STAFF REPORT FOR CALENDAR ITEM NO.: 11
FOR THE MEETING OF: December 10, 2015

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:
Approval of minor changes to Board Policy No. 009, Investment Policy, and Board Policy No. 017, Debt Management Policy, and authorization to invest monies in the California State Treasurer's Local Agency Investment Fund (LAIF).

SUMMARY:
The TJPA Investment Policy and the TJPA Debt Management Policy both require annual review by the TJPA Board. The Investment Policy was last reviewed in November 2014, and the Debt Management Policy was adopted in May 2014. Staff proposes that the Board approve minor clarifying changes to both policies at this time. Staff also recommends that the Board adopt a resolution authorizing the opening of a LAIF account; LAIF has always been listed as a Permitted Investment in the TJPA Investment Policy, but TJPA has not previously adopted an implementing resolution or submitted paperwork for a new account to the State Treasurer's office.

INVESTMENT POLICY BACKGROUND:
The Government Finance Officers Association recommends that all governmental investors develop written investment policies, and the State of California also recommends that an investment policy be in place. The investment policy ensures that TJPA cash balances are safe, sufficiently liquid to meet cash flow needs, and maximize investment earnings. Board Policy No. 009 sets forth the scope of funds to be invested; establishes safety, liquidity and return on investment as primary objectives, in that priority order; and sets forth permitted investment instruments. The Policy delegates authority over the investment program to the TJPA Chief Financial Officer (CFO) or his/her designee. Permitted investment instruments are a subset of those allowed by California state law. The TJPA Board approved Board Policy No. 009 in 2006, and approved amendments to the Policy in 2008 and 2011. Minor changes in the policy language are being recommended at this time.

The TJPA Investment Policy applies to investment of funds primarily received from land sales. The policy does not apply to investment of employee retirement funds (invested by CalPERS or, for defined contribution plans, at the direction of the employee) or debt proceeds (invested as allowed by the debt documents). The policy currently refers to "bond" funds and proceeds; the change proposed at this time is to replace the word "bond" with the word "debt" as TJPA's current debt is not from bond proceeds. (Both the TIFIA loan and the Goldman Sachs/ Wells Fargo bridge loan have permitted investments that differ slightly from the TJPA Investment Policy, namely that the term for commercial paper is 270 days in the TJPA Investment Policy, whereas it is 90 days under the bridge loan, and commercial paper is not a permitted investment under the TIFIA loan. In addition, under the TIFIA loan, the duration for U.S. Treasury or U.S. Agency obligations is limited to three years (versus five years) specifically for investments in a debt service reserve account (not currently applicable)).

The second change is to update the language in the Standard of Prudence section of the policy to conform to California Government Code Section 53600.3, which refers to a prudent investor standard. TJPA Investment Policy has denoted a prudent person standard, although the description of the standard is from the Government Code and refers to a prudent investor standard of care. The language in the remainder of the section does not require change. TJPA staff making investment decisions will continue to act with the same prudent investor standard of care when investing funds.

California Government Code states that the treasurer or chief fiscal officer may file reports on the status of the investment portfolio quarterly to the legislative body; TJPA's Investment Policy does include a reporting requirement for a quarterly report to the Board. While the quarterly report is optional under state law, there is now a requirement for a monthly report of transactions to the legislative body. The TJPA Chief Financial Officer has prepared a report for the months of October and November 2015, attached to this report, and will prepare a similar report for the Board on a monthly basis moving forward.

The date of the Permitted Investments exhibit in the policy has been updated, and staff proposes to lower the maximum percentage of commercial paper in the portfolio to 25 percent. While up to 40 percent of the portfolio invested in commercial paper is allowed under state law for agencies that participate in local government investment pools, as TJPA does, 25 percent is a more conservative and safe management strategy. Non-negotiable certificates of deposit (CDs) are also proposed to be added as permitted investments, as allowed under state law. TJPA currently invests in negotiable CDs; non-negotiable CDs offer another option for consideration—both types are insured by the FDIC up to $250,000. TJPA does not purchase CDs in denominations over $250,000.

The policy's glossary of terms has also been revised, to remove some terms not used in the policy and to update definitions as provided in the California Debt and Investment Advisory Commission Local Agency Investment Guidelines. All of the proposed changes are shown in redline in the attached Investment Policy document.

The Policy does not describe actual investment practices or procedures, which may change over time and shall be summarized for the Board as part of this annual Policy review. In practice, TJPA currently adheres to the Policy by maintaining a cash balance in a U.S. Bank checking account sufficient to meet short-term obligations, and investing the balance with the City & County of San Francisco investment pool. TJPA also has trust accounts established with U.S. Bank for net tax increment and land sales proceeds, and the Trustee is required to adhere to all elements of the Policy. The trust account holding land sales proceeds also holds a portion of the bridge loan debt proceeds. Investments are made in permitted investments with maturities currently laddered through mid-2016. TJPA utilizes a buy and hold strategy, holding all securities until maturity, regardless of fluctuations in the market. TJPA also conservatively only places its money market investments in money market mutual funds that are invested in U.S. Treasuries and government securities and repurchase agreements for those securities. As each investment matures, TJPA staff reviews investment options and forecasted cash flow needs to choose an appropriate investment vehicle. Along with the attached monthly reports, the quarterly investment report through September 30 is included in the Executive Director's report on the agenda for this December 10, 2015 Board meeting. Disclosures about TJPA investments at June 30 are also included in the Annual Financial Report being presented to the Board at the same meeting (see Note 3 to the Basic Financial Statements).

LOCAL AGENCY INVESTMENT FUND (LAIF) BACKGROUND:
LAIF was established in 1977 and is administered by the California State Treasurer's Office as an investment alternative for California's local governments and special districts. The program operates a major portfolio investing hundreds of millions of dollars with in-house investment expertise. The Local Investment Advisory Board (LIAB) provides oversight for LAIF and consists of the following five members as designated by statute: the State Treasurer, two members appointed by the State Treasurer with training and experience in the fields of investment or finance, and two members who are treasurers or finance/fiscal officers of a California local agency. As with the TJPA Investment Policy, the goals for investment of the portfolio are safety, liquidity, and yield, in that order. Funds deposited with LAIF cannot be seized by the state for any purpose, and any failure of the state to adopt a budget cannot impair the right of any local agency to withdraw funds from LAIF. LAIF has grown from 293 participants and $468 million in 1977 to 2,470 participants and $19.7 billion at the end of October 2015. LAIF is part of the state's Pooled Money Investment Account, which had a $64 billion portfolio at the end of October.

As noted above, LAIF has always been listed as a Permitted Investment under the TJPA Investment Policy. Adoption of the attached resolution will allow staff to submit authorization paperwork to the State Treasurer's Office to open an LAIF investment account; the attached resolution is the template resolution from LAIF. Accounts may have zero balances without penalty. Opening a LAIF account offers additional flexibility in managing cash and investments, particularly as withdrawals may be made on a same-day basis.

