the 2005 lease-leaseback transaction, and the increase in fiscal year 2018 is a direct result of investment earnings restricted to bond proceeds.

#### Payroll and Other Tax Revenues

Payroll tax revenues are the District’s main source of revenue. Payroll and other tax revenues increased \$13,708, or 3.8 percent in fiscal year 2019 signifying the Portland economy remains strong. In fiscal year 2018, payroll and other tax revenues increased \$21,837, or 6.5 percent, compared to fiscal year 2017.

The following chart displays trends in Operating and Non-operating Revenues for the last three fiscal years:



**Management's Discussion and Analysis**

*continued*  
(dollars in thousands)

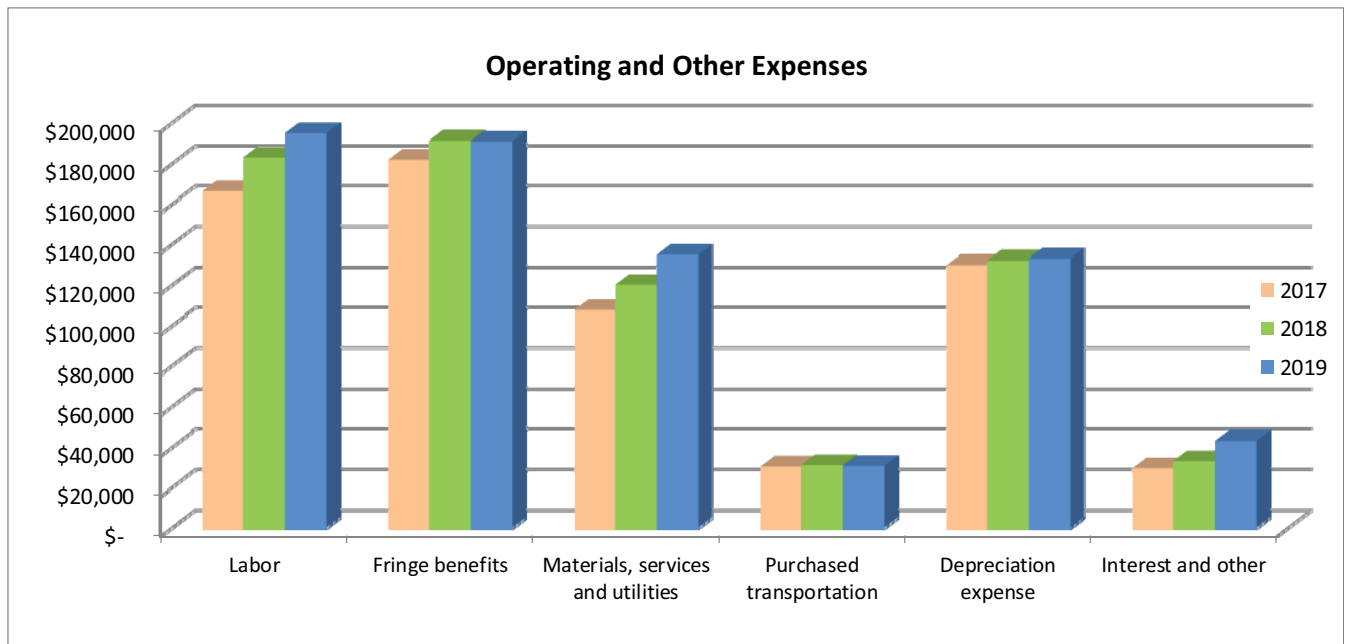
**Operating and Other Expenses**

Operating and Other Expenses include operations and maintenance costs, general and administrative expenses, purchased transportation costs associated with the LIFT program, depreciation of capital assets, interest on outstanding debt and other costs.

Total operating and non-operating expenses increased \$43,766 or 6.3 percent to \$742,177, during fiscal year 2019. Labor costs increased \$11,807, or 6.5 percent. Materials and services increased \$14,354 or 13.1 percent due to an increase in materials purchased to maintain the state of good repair on the District's light-rail vehicle fleet.

Total operating and non-operating expenses increased \$47,510 or 7.3 percent to \$698,411 during fiscal year 2018. Labor costs increased \$16,717 or 10.1 percent and Fringe benefits increased \$9,302, or 5.1%. The increase in labor is a result of finalizing the labor contract with TriMet's union during fiscal year 2018 and the retroactive salary component in the union agreement. Fringe benefits expense increased by \$9,302, or 5.1 percent, also related to the settlement of the union contract. Materials and services expenses increased 17.6 percent, or \$17,263, in part due to safety enhancements in fiscal year 2018 and additional security services in Safety and Security division. Fiscal year 2018 also noted an increase in the regional funding exchange transactions with Metro for Transit Oriented Development program funding coordination. In addition, rail equipment maintenance expense increased over the prior year due to increased consumption in high valued material for the District's light rail fleet. Purchased transportation increased 2.1 percent to \$30,951. The increase was noted in contracted services for paratransit services.

The following chart displays trends in Operating and Other expenses during the last three fiscal years:



**Management's Discussion and Analysis**

*continued*

(dollars in thousands)

**Capital Contributions**

Capital contributions include federal grants and other local government contributions restricted for purchase or construction of capital assets. Capital contributions decreased by \$73,793 or 64.8 percent during fiscal year 2019. The decrease is due to a reduction in overall contributions due to the completion of a light-rail line in 2016 and no other significant light-rail expansion projects in the acquisition and construction phase. Capital contributions increased \$9,709, during fiscal year 2018, primarily due to a FTA grant for bus and bus facilities formula program.

**Capital Assets**

At June 30, 2019, the District had invested \$3,014,250, in capital assets, net of accumulated depreciation (see Table 3 and Note 4).

	2019	2018	2017	Increase (decrease)			
				2019 - 2018		2018 - 2017	
				\$	%	\$	%
Land and other	\$ 235,089	\$ 235,191	\$ 232,785	\$ (102)	(0.0)%	\$ 2,406	1.0 %
Rail right-of-way and stations	1,439,015	1,490,129	1,552,437	(51,114)	(3.4)%	(62,308)	(4.0)%
Buildings	558,700	524,309	528,429	34,391	6.6 %	(4,120)	(0.8)%
Transportation equipment	410,535	410,125	414,518	410	0.1 %	(4,393)	(1.1)%
Furniture and other equipment	148,721	161,340	143,810	(12,619)	(7.8)%	17,530	12.2 %
Construction in progress	222,190	160,731	125,422	61,459	38.2 %	35,309	28.2 %
Total capital assets	<u>\$ 3,014,250</u>	<u>\$ 2,981,825</u>	<u>\$ 2,997,401</u>	<u>\$ 32,425</u>	<u>1.1 %</u>	<u>\$ (15,576)</u>	<u>(0.5)%</u>

Total capital assets net of depreciation increased \$32,425, or 1.1 percent, during fiscal year 2019; the increase was noted in construction in progress and buildings primarily due to the purchase and property acquisition of land and a building to develop a distribution center and bus garage. Total capital assets net of depreciation decreased \$15,576, or 0.5 percent, during fiscal year 2018. The decrease was noted in rail right-of-way and stations.

**Long-Term Debt**

Long-term debt includes revenue bonds guaranteed by payroll tax and grant receipt revenues. At June 30, 2019, the District had \$457,005 in revenue bonds outstanding (see Note 6).

The table below represents the District's bond ratings on its long-term debt as rated by Moody's Investor Services, Inc. (Moody's), Standard & Poor's and Kroll credit rating agencies:

Revenue bonds	Original issue amount	Balance at June 30, 2019	Moody's	Standard & Poor's	Kroll
<b>Payroll Tax Revenue Bonds:</b>					
2009 Series A and B Payroll Tax	\$ 49,550	\$ 14,250	Aaa	AAA	AAA
2012 Series A Payroll Tax	93,290	11,180	Aaa	AAA	AAA
2015 Series A and B Payroll Tax	134,590	114,120	Aaa	AAA	AAA
2016 Series A Payroll Tax	74,800	74,085	Aaa	AAA	AAA
2017 Series A Payroll Tax	97,430	95,125	Aaa	AAA	AAA
2018 Series A Payroll Tax	148,245	148,245	Aaa	AAA	AAA
<b>Payroll Tax and Grant Receipt Revenue Bonds:</b>					
2013 Payroll Tax and Grant Receipt	325,000	25,000	Aa3	A+	Not Rated
<b>Grant Receipt Revenue Bonds:</b>					
2011 Series A and B Capital Grant Receipt	142,380	32,620	A3	A	Not Rated
2017 Capital Grant Receipt Revenue Refunding, Series A	76,015	76,015	A3	A	Not Rated
2018 Capital Grant Receipt, Series A	113,900	113,900	A3	A	Not Rated

**Management's Discussion and Analysis**

*continued*

(dollars in thousands)

**Lease Transactions**

In 2005 TriMet entered into a lease-leaseback and sale-leaseback transactions with investors (see Note 8). During fiscal year 2016, the District received a put option related to the remaining sale-leaseback. The District is not aware of any default, event of default or event of loss under any of the operative lease documents at June 30, 2019. The District has one remaining lease transaction (2005 lease transaction) outstanding at year-end.

**TRIMET DEFINED BENEFIT RETIREMENT PLAN FOR MANAGEMENT AND STAFF EMPLOYEES TRUST FUND**

The TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. The plan covers most TriMet non-union employees hired before April 27, 2003. Covered employees who retire at or after age 62, with five years of service, are entitled to an annual retirement benefit, payable monthly for life, with annual cost of living increases. TriMet is required to maintain funds under the plan sufficient to pay benefits when due. The following chart displays assets, liabilities, and net position of the trust fund as well as the funded status of the plan as of June 30, 2019, 2018, and 2017:

	2019	2018	2017
Trust assets	\$ 134,968	\$ 132,267	\$ 123,982
Trust liabilities	22	14	26
Trust net position	<u>\$ 134,946</u>	<u>\$ 132,253</u>	<u>\$ 123,956</u>
Total pension liability	\$ 144,958	\$ 142,289	\$ 138,988
Funded percentage	93%	93%	89%

Total net position as of June 30, 2019 increased by \$2,693 or 2.0 percent due to employer contributions recorded in the plan of \$6,240 in fiscal year 2019, the decrease in fair market value of investments, and offset by reductions due to payment of retirement benefits under the terms of the plan (see Note 12). Total net position as of June 30, 2018 increased by \$8,297, due to employer contributions recorded in the plan of \$6,497 in fiscal year 2018. TriMet's board adopted a funding policy for the plan in 2014. Employer contributions to the plan are funded on a monthly basis.

The following chart displays changes in net position for the years ended June 30, 2019, 2018, and 2017:

	2019	2018	2017
Employer contributions	\$ 6,240	\$ 6,497	\$ 6,330
Investment earnings	3,787	8,108	7,991
Total additions	<u>10,027</u>	<u>14,605</u>	<u>14,321</u>
Benefit payments	7,197	6,211	5,286
Administrative expenses	137	97	76
Total deductions	<u>7,334</u>	<u>6,308</u>	<u>5,362</u>
Increase in net position	2,693	8,297	8,959
Trust net position, beginning	132,253	123,956	114,997
Trust net position, ending	<u>\$ 134,946</u>	<u>\$ 132,253</u>	<u>\$ 123,956</u>

**Management's Discussion and Analysis**

*continued*

(dollars in thousands)

**THE PENSION PLAN FOR BARGAINING UNIT EMPLOYEES OF TRIMET TRUST FUND**

The Pension Plan for Bargaining Unit Employees of TriMet Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. The plan covers all full-time and part-time employees represented by the Amalgamated Transit Union hired before August 1, 2012. Benefits under the plan are 100 percent vested after 10 years of service. Under the terms of the Bargaining Unit Pension Plan and Permanent Disability Agreement, covered members retiring at or after age 58 with 10 or more years of service will receive a monthly benefit for life with annual cost of living adjustments. TriMet is required to maintain funds under the plan sufficient to pay benefits when due. The following chart displays assets, liabilities, and net position of the trust fund as well as the funded status of the plan as of June 30, 2019, 2018, and 2017:

	2019	2018	2017
Trust assets	\$ 574,982	\$ 560,948	\$ 521,059
Trust liabilities	62	66	132
Trust net position	<u>\$ 574,920</u>	<u>\$ 560,882</u>	<u>\$ 520,927</u>
Total pension liability	\$ 713,756	\$ 698,934	\$ 657,399
Funded percentage	81%	80%	79%

Total net position as of June 30, 2019 increased by \$14,038 or 2.5 percent due to employer contributions to the plan of \$34,718 in fiscal year 2019, the increase in fair market value of investments and offset by reductions due to payment of retirement benefits under the terms of the plan (see Note 13). Total net position as of June 30, 2018 increased by \$39,955, or 7.7 percent, due to employer contributions to the plan of \$35,228 in fiscal year 2018, the increase in fair market value of investments and offset by reductions due to payment of retirement benefits under the terms of the plan. TriMet's board adopted a funding policy for the plan in 2014. Employer contributions to the plan are funded on a monthly basis. The following chart displays changes in net position for the years ended June 30, 2019, 2018, and 2017:

	2019	2018	2017
Employer contributions	\$ 34,718	\$ 35,228	\$ 37,859
Investment earnings	18,621	41,479	46,645
Total additions	<u>\$ 53,339</u>	<u>76,707</u>	<u>84,504</u>
Benefit payments	\$ 38,905	36,394	36,159
Administrative expenses	396	358	247
Total deductions	<u>39,301</u>	<u>36,752</u>	<u>36,406</u>
Increase in net position	14,038	39,955	48,098
Trust net position, beginning	560,882	520,927	472,829
Trust net position, ending	<u>\$ 574,920</u>	<u>\$ 560,882</u>	<u>\$ 520,927</u>

**Other Post Employment Benefits Liability**

The District has established a trust to fund the OPEB liability. In addition, the District has adopted a strategic financial plan (SFP) ([TriMet Strategic Financial Plan](#)) that includes funding the OPEB obligation. In January 2019, the SFP was amended ([Amended Strategic Financial Plan](#)). For further details on OPEB see Note 11, Other Employee Benefits.

## **Management's Discussion and Analysis**

*continued*

(dollars in thousands)

### **ECONOMIC FACTORS AND FISCAL YEAR 2020 BUDGET**

The District's Board of Directors adopted the fiscal year 2020 budget on June 26, 2019. The fiscal year 2020 budget includes \$1,036,918 in total appropriations, a 5.3 percent increase from fiscal year 2019. The budget focuses on enhancing customer and employee safety, implementing the State requirements of House Bill 2017 (HB2017/STIF) funded programs including expanding service and operations of a Transit Assistance Program, improving and increasing bus service and improving schedule reliability.

The adopted budget includes the cost of operating and maintaining the existing transit system, the costs of fixed route bus and rail service to maintain headways and capacity as the region grows, costs of ADA complementary paratransit service, operating cost of other service changes, costs associated with further development of Hop Fastpass™, capital investments in infrastructure and expansion for the future; mid-life overhaul of light rail vehicles and debt service expense.

The fiscal plan continues to address essential capital maintenance and replacement in addition to the advancement of important regional expansion projects such as the Division Transit Project and Southwest Corridor Project. The fiscal plan is consistent with Board policy and commitment to strengthen pension reserves. The fiscal year 2020 adopted budget can be found online under "Financial Information" and "Budgets" at: <https://trimet.org/about/accountability.htm#policy>

In fiscal year 2020 the District will continue to implement the requirements of House Bill 2017 (HB 2017/STIF) including expanding service and operation of a Transit Assistance Program, improving and increasing service, the cost of operating and maintaining the existing transit system, improving schedule reliability and the costs of fixed route bus and rail service to maintain headways and capacity as the region grows (including vehicle replacements). For the seventh consecutive year, the budget does not include any increase in fares. Highlights from the \$1.53 billion adopted budget include:

- State of Oregon House Bill 2017 that passed in July 2017 is a large transportation bill to address many different transportation issues across the state. With the passage of the bill comes a statewide employee payroll tax of 0.1 percent that dedicates funds for public transportation. Trimet expects to recognize approximately \$40 - \$50 million annually via a grant. House Bill 2017 is a major transportation tax and spending bill that is estimated to raise approximately \$3.8 billion in new tax and fee revenue over the next seven years to be spent on road and bridge maintenance, new highway construction and transit services around the state. The fiscal year 2020 budget includes approximately \$36 million of revenues related to HB 2017.
- Bus service expansion – TriMet is proposing to expand bus service hours 2.2% in fiscal year 2020. The District will make a series of changes to bus service including increased frequency, route changes and extensions. These investments are paid for by revenues generated by the increase in the employer payroll tax rate and the STIF Formula Funds. The service improvements will occur throughout FY2020. The cost of the service improvements is approximately \$5.1 million.
- New buses – purchase and deliver 46 new buses by the end of fiscal year 2020. The District received a grant from FTA's Low & No-Emission Vehicle Deployment (Low-No) Program to purchase up to five electric buses. The buses are anticipated to be in service sometime in fiscal year 2021. In addition the District's LIFT paratransit service will benefit from 37 replacement buses and 10 expansion buses.
- Safety enhancements – safety and security are priorities in the 2020 budget. The budget continues to provide for as many as 30 additional peace officers for the system. These officers provide an increased security presence and will enforce TriMet code. Also, the District will continue with a multi-year project to replace its "flash-pass" old fare collection system, Hop Fastpass, which reduces reliance on mechanical equipment like transit vending machines and fare boxes and projects specifically focused on improving safety and security for our bus and rail facilities and vehicles. We will also develop and implement projects in partnership with local agencies to create priority treatments along TriMet's Frequent Service bus network, decrease travel time, and increase service reliability.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide readers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

TriMet  
Attn: Finance & Administrative Services  
1800 S.W. 1<sup>st</sup> Avenue, Suite 300  
Portland, OR 97201  
[www.trimet.org](http://www.trimet.org)

**Enterprise Fund**  
**Statements of Net Position**  
 June 30, 2019 and 2018  
 (dollars in thousands)

<b>Assets</b>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 116,896	\$ 65,927
Investments	10,281	-
Taxes and other receivables, net	112,457	110,260
Grants receivable	7,829	67,817
Prepaid expenses	<u>10,185</u>	<u>9,927</u>
Total current assets	<u>257,648</u>	<u>253,931</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	58,492	97,229
Investments	300,196	384,085
Trade date and interest receivables	26,855	11,918
Grants receivable	34,636	102,962
Prepaid lease expenses	30,759	31,521
Long-term receivable	256	427
Materials and supplies	45,541	41,552
Capital assets:		
Land and other, not being depreciated	235,089	235,191
Construction in process	222,190	160,731
Capital assets, net of accumulated depreciation	<u>2,556,971</u>	<u>2,585,903</u>
Net capital assets	<u>3,014,250</u>	<u>2,981,825</u>
Total noncurrent assets	<u>3,510,985</u>	<u>3,651,519</u>
Total assets	<u>3,768,633</u>	<u>3,905,450</u>
<b>Deferred outflows of resources</b>		
Deferred outflows related to pensions	30,040	32,539
Unamortized loss on refunded debt	10,766	11,942
Deferred outflows related to OPEB	<u>13,490</u>	<u>14,401</u>
Total deferred outflows of resources	<u>54,296</u>	<u>58,882</u>
Total assets and deferred outflows of resources	<u>\$ 3,822,929</u>	<u>\$ 3,964,332</u>

*See accompanying notes to basic financial statements*



**Enterprise Fund**  
**Statements of Net Position**

June 30, 2019 and 2018

(dollars in thousands)

*continued*

<b>Liabilities</b>	<u>2019</u>	<u>2018</u>
Current liabilities (unrestricted):		
Accounts payable	\$ 37,833	\$ 32,609
Accrued payroll	23,843	22,927
Current portion of noncurrent liabilities	8,785	5,890
Unearned revenue	16,619	14,983
Current liabilities (restricted):		
Accounts payable	16,589	7,671
Current portion of long-term debt	47,206	94,290
Unearned revenue	1,000	1,000
Unearned capital project revenue	34,193	9,877
Other accrued liabilities	9,732	8,473
Total current liabilities	<u>195,800</u>	<u>197,720</u>
Noncurrent liabilities:		
Long-term debt	730,800	817,701
Long-term lease liability	63,151	62,076
Net pension liability	148,848	148,088
Other postemployment benefits liability (OPEB)	725,025	786,138
Other long-term liabilities	16,459	15,662
Total noncurrent liabilities	<u>1,684,283</u>	<u>1,829,665</u>
Total liabilities	<u>1,880,083</u>	<u>2,027,385</u>
<b>Deferred inflows of resources</b>		
Deferred inflows related to pensions	11,569	20,813
Unamortized gain on leases	14,799	15,712
Deferred inflows related to OPEB	84,720	2
Total deferred inflows of resources	<u>111,088</u>	<u>36,527</u>
<b>Net position</b>		
Net investment in capital assets	2,495,838	2,586,479
Restricted	63,209	17,777
Unrestricted	<u>(727,289)</u>	<u>(703,836)</u>
Total net position	<u>1,831,758</u>	<u>1,900,420</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,822,929</u>	<u>\$ 3,964,332</u>

*See accompanying notes to basic financial statements*

**Enterprise Fund**  
**Statements of Revenues, Expenses and Changes in Net Position**  
 For the Years Ended June 30, 2019 and 2018  
 (dollars in thousands)

	2019	2018
<b>Operating revenues</b>		
Passenger revenue	\$ 106,832	\$ 113,836
Auxiliary transportation and other revenue	28,990	25,164
Total operating revenues	<u>135,822</u>	<u>139,000</u>
<b>Operating expenses</b>		
Labor	194,641	182,834
Fringe benefits	190,732	191,097
Materials and services	124,317	109,963
Utilities	10,412	9,986
Purchased transportation	30,577	30,950
Depreciation expense	132,943	131,914
Other operating expense	17,632	13,454
Total operating expenses	<u>701,254</u>	<u>670,198</u>
Operating loss	<u>(565,432)</u>	<u>(531,198)</u>
<b>Non-operating revenues (expenses)</b>		
Payroll and other tax revenue	372,751	359,043
Grant revenue	99,668	119,633
Interest income	14,490	5,972
Net leveraged lease income	906	741
Gain on disposal of capital assets	6,144	1,081
Pass through revenue	4,563	4,041
Pass through expense	(4,563)	(4,041)
Interest and other expense	(25,384)	(19,454)
Funding exchanges and other payments	(11,882)	(5,459)
Total non-operating revenues, net	<u>456,693</u>	<u>461,557</u>
Loss before contributions	(108,739)	(69,641)
Capital contributions	40,077	113,870
Changes in net position	<u>(68,662)</u>	<u>44,229</u>
Total net position - as previously reported	1,900,420	2,024,504
Cumulative effect to implement GASB #75	-	(168,313)
Total net position - beginning restated	<u>1,900,420</u>	<u>1,856,191</u>
Total net position - ending	<u>\$ 1,831,758</u>	<u>\$ 1,900,420</u>

*See accompanying notes to basic financial statements*

**Enterprise Fund**  
**Statements of Cash Flows**  
 For the Years Ended June 30, 2019 and 2018  
 (dollars in thousands)

	2019	2018
<b>Cash flows from operating activities</b>		
Receipts from passengers	\$ 91,104	\$ 102,922
Receipts from other sources	29,220	25,753
Payments to employees	(365,469)	(345,430)
Payments to suppliers	(169,760)	(159,642)
Net cash used in operating activities	<u>(414,905)</u>	<u>(376,397)</u>
<b>Cash flows from noncapital financing activities</b>		
Receipts from payroll taxes	372,657	353,648
Receipts from operating grants	159,585	67,821
Other noncapital financing	(11,881)	(5,460)
Net cash provided by noncapital financing activities	<u>520,361</u>	<u>416,009</u>
<b>Cash flows from capital and related financing activities</b>		
Receipts from capital grants	132,791	109,651
Receipts from (Increase in) property taxes	98	2
Payments on leases	-	(28)
Receipts from sales or lease of capital assets	11,128	1,634
Acquisition and construction of capital assets	(170,352)	(116,891)
Issuance of debt	10,000	296,374
Principal payments on long-term debt	(134,290)	(121,040)
Interest payments on long-term debt	(32,644)	(29,117)
Net cash used by capital and related financing activities	<u>(183,269)</u>	<u>140,585</u>
<b>Cash flows from investing activities</b>		
Purchases of investment securities	(698,898)	(735,285)
Proceeds from sales and maturities of investment securities	783,068	548,205
Interest received	5,875	2,137
Net cash provided by investing activities	<u>90,045</u>	<u>(184,943)</u>
Net (decrease) increase in cash and cash equivalents	12,232	(4,746)
Cash and cash equivalents, beginning of year	<u>163,156</u>	<u>167,902</u>
Cash and cash equivalents, end of year	<u>\$ 175,388</u>	<u>\$ 163,156</u>
<b>Reconciliation of cash and cash equivalents</b>		
Unrestricted cash and cash equivalents	\$ 116,896	\$ 65,927
Restricted cash and cash equivalents	<u>58,492</u>	<u>97,229</u>
Total cash and cash equivalents	<u>\$ 175,388</u>	<u>\$ 163,156</u>

*See accompanying notes to basic financial statements*

**Enterprise Fund  
Statements of Cash Flows**

For the Years Ended June 30, 2019 and 2018  
(dollars in thousands)  
*Continued*

<b>Reconciliation of operating loss to net cash used in operating activities</b>		
	<u>2019</u>	<u>2018</u>
Operating loss	\$ (565,432)	\$ (531,198)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	132,943	131,914
Cumulative effect to implement GASB 75	-	(168,313)
(Increase) decrease in taxes and other receivables	(17,295)	(12,395)
(Increase) in long-term receivable	171	(427)
(Increase) decrease in prepaid and other assets	(218)	(1,593)
Increase (decrease) in materials, supplies and other	(3,989)	(2,493)
Increase (decrease) in operating accounts payable	14,140	8,372
Increase (decrease) in accrued payroll	916	2,348
Increase (decrease) in unearned revenue	1,636	2,515
Increase (decrease) in net pension liability and related deferrals	(5,985)	(14,152)
Increase (decrease) in OPEB and related deferrals	24,515	207,893
Increase (decrease) in other liabilities	3,693	1,132
Total adjustments	<u>150,527</u>	<u>154,801</u>
Net cash used in operating activities	<u>\$ (414,905)</u>	<u>\$ (376,397)</u>

**Supplemental Disclosures of Non-Cash Operating,  
Investing and Financing Activities**

(dollars in thousands)

	<u>2019</u>	<u>2018</u>
Net leveraged lease income	\$ 906	\$ 741
Accretion/amortization of investments	5,734	3,397
Fiber optic lease	380	372

*See accompanying notes to basic financial statements*

**Trust Fund**  
**Statement of Pension Plan Fiduciary Net Position**  
 June 30, 2019  
 (dollars in thousands)

	2019		
	Trust Fund		
	Retirement Plan for Management and Staff Employees	Pension Plan for Bargaining Unit Employees	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 550	\$ 5,996	\$ 6,546
Investments:			
Domestic large/mid cap equity	30,729	159,018	189,747
Domestic small cap equity	4,025	18,342	22,367
International equity	24,896	135,946	160,842
Domestic fixed income	21,845	60,827	82,672
Tactical asset allocation	9,193	43,187	52,380
Real estate	11,796	77,271	89,067
Absolute return	25,460	57,308	82,768
Private credit	1,461	10,925	12,386
Private equity	5,012	6,149	11,161
Total investments	<u>134,417</u>	<u>568,973</u>	<u>703,390</u>
Receivables:			
Investment earnings receivable	1	13	14
Total receivables	<u>1</u>	<u>13</u>	<u>14</u>
Total assets	<u>134,968</u>	<u>574,982</u>	<u>709,950</u>
<b>Liabilities</b>			
Accounts payable	22	62	84
Total liabilities	<u>22</u>	<u>62</u>	<u>84</u>
<b>Net position</b>			
Held in trust for pension benefits	<u>\$ 134,946</u>	<u>\$ 574,920</u>	<u>\$ 709,866</u>

See accompanying notes to basic financial statements

**Trust Fund**  
**Statement of Pension Plan Fiduciary Net Position**  
 June 30, 2018  
 (dollars in thousands)  
 Continued

	2018		
	Trust Fund		
	Retirement Plan for Management and Staff Employees	Pension Plan for Bargaining Unit Employees	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,097	\$ 4,032	\$ 5,129
Investments:			
Domestic large/mid cap equity	30,468	162,504	192,972
Domestic small cap equity	4,159	20,018	24,177
International equity	24,004	130,857	154,861
Domestic fixed income	20,214	58,135	78,349
Tactical asset allocation	8,877	36,714	45,591
Real estate	11,417	55,384	66,801
Absolute return	25,541	76,591	102,132
Private credit	5,979	8,199	14,178
Private equity	509	8,508	9,017
Total investments	<u>131,168</u>	<u>556,910</u>	<u>688,078</u>
Receivables:			
Investment earnings receivable	2	6	8
Total receivables	<u>2</u>	<u>6</u>	<u>8</u>
Total assets	<u>132,267</u>	<u>560,948</u>	<u>693,215</u>
<b>Liabilities</b>			
Accounts payable	14	66	80
Total liabilities	<u>14</u>	<u>66</u>	<u>80</u>
<b>Net position</b>			
Held in trust for pension benefits	<u>\$ 132,253</u>	<u>\$ 560,882</u>	<u>\$ 693,135</u>

See accompanying notes to basic financial statements

**Trust Fund**  
**Statement of Changes in Pension Plan Fiduciary Net Position**  
 For the Year Ended June 30, 2019  
 (dollars in thousands)

	2019		
	Trust Fund		
	Retirement Plan for Management and Staff Employees	Pension Plan for Bargaining Unit Employees	Total
<b>Additions</b>			
Employer contributions	\$ 6,240	\$ 34,718	\$ 40,958
Investment income:			
Interest	33	162	195
Dividends	1,336	3,929	5,265
Other income	468	3,130	3,598
Net increase in fair value of investments	2,104	12,122	14,226
Less investment expense	(154)	(722)	(876)
Net investment income	<u>3,787</u>	<u>18,621</u>	<u>22,408</u>
Total additions	<u>10,027</u>	<u>53,339</u>	<u>63,366</u>
<b>Deductions</b>			
Benefits	7,197	38,905	46,102
Administrative expenses	137	396	533
Total deductions	<u>7,334</u>	<u>39,301</u>	<u>46,635</u>
<b>Change in net position</b>	2,693	14,038	16,731
<b>Net position held in trust for pension benefits:</b>			
Beginning of year	<u>132,253</u>	<u>560,882</u>	<u>693,135</u>
End of year	<u>\$ 134,946</u>	<u>\$ 574,920</u>	<u>\$ 709,866</u>

*See accompanying notes to basic financial statements*

**Trust Fund**  
**Statement of Changes in Pension Plan Fiduciary Net Position**  
 For the Year Ended June 30, 2018  
 (dollars in thousands)  
*continued*

	2018		
	Trust Fund		
	Retirement Plan for Management and Staff Employees	Pension Plan for Bargaining Unit Employees	Total
<b>Additions</b>			
Employer contributions	\$ 6,497	\$ 35,228	\$ 41,725
Investment income (loss):			
Interest	12	48	60
Dividends	1,202	3,573	4,775
Other income	320	2,599	2,919
Net increase in fair value of investments	6,702	35,876	42,578
Less investment expense	(128)	(617)	(745)
Net investment income	8,108	41,479	49,587
Total additions	14,605	76,707	91,312
<b>Deductions</b>			
Benefits	6,211	36,394	42,605
Administrative expenses	97	358	455
Total deductions	6,308	36,752	43,060
<b>Change in net position</b>	8,297	39,955	48,252
<b>Net position held in trust for</b>			
Beginning of year	123,956	520,927	644,883
End of year	\$ 132,253	\$ 560,882	\$ 693,135

See accompanying notes to basic financial statements



**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

**1. Organization and Summary of Significant Accounting Policies**

The Tri-County Metropolitan Transportation District of Oregon (“TriMet” or “the District”) was organized under the provisions of Oregon Revised Statutes (ORS) Chapter 267 to provide mass transit services to the Portland metropolitan area. Formation of the District, which includes parts of Multnomah, Clackamas, and Washington counties, was effective October 14, 1969 with the assumption of the operations of a privately owned bus system. Under ORS 267, the District is authorized to levy taxes and charge fares to pay for the operations of the District. TriMet is also authorized to issue general obligation bonds and revenue bonds.

