STAFF REPORT FOR CALENDAR ITEM NO.: 8.2
FOR THE MEETING OF: November 12, 2026

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

Annual review of Board Policy No. 009, Investment Policy and Board Policy No. 017, Debt Management Policy; and approval of proposed updates to those policies, and Board Policy No. 012, Reserve Policy.

SUMMARY:

The TJPA Board adopted the Investment Policy in 2006. It governs investment of TJPA funds under Government Code sections 53600 et seq. Employee retirement funds and debt proceeds are outside its ordinary scope; debt proceeds are invested under the applicable financing documents. The TJPA Board adopted the Debt Management Policy in 2014. The policy governs the planning, authorization, issuance, and ongoing administration of TJPA debt. Government Code section 8855(i) requires the TJPA to certify to the California Debt and Investment Advisory Commission (CDIAC), before issuing debt, that it has adopted a debt policy containing specified elements.

Both policies establish the framework for the TJPA's borrowing activities and the investment of public funds and were last amended on December 11, 2025. Staff has completed the annual review with assistance from the TJPA's municipal advisor. The proposed amendments are intended to make the policies more precise, align them with applicable law and governing documents, strengthen accountability and internal controls, and clarify the information provided to the Board. The Investment Policy also reflects statutory changes effective January 1, 2026. The amendments do not revise the terms of existing indentures, loan agreements, or other financing documents. Where a financing document governs the use or investment of funds, its requirements continue to apply.

The TJPA Board approved Board Policy No. 012: Reserve Policy on October 27, 2006, and subsequently approved amendments on September 9, 2010, November 9, 2017, March 12, 2020, November 10, 2022, and June 13, 2024. The current policy establishes four reserves: an Emergency Reserve for extraordinary events; a Fiscal Reserve to provide working capital; an Operating and Maintenance (O&M) Reserve to address unanticipated revenue shortfalls and unavoidable expenditure needs; and a Capital Replacement Reserve to fund necessary periodic major maintenance and lifecycle expenditures.

The Reserve Policy establishes the Emergency Reserve at $500,000; the Fiscal Reserve at an amount equivalent to 60 days of working capital, not including right-of-way costs; the O&M Reserve at 25% of annual budgeted operating and maintenance expenses; and the Capital replacement Reserve at a level sufficient to fund seven years of anticipated periodic major maintenance and lifecycle costs.

As the TJPA's budget and capital program have grown, particularly with the advancement of The Portal, the Authority's working capital and cash flow requirements have increased. These needs are further compounded by changes in funding structures, quarterly invoicing requirements imposed by funding agencies, and extended reimbursement timelines. Consequently, the existing

Fiscal Reserve requirement of 60 days of working capital is no longer sufficient to adequately support the TJPA's short-term financial obligations and cash flow needs.

PROPOSED AMENDMENTS

Investment Policy (Board Policy No. 009)

The proposed amendments to the Investment Policy are intended to improve compliance with state law, strengthen investment controls and liquidity planning, and enhance transparency and Board oversight. Key changes include:

Conformity with law: Updates statutory references, investment limits, maturity requirements, and settlement procedures to reflect current state law while retaining existing TJPA investment restrictions.

JPA Investment Pools: Clarifies that the TJPA may invest in eligible JPA investment pools that meet the requirements of California Government Code section 53601(p), including CAMP. The policy provides for due diligence, alignment with cash-flow needs, and separate quarterly reporting. Investing as a CAMP Participant would require a separate Board resolution.

Investment Scope: Removes TJPA obligations as a permitted investment category and clarifies requirements for debt proceeds, trustee-held funds, and issuer concentration limits.

Liquidity and Internal Controls: Requires six-month cash flow forecasts and strengthens transaction controls, including dual authorization for outgoing wires, verification of payment instructions, segregation of duties, and monthly reconciliations.

Portfolio Monitoring and Reporting: Expands quarterly reporting to include investment performance, credit ratings, portfolio composition, and liquidity projections. Requires documentation and Board reporting of investments that become noncompliant after purchase.

Governance and Oversight: Clarifies investment delegation, annual legal review, auditor responsibilities, and other administrative and technical provisions to strengthen policy implementation and accountability.

Debt Management Policy (Board Policy No. 017)

The proposed amendments focus on clear responsibility, Board visibility, and consistent administration across the life of financing. The key changes include:

CDIAC filings and accountability: Assigns the Chief Financial Officer responsibility for required CDIAC filings and clarifies the Executive Director’s authority to designate an alternate in the CFO’s absence.

Policy administration and exceptions: Clarifies the Board’s authority to approve policy exceptions and requires material exceptions to be disclosed to the Board.

Debt instruments and short-term borrowing: Clarifies permitted debt instruments, limits short-term borrowing to specific financing and cash flow needs, and requires greater transparency regarding repayment terms and financing risks.

Derivatives: Establishes additional Board approval and procedural safeguards for any future derivative transactions.

Debt structure and credit support: Aligns debt repayment with asset useful life and pledged revenues, requires justification for deferred or back-loaded amortization, and clarifies reserve-fund investments, bond insurance analysis, and minimum ratings for liquidity and credit-facility providers.

Sale method, green bonds, and capital planning: Clarifies the use of true interest cost, gives the CFO discretion over green bond designation in consultation with the municipal advisor, and expands financing staff reports to address repayment sources, coverage, outstanding obligations, and contingent liabilities.

Investment of Debt Proceeds: Requires debt proceeds to be invested in accordance with the applicable financing documents, emphasizing safety and liquidity rather than maximizing investment earnings.

Disclosure, post-issuance, and records: Clarifies disclosure and continuing reporting obligations, conflict-of-interest requirements, and record retention periods to ensure compliance with applicable laws and financing documents.

Reserve Policy (Board Policy No. 012)

To strengthen the TJPA's liquidity position and ensure sufficient working capital to meet ongoing financial obligations, the proposed amendment increases the Fiscal Reserve requirement from 60 days to 120 days of working capital across the TJPA's capital and operating funds.

RECOMMENDATION:

Staff recommends that the TJPA Board of Directors approve the proposed updates to Board Policy No. 009, Investment Policy; Board Policy No. 017, Debt Management Policy; and Board Policy No. 012, Reserve Policy.

ENCLOSURES:

1. Resolution
2. Board Policy No. 009, Investment Policy (redline and clean)
3. Board Policy No. 017, Debt Management Policy (redline and clean)
4. Board Policy No. 012, Reserve Policy (redline and clean)

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, as amended (the "Agreement"), the TJPA has the authority to receive, collect, invest and disburse moneys, as well as the authority to incur debt; 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 adopted Board Policy No. 009, Investment Policy, on February 16, 2006 and approved revisions to that policy on May 15, 2008, May 12, 2011, November 10, 2011, December 10, 2015, December 8, 2016, November 9, 2017, January 30, 2020, December 10, 2020, May 13, 2021, November 18, 2021, November 9, 2023, November 14, 2024 and December 11, 2025; and

WHEREAS, After conducting an annual review, staff recommends revisions to the Investment Policy to conform it to California Government Code Sections 53600 et seq., including amendments effective January 1, 2026, to add JPA investment pools that meet the requirements of California Government Code section 53601(p), including California Asset Management Program as a permitted investment, to remove TJPA Obligations as a permitted investment, and to clarify liquidity, internal control, reporting, and other provisions; and

WHEREAS, The TJPA adopted Board Policy No. 017, Debt Management Policy, on May 8, 2014 and approved revisions to that policy on December 10, 2015, December 8, 2016, March 12, 2020, December 10, 2020, November 18, 2021, November 10, 2022, November 9, 2023 and December 11, 2025; and

WHEREAS, California Government Code Section 8855(i) requires the TJPA, before issuing debt, to certify to the California Debt and Investment Advisory Commission that it has adopted a debt policy that includes specified elements; and

WHEREAS, After conducting an annual review, staff recommends revisions to the Debt Management Policy to assign responsibility for required reports to the California Debt and Investment Advisory Commission, establish a process for Board approval and reporting of exceptions, clarify the use of short-term debt and the controls on financial derivative products, provide that debt proceeds be invested as permitted by the applicable financing documents, and update disclosure, recordkeeping, and other provisions; and

WHEREAS, California Government Code Section 53607 permits the Board to delegate its authority to invest or reinvest TJPA funds, and to sell or exchange securities so purchased, for a one-year period; and

WHEREAS, The Debt Management Policy and the Investment Policy shall continue to undergo annual review by the TJPA Board; and

WHEREAS, On October 27, 2006, the TJPA adopted a Reserve Policy in conformance with federal, state, and other legal requirements; and

WHEREAS, The TJPA has periodically amended the Reserve Policy, including the most recent amendments on June 13, 2024; and

WHEREAS, The current Reserve Policy establishes four reserves: an Emergency Reserve for extraordinary events; a Fiscal Reserve to provide working capital; an Operating and Maintenance (O&M) Reserve to address unanticipated revenue shortfalls and unavoidable expenditure needs; and a Capital Replacement Reserve to fund necessary periodic major maintenance and lifecycle expenditures; and

WHEREAS, The growth of the TJPA's budget and capital program has increased the Authority's working capital and cash flow requirements and the TJPA staff wishes to amend Board Policy No. 012 to increase the Fiscal Reserve requirement from 60 days to 120 days of working capital to strengthen the Authority's liquidity position and ensure sufficient resources to meet its ongoing financial obligations; now, therefore, be it

RESOLVED, That the TJPA Board has conducted its annual review and adopts the updates to Board Policy No. 009, Investment Policy, in the form presented herewith; and, be it

FURTHER RESOLVED, That the TJPA Board has conducted its annual review and adopts the updates to Board Policy No. 017, Debt Management Policy, in the form presented herewith; and, be it

FURTHER RESOLVED, That the TJPA Board adopts the updates to Board Policy No. 012, Reserve Policy, in the form presented herewith.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of November 12, 2026.

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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 review 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 comply with all federal and state laws governing the investment of public funds, 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.).~~California Government Code Sections 53600 et seq. and Section 15 of the Joint Powers Agreement creating the TJPA, as amended (the "Joint Powers Agreement"). If the Government Code is amended to be more restrictive than this policy, the Government Code governs; a less restrictive change does not expand this policy until the Board amends it. This policy constitutes the investment procedures established by the Board under Section 15(c) of the Joint Powers Agreement.

III. Scope

This policy applies to ~~the investment of~~ all funds~~, excluding~~ of the TJPA, including moneys held by a Trustee at the ~~investment~~direction of the TJPA, except (a) debt proceeds and other amounts held or pledged under an indenture, loan agreement, or other financing document (collectively, "debt-related funds"), which shall be invested only as permitted by the applicable financing documents and California Government Code Section 53601(m) (California Government Code Section 53603(n) effective January 1, 2027), and (b) employees' retirement funds~~. The investment of debt proceeds and employees' retirement funds shall be~~ , which are governed by the ~~relevant~~applicable plan documents and law. All other investments will be managed to ensure 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:

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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~~within 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 and the Executive Director, collectively; investments shall be diversified by limiting investments to avoid over-concentration in securities from a specific issuer ~~or~~, consistent with Section XVI, or from a specific business sector (excluding U.S. Treasury and federal Agency securities), limiting investments in securities that have higher credit risks, and investing in securities with varying maturities.

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 Investor Standard" as stated in California Government Code Section 53600.3. (California Government Code Section 53602(b) effective January 1, 2027). 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~~with 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 and implementation of this policy is derived from the TJPA Board of Directors and is hereby delegated to the TJPA Chief Financial Officer ~~or the Executive Director's designee. The Board may rescind the delegation pursuant to this section~~, who receives, invests, and disburses TJPA funds under Section 15(c) of the Joint Powers Agreement, or, in the Chief Financial Officer's absence, a person designated in writing by the Executive Director. The Board may rescind the delegation pursuant to this section. Consistent with California Government Code Section 53607 (California Government Code Section 53602(o) effective January 1, 2027), this

delegation is made for a one-year period subject to renewal through the Board's annual review of this policy under Section XIX, unless earlier revoked.

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 their designee
- Chief Financial Officer or their designee

All investment documents and cash transfer authorization forms shall be approved by one of the two signature authorities ~~from the~~listed above ~~list~~. The Board's designees are responsible for ~~the establishment of a system of~~establishing controls ~~to regulate activities of~~governing subordinate employees and ~~their~~ procedures to be followed in the designees' absence ~~of the designees~~.

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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~~Code, the Executive Director and Chief Financial Officer (and any designee performing functions under this policy) shall disclose any material interests in financial institutions with which they conduct business in their ~~Annual~~annual Statement of Economic Interests~~.~~ (Form 700). They shall further disclose to the TJPA Board any personal financial/investment positions that could be related to the performance of the TJPA's investment portfolio. Other TJPA Finance staff shall disclose any personal financial/investment positions that could be related to the performance of the TJPA's investment portfolio to the Chief Financial Officer.

All persons, broker/dealers, financial institutions, and advisors providing investment services shall disclose to the TJPA Chief Financial Officer all fee sharing, fee splitting, and commission arrangements with other entities or persons prior to TJPA agreeing to purchase an investment.

VIII. Authorized Financial Institutions and Dealers

No public deposits will be made except in a qualified public depository as established by state law. The Chief Financial Officer shall deposit TJPA funds with depositories as may be designated by the Board, as provided in Section 9.6(e)(2) of the Bylaws. All broker/dealers and custodial Trustees must annually review and abide by this Investment Policy with respect to funds subject to it.