DEBT MANAGEMENT POLICY BACKGROUND:
A debt management policy is a recommended financial best practice, as it proactively safeguards public agencies from making unsuitable debt-related decisions, and establishes an effective management mechanism for post-issuance disclosure and tax compliance. The TJPA Debt Management Policy was developed by staff and financial advisors and legal counsel in 2014, in conjunction with the procurement process that culminated in financial close of the bridge loan earlier this year. The policy is intended to provide general guidance on debt issuance and also includes procedures required to be in place by the Commodities Future Trading Commission (CFTC) related to interest rate derivative instruments.

Following review by legal counsel, staff is recommending minor clarifying changes to language in the policy. The proposed changes are shown in redline in the attached Debt Management Policy document. They clarify the following:

- that the policy is directory, and failure to comply with a provision does not invalidate TJPA debt, and
- that TJPA will consider diversifying counterparties so that there is not an excessive amount of exposure to any one counterparty.

There are several annual action items in the policy, compliance with which TJPA staff reports upon here:

- Section V. A. 3 requires that TJPA monitor the performance of each Qualified Independent Representative (QIR) that TJPA has contracted with in accordance with CFTC regulations, and request a certification at least annually from each QIR. *TJPA has requested and received QIR certifications from Sperry Capital in April 2014 and April 2015, and from Swap Financial Group in January 2015. A re-certification will be requested from Swap Financial Group in January 2016.*

- Section V. C requires that TJPA staff entering into discussions or an International Swaps and Derivatives Association (ISDA) master agreement with a swap counterparty acknowledges, agrees and consents that the discussions will be recorded by the swap counterparty and executes an annual acknowledgement form. *As the TJPA representative conducting discussions and having executed the ISDA master agreement for the interest rate cap associated with the bridge loan, the TJPA CFO has signed such acknowledgement.*

- Section V. E requires the TJPA CFO to prepare a report summarizing derivative exposure at least annually. *TJPA currently has one derivative instrument, the interest rate cap associated with the bridge loan. A description of the interest rate cap, including a discussion of credit risk and termination risk, is included in Note 10 to the Basic Financial Statements being presented to the Board at this December 10, 2015 Board meeting.*

There is no legal requirement for regular or periodic review of a debt policy by a local agency board; however, the TJPA's Debt Management Policy shall continue to be reviewed by the Board on at least an annual basis.

RECOMMENDATION:
Staff recommends that the TJPA Board of Directors approve the proposed changes to the TJPA Investment Policy and the TJPA Debt Management Policy, and authorize the investment of monies in the California Treasurer's Local Agency Investment Fund.

ENCLOSURE:

1. Monthly Investment Transaction Report, November 2015
2. Resolution approving changes to Board Policy No. 009 and Board Policy No. 017
3. Resolution authorizing investment of monies in LAIF
4. Board Policy No. 009, Investment Policy (redline)
5. Board Policy No. 017, Debt Management Policy (redline)

Transbay Joint Powers Authority
Monthly Investment Transaction Report
October and November 2015

This report includes securities transactions for all trust accounts held by TJPA, and is being presented to the TJPA Board for compliance with California Government Code section 56307.

Securities purchased in the month of October (excluding money market shares purchased with earnings):

Investment Type	Purchased	Matures	Par Amount	Cost	Yield
Natixis NY CP	10/6/15	2/3/16	$8,900,000.00	$8,888,726.67	0.39%
Export Import Bank CP	10/6/15	2/3/16	$8,900,000.00	$8,888,726.67	0.39%
Yadkin Bank CD	10/6/15	7/6/16	$250,000.00	$250,000.00	0.40%
Capital One Bank CD	10/7/15	4/7/16	$250,000.00	$250,000.00	0.35%
Ally Bank CD	10/8/15	1/8/16	$250,000.00	$250,000.00	0.20%
Independence Bank CD	10/14/15	3/14/16	$250,000.00	$250,000.00	0.30%
U.S. Treasury Note	10/15/15	11/15/15	$4,990,000.00	$4,991,492.11	0.375%
Safra National Bank CD	10/15/15	2/16/16	$250,000.00	$250,000.00	0.25%
Natixis NY CP	10/30/15	2/1/16	$12,700,000.00	$12,688,062.00	0.36%
October Purchases (Average Maturity 132 days):			**$36,740,000.00**	**$36,707,007.45**	

Securities matured during the month of October (excluding money market shares sold for investment purchases or cash disbursements to pay invoices):

Investment Type	Purchased	Matured	Par Amount	Cost	Net Interest
Abbey National Treasury CP	7/10/15	10/6/15	$17,843,000.00	$17,831,659.78	$11,340.22
Bank of Baroda CD	7/8/15	10/13/15	$250,000.00	$250,005.00	$252.05
Mizuho Bank USA CD	7/15/15	10/15/15	$64,000.00	$64,003.00	$48.39
U.S. Treasury Note	2/11/15	10/15/15	$19,600,000.00	$19,619,775.42	$13,205.35
State Bank of India CD	7/8/15	10/16/15	$250,000.00	$250,008.00	$252.05
Homestreet Bank CD	4/17/15	10/19/15	$95,000.00	$95,004.00	$120.37
Plainscapital Bank CD	4/17/15	10/19/15	$250,000.00	$250,010.00	$316.78
Bank of Tokyo Mitsubishi CP	5/28/15	10/28/15	$15,000,000.00	$14,981,512.50	$18,487.50
Synovus Bank CD	1/29/15	10/29/15	$225,000.00	$225,036.00	$673.15
BNP Paribas CP	8/20/15	10/30/15	$14,500,000.00	$14,494,280.56	$5,719.44
October Maturities (Average Maturity 149 days):			**$68,077,000.00**	**$68,061,294.26**	**$50,415.30**

Securities purchased in the month of November (excluding money market shares purchased with earnings):