The District is governed by a seven-member Board of Directors appointed by the Governor of the State of Oregon. Board members represent and must live in certain geographical sub-districts. The Board of Directors set District policy, levy taxes, appropriate funds, adopt budgets, serve as contract board, and perform other duties required by state and federal law.

The District uses one budgetary fund to account for its operating activities: General. The General Fund accounts for the financial resources associated with operating the District. Principle sources of revenue in the General Fund are passenger fares, employer payroll and self employment taxes, State of Oregon payroll assessments (“in lieu”), federal grants, and interest. Primary expenditures in the General Fund are personal services, materials and services, and principal and interest on debt secured by General Fund revenues. The District also has fiduciary responsibility for two pension plans: The TriMet Defined Benefit Plan for Management and Staff Employees Trust Fund, and the Pension Plan for Bargaining Unit Employees of TriMet Trust Fund. The investment, pension funding and benefit payment activity in these funds and pension plan net position are reported in the Trust Fund.

**(a) Financial reporting entity**

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, all organizations for which the primary government is financially accountable and other organizations that, by the nature and significance of their relationship with the primary government, would cause the financial statements to be incomplete or misleading if excluded. Based on these criteria, TriMet is considered a primary government and does not have any component unit relationships. Conversely, TriMet is not considered a component unit of any primary government.

**(b) Basis of accounting and presentation**

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. Under GAAP, the District accounts for activity under the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The District has a fiduciary responsibility for the two defined benefit pension plans. The financial activities of the pension plans are included in the trust fund statements in the financial section of this report. In addition, the District has a fiduciary responsibility for the other postemployment benefit plan (OPEB). As of June 30, 2019, the OPEB plan had \$411 in net position and no activity other than interest earnings. Therefore, the trust fund statements for the OPEB plan are not included as part of the basic financial statements.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District has applied all applicable GASB pronouncements in the financial statements.

**(c) Revenue recognition**

Operating revenues consist primarily of passenger fares. The District also recognizes operating revenue for contracted service revenue and transit advertising revenue. Operating expenses include the costs of operating the District, including depreciation on capital assets. Capital contributions include grant revenue and other contributions related to capital asset acquisitions or construction. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Statewide Transportation funding for House Bill 2017 that went into effect on July 1, 2017 (STIF or HB2017) is a 0.1 percent employee payroll tax collected by the State and distributed to the District quarterly. Revenues under this program are recognized as expenses are incurred and unspent resources and recorded to unearned revenues.

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

**(d) Restricted Assets**

Restricted assets are assets set aside to meet externally imposed legal and contractual obligations. Restricted assets are used in accordance with their requirements and where both restricted and unrestricted resources are available for use, restricted resources are used first, and then unrestricted resources as they are needed. Restricted assets include certain proceeds of the District's revenue bonds, as well as certain resources set aside for their repayment, a long-term receivable due from Portland Streetcar related to development costs for the electronic fare system (Hop), 2005 lease leaseback transaction and capital contributions restricted for costs of certain capital projects.

**(e) Tax revenues**

Funding of day-to-day operations is primarily provided by the payroll tax imposed by TriMet pursuant to ORS 267.380 and the self employment tax imposed by TriMet pursuant to ORS 267.385. The payroll tax is imposed on employers with respect to wages earned within the TriMet service district. An employer is not permitted to deduct any portion of the tax from the wages of an employee. The self employment tax is imposed on self-employed individuals with respect to their net earnings generated within the TriMet service district. TriMet currently imposes these taxes at a rate of 0.7437 percent of the wages paid to individuals (for the payroll tax) and the net earnings from self-employed individuals (for the self employment tax). The taxes are collected on TriMet's behalf by the Department of Revenue of the State of Oregon under an agreement entered into pursuant to ORS 305.620. Imposed tax revenues are recorded as assets and revenues in the period that the obligation is incurred by the employers and the self-employed individuals. Amounts accrued are estimated based upon historical trends in payroll tax cash receipts. TriMet records an allowance for past due amounts that have not been collected by the state as of year-end.

**(f) Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(g) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, demand deposits, and shares of the State of Oregon Local Government Investment Pool and financial institutions, and marketable securities with original maturities of three months or less.

**(h) Investments**

ORS Chapter 294 authorizes the District to invest in obligations of the U.S. Treasury and U.S. Government agencies and instrumentalities, certain bankers' acceptances and corporate indebtedness, and repurchase agreements. The District records all investments at fair value based upon quoted market rates, with changes in unrealized gains and losses reported as investment income.

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment earnings comprise interest earnings, changes in fair value and any gains or losses realized upon the liquidation or sale of investments.

**(i) Materials and supplies**

Materials and supplies inventory consists primarily of maintenance parts and supplies for rolling stock and other transportation equipment. Material and supplies inventory are stated at cost determined on a moving average basis.

**(j) Prepaid expenses**

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid expenses.

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

**(k) Receivables**

*Taxes and other receivables.* Taxes and other receivables are shown net of an allowance for uncollectible accounts. Uncollectible amounts for payroll taxes, self employment taxes and property taxes are based on the District's experience and management's judgment over recent years. The allowance for returns for trade accounts are based upon the District's experience of returns in the most recent year.

*Grants receivable.* Grants receivable are recorded in accordance with the non-exchange guidance. Accordingly, receivables are recorded when TriMet has the contractual right to grant resources, generally when the grant has been awarded to the District. Resources are offset with unearned revenues if the receivable has not yet been earned.

**(l) Capital assets and depreciation**

Capital assets are stated at cost, except for donated capital assets, which are stated at the fair (acquisition) value on the date of donation. Expenditures for additions and improvements, with a value in excess of \$5 and a useful life of more than one year, are capitalized. Expenditures for maintenance, repairs and minor improvements are charged to operating expense as incurred. Upon disposal of capital assets, the accounts are relieved of the related costs and accumulated depreciation and the resulting gains or losses are reflected in the statement of revenues, expenses and changes in net position as other revenue.

Interest costs are capitalized to the extent that interest costs exceed interest earned on related temporary investments, from the date of borrowing until assets are ready for their intended use. Depreciation of capital assets is recorded using the straight-line method over the estimated useful lives of the assets.

Capital assets are assigned the following estimated useful lives:

Rail right-of-way, bridges and stations	5-70 years
Buildings	40 years
Transportation equipment	5-30 years
Furniture and other equipment	3-20 years

**(m) Self insurance liabilities**

Liabilities for workers' compensation, employee dental insurance, and public liability and property damage claims are recognized as incurred on the basis of the estimated cost to the District upon resolution. Estimated liabilities for injury and damage claims are charged to operations in the year the claim event occurs.

Self-insured liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Since self insured claims depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are evaluated on a case-by-case basis and are re-evaluated periodically to take into consideration historical experience of recently settled claims, the frequency of claims, and other economic and social factors.

**(n) Compensated absences**

Vacation leave that has been earned but not paid has been accrued. Vacation pay and floating holidays are payable upon termination, retirement or death for both union and non-union employees. Sick leave is accrued as benefits are earned, but only to the extent the District will compensate the employee through a cash payment conditional on the employee's termination or death. Pursuant to the TriMet Defined Contribution Retirement Plan for Management and Staff Employees (the Management DC Plan) and the TriMet Defined Contribution Retirement Plan for Union Employees (The Union DC Plan), the District contributes 60 percent of unused sick leave when the employee leaves TriMet. The District records a liability in the accompanying financial statements related to the unused sick leave for employees covered by the Management DC Plan and the Union DC Plan. Unused sick leave benefits that enhance either defined benefit pension plan are included in the actuarial accrued liability.

**(o) Bond discounts, premiums and refundings**

Unamortized bond discounts and premiums are amortized to interest expense, using the effective interest method, over the term of the bonds. The excess of costs incurred over the carrying value of bonds refunded on early extinguishment of debt is amortized, using the effective interest method, over the shorter of the remaining life of the old bonds or the life of the new issue and recorded as a deferred outflow of resources.

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

**(p) Contributed capital**

Contributions received for the construction of capital assets are initially recorded as liabilities, then reclassified to revenue (contributed capital) when the associated capital projects are constructed or acquired.

**(q) Net position**

Net position is categorized as follows:

- Net investment in capital assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvements of those capital assets.
- Restricted net position – This consists of constraints placed on net position used through external constraints imposed by grantors, contributors or laws. When both restricted and unrestricted resources are available for use, generally it is the District’s policy to use restricted resources first and then unrestricted resources when they are needed.
- Unrestricted net position – This consists of net position that does not meet the definition of “Restricted” or “Net investment in capital assets.”

**(r) Stewardship, compliance and accountability**

The annual budget is adopted on a basis consistent with generally accepted accounting principles (GAAP), with the exception of the accounting for defined benefit pension plans, other post-employment benefits, the depreciation of capital assets and certain elements of long-term debt transactions that are budgeted on a cash basis. Differences from the budgetary basis to the GAAP basis are noted on the Reconciliation of Revenues and Expenses (Budget Basis) to Schedule of Revenues and Expenses (GAAP Basis). The District’s legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the fund and divisional level and include expenses for operating, operating projects and capital projects. All annual appropriations lapse at fiscal year-end. The Board of Directors approved any budgetary modifications to the adopted fiscal year 2019 budget throughout the year. For fiscal year-end June 30, 2019, the District was in budget compliance at all division levels.

**(s) Reclassification for Financial Presentation**

Reclassifications of certain amounts from the prior year were necessary in order to conform with the current year presentation. Reclassified amounts include the gain on disposal of capital assets, certain grant revenues, pass-through revenues and pass-through expenses. Reclassifications had no impact on net position or the changes in net position.

**(t) Prior Year Accounting Pronouncements**

In fiscal year 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement improves information provided by state and local government employers about financial support for other post-employment benefits. As a result of implementing GASB Statement No. 75, the District restated its net position for the fiscal year ending June 30, 2017. The adjustment to the beginning net position is presented below:

Net position, at beginning of year, as previously reported	\$ 2,024,504
Remove beginning of year, OPEB	(563,846)
Beginning of year, OPEB, after implementation	743,315
Deferred outflows, contributions from Jan. through Jun. 2017	<u>(11,156)</u>
Effect of implementation	<u>(168,313)</u>
Net position, at beginning of year, as restated	<u>\$ 1,856,191</u>

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

**(u) Adoption of Other Accounting Pronouncements**

During the fiscal year ended June 30, 2019, the District implemented the following Governmental Accounting Standards Board (GASB) pronouncements:

**GASB Statement 83, *Certain Asset Retirement Obligations*.** This statement addresses accounting for certain asset retirement obligations. The Statement requires recognition of liabilities when incurred and reasonably estimable and measurement using probability weighting of current costs. TriMet has concluded it does not have any material asset retirement obligations as defined in the pronouncement.

**GASB Statement No. 85, *Omnibus 2017*.** This Statement addresses practice issues that have been identified during the implementation and application of certain GASB statements. The topics addressed include issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and other postemployment benefits [OPEB]). This statement does not have a material effect on TriMet.

**GASB Statement No. 86, *Certain Debt Extinguishment Issues*.** This Statement provides guidance for transactions in which cash and other monetary assets acquired with only resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. During the fiscal year ended June 30, 2019, this Statement had no impact on TriMet.

**GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.** The primary objective of this Statement is to improve the information that is disclosed in the notes to the financial statements related to debt, including separate information for direct borrowings and direct placements, unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to other specific significant events. It also clarifies which liabilities should be included when disclosing information related to debt. The District's debt disclosures were updated for the year ended June 30, 2019 to comply with this standard.

**(v) Future Adoption of Accounting Pronouncements**

The following pronouncements have been issued by the Governmental Accounting Standards Board (GASB), but are not effective as of June 30, 2019:

**GASB Statement No. 84, *Fiduciary Activities*.** This Statement establishes criteria for identifying fiduciary activities of all state and local governments, with separate criteria to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement also defines the reporting requirements for such activities. GASB Statement No. 84 will be effective for the District fiscal year ending June 30, 2020.

**GASB Statement No. 87, *Leases*.** This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the payment provision of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an asset. Lessees will be required to recognize a lease liability and an intangible right to use an asset and lessors will be required to recognize a lease receivable and a deferred inflow of resources enhancing the relevance and consistency of information about a governments' leasing activities. GASB Statement No. 87 will be effective for the District fiscal year ending June 30, 2021.

**GASB Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*.** The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 will be effective for the District fiscal year ending June 30, 2021.

**GASB Statement No. 90, *Majority Equity Interests*.** This Statement is an amendment of GASB Statements No. 14 and No. 61 and it defines that a majority equity interest in a legally separate organization should be reported as an

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

investment if a government's holding of the equity interest meets the definition of an investment. For all other majority equity interest holdings in a legally separate organization, a government should report the legally separate organization as a component unit. GASB Statement No. 90 will be effective for the County fiscal year ending June 30, 2020.

**GASB Statement No. 91, Conduit Debt Obligations.** The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 will be effective for the District fiscal year ending June 30, 2022.

TriMet will implement new GASB pronouncements no later than the required effective date. The District is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the District's financial statements.

**2. Cash and Investments**

Cash and Investments at June 30, 2019 and 2018, consisted of the following:

	2019			2018		
	Fair value	% of portfolio	Weighted average maturity (years)	Fair value	% of portfolio	Weighted average maturity (years)
<b>Cash and cash equivalents:</b>						
Cash on hand	\$ 426	0.1 %	-	\$ 461	0.1 %	-
Demand deposits with financial institutions	24,917	5.1 %	-	52,871	9.7 %	-
Oregon local government investment pool (LGIP)	48,822	10.0 %	-	47,744	8.7 %	-
U.S. Agencies - Federal Home Loan Bank	27,062	5.6 %	0.04	6,014	1.1 %	0.03
U.S. Treasuries	74,161	15.3 %	0.10	56,066	10.2 %	0.16
Total cash and equivalents	<u>\$ 175,388</u>			<u>\$ 163,156</u>		
<b>Investments:</b>						
U.S. Agencies - Federal Home Loan Bank	4,252	0.9 %	0.43	2,023	0.4 %	0.63
U.S. Treasuries	306,225	63.0 %	2.39	382,062	69.8 %	2.34
	<u>\$ 310,477</u>			<u>\$ 384,085</u>		
Total Cash, Cash Equivalents, and Investments	<u>\$ 485,865</u>			<u>\$ 547,241</u>		
Cash and investments are reflected in the Statements of net position as follows:						
<b>Cash and cash equivalents</b>						
Unrestricted	\$ 116,896			\$ 65,927		
Restricted	58,492			97,229		
Total restricted cash and cash equivalents	<u>\$ 175,388</u>			<u>\$ 163,156</u>		
<b>Investments</b>						
Unrestricted	\$ 10,281			\$ -		
Restricted	300,196			384,085		
Total restricted investments	<u>\$ 310,477</u>			<u>\$ 384,085</u>		
Total Cash, Cash Equivalents, and Investments	<u>\$ 485,865</u>			<u>\$ 547,241</u>		

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date (exit price). Observable inputs reflect market participants' assumptions in pricing the asset or liability and are developed based on market data obtained from sources independent of reporting entity.

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

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Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset or liability. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels as noted in the tables below for June 30, 2019 and 2018. The categorization is based on pricing transparency of the investments, and not an indication of the risks associated with investing in the security.

Investment Type	Balance at June 30, 2019	Fair Value Measurement Using			Not Measured At Fair Value
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Amortized Cost Measurement
U.S. Treasuries	\$ 380,386	\$ 380,386	\$ -	\$ -	\$ -
U.S. Agencies (FHLB)	31,314	-	31,314	-	-
LGIP	48,822	-	-	-	48,822
Demand deposits	24,917	-	-	-	24,917
Cash on hand	426	-	-	-	426
<b>Total</b>	<b>\$ 485,865</b>	<b>\$ 380,386</b>	<b>\$ 31,314</b>	<b>\$ -</b>	<b>\$ 74,165</b>

Investment Type	Balance at June 30, 2018	Fair Value Measurement Using			Not Measured At Fair Value
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Amortized Cost Measurement
U.S. Treasuries	\$ 438,129	\$ 438,129	\$ -	\$ -	\$ -
U.S. Agencies (FHLB)	8,036	-	8,036	-	-
LGIP	47,744	-	-	-	47,744
Demand deposits	52,871	-	-	-	52,871
Cash on hand	461	-	-	-	461
<b>Total</b>	<b>\$ 547,241</b>	<b>\$ 438,129</b>	<b>\$ 8,036</b>	<b>\$ -</b>	<b>\$ 101,076</b>

TriMet’s demand deposits are covered by the Federal Deposit Insurance Corporation (“FDIC”) or by collateral held by the State of Oregon. Cash held in the State of Oregon local government investment pool is managed by the State of Oregon Treasurer’s office.

The Local Government Investment Pool (LGIP) is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State’s short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which is not registered with the U.S. Securities and Exchange Commission as an investment company. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. The Oregon Audits Division of the Secretary of State’s Office audits the LGIP annually. The Division’s most recent audit report on the LGIP was unmodified. The fair value of pool shares is equal to TriMet’s proportionate position in the pool.

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

The LGIP includes investments in external investment pools and does not meet the requirements for “leveling” disclosures as established in GASB Statement No. 72. Therefore, fair value of the LGIP is determined by the pool’s underlying portfolio.

*Interest rate risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, TriMet manages its exposure to declines in fair values by limiting the maximum maturity of its investment portfolio to 5 years, with a weighted average maturity of less than 2.5 years. The investment policy also states the District will not directly invest unrestricted funds in securities maturing more than 5 years from the date of purchase. Restricted investments will be invested to match the expected requirements. The District was in compliance with policy at year-end June 30, 2019 and June 30, 2018.

*Credit risk.* Credit risk is the risk that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer’s ability to make these payments will cause the fair value of the investment to decline. TriMet’s investment policy, which is in compliance with Oregon State law (ORS 294 and 295), limits investment in corporate indebtedness on the settlement date to a rating of P-1 or Aa3 or better by Moody’s Investors Service or A-1 or AA- or better by Standard & Poor’s Corporation or equivalent rating by any nationally recognized statistical rating organization. All investments identified in the ORS are included as permitted investments in the District’s investment policy.

As of June 30, 2019 and 2018, TriMet’s investments were rated as follows:

<u>Investment Type</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fair Value at June 30, 2019</u>	<u>Fair Value at June 30, 2018</u>
U.S. Treasury	Aaa	AA+	\$ 306,225	\$ 382,062
US Agency	Aaa	AA+	4,252	2,023
			<u>\$ 310,477</u>	<u>\$ 384,085</u>

*Concentration of credit risk.* Concentration of credit risk is the risk associated with the lack of diversification or having too much invested in a few individual issues. TriMet’s investment policy sets forth the procedures, guidelines, and criteria for the operation of TriMet’s investment program. This policy governs the investment of all TriMet funds, except funds held in trust for pensions and deferred compensation. The investment policy establishes maximum amounts, either as a percentage of total portfolio or fixed dollar amount, that may be invested in investment types and any single issuer including U.S. government securities (no limit), agency securities (33 percent maximum with any one agency, 90 percent maximum of the total portfolio), commercial paper (2.5 percent maximum with any issuer, 10 percent maximum of the total portfolio), local government investment pool (limited to maximum per ORS 294.810), time deposits, certificates of deposit and savings accounts (25 percent maximum with any issuer, 50 percent maximum of the total portfolio), corporate indebtedness (2.5 percent maximum with any issuer, 10 percent maximum of the total portfolio) and municipal debt obligations (5 percent maximum with any issuer, 10 percent maximum of the total portfolio). At June 30, 2019, the District had 78.3 percent invested in U.S. government securities, 6.4 percent in agency securities, 5.1 percent in demand deposits, 10.1 percent in local government investment pool, and 0.1 percent in cash.

*Custodial credit risk - deposits and investments.* For deposits, this is the risk that in the event of a bank failure, TriMet’s deposits may not be returned. ORS Chapter 295 governs the collateralization of certain Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program (PFCP). Bank depositories are required to pledge collateral against any public funds deposits in excess of federal deposit insurance amounts. All banks holding funds in TriMet’s name, that are not held in trust for debt service, are included on the list of qualified depositories maintained by the Oregon State Treasurer. At June 30, 2019, the carrying amount of the District’s deposits (excluding amounts held in trust for debt service) was \$17,668 and the bank balance was \$24,529. Of this bank balance, \$1,000 was covered by the federal depository insurance’s general deposit rules and \$23,529 was collateralized by the PFCP.

All investments purchased by the District are held and registered in TriMet’s name by a safekeeping bank acting as safekeeping agent. A portion of TriMet’s funds are invested in an external investment pool, held by the State of Oregon in the Local Government Investment Pool (LGIP), as described above. TriMet also deposits funds in four bank savings accounts. Balances in these accounts are in compliance with TriMet investment policy limits and are collateralized in accordance with ORS Chapter 295.



**Notes to Financial Statements**

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(dollars in thousands)  
*continued*

**3. Receivables**

At June 30, 2019 and 2018, the District had the following receivables under various federal and state grant agreements:

2019	Unrestricted	Restricted	Total
Federal pass through	\$ -	\$ 316	\$ 316
Other federal	5,088	32,201	37,289
State grants	2,741	2,119	4,860
	<u>\$ 7,829</u>	<u>\$ 34,636</u>	<u>\$ 42,465</u>
<b>2018</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
Federal pass through	\$ -	\$ 244	\$ 244
Other federal	67,242	101,884	169,126
State grants	575	834	1,409
	<u>\$ 67,817</u>	<u>\$ 102,962</u>	<u>\$ 170,779</u>

Taxes and other receivables at June 30, 2019 and 2018, including the applicable allowances for uncollectible accounts, are as follows:

2019	Receivable	Allowance for uncollectible accounts	Net receivable
<b>Unrestricted:</b>			
Payroll tax	\$ 87,777	\$ 1,160	\$ 86,617
Self-employment tax	10,381	780	9,601
Trade accounts	5,461	400	5,061
Other	11,178	-	11,178
Total unrestricted	<u>114,797</u>	<u>2,340</u>	<u>112,457</u>
<b>Restricted:</b>			
Other	<u>26,855</u>	<u>-</u>	<u>26,855</u>
Total restricted	<u>26,855</u>	<u>-</u>	<u>26,855</u>
Total taxes and other receivables	<u>\$ 141,652</u>	<u>\$ 2,340</u>	<u>\$ 139,312</u>
<b>2018</b>	<b>Receivable</b>	<b>Allowance for uncollectible accounts</b>	<b>Net receivable</b>
<b>Unrestricted:</b>			
Payroll tax	\$ 88,023	\$ 1,520	\$ 86,503
Self-employment tax	10,490	850	9,640
Trade accounts	7,967	401	7,566
Other	6,616	65	6,551
Total unrestricted	<u>113,096</u>	<u>2,836</u>	<u>110,260</u>
<b>Restricted:</b>			
Other	<u>11,918</u>	<u>-</u>	<u>11,918</u>
Total restricted	<u>11,918</u>	<u>-</u>	<u>11,918</u>
Total taxes and other receivables	<u>\$ 125,014</u>	<u>\$ 2,836</u>	<u>\$ 122,178</u>

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

**4. Capital Assets**

Capital assets at June 30, 2019 and 2018 consisted of the following:

2019	Lives (in years)	Beginning balance	Additions	Deletions	Transfers	Ending balance
<b>Capital assets, not being depreciated</b>						
Land and other		\$ 235,191	\$ 18	\$ (4,984)	\$ 4,864	\$ 235,089
Construction in process		160,731	170,334		(108,875)	222,190
Total capital assets, not being depreciated		<u>395,922</u>	<u>170,352</u>	<u>(4,984)</u>	<u>(104,011)</u>	<u>457,279</u>
<b>Capital assets, being depreciated</b>						
Rail right-of-way and stations	5-70	2,408,088	-	-	11,026	2,419,114
Buildings	40	753,352	-	-	52,534	805,886
Transportation equipment	5-30	739,007	-	(10,798)	36,067	764,276
Furniture and other equipment	3-20	314,943	-	(1,362)	4,384	317,965
Total capital assets, being depreciated		<u>4,215,390</u>	<u>-</u>	<u>(12,160)</u>	<u>104,011</u>	<u>4,307,241</u>
<b>Less accumulated depreciation for</b>						
Rail right-of-way and stations		(917,959)	(62,140)	-	-	(980,099)
Buildings		(229,043)	(18,143)	-	-	(247,186)
Transportation equipment		(328,882)	(35,657)	10,798	-	(353,741)
Furniture and other equipment		(153,603)	(17,003)	1,362	-	(169,244)
Total accumulated depreciation		<u>(1,629,487)</u>	<u>(132,943)</u>	<u>12,160</u>	<u>-</u>	<u>(1,750,270)</u>
Total capital assets, being depreciated, net		<u>2,585,903</u>	<u>(132,943)</u>	<u>-</u>	<u>104,011</u>	<u>2,556,971</u>
Total capital assets, net		<u>\$ 2,981,825</u>	<u>\$ 37,409</u>	<u>\$ (4,984)</u>	<u>\$ -</u>	<u>\$ 3,014,250</u>
<b>2018</b>						
2018	Lives (in years)	Beginning balance	Additions	Deletions	Transfers	Ending balance
<b>Capital assets, not being depreciated</b>						
Land and other		\$ 232,785	\$ 1,281	\$ (540)	\$ 1,665	\$ 235,191
Construction in process		125,422	115,688	-	(80,379)	160,731
Total capital assets, not being depreciated		<u>358,207</u>	<u>116,969</u>	<u>(540)</u>	<u>(78,714)</u>	<u>395,922</u>
<b>Capital assets, being depreciated</b>						
Rail right-of-way and stations	5-70	2,409,070	-	(982)	-	2,408,088
Buildings	40	740,892	10	-	12,450	753,352
Transportation equipment	5-30	727,908	-	(18,602)	29,701	739,007
Furniture and other equipment	3-20	279,386	61	(1,067)	36,563	314,943
Total capital assets, being depreciated		<u>4,157,256</u>	<u>71</u>	<u>(20,651)</u>	<u>78,714</u>	<u>4,215,390</u>
<b>Less accumulated depreciation for</b>						
Rail right-of-way and stations		(856,633)	(62,154)	828	-	(917,959)
Buildings		(212,463)	(16,580)	-	-	(229,043)
Transportation equipment		(313,390)	(34,095)	18,603	-	(328,882)
Furniture and other equipment		(135,576)	(19,085)	1,058	-	(153,603)
Total accumulated depreciation		<u>(1,518,062)</u>	<u>(131,914)</u>	<u>20,489</u>	<u>-</u>	<u>(1,629,487)</u>
Total capital assets, being depreciated, net		<u>2,639,194</u>	<u>(131,843)</u>	<u>(162)</u>	<u>78,714</u>	<u>2,585,903</u>
Total capital assets, net		<u>\$ 2,997,401</u>	<u>\$ (14,874)</u>	<u>\$ (702)</u>	<u>\$ -</u>	<u>\$ 2,981,825</u>

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

**5. Short-term Debt**

**Bank Line of Credit**

In January 2019, the District entered into a non-revolving line of credit (LOC) with a financial institution to finance various operating costs. The line of credit had a maturity of one year and carried a variable interest rate reset daily (30 LIBOR + 0.40%). The line of credit was necessary to bridge gaps in receipts of federal grants and payroll tax revenues. In January 2019, the District drew down \$10,000 on the bank line of credit. The draw was subsequently repaid in February 2019. Interest expense on the LOC was \$22.

Short-term debt activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Draws	Repayments	Ending Balance
Bank Line of Credit	\$ -	\$ 10,000	\$ (10,000)	\$ -

In May 2019 TriMet entered into a \$60,000 revolving credit agreement (RCA) with a financial institution. The RCA is a three year facility that allows TriMet to draw for working capital and/or advances in capital projects. Each draw will be evidenced by either a tax-exempt or taxable note depending on its purpose. Repayment of each note will be secured by a subordinate pledge of payroll tax revenues, similar to the senior lien payroll tax revenue bonds. In accordance with the fee letter that accompanied the RCA, TriMet will pay a quarterly commitment fee to the bank ranging from 0.125% - 0.25% of the amount available to be drawn on the RCA, depending on the balance in a deposit account with the bank. Amounts drawn under the RCA will bear interest at LIBOR plus a spread of 0.30% if taxable and 80% of LIBOR plus a spread of 0.30% if tax-exempt. As of June 30, 2019, there were no draws on the RCA.