TJPA will not do business with a firm which has, within ~~any consecutive~~the preceding 48 ~~month period following January 1, 1996~~ months, 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 an office that may become either the City & County of San Francisco Treasurer or any member of the TJPA Board.

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, other than debt-related funds, shall be invested and reinvested by the Trustee solely at the direction of the TJPA in ~~those certain investment securities~~the investments listed in ~~"~~Exhibit A~~" hereto entitled,~~ "Permitted Investments~~".~~." Debt-related funds held by a Trustee shall be invested as provided in the applicable financing documents.

IX. Permitted Investment Instruments

California Government Code Section 53601 (California Government Code Section 53603 effective January 1, 2027) governs and limits the investments permitted for purchase by local governments. Within those limitations, the TJPA further restricts eligible investments to the following types of investments ~~below~~, as more fully described in Exhibit A:

1. U.S. Treasury Obligations
2. U.S. Agency Obligations
3. State of California and California Local Agency Obligations and Bonds
4. ~~Bankers~~Bankers' Acceptances

5. Commercial Paper (domestic)
6. Negotiable Certificates of Deposit
7. Non-negotiable Certificates of Deposit
8. Repurchase Agreements
9. Medium-Term Notes
10. Money Market Mutual Funds
11. Collateralized Bank/Time Deposits
12. City & County of San Francisco Pooled Investment Fund
13. Local Agency Investment Fund (LAIF)
14. Supranational Obligations
15. Public Bank Obligations
16. Joint Powers Authority pools meeting this Section, including CAMP

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 Exhibit A, based primarily on the California Government Code, and shall be domestic investments only. Percentage holding limits apply at the time the security is purchased. Investment pools and mutual funds shall be investigated and assessed prior to investing and on a continual basis. All funds under management shall be combined for the purpose of evaluating portfolio limits.

TJPA may invest in shares of beneficial interest issued by a joint powers authority organized under California Government Code Section 6509.7 that meets the requirements of California Government Code Section 53601(p) (California Government Code Section 53603(m) effective January 1, 2027), provided that the pool is rated in the highest rating category by at least one nationally recognized statistical rating organization and offers daily liquidity (a "JPA Pool"). The California Asset Management Program (CAMP) is an authorized JPA Pool. Term investments offered by a JPA Pool shall not exceed one year. TJPA may invest in a JPA Pool as an investor by executing the pool's investor and account documents or, where the pool provides for membership, as a participant upon adoption of a Board resolution approving the pool's governing documents. Investment documents shall be executed by an individual authorized under Section VI. Before investing in a JPA Pool and at least annually thereafter, the Chief Financial Officer shall review the pool's information statement, investment guidelines, ratings, liquidity and withdrawal terms, fees, audited financial statements, custody arrangements, and investment adviser qualifications.

X. Ineligible Investments

The following investments are either prohibited by law, or authorized by law but prohibited by this policy:

Prohibited by Law

1. Securities not listed in California Government Code
2. Inverse floaters
3. Range notes
4. Interest--only strips derived from a pool of mortgages
5. Unregistered securities

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6. Any security that could result in zero- or negative-interest accrual if held to maturity, except for money market mutual fund shares authorized in Section IX, as permitted by California Government Code Section 53601.6(b) (California Government Code Section 53602(i)(2)(B) effective January 1, 2027)

Prohibited by TJPA Investment Policy

1. Securities not listed in Section IX, Permitted Investment Instruments
2. Local agency (outside of California) obligations and bonds
3. Placement service deposits and certificates of deposit
4. Reverse repurchase agreements and securities lending agreements
5. Mortgage pass-through securities
6. Joint Powers Authority ~~pool~~pools that do not meet Section IX
7. Voluntary Investment Program fund

XI. Collateralization

Collateral for non-negotiable certificates of deposit ~~(both negotiable and non-negotiable)~~other deposits, and for repurchase agreements, must comply with the ~~various~~ relevant California Government Code sections. Negotiable certificates of deposit purchased under California Government Code Section 53601(i) (California Government Code Section 53603(i) effective January 1, 2027) are not collateralized and are limited as provided in Exhibit A. If a non-negotiable certificate of deposit or other deposit is not ~~FDIC~~fully insured by the FDIC, collateral posted by the depository institution is required to be valued at 110 percent or greater of ~~principal.~~the amount of the deposit required to be secured. Collateral required to be posted by the ~~depository institution~~counterparty for repurchase agreements is required to be valued at 102 percent or greater of principal.

California banks and savings and loan associations are required to secure TJPA deposits by pledging eligible securities as collateral, pursuant to California Government Code Section 53651. In accordance with California Government Code Section 53652, the fair value of the pledged securities must equal at least 110 percent of the TJPA's deposits. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the TJPA's total deposits.

As a matter of TJPA policy, all deposits of the TJPA are secured by the pledge of eligible securities equal to 110 percent of the TJPA's deposits.

In accordance with California Government Code Section 53653, the TJPA Chief Financial Officer may waive the ~~110 percent~~ collateral requirement for ~~deposits which are~~the portion of any deposit that is insured ~~up to $250,000~~ by the FDIC.

XII. Safekeeping and Custody

To protect against fraud, embezzlement, or potential losses caused by the collapse of individual securities dealers, all securities purchased by the TJPA shall be held in safekeeping by a third-party bank trust department, acting as an agent for the TJPA, in compliance with California Government Code Section 53608~~.~~ (California Government Code Section 53602(p)(1) effective January 1, 2027). All trades executed by a dealer will settle delivery vs. payment (DVP) through the TJPA's safekeeping agent.

XIII. Internal Controls; Record-keeping

TJPA shall maintain a system of internal controls, which shall be documented in writing. 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. The internal control procedures include explicit designation of authority to persons responsible for investment ~~transaction~~transactions, as well as references to compliance monitoring and safekeeping. No person may engage in an investment transaction except as provided under the terms of this policy and the internal controls. ~~The internal controls shall be provided to and reviewed by the independent auditor to assure compliance with this policy and the controls.~~

Trade confirmations shall be kept for a minimum of six years.

XIV. Performance Standard

TJPA's investment strategy is generally passive, with the aim of holding securities until maturity balanced with managing sometimes uncertain ~~cashflow~~cash flow needs. For this reason, a rate of return benchmark is not being utilized by TJPA.

XV. Review of Investment Portfolio and Reporting Requirements

The TJPA Chief Financial Officer shall submit a list of investment holdings 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, and accrued interest. In addition, the investment report shall ~~state~~include a statement of the portfolio's compliance ~~of the portfolio~~ with ~~the investment~~this policy and a statement ~~noting~~of the TJPA's ability ~~of TJPA~~ to meet its expenditure requirements for the next six months, or an explanation of why sufficient money may not be available, in accordance with California Government Code Section 53646 ~~(b) ()~~(2) and (3). ~~-~~This report should separate the investments in the portfolio and investments of debt ~~proceeds~~-related funds, which are governed by the ~~debt issuance~~applicable financing documents, and should describe any funds held by trustees or under the management of other contracted parties. The report should exclude employees' retirement funds which are administered by the California Public Employees Retirement System ("CalPERS") or, for defined contribution plans, at the direction of the employee.

The TJPA Chief Financial Officer shall also submit a monthly report of investment transactions to the TJPA Board. Both quarterly and monthly reports shall be submitted to the Board within 45 days of the quarter end or month end.

The securities held by TJPA must ~~be in compliance~~comply with ~~the above~~ Section IX ~~Permitted Investment Instruments~~and Exhibit A at the time of purchase. Since some securities may not comply subsequent to the date of purchase, the TJPA Chief Financial Officer shall review the portfolio at least monthly to identify any securities that do not comply. Any major incidents of non-compliance and any realized losses identified by the Chief Financial Officer shall be reported to the Board.

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XVI. Issuer Concentration Limit

To limit idiosyncratic credit risk, the TJPA's total exposure to any single non-U.S. Treasury issuer shall not exceed ten percent (10%) of the Portfolio's market value at the time of purchase. For this limit, "issuer" is defined at the obligor level and aggregates positions across all eligible sectors (e.g., commercial paper, negotiable CDs, corporate/medium-term notes, and municipal securities) of that obligor and its directly guaranteed subsidiaries. For purposes of this limit and the percentage limits in Exhibit A, the Portfolio consists of all investments subject to this policy.

Exemptions: U.S. Treasury securities are exempt. Federal agencies and U.S. ~~federally~~government-sponsored ~~agencies~~enterprises (e.g., FHLB, FNMA, FHLMC, FFCB) are each subject to the 10% per-issuer limit ~~each~~, unless a more restrictive statutory or Exhibit A limit applies. Shares in diversified money market funds, LAIF, JPA Pools meeting Section IX, and ~~LAIF~~the City & County of San Francisco Pooled Investment Fund are not subject to this per-issuer cap but remain subject to their own statutory/policy limits.

XVII. 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. These considerations are best-efforts preferences among investments that are otherwise lawful, prudent, and reasonably comparable in safety, liquidity, diversification, maturity, and return. They remain subordinate to the investment objectives in Section IV and do not require TJPA to accept additional risk, reduce necessary liquidity, sacrifice principal, or violate applicable law or governing debt documents. These considerations do not prohibit investment in CAMP or another permitted commingled vehicle solely because TJPA cannot identify or control every underlying exposure.

XVIII. Maximum Maturity

Investments purchased for the Portfolio shall have a remaining final maturity of five (5) years or less at the time of purchase. A longer maturity may be used only if expressly authorized by the Board at a public meeting, either specifically or as part of an investment program, and such authorization occurs no ~~more~~less than three (3) months before the ~~transaction.~~investment, as required by California Government Code Section 53601 (California Government Code Section 53602(e) effective January 1, 2027). Such authorization shall not extend any maturity limit established by statute for a specific investment type. Remaining maturity is measured from the settlement date to final maturity, and no security shall have a forward settlement date exceeding 45 days from the time of investment. These limits apply unless a more restrictive limit is stated in Exhibit A ~~or in applicable bond documents for trustee-held funds~~.

XIX. 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.

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The annual review shall identify material changes in applicable law and whether any policy amendment is recommended.

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EXHIBIT A

Permitted Investments

~~Per State of~~TJPA Policy Limits, Subject to the California Government Code [i]

Investment Type	Maximum Maturity[1]	Maximum Specified Percentage of Portfolio	Minimum Quality Requirements
U.S. Treasury Obligations	5 years	None	None
U.S. Agency and GSE Obligations	5 years	None	None
~~TJPA Obligations~~	~~5 years~~	~~None~~	~~None~~
State of California and California Local Agency Obligations	5 years	None	None
~~Banker's~~Bankers' Acceptances	180 days	40% [ii]	None
Commercial Paper (CP)~~ Non-Pooled Funds (under $100,000,000 of investments)~~	~~270~~397 days	25% [iii]	Highest letter and number rating by an NRSRO[iv]
Negotiable Certificates of Deposit	5 years	30% [v, vi]	None
Non-negotiable Certificates of Deposit	5 years	None [vi]	None
Repurchase Agreements [vii]	1 year	None	None
Medium-Term Notes [viii]	5 years	30%	"A" rating category or above
Money Market Mutual Funds [x]	n/a	20% [ix]	Multiple [~~iv~~x]
Collateralized Bank/Time Deposits	5 years	None	None
City & County of San Francisco Pooled Investment Fund [xi]	n/a	None	None
Local Agency Investment Fund (LAIF) [xii]	n/a	None	None
Joint Powers Authority Pools, including CAMP [xvi]	n/a	None	Meets Government Code Section 53601(p) (Government Code Section 53603(m) effective January 1, 2027) requirements
Supranational Obligations [xiii]	5 years	30%	"AA" rating or above

1 All instruments are further subject to the Maximum Maturity limits in the Policy.

Public Bank Obligations [xiv]	5 years	None	None

In this Exhibit, "None" means that no percentage limit applies to the investment type as a whole; the issuer concentration limit in Section XVI applies unless that Section provides an exemption. Prohibited investments include securities not listed above, as well as inverse floaters, range notes, ~~and~~ interest ~~-~~only strips derived from a pool of mortgages, and any security that could result in zero interest accrual if held to maturity. xv ~~-~~ See endnotes next page.

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[i] Sources: California Government Code Sections 16340, 16429.1, 27133, 53601~~,~~ (53603 effective January 1, 2027), 53601.6~~,~~ (53602(i) effective January 1, 2027), 53601.8~~,~~ (53604 effective January 1, 2027), 53630 et seq., ~~53635,~~ 53635.8, 53684, and 57603.

[ii] No more than 30 percent of the agency's money may be ~~in Banker's Acceptances~~invested in bankers' acceptances of any one commercial bank.

[iii] ~~Local agencies~~Under California Government Code Section 53601(h) (California Government Code Section 53603(h) effective January 1, 2027), a local agency, other than ~~counties~~a county or a city and county, with less than $100,000,000 of investment assets under management may ~~purchase~~invest no more than 25 percent of its moneys in eligible commercial paper, and one with $100,000,000 or more may invest up to 40 percent. TJPA limits commercial paper to 25 percent of the portfolio regardless of portfolio size. No more than 10 percent of ~~the outstanding~~total investment assets may be invested in the commercial paper and medium-term notes of any single issuer. The 10 percent issuer concentration limit in Section XVI also applies.

[iv] Issuing corporation must be organized and operating within the U.S. and have assets in excess of $500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program ~~-~~wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating organization.

[v] No more than 30 percent of the agency's money may be invested in negotiable certificates of deposit that are authorized under ~~Section 53601(i).~~ California Government Code Section 53601(i) (California Government Code Section 53603(i) effective January 1, 2027). Foreign bank issuers must be U.S. or state-licensed branches.