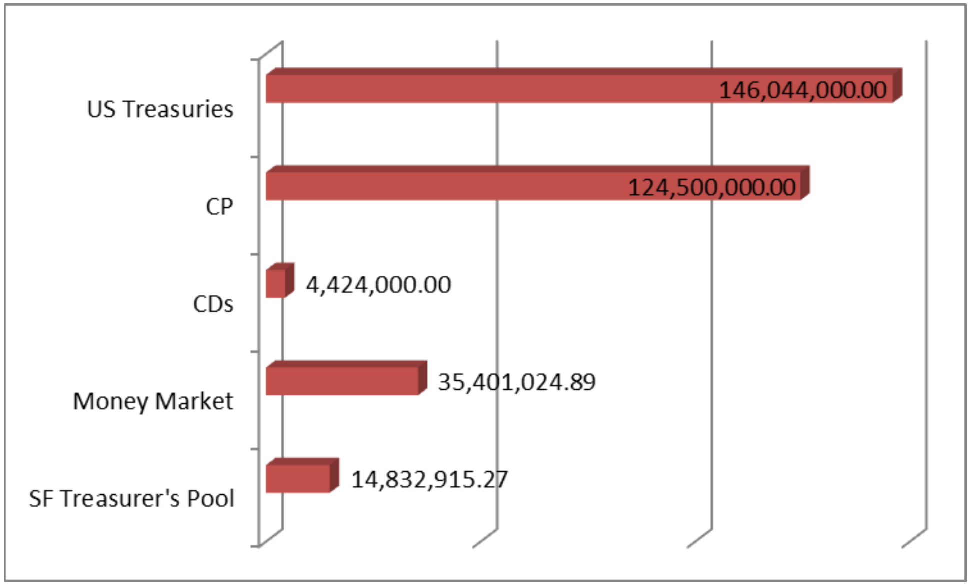
Investment Type	Purchased	Matures	Par Amount	Cost	Yield
Bank of Tokyo Mitsubishi CP	11/3/15	11/17/15	$9,000,000.00	$8,999,545.00	0.13%
ING US Funding CP	11/3/15	3/2/16	$5,000,000.00	$4,994,500.00	0.33%
Darien Rowayton Bank CD	11/5/15	11/30/15	$250,000.00	$250,000.00	0.20%
Merchants Bank of India CD	11/19/15	1/19/16	$160,000.00	$160,000.00	0.25%
Abbey National Treasury CP	11/23/15	4/21/16	$10,000,000.00	$9,979,166.67	0.51%
Swedbank CP	11/23/15	4/21/16	$10,000,000.00	$9,979,166.67	0.51%
Bank of Tokyo Mitsubishi CP	11/23/15	12/31/15	$5,000,000.00	$4,998,944.44	0.20%
November Purchases (Average Maturity 80 days):			**$39,410,000.00**	**$39,361,322.78**	

Securities matured during the month of November (excluding money market shares sold for investment purchases or cash disbursements to pay invoices):

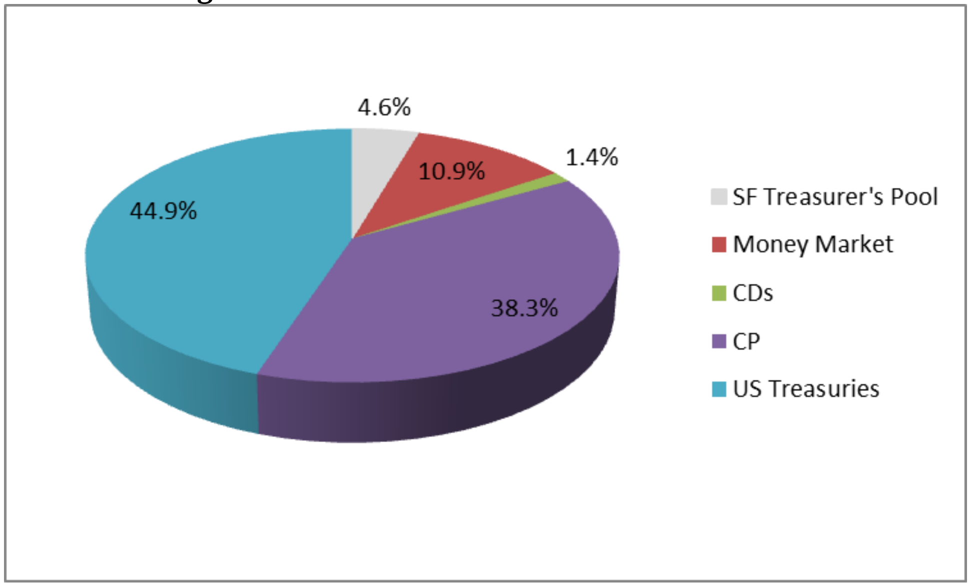
Investment Type	Purchased	Matured	Par Amount	Cost	Net Interest
U.S. Treasury Bill	4/2/15	11/12/15	$12,000,000.00	$11,992,160.00	$7,840.00
U.S. Treasury Note	10/15/15	11/15/15	$4,990,000.00	$4,991,492.11	$84.21
Bank of Tokyo Mitsubishi CP	11/3/15	11/17/15	$9,000,000.00	$8,999,545.00	$455.00
U.S. Bank N.A. CP	9/23/15	11/23/15	$37,600,000.00	$37,600,000.00	$7,009.53
Privatebank Trust Co CD	2/27/15	11/30/15	$250,000.00	$250,078.00	$756.16
Darien Rowayton Bank CD	11/5/15	11/30/15	$250,000.00	$250,000.00	$34.25
November Maturities (Average Maturity 105 days):			**$64,090,000.00**	**$64,083,275.11**	**$16,179.15**

All investments were made in compliance with the TJPA Investment Policy and the appropriate debt documents where applicable. Commercial paper (CP) purchases were made through the U.S. Bank Money Center and certificates of deposit (CD) were purchased through Umpqua Investments, Inc., with delivery of all purchased securities to the U.S. Bank trustee.

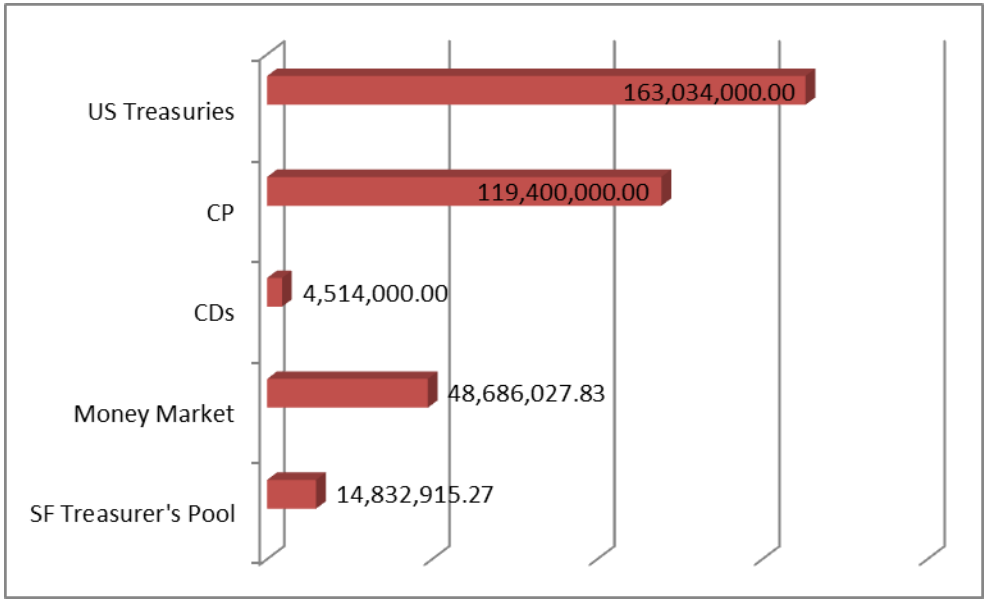
Par Value of Investments held at November 30