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

**6. Long-Term Debt**

Long-Term Debt at June 30, 2019 and 2018 consists of the following:

2019	Beginning balance	Additions	Reductions	Ending balance	Due within one year
<i>Payroll Tax Bonds:</i>					
2009 Revenue Bonds, Series A and B	\$ 15,910	\$ -	\$ (1,660)	\$ 14,250	\$ 1,720
2012 Senior Lien Payroll Tax Bonds, Series A	13,670	-	(2,490)	11,180	2,605
2015 Senior Lien Revenue and Refunding Bonds, Series A and B	121,685	-	(7,565)	114,120	3,345
2016 Senior Lien Revenue Refunding Bonds, Series A	74,445	-	(360)	74,085	365
2017 Senior Lien Payroll Tax Bonds, Series A	97,430	-	(2,305)	95,125	2,365
2018 Senior Lien Payroll Tax Bonds, Series A	148,245	-	-	148,245	1,415
<i>Subtotal Payroll Tax Bonds</i>	<u>471,385</u>	<u>-</u>	<u>(14,380)</u>	<u>457,005</u>	<u>11,815</u>
<i>Payroll Tax and Capital Grant Receipt Revenue Bonds:</i>					
2013 Payroll Tax and Grant Receipt Revenue Bonds	125,000	-	(100,000)	25,000	25,000
<i>Capital Grant Receipt Revenue Bonds:</i>					
2011 Capital Grant Receipt Revenue Bonds	42,520	-	(9,900)	32,620	10,380
2017 Capital Grant Receipt Revenue Refunding Bonds, Series A	76,015	-	-	76,015	-
2018 Capital Grant Receipt Revenue Bonds, Series A	113,900	-	-	113,900	-
<i>Subtotal Capital Grant Receipt Revenue Bonds</i>	<u>232,435</u>	<u>-</u>	<u>(9,900)</u>	<u>222,535</u>	<u>10,380</u>
<i>Capital Leases:</i>					
Other	48	-	(10)	38	11
Total	<u>828,868</u>	<u>-</u>	<u>(124,290)</u>	<u>704,578</u>	<u>47,206</u>
Add (deduct):					
Unamortized bond premium	83,123	-	(9,695)	73,428	-
Current portion of long-term debt	(94,290)	-	-	(47,206)	-
Long-term debt, net	<u>\$ 817,701</u>			<u>\$ 730,800</u>	
2018	Beginning balance	Additions	Reductions	Ending balance	Due within one year
<i>Payroll Tax Bonds:</i>					
2009 Revenue Bonds, Series A and B	\$ 17,510	\$ -	\$ (1,600)	\$ 15,910	\$ 1,660
2012 Senior Lien Payroll Tax Bonds, Series A	16,050	-	(2,380)	13,670	2,490
2015 Senior Lien Revenue and Refunding Bonds, Series A and B	128,940	-	(7,255)	121,685	7,565
2016 Senior Lien Revenue Refunding Bonds, Series A	74,800	-	(355)	74,445	360
2017 Senior Lien Payroll Tax Bonds, Series A	97,430	-	-	97,430	2,305
2018 Senior Lien Payroll Tax Bonds, Series A	-	148,245	-	148,245	-
<i>Subtotal Payroll Tax Bonds</i>	<u>334,730</u>	<u>148,245</u>	<u>(11,590)</u>	<u>471,385</u>	<u>14,380</u>
<i>Payroll Tax and Capital Grant Receipt Revenue Bonds:</i>					
2013 Payroll Tax and Grant Receipt Revenue Bonds	225,000	-	(100,000)	125,000	70,000
<i>Capital Grant Receipt Revenue Bonds:</i>					
2011 Capital Grant Receipt Revenue Bonds	133,210	-	(90,690)	42,520	9,900
2017 Capital Grant Receipt Revenue Refunding Bonds, Series A	-	76,015	-	76,015	-
2018 Capital Grant Receipt Revenue Bonds, Series A	-	113,900	-	113,900	-
<i>Subtotal Capital Grant Receipt Revenue Bonds</i>	<u>133,210</u>	<u>189,915</u>	<u>(90,690)</u>	<u>232,435</u>	<u>9,900</u>
<i>Capital Leases:</i>					
Other	-	55	(7)	48	10
Total	<u>692,940</u>	<u>338,215</u>	<u>(202,287)</u>	<u>828,868</u>	<u>94,290</u>
Unamortized bond premium	47,775	50,264	(14,915)	83,123	-
Current portion of long-term debt	(101,040)	-	-	(94,290)	-
	<u>\$ 639,675</u>			<u>\$ 817,701</u>	

Total interest cost on all outstanding debt was \$25,385 and \$19,454 in fiscal years 2019 and 2018, respectively. The following table presents outstanding bonds at year-end with principal and interest paid during the fiscal year and the related pledged revenues on the debt.

**Notes to Financial Statements**

June 30, 2019  
(dollars in thousands)  
*continued*

Description of Debt:	June 30, 2019		
	Principal and interest to maturity	Principal and interest paid in the year	Pledged revenue for the year
<i>Payroll Tax Bonds - pledged: Employer payroll, self employment tax, and state in lieu revenue</i>			
2009 Revenue Bonds, Series A and B	\$ 23,660	\$ 2,463	
2012 Senior Lien Payroll Tax Bonds, Series A	12,290	3,072	
2013 Payroll Tax and Grant Receipts Bonds - Interest	375	2,550	
2015 Revenue Bonds, Series A and B	168,639	13,053	
2016 Revenue Bonds, Series A	105,534	3,106	
2017 Revenue Bonds, Series A	154,781	6,730	
2018 Revenue Bonds, Series A	290,839	4,955	
	<u>\$ 756,118</u>	<u>\$ 35,929</u>	\$ 372,751
<i>Capital Grant Receipt Revenue Bonds - pledged: Section 5307, STP, and CMAQ grant receipts</i>			
2011 Capital Grant Receipt Revenue Bonds	\$ 35,065	\$ 11,709	
2017 Capital Grant Receipt Revenue Refunding Bonds, Series A	99,359	3,801	
2018 Capital Grant Receipt Revenue Bonds, Series A	175,279	5,244	
	<u>\$ 309,704</u>	<u>\$ 20,754</u>	\$ 69,072
<i>Capital Grant Receipt Revenue Bonds - pledged: Section 5309 full funding grant agreement revenues</i>			
2013 Payroll Tax and Grant Receipts Bonds - Principal	\$ 25,000	\$ 100,000	\$ 100,000

The District is required to comply with certain bond covenants related to the operations of the District. Significant covenants include timely payment of principal and interest, and to budget appropriate funds needed to pay all debt service obligations.

Under U.S. Treasury Department regulations, all governmental tax exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the yield on earnings from the investment of tax exempt bond proceeds, which exceeds the yield on related bonds, must be remitted to the Federal Government on every fifth anniversary of each bond issue. The District has evaluated each bond issue and has recognized no arbitrage liabilities as of June 30, 2019 and 2018.

**Payroll Tax Bonds**

TriMet has the following Revenue Bonds outstanding which are backed by Payroll Tax Revenues: 2009 Revenue Bonds Series A and B, 2012 Senior Lien Payroll Tax Revenue Bonds Series A, 2015 Revenue Bonds Series A and B, 2016 Revenue Bonds Series A, 2017 Revenue Bonds Series A and the 2018 Revenue Bonds Series A. The Revenue Bonds are payable from and secured by a pledge of the employer payroll and self-employment taxes levied by the District. The Payroll Tax Revenue Bonds are not general obligations of the District. The 2013 Payroll Tax and Grant Receipt Bonds are noted below.

**2007 Revenue Bonds, Series A**

On January 23, 2007, TriMet issued \$45,450 in limited tax pledge 2007 Revenue Bonds, Series A (2007 Revenue Bonds) to fund the District's share of the I-205/Portland Mall Light Rail Project and other capital projects.

The 2007 Revenue Bonds mature serially each September 1, beginning September 1, 2007 through 2026, with a \$13,025 term bond due September 1, 2031. The term bond is subject to mandatory sinking fund requirements annually on September 1, 2027 through 2031. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 4.0 percent to 5.0 percent on outstanding maturities. The 2007 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after March 1, 2017 at a price of par (100%) plus accrued interest thereon to the date of redemption.

On September 9, 2015, TriMet defeased in substance future principal and interest payments on a portion of its 2007 Revenue Bonds, Series A. As of June 30, 2019, there were \$29,030, in defeased bonds with scheduled maturities annually on September 1, 2019 through 2031.

**Notes to Financial Statements**

June 30, 2019  
(dollars in thousands)  
*continued*

In September 2016, the final principal payment of \$1,545 on the 2007 Revenue Bonds, Series A was made by TriMet and there are no future debt service obligations for the District.

**2009 Revenue Bonds, Series A and B**

On October 27, 2009, TriMet issued \$37,020 in limited tax pledge 2009 Revenue Bonds, Series A and \$12,530 in 2009 Build America Bonds, Series B (2009 Revenue Bonds) to fund the District's repayment of funds drawn on interim financing and other capital projects.

The 2009 Series A Revenue Bonds mature serially each September 1, beginning September 1, 2010 through 2025, with a \$16,405 term bond due September 1, 2029. The term bond is subject to mandatory sinking fund requirements annually on September 1, 2025 through 2029. The 2009 Series B Revenue Bonds mature September 1, 2033, and are subject to mandatory sinking fund requirements annually on September 1, 2030 through 2033. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 3.0 percent to 5.73 percent on outstanding maturities. The 2009 Series A Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2019 at a price of par (100%) plus accrued interest thereon to the date of redemption. The 2009 Series B Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet at the higher of 100 percent of outstanding principal or the present value of the outstanding principal and interest payment remaining at redemption.

On September 9, 2015, TriMet defeased in substance future principal and interest payments on a portion of its 2009 Revenue Bonds. As of June 30, 2019 there were, \$22,200, in defeased bonds with scheduled maturities annually on September 1, 2020 through 2029.

**2012 Senior Lien Payroll Tax Bonds, Series A**

On August 30, 2012, TriMet issued \$93,290 in Senior Lien Payroll Tax Revenue Bonds, Series 2012A to fund the District's share of Portland Milwaukie Light Rail (PMLR) and other capital projects.

The 2012 Revenue Bonds mature serially each September 1, beginning September 1, 2013 through 2032, with \$28,705 in term bonds maturing on September 1, 2037. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 1.0 percent to 5.0 percent on outstanding maturities. The 2012 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2022, at a price of par (100%) plus accrued interest thereon to the date of redemption.

On May 11, 2016, TriMet defeased in substance future principal and interest payments on a portion of its 2012 Senior Lien Payroll Tax Bonds, Series A. As of June 30, 2019, there were \$68,670, in defeased bonds with scheduled maturities annually on September 1, 2023 through 2037.

**2015 Revenue Bonds, Series A and B**

On September 9, 2015, TriMet issued \$71,885 in Senior Lien Payroll Tax Revenue Bonds, Series A to fund capital projects. TriMet also issued \$62,705 in Senior Lien Payroll Tax Revenue Refunding Bonds, Series B to refinance certain series of revenue bonds currently outstanding.

The 2015 Revenue Bonds mature serially each September 1, beginning September 1, 2016 through 2040, with \$25,430 in term bonds maturing on September 1, 2040. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 2.0 percent to 5.0 percent on outstanding maturities. The 2015 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2025, at a price of par (100%) plus accrued interest thereon to the date of redemption.

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

**2016 Revenue Refunding Bonds, Series A**

On May 11, 2016, TriMet issued \$74,800 in Senior Lien Payroll Tax Revenue Refunding Bonds, Series A to refinance certain series of revenue bonds currently outstanding.

The 2016 Revenue Bonds mature serially each September 1, beginning September 1, 2017 through 2034, with \$17,915 in term bonds maturing on September 1, 2037. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 1.5 percent to 5.0 percent on outstanding maturities. The 2016 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2026, at a price of par (100%) plus accrued interest thereon to the date of redemption.

**2017 Revenue Bonds, Series A**

On February 22, 2017, TriMet issued \$97,430 in Senior Lien Payroll Tax Revenue Bonds to fund capital projects.

The 2017 Revenue Bonds mature serially each September 1, beginning September 1, 2018 through 2041, with \$24,400 in term bonds maturing on September 1, 2041. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 2.0 percent to 5.0 percent on outstanding maturities. The 2017 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2026, at a price of par (100%) plus accrued interest thereon to the date of redemption.

**2018 Revenue Bonds, Series A**

On June 20, 2018, TriMet issued \$148,245 in Senior Lien Payroll Tax Revenue Bonds to fund capital projects including the Powell Garage, replacement of buses, a 4<sup>th</sup> bus base, and replacement of light rail vehicles.

The 2018 Revenue Bonds mature serially each September 1, beginning September 1, 2019 through 2038, with \$38,770 in term bonds maturing on September 1, 2043, and \$51,555 maturing on September 1, 2048. Interest is payable semiannually on March 1 and September 1 and fixed interest rates range from 3.25 percent to 5.0 percent on outstanding maturities. The 2018 Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after September 1, 2028, at a price of par (100%) plus accrued interest thereon to the date of redemption.

***Payroll Tax and Grant Receipt Revenue Bonds***

**Payroll Tax and Grant Receipt Revenue Bonds, Series 2013**

On March 7, 2013, TriMet issued \$325,000 in Payroll Tax and Grant Receipt Revenue Bonds, Series 2013 to provide interim financing for PMLR. Bond proceeds are being used to provide project cash flow in advance of federal grants.

The Payroll Tax and Grant Receipt Revenue Bonds, Series 2013 bonds are payable from and secured by Section 5309 federal grant funds related to PMLR, with interest payable from a pledge of the employer and self employment taxes levied by the District, and debt service account. The Payroll Tax and Grant Receipt Revenue Bonds mature serially each November 1 through 2019. Interest is payable semiannually on May 1 and November 1, and fixed interest rates range from 3.0 percent to 5.0 percent on outstanding maturities. The Payroll Tax and Grant Receipt Revenue Bonds, Series 2013 are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date 18 months before each serial maturity, prior to maturity at a price of par (100%) plus accrued interest thereon to the date of redemption.

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

**Capital Grant Receipt Bonds**

TriMet has issued three series of Capital Grant Receipt Revenue Bonds: 2011 Capital Grant Receipt Revenue Bonds, 2017 Capital Grant Receipt Revenue Refunding Bonds (Series A), and 2018 Capital Grant Receipt Revenue Bonds. The Grant Receipt Revenue Bonds are payable from and secured solely by a pledge of Section 5307, Surface Transportation Program (STP), and Congestion Mitigation and Air Quality (CMAQ) federal grants, or replacement grant programs and amounts credited to a debt service account.

**2011 Capital Grant Receipt Revenue Bonds**

On June 20, 2011, TriMet issued \$142,380 in 2011 Capital Grant Receipt Revenue Bonds to pay for a portion of the costs of capital projects, including new buses, construction on PMLR, and other regional projects. The 2011 Capital Grant Receipt Revenue Bonds are not general obligations of the District.

The 2011 Capital Grant Receipt Revenue Bonds mature serially each October 1, beginning October 1, 2016 through 2027. Interest is payable semiannually on April 1 and October 1 and fixed interest rates range from 2.5 percent to 5.0 percent on outstanding maturities. The 2011 Capital Grant Receipt Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after October 1, 2021 at a price of par (100%) plus accrued interest thereon to the date of redemption.

On August 30, 2017, TriMet defeased in substance future principal and interest payments on a portion of its 2011 Capital Grant Receipt Revenue Bonds. As of June 30, 2019, there were \$81,240, in defeased bonds with scheduled maturities annually on October 1, 2022 through 2027.

**2017 Capital Grant Receipt Revenue Refunding Bonds, Series A**

On August 30, 2017, TriMet issued \$76,015 in Capital Grant Receipt Revenue Refunding Bonds, Series A to refinance certain series of revenue bonds currently outstanding.

The 2017 Capital Grant Receipt Revenue Refunding Bonds mature serially each October 1, beginning October 1, 2022 through 2027. Interest is payable semiannually on April 1 and October 1 and the interest rate is 5.0 percent on outstanding maturities. The 2017 Revenue Bonds are not subject to optional or mandatory redemption prior to maturity.

**2018 Capital Grant Receipt Revenue Bonds, Series A**

On February 6, 2018, TriMet issued \$113,900 in 2018 Capital Grant Receipt Revenue Bonds to pay for a portion of the costs of capital projects, including the Southwest Corridor, Division Transit, and Powell Garage projects among others. The 2018 Capital Grant Receipt Revenue Bonds are not general obligations of the District.

The 2018 Capital Grant Receipt Revenue Bonds mature serially each October 1, beginning October 1, 2020 through 2034. Interest is payable semiannually on April 1 and October 1 and fixed interest rates range from 3.25 percent to 5.0 percent on outstanding maturities. The 2018 Capital Grant Receipt Revenue Bonds are subject to redemption prior to maturity in whole or in part at the option of TriMet on any date on or after April 1, 2028 at a price of par (100%) plus accrued interest thereon to the date of redemption.



**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

**Bond Debt Service Requirements to Maturity:**

The District's various bonds outstanding and related interest requirements as of June 30, 2019, are as follows:

Fiscal Year ending June 30:	Payroll Tax Bonds			Capital Grant Receipt Bonds			Payroll Tax/Grant Receipt Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	11,815	20,637	32,452	10,380	10,380	20,760	\$ 25,000	\$ 375	\$ 25,375
2021	12,290	20,159	32,449	11,245	9,865	21,110	-	-	-
2022	12,850	19,600	32,450	11,800	9,296	21,096	-	-	-
2023	13,485	18,968	32,453	12,835	8,684	21,519	-	-	-
2024	14,100	18,349	32,449	13,465	8,027	21,492	-	-	-
2025-2029	81,430	80,826	162,256	73,305	29,212	102,517	-	-	-
2030-2034	103,835	58,421	162,256	72,895	11,435	84,330	-	-	-
2035-2039	88,920	37,278	126,198	16,610	270	16,880	-	-	-
2040-2044	66,725	18,363	85,088	-	-	-	-	-	-
2045-2049	51,555	6,138	57,693	-	-	-	-	-	-
Totals	\$ 457,005	\$ 298,739	\$ 755,744	\$ 222,535	\$ 87,169	\$ 309,704	\$ 25,000	\$ 375	\$ 25,375

**6. Risk Management**

In conjunction with its normal operations, the District is exposed to various risks related to the damage or destruction of its assets, tort/liability claims, injuries to personnel, and errors and omissions. To this end, the District has developed a comprehensive risk management program, utilizing insurance and self insurance resources, to provide protection from these exposures.

The Oregon Tort Claims Act (the Act) is the common law sovereign immunity from suit for public bodies in Oregon, including TriMet. Prior to July 1, 2009, the Act capped the liability of public bodies, including TriMet, at \$200 for individual claims. In addition, the public body may be substituted as a defendant in lieu of individual employees of the public body, thereby limiting recovery for claims against individual employees to the limits applicable to public bodies. Under the Act, TriMet currently indemnifies its employees for any liability that they incur within the scope of their work. Effective July 1, 2009, Oregon SB 311 increased the per claim damage limits under the Oregon Tort Claims Act to \$500 and the per occurrence damage limit to \$1,000, for events occurring after July 1, 2009. The limits are subject to per claims per occurrence changes based on changes to the consumer price index. At June 30, 2019, the per claims limit was \$727 and the per occurrence limit was \$1,454. Effective July 1, 2019, those limits raise to \$749 per claim and \$1,498 per occurrence.

The District is self-insured for all public liability claims, subject to the limits under Oregon SB 311. The District is self-insured to the extent of the first \$2,000 per occurrence for industrial accident claims related to heavy rail or PMLR operations and \$5,000 per occurrence for all other industrial accident claims. The District provides for the estimated losses to be incurred from the pending and potential claims that result from industrial and public liability accidents occurring prior to year-end. The District's policy is to record claims incurred but not reported at the estimated level of the undiscounted liability. The liabilities are based on the ultimate cost of settling the claims, including the effects of inflation and other legal and economic factors.

Changes in the District's public liability and industrial accident claims liabilities (reported in other liabilities on the Statement of Net Position) are as follows for the years ended June 30, 2019 and 2018:

	2019		2018	
	Industrial accident claims	Public liability	Industrial accident claims	Public liability
Liability at beginning of year	\$ 5,531	\$ 4,130	\$ 5,942	\$ 4,189
Current year claims	2,158	982	2,370	115
Changes in estimates for claims of prior periods	340	3,790	427	1,690
Payments of claims	(2,743)	(1,586)	(3,208)	(1,864)
Liability at end of year	\$ 5,286	\$ 7,316	\$ 5,531	\$ 4,130

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

Based on historical experience, the District has classified \$6,282 and \$3,324 of the industrial accident and public liability claims liabilities as current liabilities, at June 30, 2019 and 2018, respectively.

**7. Other Long-term Liabilities**

Other long-term liabilities include public liability and industrial accident claims liabilities, unearned lease revenue, rent payable, and long-term employee sick leave as follows:

<u>2019</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Uninsured claims liability:					
Industrial accident claims	\$ 5,531	\$ 2,492	\$ (2,743)	\$ 5,280	\$ 2,244
Employee dental insurance	433	32	-	465	465
Employee health insurance	2,133	-	(89)	2,044	2,044
Public liability	4,130	4,772	(1,586)	7,316	4,032
Total claims liability	<u>12,227</u>	<u>7,296</u>	<u>(4,418)</u>	<u>15,105</u>	<u>8,785</u>
Long-term employee sick leave	5,358	1,120	-	6,478	-
Rent payable	1,789	-	(281)	1,508	-
Unearned lease revenue	2,178	-	(25)	2,153	-
Total other liabilities	<u>21,552</u>	<u>8,416</u>	<u>(4,724)</u>	<u>25,244</u>	<u>8,785</u>
Deduct current portion	<u>(5,890)</u>			<u>(8,785)</u>	
Other long-term liabilities	<u>\$ 15,662</u>			<u>\$ 16,459</u>	
<u>2018</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Uninsured claims liability:					
Industrial accident claims	\$ 5,942	\$ 2,797	\$ (3,208)	\$ 5,531	\$ 2,477
Employee dental insurance	402	31	-	433	433
Employee Health Insurance	1,737	396	-	2,133	2,133
Other claims	212	-	(212)	-	-
Public liability	4,189	1,805	(1,864)	4,130	847
Total claims liability	<u>12,482</u>	<u>5,029</u>	<u>(5,284)</u>	<u>12,227</u>	<u>5,890</u>
Long-term employee sick leave	4,478	880	-	5,358	-
Rent payable	1,258	750	(219)	1,789	-
Unearned lease revenue	2,202	-	(24)	2,178	-
Total other liabilities	<u>20,420</u>	<u>6,659</u>	<u>(5,527)</u>	<u>21,552</u>	<u>5,890</u>
Deduct current portion	<u>(6,021)</u>			<u>(5,890)</u>	
Other long-term liabilities	<u>\$ 14,399</u>			<u>\$ 15,662</u>	

**8. Lease Transactions**

**Office and equipment leases**

The District leases office space under non-cancelable operating leases. Total costs for such leases were \$1,618 and \$1,493 in 2019 and 2018, respectively. The future minimum lease payments for these leases are as follows:

Fiscal year ending June 30:	
2020	\$ 1,693
2021	1,585
2022	1,621
2023	1,653
2024	9
Thereafter	561
	<u>\$ 7,122</u>

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

**2005 Lease transaction**

In November 2005, the District entered into a series of agreements related to 28 light rail vehicles. In simultaneous transactions, the District leased the 28 light rail vehicles (the Head Lease) to a trust (TriMet 2005 Statutory Trust) for the benefit of a third party investor (2005 Equity Investor) for a basic term of 28 or 29 years, depending on the age of the vehicles. The Head Lease qualifies for accounting treatment as a capital lease. The trust subleased all 28 vehicles back to the District (the Lease Agreement) for a period of 28 or 29 years. The sublease also is recorded as a capital lease. The District received all required lease payments totaling \$123,700, which have been recorded in the accompanying statement of net position as unamortized gain of \$12,557 (before expenses of \$911) and a long-term lease liability for lease payments of \$111,143. The liability is reduced as lease payments are made over the term of the lease. The District's net benefit from the 2005 transactions was \$11,646. The net benefit is recorded as deferred inflows of resources and is recognized over the basic term of the lease. Leased assets are included within Capital Assets and depreciation of the leased assets is recorded over the term of the lease. The Federal Transit Administration reviewed the operative documents and approved the transaction.

TriMet used \$111,143 of the proceeds from the Head Lease transaction to fully fund three payment agreements (\$84,382 to Premier International Funding Co. for the Series A Payment Agreement and \$26,761 to MBIA Inc. for the Equity Payment Undertaking Agreement and the Debt Payment Undertaking Agreement). The obligations of Premier International Funding Co. are unconditionally and irrevocably guaranteed by Financial Security Assurance Inc. (FSA), which has subsequently been acquired by Assured Guaranty Ltd. In February 2009, TriMet terminated the MBIA Equity Payment Undertaking agreement and received \$28,033 and terminated the Debt Payment Undertaking Agreement and received \$14,528. Simultaneously, TriMet purchased and placed in trust US Treasury securities for \$28,399 to collateralize all future equity payment obligations. The debt payment obligations have not been collateralized and are general obligations of TriMet. Net of transaction expenses, the 2009 MBIA termination created \$13,954 in net benefit. The net benefit is recorded as deferred inflow of resources and is recognized over the remaining term of the lease.

The District's prepayment of the payment agreements is recorded within prepaid lease expenses in the accompanying statement of net position and is reduced as payments are made over the term of the lease. The payment agreements do not constitute legal defeasance.

The 2005 leases include the following trigger events relating to TriMet: (1) outstanding General Obligation Bond ratings are downgraded by Standard & Poors below "A+" or by Moody's below "A1", or if General Obligation Bonds are no longer rated, long-term senior payroll tax revenue bonds are downgraded by Standard & Poors below "A+" or by Moody's below "A1", or (2) TriMet becomes eligible to be a debtor under Bankruptcy code, or (3) TriMet loses its taxing authority related to payroll and self-employment taxes. If a trigger event occurs, TriMet is required to provide equity strip collateral in amounts defined in the lease agreements. TriMet's long-term senior lien payroll tax revenue bonds are rated AAA by Standard & Poors, Aaa by Moody's and AAA by Kroll at June 30, 2019. As of June 30, 2019, TriMet is not aware of any default, event of default or event of loss under any of the operative documents. The total outstanding lease obligations under the 2005 leases are as follows:

Fiscal year ending June 30:	FSA uncollateralized	US Treasuries in trust	TriMet obligation	Total payment obligations
2020	2,534	-	1,024	3,558
2021	-	-	-	-
2022	-	-	-	-
2023	-	110	-	110
2024	-	-	-	-
2025-2029	-	135	-	135
2030-2034	14,876	4,840	1,891	21,607
2035-2036	56,686	63,720	7,696	128,102
	<u>\$ 74,096</u>	<u>\$ 68,805</u>	<u>\$ 10,611</u>	<u>\$ 153,512</u>

**Notes to Financial Statements**

June 30, 2019  
 (dollars in thousands)  
*continued*

**Legislative and regulatory activities**

Pursuant to the terms of the tax indemnity agreements of TriMet’s 1997 and 1998 lease transactions, unless an indemnification event occurs, the District bears no liability for the related adverse U.S. federal income tax consequence to the domestic investors. As of June 30, 2019, no indemnity claims have been made against TriMet. With respect to TriMet’s 1997 and 1998 lease transactions, the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), as codified in Section 4965 of the Internal Revenue Code of 1986 as amended (Code), the guidance provided by the Internal Revenue Service (IRS) in IRS Notice 2007-18 published on February 7, 2007 and the Proposed and Temporary Regulations released on July 6, 2007 subsequently thereto, TriMet does not have a TIPRA excise tax liability.

**Financial Statement Summary**

The following is a summary of amounts related to the lease transactions as of June 30:

<b>Assets:</b>	2019	2018
Restricted Cash and Investments - Lease Collateral	\$ 52,402	\$ 46,346
Prepaid lease expense	29,167	29,889
Total assets	\$ 81,569	\$ 76,235
<b>Liabilities:</b>		
Long-term lease liability	63,151	62,076
Total liabilities	63,151	62,076
<b>Deferred Inflows of Resources:</b>		
Unamortized gain on leases	14,799	15,712
Total liabilities and deferred inflows of resources	\$ 77,950	\$ 77,788
Net leveraged lease revenue	\$ 906	\$ 741

**9. Commitments and Contingencies**

TriMet has bus fleet replacement, garage renovation and expansion and other capital projects, as well as other funding commitments. Authorized commitments unexpended as of June 30, 2019 were \$684,415. Resources for the District’s commitments include grant funding sources, debt and unrestricted resources.

The District is a defendant in various legal actions resulting from normal transit operations. Although the outcome of such actions cannot presently be determined, it is the opinion of management and legal counsel that settlement of these matters will not have a material adverse affect on the District’s financial position, results of operations or cash flows.

**10. Enterprise Fund Pension Benefits**

**Union Defined Contribution Plan**

TriMet contributes to a single employer defined contribution plan - the TriMet Defined Contribution Retirement Plan for Union Employees (“the Union DC Plan”). A third party administrator, ICMA-RC, provides administration of the Union DC Plan trust. The TriMet Board of Directors (“Board”) has appointed a committee to oversee the Union DC Plan. Funding of the defined contribution plan is performed on a perpetual basis as part of the District’s normal payroll processes.

*Plan description*

Effective July 13, 2012, the District adopted the Union DC Plan in accordance with Internal Revenue Code (IRC) Section 401(a). Participation in the Union DC Plan is mandatory for all union employees hired on or after August 1, 2012. Under the Union DC Plan, the District will contribute 8.0 percent of considered compensation each pay period. Considered compensation is taxable compensation plus employee elected pre-tax deferrals, less overtime pay, bonuses, commissions, or other extraordinary pay and cash-out of unused vacation. Within 30 days of becoming eligible for the Union DC Plan, employees make a one-time irrevocable election to contribute between zero and 15 percent of their

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

compensation to the Plan on a pretax basis. Due to tax laws, the pre-tax election must be made within 30 days after an employee becomes eligible to participate in the DC Plan and the election cannot be changed for as long as the employee is eligible. In addition, the employee can elect to make voluntary, after-tax, contributions, up to 15 percent of compensation. The after-tax contribution election may be adjusted by the employee at any time. Plan participants fully vest in the District's contributions after three years of service with the District. Upon severance from employment, TriMet will contribute 60 percent of the employee's unused sick leave (up to a maximum of 1,700 hours) to the employee's account. The TriMet Board has authority over amendments to plan benefit and contribution provisions, in conjunction with the Working and Wage Agreement.

*Method used to value investments*

Plan investments are reported at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets. Investments of securities held in the Union DC Plan are valued using quoted market prices (Level 1 inputs).