[vi] Per TJPA policy: ~~individual CD purchases limited to $250,000~~certificates of deposit purchased from ~~each~~any one financial institution ~~to take advantage of~~, including expected accrued interest and together with other TJPA time and savings deposits at that institution, shall not exceed the amount insured by the FDIC ~~coverage.~~(currently $250,000).

[vii] Repurchase agreements collateralized by U.S. Treasury or U.S. Agency/GSE securities under a Master Repurchase Agreement; collateral ≥ 102%; custodial DVP settlement with the agency's third-party custodian.

[viii] "Medium-term notes" are defined in ~~Section 53601~~California Government Code Section 53601(k) (California Government Code Section 53603(k) effective January 1, 2027) 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 United States or by depository institutions licensed by the United States or any state and operating within the United States~~"~~."

[ix] No more than 10 percent of the agency's total funds may be invested in any one mutual fund. This limitation does not apply to money market mutual funds.

[x] 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)~~Government Code Section 53601 (California Government Code Sections 53603 effective January 1, 2027) or experience in managing the types of instruments that can be purchased by money market funds as specified in SEC Regulation 2a-7 (money market funds). Mutual funds must abide by the same investment restrictions and regulations that apply to public agencies in California (California Government Code Section 53601(a~~-~~) to (k~~,~~), inclusive, and (m~~-o))~~.) to (q), inclusive; California Government Code Section 53603(a) to (k), inclusive, and (m) to (q), inclusive, effective January 1, 2027). Money market funds must follow regulations specified by the SEC under the ~~investment company act~~Investment Company Act of 1940 (15 ~~USC~~U.S.C. Section 80a-1~~,~~ et seq~~.~~).).

[xi] Not a permitted investment for Trustee Accounts.

[xii] Not a permitted investment for Trustee Accounts. ~~Maximum~~Deposits are subject to the account ~~balance is capped~~limits established by LAIF ~~at $75 million as of policy approval date~~, which may change.

[xiii] Only those ~~US~~U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, the International Finance Corporation or the Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the US.

[xiv] Commercial paper, debt securities, or other obligations of a public bank, as defined in California Government Code Section 57600.

[xv] 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~~permitted because their value ~~does increase~~increases to maturity.

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[xvi] Applies to any JPA Pool meeting Section IX, including CAMP. Term investments, including CAMP Term, shall not exceed one year and shall be scheduled to mature when funds are expected to be required. Investment of debt-related funds in a JPA Pool requires authorization in the applicable financing documents.

Glossary of Terms

Accrued Interest: Interest accumulated since the last interest payment.

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

Basis Point: 1/100th of 1 percent of yield. If a yield increases from 1.25% to 1.50%, the difference is referred to as a 25 basis point increase.

Bond: A debt obligation of a firm or public entity. Represents the agreement to repay the debt in principal and, typically, interest on the principal.

Book Value: The value at which an asset is carried on a balance sheet.

Broker: A person or firm that acts as an intermediary by purchasing and selling securities for others rather than for its own account. The term does not include a dealer bank.

Broker/Dealer: A general term for a securities firm that is engaged in both purchasing and selling securities on behalf of customers as well as on its own account. The term does not include a dealer bank.

Buy and Hold Strategy: A strategy based on holding all securities until maturity, regardless of fluctuations in the market.

California Asset Management Program (CAMP): A California joint powers authority investment program whose shares of beneficial interest are authorized local agency investments under California Government Code Section 53601(p) (California Government Code Section 53603(m) effective January 1, 2027). CAMP offers the Cash Reserve Portfolio, which provides same-day liquidity, and CAMP Term, a fixed-rate, fixed-term investment with maturities of up to one year. A public agency may invest as an Investor under an Investor Agreement without joining the joint powers authority, or may become a Participant by adopting CAMP's Declaration of Trust.

Certificate of Deposit (CD): A 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, a 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~~Public agency deposits above the insured amount must be collateralized as required by California Government Code Sections 53651 and 53652.

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, typically with maturities ~~ranging from 2 to~~of 270 days or less. The maximum maturity permitted for TJPA investment is stated in Exhibit A.

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, investment banks, and nationally recognized statistical rating organizations ~~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~~Aaa, Aa, A, ~~BAA, BA~~Baa, Ba, B, ~~CAA, CA~~Caa, Ca, and ~~D. Each of the services~~C. Standard & Poor's and Fitch Ratings use pluses (+) and minuses (-), ~~or~~and Moody's uses numerical modifiers (1, 2, and 3), to indicate steps within each category. The top four letter categories are considered investment grade ratings.

Credit Risk: The chance that an issuer will default or otherwise be unable to make scheduled payments of interest and principal on an outstanding obligation. Another concern for investors is that the market's perception of an issuer/borrower's credit will cause the market value of a security to fall, even if default is not expected.

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

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

Delivery vs. Payment (DVP): The payment of cash for securities as they are delivered and accepted for settlement.

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 of a security and the par value of a security, when the cost is below par. Investors purchase securities at a discount when return to the investor (yield) is higher than the stated coupon (interest rate) on the investment.

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

Event Risk: The risk associated with a changing portfolio value due to a market event causing swings in market prices and/or spreads.

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per ~~deposit~~depositor, per insured bank, for each account ownership category. For an in-state public unit, time and savings deposits are insured in the aggregate separately from demand deposits.

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: The amount a borrower pays to a lender (investor) for the use of its money.

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.

Issuer/Obligor: The legal entity responsible for repayment of principal and interest. For concentration testing, exposure is aggregated at the obligor level across all instruments and sectors, including directly guaranteed subsidiaries. Affiliate (for Concentration Limits): Any entity that controls, is controlled by, or is under common control with the obligor. Affiliates ~~may~~shall be combined with the obligor for concentration purposes when the Chief Financial Officer determines that guarantees, control, or common branding create shared exposure within the Portfolio. Each federal agency and government-sponsored enterprise is a separate issuer.

Liquidity: 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~~Holding a security to maturity ~~eliminates the effects of~~avoids realizing a loss from market price changes but does not eliminate market risk if the security must be sold before maturity.

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 ~~sold~~ with a maximum remaining maturity of five ~~to ten~~ years~~, usually~~ or less, issued by corporations organized and operating ~~in~~within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

Money Market: The segment of the financial market in which 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~~MMFs are mutual funds that invest exclusively in short-term money market instruments. ~~MMF's~~MMFs 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.

Nationally Recognized Statistical Rating Organization (NRSRO): Credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes.

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.

Prudent Investor Standard: As stated in California Government Code Section 53600.3~~,~~ (California Government Code Section 53602(b) effective January 1, 2027), all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act 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 agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law (except as provided in subdivision (a) of California Government Code Section 27000.3).

Repurchase Agreement (RP or REPO): An agreement of one party (for example, a financial institution) to sell securities to a second party (such as the local agency) and 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.

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~~**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.

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SOFR: Acronym for "Secured Overnight Financing Rate," which represents a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.

U.S. Agency Obligations: Debt obligations issued by federal agencies and/or U.S. government-sponsored enterprises. Examples include Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Federal Agricultural Mortgage Corporation (Farmer Mac).

U.S. Treasury 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~~issued with maturities of more than ten years ~~or more (and thus~~; they are ~~not~~ eligible ~~local agency~~ investments~~)~~. only if their remaining maturity complies with this policy.

Weighted Average Maturity (WAM): The weighted average amount of time until the maturities of all the securities that comprise a portfolio, expressed in days or years. The WAM is calculated by computing the percentage value of each instrument in the portfolio. The number of days until the security's maturity is multiplied by the security's percentage of the portfolio, and the sum of the subtotals equals the WAM.

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

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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 review 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 comply with all federal and state laws governing the investment of public funds, 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 California Government Code Sections 53600 et seq. and Section 15 of the Joint Powers Agreement creating the TJPA, as amended (the "Joint Powers Agreement"). If the Government Code is amended to be more restrictive than this policy, the Government Code governs; a less restrictive change does not expand this policy until the Board amends it. This policy constitutes the investment procedures established by the Board under Section 15(c) of the Joint Powers Agreement.

III. Scope

This policy applies to all funds of the TJPA, including moneys held by a Trustee at the direction of the TJPA, except (a) debt proceeds and other amounts held or pledged under an indenture, loan agreement, or other financing document (collectively, "debt-related funds"), which shall be invested only as permitted by the applicable financing documents and California Government Code Section 53601(m) (California Government Code Section 53603(n) effective January 1, 2027), and (b) employees' retirement funds, which are governed by the applicable plan documents and law. All other investments will be managed to ensure 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 within 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 and the Executive Director, collectively; investments shall be diversified by limiting investments to avoid over-concentration in securities from a specific issuer, consistent with Section XVI, or from a specific business sector (excluding U.S. Treasury and federal Agency securities), limiting investments in securities that have higher credit risks, and investing in securities with varying maturities.

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 Investor Standard" as stated in California Government Code Section 53600.3 (California Government Code Section 53602(b) effective January 1, 2027). 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 with 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 and implementation of this policy is derived from the TJPA Board of Directors and is hereby delegated to the TJPA Chief Financial Officer, who receives, invests, and disburses TJPA funds under Section 15(c) of the Joint Powers Agreement, or, in the Chief Financial Officer's absence, a person designated in writing by the Executive Director. The Board may rescind the delegation pursuant to this section. Consistent with California Government Code Section 53607 (California Government Code Section 53602(o) effective January 1, 2027), this delegation is made for a one-year period subject to renewal through the Board's annual review of this policy under Section XIX, unless earlier revoked.

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 their designee
- Chief Financial Officer or their designee

All investment documents and cash transfer authorization forms shall be approved by one of the two signature authorities listed above. The Board's designees are responsible for establishing controls governing subordinate employees and procedures to be followed in the designees' absence.

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, the Executive Director and Chief Financial Officer (and any designee performing functions under this policy) shall disclose any material interests in financial institutions with which they conduct business in their annual Statement of Economic Interests (Form 700). They shall further disclose to the TJPA Board any personal financial/investment positions that could be related to the performance of the TJPA's investment portfolio. Other TJPA Finance staff shall disclose any personal financial/investment positions that could be related to the performance of the TJPA's investment portfolio to the Chief Financial Officer.

All persons, broker/dealers, financial institutions, and advisors providing investment services shall disclose to the TJPA Chief Financial Officer all fee sharing, fee splitting, and commission arrangements with other entities or persons prior to TJPA agreeing to purchase an investment.

VIII. Authorized Financial Institutions and Dealers

No public deposits will be made except in a qualified public depository as established by state law. The Chief Financial Officer shall deposit TJPA funds with depositories as may be designated by the Board, as provided in Section 9.6(e)(2) of the Bylaws. All broker/dealers and custodial Trustees must annually review and abide by this Investment Policy with respect to funds subject to it.

TJPA will not do business with a firm which has, within the preceding 48 months, 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 an office that may become either the City & County of San Francisco Treasurer or any member of the TJPA Board.

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, other than debt-related funds, shall be invested and reinvested by the Trustee solely at the direction of the TJPA in the investments listed in Exhibit A, "Permitted Investments." Debt-related funds held by a Trustee shall be invested as provided in the applicable financing documents.

IX. Permitted Investment Instruments

California Government Code Section 53601 (California Government Code Section 53603 effective January 1, 2027) governs and limits the investments permitted for purchase by local governments.

Within those limitations, the TJPA further restricts eligible investments to the following types of investments, as more fully described in Exhibit A:

1. U.S. Treasury Obligations
2. U.S. Agency Obligations
3. State of California and California Local Agency Obligations and Bonds
4. Bankers' Acceptances
5. Commercial Paper (domestic)
6. Negotiable Certificates of Deposit
7. Non-negotiable Certificates of Deposit
8. Repurchase Agreements
9. Medium-Term Notes
10. Money Market Mutual Funds
11. Collateralized Bank/Time Deposits
12. City & County of San Francisco Pooled Investment Fund
13. Local Agency Investment Fund (LAIF)
14. Supranational Obligations
15. Public Bank Obligations
16. Joint Powers Authority pools meeting this Section, including CAMP

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 Exhibit A, based primarily on the California Government Code, and shall be domestic investments only. Percentage holding limits apply at the time the security is purchased. Investment pools and mutual funds shall be investigated and assessed prior to investing and on a continual basis. All funds under management shall be combined for the purpose of evaluating portfolio limits.

TJPA may invest in shares of beneficial interest issued by a joint powers authority organized under California Government Code Section 6509.7 that meets the requirements of California Government Code Section 53601(p) (California Government Code Section 53603(m) effective January 1, 2027), provided that the pool is rated in the highest rating category by at least one nationally recognized statistical rating organization and offers daily liquidity (a "JPA Pool"). The California Asset Management Program (CAMP) is an authorized JPA Pool. Term investments offered by a JPA Pool shall not exceed one year. TJPA may invest in a JPA Pool as an investor by executing the pool's investor and account documents or, where the pool provides for membership, as a participant upon adoption of a Board resolution approving the pool's governing documents. Investment documents shall be executed by an individual authorized under Section VI. Before investing in a JPA Pool and at least annually thereafter, the Chief Financial Officer shall review the pool's information statement, investment guidelines, ratings, liquidity and withdrawal terms, fees, audited financial statements, custody arrangements, and investment adviser qualifications.