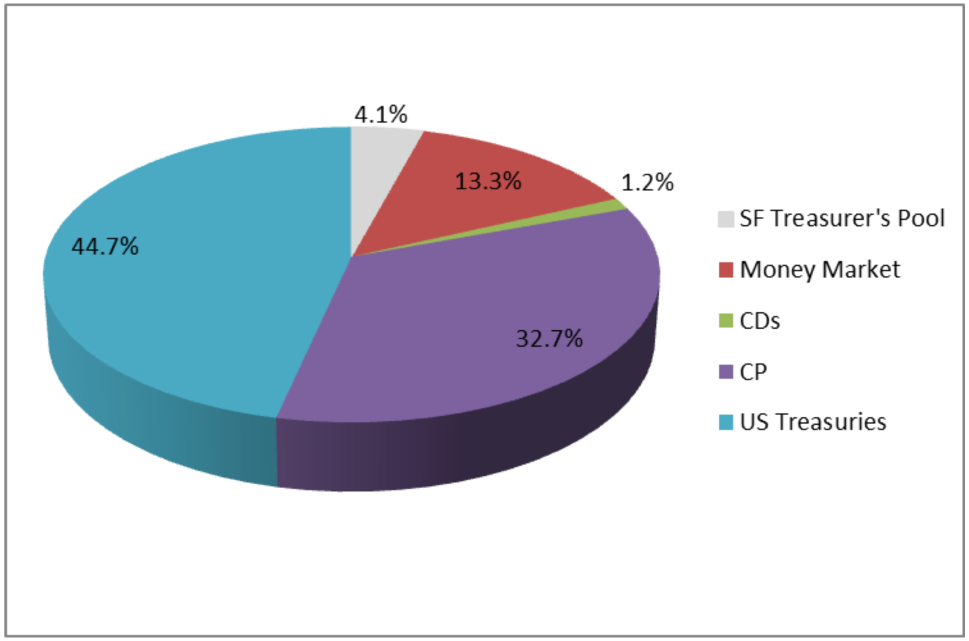
Percentage of Portfolio Investments held at November 30



Par Value of Investments held at October 30



Percentage of Portfolio Investments held at October 30



TRANSBAY JOINT POWERS AUTHORITY
BOARD OF DIRECTORS

Resolution No. ____________

WHEREAS, The Transbay Joint Powers Authority (TJPA) is a joint powers agency organized and existing under the laws of the State of California; and

WHEREAS, Pursuant to the Joint Powers Agreement creating the TJPA, dated April 4, 2001 (Agreement), the TJPA has the authority to receive, collect, invest and disburse moneys; and

WHEREAS, The Agreement also establishes that the Chief Financial Officer will receive, invest, and disburse funds only in accordance with procedures established by the Board and in conformity with applicable law; and

WHEREAS, The TJPA adopts an Investment Policy to follow the recommendations of the Government Finance Officers Association and the State of California, and to ensure that cash balances are safe, sufficiently liquid to meet cash flow needs, and to maximize investment earnings; and

WHEREAS, The TJPA adopted an Investment Policy in conformance with federal, state, and other legal requirements on February 16, 2006 and approved revisions to that policy on May 15, 2008, May 12, 2011, and November 10, 2011; and

WHEREAS, Pursuant to the Agreement, the TJPA also has the authority to incur debt; and

WHEREAS, Prudent financial management principles require a debt management policy to organize and formalize debt issuance-related policies and procedures; and

WHEREAS, The TJPA adopted a Debt Management Policy which complies with applicable regulations on May 8, 2014; and

WHEREAS, Minor clarifying changes are proposed to language in both policies, and both policies shall continue to undergo annual review by the TJPA Board; now, therefore, be it

RESOLVED, That the TJPA Board of Directors adopts the attached revised Investment Policy and revised Debt Management Policy identified respectively as Board Policy No. 009 and Board Policy No. 017, Category: Financial Matters.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board at its meeting of December 10, 2015.

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Secretary, Transbay Joint Powers Authority

TRANSBAY JOINT POWERS AUTHORITY
BOARD OF DIRECTORS

Resolution No. _____________

AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND

WHEREAS, The Local Agency Investment Fund is established in the State Treasury under Government Code section 16429.1 et. seq. for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, The Transbay Joint Powers Authority (TJPA) Board of Directors hereby finds that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein is in the best interests of the TJPA; now, therefore, be it,

RESOLVED, That the TJPA Board of Directors hereby authorizes the deposit and withdrawal of TJPA monies in the Local Agency Investment Fund in the State Treasury in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein; and, be it

FURTHER RESOLVED, That the following TJPA officers holding the titles specified herein below or their successors in office are each hereby authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated thereby:

Maria Ayerdi-Kaplan, Executive Director Signature: ____________________________

Sara D. DeBord, Chief Financial Officer Signature: ____________________________

and, be it

FURTHER RESOLVED, That this resolution shall remain in full force and effect until rescinded by the TJPA Board of Directors by resolution and a copy of the resolution rescinding this resolution is filed with the State Treasurer's Office.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board at its meeting of December 10, 2015.

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Secretary, Transbay Joint Powers Authority

TRANSBAY JOINT POWERS AUTHORITY

Board Policy No. 009 Category: Financial Matters

INVESTMENT POLICY

I. Introduction

The purpose of this policy is to set forth the scope, objectives, standards of care, authorized financial institutions, permitted investment instruments and parameters, and reporting requirements for all investments made by the Transbay Joint Powers Authority (TJPA) and its Trustees. It is the policy of the TJPA to invest funds in a manner which will preserve capital, meet the daily cash flow demands of the TJPA, and provide investment return.

II. Governing Authority

The investment program shall be operated in conformance with federal, state, and other legal requirements including applicable provisions of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code (Sections 53600 et seq.).

III. Scope

This policy applies to the investment of all funds, excluding the investment of ~~bond~~ debt funds and employees' retirement funds, which are outside the scope of this policy. The investment of ~~bond~~ debt proceeds and retirement funds shall be governed by the relevant documents. All other investments will be managed to insure the safety of the portfolio by investing in high quality securities and by maintaining a mix of securities that will provide reasonable assurance that no single investment or class of investments will have a disproportionate impact on the total portfolio.

IV. Objectives

The primary objectives, in priority order, for the TJPA's investment activities are:

1. **Safety**. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The safety of the portfolio is provided by investing in high quality securities and enhanced in three ways by maintaining a prudent mix (i.e., diversity) of investments:
   a. Spreading investments over different investment types minimizes the impact that any one industry/investment class can have on the portfolio;
   b. Spreading investments over multiple credits/issuers with an investment type minimizes the credit exposure of the portfolio to any single firm/institution; and

c. Spreading investments over various maturities minimizes the risk of portfolio depreciation due to a rise in interest rates.