As of June 30, 2019 and 2018, there were 1,517 and 1,256 active employees, respectively, covered by the Union DC Plan. District contributions to the Union DC Plan were \$5,864 and \$4,492 for the years ending June 30, 2019 and 2018, respectively. Employee contributions to the Union DC Plan were \$4,360 and \$3,260 for the years ending June 30, 2019 and 2018, respectively.

**Management Defined Contribution Plan**

TriMet contributes to a single employer defined contribution plan - the TriMet Defined Contribution Retirement Plan for Management and Staff Employees ("the Management DC Plan"). A third party administrator, ICMA-RC, provides administration of the Management DC Plan trust. The TriMet Board of Directors ("Board") has appointed a committee to oversee the Management DC Plan. Funding of the defined contribution plan is done on a perpetual basis as part of the District's normal payroll processes.

*Plan description*

Effective April 27, 2003, the District adopted the Management DC Plan in accordance with Internal Revenue Code (IRC) Section 401(a). Participation in the Management DC Plan is mandatory for all non-union employees hired after April 26, 2003. All non-union employees hired before April 27, 2003 were required to make an irrevocable election to (1) stay in TriMet Defined Benefit Retirement Plan for Management and Staff Employees ("the Management DB Plan"), (2) freeze their credited service as of April 27, 2003 in the Management DB Plan (but not their final average salary) and be covered by the Management DC Plan for all service after April 26, 2003, or (3) transfer the present value of their accrued benefit under the Management DB Plan as of April 27, 2003 to the Management DC Plan and be covered by the Management DC Plan for all service after April 26, 2003.

Under the Management DC Plan, the District contributes 8.0 percent of considered compensation each pay period. Considered compensation is taxable compensation plus employee elected pre-tax deferrals, less overtime pay, bonuses, commissions, or other extraordinary pay and cash-out of unused vacation. Within 30 days of becoming eligible for the Management DC Plan, employees make a one-time irrevocable election to contribute between zero and 15 percent of their compensation to the Plan on a pretax basis. Due to tax laws, the pre-tax election must be made within 30 days after an employee becomes eligible to participate in the DC Plan and the election cannot be changed for as long as the employee is eligible. In addition, the employee can elect to make voluntary, after-tax, contributions, up to 15 percent of compensation. The after-tax contribution election may be adjusted by the employee at any time. Plan participants fully vest in the District's contributions after three years of service with the District. Upon severance from employment, TriMet will contribute 60 percent of the employee's unused sick leave (up to a maximum of 1,700 hours) to the employee's account. The TriMet Board has authority over amendments to plan benefit and contribution provisions.

*Method used to value investments*

Plan investments are reported at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets. Investments of securities held in the Union DC Plan are valued using quoted market prices (Level 1 inputs).

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

As of June 30, 2019 and 2018 there were 449 and 399 active employees, respectively, covered by the Management DC Plan. District contributions to the Management DC Plan were \$3,316 and \$2,970 for the years ending June 30, 2019 and 2018, respectively. Employee contributions to the Management DC Plan were \$1,347 and \$1,093 for the years ending June 30, 2019 and 2018, respectively.

**11. Other Employee Benefits**

***Deferred compensation plan***

The District offers all employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457(b). The plan permits employees to defer a portion of their current salary until termination, retirement, death or financial hardship. All assets and income of the plan are in a trust for the exclusive benefit of the participants and their beneficiaries. Plan participant investments are determined by the employee participants. The Board appoints a committee to perform the administrative and fiduciary responsibilities of the employer under the plan.

***Compensated absences***

Union employees receive paid vacation benefits in accordance with the Working and Wage Agreement. Employees are eligible for one to six weeks of vacation depending on their years of service with the District. Non-union employees receive similar vacation benefits as prescribed by TriMet's personnel policies. As of June 30, 2019 and 2018, the District's vacation pay liability was \$12,971 and \$12,256, respectively, all of which was classified as a current liability in accrued payroll.

***Postemployment benefits other than pension***

On July 1, 2017, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and GASB Statement No. 57, OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans. Specifically, Statement No. 75 recognizes the long-term obligation for health and life insurance benefits offered to retirees. The accounting change adopted to conform to the provisions of GASB 75 has been applied retroactively by restating the beginning net position for the fiscal year ended June 30, 2018 by \$168,313, which included recording an adjustment to the Other Postemployment Benefits obligation of \$179,469 and an initial deferred outflow of resources of \$11,156.

***General Information about the OPEB Plan***

*Plan description.* The District's defined benefit OPEB plan provides health care and life insurance benefits for eligible employees and their qualified dependents. The District's plan is a single employer defined benefit OPEB plan administered by the TriMet Board. The authority to establish and amend the benefit terms and financing is accomplished through contractual agreement with union employees and through board adopted personnel policies for non-union employees. While TriMet has placed \$411 in a trust for the purpose of funding OPEB payments, such assets are considered de-minimus and are therefore not considered a trust that meets the criteria in paragraph 4 of Statement 75.

*Benefits provided.* The District's plan provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms vary depending on whether the employee is union or non-union, and the employee's date of hire. Below is a brief summary of employee eligibility and the benefits provided:

<b><i>Eligibility for OPEB</i></b>		
Union	Employee must be at least 55 and have 10 years of continuous service.	
Non-Union	Hired prior to April 27, 2003	Must be at least 55 and have 5 years of credited service
Non-Union	Hired on or after April 27, 2003	Must be at least 55 and have 10 years of credited service.

**Notes to Financial Statements**

June 30, 2019  
(dollars in thousands)  
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<b><u>Union Benefits Offered</u></b>		
<b>Relevant Dates</b>	<b>Prior to Medicare Eligibility</b>	<b>Medicare Eligible</b>
Retired prior to 02/01/1992	Medical, prescription drug, and dental provided to all retirees, spouses, and domestic partners.	Medical, prescription drug, and dental provided to all retirees, spouses, and domestic partners. Some retirees are reimbursed for Medicare Part B premiums.
Retired after 02/01/1992 and hired before 10/24/2014	Medical, prescription drug, and dental are provided to all retirees. The retirees contribute a portion of the premium depending on the plan selected.	Employees receive coverage through a Medicare Advantage Plan (for which they contribute, in part) or a monthly stipend (HRA VEBA). Retirees are reimbursed for Medicare Part B if they enroll Medicare Advantage plan or the HRA VEBA (a stipend).
Hired after 10/24/2014	Employees receive a monthly stipend to be used for healthcare purposes.	No benefits through TriMet.

<b><u>Non-Union Benefits Offered</u></b>		
<b>Relevant Dates</b>	<b>Prior to Medicare Eligibility</b>	<b>Medicare Eligible</b>
Hired Prior to 05/01/2009	Full time employees contribute a portion of the premium cost of medical, dental, and vision benefits.	Employee must enroll in a Medicare Advantage plan (employees contribute a portion of the premiums).
Hired after 05/01/2009	Employee can contribute 100% of the premium amount paid by TriMet and receive healthcare coverage.	No benefits through TriMet.

Eligible retirees are also provided a \$10 whole life insurance benefit fully paid by TriMet. On an annual basis, the monthly stipend for union employees is increased with inflation.

*Employees covered by benefit terms.* At January 1, 2019, the following employees (union and non-union) were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,852
Inactive employees entitled to but not yet receiving benefits	-
Active Employees	3,111
<b>Total</b>	<b>4,963</b>

***Net OPEB Liability***

The District's net OPEB liability of \$725,025 was measured as of January 1, 2019, and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Salary Increases:	2.75%
Discount Rate:	4.10% (3.44% at January 1, 2018)

The discount rate was based on Bond Buyer 20-Bond GO Index, December 28, 2018.

**Notes to Financial Statements**

June 30, 2019  
(dollars in thousands)  
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Healthcare cost trend rates:

Union Plans			Non Union Plans	
Pre-Medicare	Medicare	Medicare Part B	Pre-Medicare	Medicare
8.74% in 2019, trending down to 4% in 2037 thereafter.	5.89% in 2019 trending down to 4% in 2037 and thereafter.	0% in 2019 increasing to 7.28% in 2026, then trending down to 3.6% in 2041 and thereafter.	5.89% in 2019 trending down to 4% in 2037 and thereafter.	5.89% in 2019 trending down to 4% in 2037 and thereafter.

Retirees' share of benefit related costs:

**Union:** Individuals who retired prior to February 1, 1992 do not contribute for coverage. Retirees who retire on or after February 1, 1992 and were hired on or before October 2014 contribute according to the following table:

Plan Selected	Premium Contribution
Regence 90/10	Retirees pay the difference between the Regence 90/10- and Trimet's employer contribution for the Regence PPO 80/20
Regence 80/20	Retirees pay 5% of the premium cost
Regence HSA	Retirees receive deposit from TriMet equal to the difference between the HSA premium and TriMet's employer contribution for the Regence PPO 80/20
All other Medical and Dental	Retirees pay 5% of the premium cost

Retirees hired on or after October 25, 2014 only receive a monthly stipend. This benefit ceases when the employees turns 65.

**Non-Union:** Employees contribute according to hire and retirement dates as detailed below:

Dates	Premium Contribution
Retired prior to January 1, 1988	No contribution
Hired before May 1, 2009	6% for full time employees up to 25% for part-time employees
Hired on or after May 1, 2009	100% Contribution

Mortality rates were based on the tables as detailed below:

Employee Class	Mortality Tables
<i>Union Healthy</i>	RP-2014 Annuitant and Non-Annuitant Mortality Tables with Blue Collar Adjustment, set forward 1 year for males and 2 years for females
<i>Union Disabled</i>	RP-2014 Disabled Mortality tables
<i>Non-Union Healthy</i>	RP-2014 Annuitant Mortality with White Collar Adjustment, projected 10 years past the valuation date using Scale BB.
<i>Non-Union Healthy</i>	RP-2014 Disabled Mortality tables projected 10 years past the valuation date using Scale BB.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of a 2013 actuarial experience study with subsequent update letters dated, May 14, 2015; June 2, 2016; and May 31, 2017.



**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

**Changes in the Net OPEB Liability**

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at January 1, 2018	\$ 786,541	\$ 403	\$ 786,138
Changes for the year:			
Service cost	33,512	-	33,512
Interest	27,236	-	27,236
Differences between expected and actual experience	(32,503)	-	(32,503)
Changes in assumptions or other inputs	(66,328)	-	(66,328)
Contributions	-	23,022	(23,022)
Benefit payments	(23,022)	(23,022)	-
Net Investment Income	-	8	(8)
Net Changes	(61,105)	8	(61,113)
Balance at January 1, 2019	\$ 725,436	\$ 411	\$ 725,025

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at January 1, 2017	\$ 743,717	\$ 401	\$ 743,316
Changes for the year:			
Service cost	34,417	-	34,417
Interest	28,333	-	28,333
Differences between expected and actual experience	1,529	-	1,529
Changes in assumptions or other inputs	1,192	-	1,192
Contributions	-	22,647	(22,647)
Benefit payments	(22,647)	(22,647)	-
Net Investment Income	-	2	(2)
Net Changes	42,824	2	42,822
Balance at January 1, 2018	\$ 786,541	\$ 403	\$ 786,138

There were no changes to benefit terms during either measurement period. Changes of assumptions and other inputs reflect a change in the discount rate from 3.78 percent as of 01/01/2017 to 3.44 percent as of 01/01/2018, and to 4.10% as of 01/01/2019. In addition, changes of assumptions were made to update healthcare costs and trends, and a change was made to the spousal coverage assumption during the measurement period ending 01/01/2018.

Benefit payments in the measurement period included amounts for the purchase of allocated insurance contracts of \$14,281 during the measurement period ending 01/01/2019 and \$13,745 during the period ended 01/01/2018. Such benefits included employee medical, dental, and life insurance. The obligation for the payment of benefits covered by allocated insurance contracts has been transferred from the District to one or more insurance companies.

*Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.* The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

Fiscal Year 2019	1% Decrease	Discount Rate	1% Increase
	3.10%	4.10%	5.10%
Net OPEB Liability	\$825,652	\$725,025	\$641,381

**Notes to Financial Statements**

June 30, 2019  
(dollars in thousands)  
*continued*

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point than the current healthcare cost trend rates:

Fiscal Year 2019	1% Decrease	Healthcare Trend	1% Increase
Net OPEB Liability	\$633,936	\$725,025	\$836,873

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the years ended June 30, 2019 and 2018 the District recognized OPEB expense of \$47,016 and \$63,138, respectively. At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	
	2019	2018
Differences between actual and expected experience	\$ 1,092	\$ 1,311
Changes of assumptions or other inputs	852	1,022
Contributions subsequent to the measurement date	11,546	12,068
<b>Total</b>	<b>\$ 13,490</b>	<b>\$ 14,401</b>
	Deferred Inflows of Resources	
	2019	2018
Differences between actual and expected experience	\$ (5,857)	\$ -
Changes of assumptions or other inputs	(78,856)	-
Net difference between projected and actual earnings on OPEB plan investments	(7)	(2)
<b>Total</b>	<b>\$ (84,720)</b>	<b>\$ (2)</b>

\$11,546 is reported as deferred outflows of resources resulting from payments subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred will be recognized in expense as follows:

Fiscal year ending June 30:	Amortization
2020	\$ (13,732)
2021	(13,732)
2022	(13,732)
2023	(13,732)
2024	(13,731)
Thereafter	\$ (14,119)

**12. TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund**

The TriMet Defined Benefit Retirement Plan for Management and Staff Employees Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. TriMet is the sole administrator for the TriMet Defined Benefit Retirement Plan for Management and Staff Employees (“Management DB Plan”). The Management DB Plan is a governmental plan maintained and operated solely by TriMet. The TriMet Board has appointed four people to oversee the Management DB Plan.

TriMet recorded \$4,497 and \$2,703 in pension expense for the Management DB Plan in the years ended June 30, 2019 and 2018, respectively.

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

*Plan description*

The Management DB Plan is a single-employer defined benefit plan. The plan covers all TriMet non-union employees hired before April 27, 2003 who are not covered by the Management DC Plan. The plan is closed to new enrollment. Participation began at the date of hire with benefits being 100 percent vested after five years of service. Covered employees who retire at or after age 62, with five years of service, are entitled to an annual retirement benefit, payable monthly for life. Benefits vary based on final average salary, job classification and date of hire. Vested non-union employees convert unused sick leave to monthly pension benefits at a rate of final average salary (stated on an hourly basis) multiplied by one-half of unused sick leave (up to a maximum of 850 hours) divided by 101.9. Benefits in payout status are increased annually by 90 percent of the percentage increase in the U.S. Consumer Price Index. The Management DB Plan is a plan document originally adopted on December 7, 1970 and as amended restated as of July 1, 2013. Amendments to the plan are authorized by the TriMet Board of Directors. TriMet is required to maintain funds under the Management DB Plan sufficient to pay benefits when due. No employee contributions are required or permitted under the Management DB Plan.

The following is a summary of plan participants at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Active employees	76	84
Retirees and beneficiaries:		
Receiving benefits	314	306
Deferred Retirement benefits		
Terminated employees	74	79
Transfers to union plan	16	18
Disabled employees	<u>2</u>	<u>3</u>
Total Participants	<u><u>482</u></u>	<u><u>490</u></u>

*Summary of accounting policies*

The financial statements are prepared using the accrual basis of accounting. TriMet contributions are recognized in the period in which the contributions are earned. Benefits are recognized when due and payable in accordance with the terms of the plan.

*Investment policy and method to value investments*

The Management DB Plan investment policy allows the plan to utilize multiple professional investment management firms to implement the investment program. The long-term performance objective of the plan is to achieve a compound rate of return on invested assets consistent with the forward looking return assumptions adopted annually by the trustees of the plan. Eligible investments include the following: Domestic equities, International equities, Fixed income securities, Tactical Asset Allocation Strategy funds, Private real estate investments, Absolute return investment funds, Private equity investments, and Private credit funds.

Plan investments are reported at fair value. The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value of securities is determined by the plan asset managers at quoted market price, where available, except for securities which are not actively traded, which are valued at net asset value by the asset manager.

**Notes to Financial Statements**

June 30, 2019  
(dollars in thousands)  
*continued*

The Plan has the following fair value measurements by fair value level at June 30, 2019:

	Balance at June 30, 2019	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Measured at Fair Value Level</b>				
Fixed income	\$ 21,845	\$ 21,845	\$ -	\$ -
U.S. large-mid cap equities	30,729	30,729	-	-
U.S. small cap equities	4,025	4,025	-	-
International equity	24,896	24,896	-	-
	<u>\$ 81,495</u>	<u>\$ 81,495</u>	<u>-</u>	<u>-</u>
<b>Measured at Net Asset Value</b>				
Tactical asset allocation	\$ 9,193			
Absolute return	25,460			
Private real estate	11,796			
Private equity	1,461			
Private credit	5,012			
Cash and accrued income	551			
	<u>\$ 53,473</u>			
<b>Total Fair Value of Assets</b>	<u>\$ 134,968</u>			

**Notes to Financial Statements**

June 30, 2019  
 (dollars in thousands)  
*continued*

The Plan has the following fair value measurements by fair value level at June 30, 2018:

	Balance at June 30, 2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Measured at Fair Value Level</b>				
Fixed income	\$ 20,214	\$ 20,214	\$ -	\$ -
U.S. large-mid cap equities	30,468	30,468	-	-
U.S. small cap equities	4,159	4,159	-	-
International equity	24,004	24,004	-	-
	<u>\$ 78,845</u>	<u>\$ 78,845</u>	<u>-</u>	<u>-</u>
<b>Measured at Net Asset Value</b>				
Tactical asset allocation	\$ 8,877			
Absolute return	25,541			
Private real estate	11,417			
Private equity	509			
Private credit	5,979			
Cash and accrued income	1,099			
	<u>\$ 53,422</u>			
<b>Total Fair Value of Assets</b>	<u>\$ 132,267</u>			

*Investments measured at Net Asset Value ("NAV")*

Tactical Asset Allocation includes investment in a private offering fund with a goal of providing returns that exceed inflation by a premium of 5% on an annualized basis over a market cycle. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Absolute Return includes investment in a private offering fund with a goal of generation of consistent positive returns with lower levels of volatility and low levels of correlation to traditional stocks and bonds. The fair values of the investments in this type have been determined using the NAV per share of the Management DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Private Real Estate includes investment in a commingled investment vehicle with a goal of generating consistent, low volatility returns. Investments in this category are in high quality, well-leased properties, with a focus on income generation. The fair values of the investments in this type have been determined using the NAV per share of the Management DB Plan's ownership interest in partners' capital. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

**Notes to Financial Statements**

June 30, 2019  
(dollars in thousands)  
*continued*

Private Equity includes investment in a commingled fund of funds with a goal of generating high levels of long-term returns. The fair values of the investments in this type have been determined using the NAV per share of the Management DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Private Credit includes investment in commingled investment vehicles, which invest globally utilizing less liquid or illiquid credit market instruments. The fair values of the investments in this type have been determined using the NAV per share of the Management DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Outstanding commitments and redemption limitations for each investment class as of June 30, 2019 and 2018 are as follows:

<b>Measured at Net Asset Value</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
<b>As of June 30, 2019:</b>				
Private real estate	\$ 11,796	\$ -	Quarterly	45 days
Private equity	\$ 1,461	\$ 736	N/A	N/A
Private credit	\$ 5,012	\$ 3,993	N/A	N/A
<b>As of June 30, 2018:</b>				
Private real estate	\$ 11,417	\$ -	Quarterly	45 days
Private equity	\$ 509	\$ 1,761	N/A	N/A
Private credit	\$ 5,979	\$ 3,593	N/A	N/A

*Rate of Return*

For the years ended June 30, 2019 and 2018, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.0 percent and 6.6 percent. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Investments – concentration of credit risk*

The plan trustees have adopted an Investment Policy which defines target allocations in each class of investment. The target allocations are based upon asset liability studies, which are performed every five years. The following are the trustee adopted asset allocation policies as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Fixed income	16.3%	15.3%
U.S. equity	25.9%	26.4%
International equity	18.5%	18.3%
Tactical asset allocation	6.8%	6.8%
Absolute return	18.9%	19.5%
Private real estate	8.8%	8.7%
Private equity	1.1%	0.4%
Private credit	3.7%	4.6%
Total	<u>100%</u>	<u>100%</u>

**Notes to Financial Statements**

June 30, 2019  
 (dollars in thousands)  
*continued*

As of June 30, 2019 and 2018, the plan had investments of more than 5% of the total Plan fiduciary net position, as follows:

	2019	2018
Ryan Labs Core Bond Fund	16.2%	15.3%
Graham Tactical Trend	6.8%	6.7%
State Street RAFI US 1000 Fund	11.1%	11.4%
Vanguard Russell 1000 Index Fund	11.7%	11.6%
Vanguard Total International Stock Fund	8.9%	9.0%
RREEF America REIT II	7.5%	7.5%
Capital Guardian International Fund	9.6%	9.1%
AQR Enhanced Style Premia Fund, L.P.	5.2%	6.0%
Millennium	7.0%	7.3%
Welton Paragon	0.0%	6.0%
Wellington	6.6%	0.0%

*Funding policy and net pension liability*

The funding policy of the Management DB Plan provides for an actuarially determined contribution (ADC) calculated using the individual entry age normal actuarial cost method. The ADC consists of normal cost and an amortization of the unfunded actuarial accrued liability. The normal cost is determined as the level percentage of pay basis over the service of the active employees between entry age and assumed exit age. Past service liabilities are amortized over a closed ten year period. The components of the net pension liability of the Management DB Plan were as follows:

	2019	2018
Net pension liability As of June 30		
Total pension liability	\$ 144,958	\$ 142,289
Plan fiduciary net position	134,946	132,253
Net pension liability	\$ 10,012	\$ 10,036
Plan fiduciary net position as a percent of total pension liability	93.1%	92.9%
Annual covered payroll	\$ 8,280	\$ 9,446
Net Pension Liability as a percentage of covered payroll	120.9%	106.3%

*Actuarial methods and assumptions*

Significant actuarial assumptions used in the valuation include a rate of return on the investment of present and future assets of 6.3 percent, discount rate on plan liabilities of 6.3 percent, an annual post-retirement benefit increase of 2.25 percent, and annual salary increases of 2.75 percent. Mortality rates were based on the RP 2014 Mortality Table for males and females, projected 10 years past the valuation date using Scale BB. All participants are assumed to retire by the age of 67, with a certain percentage of active participants assumed to elect retirement beginning at age 55. Net pension liability has been measured and reported as of June 30, 2019.

The long-term expected rate of return on pension plan investments of 6.3 percent was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are then combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage.

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

Estimated real rates of return by asset class were as follows at June 30, 2019:

<b>Long-Term Expected Real Rate of Return</b>	
<b>Asset Class</b>	
U.S. Equity	3.8%
International Equity	4.9%
Fixed Income	1.4%
Alternative Return	2.5%
Private Equity	5.8%
Private Credit	4.7%
Private Real Estate	3.1%

The discount rate used to measure the total pension liability was 6.3 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made consistent with the current funding plan. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.



**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

*Changes in net pension liability*

The following table presents the changes in the net pension liability for the years ended June 30, 2019 and 2018:

<b>Management DB Plan</b>		
	<u>2019</u>	<u>2018</u>
<i>Total pension liability</i>		
Service cost	\$ 685	\$ 920
Interest cost	8,784	8,621
Benefit payments	(7,197)	(6,211)
Experience (gain) loss	397	(29)
Net change in total pension liability	<u>2,669</u>	<u>3,301</u>
Total pension liability, beginning	<u>142,289</u>	<u>138,988</u>
Total pension liability, ending	<u>144,958</u>	<u>142,289</u>
<i>Plan fiduciary net position</i>		
Contributions	6,240	6,497
Net Investment Income	3,787	8,108
Benefit payments	(7,197)	(6,211)
Administrative Expense	(137)	(97)
Net change in plan fiduciary net position	<u>2,693</u>	<u>8,297</u>
Plan fiduciary net position, beginning	<u>132,253</u>	<u>123,956</u>
Plan fiduciary net position, ending	<u>134,946</u>	<u>132,253</u>
Net pension liability, ending	<u>\$ 10,012</u>	<u>\$ 10,036</u>
Plan fiduciary net position as a percent of total pension liability	93%	93%
Covered payroll	\$ 8,280	\$ 9,446
Net pension liability as a percent of covered payroll	121%	106%

**Notes to Financial Statements**

June 30, 2019  
 (dollars in thousands)  
*continued*

*Sensitivity of the net pension liability to changes in the discount rate*

The following table presents the sensitivity of the net pension liability calculation to a one percent increase or decrease in the discount rate used to measure the total pension liability:

<u>Discount rate</u>	<u>Net pension liability</u>
1% decrease (5.3%)	\$ 27,987
Current discount rate (6.3%)	\$ 10,012
1% increase (7.3%)	\$ (5,014)

*Deferred Inflows and Outflows of Resources*

The following table presents the components of Deferred inflows and outflows of resources for the Management DB Plan for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Deferred outflows:		
Differences between projected and actual earnings on pension investments	\$ 4,308	\$ 2,663
Differences between expected and actual experience in the measurement of total pension liability	65	-
Total deferred outflows	<u>\$ 4,373</u>	<u>\$ 2,663</u>
Deferred inflows:		
Differences between expected and actual experience in the measurement of total pension liability	-	(8)
Total deferred inflows	<u>\$ -</u>	<u>\$ (8)</u>

The following table presents the future amortization of deferred inflows and outflows of resources for the Management DB Plan:

	<u>Deferred Amounts</u>
2020	\$ 1,929
2021	699
2022	844
2023	901
	<u>\$ 4,373</u>

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

**13. Pension Plan for Bargaining Unit Employees of TriMet Trust Fund**

The Pension Plan for Bargaining Unit Employees of TriMet Trust Fund accounts for the assets of the employee benefit plan held by TriMet in a trustee capacity. TriMet is the sole administrator for the Pension Plan for Bargaining Unit Employees of TriMet (“Bargaining Unit DB Plan”). The Bargaining Unit DB Plan is a governmental plan maintained and operated solely by TriMet. Three trustees appointed by the TriMet Board and three union representatives appointed by the Amalgamated Transit Union (“Union”) oversee the Bargaining Unit DB Plan.

TriMet recorded \$30,476, and \$24,870 in pension expense for the Bargaining Unit DB Plan in the years ending June 30, 2019 and 2018, respectively.

*Plan description*

The Bargaining Unit DB Plan is a single-employer defined benefit plan. The Bargaining Unit DB Plan covers all full-time and part-time employees represented by the Amalgamated Transit Union hired in a union position before August 1, 2012. Eligible union employees begin to participate on their date of hire, with benefits being 100 percent vested after 10 years of service. Under the terms of the Bargaining Unit Pension Plan and Permanent Disability Agreement, covered members retiring at or after age 58 with 10 or more years of service will receive a monthly benefit for life with annual cost of living adjustments. Pension benefits for covered members retiring after February 1, 2016 are \$83.78 per month, per year of service. Effective with the current Working and Wage agreement, each February 1, the retirement benefit is adjusted based on the amount of any general wage adjustments received by bargaining unit employees during the previous 12 months. Pension benefits for retirees in payout status are adjusted each February 1, also based on the general wage adjustments during the prior 12 months. Effective July 12, 2012, pension benefits for retirees in payout status will be adjusted each May 1, based upon the U.S. Urban Wage Earners and Clerical Workers Consumer Price Index (CPI) (annual average). Provisions of the Working and Wage Agreement between TriMet and the Union effective December 1, 2009, requires vested union employees to convert any unused accumulated sick leave (up to a maximum of 1,700 hours) to monthly pension benefits at a rate of 25 cents per hour. Amendments to the plan are made under provision in the Working and Wage Agreement. No employee contributions are required or permitted under the Bargaining Unit DB Plan. Benefit provisions are established and amended through provisions of the Working and Wage Agreement between TriMet and the Union.

The following is a summary of plan participants at June 30, 2019 and 2018:

	2019	2018
Active employees	1,186	1,320
Retirees and beneficiaries:		
Receiving benefits	1,975	1,859
Deferred Retirement benefits:		
Terminated employees	133	130
Transfers to management plan	50	58
Total Participants	<u>3,344</u>	<u>3,367</u>

*Summary of accounting policies*

The financial statements are prepared using the accrual basis of accounting. TriMet contributions are recognized in the period in which the contributions are earned. Benefits are recognized when due and payable in accordance with the terms of the plan.

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

*Investment policy and method to value investments*

The Bargaining Unit DB Plan investment policy allows the plan to utilize multiple professional investment management firms to implement the investment program. The long-term performance objective of the plan is to achieve a compound rate of return on invested assets consistent with the forward looking return assumptions adopted annually by the trustees of the plan. Eligible investments include the following: Domestic equities, International equities, Fixed income securities, Tactical Asset Allocation Strategy funds, Private real estate investments, Absolute return investment funds, Private equity investments, and Private credit funds.

Plan investments are reported at fair value. The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value of securities is determined by the plan asset managers at quoted market price, where available, except for securities which are not actively traded, which are valued at net asset value by the asset manager.