X. Ineligible Investments

The following investments are either prohibited by law, or authorized by law but prohibited by this policy:

Prohibited by Law

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1. Securities not listed in California Government Code
2. Inverse floaters
3. Range notes
4. Interest-only strips derived from a pool of mortgages
5. Unregistered securities
6. Any security that could result in zero- or negative-interest accrual if held to maturity, except for money market mutual fund shares authorized in Section IX, as permitted by California Government Code Section 53601.6(b) (California Government Code Section 53602(i)(2)(B) effective January 1, 2027)

Prohibited by TJPA Investment Policy

1. Securities not listed in Section IX, Permitted Investment Instruments
2. Local agency (outside of California) obligations and bonds
3. Placement service deposits and certificates of deposit
4. Reverse repurchase agreements and securities lending agreements
5. Mortgage pass-through securities
6. Joint Powers Authority pools that do not meet Section IX
7. Voluntary Investment Program fund

XI. Collateralization

Collateral for non-negotiable certificates of deposit and other deposits, and for repurchase agreements, must comply with the relevant California Government Code sections. Negotiable certificates of deposit purchased under California Government Code Section 53601(i) (California Government Code Section 53603(i) effective January 1, 2027) are not collateralized and are limited as provided in Exhibit A. If a non-negotiable certificate of deposit or other deposit is not fully insured by the FDIC, collateral posted by the depository institution is required to be valued at 110 percent or greater of the amount of the deposit required to be secured. Collateral required to be posted by the counterparty for repurchase agreements is required to be valued at 102 percent or greater of principal.

California banks and savings and loan associations are required to secure TJPA deposits by pledging eligible securities as collateral, pursuant to California Government Code Section 53651. In accordance with California Government Code Section 53652, the fair value of the pledged securities must equal at least 110 percent of the TJPA's deposits. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the TJPA's total deposits.

As a matter of TJPA policy, all deposits of the TJPA are secured by the pledge of eligible securities equal to 110 percent of the TJPA's deposits.

In accordance with California Government Code Section 53653, the TJPA Chief Financial Officer may waive the collateral requirement for the portion of any deposit that is insured by the FDIC.

XII. Safekeeping and Custody

To protect against fraud, embezzlement, or potential losses caused by the collapse of individual securities dealers, all securities purchased by the TJPA shall be held in safekeeping by a third-party bank trust department, acting as an agent for the TJPA, in compliance with California Government Code Section 53608 (California Government Code Section 53602(p)(1) effective January 1, 2027).

All trades executed by a dealer will settle delivery vs. payment (DVP) through the TJPA's safekeeping agent.

XIII. Internal Controls; Record-keeping

TJPA shall maintain a system of internal controls, which shall be documented in writing. 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. The internal control procedures include explicit designation of authority to persons responsible for investment transactions, as well as references to compliance monitoring and safekeeping. No person may engage in an investment transaction except as provided under the terms of this policy and the internal controls.

Trade confirmations shall be kept for a minimum of six years.

XIV. Performance Standard

TJPA's investment strategy is generally passive, with the aim of holding securities until maturity balanced with managing sometimes uncertain cash flow needs. For this reason, a rate of return benchmark is not being utilized by TJPA.

XV. Review of Investment Portfolio and Reporting Requirements

The TJPA Chief Financial Officer shall submit a list of investment holdings 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, and accrued interest. In addition, the investment report shall include a statement of the portfolio's compliance with this policy and a statement of the TJPA's ability to meet its expenditure requirements for the next six months, or an explanation of why sufficient money may not be available, in accordance with California Government Code Section 53646(b)(2) and (3). This report should separate the investments in the portfolio and investments of debt-related funds, which are governed by the applicable financing documents, and should describe any funds held by trustees or under the management of other contracted parties. The report should exclude employees' retirement funds which are administered by the California Public Employees Retirement System ("CalPERS") or, for defined contribution plans, at the direction of the employee.

The TJPA Chief Financial Officer shall also submit a monthly report of investment transactions to the TJPA Board. Both quarterly and monthly reports shall be submitted to the Board within 45 days of the quarter end or month end.

The securities held by TJPA must comply with Section IX and Exhibit A at the time of purchase. Since some securities may not comply subsequent to the date of purchase, the TJPA Chief Financial Officer shall review the portfolio at least monthly to identify any securities that do not comply. Any major incidents of non-compliance and any realized losses identified by the Chief Financial Officer shall be reported to the Board.

XVI. Issuer Concentration Limit

To limit idiosyncratic credit risk, the TJPA's total exposure to any single non-U.S. Treasury issuer shall not exceed ten percent (10%) of the Portfolio's market value at the time of purchase. For this

limit, "issuer" is defined at the obligor level and aggregates positions across all eligible sectors (e.g., commercial paper, negotiable CDs, corporate/medium-term notes, and municipal securities) of that obligor and its directly guaranteed subsidiaries. For purposes of this limit and the percentage limits in Exhibit A, the Portfolio consists of all investments subject to this policy.

Exemptions: U.S. Treasury securities are exempt. Federal agencies and U.S. government-sponsored enterprises (e.g., FHLB, FNMA, FHLMC, FFCB) are each subject to the 10% per-issuer limit, unless a more restrictive statutory or Exhibit A limit applies. Shares in diversified money market funds, LAIF, JPA Pools meeting Section IX, and the City & County of San Francisco Pooled Investment Fund are not subject to this per-issuer cap but remain subject to their own statutory/policy limits.

XVII. 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. These considerations are best-efforts preferences among investments that are otherwise lawful, prudent, and reasonably comparable in safety, liquidity, diversification, maturity, and return. They remain subordinate to the investment objectives in Section IV and do not require TJPA to accept additional risk, reduce necessary liquidity, sacrifice principal, or violate applicable law or governing debt documents. These considerations do not prohibit investment in CAMP or another permitted commingled vehicle solely because TJPA cannot identify or control every underlying exposure.

XVIII. Maximum Maturity

Investments purchased for the Portfolio shall have a remaining final maturity of five (5) years or less at the time of purchase. A longer maturity may be used only if expressly authorized by the Board at a public meeting, either specifically or as part of an investment program, and such authorization occurs no less than three (3) months before the investment, as required by California Government Code Section 53601 (California Government Code Section 53602(e) effective January 1, 2027). Such authorization shall not extend any maturity limit established by statute for a specific investment type. Remaining maturity is measured from the settlement date to final maturity, and no security shall have a forward settlement date exceeding 45 days from the time of investment. These limits apply unless a more restrictive limit is stated in Exhibit A.

XIX. 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. The annual review shall identify material changes in applicable law and whether any policy amendment is recommended.

EXHIBIT A

Permitted Investments

TJPA Policy Limits, Subject to the California Government Code [i]

Investment Type	Maximum Maturity[1]	Maximum Specified Percentage of Portfolio	Minimum Quality Requirements
U.S. Treasury Obligations	5 years	None	None
U.S. Agency and GSE Obligations	5 years	None	None
State of California and California Local Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40% [ii]	None
Commercial Paper (CP)	397 days	25% [iii]	Highest letter and number rating by an NRSRO [iv]
Negotiable Certificates of Deposit	5 years	30% [v, vi]	None
Non-negotiable Certificates of Deposit	5 years	None [vi]	None
Repurchase Agreements [vii]	1 year	None	None
Medium-Term Notes [viii]	5 years	30%	"A" rating category or above
Money Market Mutual Funds [x]	n/a	20% [ix]	Multiple [x]
Collateralized Bank/Time Deposits	5 years	None	None
City & County of San Francisco Pooled Investment Fund [xi]	n/a	None	None
Local Agency Investment Fund (LAIF) [xii]	n/a	None	None
Joint Powers Authority Pools, including CAMP [xvi]	n/a	None	Meets Government Code Section 53601(p) (Government Code Section 53603(m) effective January 1, 2027) requirements
Supranational Obligations [xiii]	5 years	30%	"AA" rating or above
Public Bank Obligations [xiv]	5 years	None	None

In this Exhibit, "None" means that no percentage limit applies to the investment type as a whole; the issuer concentration limit in Section XVI applies unless that Section provides an exemption. 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. xv See endnotes next page.

1 All instruments are further subject to the Maximum Maturity limits in the Policy.

[i] Sources: California Government Code Sections 16340, 16429.1, 27133, 53601 (53603 effective January 1, 2027), 53601.6 (53602(i) effective January 1, 2027), 53601.8 (53604 effective January 1, 2027), 53630 et seq., 53635.8, 53684, and 57603.

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

[iii] Under California Government Code Section 53601(h) (California Government Code Section 53603(h) effective January 1, 2027), a local agency, other than a county or a city and county, with less than $100,000,000 of investment assets under management may invest no more than 25 percent of its moneys in eligible commercial paper, and one with $100,000,000 or more may invest up to 40 percent. TJPA limits commercial paper to 25 percent of the portfolio regardless of portfolio size. No more than 10 percent of total investment assets may be invested in the commercial paper and medium-term notes of any single issuer. The 10 percent issuer concentration limit in Section XVI also applies.

[iv] Issuing corporation must be organized and operating within the U.S. and have assets in excess of $500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program-wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating organization.

[v] No more than 30 percent of the agency's money may be invested in negotiable certificates of deposit that are authorized under California Government Code Section 53601(i) (California Government Code Section 53603(i) effective January 1, 2027). Foreign bank issuers must be U.S. or state-licensed branches.

[vi] Per TJPA policy: certificates of deposit purchased from any one financial institution, including expected accrued interest and together with other TJPA time and savings deposits at that institution, shall not exceed the amount insured by the FDIC (currently $250,000).

[vii] Repurchase agreements collateralized by U.S. Treasury or U.S. Agency/GSE securities under a Master Repurchase Agreement; collateral ≥ 102%; custodial DVP settlement with the agency's third-party custodian.

[viii] "Medium-term notes" are defined in California Government Code Section 53601(k) (California Government Code Section 53603(k) effective January 1, 2027) 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 United States or by depository institutions licensed by the United States or any state and operating within the United States."

[ix] No more than 10 percent of the agency's total funds may be invested in any one mutual fund. This limitation does not apply to money market mutual funds.

[x] 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 Government Code Section 53601 (California Government Code Sections 53603 effective January 1, 2027) or experience in managing the types of instruments that can be purchased by money market funds as specified in SEC

Regulation 2a-7 (money market funds). Mutual funds must abide by the same investment restrictions and regulations that apply to public agencies in California (California Government Code Section 53601(a) to (k), inclusive, and (m) to (q), inclusive; California Government Code Section 53603(a) to (k), inclusive, and (m) to (q), inclusive, effective January 1, 2027). Money market funds must follow regulations specified by the SEC under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).

[xi] Not a permitted investment for Trustee Accounts.

[xii] Not a permitted investment for Trustee Accounts. Deposits are subject to the account limits established by LAIF, which may change.

[xiii] Only those U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, the International Finance Corporation or the Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the US.

[xiv] Commercial paper, debt securities, or other obligations of a public bank, as defined in California Government Code Section 57600.

[xv] 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 permitted because their value increases to maturity.

[xvi] Applies to any JPA Pool meeting Section IX, including CAMP. Term investments, including CAMP Term, shall not exceed one year and shall be scheduled to mature when funds are expected to be required. Investment of debt-related funds in a JPA Pool requires authorization in the applicable financing documents.

Glossary of Terms

Accrued Interest: Interest accumulated since the last interest payment.

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

Basis Point: 1/100th of 1 percent of yield. If a yield increases from 1.25% to 1.50%, the difference is referred to as a 25 basis point increase.

Bond: A debt obligation of a firm or public entity. Represents the agreement to repay the debt in principal and, typically, interest on the principal.

Book Value: The value at which an asset is carried on a balance sheet.

Broker: A person or firm that acts as an intermediary by purchasing and selling securities for others rather than for its own account. The term does not include a dealer bank.

Broker/Dealer: A general term for a securities firm that is engaged in both purchasing and selling securities on behalf of customers as well as on its own account. The term does not include a dealer bank.

Buy and Hold Strategy: A strategy based on holding all securities until maturity, regardless of fluctuations in the market.

California Asset Management Program (CAMP): A California joint powers authority investment program whose shares of beneficial interest are authorized local agency investments under California Government Code Section 53601(p) (California Government Code Section 53603(m) effective January 1, 2027). CAMP offers the Cash Reserve Portfolio, which provides same-day liquidity, and CAMP Term, a fixed-rate, fixed-term investment with maturities of up to one year. A public agency may invest as an Investor under an Investor Agreement without joining the joint powers authority, or may become a Participant by adopting CAMP's Declaration of Trust.

Certificate of Deposit (CD): A 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, a 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. Public agency deposits above the insured amount must be collateralized as required by California Government Code Sections 53651 and 53652.

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, typically with maturities of 270 days or less. The maximum maturity permitted for TJPA investment is stated in Exhibit A.

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, investment banks, and nationally recognized statistical rating organizations 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 C. Standard & Poor's and Fitch Ratings use pluses (+) and minuses (-), and Moody's uses numerical modifiers (1, 2, and 3), to indicate steps within each category. The top four letter categories are considered investment grade ratings.

Credit Risk: The chance that an issuer will default or otherwise be unable to make scheduled payments of interest and principal on an outstanding obligation. Another concern for investors is that the market's perception of an issuer/borrower's credit will cause the market value of a security to fall, even if default is not expected.

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

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

Delivery vs. Payment (DVP): The payment of cash for securities as they are delivered and accepted for settlement.

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 of a security and the par value of a security, when the cost is below par. Investors purchase securities at a discount when return to the investor (yield) is higher than the stated coupon (interest rate) on the investment.

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

Event Risk: The risk associated with a changing portfolio value due to a market event causing swings in market prices and/or spreads.

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per depositor, per insured bank, for each account ownership category. For an in-state public unit, time and savings deposits are insured in the aggregate separately from demand deposits.