The portfolio shall contain a sufficient number and diversity of marketable securities so that a reasonable portion of the portfolio can be readily converted to cash without causing a material change in the value of the portfolio. Limitation and eligibility as to specific investments are to be determined by the TJPA Chief Financial Officer or his/her designee, and the Executive Director, collectively.

2. **Liquidity**. The investment portfolio shall remain sufficiently liquid to meet all cash flow requirements that may be reasonably anticipated. The TJPA will maintain a cash position anticipated to meet short-term obligations.

3. **Return on Investment**. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

V. Standard of Prudence

In managing its overall portfolio, the TJPA shall observe the "Prudent ~~Person~~ Investor Standard" as stated in California Government Code 53600.3. Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the TJPA, that a prudent person acting in a like capacity, and with familiarity of those matters, would use to safeguard the principal and maintain the liquidity needs of the TJPA. Investment officers acting in accordance with state and local law and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

VI. Delegation of Authority

Management's responsibility for the investment program is derived from the TJPA Board of Directors and is hereby delegated to the TJPA Chief Financial Officer or his or her designee. The Board may rescind the delegation pursuant to this section.

The following individuals are authorized to sign investment documents and/or execute cash transfers and make investments of the TJPA's funds:

- Executive Director or his/her designee
- Chief Financial Officer or his/her designee

All investment documents and cash transfer authorization forms shall be approved by one of the two signature authorities from the above list.

VII. Ethics and Conflict of Interest

Officers and employees involved in the investment process will not engage in personal business activities that could conflict with the proper and lawful execution and management of the investment program, or that could impair their ability to make impartial decisions. Pursuant to the TJPA's Conflict of Interest code, employees shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the TJPA's investment portfolio.

VIII. Authorized Financial Institutions and Dealers

Banking and investment services will be procured competitively. No public deposits will be made except in a qualified public depository as established by state law. All broker/dealers must be Primary Government Securities Dealers or top-ten banking underwriters of U.S. Agencies (according to Bloomberg Underwriter Rankings, or a similar ratings service). All broker/dealers and custodial Trustees must annually review and abide by this Investment Policy.

TJPA will not do business with a firm which has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board (MSRB), and any other relevant MSRB rules that may be promulgated, to the City & County of San Francisco Treasurer, any member of the TJPA Board, or any candidate for those offices.

TJPA may choose a Trustee to hold custody of moneys gained by the sale of formerly State-owned land parcels, tax increment proceeds, and other moneys as deemed necessary by the Executive Director and the Chief Financial Officer. Moneys held by the Trustee shall be invested and reinvested by the Trustee solely at the direction of the TJPA in those certain investment securities listed in "Exhibit A" hereto entitled "Permitted Investments".

IX. Permitted Investment Instruments

California Government Code Section 53601 governs and limits the investments permitted for purchase by local governments. Within those limitations, the TJPA further restricts eligible investments to ~~In accordance with and subject to the restrictions in California Government Code Section 53601, the TJPA may invest in~~ the following types of investments below, as more fully described in Exhibit A:

1. U.S. Treasury Obligations
2. U.S. Agency Obligations
3. Bankers Acceptances
4. Commercial Paper (domestic)
5. Negotiable Certificates of Deposit
6. Non-negotiable Certificates of Deposit

~~6~~7. Repurchase Agreements
~~7~~8. Medium-Term Notes
~~8~~9. Money Market Mutual Funds

~~9~~10. Collateralized Bank/Time Deposits
~~10~~11. City & County of San Francisco Investment Pool
~~11~~12. Local Agency Investment Fund (LAIF)

The maximum percentage share of investments in these instruments as a share of the TJPA's portfolio, the credit quality and the maximum maturities of investments shall conform to the restrictions in California Government Code and shall be domestic investments only. Percentage holding limits apply at the time the security is purchased. All funds under management shall be combined for the purpose of evaluating portfolio limits.

X. Ineligible Investments

The TJPA shall not invest funds in instruments not specified in Section IX, Permitted Investment Instruments, above.

XI. Internal Controls

TJPA shall maintain a system of internal controls, which shall be documented in writing. The internal controls shall be provided to and reviewed by the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in the financial markets, or imprudent actions by employees and officers of the TJPA.

XII. Reporting Requirements

The TJPA Chief Financial Officer shall submit a list of investment transactions and an investment report to the TJPA Board of Directors on a quarterly basis. The report will include, at a minimum, investment types, issuer, maturity, par value, dollar amount invested, market value as of the date of the report and the source of the valuation. In addition, the investment report shall state compliance of the portfolio with the investment policy and a statement noting the ability of TJPA to meet expenditure requirements for the next six months in accordance with California Government Code Section 53646 (b) (2) and (3).

The TJPA Chief Financial Officer shall also submit a monthly report of transactions to the TJPA Board.

XIII. Social and Environmental Concerns

Investments are encouraged in entities that support community well-being through safe and environmentally sound practices and fair labor practices. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability or sexual orientation. Investments are discouraged in entities that manufacture tobacco products, firearms or nuclear weapons. In addition, investments are encouraged in entities that offer banking products to serve all members of the local community, and investments are discouraged in entities that finance high-cost check-cashing and deferred deposit (payday-lending) businesses.

XIV. Investment Policy Review

TJPA's investment policy shall be adopted by resolution of the TJPA Board of Directors. This policy shall be reviewed annually at a regular meeting of the TJPA Board. Any modifications to this policy must be approved by resolution of the TJPA Board.

EXHIBIT A

Permitted Investments

Per State Government Code (As of January 1, ~~2011~~2015)[i]

Investment Type	Maximum Maturity	Maximum Specified Percentage of Portfolio	Minimum Quality Requirements
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers Acceptances	180 days	40% [ii]	None
Commercial Paper	270 days	~~40~~25% [iii]	"A-1"; if the issuer has issued long-term debt it must be rated "A" without regard to modifiers[iv]
Negotiable Certificates of Deposit	5 years	30% [v]	None
Non-negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Medium-Term Notes[vi]	5 years	30%	"A" rating
Money Market Mutual Funds	n/a	20% [vii]	Multiple[viii]
Collateralized Bank/Time Deposits	5 years	None	None
City & County of San Francisco Equity in Pool (County Pooled Investment Funds) [ix]	n/a	None	None
Local Agency Investment Fund (LAIF) [x]	n/a	None	None

Prohibited investments include securities not listed above, as well as inverse floaters, range notes, interest only strips derived from a pool of mortgages, and any security that could result in zero interest accrual if held to maturity.[xi]

See endnotes next page.

[i] Sources: Government Code Sections 16429.1, 53601, 53601.8, 53635, 53635.2 and 53638.