The Plan has the following fair value measurements by fair value level at June 30, 2019:

	Balance at June 30, 2019	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Measured at Fair Value Level</b>				
Fixed income	\$ 60,827	\$ 60,827	\$ -	\$ -
U.S. large-mid cap equities	159,018	159,018	-	-
U.S. small cap equities	18,342	18,342	-	-
International equity	135,945	135,945	-	-
	<u>\$ 374,132</u>	<u>374,132</u>	<u>-</u>	<u>-</u>
<b>Measured at Net Asset Value</b>				
Tactical asset allocation	\$ 43,187			
Absolute return	77,271			
Private real estate	57,308			
Private equity	10,925			
Private credit	6,149			
Cash and accrued income	6,010			
	<u>\$ 200,850</u>			
<b>Total Fair Value of Assets</b>	<u>\$ 574,982</u>			

**Notes to Financial Statements**

June 30, 2019  
(dollars in thousands)  
*continued*

The Plan has the following fair value measurements by fair value level at June 30, 2018:

	Balance at June 30, 2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Measured at Fair Value Level</b>				
Fixed income	\$ 58,135	\$ 58,135	\$ -	\$ -
U.S. large-mid cap equities	162,504	162,504	-	-
U.S. small cap equities	20,018	20,018	-	-
International equity	130,857	130,857	-	-
	<u>\$ 371,514</u>	<u>371,514</u>	<u>-</u>	<u>-</u>
<b>Measured at Net Asset Value</b>				
Tactical asset allocation	\$ 36,714			
Absolute return	76,591			
Private real estate	55,384			
Private equity	8,508			
Private credit	8,199			
Cash and accrued income	4,038			
	<u>\$ 189,434</u>			
<b>Total Fair Value of Assets</b>	<u>\$ 560,948</u>			

*Investments measured at Net Asset Value ("NAV")*

Tactical Asset Allocation includes investment in a private offering fund with a goal of providing returns that exceed inflation by a premium of 5% on an annualized basis over a market cycle. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Absolute Return includes investment in a private offering fund with a goal of generation of consistent positive returns with lower levels of volatility and low levels of correlation to traditional stocks and bonds. The fair values of the investments in this type have been determined using the NAV per share of the Bargaining Unit DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Private Real Estate includes investment in a commingled investment vehicle with a goal of generating consistent, low volatility returns. Investments in this category are in high quality, well-leased properties, with a focus on income generation. The fair values of the investments in this type have been determined using the NAV per share of the Bargaining Unit DB Plan's ownership interest in partners' capital. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Private Equity includes investment in a commingled fund of funds with a goal of generating high levels of long-term returns. The fair values of the investments in this type have been determined using the NAV per share of the Bargaining Unit DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Private Credit includes investment in commingled investment vehicles, which invest globally utilizing less liquid or illiquid credit market instruments. The fair values of the investments in this type have been determined using the NAV per share of the Bargaining Unit DB Plan's ownership interest in the investments. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

**Notes to Financial Statements**

June 30, 2019  
 (dollars in thousands)  
*continued*

Outstanding commitments and redemption limitations for each investment class as of June 30, 2019 and 2018 are as follows:

<b>Measured at Net Asset Value</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
<b>As of June 30, 2019:</b>				
Private real estate	\$ 57,308	\$ -	Quarterly	45 days
Private equity	\$ 10,925	\$ 4,261	N/A	N/A
Private credit	\$ 6,149	\$ 9,722	N/A	N/A
<b>As of June 30, 2018:</b>				
Private real estate	\$ 55,384	\$ -	Quarterly	45 days
Private equity	\$ 8,508	\$ 7,684	N/A	N/A
Private credit	\$ 8,199	\$ 4,653	N/A	N/A

*Rate of Return*

For the years ended June 30, 2019 and 2018, respectively, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.4 percent and 8.0 percent. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Investments – concentration of credit risk*

The plan trustees have adopted an Investment Policy which defines target allocations in each class of investment. The target allocations are based upon asset liability studies, which are performed every five years. The following is the trustee adopted asset allocation policy as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
U.S. equity	31.2%	32.8%
Fixed Income	10.7%	10.4%
International equity	23.9%	23.5%
Tactical asset allocation	7.6%	6.6%
Absolute return	13.6%	13.8%
Private real estate	10.1%	10.0%
Private equity	1.9%	1.5%
Private credit	1.0%	1.4%
Total	<u>100%</u>	<u>100%</u>

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

As of June 30, 2019 and 2018, the plan had the following investments of more than 5% of the total Plan fiduciary net position:

	2019	2018
State Street RAFI US 1000 Index Fund	12.8%	15.1%
Vanguard Russell 1000 Index Fund	15.0%	14.0%
Vanguard Total International Stock Index Fund	10.9%	11.1%
Capital Guardian International All Countries Equity Class Db	12.7%	12.2%
AFL/CIO Housing Trust	8.9%	8.7%
RREEF America REIT II	7.4%	7.3%
Millennium	5.6%	5.8%

*Funding policy and annual pension cost*

Pursuant to the terms of the Working and Wage Agreement, TriMet is required to fund the Bargaining Unit DB Plan in accordance with actuarial principles, amortizing past service liabilities over a period of 40 years or less. The funding policy of the Bargaining Unit DB Plan provides for an actuarially determined contribution (ADC) calculated using the individual entry age normal actuarial cost method. The ADC consists of normal cost and an amortization of the unfunded actuarial accrued liability. The normal cost is determined as the level percentage of pay basis over the service of active employees between entry age and assumed exit age. Past service liabilities are amortized over a closed fifteen year period. The components of the net pension liability of the Bargaining Unit DB Plan were as follows:

Net pension liability As of June 30	2019	2018
Total pension liability	\$ 713,756	\$ 698,934
Plan fiduciary net position	574,920	560,882
Net pension liability	\$ 138,836	\$ 138,052
Plan fiduciary net position as a percent of total pension liability	80.5%	80.2%
Annual covered payroll	\$ 97,406	\$ 109,924
Net Pension Liability as a percentage of covered payroll	142.5%	125.6%

*Actuarial methods and assumptions*

Significant actuarial assumptions used in the valuation include a long term rate of return on the investment of present and future assets of 6.75 percent, RP-2014 mortality tables, inflation of 2.5 percent and annual salary increases of 2.75 percent and benefit multiplier increases of 2.5 percent annually for participants who retired prior to August 1, 2012 and 2.25 percent annually for participants who retire after August 1, 2012. Mortality rates were based on the RP-2014 Combined Healthy Mortality Table with Blue Collar Adjustment for males and females, set forward 1 year for males and 2 years for females. Net pension liability has been measured and reported as of June 30, 2019.

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

The long-term expected rate of return on pension plan investments of 6.75 percent was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are then combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimated real rates of return by asset class were as follows at June 30, 2019:

<b>Long-Term Expected Real Rate of Return</b>	
<u>Risk Based Class/Components</u>	<u>Expected Return</u>
Private Equity	5.8%
U.S. Equity	3.8%
International Equity	4.9%
Private Core Real Estate	3.1%
Private Credit	4.7%
Alternative Return	2.5%
Fixed Income	1.4%

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made consistent with the current funding plan. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.



**Notes to Financial Statements**

June 30, 2019  
 (dollars in thousands)  
*continued*

*Changes in net pension liability*

The following table presents the changes in the net pension liability for the years ended June 30, 2019 and 2018:

<b>Bargaining Unit DB Plan</b>		
	2019	2018
<i>Total pension liability</i>		
Service cost	\$ 9,643	\$ 9,875
Interest cost	46,537	43,494
Changes in benefit terms	-	3,286
Effect of economic/demographic gains	(2,453)	21,274
Benefit payments	<u>(38,905)</u>	<u>(36,394)</u>
Net change in total pension liability	14,822	41,535
Total pension liability, beginning	<u>698,934</u>	<u>657,399</u>
Total pension liability, ending	<u>713,756</u>	<u>698,934</u>
<i>Plan fiduciary net position</i>		
Contributions	34,718	35,228
Net investment income	18,620	41,479
Benefit payments	(38,905)	(36,394)
Administrative expense	<u>(395)</u>	<u>(358)</u>
Net change in plan fiduciary net position	14,038	39,955
Plan fiduciary net position, beginning	<u>560,882</u>	<u>520,927</u>
Plan fiduciary net position, ending	<u>574,920</u>	<u>560,882</u>
Net pension liability, ending	<u>\$ 138,836</u>	<u>\$ 138,052</u>
Plan fiduciary net position as a percent of total pension liability	81%	80%
Covered payroll	\$ 97,406	\$ 109,924
Net pension liability as a percent of covered payroll	143%	126%

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

*Sensitivity of the net pension liability to changes in the discount rate*

The following table presents the sensitivity of the net pension liability calculation to a one percent increase or decrease in the discount rate used to measure the total pension liability:

<u>Discount rate</u>	<u>Net pension liability</u>
1% decrease (5.75%)	\$ 217,684
Current discount rate (6.75%)	\$ 138,836
1% increase (7.75%)	\$ 71,850

*Deferred Inflows and Outflows of Resources*

The following table presents the components of deferred inflows and outflows of resources for the Bargaining Unit DB Plan at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<b>Deferred outflows</b>		
Differences between projected and actual earnings on pension investments	\$ 11,711	\$ 2,229
Changes in assumptions	3,755	11,828
Differences between expected and actual experience in the measurement of total pension liability	10,201	15,819
Total deferred outflows	<u>\$ 25,667</u>	<u>\$ 29,876</u>
<b>Deferred inflows</b>		
Changes in assumptions	\$ (1,227)	\$ (4,293)
Differences between expected and actual experience in the measurement of total pension liability	(10,342)	(16,512)
Total deferred inflows	<u>\$ (11,569)</u>	<u>\$ (20,805)</u>

The following table presents the future amortization of deferred inflows and outflows of resources for the Bargaining Unit DB Plan:

	<u>Deferred Amounts</u>
2020	\$ 6,783
2021	1,106
2022	2,391
2023	3,818
	<u>\$ 14,098</u>

**Notes to Financial Statements**

June 30, 2019

(dollars in thousands)

*continued*

**14. Subsequent Events**

**Payroll Tax and Grant Receipt Revenue Bonds, Series 2013**

Upon the receipt of the Full Funding Grant Agreement (FFGA) grant resources, the District exercised an early redemption of \$25,000 of principal on the outstanding for the Series 2013 Payroll Tax and Grant Receipt Revenue Bonds. The principal on the bonds will be paid in full by October 1, 2019.

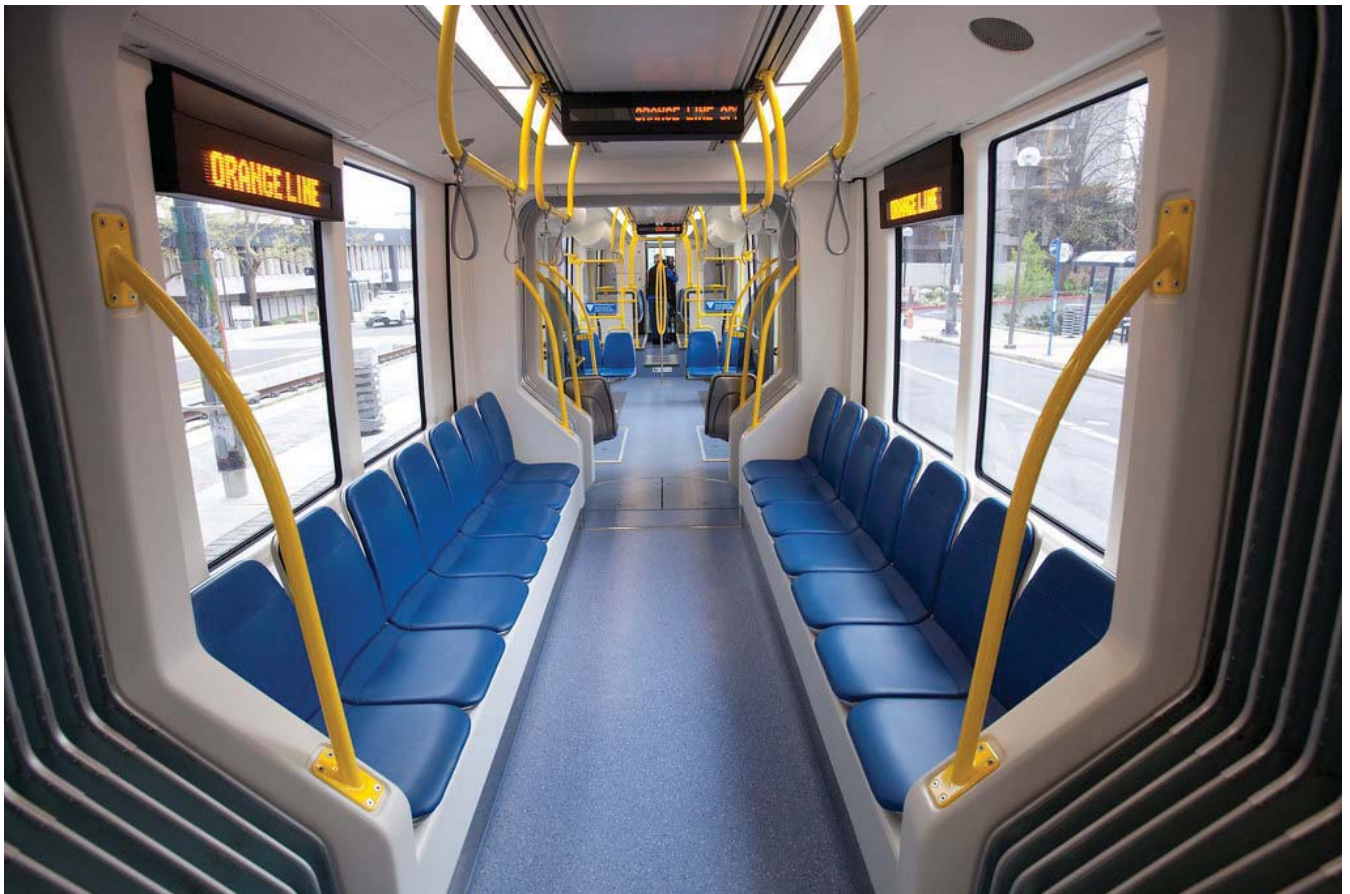
**2019 Payroll Tax Revenue Bonds and Refunding 2015 Senior Lien Revenue & Refunding Bonds, Series A and B**

Subsequent to year-end, the District issued up to \$200,000 par value Payroll Tax Bonds, Series 2019 and may refund certain future debt service maturities on the 2015 Senior Lien Revenue and Refunding Bonds, Series A and B. The proceeds on the 2019 Payroll Tax Bonds will fund various capital projects of the District.

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## Required Supplementary Information





**Schedule of Changes in Net Pension Liability and Related Ratios**  
(dollars in thousands)

<b>Management DB Plan</b>							
	2019	2018	2017	2016	2015	2014	2013
<b>Total pension liability</b>							
Service cost	\$ 685	\$ 919	\$ 1,162	\$ 1,224	\$ 505	\$ 793	\$ 906
Interest cost	8,784	8,621	8,309	8,327	7,931	8,454	7,903
Benefit payments	(7,197)	(6,211)	(5,286)	(4,502)	(4,458)	(3,892)	(3,519)
Changes of benefit terms			-	-	-	-	1,711
Change in assumptions			-	474	(2,178)	(531)	1,015
Experience (gain) loss	397	(29)	1,441	(1,293)	3,592	(3,002)	152
Net change in total pension liability	<u>2,669</u>	<u>3,301</u>	<u>5,626</u>	<u>4,230</u>	<u>5,392</u>	<u>1,822</u>	<u>8,168</u>
Total pension liability, beginning	<u>142,289</u>	<u>138,988</u>	<u>133,362</u>	<u>129,132</u>	<u>123,740</u>	<u>121,918</u>	<u>113,750</u>
Total pension liability, ending	<u>144,958</u>	<u>142,289</u>	<u>138,988</u>	<u>133,362</u>	<u>129,132</u>	<u>123,740</u>	<u>121,918</u>
<b>Plan fiduciary net position</b>							
Contributions	6,240	6,497	6,330	7,036	6,559	5,602	9,776
Net Investment Income	3,787	8,108	7,990	1,460	2,004	14,074	10,100
Benefit payments	(7,197)	(6,211)	(5,286)	(4,502)	(4,458)	(3,892)	(3,519)
Administrative Expense	(137)	(97)	(76)	(97)	(123)	-	-
Net change in plan fiduciary net position	<u>2,693</u>	<u>8,297</u>	<u>8,958</u>	<u>3,897</u>	<u>3,982</u>	<u>15,784</u>	<u>16,357</u>
Plan fiduciary net position, beginning	<u>132,253</u>	<u>123,956</u>	<u>114,998</u>	<u>111,101</u>	<u>107,119</u>	<u>91,335</u>	<u>74,978</u>
Plan fiduciary net position, ending	<u>134,946</u>	<u>132,253</u>	<u>123,956</u>	<u>114,998</u>	<u>111,101</u>	<u>107,119</u>	<u>91,335</u>
Net pension liability, ending	<u>\$ 10,012</u>	<u>\$ 10,036</u>	<u>\$ 15,032</u>	<u>\$ 18,364</u>	<u>\$ 18,031</u>	<u>\$ 16,621</u>	<u>\$ 30,583</u>
Plan fiduciary net position as a percent of total pension liability	93%	93%	89%	86%	86%	87%	75%
Covered payroll	\$ 8,280	\$ 9,446	\$ 10,593	\$ 12,722	\$ 12,751	\$ 13,142	\$ 14,200
Net pension liability as a percent of covered payroll	121%	106%	142%	144%	141%	126%	215%

**Schedule of Changes in Net Pension Liability and Related Ratios**  
(dollars in thousands)

	<b>Bargaining Unit DB Plan</b>						
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Total pension liability</b>							
Service cost	\$ 9,643	\$ 9,875	\$ 10,851	\$ 10,703	\$ 11,756	\$ 11,406	\$ 11,122
Interest cost	46,537	43,494	43,889	43,372	43,025	42,870	41,827
Effect of plan changes		3,286	-	-	-	-	-
Changes of assumptions		-	-	18,776	(16,558)	29,476	15,354
Effect of economic/demographic (gains) losses	(2,453)	21,274	(19,615)	(8,967)	(541)	(11,294)	(8,583)
Benefit payments	(38,905)	(36,394)	(34,163)	(32,680)	(30,677)	(28,846)	(27,373)
Net change in total pension liability	14,822	41,535	962	31,204	7,005	43,612	32,347
Total pension liability, beginning	698,934	657,399	656,437	625,233	618,228	574,616	542,269
Total pension liability, ending	713,756	698,934	657,399	656,437	625,233	618,228	574,616
<b>Plan fiduciary net position</b>							
Contributions	34,718	35,228	35,862	38,027	36,200	47,261	70,380
Net investment income	18,329	41,479	46,645	1,948	12,276	64,461	42,349
Benefit payments	(38,905)	(36,394)	(34,163)	(32,680)	(30,677)	(28,846)	(27,373)
Administrative expense	(104)	(357)	(246)	(281)	(363)	(486)	(223)
Net change in plan fiduciary net position	14,038	39,955	48,098	7,014	17,436	82,390	85,133
Plan fiduciary net position, beginning	560,882	520,927	472,829	465,815	448,379	365,989	280,856
Plan fiduciary net position, ending	574,920	560,882	520,927	472,829	465,815	448,379	365,989
Net pension liability, ending	\$ 138,836	\$ 138,052	\$ 136,472	\$ 183,608	\$ 159,418	\$ 169,849	\$ 208,627
Plan fiduciary net position as a percent of total pension liability	81%	80%	79%	72%	75%	73%	64%
Covered payroll	\$ 97,406	\$ 109,924	\$ 106,596	\$ 117,666	\$ 116,556	\$ 124,696	\$ 125,143
Net pension liability as a percent of covered payroll	143%	126%	128%	156%	137%	136%	167%



**Schedules of Pension Contributions**  
(dollars in thousands)

<b>Management DB Plan</b>					
Actuarial valuation date	Actuarially determined contribution	Contributions	Contribution excess	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2019	\$ 2,443	\$ 6,240	\$ 3,797	\$ 8,280	75%
June 30, 2018	3,253	6,497	3,244	9,446	69%
June 30, 2017	3,735	6,330	2,595	10,593	60%
June 30, 2016	4,242	7,036	2,794	12,722	55%
June 30, 2015	4,219	6,559	2,340	12,751	51%
June 30, 2014	4,957	5,602	645	13,142	43%
June 30, 2013	6,491	9,776	3,285	14,200	69%

<b>Bargaining Unit DB Plan</b>					
Actuarial valuation date	Actuarially determined contribution	Contributions	Contribution excess	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2019	\$ 26,040	\$ 34,718	\$ 8,678	\$ 97,406	36%
June 30, 2018	24,566	35,228	10,662	109,924	32%
June 30, 2017	28,498	35,862	7,364	106,596	34%
June 30, 2016	28,030	38,027	9,997	117,666	32%
June 30, 2015	31,926	37,793	5,867	116,556	32%
June 30, 2014	35,553	48,689	13,136	124,696	39%
June 30, 2013	34,638	36,766	2,128	125,143	29%

**Schedules of Investment Returns**

<b>Annual Money-Weighted Rate of Return, Net of Investment Expense</b>							
	2019	2018	2017	2016	2015	2014	2013
Management DB Plan	2.97%	6.62%	6.92%	1.30%	1.87%	15.62%	13.10%
Bargaining Unit DB Plan	3.40%	8.04%	9.85%	0.42%	2.73%	17.28%	14.06%

**Schedule of Changes in the District's Net OPEB Liability**

	2019	2018
<i>Total OPEB Liability</i>		
Service cost	\$ 33,512	\$ 34,417
Interest cost	27,236	28,333
Change in assumptions	(66,328)	1,192
Experience (gain) loss	(32,503)	1,529
Benefit Payments	(23,022)	(22,647)
Net change in total OPEB liability	(61,106)	42,825
Total pension liability, beginning	786,541	743,717
Total pension liability, ending	\$ 725,436	\$ 786,541
<i>Plan fiduciary net position</i>		
Contributions	\$ 23,022	\$ 22,647
Investment Income	8	2
Benefit payments	(23,022)	(22,647)
Net change in plan fiduciary net position	8	2
Plan fiduciary net position, beginning	403	401
Plan fiduciary net position, ending	\$ 411	\$ 403
Net OPEB liability, ending	\$ 725,025	\$ 786,138
Plan fiduciary net position as a percent of the total pension liability	0.06%	0.05%
Covered-employee payroll	\$ 219,240	\$ 198,560
Net OPEB liability as a percent of covered payroll	330.70%	395.92%

Changes of assumptions and other inputs reflect a change in the discount rate from 3.78 percent as of 01/01/2017 to 3.44 percent as of 01/01/2018, and 4.10% as of 01/01/2019. In addition, changes of assumptions were made during the 2017 and 2018 measurement periods to update healthcare costs and trends.



## Supplementary Information





**Reconciliation of Revenues and Expenses (Budget Basis) to  
Schedule of Revenues and Expenses (GAAP Basis)**

For The Year Ended June 30, 2019

(dollars in thousands)

<b>Budget basis</b>	
Revenues	\$ 689,677
Expenses	893,206
Revenues over expenses	<u>(203,529)</u>
Add budget activity not qualifying as revenues/ expenses under GAAP:	
Principal payments on long-term debt	134,280
Capital asset additions	170,352
Add (subtract) adjustments required by GAAP:	
Unfunded pension costs	5,989
Depreciation	(132,943)
Net leveraged lease revenue	906
Claims liability changes	(3,512)
Unfunded OPEB Costs	(24,515)
Subtract budget resources not qualifying as revenues under GAAP:	
Net Book Value of Assets Retired	(5,690)
Debt Issuance	<u>(10,000)</u>
GAAP basis loss presented in statement of revenues, expenses and changes in net position	<u>\$ (68,662)</u>

**Reconciliation of fund balance (Budget Basis) to  
Net position (GAAP Basis)**

June 30, 2019 (dollars in thousands)

Budget basis ending fund balance	\$ 462,923
Reconciliation to GAAP basis:	
Net capital assets	3,014,250
Capital related debt	(704,540)
Other postemployment benefits and deferred amounts	(796,254)
Net pension liability and deferred amounts	(130,377)
Claims liability	(11,625)
Lease leaseback and deferred amounts	<u>(2,619)</u>
GAAP basis net position	<u>\$ 1,831,758</u>

**Schedule of Revenues and Expenses  
Budget (Budget Basis) and Actual**

For The Year Ended June 30, 2019  
(dollars in thousands)

**GENERAL FUND**

	Original budget	Final budget	Actual	Variance from final budget over (under)
<b>Revenues</b>				
Operating revenue	\$ 133,554	\$ 133,554	\$ 127,210	\$ (6,344)
Tax revenue	392,385	392,385	372,751	(19,634)
Operating grant and other revenue	119,944	119,944	122,769	2,825
Capital program resources	55,740	55,740	9,412	(46,328)
Debt proceeds	-	-	10,000	10,000
Federal funds restricted for debt service	65,664	65,664	30,666	(34,998)
Gain on disposal of capital assets	-	-	11,834	11,834
Other non-operating resources	10,976	10,976	5,036	(5,940)
Total revenues	<u>778,263</u>	<u>778,263</u>	<u>689,678</u>	<u>(88,585)</u>
<b>Expenses</b>				
Office of the general manager	2,980	2,980	2,165	(815)
Public affairs	16,819	16,819	16,019	(800)
Safety and security	39,414	39,414	33,843	(5,571)
Information technology	23,264	23,264	19,679	(3,585)
Finance and administration	32,742	32,742	22,734	(10,008)
Labor relations and human resources	5,292	5,292	5,132	(160)
Legal services	4,002	4,002	2,906	(1,096)
Operations	509,604	509,604	478,149	(31,455)
Capital projects	136,044	136,044	86,301	(49,743)
OPEB and UAAL pension	51,067	51,067	50,168	(899)
Regional Funding Exchanges	4,787	6,882	6,882	-
Debt service	148,094	160,094	159,665	(429)
Pass-through requirements	10,976	10,976	9,563	(1,413)
Contingency	21,249	7,154	-	(7,154)
Total expenses	<u>1,006,334</u>	<u>1,006,334</u>	<u>893,206</u>	<u>(113,128)</u>
Revenues over (under) expenses	(228,071)	(228,071)	(203,528)	24,543
Beginning fund balance	661,821	661,821	666,452	4,631
Ending fund balance	<u>\$ 433,750</u>	<u>\$ 433,750</u>	<u>\$ 462,924</u>	<u>\$ 29,174</u>

**Schedule of Bonds Payable Obligation**

June 30, 2019

(dollars in thousands)

<b>Payroll Tax Revenue Bonds</b>													
<b>Fiscal</b>	<b>2009 Bonds</b>		<b>2012 Bonds</b>		<b>2015 Bonds</b>		<b>2016 Bonds</b>		<b>2017 Bonds</b>		<b>2018 Bonds</b>		
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2020	1,720	\$ 744	\$ 2,605	\$ 467	\$ 3,345	\$ 5,246	\$ 365	\$ 2,735	\$ 2,365	\$ 4,366	\$ 1,415	\$ 7,079	
2021	-	718	2,725	347	5,115	5,078	380	2,725	2,450	4,282	1,620	7,010	
2022	-	718	2,850	221	5,355	4,846	390	2,719	2,560	4,169	1,695	6,927	
2023	-	718	3,000	75	5,600	4,584	395	2,713	2,695	4,037	1,795	6,840	
2024	-	718	-	-	5,900	4,329	3,550	2,639	2,815	3,914	1,835	6,749	
2025	-	718	-	-	6,125	4,060	3,700	2,476	2,945	3,784	1,990	6,654	
2026	-	718	-	-	6,430	3,749	3,890	2,286	3,095	3,633	2,100	6,551	
2027	-	718	-	-	6,760	3,419	4,085	2,148	3,255	3,474	2,145	6,445	
2028	-	718	-	-	7,100	3,072	4,170	2,003	3,425	3,307	2,325	6,334	
2029	-	718	-	-	7,460	2,708	4,385	1,789	3,600	3,131	2,445	6,214	
2030	-	718	-	-	7,835	2,326	4,610	1,564	3,785	2,947	2,580	6,089	
2031	2,870	636	-	-	5,515	1,992	4,850	1,352	3,975	2,753	2,550	5,960	
2032	3,040	466	-	-	5,780	1,725	5,045	1,154	4,180	2,549	2,680	5,830	
2033	3,215	287	-	-	3,285	1,514	5,255	948	4,395	2,334	5,595	5,623	
2034	3,405	98	-	-	3,455	1,345	5,470	767	4,620	2,109	5,845	5,337	
2035	-	-	-	-	3,630	1,168	5,630	615	4,860	1,872	2,335	5,132	
2036	-	-	-	-	3,800	996	5,790	451	5,060	1,668	2,460	5,012	
2037	-	-	-	-	3,965	831	5,970	274	5,230	1,498	2,585	4,886	
2038	-	-	-	-	4,140	659	6,155	92	5,415	1,315	2,710	4,754	
2039	-	-	-	-	4,320	480	-	-	5,650	1,079	9,215	4,496	
2040	-	-	-	-	4,505	293	-	-	5,940	789	9,645	4,065	
2041	-	-	-	-	4,700	99	-	-	6,245	484	10,140	3,571	
2042	-	-	-	-	-	-	-	-	6,565	164	1,530	3,279	
2043	-	-	-	-	-	-	-	-	-	-	8,510	3,028	
2044	-	-	-	-	-	-	-	-	-	-	8,945	2,591	
2045	-	-	-	-	-	-	-	-	-	-	9,385	2,152	
2046	-	-	-	-	-	-	-	-	-	-	9,825	1,711	
2047	-	-	-	-	-	-	-	-	-	-	10,290	1,249	
2048	-	-	-	-	-	-	-	-	-	-	10,775	766	
2049	-	-	-	-	-	-	-	-	-	-	11,280	259	
<b>Totals</b>	<b>\$14,250</b>	<b>\$ 9,411</b>	<b>\$11,180</b>	<b>\$ 1,110</b>	<b>\$ 114,120</b>	<b>\$54,519</b>	<b>\$74,085</b>	<b>\$31,450</b>	<b>\$95,125</b>	<b>\$59,658</b>	<b>\$148,245</b>	<b>\$142,593</b>	



<i>Capital Grant Receipt Revenue Bonds</i>						<i>Payroll Tax Grant Receipt Revenue Bonds</i>			
<u>2011 Bonds</u>		<u>2017 Bonds</u>		<u>2018 Bonds</u>		<u>2013 Bonds</u>		<u>Total</u>	
<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
\$ 10,380	\$ 1,335	-	\$ 3,801	-	\$ 5,244	\$ 25,000	\$ 375	\$ 47,195	\$ 31,392
10,850	830	-	3,801	395	5,235	-	-	23,535	30,026
11,390	281	-	3,801	410	5,214	-	-	24,650	28,896
-	-	11,175	3,521	1,660	5,163	-	-	26,320	27,652
-	-	11,735	2,949	1,730	5,078	-	-	27,565	26,376
-	-	12,320	2,347	1,785	4,990	-	-	28,865	25,029
-	-	12,940	1,716	1,855	4,899	-	-	30,310	23,551
-	-	13,585	1,053	1,930	4,804	-	-	31,760	22,061
-	-	14,260	357	2,010	4,706	-	-	33,290	20,496
-	-	-	-	12,620	4,340	-	-	30,510	18,901
-	-	-	-	13,235	3,694	-	-	32,045	17,337
-	-	-	-	13,875	3,016	-	-	33,635	15,709
-	-	-	-	14,550	2,305	-	-	35,275	14,029
-	-	-	-	15,245	1,561	-	-	36,990	12,266
-	-	-	-	15,990	860	-	-	38,785	10,516
-	-	-	-	16,610	270	-	-	33,065	9,057
-	-	-	-	-	-	-	-	17,110	8,127
-	-	-	-	-	-	-	-	17,750	7,489
-	-	-	-	-	-	-	-	18,420	6,820
-	-	-	-	-	-	-	-	19,185	6,055
-	-	-	-	-	-	-	-	20,090	5,147
-	-	-	-	-	-	-	-	21,085	4,154
-	-	-	-	-	-	-	-	8,095	3,443
-	-	-	-	-	-	-	-	8,510	3,028
-	-	-	-	-	-	-	-	8,945	2,591
-	-	-	-	-	-	-	-	9,385	2,152
-	-	-	-	-	-	-	-	9,825	1,711
-	-	-	-	-	-	-	-	10,290	1,249
-	-	-	-	-	-	-	-	10,775	766
-	-	-	-	-	-	-	-	11,280	259
<b>\$ 32,620</b>	<b>\$ 2,446</b>	<b>\$ 76,015</b>	<b>\$23,346</b>	<b>\$113,900</b>	<b>\$ 61,379</b>	<b>\$ 25,000</b>	<b>\$ 375</b>	<b>\$ 704,540</b>	<b>\$ 386,283</b>

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# Audit Comments and Disclosures Required by State Regulations





## **Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Oregon Municipal Auditing Standards***

The Board of Directors  
Tri-County Metropolitan Transportation District of Oregon

We have audited the basic financial statements of Tri-County Metropolitan Transportation District of Oregon (District), as of and for the year ended June 30, 2019, and have issued our report thereon dated September 11, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

### **Compliance**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-0000 to 162-10-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption, and execution of the annual budgets for fiscal years 2020 and 2019.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed one instance of noncompliance that is required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

- During the year under audit, the District did not timely report the opening of a bank account with an authorized financial institution in accordance with ORS 295.006.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information of the Board of Directors, management, and the State of Oregon, and is not intended to be and should not be used by anyone other than those specified parties.