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: The amount a borrower pays to a lender (investor) for the use of its money.

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.

Issuer/Obligor: The legal entity responsible for repayment of principal and interest. For concentration testing, exposure is aggregated at the obligor level across all instruments and sectors, including directly guaranteed subsidiaries. Affiliate (for Concentration Limits): Any entity that controls, is controlled by, or is under common control with the obligor. Affiliates shall be combined with the obligor for concentration purposes when the Chief Financial Officer determines that guarantees, control, or common branding create shared exposure within the Portfolio. Each federal agency and government-sponsored enterprise is a separate issuer.

Liquidity: 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. Holding a security to maturity avoids realizing a loss from market price changes but does not eliminate market risk if the security must be sold before maturity.

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 with a maximum remaining maturity of five years or less, issued by corporations

organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

Money Market: The segment of the financial market in which 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): MMFs are mutual funds that invest exclusively in short-term money market instruments. MMFs 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.

Nationally Recognized Statistical Rating Organization (NRSRO): Credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes.

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.

Prudent Investor Standard: As stated in California Government Code Section 53600.3 (California Government Code Section 53602(b) effective January 1, 2027), all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act 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 agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law (except as provided in subdivision (a) of California Government Code Section 27000.3).

Repurchase Agreement (RP or REPO): An agreement of one party (for example, a financial institution) to sell securities to a second party (such as the local agency) and simultaneous agreement to repurchase them at a fixed price on demand or at a fixed date.

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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.

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.

SOFR: Acronym for "Secured Overnight Financing Rate," which represents a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.

U.S. Agency Obligations: Debt obligations issued by federal agencies and/or U.S. government-sponsored enterprises. Examples include Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Federal Agricultural Mortgage Corporation (Farmer Mac).

U.S. Treasury 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 issued with maturities of more than ten years; they are eligible investments only if their remaining maturity complies with this policy.

Weighted Average Maturity (WAM): The weighted average amount of time until the maturities of all the securities that comprise a portfolio, expressed in days or years. The WAM is calculated by computing the percentage value of each instrument in the portfolio. The number of days until the security's maturity is multiplied by the security's percentage of the portfolio, and the sum of the subtotals equals the WAM.

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

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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~~ municipal advisory and other professional services and related financial products. The primary objectives are to:

- maintain cost-effective access to capital markets through prudent debt management policies and practices.
- maintain moderate and sustainable total debt and annual debt service levels with effective long-term planning.
- meet capital needs through debt financing as needed.
- structure long-term financing so as 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.

This is consistent with examples of debt policies of other comparable local government agencies, Government Finance Officers Association ("GFOA") best practices and rating agency guidelines.

Furthermore, ~~these Policies are~~this policy is intended to comply with applicable regulatory requirements including ~~the~~ California Government Code Section 8855(i), which requires any issuer of public debt to provide the California Debt and Investment Advisory Commission ("CDIAC") with certain reports and information related to the issuance of public debt. California Government Code Section 8855(i) also requires ~~issuers~~an issuer to certify, before any debt is issued~~,~~ and as part of its report of proposed debt issuance submitted to CDIAC, that it has adopted a debt policy concerning the use of debt proceeds and that the debt policy includes the following:

- The ~~purpose~~purposes for which the debt proceeds may be used;
- The types of debt that may be issued;
- The relationship of the debt to and integration with the issuer's capital improvement program or budget;
- Policy goals related to the issuer's planning goals and objectives; and
- Internal control procedures that the issuer has implemented to ensure that the proceeds of the debt issuance will be directed to the intended use.

The Chief Financial Officer shall be responsible for the timely filing of all reports required by Government Code Section 8855, including the report of proposed debt issuance, the report of final sale, and the annual report.

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, in the Chief Financial Officer's absence, a person designated in writing by the Executive Director~~'s 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 or require modifications or exceptions to this policy to achieve policy goals. In such cases, management flexibility is appropriate. The ~~provisions of~~ Board may approve an exception to this policy ~~provide guidance only and any~~. Any material exception shall be identified, with the reasons for it, in the staff report for the Board action authorizing the related financing or, if it arises after that action, reported to the Board at its next regular meeting. Any failure to comply with ~~its provisions~~this policy or any departure ~~therefrom~~from it shall not affect the authorization, validity, or enforceability of any bonds or other ~~forms of~~ indebtedness ~~that are~~ otherwise issued in accordance with law ~~for TJPA~~.

DEBT LIMITS & STRUCTURE

IV. Types of Debt

A. Instruments

To the extent authorized by applicable law and the Joint Powers Agreement, and subject to Board authorization, TJPA may enter into or issue bonds, notes, bond anticipation notes, grant anticipation notes, revenue anticipation notes, tax anticipation notes, revenue bonds, lease revenue bonds, financing leases, installment purchase obligations, certificates of participation, tax increment financing, Mello-Roos financing, U.S. Department of Transportation loans (e.g., TIFIA, RRIF), loans, commercial paper and any other evidence of indebtedness or financing permitted by law.

B. 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 may be used to finance the

acquisition and construction of capital assets consistent with TJPA's capital improvement program and capital budget or plan. 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~~ provide ~~funds~~ interim capital financing or to ~~finance~~fund temporary cash flow timing differences in anticipation of identified revenues or grant receipts that are reasonably expected to be sufficient to repay it. Short-term debt shall not be used to fund recurring operating deficits~~, or provide capital financing~~.

C. New Money Debt

New money debt issues are those financings that generate additional funding to be available for expenditure on capital projects. These funds will be used for acquisition, construction and major rehabilitation of capital assets. New money debt proceeds may not be used to fund operational activities.

D. Refunding Debt

The TJPA may issue debt to refund the principal of and interest on outstanding bonds and/or other indebtedness of the TJPA in order to (i) achieve debt service savings; (ii) restructure scheduled debt service; (iii) convert from or to a variable or fixed interest rate structure; (iv) change or modify the source or sources of payment and security for the refunded debt; or (v) modify covenants otherwise binding upon the TJPA. Refunding debt may be issued either on a current or advance basis, as permitted by applicable Federal tax laws. The TJPA may also utilize a tender offer process to refund bonds that are not otherwise subject to optional call by the TJPA.

In most cases, refunding debt should be issued solely to achieve debt service savings and should not be issued unless the estimated net present value savings, as determined by the TJPA's external municipal advisor(s) or internal management, are greater than or equal to five percent (5%) of the principal amount of the refunded debt. Non-economic refundings, or ones producing less savings, will be permitted if justified based on other reasons, such as restructuring outstanding debt, changing the type of instruments originally used, retiring a bond issue, removing covenants/pledges that have become restrictive, or retiring debt prior to maturity.

E. Senior Lien Debt

The TJPA may issue debt on parity with outstanding bonds or other indebtedness of the most senior open lien position in order to achieve the most advantageous borrowing costs.

F. Subordinate Lien Debt

The TJPA may issue subordinate debt on one or more subordinate lien levels relative to other outstanding bonds or other indebtedness of the TJPA where necessary or desirable, in the determination of the TJPA, to accommodate the

particular structure or terms of a given issue, or in circumstances where the issuance of senior lien debt would be limited or restricted.

G. Variable Rate Debt

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 unhedged 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 the interest rate on the variable rate debt ~~was~~were to equal the maximum rate permitted under the applicable debt.

TJPA may employ safeguards to protect against the risk of changes in interest rates related to variable rate debt. Adequate safeguards against the risk of adverse impacts from interest rate shifts in variable rate 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

Each derivative transaction shall require approval by the Board. 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~~,~~ only (i) after a thorough evaluation of risks associated therewith, including counterparty credit risk, basis risk, tax risk, termination risk, and liquidity risk; (ii) after consideration of the potential impact on the TJPA's ability to refinance debt at a future date; and (iii) in compliance with the requirements below.

A. Qualified Independent Representative

1. Before entering into, modifying, terminating, transferring, or novating a swap, or discussing such a transaction with a swap counterparty, 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. If the TJPA does not have any outstanding swap transactions, the annual QIR certification will not be required.

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 before participating in such discussions and annually while such discussions or swaps are ongoing, stating that they have notice of and consent to the recording of discussions of swap documentation and transactions.

D. Amendment of Documentation

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 at least two of the nationally recognized statistical rating organizations.

No derivative contract will be entered into structured as a terminating transaction with a 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 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 to any counterparty.

The TJPA Chief Financial Officer is required to prepare a report summarizing derivative exposure at least annually to the extent any derivatives are outstanding.

VI. Structuring

Debt ~~issuance~~ shall be ~~planned~~structured to ~~achieve relatively rapid repayment of debt while recognizing~~ be repaid within the useful life of the ~~facilities.~~financed assets and consistent with the projected availability of the pledged revenues. Any deferred or back-loaded principal amortization shall be identified and explained in the staff report for the authorizing Board action. Debt issuance should be structured within prudent risk parameters, ~~and~~ including preservation of an appropriate degree of financial flexibility.

A. Capitalized Interest

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 and/or until revenue is estimated to be sufficient to cover such interest/debt service payments. Capitalized interest may be funded from the proceeds of TJPA debt.

B. Debt Service Reserve Funds

Reserve accounts shall be maintained per debt requirements and where deemed advisable by the TJPA Board per the Reserve Policy. Debt service reserves shall be structured so that they do not violate Internal Revenue Service arbitrage regulations (if funded with tax-exempt bond proceeds).

The TJPA may issue debt that is secured by amounts on deposit in or credited to a debt service reserve fund or account in order to minimize the net cost of borrowing and/or to provide additional reserves for debt service or other purposes. Debt service reserve funds may secure one or more issues of bonds, and may be funded by proceeds of bonds, other available moneys of the TJPA, and/or by surety policies, letters or lines of credit or other similar instruments. Surety policies, letters or lines of credit or other similar instruments may be substituted for amounts on deposit in a debt service reserve fund.

Amounts in the debt service reserve funds shall be invested~~,~~ in permitted investments as defined under the TJPA's ~~Indenture~~indenture, loan agreement or other similar documents and consistent with the ~~TJPA's Investment Policy primary~~ objectives, in order of priority, of (i) safety, (ii) liquidity, and (iii) return on investment. Such investments may include forward purchase and sale agreements with respect to permitted investments.

C. Call Provisions

1. *Optional Call Provisions*. The TJPA shall seek to include the shortest practicable optional call rights, with and/or without a call premium, on bonds with a final maturity of more than ten (10) years, consistent with optimal pricing of such bonds. Call premiums, if any, should not be in excess of then prevailing market standards and to the extent consistent with the most advantageous borrowing cost for the TJPA. Non-callable maturities may be considered and

used to accommodate market requirements or other advantageous benefits to the TJPA. Capital appreciation bonds are an example of a potential non-callable structure.

2. *Extraordinary Call Provisions.* The TJPA, at its option, may include extraordinary call provisions, including, for example, with respect to unspent proceeds, damage to or destruction of the project or facilities financed, credit-related events of the TJPA or the user of the project or facilities financed, or other matters, as the TJPA may determine is necessary or desirable.

D. Third-Party Credit Enhancement

The TJPA may secure credit enhancement for its debt from third-party credit providers to the extent such credit enhancement is available upon reasonable, competitive and cost-effective terms. Such credit enhancement may include municipal bond insurance ("Bond Insurance"), letters of credit and lines of credit (each a "Credit Facility"), as well as other similar instruments. Credit enhancement providers shall be selected on a competitive basis.

1. *Bond Insurance*. All or any portion of an issue of debt may be secured by Bond Insurance provided by municipal bond insurers ("Bond Insurers") if it is economically advantageous to do so, or if it is otherwise deemed necessary or desirable in connection with a particular debt issuance. The relative cost or benefit of Bond Insurance may be determined by comparing the ~~amount~~present value of the Bond Insurance premium and any related costs, including any amounts payable over time, to the present value of the estimated ~~interest~~debt service savings attributable to ~~be derived as a result of~~ the insurance, with both values discounted to the expected closing date at the expected yield on the insured debt.

2. *Credit Facilities.* The issuance of certain types of debt may require a Credit Facility from a commercial bank or other qualified financial institution to provide liquidity and/or credit support. The types of bonds where a Credit Facility may be necessary include commercial paper, variable rate ~~bondswith~~bonds with a tender option and bonds that could not receive an investment grade credit rating in the absence of such a facility.

   The criteria for selection of a Credit Facility provider shall include the following:

   a. Long-term ratings from at least two nationally recognized credit rating agencies ("Rating Agencies") preferably to be equal to or better than A2/A/A or equivalent;

   b. Short-term ratings of the provider (or its guarantor) from at least two Rating Agencies, each of at least P-~~VA-~~1~~+ or~~ (Moody's), A-1 (S&P), or F1 (Fitch), or an equivalent rating from another Rating Agency;

   c. Experience providing such facilities to state and local government issuers;

d. Fees, including without limitation initial and ongoing costs of the Credit Facility; draw, transfer and related fees; counsel fees; termination fees and any trading differential; and

e. Willingness to agree to the terms and conditions proposed or required by the TJPA.

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. The TJPA recognizes that certain transactions are best handled through negotiation, including situations when sale of the debt will require complex explanations such as 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 other benefit to the TJPA relative to other methods of debt issuance, whether due to interest rate savings or costs of issuance, or to control aspects of a transaction other than cost.