[ii] No more than 30 percent of the agency's money may be in Bankers Acceptances of any one commercial bank.

[iii] No more than 10 percent of the agency's money may be invested in the commercial paper of any one corporate issuer.

[iv] Issuing corporation must be organized and operating within the U.S. and have assets in excess of $500,000,000.

[v] No more than 30 percent of the agency's total funds may be invested in CDs authorized under Sections 53601.8 and 53601(i).

[vi] "Medium-term notes" are defined in Government Code Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S."

[vii] No more than 10 percent invested in any one mutual fund.

[viii] A mutual fund or a money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration with assets under management in excess of $500 million who has not less than five years experience investing in instruments authorized by Sections 53601 and 53635 (mutual funds) or not less than five years experience investing in money market instruments.

[ix] Not a permitted investment for Trustee Accounts.

[x] Not a permitted investment for Trustee Accounts. Maximum LAIF account balance is capped at $50 million.

[xi] Zero interest accrual means the security has the potential to realize zero interest depending upon the structure of the security. Zero coupon bonds and similar investments that start at a level below the face value are legal because their value does increase.

Glossary of Terms

~~**Annual Financial Report:** The official annual, audited financial report for the TJPA.~~

Bankers Acceptance (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

~~**Benchmark:** A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.~~

Broker: A ~~broker brings buyers and sellers together for a commission~~ person or firm that acts as an intermediary by purchasing and selling securities for others rather than for its own account.

Certificate of Deposit (CD): A ~~time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.~~ short-term, secured deposit in a financial institution that usually returns principal and interest to the lender (purchaser) at the end of the loan period. Certificates of Deposit differ in terms of collateralization and marketability. Those appropriate to public agency investing include:

Negotiable Certificates of Deposit: Generally, short-term debt instrument that usually pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. The majority of negotiable CDs mature within six months while the average maturity is two weeks. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor). Negotiable CDs are insured by the FDIC up to $250,000, but they are not collateralized beyond that amount.

Non-negotiable Certificates of Deposit: CDs that carry a penalty if redeemed prior to maturity. A secondary market does exist for non-negotiable CDs, but redemption includes a transaction cost that reduces returns to the investor. Non-negotiable CDs issued by banks and savings and loans are insured by the FDIC up to $250,000, including principal and interest. Amounts deposited above this amount may be secured with other forms of collateral through an agreement between the investor and the issuer. Collateral may include other securities including Treasuries or Agency securities.

Collateral: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper: An unsecured short-term promissory note issued by corporations or municipalities, with maturities ranging from 2 to 270 days.

Corporate Notes and Bonds: Debt instruments, typically unsecured, issued by corporations, with original maturities in most cases greater than one year and less than ten years.

County Pooled Investment Funds: The aggregate of all funds from public agencies placed in the custody of the county treasurer or chief finance officer for investment and reinvestment.

Coupon: The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value; a certificate attached to a bond evidencing interest due on a payment date.

Credit Rating: Various alphabetical and numerical designations used by institutional investors, Wall Street underwriters, and commercial rating companies to give relative indications of bond and note creditworthiness. Standard & Poor's and Fitch Ratings use the same system, starting with their highest rating, of AAA, AA, A, BBB, BB, B, CCC, CC, C, and D for default. Moody's Investors Service uses AAA, AA, A, BAA, BA, B, CAA, CA, and D. Each of the services use pluses (+) and minuses (-), or numerical modifiers to indicate steps within each category. The top four letter categories are considered investment grade ratings.

Credit Risk: The chance that an issuer will be unable to make scheduled payments of interest and principal on an outstanding obligation.

Custodian: A bank or other financial institution that keeps custody of stock certificates and other assets.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, including underwriting, buying and selling securities, including from ~~for~~ his/her own account.

Default Risk: The risk that issuers/borrowers will be unable to make the required payments on their debt obligations.

Depository Institutions: These institutions hold agency monies in the forms of certificates of deposit (negotiable or term), public time deposits and public demand accounts. To be eligible to receive local agency money, a financial institution must receive an overall rating of not less than "satisfactory" from the appropriate federal supervisory agency for meeting the criteria specified in the Community Reinvestment Act of 1977.

Discount: The difference between the cost ~~price~~ of a security and the par value of a security, when the cost is below par. ~~its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.~~ Investors purchase securities at a discount when return to the investor (yield) is higher than the stated coupon (interest rate) on the investment.

~~**Discount Securities:** Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.~~

Diversification: The allocation of different types of assets in a portfolio to mitigate risks and improve overall portfolio performance.

~~**Federal Credit Agencies:** Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.~~

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up to $100,000 per deposit.

~~**Federal Home Loan Banks (FHLB):** Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.~~

Government Sponsored Enterprises (GSE): Privately held corporations with public purposes created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy. Securities issued by GSEs carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S. Government.

Interest Rate Risk: The risk that an investment's value will change due to a change in the absolute level of interest rates, spread between two rates, shape of the yield curve, or any other interest rate relationship.

Liquidity: ~~A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value~~The measure of the ability to convert an instrument to cash on a given date at full face or par value.

Liquidity Risk: The risk that a security, sold prior to maturity, will be sold at a loss of value. For a local agency, the liquidity risk of an individual investment may not be as critical as how the overall liquidity of the portfolio allows the agency to meet its cash needs.

Local Agency Investment Fund (LAIF): A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

Local Government Investment Pool: Investment pools that range from the State Treasurer's Office LAIF to county pools.

Market Risk: The chance that the value of a security will decline as interest rates rise. In general, as interest rates fall, prices of fixed income securities rise. Similarly, as interest rates rise, prices fall. Market risk also is referred to as systematic risk or risk that affects all securities within an asset class similarly. Buying and holding a security to maturity eliminates the effects of market risk.

Market Value: The price at which a security is trading and presumably could be purchased or sold at a particular point in time.

Maturity: The date on which the principal or stated value of an investment becomes due and payable.

Medium-Term Note: Corporate or depository institution debt securities meeting certain minimum quality standards (as specified in the California Government Code) with a remaining maturity of five years or less.

Money Market: The segment of the financial market in which ~~short-term debt~~ financial instruments with high liquidity and very short maturities (U.S. Treasury bills, commercial paper, bankers' acceptances, negotiable CDs, etc.) are issued and traded. The money market is used by participants as a means for borrowing and lending in the short term, from several days to just under a year.

Money Market Mutual Funds (MMF): MMF's are mutual funds that invest exclusively in short-term money market instruments. MMF's seek the preservation of capital as a primary goal while maintaining a high degree of liquidity and providing income representative of the market for short term investments.

Par Amount or Par Value: The principal amount of a note or bond which must be paid at maturity. Par, also referred to as the "face amount" of a security, is the principal value stated on the face of the security. A par bond is one sold at a price of 100 percent of its principal amount.