Julie Desimone, Partner  
for Moss Adams LLP  
Portland, Oregon  
September 11, 2019



## Federal Grant Programs







## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Directors  
Tri-County Metropolitan Transportation District of Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Enterprise Fund, Retirement Plan for Management Staff Employees, Pension Plan for Bargaining Unit Employees, and Total Trust Fund of Tri-County Metropolitan Transportation District of Oregon (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 11, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mass Adams LLP*

Portland, Oregon  
September 11, 2019

## **Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

The Board of Directors  
Tri-County Metropolitan Transportation District of Oregon

### **Report on Compliance for Each Major Federal Program**

We have audited the financial statements of the Enterprise Fund, Retirement Plan for Management Staff Employees, Pension Plan for Bargaining Unit Employees, and Total Trust Fund of Tri-County Metropolitan Transportation District of Oregon's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of The District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the District as of and for the year ended June 30, 2019, and have issued our report thereon dated September 11, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Miss Adams UP*

Portland, Oregon  
September 11, 2019

**Tri-County Metropolitan Transportation District Of Oregon**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019  
(dollars in thousands)**

Federal grantor/program title	Federal CFDA number	Pass Through/ Grant number	Total expenditures	Passed through to subrecipients
<b>U.S. Department of Transportation</b>				
<u>Federal Transit Cluster:</u>				
U.S. Department of Transportation - Direct Programs				
Federal Transit - Capital Investment Grants	20.500	OR-03-0126	\$ 30,666	\$ -
			<u>30,666</u>	<u>-</u>
Federal Transit - Formula Grants	20.507	OR-2017-012	2,019	-
Federal Transit - Formula Grants	20.507	OR-2017-011	139	-
Federal Transit - Formula Grants	20.507	OR-2016-011	420	-
Federal Transit - Formula Grants	20.507	OR-2016-013	186	-
Federal Transit - Formula Grants	20.507	OR-2016-015	196	196
Federal Transit - Formula Grants	20.507	OR-2019-020	486	486
Federal Transit - Formula Grants	20.507	OR-2019-010	20,380	-
	20.507	OR-2019-012	41,347	-
	20.507	OR-2019-019	4,786	-
			<u>69,959</u>	<u>682</u>
State of Good Repair Grants Program	20.525	OR-2019-009	17	-
State of Good Repair Grants Program	20.525	OR-2019-011	26,440	-
			<u>26,457</u>	<u>-</u>
Bus and Bus Facilities Formula Program	20.526	OR-2017-018	2,517	-
			<u>2,517</u>	<u>-</u>
Passed through from METRO				
Federal Transit - Formula Grants	20.507	METRO # 931908	19	-
Total Federal Transit Cluster			<u>129,618</u>	<u>682</u>
<u>Transit Services Program Cluster:</u>				
U.S. Department of Transportation - Direct Programs				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	OR-2017-031	674	674
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	OR-2019-005	827	827
Passed through from Oregon Department of Transportation:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	ODOT 31474	537	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	ODOT 32218	2,239	116
Total Passed through from Oregon Department of Transportation			<u>2,776</u>	<u>116</u>
Total Transit Services Program Cluster			<u>4,277</u>	<u>1,617</u>
U.S. Department of Transportation - Direct Programs				
Railroad Safety Technology	20.321	OR-2018-005	297	-
Public Transportation Research, Technical Assistance, and Training	20.514	OR-2017-005	269	-
Clean Fuels	20.519	OR-58-0002	86	-
<b>Total U.S. Department of Transportation Programs</b>			<u><b>134,547</b></u>	<u><b>2,299</b></u>
<b>U.S. Department of Homeland Security - Direct Programs</b>				
Rail and Transit Security Grant Program	97.075	EMW-2016-RA-00012	863	-
Rail and Transit Security Grant Program	97.075	EMW-2017-RA-00013	223	-
<b>Total U.S. Department of Homeland Security Programs</b>			<u><b>1,086</b></u>	<u><b>-</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 135,633</b></u>	<u><b>\$ 2,299</b></u>

*The accompanying notes are an integral part of this schedule.*

**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**  
(dollars in thousands)

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes all federal grant activity of Tri-County Metropolitan Transportation District of Oregon (the District), under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because this Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**2. Summary of Significant Accounting Policies and Revenue and Expense Recognition**

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is consistent with the financial statements, as described in Note 1 to the District's June 30, 2019 financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District does not utilize the 10 percent de minimus rate for overhead allocation.

**3. Relationship to the Basic Financial Statements**

Federal awards are reported in the District's financial statements as operating grant revenue and capital contributions.

**4. Subrecipients**

Included within the federal expenditures presented in the Schedule of Federal Awards are federal awards to subrecipients as follows:

<b>Subrecipient</b>	<b>Federal CFDA Number</b>	<b>Grant Number/TriMet Contract number</b>	<b>Total Expenditures</b>
Ride Connection	20.507	TriMet #16-0051	\$ 196
Ride Connection	20.513	TriMet #17-0346	674
Ride Connection	20.513	TriMet #17-0346	827
Ride Connection	20.513	TriMet #18-0015	116
Ride Connection	20.507	TriMet #19-0060	131
Ride Connection	20.507	TriMet #19-0060	192
Portland Community College	20.507	TriMet #17-00817	115
Ride Connection	20.507	TriMet #16-0051	48
Total subrecipient expenditures			\$ 2,299

**Schedule of Findings and Questioned Costs**  
For the Year Ended June 30, 2019

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes  No

**Identification of Major Federal Programs and type of auditor's report issued on compliance for major federal programs**

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued</i>
20.500, 20.507, 20.525, 20.526	Federal Transit Cluster	Unmodified
20.513	Transit Services Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee?  Yes  No

**Section II - Financial Statement Findings**

None reported

**Section III - Federal Award Findings and Questioned Costs**

None reported



**Schedule of Prior Federal Findings**  
For the Year Ended June 30, 2019

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**Schedule of Prior Federal Award Findings**

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None reported

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**APPENDIX C**

**FORM OF BOND COUNSEL LEGAL OPINION**

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*On the date of issuance of the Series 2019 Bonds, Hawkins Delafield & Wood LLP, Bond Counsel, proposes to issue its approving opinion in substantially the following form:*

October 9, 2019

Tri-County Metropolitan Transportation District of Oregon  
1800 S.W. First Avenue, Suite 300  
Portland, Oregon 97201

Subject: \$237,815,000 Tri-County Metropolitan Transportation District of Oregon  
\$188,390,000 Senior Lien Payroll Tax Revenue Bonds, Series 2019A (Tax-Exempt)  
\$49,425,000 Senior Lien Payroll Tax Revenue Refunding Bonds, Series 2019B (Federally Taxable)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Tri-County Metropolitan Transportation District of Oregon (“TriMet”) of its \$188,390,000 Senior Lien Payroll Tax Revenue Bonds, Series 2019A (Tax-Exempt) (the “Series 2019A Bonds”), and its \$49,425,000 Senior Lien Payroll Tax Revenue Refunding Bonds, Series 2019B (Federally Taxable) (the “Series 2019B Bonds”, and collectively with the Series 2019A Bonds, the “Series 2019 Bonds”), which are dated as of their date of delivery. The Series 2019 Bonds are issued pursuant to Oregon Revised Statutes (“ORS”) 287A.150 and other applicable provisions of ORS Chapter 287A, ORS Chapter 267 and related provisions, TriMet Resolution 19-05-32 adopted May 15, 2019, and TriMet Resolution 15-06-37 adopted June 24, 2015 (collectively, the “Resolution”), and pursuant to a Trust Indenture between TriMet and The Bank of New York Mellon Trust Company, N.A., as trustee, dated as of April 1, 2001, as amended and supplemented, including amendments and supplements made by a Tenth Supplemental Trust Indenture dated as of October 9, 2019 (collectively, the “Indenture”). Capitalized terms used but not defined in this opinion have the respective meanings assigned to such terms in the Indenture.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on representations of TriMet in the Indenture and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. TriMet has the legal authority and power to issue the Series 2019 Bonds. The Series 2019 Bonds have been legally and validly authorized, sold, executed and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the Resolution, and the Indenture and have been issued for a purpose provided in and authorized by the Act. The Series 2019 Bonds constitute valid and legally binding special obligations of TriMet that are enforceable in accordance with their terms.

2. The Series 2019 Bonds are payable and secured by a pledge of and lien on the Trust Estate, which includes the Specified Tax Revenues, as provided in the Indenture.

3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Series 2019A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2019A Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by TriMet and others in connection with the Series 2019A Bonds, and we have assumed compliance by TriMet and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2019A Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2019A Bonds in order that, for federal income tax purposes, interest on the Series 2019A Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Series 2019A Bonds, restrictions on the investment of proceeds of the Series 2019A Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2019A Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Series 2019A Bonds, TriMet will execute a Tax Certificate (the “Tax Certificate”) containing provisions and procedures pursuant to which such requirements can be satisfied. By executing the Tax Certificate, TriMet covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things required by the Code to assure that interest paid on the Series 2019A Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 3 hereof we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Series 2019A Bonds, and (ii) compliance by TriMet with the procedures and covenants set forth in the Tax Certificate.

4. Interest on the Series 2019B Bonds is not excludable from gross income for federal income tax purposes.

5. Interest on the Series 2019 Bonds is exempt from Oregon personal income tax.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2019 Bonds or the ownership or disposition thereof, except as stated in paragraphs 3, 4, and 5 above. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2019A Bonds.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the Series 2019 Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors’ rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as TriMet.

This opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms “law” and “laws” do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as bond counsel only to TriMet in connection with the Series 2019 Bonds and have not represented and are not representing any other party in connection with the Series 2019 Bonds. This opinion is given solely for the benefit of TriMet in connection with the Series 2019 Bonds and may not be relied on in any manner or for any purpose by any person or entity other than TriMet and any person to whom we may send a formal reliance letter indicating that the recipient is entitled to rely on this opinion.

Very truly yours,

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**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE UNDERTAKING**

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## CONTINUING DISCLOSURE CERTIFICATE

**\$237,815,000**

**Tri-County Metropolitan Transportation District of Oregon**

**\$188,390,000**

**\$49,425,000**

**Senior Lien Payroll Tax  
Revenue Bonds, Series 2019A  
(Tax-Exempt)**

**Senior Lien Payroll Tax  
Revenue Refunding Bonds, Series 2019B  
(Federally Taxable)**

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the Tri-County Metropolitan Transportation District of Oregon (“TriMet”) in connection with the issuance of the above captioned bonds (collectively, the “Series 2019 Bonds”).

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by TriMet for the benefit of the owners of the Series 2019 Bonds and to assist the underwriters of the Series 2019 Bonds in complying with paragraph (b)(5) of the United States Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended (the “Rule”). This Certificate constitutes TriMet’s written undertaking for the benefit of the owners of the Series 2019 Bonds as required by Section (b)(5) of the Rule.

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for purposes of this Certificate, have the meanings herein specified.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Series 2019 Bonds, including persons holding Series 2019 Bonds through nominees or depositories.

“Commission” means the United States Securities and Exchange Commission.

“MSRB” means the United States Municipal Securities Rulemaking Board or any successor to its functions.

“Official Statement” means the final official statement for the Series 2019 Bonds dated September 24, 2019.

“Rule” means the Commission’s Rule 15c2-12 under the Securities Exchange Act of 1934, as it has been and may be amended.

Section 3. Financial Information. TriMet agrees to provide or cause to be provided to the MSRB, the following annual financial information and operating data:

A. TriMet’s latest publicly available audited financial statements, including the financial statements of TriMet for the most recently completed fiscal year prepared in accordance with generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (or its successors) and generally of the type included in the Official Statement in “APPENDIX B: Audited Financial Statements for Fiscal Years Ended June 30, 2019 and 2018”; and

B. To the extent not provided in the audited financial statements, historical financial information and operating data of the type set forth in the following sections of the Official Statement:

- Information regarding the maximum legislatively-established base rate and the authorized TriMet rates of the type provided under the subheadings “Revenue Sources – Payroll Taxes and Self-Employment Taxes” and “Revenue Sources – State In-Lieu Payments” in “THE SPECIFIED TAX REVENUES”;
- Table 1 (Historical Payroll, Self-Employment and State In-Lieu Tax Revenues);
- Table 2 (Historical Specified Tax Revenues, Senior Lien Debt Service and Debt Service Coverage);
- Table A-6 (Summary of TriMet Statements of Net Position For Fiscal Years Ended June 30); and,
- Table A-7 (Summary of TriMet Statement of Revenues, Expenses and Changes in Net Assets for Fiscal Years Ended June 30).

Section 4. Timing. The information described in Section 3 hereof shall be provided on or before nine months after the end of TriMet's fiscal year. TriMet's current fiscal year ends June 30. TriMet may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, TriMet may cross-reference to other documents provided to the MSRB.

Section 5. Material Events. TriMet agrees to provide or cause to be provided to the MSRB in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Series 2019 Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (g) Modifications to the rights of security holders, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the securities, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph (l), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States

Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.);

(m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(o) Incurrence of a financial obligation of an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of an obligated person, any of which affect security holders, if material. For the purposes of this paragraph (o) and paragraph (p) below, “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii); the term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule;

(p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of an obligated person, any of which reflect financial difficulties.

TriMet may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed in this Section, if, in the judgment of TriMet, such other event is material with respect to the Series 2019 Bonds, but TriMet does not undertake any commitment to provide such notice of any event except those events listed in this Section.

Section 6. Failure to File Annual Financial Information. TriMet agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of a failure by TriMet to provide the annual financial information described in Section 3 hereof on or prior to the time set forth in Section 4 hereof.

Section 7. Termination. TriMet’s obligation to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2019 Bonds. This Certificate, or any provision hereof, shall be null and void if TriMet (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any provision hereof, are invalid, have been repealed retroactively or otherwise do not apply to the Series 2019 Bonds; and (b) notifies the MSRB of such opinion and the termination of its obligations under this Certificate.

Section 8. Amendment. Notwithstanding any other provision of this Certificate, TriMet may amend this Certificate provided that the following conditions are satisfied:

A. If the amendment relates to the provisions of Sections 3.A or 3.B or Section 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of TriMet with respect to the Series 2019 Bonds, or the type of business conducted;

B. If this Certificate, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2019 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment either (i) is approved by the Series 2019 Bondowners pursuant to the governing instrument at the time of amendment or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Series 2019 Bondowners.

In the event of any amendment of a provision of this Certificate, TriMet shall describe such amendment in its next annual filing pursuant to Section 3 hereof, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by TriMet. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of the amendment shall be given in the same manner as for a material event under Section 5 hereof, and (ii) the annual filing pursuant to Section 3 hereof for the first fiscal year that is affected by the change in accounting principles should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Series 2019 Bondowner's Remedies Under This Certificate. The right of any Series 2019 Bondowner to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of TriMet's obligations hereunder, and any failure by TriMet to comply with the provisions of this Certificate shall not be an event of default with respect to the Series 2019 Bonds. Series 2019 Bondowners may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause TriMet to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed a default or an event of default under the documents authorizing issuance of the Series 2019 Bonds, and no monetary damages shall arise or be payable hereunder, and the sole remedy under this Certificate in the event of any failure of TriMet to comply with this Certificate shall be an action to compel performance.

Section 10. Form of Information. All information required to be provided under this Certificate will be provided in an electronic format as prescribed by the MSRB, and with the identifying information prescribed by the MSRB.

Section 11. Submitting Information Through EMMA. So long as the MSRB continues to approve the use of the Electronic Municipal Market Access ("EMMA") continuing disclosure service, any information required to be provided to the MSRB under this Certificate may be

provided through EMMA. As of the date of this Certificate, the web portal for EMMA is emma.msrb.org.

Section 12. Dissemination Agent. TriMet, from time to time, may engage or appoint an agent to assist TriMet in disseminating information hereunder (the “Dissemination Agent”). TriMet may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 13. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of the 9<sup>th</sup> day of October, 2019.

**Tri-County Metropolitan Transportation  
District of Oregon**

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Dee Brookshire, Executive Director,  
Finance and Administrative Services

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## APPENDIX E

### INFORMATION ABOUT DTC AND ITS BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each series of the Series 2019 Bonds, each in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2019 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2019

Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents relating to the Series 2019 Bonds. For example, Beneficial Owners of Series 2019 Bonds may wish to ascertain that the nominee holding the Series 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Certificate Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2019 Bonds within a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to TriMet as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments represented by the Series 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from TriMet or the Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, or TriMet, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of TriMet or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to TriMet or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

To the extent permitted by law, TriMet may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The above information concerning DTC and DTC's book-entry system has been obtained from sources that TriMet believes to be reliable, but TriMet takes no responsibility for the accuracy thereof. Neither TriMet nor the Fiscal Agent will have any responsibility or obligation to Participants or the persons for whom they act as nominees or Beneficial Owners with respect to DTC's record keeping,

payments by DTC or Participants, notices to be delivered by DTC, or any other action taken by DTC as Registered Owner of the Series 2019 Bonds.

So long as Cede & Co. is the registered owner of the Series 2019 Bonds, as nominee for DTC, references herein to the holders or registered owners of the Series 2019 Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2019 Bonds. When reference is made to any action, which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given TriMet or the Fiscal Agent shall send them to DTC only.

For every transfer and exchange of the Series 2019 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

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**APPENDIX F**

**SUMMARY OF THE INDENTURE**

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## SUMMARY OF INDENTURE

This Appendix F summarizes selected provisions of the Trust Indenture dated as of April 1, 2001 as amended and supplemented, including amendments made by the Tenth Supplemental Trust Indenture dated as of October 9, 2019 (the “Indenture”). The Indenture is between TriMet (the “Issuer”) and The Bank of New York Mellon Trust Company, N.A. as trustee (the “Trustee”). This summary also omits administrative provisions that do not apply to the Series 2019 Bonds, or that are stated in the forepart of this Official Statement. These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the complete text of the Indenture. Prospective purchasers of the Series 2019 Bonds may obtain the complete text of the Indenture from the Trustee upon written request.

### DEFINITIONS.

The Indenture uses the following defined terms:

“**ADDITIONAL BONDS**” means any Senior Lien Bonds issued after the first Series of Senior Lien Bonds. The first Series of Senior Lien Bonds were issued in 2001.

“**ANNUAL DEBT SERVICE**” means the amount required to be paid in the then current or any succeeding Fiscal Year in respect of the principal of or interest on any Outstanding Senior Lien Bonds and under any existing Derivative Product; *provided that*:

(i) there shall be credited against such sum any interest capitalized or otherwise payable from proceeds derived from the sale of such Senior Lien Bonds;

(ii) the amount required to be paid in any Fiscal Year under any Derivative Product shall be calculated by offsetting the aggregate amount of all Net Anticipated Reciprocal Payments for such Fiscal Year against the aggregate amount of all Net Anticipated Issuer Payments for such Fiscal Year;

(iii) the amount of Term Obligations subject to mandatory redemption in any Fiscal Year pursuant to a Mandatory Redemption Schedule shall be deemed to mature in the Fiscal Year in which such Term Obligations are subject to such mandatory redemption and only the principal amount of such Term Obligations scheduled to remain Outstanding on the final maturity date thereof shall be included in determining the Annual Debt Service for Senior Lien Bonds in the Fiscal Year in which such maturity date occurs;

(iv) the procedure for determining Annual Debt Service for the Outstanding Senior Lien Bonds which constitute Option Obligations shall be as follows:

(A) except as provided in paragraph (A) and (B), any Option Obligations Outstanding at the time of such determination shall be assumed to mature on their stated dates of maturity; *provided that* if such Option Obligations are subject, without contingency, to scheduled mandatory redemption on specific determinable dates and in specific amounts, then such Option Obligations shall be deemed to mature on the dates and in the amounts provided in connection with such scheduled mandatory redemption;

(B) during any Fiscal Year in which such Senior Lien Bonds may be tendered at the option of the Owners thereof, if a Credit Facility is in effect which will purchase all of such Senior Lien Bonds which are tendered but not remarketed, it shall be assumed that the aggregate principal amount of all such Senior Lien Bonds which may, during such Fiscal Year, be tendered by the Owners thereof, together with interest thereon at the maximum rate at which such Senior Lien Bonds may be remarketed, shall be amortized in equal installments over a term equal to twenty-five (25) years;

(C) during any Fiscal Year in which such Senior Lien Bonds may be tendered at the option of the Owners thereof, if a Credit Facility is not in effect which will purchase all of such Senior Lien Bonds which are tendered but not remarketed, it shall be assumed that every Senior Lien Bond that may be so tendered matures in such Fiscal Year.

(v) for purposes of computing Annual Debt Service for the Outstanding Senior Lien Bonds which constitute Variable Rate Obligations, such Variable Rate Obligations shall be

deemed to bear interest at all times to maturity thereof at the maximum interest rate allowed under the Indenture, *provided that*, in any Fiscal Year in which the Specified Tax Revenues collected by, or on behalf of the Issuer (in the case of current or prior Fiscal Years), or in which the Issuer's Fiscal Year budget projects the receipt of Specified Tax Revenues that will be at least equal to ten (10) times the amount of the annual debt service for the prior Fiscal Year (calculated by using the Estimated Average Interest Rates applicable to Variable Rate Obligations and variable rate Issuer payments), such Variable Rate Obligations shall be deemed to bear interest at all times to maturity thereof at the Estimated Average Interest Rate applicable thereto and if such Variable Rate Obligations are subject, without contingency, to scheduled mandatory redemption on specific or determinable dates and in specific amounts, then such Variable Rate Obligations shall be deemed to mature on the dates and in the amounts provided in connection with such scheduled mandatory redemption;

(vi) for purposes of computing Annual Debt Service on Outstanding Senior Lien Bonds which constitute Capital Appreciation Obligations, only that portion of the Accreted Value becoming due at maturity or by virtue of a scheduled mandatory redemption prior to maturity with respect to such Senior Lien Bonds shall be included in the calculations of accrued and unpaid interest and principal requirements; and

(vii) for purposes of computing Annual Debt Service on any Senior Lien Bonds which constitute Balloon Indebtedness, it shall be assumed that the principal of such Balloon Indebtedness, together with interest thereon at the rate applicable to such Balloon Indebtedness, shall be amortized in equal annual installments over a term equal to the lesser of:

- (1) twenty-five (25) years; or
- (2) the average weighted useful life (expressed in years and rounded to the next highest integer) of the properties and assets constituting the Project (if any) financed out of the proceeds of such Balloon Indebtedness.

**"BALLOON INDEBTEDNESS"** means any Series of Senior Lien Bonds more than twenty-five percent (25%) of the principal of which, in accordance with the terms of such Senior Lien Bonds, is due and payable in any one Fiscal Year either by reason of the stated maturity date of such Senior Lien Bonds or pursuant to a Mandatory Redemption Schedule; *provided that* with respect to any Senior Lien Bonds issued as Term Obligations, such Senior Lien Bonds shall only be treated as Balloon Indebtedness if more than twenty-five percent (25%) of the principal thereof is due in any one Fiscal Year pursuant to the applicable Mandatory Redemption Schedule or upon the stated maturity date thereof (assuming that the only principal due on the stated maturity date thereof will be the principal remaining outstanding after all redemptions have been made pursuant to the applicable Mandatory Redemption Schedule).

**"CODE"** means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated or applicable thereunder, and any successor statute (but only to the extent that such successor statute is applicable to particular Senior Lien Bonds).

**"COMPLETION BONDS"** means Senior Lien Bonds that are issued to finance the completion of a Project.

**"CREDIT AGREEMENT"** means: (1) an agreement with a Credit Provider pursuant to which a Credit Facility is issued or given as security for a particular Series of Senior Lien Bonds; or (2) an agreement with an insurer or other guarantor pursuant to which a Derivative Facility is given as security for the Issuer's obligations under a Derivative Product.

**"CREDIT FACILITY"** means a letter of credit, a municipal bond insurance policy, a surety bond, standby bond purchase agreement or other credit enhancement device given, issued or posted as security for one or more Series of Senior Lien Bonds, including any Alternate Credit Facility.

**"CREDIT PROVIDER"** means the person or entity, if any, providing a Credit Facility as security for a Series of Senior Lien Bonds.



**“DEBT SERVICE ACCOUNT”** means the account held by the Trustee under the Indenture to pay Senior Lien Bonds. The full text of the Indenture uses the term “2001 Debt Service Account” to describe the Debt Service Account.

**“DERIVATIVE FACILITY”** means a letter of credit, an insurance policy, a surety bond or other credit enhancement device given, issued or posted as security for the Issuer’s obligations under one or more Derivative Products.

**“DERIVATIVE PAYMENT DATE”** means, with respect to a Derivative Product, any date specified in the Derivative Product on which both or either of an Issuer Payment and/or a Reciprocal Payment is due and payable under the Derivative Product.

**“DERIVATIVE PRINCIPAL”** means, as of any date of calculation, the notional amount used for purposes of determining the amount of Issuer Payments and/or Reciprocal Payments under a Derivative Product. Unless otherwise provided in the Derivative Product, where a Derivative Principal is based upon the principal amount of one or more designated Series or maturities, the Derivative Principal shall be scheduled to take account of each scheduled mandatory redemption date within the designated Series or maturities and each optional redemption planned by the Issuer at the time of entering the related Derivative Product.

**“DERIVATIVE PRODUCT”** means a written contract or agreement between the Issuer and a third party which has at least an investment grade rating from a Rating Agency (the “Reciprocal Payor”) which provides that the Issuer’s obligations thereunder shall be conditioned on the absence of: (i) a failure by the Reciprocal Payor to make any payment required thereunder when due and payable, or (ii) a default thereunder with respect to the financial status of the Reciprocal Payor; and:

(i) under which the Issuer is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the Issuer Payments in exchange for the Reciprocal Payor’s obligation to pay or to cause to be paid to the Issuer, on scheduled and specified Derivative Payment Dates, the amounts set forth in the Derivative Product (the “Reciprocal Payments”);

(ii) for which the Issuer’s obligation to make Issuer Payments may be secured by a pledge of and lien on the Specified Tax Revenues on an equal and ratable basis with the Outstanding Senior Lien Bonds;

(iii) under which Reciprocal Payments are to be made directly to the Trustee for deposit into the Revenue Fund;

(iv) for which the Issuer Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Derivative Product by multiplying a specified rate of interest or other multiplier (the “Issuer Rate”), which may be a fixed rate or a variable rate, by the Derivative Principal *provided that* the Derivative Product shall specify a maximum applicable rate for variable rate Issuer Rates; and

(v) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Derivative Product by multiplying a specified rate of interest or other multiplier (the “Reciprocal Rate”), which may be a fixed rate or a variable rate, by the Derivative Principal or any other notional amount *provided that* the Derivative Product shall specify a minimum applicable rate for each Reciprocal Rate that is a variable rate.

**“ESTIMATED AVERAGE DERIVATIVE RATE”** means:

(i) as to the variable rate payments to be made by a party under any Derivative Product:

(a) to the extent such variable rate payments have been made for a period of 12 months or more, the higher (in the case of variable rate Issuer Payments), or the lower, (in the case of variable Rate Reciprocal Payments) of:

(1) the weighted average rate of interest applicable to such payments during the immediately preceding 12 month period; or

(2) the rate applicable under the related Derivative Product as of the date of determination; or

(b) to the extent such variable rate payments have not been made for a period of 12 months or more, the most current actual rate used in calculating such variable rate payments; and

(ii) as to any Derivative Products which have been authorized to be entered into by the Issuer but have not yet been executed or become effective, the variable rate shall be estimated by applying the variable rate formula specified in the contract to the most recently published rate for the floating rate index or other equivalent specified in the Derivative Product as the basis upon which the variable rate shall be determined,

*provided that*, where the variable rate to be used in a Derivative Product is specified as the rate, or rates applicable to one or more specified maturities of Senior Lien Bonds, the variable rate or rates under the Derivative Product will be deemed to be the same rate or rates estimated for the specified maturity or maturities of the specified Senior Lien Bonds, and *provided further that*, if two or more Derivative Products each specify the same index or and formula for determining and setting their respective variable rates, on the same dates, and for the same periods of time, and with respect to identical Derivative Principal amounts, all such Derivative Products shall be deemed to have the same Estimated Average Derivative Rate, calculated in accordance with paragraph (i) and (ii) of this definition, and calculated, where applicable, with respect to the first of such Derivative Products to become effective.

**“ESTIMATED AVERAGE INTEREST RATE”** means:

(i) as to any Outstanding Senior Lien Bonds during any period in which such Senior Lien Bonds are Variable Rate Obligations:

(a) to the extent such Variable Rate Obligations have been Outstanding for a period of 12 months or more, the higher of:

(1) the weighted average rate of interest applicable to such Senior Lien Bonds during the immediately preceding 12 month period; or

(2) the rate of interest applicable to such Senior Lien Bonds as of the date of determination; or

(b) to the extent such Variable Rate Obligations have not been Outstanding for a period of 12 months or more, the most current actual interest rate on such Variable Rate Obligations; and,

(ii) as to any Senior Lien Bonds which have been authorized to be issued or incurred but have not yet been issued or incurred, 100% of the most recently published interest rate for municipal bonds with similar terms and credit ratings published in *The Bond Buyer*.