VIII. Green Bonds

Green bonds typically finance projects that have positive environmental and/or climate benefits. Consistent with the Transbay Program's commitment to reduce greenhouse gases, TJPA capital projects typically may be categorized as green bond eligible. The TJPA ~~shall seek to obtain green bond identification on its~~may designate debt ~~issuances~~ that ~~finance green bond~~finances eligible capital projects~~. Pursuing green bond identification~~ as green bonds when the Chief Financial Officer, in consultation with the TJPA's municipal advisor, determines that the designation is in the TJPA's best interests ~~to broaden the~~, considering potential investor ~~base~~demand, the cost of any external review or certification, and the TJPA's ability to meet related reporting commitments. Any proposed designation shall be described in the staff report for the ~~TJPA's debt issuances and possibly lower the borrowing costs~~authorizing Board action. The TJPA shall comply with any reporting commitments made for ~~the TJPA~~outstanding green bonds.

IX. Capital Planning

The TJPA's borrowing decisions in terms of timing, amount, structure and alternative products will be made in the context of the Transbay Program Capital Improvement Plan and the TJPA Capital Budget. As the Transbay Program Capital Improvement Plan is developed in the context of the TJPA Annual and Long-Term Capital Budgets, borrowing decisions will be made in the appropriate strategic context to ensure that any proposed borrowing is directly supporting the goals and objectives of the TJPA. The staff report for each proposed financing shall identify the repayment source, projected debt service coverage and compliance with any applicable additional bonds or similar

tests, the effect on outstanding obligations, and any contingent or reimbursement obligations that TJPA would assume.

X. Professional Services Providers

The TJPA may retain professional services providers as necessary or desirable in connection with (i) the structuring, issuance and sale of debt; (ii) monitoring of and advice regarding its outstanding debt; and (iii) the negotiation, execution and monitoring of related agreements, including without limitation Bond Insurance, Credit Facilities, derivatives and investment agreements; and (iv) other similar or related matters. Professional service providers may include ~~financial~~municipal advisors, bond counsel, disclosure counsel, TJPA consultants, bond trustees and Federal arbitrage rebate services providers, and may include, as appropriate, underwriters, feasibility consultants, remarketing agents, auction agents, broker-dealers, escrow agents, verification agents and other similar parties.

The TJPA shall require that its ~~financial~~municipal advisors, bond and disclosure counsel and other TJPA

consultants be free of any conflicts of interest, or that any necessary or appropriate waivers or consents are obtained. All key professional service providers (e.g., underwriters, ~~financial~~municipal advisors, QIRs, bond counsel) shall be selected in accordance with Board Policy No. 001: Procurement Policy.

The TJPA may retain such other professional services providers, including without limitation verification agents, escrow agents, auction agents, green bond verification agents or other providers as may be necessary or appropriate in connection with its debt.

DEBT MANAGEMENT

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~~shall invest debt proceeds and other amounts held under a financing document only in the ~~respective~~permitted investments specified in the applicable indenture ~~documents~~, loan agreement, or similar ~~documents, or as otherwise permitted by the TJPA Investment Policy~~document, selecting among them with regard to safety, liquidity, and expected expenditure schedules. 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 debt and obligations so that the interest on the bonds and obligations is and will remain tax-exempt.

XIII. Disclosure

Each publicly offered TJPA debt issuance will meet the disclosure requirements of the Securities and Exchange Commission ("SEC") and other government agencies before and after the debt issuance takes place. Whether a document or other communication ~~is a Disclosure Document ("Disclosure Document"),~~requires review as ~~defined under SEC Rule 15c2-12 (~~disclosure for purposes of the ~~"Rule"),~~federal securities laws, including their antifraud provisions, shall be determined by TJPA ~~Officers~~officers and ~~Staff~~staff in consultation with ~~Disclosure Counsel~~disclosure counsel. The TJPA will endeavor to use best practices and uniform procedures, and attorneys, consultants, and other experts, as necessary, to ensure primary and secondary disclosure is timely and completed in full compliance with SEC regulations.

Continuing disclosure information is intended to reflect the financial or operating condition of an issuer as it changes over time, as well as specific events occurring after issuance, which can have an impact on both the ability to pay amounts owed and the market value of the bonds or other debt obligations if bought or sold prior to maturity. Pursuant to SEC Rule 15c2-12 (the "Rule~~,~~"), each new publicly~~-~~ offered debt issuance will require a written agreement (which the TJPA refers to as a "continuing disclosure certificate" or CDC), between the TJPA and the original purchaser/underwriter for the benefit of holders of municipal securities, to provide certain annual financial information ("Annual Disclosure Reports") and material event notices to the public. In accordance with changes made in 2009 to the Rule, those filings must be made electronically at the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access ("EMMA") web dissemination portal. Before TJPA incurs a financial obligation, as defined in the Rule, the Chief Financial Officer shall determine with disclosure counsel whether notice is required under any outstanding continuing disclosure certificate. Notices of listed events shall be filed within ten business days after their occurrence.

The TJPA will meet secondary disclosure requirements in a timely and comprehensive manner, as stipulated by the Rule. The TJPA's Chief Financial Officer shall be responsible for providing ongoing disclosure information to the MSRB EMMA system, the central depository designated by the SEC for ongoing disclosures by municipal issuers.

Although the Rule prescribes certain annual information and event-based disclosures that must be filed, issuers may determine that additional information would be of interest to investors. To this end, the TJPA may choose to voluntarily disclose other information to the MSRB that goes beyond the requirements of the Rule. This information may include, but is not limited to, items such as monthly financial reports,

updates on issues that could affect the TJPA's budgetary, financial, or economic position, annual/biennial budgets, and changes in rating outlooks.

In addition to continuing disclosure requirements as undertaken pursuant to the TJPA's CDCs, the TJPA also has certain disclosure obligations vis-à-vis specific agreements with certain debt issuance-related entities. These entities include the bond rating agencies, trustee bank, insurers, credit facility providers, commercial paper dealers, private placement lenders and others. At such time ~~that~~as the TJPA no longer has an agreement with such an entity (i.e., through expiration or termination of the agreements), the disclosure ~~requirements with that entity ends~~obligations under that agreement end, except for any obligations that survive under its terms, under other agreements, or under applicable law.

XIV. Investor Relations

The TJPA's Chief Financial Officer shall maintain the TJPA's relationships and reputation with current and prospective investors in the TJPA's debt obligations, including in particular with its principal institutional investors. Such communications may include, without limitation:

- Timely preparation of the TJPA's audited financial statements and annual report and delivery to the TJPA's bond trustees and other parties;
- Formal written and/or verbal presentations in connection with proposed debt obligations, as deemed necessary or appropriate in consultation with the TJPA's ~~Municipal Advisor~~municipal advisor(s); and
- Timely compliance with the TJPA's continuing disclosure requirements, consistent with Securities and Exchange ~~TJPA~~Commission Rule 15c2-12, in connection with each issue of bonds to which such Rule is applicable.

The ~~TJPA~~TJPA's basic strategy for communications with rating agencies, bond insurers, credit/liquidity providers, investors and other market participants shall be developed and maintained by the Chief Financial Officer.

XV. 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~~Code, employees shall disclose any material interests in financial institutions with which they conduct business~~.~~ in their Annual Statement of Economic Interests. They shall further disclose to the Chief Financial Officer (or, in the case of the Executive Director and the Chief Financial Officer, to the Board) any personal financial~~/~~ or investment positions that could be related to ~~TJPA's~~TJPA's debt.

XVI. Internal Controls

The 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. When issuing debt, in addition to complying with the terms of this Debt Management Policy, TJPA shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, tax-exemption, and post-issuance compliance~~, and investment of debt proceeds~~. TJPA will periodically review the requirements of and will remain in compliance with the following:

1. Any continuing disclosure undertakings under SEC Rule 15c2-12~~,~~;
2. Any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior ~~bind~~bond issues~~,~~; and
3. ~~TJPA investment policies~~The permitted investment provisions of the applicable indenture, loan agreement, or other financing documents as they relate to the investment of proceeds of debt.

Proceeds of debt will be held either (a) by a third-party trustee, which will disburse such proceeds to TJPA upon the submission of one or more written requisitions, or (b) by the TJPA, to be held and accounted for in a separate fund or account, the expenditure of which will be ~~carefully~~prudently documented by TJPA. Such internal controls are incorporated herein by this reference to the same extent as if recited in full.

XVII. Recordkeeping

The TJPA shall maintain all debt-related records for ~~a period no less than~~the longest of (i) six years after the final maturity of the debt; (ii) for tax-advantaged debt, three years after the final redemption of the debt and of any debt issued to refund it; (iii) any period required by a financing document, applicable law, or the TJPA records retention schedule; or (iv) the duration of any litigation hold or audit. Records relating to swaps shall be retained as provided in Section V.B. At a minimum, these records shall include all official statements, term sheets, bid documents, resolutions, disclosure reports, and consultant agreements.

XVIII. 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: 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 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.

Municipal Advisor: Section 15B of the Securities Exchange Act defines the term "municipal advisor" to mean a person that (i) provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues, or (ii) undertakes a solicitation of a municipal entity. ~~–~~Also ~~frequently~~sometimes referred to as a financial advisor.

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.

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 municipal advisory and other professional services and related financial products. The primary objectives are to:

- maintain cost-effective access to capital markets through prudent debt management policies and practices.
- maintain moderate and sustainable total debt and annual debt service levels with effective long-term planning.
- meet capital needs through debt financing as needed.
- structure long-term financing so as 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.

This is consistent with examples of debt policies of other comparable local government agencies, Government Finance Officers Association ("GFOA") best practices and rating agency guidelines.

Furthermore, this policy is intended to comply with applicable regulatory requirements including California Government Code Section 8855(i), which requires any issuer of public debt to provide the California Debt and Investment Advisory Commission ("CDIAC") with certain reports and information related to the issuance of public debt. California Government Code Section 8855(i) also requires an issuer to certify, before any debt is issued and as part of its report of proposed debt issuance submitted to CDIAC, that it has adopted a debt policy concerning the use of debt proceeds and that the debt policy includes the following:

- The purposes for which the debt proceeds may be used;
- The types of debt that may be issued;
- The relationship of the debt to and integration with the issuer's capital improvement program or budget;
- Policy goals related to the issuer's planning goals and objectives; and
- Internal control procedures that the issuer has implemented to ensure that the proceeds of the debt issuance will be directed to the intended use.

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The Chief Financial Officer shall be responsible for the timely filing of all reports required by Government Code Section 8855, including the report of proposed debt issuance, the report of final sale, and the annual report.

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, in the Chief Financial Officer's absence, a person designated in writing by the Executive Director.

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 or require modifications or exceptions to this policy to achieve policy goals. In such cases, management flexibility is appropriate. The Board may approve an exception to this policy. Any material exception shall be identified, with the reasons for it, in the staff report for the Board action authorizing the related financing or, if it arises after that action, reported to the Board at its next regular meeting. Any failure to comply with this policy or any departure from it shall not affect the authorization, validity, or enforceability of any bonds or other indebtedness otherwise issued in accordance with law.

DEBT LIMITS & STRUCTURE

IV. Types of Debt

A. Instruments

To the extent authorized by applicable law and the Joint Powers Agreement, and subject to Board authorization, TJPA may enter into or issue bonds, notes, bond anticipation notes, grant anticipation notes, revenue anticipation notes, tax anticipation notes, revenue bonds, lease revenue bonds, financing leases, installment purchase obligations, certificates of participation, tax increment financing, Mello-Roos financing, U.S. Department of Transportation loans (e.g., TIFIA, RRIF), loans, commercial paper and any other evidence of indebtedness or financing permitted by law.

B. 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

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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 may be used to finance the acquisition and construction of capital assets consistent with TJPA's capital improvement program and capital budget or plan. Long-term debt shall not be used to fund operating costs or operating deficits of the TJPA. Short-term debt may be used to provide interim capital financing or to fund temporary cash flow timing differences in anticipation of identified revenues or grant receipts that are reasonably expected to be sufficient to repay it. Short-term debt shall not be used to fund recurring operating deficits.

C. New Money Debt

New money debt issues are those financings that generate additional funding to be available for expenditure on capital projects. These funds will be used for acquisition, construction and major rehabilitation of capital assets. New money debt proceeds may not be used to fund operational activities.

D. Refunding Debt

The TJPA may issue debt to refund the principal of and interest on outstanding bonds and/or other indebtedness of the TJPA in order to (i) achieve debt service savings; (ii) restructure scheduled debt service; (iii) convert from or to a variable or fixed interest rate structure; (iv) change or modify the source or sources of payment and security for the refunded debt; or (v) modify covenants otherwise binding upon the TJPA. Refunding debt may be issued either on a current or advance basis, as permitted by applicable Federal tax laws. The TJPA may also utilize a tender offer process to refund bonds that are not otherwise subject to optional call by the TJPA.

In most cases, refunding debt should be issued solely to achieve debt service savings and should not be issued unless the estimated net present value savings, as determined by the TJPA's external municipal advisor(s) or internal management, are greater than or equal to five percent (5%) of the principal amount of the refunded debt. Non-economic refundings, or ones producing less savings, will be permitted if justified based on other reasons, such as restructuring outstanding debt, changing the type of instruments originally used, retiring a bond issue, removing covenants/pledges that have become restrictive, or retiring debt prior to maturity.

E. Senior Lien Debt

The TJPA may issue debt on parity with outstanding bonds or other indebtedness of the most senior open lien position in order to achieve the most advantageous borrowing costs.

F. Subordinate Lien Debt

The TJPA may issue subordinate debt on one or more subordinate lien levels relative to other outstanding bonds or other indebtedness of the TJPA where

necessary or desirable, in the determination of the TJPA, to accommodate the particular structure or terms of a given issue, or in circumstances where the issuance of senior lien debt would be limited or restricted.