Portfolio: Combined holding of more than one bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

Premium: Premium means the difference between the par value of a security and the cost of a security, when the cost is above par. Investors pay a premium to purchase a security when the return to the investor (yield) is lower than the stated coupon (interest rate) on the investment.

~~**Primary Dealer:** A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.~~

Prudent ~~Person~~ Investor ~~Rule~~Standard: A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing funds. The test of whether the standard is being met is if a prudent person acting in such a situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity. ~~An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state – the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.~~

Repurchase Agreement (RP or REPO): A holder of securities sells these securities to an investor with a~~n~~ simultaneous agreement to repurchase them at a fixed price on demand or at a fixed date.

Rule G-37 of the Municipal Securities Rulemaking Board: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

Safekeeping Service: Offers storage and protection of assets provided by an institution serving as an agent. ~~A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.~~

Safety: In the context of investing public funds, safety relates to preserving the principal of an investment in an investment portfolio; local agencies address the concerns of safety by controlling exposure to risks.

Securities and Exchange Commission (SEC): a federal agency which holds primary responsibility for enforcing the federal securities laws and regulating the securities industry, the nation's stock and options exchanges, and other electronic securities markets in the United States.

~~**State and Local Government Investment Pools:** The aggregate of all funds from political subdivisions that are placed in the custody of the local or State Treasurer for investment and reinvestment.~~

U.S. ~~Agencies~~Agency Obligations: Debt obligations issued by federal agenc~~y securities~~ies and/or U.S. government-sponsored enterprises.

U.S. Treasury ~~Bills~~ Obligations: Debt obligations of the U.S. Government sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less and are sold at a discount. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more. ~~A non-interest bearing discount security~~

~~issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.~~

~~**Treasury Bonds:** Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.~~

~~**Treasury Notes:** Medium-term coupon bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.~~

<u>**Yield:** The current rate of return on an investment security generally expressed as a percentage of the security's current price.</u>

TRANSBAY JOINT POWERS AUTHORITY

Board Policy No. 017 Category: Financial Matters

DEBT MANAGEMENT POLICY

I. Introduction & Objectives

The purpose of this policy is to set forth debt issuance-related policies and procedures for the Transbay Joint Powers Authority to govern issuance and management of all debt, including the selection and management of related financial and advisory services and products. The primary objectives are to:

- maintain cost effective access to capital markets through prudent debt management policies and practices.
- maintain moderate and sustainable debt and debt service levels with effective long-term planning.
- meet capital needs through debt financing as needed.
- structure long term financings to minimize transaction specific risk and total debt portfolio risk.
- maintain the highest practical credit ratings to ensure efficient access to capital markets.
- maintain good investor relations through the timely dissemination of material financial information.

II. Governing Authority

This policy is subject to and limited by applicable provisions of federal and state law and prudent debt management principles.

III. Delegation of Authority

This policy requires that the Board authorize each debt financing. Responsibility for implementation of this policy, and day-to-day responsibility and authority for structuring and managing the TJPA's debt, is hereby delegated to the TJPA Chief Financial Officer or his or her designee.

While adherence to this policy is required in applicable circumstances, the TJPA recognizes that changes in the public and private debt markets, the Transbay Program, or other unforeseen circumstances may from time to time produce situations that are not covered by the policy ~~and~~ or require modifications or exceptions to this policy to achieve policy goals. In such cases, management flexibility is appropriate. The provisions of this policy are directory only and any failure to comply with its provisions or any departure therefrom shall not affect the validity of any indebtedness or obligation of TJPA.

DEBT LIMITS & STRUCTURE

IV. Types of Debt

Term and Use

TJPA may issue debt when there is a defined repayment source. TJPA may incur short-term or long-term debt. Short-term debt is debt with a term to maturity of less than five years. Long-term debt has a term to maturity of five years or more. TJPA's long-term debt will be structured such that obligations do not exceed the maturity permitted by law or the average useful life of the capital asset as determined by the Internal Revenue Code, if applicable. Long-term debt shall not be used to fund operating costs or operating deficits of the TJPA. Short-term debt may be used to either, 1) provide funds to finance cash flow deficits, or 2) provide capital financing.

Rate

To maintain a predictable debt service burden, TJPA may give preference to debt that carries a fixed interest rate. An alternative to the use of fixed rate debt is floating or variable rate debt. It may be appropriate to issue variable rate debt to reduce forecast interest costs, provide interim financing, and/or improve the match of assets to liabilities. Under no circumstances will TJPA issue variable rate debt solely for the purpose of earning arbitrage. In connection with each issuance of variable rate debt, TJPA should make a determination that the use of unhedged variable rate debt is not imprudent, taking into consideration the security source for repayment of the variable rate debt and the projected coverage if variable rate debt was to equal the maximum rate permitted under the applicable debt.

Adequate safeguards against the risk of adverse impacts from interest rate shifts in variable debt may include, but are not limited to, interest rate swaps, interest rate caps, and the matching of assets and liabilities. Financial strategies may result in a synthetic fixed rate debt, subject to the provisions of this policy regarding derivative products.

V. Financial Derivative Products

Financial derivative products such as interest rate swaps will be considered appropriate in the issuance or management of debt only in instances where it has been demonstrated that the derivative product will either provide a hedge that reduces the risk of fluctuations in expense or revenue, or alternatively where the derivative product will significantly reduce the project cost. Financial derivative products will only be considered, 1) after a thorough evaluation of risks associated therewith, including counterparty credit risk, basis risk, tax risk, termination risk, and liquidity risk; 2) after consideration of the potential impact on the TJPA's ability to refinance debt at a future date; and 3) in compliance with the requirements below.

A. Qualified Independent Representative

1. TJPA will enter into a contract with a firm or firms that will have the qualifications to act as a qualified independent representative ("QIR") to TJPA in accordance with the requirements of Commodity Futures Trading Commission ("CFTC") Regulation §23.450, "Requirements for swap dealers and major swap participants acting as counterparties to Special Entities", and its related safe harbor provisions and in such contract such firm or firms will make representations and provide agreements to satisfy

the requirements and safe harbors of CFTC Regulation §23.450 in a manner satisfactory to TJPA.

2. TJPA shall utilize the services of such QIR when (i) entering into a new swap transaction, (ii) modifying, terminating (in whole or in part), transferring or novating an existing swap transaction, or (iii) discussing the possibility of the transactions in (i) and/or (ii) with a swap counterparty.
3. TJPA shall monitor the continued performance of each QIR by requesting certifications at least annually from each QIR restating that the representations and agreements in the contract described in (1) above are true and correct and by requiring in the contract described in (1) above prompt notice by the QIR of any failure of a representation or agreement to be true and correct.

B. Recordkeeping and Retention

TJPA will maintain full records (in the manner specified in the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act")) related to interest rate swap agreements, interest rate swap transactions, and similar agreements for at least five years following the final termination of each transaction. Such records must be retrievable within five business days.