**“EVENT OF DEFAULT”** means:

(i) default occurs in the due and punctual payment of Senior Lien Bond principal, interest or premium, whether at maturity, on prior redemption or otherwise;

(ii) other defaults occur with respect to Senior Lien Bonds or Derivative Products that continue for a period of sixty days after written notice is given to the Issuer by the Trustee, or to the Issuer and the Trustee by the Owners of at least fifty percent of the Outstanding Senior Lien Bond principal;

(iii) the Issuer files a petition or otherwise seeks relief under any federal or state bankruptcy law or similar law;

(iv) the appointment of a receiver for the Issuer or any substantial part of its properties or operations, if the appointment is made with the consent of the Issuer, or is made without the consent of the Issuer and is not vacated, discharged or stayed within ninety days;

(v) notice is given to the Trustee that an event of default has occurred under a Credit Agreement, or certain failures of the Issuer with respect to Credit Facilities;

(vi) the Issuer fails to make an Issuer Payment under a Derivative Product (other than a failure in connection with a good faith contest); and,

(vii) any other event that is expressly stated to constitute an Event of Default in a Supplemental Indenture.

“**FIDUCIARY**” means the Trustee, any Bond Registrar, any Paying Agent, any Depository and any Remarketing Agent or Tender Agent for Senior Lien Bonds which constitute Variable Rate Obligations or Option Obligations, or any or all of them, as may be appropriate.

“**FISCAL YEAR**” means the fiscal year of the Issuer as prescribed by law, currently that period commencing on July 1 and continuing to and including the next succeeding June 30.

“**FITCH**” means Fitch Investors Service, Inc., its successors and assigns.

“**GOVERNMENT OBLIGATIONS**” means, to the extent permitted by law for investment as contemplated in the Indenture, any general obligations of the United States of America or any obligations of any agency or instrumentality thereof which are backed by the full faith and credit of the United States of America.

“**INDENTURE**” means the Trust Indenture dated as of April 1, 2001 as it is currently amended and supplemented and as it may be amended or supplemented from time to time in accordance with its terms.

“**INTEREST PAYMENT DATE**” means the date on which interest on a Series of Senior Lien Bonds is payable.

“**ISSUER**” means the Tri-County Metropolitan Transportation District of Oregon, a municipal corporation and a public body, corporate and politic, exercising public powers and duly created and existing under and pursuant to the laws of the State of Oregon, particularly Chapter 267 of Oregon Revised Statutes.

“**ISSUER PAYMENT**” means any payment required to be made by or on behalf of the Issuer under a Derivative Product.

“**LOCAL BUDGET LAW**” means ORS 294.305 to 294.565, as amended, and the administrative rules promulgated thereunder.

“**MANDATORY REDEMPTION SCHEDULE**” means with respect to particular Senior Lien Bonds, the schedule pursuant to which the principal portions thereof (howsoever designated) are subject, without contingency, to mandatory redemption or prepayment prior to maturity, all as set forth in the Supplemental Indenture pursuant to which such Senior Lien Bonds are issued.

“**NET ANTICIPATED ISSUER PAYMENT**” means, with respect to any Derivative Payment Date, the amount by which the Issuer Payment expected to be made under the related Derivative Product (calculated, where a variable rate is used to derive the Reciprocal Payment, as the maximum amount permissible on such date under the related Derivative Product), exceeds the Reciprocal Payment expected to be made on such Derivative Payment Date under the Derivative Product (calculated, where a variable rate is used to derive the Reciprocal Payment, as the minimum amount permissible on such date under the related Derivative Product), *provided that*, in Fiscal Years during which the Annual Debt Service on Senior Lien Bonds that are Variable Rate Obligations would, if such Senior Lien Bonds were Outstanding, be permitted to be calculated by use of the Estimated Average Interest Rate, the Net Anticipated Reciprocal Payment may be calculated by applying the Estimated Average Derivative Rate to the Issuer Payment(s) or Reciprocal Payment(s), as applicable.

“**NET ANTICIPATED RECIPROCAL PAYMENT**” means, with respect to any Derivative Product, the amount by which, within a particular period, the Reciprocal Payment(s) (calculated, where a variable rate is used to derive the Reciprocal Payment, as the minimum amounts permissible under the Derivative Product), is or are expected to exceed the Issuer Payment(s) (calculated, where a variable rate is used to derive the Issuer Payment, as the maximum amounts permissible under the related Derivative Products), *provided that*, in Fiscal Years during which the Annual Debt Service on Senior Lien Bonds that are Variable Rate Obligations would, if such Senior Lien Bonds were Outstanding, be permitted to be calculated by use of the Estimated Average Interest Rate, the Net Anticipated Reciprocal Payment may be calculated by applying the Estimated Average Derivative Rate to the Issuer Payment(s) or Reciprocal Payment(s), as applicable.

“**NET ISSUER PAYMENT**” means, with respect to a particular Derivative Product, the amount by which, within a particular period, the sum of the actual Issuer Payment(s) under a Derivative Product exceeds the sum of the actual Reciprocal Payment(s) under such Derivative Product.

“**NET RECIPROCAL PAYMENT**” means, with respect to a particular Derivative Product, the amount by which, within a particular period, the sum of the actual Reciprocal Payment(s) under a Derivative Product exceeds the sum of the actual Issuer Payment(s) under such Derivative Product.

“**OPINION OF BOND COUNSEL**” means an opinion of Bond Counsel:

(i) in the case of the issuance of any Additional Bonds, addressed to the Issuer and opining as to the due authorization and issuance of such Additional Bonds, the validity and enforceability thereof and, if such Additional Bonds are intended to be Tax-Exempt Obligations, the federal tax exempt status of the interest thereon; and

(ii) in other cases in which such an opinion is required as a condition precedent to any action under the Indenture, addressed to the Issuer and the Trustee and opining that the action proposed to be taken is authorized or permitted by the Indenture or the applicable provisions of any Supplemental Indenture and will not adversely affect the excludability for federal income tax purposes of the interest on any affected Senior Lien Bonds issued as, and which at the time of rendition of such opinion still are, Tax-Exempt Obligations from the gross incomes of the Owners thereof.

“**OPTION OBLIGATIONS**” means, with respect to a particular Series of Senior Lien Bonds, Senior Lien Bonds which by their terms may be tendered by and at the option of the Owner for purchase prior to the stated maturity thereof.

“**ORIGINAL ISSUE DATE**” means the date on which a Series of Senior Lien Bonds is issued.

“**OUTSTANDING**” when used with reference to a particular Series of Senior Lien Bonds, means, as of a particular date, all Senior Lien Bonds of such Series theretofore authenticated and delivered under the Indenture and, in the case of Additional Bonds, the Supplemental Indenture pursuant to which such Senior Lien Bonds are issued, except:

(i) Senior Lien Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) Senior Lien Bonds (or portions of Senior Lien Bonds) for the payment or redemption of which moneys, or investments thereof, equal to or calculated to produce on the Redemption Date, the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Indenture or any Supplemental Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), *provided that* if such Senior Lien Bonds (or portions of Senior Lien Bonds) are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice as provided in the Indenture or the applicable provisions of any Supplemental Indenture;

(iii) Senior Lien Bonds in lieu of or in substitution for which other Senior Lien Bonds shall have been authenticated and delivered pursuant to Article V or Section 1306 of the Indenture or the applicable provisions of any Supplemental Indenture unless proof satisfactory to the Trustee is presented that any such Senior Lien Bonds are held by a *bona fide* purchaser in due course; and

(iv) Senior Lien Bonds paid or deemed to have been paid as provided in Section 1401 of the Indenture.

In addition, Senior Lien Bonds of a Series held by or for the Issuer shall not be deemed to be Outstanding for most purposes under the Indenture.

“**OWNER**” means any person who shall be the registered owner of any Senior Lien Bond or Senior Lien Bonds as shown by the registration books maintained by the Bond Registrar for such Senior Lien Bonds. However, the insurer of a Series of Senior Lien Bonds may be entitled to be treated as the Owner of that Series for all purposes under the Indenture except payment.

“**PARTICIPANT**” means a broker-dealer, bank or other financial institution for which DTC holds Senior Lien Bonds as Securities Depository.

“**PAYING AGENT**” means, with respect to a particular Series of Senior Lien Bonds, any bank, trust company or national banking association, which may include the Trustee or its successor or successors,

authorized by the Issuer pursuant to a Supplemental Indenture to pay the principal or Redemption Price of or interest due on such Series of Senior Lien Bonds and having the duties, responsibilities and rights provided for in the Indenture and such Supplemental Indenture and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to the Indenture or the applicable provisions of any Supplemental Indenture. The initial Paying Agent for the Series 2019 Bonds is the Trustee.

**“PERMITTED INVESTMENTS”** means those investments in which, under the applicable laws of the State of Oregon or the applicable provisions of any charter, resolution or ordinance heretofore or hereinafter adopted for or by the Issuer, the Issuer is permitted to invest its funds. The laws of the State of Oregon which, as of the date of enactment of the Indenture, set forth such investments are contained in ORS 294.035.

**“PRINCIPAL PAYMENT DATE”** means any date on which any Senior Lien Bonds are scheduled to be retired, whether by virtue of their maturity or by mandatory sinking fund redemption prior to maturity.

**“PROJECT”** means any buildings, structures, land, interests in land, improvements, furnishings, machinery or equipment and any tangible personal or real property of every kind and description deemed necessary or appropriate by the Issuer for use in its operations or in furtherance of its governmental purposes and functions.

**“QUALIFIED CONSULTANT”** means an independent engineer, an independent financial advisor, or similar independent professional consultant of nationally recognized standing and having experience and expertise in the area for which such person or firm is retained by the Issuer for purposes of the Indenture.

**“RATING AGENCY”** means the rating agency that rates a series of Senior Lien Bonds at the request of the Issuer.

**“RECIPROCAL PAYMENT”** means any payment to be made to, or for the benefit of, the Issuer under a Derivative Product by the Reciprocal Payor.

**“RECIPROCAL PAYOR”** means a party to a Derivative Product who is obligated to make one or more Reciprocal Payments thereunder.

**“REDEMPTION PRICE”** means, with respect to any Senior Lien Bond, the amount payable upon the redemption or prepayment thereof prior to maturity, including the principal of, premium (if any) and accrued or accreted interest thereon.

**“REVENUE FUND”** means the fund described in the Indenture into which the Issuer is obligated to deposit Specified Tax Revenues to pay the Senior Lien Bonds.

**“SENIOR LIEN BOND”** or **“SENIOR LIEN BONDS”** means obligations that are secured by a senior lien on the Trust Estate. Senior Lien Bonds must be issued under the Indenture and include the Series 2019 Bonds, Additional Bonds, Refunding Bonds and Completion Bonds. The complete text of the Indenture refers to Senior Lien Bonds as “Bonds.”

**“SETTLEMENT DATE”** means the last Business Day of each week.

**“SERIES”** means all of the Senior Lien Bonds issued, authenticated and delivered pursuant to the Indenture or a Supplemental Indenture on the original issuance of a stipulated aggregate principal amount in a simultaneous transaction and any Senior Lien Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to the Indenture or such Supplemental Indenture regardless of variations in maturity, interest rate or other provisions.

**“SPECIFIED TAX”** means any tax imposed by the Issuer, the revenues from which have been duly pledged by the Issuer as security for the Senior Lien Bonds and included as part of the Specified Tax Revenues.

**“SPECIFIED TAX REVENUES”** means the tax revenues derived by the Issuer from:

(i) the taxes imposed by the Issuer pursuant to ORS 267.380 and 267.385, as amended, and the payments received by the Issuer from the State of Oregon in lieu of taxes on payrolls for activities within the Issuer’s boundaries pursuant to ORS 291.405 to 291.406, as amended;

(ii) any Substitute Tax imposed by the Issuer in complete or partial substitution of the taxes described in subparagraph (i) of this definition in accordance with and subject to the limitations of the Indenture and which are duly pledged by the Issuer as security for the Senior Lien Bonds, Derivative Products and any Credit Facility or Derivative Facility secured by a lien on the Specified Tax Revenues; and

(iii) any other revenues received by the Issuer from the State of Oregon or any political subdivision or municipal or quasi-municipal corporation thereof in lieu of the taxes described in this definition and which are duly pledged by the Issuer as security for the Senior Lien Bonds, Derivative Products and any Credit Facility or Derivative Facility secured by a lien on the Specified Tax Revenues, *provided that*, each Rating Agency which has a current rating on any Outstanding Senior Lien Bond has been notified of the Issuer's intent to pledge such revenues as security for the Senior Lien Bonds and has determined that the use of such revenues as part of the Specified Tax Revenues would not cause a withdrawal or lowering of the ratings of the Senior Lien Bonds.

“**SUBSTITUTE TAX**” means any other tax, fee or other charge imposed or to be imposed by the Issuer but only if:

(i) prior to the use of such revenues as a Substitute Tax the Issuer obtains a report from a Qualified Consultant which report projects the amount of such revenues to be collected in the Fiscal Year in which such revenues are to be pledged as security for the Senior Lien Bonds and in the four (4) succeeding Fiscal Years, and which outlines the basis for the Qualified Consultant's projections;

(ii) each Rating Agency which has a current rating on any Outstanding Senior Lien Bond has been notified of the Issuer's intent to pledge such revenues as security for the Senior Lien Bonds, has received a copy of the report of the Qualified Consultant with respect to such revenues, and has determined that the use of such revenues in lieu of all or part of the Specified Tax Revenues would not prevent such Rating Agency from issuing a new rating for the Senior Lien Bonds that is at least as high as the rating then in effect from such Rating Agency nor cause such Rating Agency to lower its ratings of the Senior Lien Bonds;

(iii) the Issuer has made arrangements for the revenues from such tax, fee or other charge to be paid directly to the Trustee in accordance with the provisions of the Indenture; and

(iv) the Issuer has duly pledged the revenues from such tax, fee or other charge as security for the Senior Lien Bonds, Derivative Products and any Credit Facility or Derivative Facility entitled to a lien on the Specified Tax Revenues.

“**SUPPLEMENTAL INDENTURE**” means any Indenture supplemental to or amendatory of the Indenture, entered into by the Issuer in accordance with the Indenture.

“**STATE**” means the State of Oregon.

“**TRUSTEE**” means The Bank of New York Mellon Trust Company, N.A., as successor in interest to BNY Western Trust Company, and its successors and any other corporation which may at any time be substituted in its place as Trustee under the Indenture.

“**TRUST ESTATE**” means the properties and assets pledged in the Indenture as security for the payment of the Senior Lien Bonds (see “**PLEDGE OF TRUST ESTATE**” below).

**PLEDGE OF TRUST ESTATE.**

In the Indenture, the Issuer pledges to the Trustee, in trust for the benefit of the Owners of the Senior Lien Bonds, and for the benefit of the provider of any Credit Facility issued with respect to the Senior Lien Bonds, all of the Issuer's right, title and interest to, in and under the following:

(i) the Specified Tax Revenues;

(ii) the moneys and investments (including investment earnings thereon) on deposit from time to time in the Debt Service Account;

(iii) any Credit Facility given as security for the payment of any amounts owing under or with respect to any Senior Lien Bonds together with all moneys drawn or paid thereunder;

*provided that* with respect to any such Credit Facility which is given as security for some, but not all, of the Outstanding Senior Lien Bonds, such Credit Facility together with the moneys drawn or paid thereunder shall be held by the Trustee solely as security for the Senior Lien Bonds for which such Credit Facility was given as security and neither such Credit Facility nor any moneys drawn or paid thereunder shall secure the payment of any amounts owing under or with respect to any other Senior Lien Bonds or any other Credit Facility; and

(iv) such other properties and assets and interests in properties and assets as may hereafter be pledged to the payment of the Senior Lien Bonds pursuant to any Supplemental Indenture or which may be delivered, pledged, mortgaged or assigned by any person to the Trustee as security for the Senior Lien Bonds.

The foregoing are referred to collectively as the “Trust Estate.”

The Issuer covenants and agrees, with and for the benefit of the Owners from time to time of all Senior Lien Bonds that it shall not issue any additional obligations which have a lien on the Trust Estate which is superior to the lien of the Senior Lien Bonds.

#### **PARI PASSU SERIES OF SENIOR LIEN BONDS; CREDIT AGREEMENT OBLIGATIONS; DERIVATIVE PRODUCTS.**

The Indenture provides that all Senior Lien Bonds shall be payable from the Specified Tax Revenues *pari passu* with all other Senior Lien Bonds and Derivative Products. Except as otherwise provided in a Supplemental Indenture, Senior Lien Bonds and amounts owed by the Issuer under any Credit Facility (but not Derivative Products) shall be secured by an equal lien on and pledge of the Trust Estate.

The Issuer may provide that the pecuniary obligations arising under a Credit Agreement pursuant to which a Credit Facility for the Senior Lien Bonds shall be equally and ratably secured by the Trust Estate with all Outstanding Senior Lien Bonds and shall be payable from the Specified Tax Revenues *pari passu* with all Outstanding Senior Lien Bonds and Derivative Products, to the same extent and with the same force and effect as if the financial obligations under such Credit Agreement were a Senior Lien Bond.

The Issuer may provide in the Supplemental Indenture pursuant to which a Derivative Product is entered into that the Credit Agreement pursuant to which a related Derivative Facility is provided shall be payable from the Specified Tax Revenues *pari passu* with all Outstanding Senior Lien Bonds and Derivative Products to the same extent and with the same force and effect as if the financial obligations under such contract or agreement were a Derivative Product.

#### **CONDITIONS PRECEDENT TO ISSUANCE OF ADDITIONAL SENIOR LIEN BONDS.**

Except as otherwise expressly provided in the Indenture with respect to Completion Bonds and Refunding Bonds, the following are conditions precedent to the issuance of any Additional Bonds under the Indenture:

**(A) REPORTS AND CERTIFICATES OF ISSUER AND QUALIFIED CONSULTANT.** The Issuer shall cause to be delivered to the Trustee a report from a Qualified Consultant certifying that the Specified Tax Revenues for any period of 12 consecutive months during the 18 months immediately preceding the issuance of such Additional Bonds equal at least four (4) times the maximum Annual Debt Service for the Outstanding Senior Lien Bonds, Derivative Products, if any, and the Additional Bonds then to be issued.

**(B) OPINION OF BOND COUNSEL.** The Issuer shall cause to be delivered an Opinion of Bond Counsel.

**(C) NO EVENT OF DEFAULT.** At the time of issuance of such Additional Bonds, there shall not exist and be continuing any Event of Default under the Indenture other than an Event of Default which will be duly cured or waived upon the issuance of such Additional Bonds.

**(D) CERTIFICATE REGARDING PROJECT COSTS.** If such Additional Bonds are to be used to finance the acquisition, construction or rehabilitation of a Project and the Issuer wishes to preserve the option to issue Completion Bonds, a certificate of the Issuer stating that the proceeds of such Additional Bonds (to the extent not designated for purposes other than the payment of the costs of such Project), together with other specified amounts reasonably expected to be available for the payment of the costs of

such Project, will be sufficient to pay the costs of such Project as estimated at the time of issuance of such Additional Bonds.

#### **COMPLETION BONDS.**

The Indenture provides special rules for Senior Lien Bonds issued to complete a Project already being funded with Senior Lien Bond Proceeds if there are costs that were not anticipated at the time of issuance or incurrence of the original Series of Senior Lien Bonds issued to finance such Project and the use of the proceeds of the Completion Bonds will not materially expand the scope of the Project, except to the extent necessary for such Project to: (A) comply with any requirements of law applicable thereto; or (B) serve the purposes intended to be served thereby at the time such Project was originally undertaken. To take advantage of the special rules, the Issuer must first file with the Trustee a certificate of a Qualified Consultant to the effect that, in the judgment of the Qualified Consultant, the proceeds of the proposed Completion Bonds, together with any Issuer Contribution available for such purpose, will be sufficient to pay the remaining costs of the Project or Projects with respect to which such Completion Bonds are being issued. The Issuer must also file an Opinion of Bond Counsel. The principal amount of Completion Bonds that may be issued under these special rules for the purpose of completing any one Project may not exceed the amount which is ten (10) percent of the aggregate principal amount of all other Senior Lien Bonds issued in accordance with the general rules applicable to Additional Bonds for the purpose of financing the Project.

#### **REFUNDING BONDS.**

The Issuer may issue Senior Lien Bonds to refund Senior Lien Bonds without complying with the general conditions precedent to the issuance of Additional Bonds that are listed above, if the issuance of the refunding Senior Lien Bonds will not increase maximum Annual Debt Service on all Senior Lien Bonds.

#### **DERIVATIVE PRODUCTS.**

The Issuer may enter into Derivative Products subject to the conditions provided in the Indenture. The conditions precedent to the issuance of a Derivative Product are similar to those for the issuance of Additional Bonds, including a certificate from the Issuer certifying that the Specified Tax Revenues for any period of 12 consecutive months during the 18 months immediately preceding the issuance of such Derivative Product equal at least two (2) times the maximum Annual Debt Service for the Outstanding Senior Lien Bonds, all other outstanding Derivative Products and the Derivative Product to be entered into, an Opinion of Bond Counsel, an opinion of Reciprocal Party, and the absence of a continuing Event of Default under the Indenture at the time of execution of such Derivative Product.

The Indenture calls for the Issuer to execute and deliver a Supplemental Indenture to the Trustee prior to entering its first Derivative Product.

#### **SHORT TERM DEBT, SUBORDINATED DEBT, AND OTHER ISSUER OBLIGATIONS.**

The Indenture provides that nothing in the Indenture is intended to in any way restrict or limit the ability of the Issuer:

(a) to incur indebtedness or issue bonds, notes warrants or similar obligations which have a term to maturity in excess of one year and which are secured by a pledge of all or any part of the Specified Tax Revenues on a subordinated lien basis to the pledge thereof securing the Senior Lien Bonds; or

(b) to incur indebtedness or issue any bonds, notes, warrants or similar obligations of any maturity which are secured by any tax revenues of the Issuer or any other properties, assets or revenues of the Issuer other than the Specified Tax Revenues.

#### **REVENUE FUND AND ACCOUNTS; DEPOSITS TO AND APPLICATION OF REVENUE FUND.**

**REVENUE FUND AND ACCOUNTS.** The Indenture obligates the Issuer to maintain the Revenue Fund with the Trustee in the manner provided in the Indenture.

The Indenture establishes the Debt Service Account in the Revenue Fund to hold Specified Tax Revenues that are segregated to pay the Senior Lien Bonds.



**DEPOSIT OF SPECIFIED TAX REVENUES AND RECIPROCAL PAYMENTS INTO REVENUE FUND.**

The Specified Tax Revenues shall be paid directly to the Trustee as and when the same are collected and otherwise required to be paid to the Issuer. The Issuer shall from time to time take such actions as may be necessary or appropriate to ensure that all Specified Tax Revenues shall be paid directly to the Trustee. All Reciprocal Payments under any Derivative Product shall also be paid directly to the Trustee.

Upon receipt by the Trustee, all Specified Tax Revenues and Reciprocal Payments shall be deposited in the Revenue Fund and applied as provided in the Indenture.

**TRANSFERS TO DEBT SERVICE ACCOUNT.** The Trustee shall transfer the following amounts from the Revenue Fund to the Debt Service Account for each Series of Senior Lien Bonds except Balloon Indebtedness, Capital Appreciation Obligations and Variable Rate Obligations:

(A) On each Settlement Date during an Interest Deposit Period for each Series of Bonds and except as otherwise provided for Balloon Indebtedness, Capital Appreciation Obligations and Variable Rate Obligations, the Trustee shall transfer from the Revenue Fund to the Debt Service Account an amount such that, if an equal amount is transferred to the Debt Service Account on all remaining Settlement Dates in the Interest Deposit Period, there will be available in the Debt Service Account an amount sufficient to pay the interest on that Series of Bonds that is due on the Interest Payment Date for that Interest Deposit Period. The Trustee shall credit against the transfers required by this subsection any Net Reciprocal Payment received by the Trustee and any capitalized interest for that Series of Bonds as provided in the Indenture. For purposes of paragraph:

“Interest Accrual Period” means the period of time during which interest on a Series of Bonds accrues before it is scheduled to be paid. For example: if a Series of Bonds is issued on January 1 and the first interest payment is due on July 1, the first Interest Accrual Period will be six months; if the first interest payment for that Series is due on October 1, the first Interest Accrual Period will be nine months.

“Interest Deposit Period” means each period that begins on the fourth Settlement Date before the beginning of an Interest Accrual Period for a Series of Bonds (or the Settlement Date immediately following the Original Issue Date of that Series if the fourth Settlement Date before the beginning of an Interest Accrual Period occurs before the Original Issue Date), and ends on the fourth Settlement Date before the end of that Interest Accrual Period. The Interest Deposit Period includes the Settlement Date on which the Interest Deposit Period begins and the Settlement Date on which the Interest Deposit Period ends.

(B) On each Settlement Date during a Principal Deposit Period for each Series of Bonds, except as otherwise provided for Balloon Indebtedness, Capital Appreciation Obligations and Variable Rate Obligations, the Trustee shall transfer from the Revenue Fund to the Debt Service Account an amount such that, if an equal amount is transferred to the Debt Service Fund on all remaining Settlement Dates in the Principal Deposit Period, there will be available in the Debt Service Account on the last Settlement Date of the Principal Deposit Period an amount sufficient to pay the principal on that Series of Bonds that is due on the Principal Payment Date for that Principal Deposit Period. The Trustee may, at the request of the Issuer, credit any surplus in the Debt Service Account against transfers that are required by this subsection. For purposes of this section, “Principal Deposit Period” means each period that begins on the 56<sup>th</sup> Settlement Date before a Principal Payment Date for a Series of Bonds (or the Settlement Date immediately following the Original Issue Date of that Series if the 56<sup>th</sup> Settlement Date before a Principal Payment Date occurs before the Original Issue Date) and ends on the fourth Settlement Date before that Principal Payment Date. The Principal Deposit Period includes the Settlement Date on which the Principal Deposit Period begins and the Settlement Date on which the Principal Deposit Period ends.

The Indenture provides special provisions for the calculation of transfers to the Debt Service Account in the case of Senior Lien Bonds which constitute Balloon Indebtedness, the accreted interest on

any Senior Lien Bonds which constitute Capital Appreciation Obligations, and the interest on any Senior Lien Bonds which constitute Variable Rate Obligations.

**SPECIAL CALCULATION OF DEBT SERVICE IN CONNECTION WITH NET RECIPROCAL PAYMENTS RECEIVED BY TRUSTEE.** Unless otherwise provided in a Supplemental Indenture, if the Trustee receives a Net Reciprocal Payment under a Derivative Product the Trustee shall deposit that payment in the Debt Service Account and credit that payment against future deposits that are required to be made to that account.

**TRANSFERS FOR DERIVATIVE PRODUCTS.** The Trustee is required to deposit Specified Tax Revenues equal to one quarter of the maximum estimated Issuer Payment into the Derivative Products Account on each of the four Settlement Dates immediately preceding each Derivative Payment Date.

**PRIORITY; INSUFFICIENCY OF FUNDS TO MAKE REQUIRED TRANSFERS.** If the amounts available in the Revenue Fund for transfer to the Debt Service Account and the Derivative Product Account are not sufficient to make the required transfers on each Settlement Date, the Trustee shall make transfers from the Revenue Fund to the Debt Service Account on a *pro rata* basis.

If, on any Settlement Date, there are insufficient moneys on deposit in the Revenue Fund to make all transfers to the Debt Service Account and the Derivative Product Account, if any, then and in any such event the amount of such deficiency shall be transferred (on a *pro rata* basis) on the next succeeding Settlement Date(s) until such time as all such deficiencies have been fully cured.

If seven days before any Interest Payment Date or Principal Payment Date, the Trustee determines that it will not have an amount in Debt Service Account that is sufficient to make the Senior Lien Bond principal or interest payments that are due on that payment date, the Trustee shall notify the Issuer, and the Issuer shall, not later than two days before the payment date, transfer to the Trustee an amount equal to the deficiency from the Issuer's lawfully available funds.

**CREDIT FOR INVESTMENT EARNINGS AND UNUSED BALANCES.** The Indenture allows the following amounts to be credited against required transfers from the Revenue Fund to the Debt Service Account:

(A) the investment earnings then on deposit in Debt Service Account; plus

(B) any other moneys then on deposit in the Debt Service Account, but not including any moneys deposited in the Debt Service Account, and being held by the Trustee, for the purpose of paying: (1) the Redemption Price of any Senior Lien Bonds called for Redemption but not yet presented for payment; (2) the principal of and interest on any Senior Lien Bonds which have theretofore matured but which have not yet been presented for payment; or (3) any amounts to become due on any Senior Lien Bonds but which are not yet due and payable.

**DISPOSITION OF EXCESS.** The amounts remaining on deposit in the Revenue Fund on each Settlement Date after making the transfers to the Debt Service Account or the Derivative Product Account, if any, is in the Indenture referred to as the "Excess." On each Settlement Date, the Trustee shall pay any Excess to the Issuer. Upon payment of the Excess by the Trustee to the Issuer, the Excess shall no longer be subject to the lien and pledge of the Indenture but shall be unrestricted, unencumbered funds of the Issuer which may be used and applied by the Issuer for any lawful purpose.

#### **THE DEBT SERVICE ACCOUNT.**

The moneys on deposit in the Debt Service Account shall be used to pay the principal of, interest on and Redemption Price of the Senior Lien Bonds, and, if applicable, the Trustee shall transfer such moneys to the appropriate Paying Agent(s) for application to the payment when due of the principal of, interest on and Redemption Price of the Senior Lien Bonds. Notwithstanding the foregoing or any other provision in the Indenture to the contrary, if any amount applied to the payment of principal of, interest on or Redemption Price of any Senior Lien Bonds that would have been paid from the Debt Service Account is paid instead by amounts drawn or paid under a Credit Facility (including but not limited to a Reserve Credit Facility), amounts on deposit in the Debt Service Account, and allocable to such payment for said Senior Lien Bonds, shall be paid to the extent required under the related Credit Agreement to the related Credit Provider.

## **INVESTMENTS.**

Amounts held under the Indenture may be invested in Permitted Investments.

## **GENERAL COVENANTS OF THE ISSUER.**

In the Indenture, the Issuer makes representations and covenants for the benefit of the Owners of the Senior Lien Bonds, including the following:

**EXTENSION OF PAYMENT OF SENIOR LIEN BONDS.** The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Senior Lien Bonds or the time of payment of any interest on the Senior Lien Bonds. The issuance of Refunding Bonds shall not be deemed to constitute an extension of maturity of Senior Lien Bonds.