G. Variable Rate Debt

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 unhedged 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 the interest rate on the variable rate debt were to equal the maximum rate permitted under the applicable debt.

TJPA may employ safeguards to protect against the risk of changes in interest rates related to variable rate debt. Adequate safeguards against the risk of adverse impacts from interest rate shifts in variable rate 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 synthetic fixed rate debt, subject to the provisions of this policy regarding derivative products.

V. Financial Derivative Products

Each derivative transaction shall require approval by the Board. 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 be considered only (i) after a thorough evaluation of risks associated therewith, including counterparty credit risk, basis risk, tax risk, termination risk, and liquidity risk; (ii) after consideration of the potential impact on the TJPA's ability to refinance debt at a future date; and (iii) in compliance with the requirements below.

A. Qualified Independent Representative

1. Before entering into, modifying, terminating, transferring, or novating a swap, or discussing such a transaction with a swap counterparty, 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. If the TJPA does not have any outstanding swap transactions, the annual QIR certification will not be required.

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 acknowledgement form before participating in such discussions and annually while such discussions or swaps are ongoing, stating that they have notice of and consent to the recording of discussions of swap documentation and transactions.

D. Amendment of Documentation

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 at least two of the nationally recognized statistical rating organizations.

No derivative contract will be entered into structured as a terminating transaction with a 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 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 to any counterparty.

The TJPA Chief Financial Officer is required to prepare a report summarizing derivative exposure at least annually to the extent any derivatives are outstanding.

VI. Structuring

Debt shall be structured to be repaid within the useful life of the financed assets and consistent with the projected availability of the pledged revenues. Any deferred or back-loaded principal amortization shall be identified and explained in the staff report for the authorizing Board action. Debt issuance should be structured within prudent risk parameters, including preservation of an appropriate degree of financial flexibility.

A. Capitalized Interest

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 and/or until revenue is estimated to be sufficient to cover such interest/debt service payments. Capitalized interest may be funded from the proceeds of TJPA debt.

B. Debt Service Reserve Funds

Reserve accounts shall be maintained per debt requirements and where deemed advisable by the TJPA Board per the Reserve Policy. Debt service reserves shall be structured so that they do not violate Internal Revenue Service arbitrage regulations (if funded with tax-exempt bond proceeds).

The TJPA may issue debt that is secured by amounts on deposit in or credited to a debt service reserve fund or account in order to minimize the net cost of borrowing and/or to provide additional reserves for debt service or other purposes. Debt

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service reserve funds may secure one or more issues of bonds, and may be funded by proceeds of bonds, other available moneys of the TJPA, and/or by surety policies, letters or lines of credit or other similar instruments. Surety policies, letters or lines of credit or other similar instruments may be substituted for amounts on deposit in a debt service reserve fund.

Amounts in the debt service reserve funds shall be invested in permitted investments as defined under the TJPA's indenture, loan agreement or other similar documents and consistent with the objectives, in order of priority, of (i) safety, (ii) liquidity, and (iii) return on investment. Such investments may include forward purchase and sale agreements with respect to permitted investments.

C. Call Provisions

1. *Optional Call Provisions*. The TJPA shall seek to include the shortest practicable optional call rights, with and/or without a call premium, on bonds with a final maturity of more than ten (10) years, consistent with optimal pricing of such bonds. Call premiums, if any, should not be in excess of then prevailing market standards and to the extent consistent with the most advantageous borrowing cost for the TJPA. Non-callable maturities may be considered and used to accommodate market requirements or other advantageous benefits to the TJPA. Capital appreciation bonds are an example of a potential non-callable structure.
2. *Extraordinary Call Provisions.* The TJPA, at its option, may include extraordinary call provisions, including, for example, with respect to unspent proceeds, damage to or destruction of the project or facilities financed, credit-related events of the TJPA or the user of the project or facilities financed, or other matters, as the TJPA may determine is necessary or desirable.

D. Third-Party Credit Enhancement

The TJPA may secure credit enhancement for its debt from third-party credit providers to the extent such credit enhancement is available upon reasonable, competitive and cost-effective terms. Such credit enhancement may include municipal bond insurance ("Bond Insurance"), letters of credit and lines of credit (each a "Credit Facility"), as well as other similar instruments. Credit enhancement providers shall be selected on a competitive basis.

1. *Bond Insurance*. All or any portion of an issue of debt may be secured by Bond Insurance provided by municipal bond insurers ("Bond Insurers") if it is economically advantageous to do so, or if it is otherwise deemed necessary or desirable in connection with a particular debt issuance. The relative cost or benefit of Bond Insurance may be determined by comparing the present value of the Bond Insurance premium and any related costs, including any amounts payable over time, to the present value of the estimated debt service savings attributable to the insurance, with both values discounted to the expected closing date at the expected yield on the insured debt.

2. *Credit Facilities.* The issuance of certain types of debt may require a Credit Facility from a commercial bank or other qualified financial institution to provide liquidity and/or credit support. The types of bonds where a Credit Facility may be necessary include commercial paper, variable rate bonds with a tender option and bonds that could not receive an investment grade credit rating in the absence of such a facility.

   The criteria for selection of a Credit Facility provider shall include the following:

   a. Long-term ratings from at least two nationally recognized credit rating agencies ("Rating Agencies") preferably to be equal to or better than A2/A/A or equivalent;

   b. Short-term ratings of the provider (or its guarantor) from at least two Rating Agencies, each of at least P-1 (Moody's), A-1 (S&P), or F1 (Fitch), or an equivalent rating from another Rating Agency;

   c. Experience providing such facilities to state and local government issuers;

   d. Fees, including without limitation initial and ongoing costs of the Credit Facility; draw, transfer and related fees; counsel fees; termination fees and any trading differential; and

   e. Willingness to agree to the terms and conditions proposed or required by the TJPA.

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 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. The TJPA recognizes that certain transactions are best handled through negotiation, including situations when sale of the debt will require complex explanations such as 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 other benefit to the TJPA relative to other methods of debt issuance, whether due to interest rate savings or costs of issuance, or to control aspects of a transaction other than cost.

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VIII. Green Bonds

Green bonds typically finance projects that have positive environmental and/or climate benefits. Consistent with the Transbay Program's commitment to reduce greenhouse gases, TJPA capital projects typically may be categorized as green bond eligible. The TJPA may designate debt that finances eligible capital projects as green bonds when the Chief Financial Officer, in consultation with the TJPA's municipal advisor, determines that the designation is in the TJPA's best interests, considering potential investor demand, the cost of any external review or certification, and the TJPA's ability to meet related reporting commitments. Any proposed designation shall be described in the staff report for the authorizing Board action. The TJPA shall comply with any reporting commitments made for outstanding green bonds.

IX. Capital Planning

The TJPA's borrowing decisions in terms of timing, amount, structure and alternative products will be made in the context of the Transbay Program Capital Improvement Plan and the TJPA Capital Budget. As the Transbay Program Capital Improvement Plan is developed in the context of the TJPA Annual and Long-Term Capital Budgets, borrowing decisions will be made in the appropriate strategic context to ensure that any proposed borrowing is directly supporting the goals and objectives of the TJPA. The staff report for each proposed financing shall identify the repayment source, projected debt service coverage and compliance with any applicable additional bonds or similar tests, the effect on outstanding obligations, and any contingent or reimbursement obligations that TJPA would assume.

X. Professional Services Providers

The TJPA may retain professional services providers as necessary or desirable in connection with (i) the structuring, issuance and sale of debt; (ii) monitoring of and advice regarding its outstanding debt; and (iii) the negotiation, execution and monitoring of related agreements, including without limitation Bond Insurance, Credit Facilities, derivatives and investment agreements; and (iv) other similar or related matters. Professional service providers may include municipal advisors, bond counsel, disclosure counsel, TJPA consultants, bond trustees and Federal arbitrage rebate services providers, and may include, as appropriate, underwriters, feasibility consultants, remarketing agents, auction agents, broker-dealers, escrow agents, verification agents and other similar parties.

The TJPA shall require that its municipal advisors, bond and disclosure counsel and other TJPA consultants be free of any conflicts of interest, or that any necessary or appropriate waivers or consents are obtained. All key professional service providers (e.g., underwriters, municipal advisors, QIRs, bond counsel) shall be selected in accordance with Board Policy No. 001: Procurement Policy.

The TJPA may retain such other professional services providers, including without limitation verification agents, escrow agents, auction agents, green bond verification agents or other providers as may be necessary or appropriate in connection with its debt.

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XI. Investment of Debt Proceeds

TJPA shall accurately account for all interest earnings in debt-related funds. TJPA shall invest debt proceeds and other amounts held under a financing document only in the permitted investments specified in the applicable indenture, loan agreement, or similar document, selecting among them with regard to safety, liquidity, and expected expenditure schedules. 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 debt and obligations so that the interest on the bonds and obligations is and will remain tax-exempt.

XIII. Disclosure

Each publicly offered TJPA debt issuance will meet the disclosure requirements of the Securities and Exchange Commission ("SEC") and other government agencies before and after the debt issuance takes place. Whether a document or other communication requires review as disclosure for purposes of the federal securities laws, including their antifraud provisions, shall be determined by TJPA officers and staff in consultation with disclosure counsel. The TJPA will endeavor to use best practices and uniform procedures, and attorneys, consultants, and other experts, as necessary, to ensure primary and secondary disclosure is timely and completed in full compliance with SEC regulations.

Continuing disclosure information is intended to reflect the financial or operating condition of an issuer as it changes over time, as well as specific events occurring after issuance, which can have an impact on both the ability to pay amounts owed and the market value of the bonds or other debt obligations if bought or sold prior to maturity. Pursuant to SEC Rule 15c2-12 (the "Rule"), each new publicly offered debt issuance will require a written agreement (which the TJPA refers to as a "continuing disclosure certificate" or CDC), between the TJPA and the original purchaser/underwriter for the benefit of holders of municipal securities, to provide certain annual financial information ("Annual Disclosure Reports") and material event notices to the public. In accordance with changes made in 2009 to the Rule, those filings must be made electronically at the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access ("EMMA") web dissemination portal. Before TJPA incurs a financial obligation, as defined in the Rule, the Chief Financial Officer shall determine with disclosure counsel whether notice is required under any outstanding continuing disclosure certificate. Notices of listed events shall be filed within ten business days after their occurrence.

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The TJPA will meet secondary disclosure requirements in a timely and comprehensive manner, as stipulated by the Rule. The TJPA's Chief Financial Officer shall be responsible for providing ongoing disclosure information to the MSRB EMMA system, the central depository designated by the SEC for ongoing disclosures by municipal issuers.

Although the Rule prescribes certain annual information and event-based disclosures that must be filed, issuers may determine that additional information would be of interest to investors. To this end, the TJPA may choose to voluntarily disclose other information to the MSRB that goes beyond the requirements of the Rule. This information may include, but is not limited to, items such as monthly financial reports, updates on issues that could affect the TJPA's budgetary, financial, or economic position, annual/biennial budgets, and changes in rating outlooks.

In addition to continuing disclosure requirements as undertaken pursuant to the TJPA's CDCs, the TJPA also has certain disclosure obligations vis-à-vis specific agreements with certain debt issuance-related entities. These entities include the bond rating agencies, trustee bank, insurers, credit facility providers, commercial paper dealers, private placement lenders and others. At such time as the TJPA no longer has an agreement with such an entity (i.e., through expiration or termination of the agreements), the disclosure obligations under that agreement end, except for any obligations that survive under its terms, under other agreements, or under applicable law.

XIV. Investor Relations

The TJPA's Chief Financial Officer shall maintain the TJPA's relationships and reputation with current and prospective investors in the TJPA's debt obligations, including in particular with its principal institutional investors. Such communications may include, without limitation:

- Timely preparation of the TJPA's audited financial statements and annual report and delivery to the TJPA's bond trustees and other parties;
- Formal written and/or verbal presentations in connection with proposed debt obligations, as deemed necessary or appropriate in consultation with the TJPA's municipal advisor(s); and
- Timely compliance with the TJPA's continuing disclosure requirements, consistent with Securities and Exchange Commission Rule 15c2-12, in connection with each issue of bonds to which such Rule is applicable.

The TJPA's basic strategy for communications with rating agencies, bond insurers, credit/liquidity providers, investors and other market participants shall be developed and maintained by the Chief Financial Officer.

XV. 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

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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 in their Annual Statement of Economic Interests. They shall further disclose to the Chief Financial Officer (or, in the case of the Executive Director and the Chief Financial Officer, to the Board) any personal financial or investment positions that could be related to TJPA's debt.

XVI. Internal Controls

The 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. When issuing debt, in addition to complying with the terms of this Debt Management Policy, TJPA shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, tax-exemption, and post-issuance compliance. TJPA will periodically review the requirements of and will remain in compliance with the following:

1. Any continuing disclosure undertakings under SEC Rule 15c2-12;
2. Any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues; and
3. The permitted investment provisions of the applicable indenture, loan agreement, or other financing documents as they relate to the investment of proceeds of debt.

Proceeds of debt will be held either (a) by a third-party trustee, which will disburse such proceeds to TJPA upon the submission of one or more written requisitions, or (b) by the TJPA, to be held and accounted for in a separate fund or account, the expenditure of which will be prudently documented by TJPA. Such internal controls are incorporated herein by this reference to the same extent as if recited in full.