C. Consent to Recording

Each employee or representative of TJPA that enters into discussions with a swap counterparty regarding a swap transaction or the International Swaps and Derivatives Association ("ISDA") master agreement (including the related schedule and credit support annex, if applicable) that governs such swap transaction acknowledges and agrees that the discussions will be recorded by the swap counterparty and consents to the recording and agrees to sign an annual acknowledgement form stating that they have notice of and consent to the recording of discussions of swap documentation and transactions.

D. Amendment of documentation for interest rate swap agreements, interest rate swap transactions, or similar agreements.

TJPA will work with legal counsel and a QIR to amend ISDA master agreements entered into with swap counterparties to comply with requirements of the Act and regulations thereunder and any additional legal and/or regulatory requirements relating to swap transactions and ISDA master agreements. TJPA will amend documentation through completion and distribution of applicable ISDA Protocol documentation and/or through direct negotiation of amendments with individual swap counterparties.

E. Counterparty and contract guidelines.

TJPA will not use derivative contracts that are purely speculative in nature or create extraordinary leverage or risk, or lack sufficient price transparency to allow reasonably transparent valuation.

TJPA will only work with counterparties (or their guarantors) with a long-term senior, unsecured debt credit rating of at least "A3" or "A-" from two of the nationally recognized rating agencies.

No derivative contract will be entered into with a structured terminating counterparty or be subject to automatic termination in any circumstance without the explicit approval of the Board.

All termination payments under any contract shall be expressly subordinate to the payment of debt service payments on the debt being hedged, unless the Board explicitly approves otherwise.

Each counterparty with TJPA must provide collateralization to secure any or all of its payment obligations under the derivative contract under terms and provisions acceptable to TJPA and the QIR, provided that, if any of the counterparty's (or guarantor's) ratings fall below investment grade, the credit support agreement must provide for a zero threshold limit for the initial deposit and for increments or decrements of collateral thereafter.

TJPA will consider diversifying its counterparties so that TJPA does not have an excessive amount of exposure ~~is limited to one or a small number of institutions~~to any counterparty.

The TJPA Chief Financial Officer is required to prepare a report summarizing derivative exposure at least annually.

VI. Structuring

Debt issuance shall be planned to achieve relatively rapid repayment of debt while recognizing the useful life of the facilities.

Certain types of financings may require the use of capitalized interest from the issuance date until the TJPA has constructive use of the financed project. Capitalized interest is the interest added to the cost of a debt-financed long-term asset. Capitalized interest may be funded from the proceeds of TJPA debt.

Reserve accounts shall be maintained per debt requirements and where deemed advisable by the TJPA Board. Debt service reserves shall be structured so that they do not violate Internal Revenue Service arbitrage regulations.

DEBT ISSUANCE

VII. Method of Sale

TJPA will determine, on a case-by-case basis, whether to issue its debt competitively or through negotiation.

In a competitive sale, the transaction shall be awarded to the bidder providing the lowest true interest rate cost as long as the bid adheres to the requirements set forth in the procurement documents. A competitive sale may be the most appropriate when the debt type and structure are conventional and the issuer has a strong credit rating and is well known to investors.
TJPA recognizes that some transactions are best handled through negotiation, including situations when sale of the debt will require complex explanations about TJPA's projects, political structure and support, funding, or credit quality.

From time to time, TJPA may elect to privately place its debt with institutional investors. Such placement shall be considered if this method is likely to result in a cost savings or additional benefit to the TJPA relative to other methods of debt issuance, whether due to interest rate savings or costs of issuance.

VIII. Consultants

All professional service providers (underwriters, financial advisors, QIRs, bond counsel, etc.) shall be selected in accordance with Board Policy No. 001: Procurement Policy.

IX. Ethics and Conflict of Interest

Officers and employees involved in the debt management process will not engage in personal business activities or investments that could conflict with the proper and lawful execution and management of the debt management program, or that could impair their ability to make impartial decisions. Pursuant to the TJPA's Conflict of Interest code, employees shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to TJPA's debt.

DEBT MANAGEMENT

X. Internal Controls

TJPA shall maintain a system of internal controls, which shall be documented in writing. The internal controls shall be provided to and reviewed by the independent auditor. The controls shall be designed to ensure compliance with this policy, all debt covenants, and any applicable legal requirements.

XI. Investment of Debt Proceeds

TJPA shall accurately account for all interest earnings in debt-related funds. TJPA will maximize the interest earnings on all funds within the investment parameters set forth in the respective indenture documents or as otherwise permitted by the TJPA Investment Policy. TJPA will implement a system of reporting interest earnings that relates to and complies with any tax certificates relating to its outstanding debt and Internal Revenue Code requirements, and make any required filings with federal and state agencies.

XII. Post-Issuance Compliance Procedures

TJPA will establish and document procedures to ensure compliance with all Internal Revenue Code requirements with respect to tax-exempt bonds and obligations so that the interest on the bonds and obligations is and will remain tax-exempt.

XIII. Recordkeeping

TJPA shall maintain all debt-related records for a period no less than six years after the final maturity of the debt. At a minimum, these records shall include all official statements, term sheets, bid documents, resolutions, disclosure reports, and consultant agreements.

XIV. Debt Management Policy Review

TJPA's debt management policy shall be adopted by resolution of the TJPA Board of Directors. This policy shall be reviewed annually at a regular meeting of the TJPA Board, or more frequently as required. Any modifications to this policy must be approved by resolution of the TJPA Board.

Glossary of Terms

Arbitrage: The difference between the interest paid on tax-exempt securities and the interest earned by investing the security proceeds in higher-yielding taxable securities. IRS regulations govern arbitrage on the proceeds from issuance of tax-exempt municipal securities.

Capitalized Interest: A portion of the proceeds of an issue that is set aside to pay interest on the securities for a specific period of time. Interest is commonly capitalized for the construction period of a project.

Competitive Sale: A sale of securities by an issuer in which underwriters or syndicates of underwriters submit sealed bids to purchase the securities.

Debt Service Reserve Fund: The fund in which moneys are placed which may be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements.

Derivatives: 1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying indices or securities, and may include a leveraging factor, or 2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (e.g., interest rates).

Indenture: A legal and binding contract between a debt issuer and the debt holders. The indenture specifies all the important features of the debt, such as its maturity date, timing of interest payments, method of interest calculation, call features, investment requirements, etc.

Negotiated Sale: A method of sale in which the issuer chooses one underwriter to negotiate terms pursuant to which an underwriter will purchase and market the debt.

Private Placement: The original placement of an issue with one or a limited number of investors as opposed to being publicly offered or sold.

Underwriter: A dealer that purchases new issues of municipal securities from the issuer and resells them to investors.

Variable Rate: An interest rate on a security which changes at intervals according to an index or formula or other standard of measurement as stated in a debt contract.