**FURTHER ASSURANCE.** At any and all times the Issuer shall, as far as it may be authorized by law, comply with any reasonable request of the Trustee to pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, pledging, assigning and confirming in all and singular the rights, the Trust Estate and other moneys, securities and funds pledged or assigned as security for any Series of Senior Lien Bonds, or intended so to be, or which the Issuer may become bound to pledge or assign.

**POWER TO ISSUE SENIOR LIEN BONDS AND TO PLEDGE THE TRUST ESTATE AND OTHER FUNDS.** The Issuer is duly authorized under all applicable laws to issue the Senior Lien Bonds or to enter into the applicable Derivative Product and to execute and deliver the Indenture and such Supplemental Indenture, to pledge the Trust Estate and other moneys, securities and funds purported to be pledged as security for particular Series of Senior Lien Bonds or for such Derivative Product in the manner and to the extent provided in the Indenture and any Supplemental Indenture, and to perform its obligations hereunder and under the Senior Lien Bonds and any Supplemental Indenture. Except as otherwise required by law, the Trust Estate and the Specified Tax Revenues are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to the pledge created by the Indenture or any Supplemental Indenture and, except to the extent otherwise provided in the Indenture or any Supplemental Indenture, other moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Indenture or any Supplemental Indenture.

**GENERAL TAX COVENANTS.** Except with respect to Senior Lien Bonds issued by the Issuer which are not Tax-Exempt Obligations, the Issuer shall take all actions within its control required by the Code as necessary to preserve the exclusion of interest received on Senior Lien Bonds issued or, then to be issued, from gross income for federal income tax purposes.

## **FINANCIAL AND RELATED COVENANTS.**

In addition to the general covenant described above, the Issuer makes the following financial covenants under the Indenture:

**ACCOUNTS AND REPORTS.** The Issuer shall keep or cause to be kept proper books of records and accounts (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Revenue Fund and Accounts established under the Indenture, and which books of records and accounts, together with all other books and papers of the Issuer relating to the Indenture and any Senior Lien Bonds or Derivative Products issued hereunder, shall at all times be subject to the inspection of the Trustee, the issuers of any Credit Facility for the Senior Lien Bonds, and the Owners of an aggregate of not less than 15% in aggregate principal amount of the Senior Lien Bonds then Outstanding or their representatives duly authorized in writing.

Within one hundred eighty (180) days after the close of each Fiscal Year, the Issuer shall cause to be filed with the Trustee a copy of the Issuer's annual audit report for such Fiscal Year, accompanied by an Accountant's Opinion, and including the following statements in reasonable detail: a statement of assets and liabilities as of the end of such Fiscal Year; and a summary with respect to the Revenue Fund and each Account established under the Indenture for the Senior Lien Bonds of the receipts therein and disbursements therefrom during such Fiscal Year and the amount held therein at the end of such Fiscal

Year. Such Accountant's Opinion shall state whether, to the knowledge of the signer, the Issuer is in default with respect to any of the covenants, agreements or conditions on its part contained in the Indenture, and if so, the nature of such default.

The Issuer shall with the Trustee, any Credit Provider, and the provider of any Derivative Facility:

(i) forthwith upon becoming aware of any Event of Default or default in the performance by the Issuer of any covenant, agreement or condition contained in the Indenture with respect to the Senior Lien Bonds or any Derivative Product, a certificate of the Issuer specifying such Event of Default or default; and

(ii) simultaneous with the filing of the annual audit report described above, a certificate of the Issuer stating that, to the best of the signer's knowledge and belief, the Issuer has kept, observed, performed and fulfilled its covenants and obligations contained in the Indenture and there does not exist at the date of such certificate any default by the Issuer under the Indenture or other event which, with the giving of notice or the lapse of time or both, would become an Event of Default, or, if any such default or Event of Default or other event shall so exist, specifying the same and the nature and status thereof.

The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Indenture shall be available for the inspection of Owners of the Senior Lien Bonds at the office of the Trustee and shall be mailed to each such Owner who shall file a written request therefor with the Trustee. The Trustee shall charge each Owner requesting such reports, statements and other documents a reasonable fee to cover reproduction, handling and postage.

**PAYMENT OF TAXES AND CHARGES.** The Issuer shall pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or required payments in lieu thereof, lawfully imposed upon the Issuer, its assets or properties or its operations, or upon any Project financed in whole or in part from the proceeds of any Senior Lien Bonds, or upon the rights, revenues, income, receipts, and other moneys, securities and funds of the Issuer, when the same shall become due (including all rights, moneys and other property transferred, assigned or pledged under the Indenture or any Supplemental Indenture in connection with any Senior Lien Bonds), and all lawful claims for labor and material and supplies, except those taxes, assessments, charges or claims which the Issuer shall in good faith contest by proper legal proceedings if the Issuer shall in all such cases have set aside on its books reserves deemed adequate with respect thereto.

**LEVY OF SPECIFIED TAXES.** The Issuer shall, subject only to limitations imposed by law, impose, levy and collect, and shall take all action as shall be necessary to impose, levy and collect, Specified Tax Revenues in an amount which, when added to all other revenues of the Issuer available for such purpose, shall be sufficient to pay when due all Outstanding Senior Lien Bonds and all other expenses, liabilities and obligations, including, but not limited to, obligations under any Derivative Product, of the Issuer.

**TAX REDUCTIONS AND SUBSTITUTE TAXES.** The Issuer shall not take any action within its control which will:

- (i) repeal in whole or in part any Specified Tax;
- (ii) reduce the rate(s) at which a Specified Tax is levied; or

(iii) eliminate from the levy of a Specified Tax any category of persons or property subject to such Specified Tax on the date the Issuer pledges the revenues derived therefrom as part of the Specified Tax Revenues pledged as security for the Senior Lien Bonds or Derivative Products (any action of the Issuer which will have any effect described in (i), (ii) or (iii) above being hereinafter called a "Tax Reduction"); if, as a result of such Tax Reduction, the estimated Specified Tax Revenues for the 12-month period immediately following the effective date of such Tax Reduction (which estimate shall be based upon a report of a Qualified Consultant, which report must be filed with the Trustee not less than 20 days prior to the effective date of the Tax Reduction) will be less than the Specified Tax Revenues for any period of 12 consecutive months during the 18 months immediately preceding the effective date of the Tax Reduction. The Indenture sets forth the manner in which the Specified Tax Revenues for the 12-month period immediately following the Tax Reduction effective date shall be calculated. Such calculation will include the revenues estimated to be derived from any Substitute Tax, but only if:

(a) the Issuer causes such Substitute Tax to be first levied and imposed not later than the effective date of the Tax Reduction; and

(b) (I) the Issuer takes all necessary or appropriate action to duly pledge as security for the Senior Lien Bonds and Derivative Products all revenues derived from such Substitute Tax and such pledge is effective on or before the effective date of the Tax Reduction, or (II) the Issuer takes all necessary or appropriate action to duly pledge as security for the Senior Lien Bonds and Derivative Products such portion of the revenues derived from such Substitute Tax as are needed to ensure that the estimated Specified Tax Revenues for the 12-month period immediately following the Tax Reduction effective date (which estimate shall be based upon the Consultant's Report) will at least equal the Specified Tax Revenues for any period of 12 consecutive months during the 18 months immediately preceding the Tax Reduction effective date, and such pledge is effective on or before the Tax Reduction date.

Subject to the limitations set forth above, the Issuer shall have the right from time to time to effect a Tax Reduction or to substitute as part of the Specified Tax Revenues the revenues derived from a Substitute Tax in lieu of, or in addition to, the Revenues derived from any other Specified Tax or take any other action whatsoever with respect to the Specified Taxes and the Specified Tax Revenues.

**PARITY DEBT.** The Issuer shall not (except with respect to Additional Bonds issued and Derivative Products entered into by the Issuer under the Indenture):

(i) incur any indebtedness, or issue any bonds, notes, warrants or similar obligations which are secured by a pledge of all or any part of the Specified Tax Revenues on an equal and ratable (parity) basis with the Senior Lien Bonds or Derivative Products; or

(ii) create or cause to be created any lien or charge on the Trust Estate equal or superior to the lien on the Trust Estate securing the Senior Lien Bonds;

The Issuer has reserved the right to pledge Senior Lien Bond proceeds to pay for costs of Projects, to make pledges of the Trust Estate that take effect after all Senior Lien Bonds are defeased, and to make pledges for Credit Facilities and Derivative Products as permitted by the Indenture.

**INCLUSION OF DEBT SERVICE IN FISCAL BUDGET.** The Issuer shall comply with all laws of the State of Oregon pertinent to its financial administration, and, in particular, with the Local Budget Law. For each Fiscal Year of the Issuer during which any Senior Lien Bonds or Derivative Products are Outstanding, the Issuer shall calculate all expenditures related to the Outstanding Senior Lien Bonds and Derivative Products that are projected to be due in such Fiscal Year, and shall include such projected expenditures in its budget for such Fiscal Year and duly appropriate the funds needed to pay such expenditures.

#### **EVENTS OF DEFAULT.**

So long as an Event of Default shall have occurred and be continuing, unless the principal of all the Senior Lien Bonds shall have already become due and payable, the Trustee may, and upon the written request of the Owners of not less than fifty percent (50%) in principal amount of the Senior Lien Bonds Outstanding, shall declare the principal of all the Senior Lien Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Indenture or in any Supplemental Indenture contained to the contrary notwithstanding.

However if, at any time after such declaration, but before the Senior Lien Bonds shall have matured by their terms, all defaults shall be cured or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Trustee, by written notice to the Issuer and the Owners of the Outstanding Senior Lien Bonds, or the Owners of 50% in principal amount of the Senior Lien Bonds Outstanding, by written notice to the Issuer and to the Trustee, may rescind such declaration and annul such default in its entirety, but no such recession or annulment shall extend to or affect any subsequent default.

#### **APPLICATION OF REVENUES AND OTHER MONEYS AFTER DEFAULT.**

After an Event of Default occurs without being remedied, the Issuer, upon the demand of the Trustee, shall cause to be paid over to the Trustee:

(a) all moneys, securities and funds held by the Issuer or a Depositary in the Revenue Fund and any fund or Account established under the Indenture with respect to the Senior Lien Bonds; and

(b) as promptly as practicable after receipt thereof, all Specified Tax Revenues needed to meet the Issuer's obligations hereunder.

During the continuance of an Event of Default, the Trustee shall apply all moneys, securities, funds and Specified Tax Revenues received by the Trustee as follows and in the following order of priority:

(I) REBATE PAYMENTS: to the payment of any amounts required to be rebated to the United States of America;

(II) EXPENSES OF FIDUCIARIES: to the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries for the Senior Lien Bonds;

(III) PAYMENT OF SENIOR LIEN BONDS AND DERIVATIVE PRODUCTS: to the payment of the interest and principal then due on the Senior Lien Bonds, to the payment of Issuer Payments then due under any Derivative Product, and for payment of obligations under any Credit Agreement relating to a Credit Facility given as security for any Series of Senior Lien Bonds or as security for the Issuer's obligations under a Derivative Product, as follows:

(A) unless the principal of all of the Senior Lien Bonds shall have become or have been declared due and payable,

**FIRST:** To the payment to the persons entitled thereto of all installments of interest then due on the Outstanding Senior Lien Bonds in the order of the maturity of such installments, and, with respect to funds other than those held in the Debt Service Account, to the payment of any and all Issuer Payments then due under any Derivative Product, and, if the amount available shall not be sufficient to pay in full any installment or installments and Issuer Payments maturing or coming due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

**SECOND:** To the payment to the persons entitled thereto of the unpaid principal of any Outstanding Senior Lien Bonds which shall have become due, whether at maturity or by call for Redemption or prepayment in the manner provided in the Indenture; and

**THIRD:** To the payment of any amounts owing to the issuer and provider or issuers and providers of any Credit Facility or Derivative Facility;

(B) if the principal of all of the Senior Lien Bonds shall have become or have been declared due and payable to the payment of the principal and interest then due and unpaid upon the Outstanding Senior Lien Bonds and, with respect to funds other than those held under the Debt Service Account, Derivative Product and for payment of obligations under any Credit Agreement relating to a Credit Facility, and with respect to funds other than those held under the Debt Service Account, under any contract or agreement relating to a Derivative Product given as security for any Series of Senior Lien Bonds or any Derivative Product, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Senior Lien Bond or Credit Agreement over any other Senior Lien Bond or Credit Agreement in the manner set forth in the Indenture.

#### **APPOINTMENT OF RECEIVER.**

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Senior Lien Bonds

under the Indenture, the Trustee shall be entitled to make application for the appointment of a receiver or custodian of the Specified Tax Revenues with such power as the court making such appointment shall confer.

#### **PROCEEDINGS BROUGHT BY TRUSTEE.**

If an Event of Default occurs the Trustee may proceed, and upon written request of the Owners of not less than 25% in principal amount of the Senior Lien Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Owners of the Senior Lien Bonds or the issuer of any Credit Facility given as security for any Series of Senior Lien Bonds, under the Indenture.

The Owners of not less than a majority in principal amount of the Senior Lien Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or of exercising any trust or power conferred upon the Trustee, *provided that* the Trustee shall have the right to decline to follow any such direction if the Trustee shall not be provided adequate security and indemnity or shall be advised by counsel that the action or proceeding so directed may not lawfully be taken or shall be inconsistent with the provisions of the Indenture, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Owners of Senior Lien Bonds not parties to such direction.

#### **RESTRICTION ON OWNER'S ACTION.**

No Owner of any Senior Lien Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least twenty-five percent (25%) in principal amount of the Senior Lien Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity.

#### **NOTICE OF DEFAULT.**

The Trustee shall mail written notice of the occurrence of any Event of Default to each Owner of Senior Lien Bonds then Outstanding at his or her address, if any, appearing upon the registry books of the Issuer.

#### **THE TRUSTEE AND FIDUCIARIES.**

Unless otherwise provided in a Supplemental Indenture with respect to a particular Series of Senior Lien Bonds, the Trustee shall be the Paying Agent and Bond Registrar for all Senior Lien Bonds issued under the Indenture.

Any recitals of fact in the Indenture, in any Supplemental Indenture and in the Senior Lien Bonds contained shall be taken as the statements of the Issuer and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Indenture, any Supplemental Indenture or of any Senior Lien Bonds or Derivative Products issued thereunder or as to the security afforded by the Indenture or any Supplemental Indenture, and no Fiduciary shall incur any liability in respect thereof. The Trustee and each Fiduciary authorized to authenticate Senior Lien Bonds shall, however, be responsible for its representation contained in its certificate of authentication on the related Senior Lien Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid by such Fiduciary in accordance with the provisions of the Indenture or any Supplemental Indenture to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in any expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Subject to the Indenture, no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default.

Each Fiduciary, upon receipt of any notice resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of the Indenture or any Supplemental Indenture, shall examine such instrument to determine whether it conforms to the requirements of the Indenture or the applicable provisions of a Supplemental Indenture and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties.

#### **RESIGNATION AND REMOVAL OF TRUSTEE.**

The Trustee may resign by giving not less than sixty (60) days' written notice to the Issuer and mailing notice thereof, postage prepaid, specifying the date when such resignation shall take effect, to each registered Owner of related Senior Lien Bonds then Outstanding at his address appearing upon the registry books of the Issuer, and such resignation shall take effect upon the latest to occur of the day specified in such notice or the date upon which the Issuer has appointed a successor and such successor has agreed to act in such capacity. Unless otherwise agreed to in writing by the Issuer, any such resignation by the Trustee shall, when effective, also serve to remove the Trustee as Bond Registrar and Paying Agent under the Indenture.

The Trustee may be removed at any time by an instrument in writing, filed with the Trustee, and signed by the Issuer. No such removal shall be effective until the Issuer has appointed a successor and such successor has agreed to act in such capacity.

If no appointment of a successor Trustee shall be made within forty-five (45) days after the Trustee shall have given to the Issuer written notice or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, removal, or for any other reason whatsoever, the Trustee or the Owner of any Senior Lien Bond may apply to any court of competent jurisdiction to appoint a successor Trustee.

The Trustee shall be a bank or trust company or national banking association, doing business and having its principal office in the State of Oregon, and shall have (or its parent company or holding company shall have) capital stock and surplus aggregating at least \$50,000,000.

#### **RESIGNATION OR REMOVAL OF PAYING AGENT OR BOND REGISTRAR AND APPOINTMENT OF SUCCESSOR.**

Any Paying Agent or Bond Registrar, if different from the Trustee, may resign by giving at least 60 days' written notice to the Issuer and the Trustee. Any Paying Agent or Bond Registrar may be removed at any time by an instrument filed with such Bond Registrar and the Trustee and signed by the Issuer. Any successor Paying Agent or Bond Registrar shall be appointed by the Issuer with the approval of Trustee, and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock and surplus aggregating at least \$25,000,000.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of such Paying Agent or Bond Registrar, the Trustee shall act as such Paying Agent or Bond Registrar.

#### **SUPPLEMENTAL INDENTURES EFFECTIVE WITHOUT CONSENT OF OWNERS.**

The Indenture provides that a Supplemental Indenture may be executed and delivered by the Issuer and the Trustee without the consent of Owners in certain circumstances, including, but not limited to the following:

(i) To add to the covenants and agreements of the Issuer, or to the limitations and restrictions in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(ii) To authorize the issuance of any Series of Senior Lien Bonds and, in connection therewith, to specify and determine the matters and things relative to such Senior Lien Bonds which are not contrary to or inconsistent with the provisions of the Indenture;



(iii) To modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute, federal tax laws or state securities laws;

(iv) To add additional security as part of any Trust Estate subject to the pledge and lien of the Indenture or any Supplemental Indenture;

(v) To confirm, as further assurance, any security interest or pledge created under the Indenture or any Supplemental Indenture;

(vi) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture or any Supplemental Indenture;

(vii) To make any change required by a Rating Agency as a precondition to the issuance of a rating on any Series of Senior Lien Bonds which is not to the prejudice of the Owners of the Senior Lien Bonds of any other Series;

(viii) To surrender any right or power of the Issuer, but only if the surrender is not contrary to the covenants and agreements of the Issuer in the Indenture;

(ix) To incorporate into the Indenture or any Supplemental Indenture any financing powers hereafter granted to or conferred upon the Issuer by law, or

(x) To enter into any Derivative Product.

#### **POWERS OF AMENDMENT.**

Any modification or amendment of the Indenture and of the rights and obligations of the Issuer and of the Owners of the Senior Lien Bonds may be made by a Supplemental Indenture with the written consent as provided in the Indenture of the Owners of at least a majority in principal amount of the affected Senior Lien Bonds Outstanding at the time such consent is given and any affected Credit Provider.

No such modification or amendment shall permit a change in the terms of Redemption or maturity of the principal of any Outstanding Senior Lien Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption premium (if any) thereof or in the rate of interest thereon or diminish the security afforded by any Credit Facility, or shall reduce the percentages or otherwise affect the classes of Senior Lien Bonds the consent of the Owners of which is required to effect any such modification or amendment, without the consent of the Owner of each Senior Lien Bond affected thereby, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

For the purposes of amendment, Senior Lien Bonds of a particular maturity shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of Senior Lien Bonds of such maturity. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Senior Lien Bonds of any particular maturity would be affected by any modification or amendment of the Indenture, and may rely upon the advice of Bond Counsel, and any such determination shall be binding and conclusive on the Issuer and all Owners of Senior Lien Bonds.

#### **CONSENT OF OWNERS.**

The Indenture provides that the Owners shall be provided with a brief summary of any Supplemental Indenture containing amendments, modifications or other provisions that require the Owners' consent. Such Supplemental Indenture shall not be effective unless and until there shall have been filed with the Trustee the written consents of Owners of the percentages of Outstanding Senior Lien Bonds specified in the Indenture which are affected by such Supplemental Indenture and the issuer of any affected Credit Facility and an Opinion of Bond Counsel.

Each required consent shall be effective only accompanied by proof of the ownership, at the date of such consent, of the Senior Lien Bonds with respect to which such consent is given. A certificate or certificates executed by the Trustee and filed with the Issuer stating that it has examined such proof and that such proof is sufficient in accordance with the Indenture shall be conclusive that the consents have

been given by the Owners of the affected Senior Lien Bonds and the issuer of any affected Credit Facility described in such certificates of the Trustee. After the Trustee certifies the consent of the Owners, such consent shall be binding upon the Owner of the Senior Lien Bonds and the issuer of any affected Credit Facility giving such consent and upon any subsequent Owner.

#### **MODIFICATIONS BY UNANIMOUS CONSENT.**

The terms and provisions of the Indenture and the rights and obligations of the Issuer and of the Owners of the Senior Lien Bonds may be modified or amended in any respect upon the enactment by the Issuer of a Supplemental Indenture and the consent of the issuer of any affected Credit Facility, and the Owners of all of the affected Senior Lien Bonds then Outstanding.

#### **DEFEASANCE.**

The Indenture sets forth provisions for the release of the pledge and lien of the Senior Lien Bonds on the Trust Estate and the Indenture (“Defeasance”), if the Issuer pays to the Owners or holders of any Senior Lien Bonds the principal of, premium (if any) and interest due or to become due thereon, the obligations under any related Credit Agreement and the obligations under any Derivative Product at the times and in the manner stipulated in the Indenture.

Senior Lien Bonds or interest installments thereon for the payment or Redemption of which moneys or Government Obligations shall have been set aside and shall be held in trust by the Trustee shall be deemed to have been paid within the meaning and with the effect expressed in the foregoing; *provided that* in connection with any such deposit there shall be provided to the Trustee or other corporate trustee, as appropriate, a verification report of nationally recognized independent certified public accountants confirming the sufficiency of the moneys or Government Obligations so deposited.

#### **EVIDENCE OF SIGNATURES OF OWNERS AND OWNERSHIP OF SENIOR LIEN BONDS.**

Any request, consent, revocation of consent or other instrument which the Indenture may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing. The ownership of Senior Lien Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books therefor. Any request or consent by the Owner of any Senior Lien Bond or the issuer of any Credit Facility shall bind all future Owners of such Senior Lien Bond and all future issuers of any Alternate Credit Facility given in replacement or substitution of such Credit Facility in respect of anything done or suffered to be done by the Issuer or any Fiduciary in accordance therewith.

#### **MONEYS HELD FOR PARTICULAR SENIOR LIEN BONDS; UNCLAIMED MONEYS.**

Anything in the Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Senior Lien Bonds which remain unclaimed for six years after the date when such Senior Lien Bonds have become due and payable may be repaid by the Fiduciary to the Issuer, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Issuer for the payment of such Senior Lien Bonds.

#### **PARTIES INTERESTED IN THE INDENTURE.**

Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Issuer, the Fiduciaries, the Credit Providers and the Owners of the Senior Lien Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Fiduciaries, the Credit Providers and the Owners of the Senior Lien Bonds.

#### **HOLIDAYS.**

If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, shall be a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Trustee or the issuer of any Credit Facility are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next

succeeding business day, with the same force and effect as if done on the nominal date provided in the Indenture.

**GOVERNING LAW.**

The Indenture shall be interpreted, governed by and construed under the laws of the State, as if executed and to be performed wholly within the State.

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## APPENDIX G

### DEMOGRAPHIC INFORMATION

The boundaries of TriMet incorporate areas within Multnomah, Washington and Clackamas Counties and cover an area of 533 square miles, including the entire City of Portland which encompasses approximately 145 square miles, taking into account the withdrawal of the Boring area on January 1, 2013. Multnomah County consists of 465 square miles, Washington County consists of 727 square miles, and Clackamas County consists of 1,879 square miles, ranking as some of the smallest of the State’s 36 counties in geographical size, but containing approximately 44 percent of the State’s population. Multnomah County ranks first, Washington County ranks second and Clackamas County ranks third in population. The Tri-County Area constitutes the financial, economic and industrial center of the State. The map on page ii of the forepart of this Official Statement shows TriMet’s service area.

The most recent population estimate of the TriMet district is 1.7 million, which is approximately 92 percent of the estimated population of the Tri-County Area and 40 percent of the State’s estimated population of 4.2 million.

As of 2018, the Tri-County Area accounted for approximately 48 percent of the State’s total employment. The Tri-County Area economy is diversified in manufacturing, trade, high technology, services, construction, tourism and government sectors.

The three counties which comprise the Tri-County Area are also amongst the counties with the highest per capita income in Oregon.

**TABLE G-1  
POPULATION OF THE TRI-COUNTY AREA**

Year <sup>(1)</sup>	Multnomah County	Washington County	Clackamas County	Total
2014	765,775	560,465	391,525	1,717,765
2015	777,490	570,510	397,385	1,745,385
2016	790,670	583,595	404,980	1,779,245
2017	803,000	595,860	413,000	1,811,860
2018	813,300	606,280	419,425	1,839,005

(1) Estimate as of July 1.

Source: Portland State University, Population Research Center, as of December 2018.

**TABLE G-2  
OREGON COUNTIES WITH HIGHEST PER CAPITA PERSONAL INCOME**

County	Per Capita Personal Income
1. Washington County	\$ 57,331
2. Clackamas County	56,268
3. Multnomah County	54,329
4. Hood River County	52,100
5. Deschutes County	50,955
Oregon State Average	48,137
National Average	51,640

Source: U.S. Department of Commerce, Bureau of Economic Analysis, as of March 6, 2019.

**TABLE G-3  
ANNUAL AVERAGE NON-FARM EMPLOYMENT  
IN THE TRI-COUNTY AREA<sup>(1)</sup>**

<b>Industry</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Mining and Logging	600	600	700	700	700
Construction	43,100	42,900	47,000	50,800	54,800
Manufacturing	96,600	100,500	100,900	101,200	104,200
Trade, Transportation and Utilities	165,300	170,100	172,900	176,800	178,800
Information	19,800	20,200	21,000	21,600	21,600
Financial Activities	55,100	56,600	57,900	60,000	61,500
Professional and Business Services	141,400	148,100	152,600	156,500	159,600
Private Education and Health Services	123,100	127,700	131,500	134,300	143,600
Leisure and Hospitality	89,700	94,000	98,100	101,200	103,100
Other Services	31,400	32,500	34,600	34,300	35,100
Government	115,200	118,400	121,200	122,100	116,500
<b>Total Non-Farm:</b>	<b>881,200</b>	<b>911,400</b>	<b>938,400</b>	<b>959,200</b>	<b>979,000</b>

(1) Not seasonally adjusted.

Note: Totals may not foot due to rounding.

Source: Oregon Employment Department, as of August 2019.

**TABLE G-4  
ANNUAL AVERAGE UNEMPLOYMENT<sup>(1)</sup>**

<b>Year</b>	<b>Multnomah County</b>		<b>Washington County</b>		<b>Clackamas County</b>	
	<b>Civilian Labor Force</b>	<b>% Unemployed</b>	<b>Civilian Labor Force</b>	<b>% Unemployed</b>	<b>Civilian Labor Force</b>	<b>% Unemployed</b>
2014	419,257	5.9	292,947	5.6	200,674	6.1
2015	429,736	4.9	301,704	4.7	205,211	5.1
2016	444,006	4.2	313,480	4.1	212,716	4.3
2017	453,850	3.6	320,723	3.5	217,621	3.7
2018	456,886	3.7	322,574	3.5	218,998	3.8
2019 <sup>(2)</sup>	459,816	3.5	325,068	3.3	220,504	3.6

<b>Year</b>	<b>State of Oregon</b>		<b>United States</b>	
	<b>Civilian Labor Force</b>	<b>% Unemployed</b>	<b>Civilian Labor Force</b>	<b>% Unemployed</b>
2014	1,936,869	6.8	155,922,000	6.2
2015	1,978,634	5.6	157,130,000	5.3
2016	2,048,354	4.8	159,187,000	4.9
2017	2,090,656	4.1	160,320,000	4.4
2018	2,104,516	4.2	162,075,000	3.9
2019 <sup>(2)</sup>	2,117,621	4.1	162,981,000	3.7

(1) Not seasonally adjusted and based on annual averages.

(2) As of June 2019.

Source: Oregon Employment Department, as of August 2019.

**TABLE G-5**  
**25 LARGEST PAYROLL TAX PAYERS IN THE DISTRICT**  
**(For the Fiscal Year ended June 30, 2019)**

1.	Nike, Inc. Subsidiaries	14.	LAM Research Corp & Sub Standard Insurance Co.
2.	Intel Corporation	15.	Kroger – Fred Meyer
3.	Providence Health System	16.	Portland General Electric
4.	Oregon Health and Science University	17.	Portland State University
5.	Kaiser Foundation Health Plan	18.	PCC Structural Inc.
6.	City of Portland	19.	TriMet
7.	Legacy Emanuel Hospital Health Center	20.	Adidas America
8.	Multnomah County	21.	Standard Insurance Co.
9.	Northwest Permanente PC	22.	The Boeing Company & Consolidated Subs
10.	Regence BlueCross Blue Shield of Oregon	23.	Clackamas County
11.	Daimler Trucks North America LLC	24.	United Parcel Service Inc. (Ohio) & Affiliates
12.	Well Fargo Bank NA.	25.	Oregon Clinic PC Subsidiaries
13.	US National Bank		

*Source:* TriMet.

The twenty-five largest payroll tax payers, listed above, paid 31.3 percent of the total collected payroll taxes in FY 2019.

**TABLE G-6**  
**25 LARGEST EMPLOYERS IN THE DISTRICT**  
**(For the Fiscal Year ended June 30, 2017)**

	<u>Business Name</u>	<u>Total Employees</u>
1.	Intel Corporation	19,172
2.	Providence Health Services	17,036
3.	Oregon Health & Sciences University	15,910
4.	Nike, Inc. Subsidiaries	13,390
5.	Kaiser Foundation Health Plan	11,288
6.	Legacy Health Systems	10,527
7.	The Kroger Company Subsidiaries	10,446
8.	City of Portland	7,202
9.	Albertsons Companies, Inc. Subsidiaries	6,066
10.	Multnomah County	5,620
11.	U.S. Bank National, Association	3,909
12.	Portland Community College	3,765
13.	Wells Fargo Bank, National Association	3,739
14.	United States Postal Service	3,610
15.	Veterans Affairs Medical Center	3,587
16.	Portland State University	3,453
17.	New Seasons Market, Inc.	3,108
18.	United Parcel Service	3,053
19.	PCC Structural, Inc.	3,026
20.	TriMet	2,936
21.	Daimler Trucks North America, LLC	2,701
22.	Clackamas County	2,563
23.	The Home Depot	2,506
24.	Portland General Electric	2,433
25.	Wal-Mart Associates, Inc.	2,430

*Source:* TriMet, based on information from the Oregon Department of Revenue.

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# TRI MET



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