XVII. Recordkeeping

The TJPA shall maintain all debt-related records for the longest of (i) six years after the final maturity of the debt; (ii) for tax-advantaged debt, three years after the final redemption of the debt and of any debt issued to refund it; (iii) any period required by a financing document, applicable law, or the TJPA records retention schedule; or (iv) the duration of any litigation hold or audit. Records relating to swaps shall be retained as provided in Section V.B. At a minimum, these records shall include all official statements, term sheets, bid documents, resolutions, disclosure reports, and consultant agreements.

XVIII. 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: 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 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.

Municipal Advisor: Section 15B of the Securities Exchange Act defines the term "municipal advisor" to mean a person that (i) provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues, or (ii) undertakes a solicitation of a municipal entity. Also sometimes referred to as a financial advisor.

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.

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TRANSBAY JOINT POWERS AUTHORITY

Board Policy No. 012 Category: Financial Matters

RESERVE POLICY

I. Introduction

The purpose of this policy is to set forth appropriate levels of financial reserves to mitigate current and future financial risks, such as revenue shortfalls or unanticipated expenses, short-term cash shortages and to ensure that sufficient funding is available for periodic major maintenance and lifecycle costs, and to set forth the purposes and procedures for and by which the reserve funds may be used for the payment of services or goods.

The Transbay Joint Powers Authority (TJPA) will create four reserves as follows:

1. **Emergency Reserve** is to be used in extraordinary events such as natural disasters or calamities, and unforeseen liabilities caused by Local, Regional, State and Federal legislative actions.
2. **Fiscal Reserve** is to be used as working capital.
3. **Operating and Maintenance Reserve** is to ensure that sufficient operating and maintenance funds are available in the event of unanticipated revenue shortfalls and unavoidable expenditure needs.
4. **Capital Replacement Reserve** is to ensure that sufficient funds are available to pay for all reasonably necessary periodic major maintenance and lifecycle expenditures.

All reserves will be funded from eligible revenue sources including but not limited to (1) gains on sale of real property, (2) interest and investment earnings, (3) lease and other operating income, (4) net tax increment revenues to the extent that costs are eligible to be funded in compliance with the restrictions contained in the Pledge Agreement and (5) other funds designated by the Chief Financial Officer for reserve purposes.

II. Objectives

The objective of the reserve policy is to help insulate the TJPA from fiscal crisis, provide a positive cash balance, enhance short-term and long-term financial health to help achieve the highest credit ratings, and -promote long-term financial stability by establishing clear and consistent reserve policy guidelines.

III. General Standards & Delegation of Authority

A. Emergency Reserve: The Emergency Reserve may be used in an emergency situation with the Board of Directors' approval. Emergency situations may include, but are not limited to, extraordinary events such as natural disasters or calamities, and unforeseen liabilities caused by Regional, State and Federal legislative actions. The Emergency Reserve shall be set at five hundred thousand dollars ($500,000). The Board of Directors must approve the release or addition of any amount from/to the Emergency Reserve. In the event that the Board of Directors' cannot convene in time to respond to an emergency situation, two of the four following TJPA positions may approve the use of the Emergency Reserve: 1) Chair of the Board, 2) Vice Chair of the Board, 3) Executive Director, 4) Chief Financial Officer.

B. Fiscal Reserve: There are often times when an agency experiences disparity between the availability of financial resources and when actual payments are due. The Fiscal Reserve may be used as a short-term cash resource for payment to vendors or contractors prior to the receipt of funds from funding partners. It is the goal of the TJPA to maintain a balance in its capital and operating funds equal to ~~60~~ 120 days of working capital to sustain daily operations and ensure that TJPA can meet its short-term financial obligations.

The TJPA Chief Financial Officer may authorize the temporary use of cash from the Fiscal Reserve for cash flow purposes.

C. Operating and Maintenance Reserve: The Operating and Maintenance (O&M) Reserve is established to ensure that sufficient operating and maintenance funds are available in the event of unanticipated revenue shortfalls and unavoidable expenditure needs. The Board shall annually establish the Operating and Maintenance Reserve amount for the following fiscal year. It is the goal of the TJPA to maintain a balance in the Operating and Maintenance Reserve equal to 25% of the annual budgeted operating and maintenance expenses. This amount will approximate three months of operations and maintenance expenses for the Transit Center. This level is expressed as a goal to recognize that fund balances may fluctuate from year to year due to the normal course of operations. All available carryover funds may be allocated to this Reserve Fund annually until the reserve reaches the maximum 25% of adopted budget operating appropriations. Whenever reserve funds are used, the reserve shall be replenished as soon as possible.

Expenditures from the Operating and Maintenance Reserve funds must meet at least one of the following criteria:

- Necessary for the safety or security of the public or the facilities;
- Required by the Lease and Use Agreements with operators or other agreements or contracts entered into by the TJPA;

- Authorized under the annual Operating and Maintenance budget approved by the Board; or
- Other unforeseen circumstances wherein the use of the reserve funds is deemed necessary and urgent by the Executive Director, Chief Financial Officer, or by the Board of Directors.

In addition to the expenditures described above, the Chief Financial Officer may authorize the temporary use of funds in the Operating and Maintenance Reserve as working capital as described in section III B to fulfill the cashflow needs of contractual or other obligations. To the extent possible, the use of these funds as working capital should not result in the Operating and Maintenance Reserve balance dropping below two months of direct operating and maintenance costs.

D. Capital Replacement Reserve: The Capital Replacement Reserve was initially established as a condition of the TJPA's execution of its 2010 TIFIA Loan and the accompanying Collateral Agency and Account Agreement. The Capital Replacement Reserve is expected to pay for future periodic major maintenance and lifecycle costs. It is the goal of the TJPA to maintain a balance in the Capital Replacement Reserve sufficient to fund anticipated periodic major maintenance and lifecycle costs for the next five years. A Capital Improvement Plan (CIP) will detail the required funding of the Capital Replacement Reserve and scheduled uses of the Capital Replacement Reserve funds to pay for anticipated periodic major maintenance and lifecycle costs. TJPA Board Policy 021 – Capital Improvement Plan Policy provides for the development and approval of the CIP.

Expenditures from the Capital Replacement Reserve will be based on the needs identified in the CIP and approved by the Board of Directors through the annual budget process. Contributions to the Capital Replacement Reserve will be authorized through the annual budget process as well as periodically as recommended by the Chief Financial Officer and authorized by the Executive Director.

IV. Internal Controls

In no case shall the implementation of this policy be inconsistent with the TJPA's procurement, budget, or internal accounting control policies. The TJPA Chief Financial Officer shall assure that internal accounting controls are followed as required by Board Policy No. 007, "Internal Accounting Control Policy".

V. Reporting Requirements

The financial records of the TJPA will segregate the Fiscal Reserve, Emergency Reserve O&M Reserve, and Capital Replacement Reserve by recording activity in a separate account. The TJPA shall incorporate the budgeted and actual Reserve amounts into the quarterly financial reports submitted to the TJPA Board of Directors. The reports will include additions or approved releases of the Reserves and the period ending balances.

VI. Reserve Policy Review

TJPA's Reserve Policy shall be adopted by resolution of the TJPA Board of Directors. This policy shall be reviewed annually by TJPA Staff and Chief Financial Officer. Any modifications to this policy must be approved by resolution of the TJPA Board.

TRANSBAY JOINT POWERS AUTHORITY

Board Policy No. 012 Category: Financial Matters

RESERVE POLICY

I. Introduction

The purpose of this policy is to set forth appropriate levels of financial reserves to mitigate current and future financial risks, such as revenue shortfalls or unanticipated expenses, short-term cash shortages and to ensure that sufficient funding is available for periodic major maintenance and lifecycle costs, and to set forth the purposes and procedures for and by which the reserve funds may be used for the payment of services or goods.

The Transbay Joint Powers Authority (TJPA) will create four reserves as follows:

1. **Emergency Reserve** is to be used in extraordinary events such as natural disasters or calamities, and unforeseen liabilities caused by Local, Regional, State and Federal legislative actions.
2. **Fiscal Reserve** is to be used as working capital.
3. **Operating and Maintenance Reserve** is to ensure that sufficient operating and maintenance funds are available in the event of unanticipated revenue shortfalls and unavoidable expenditure needs.
4. **Capital Replacement Reserve** is to ensure that sufficient funds are available to pay for all reasonably necessary periodic major maintenance and lifecycle expenditures.

All reserves will be funded from eligible revenue sources including but not limited to (1) gains on sale of real property, (2) interest and investment earnings, (3) lease and other operating income, (4) net tax increment revenues to the extent that costs are eligible to be funded in compliance with the restrictions contained in the Pledge Agreement and (5) other funds designated by the Chief Financial Officer for reserve purposes.

II. Objectives

The objective of the reserve policy is to help insulate the TJPA from fiscal crisis, provide a positive cash balance, enhance short-term and long-term financial health to help achieve the highest credit ratings, and -promote long-term financial stability by establishing clear and consistent reserve policy guidelines.

III. General Standards & Delegation of Authority

A. **Emergency Reserve:** The Emergency Reserve may be used in an emergency situation with the Board of Directors' approval. Emergency situations may include, but are not limited to, extraordinary events such as natural disasters or calamities, and unforeseen liabilities caused by Regional, State and Federal legislative actions. The Emergency Reserve shall be set at five hundred thousand dollars ($500,000). The Board of Directors must approve the release or addition of any amount from/to the Emergency Reserve. In the event that the Board of Directors' cannot convene in time to respond to an emergency situation, two of the four following TJPA positions may approve the use of the Emergency Reserve: 1) Chair of the Board, 2) Vice Chair of the Board, 3) Executive Director, 4) Chief Financial Officer.

B. **Fiscal Reserve:** There are often times when an agency experiences disparity between the availability of financial resources and when actual payments are due. The Fiscal Reserve may be used as a short-term cash resource for payment to vendors or contractors prior to the receipt of funds from funding partners. It is the goal of the TJPA to maintain a balance in its capital and operating funds equal to 120 days of working capital to sustain daily operations and ensure that TJPA can meet its short-term financial obligations.

The TJPA Chief Financial Officer may authorize the temporary use of cash from the Fiscal Reserve for cash flow purposes.

C. **Operating and Maintenance Reserve:** The Operating and Maintenance (O&M) Reserve is established to ensure that sufficient operating and maintenance funds are available in the event of unanticipated revenue shortfalls and unavoidable expenditure needs. The Board shall annually establish the Operating and Maintenance Reserve amount for the following fiscal year. It is the goal of the TJPA to maintain a balance in the Operating and Maintenance Reserve equal to 25% of the annual budgeted operating and maintenance expenses. This amount will approximate three months of operations and maintenance expenses for the Transit Center. This level is expressed as a goal to recognize that fund balances may fluctuate from year to year due to the normal course of operations. All available carryover funds may be allocated to this Reserve Fund annually until the reserve reaches the maximum 25% of adopted budget operating appropriations. Whenever reserve funds are used, the reserve shall be replenished as soon as possible.

Expenditures from the Operating and Maintenance Reserve funds must meet at least one of the following criteria:

- Necessary for the safety or security of the public or the facilities;
- Required by the Lease and Use Agreements with operators or other agreements or contracts entered into by the TJPA;

- Authorized under the annual Operating and Maintenance budget approved by the Board; or
- Other unforeseen circumstances wherein the use of the reserve funds is deemed necessary and urgent by the Executive Director, Chief Financial Officer, or by the Board of Directors.

In addition to the expenditures described above, the Chief Financial Officer may authorize the temporary use of funds in the Operating and Maintenance Reserve as working capital as described in section III B to fulfill the cashflow needs of contractual or other obligations. To the extent possible, the use of these funds as working capital should not result in the Operating and Maintenance Reserve balance dropping below two months of direct operating and maintenance costs.

D. Capital Replacement Reserve: The Capital Replacement Reserve was initially established as a condition of the TJPA's execution of its 2010 TIFIA Loan and the accompanying Collateral Agency and Account Agreement. The Capital Replacement Reserve is expected to pay for future periodic major maintenance and lifecycle costs. It is the goal of the TJPA to maintain a balance in the Capital Replacement Reserve sufficient to fund anticipated periodic major maintenance and lifecycle costs for the next five years. A Capital Improvement Plan (CIP) will detail the required funding of the Capital Replacement Reserve and scheduled uses of the Capital Replacement Reserve funds to pay for anticipated periodic major maintenance and lifecycle costs. TJPA Board Policy 021 – Capital Improvement Plan Policy provides for the development and approval of the CIP.

Expenditures from the Capital Replacement Reserve will be based on the needs identified in the CIP and approved by the Board of Directors through the annual budget process. Contributions to the Capital Replacement Reserve will be authorized through the annual budget process as well as periodically as recommended by the Chief Financial Officer and authorized by the Executive Director.

IV. Internal Controls

In no case shall the implementation of this policy be inconsistent with the TJPA's procurement, budget, or internal accounting control policies. The TJPA Chief Financial Officer shall assure that internal accounting controls are followed as required by Board Policy No. 007, "Internal Accounting Control Policy".

V. Reporting Requirements

The financial records of the TJPA will segregate the Fiscal Reserve, Emergency Reserve O&M Reserve, and Capital Replacement Reserve by recording activity in a separate account. The TJPA shall incorporate the budgeted and actual Reserve amounts into the quarterly financial reports submitted to the TJPA Board of Directors. The reports will include additions or approved releases of the Reserves and the period ending balances.

VI. Reserve Policy Review

TJPA's Reserve Policy shall be adopted by resolution of the TJPA Board of Directors. This policy shall be reviewed annually by TJPA Staff and Chief Financial Officer. Any modifications to this policy must be approved by resolution of the TJPA Board.

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