



Northern Virginia Transportation Authority
The Authority for Transportation in Northern Virginia

ORGANIZATIONAL AND FINANCIAL POLICIES

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policies

Organizational Policies

- | | |
|--|----------------------------|
| 1. Code of Ethics | Approved December 11, 2014 |
| 2. Conflict of Interest | Approved December 11, 2014 |
| 3. Whistle Blower Protection | Approved December 11, 2014 |
| 4. Fraud | Approved December 11, 2014 |
| 5. Freedom of Information Act Requests | Approved December 11, 2014 |
| 6. Records Retention | Approved December 11, 2014 |
| 7. Confidential Commonwealth and Local Tax Information | Approved December 11, 2014 |
| 8. Regional Benefit Over Time Report Preparation | <i>In development</i> |

Financial Policies

- | | |
|---|----------------------------|
| 9. Debt Management | Approved December 12, 2013 |
| 10. Financial Management (Financial Operations) | Approved December 11, 2014 |
| a. Audit | Approved December 11, 2014 |
| b. Procurement | Approved December 11, 2014 |
| c. Investment | Approved December 11, 2014 |
| d. Employee Travel and Reimbursement | Approved December 11, 2014 |
| e. Budget | Approved December 11, 2014 |
| f. Operating Cash Management | Approved December 11, 2014 |
| g. Capital Asset Accounting | Approved December 11, 2014 |
| h. Purchase Card | Approved December 11, 2014 |
| 11. Distribution of 30% Funds | Approved December 11, 2014 |
| 12. Regional Funds 70% Funds | Approved December 11, 2014 |
| 13. Continuing Disclosure & Post Issuance | Approved December 11, 2014 |
| 14. Computer and Electronic Systems Use | Approved December 11, 2014 |
| 15. Post Issuance and Tax Compliance Policy and Procedure | Approved December 11, 2014 |

16. Standard Project Agreement Activation

Approved April 23, 2015

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 1 -- Code of Ethics

- I. **Purpose.** The purpose of this policy is to define a foundation of behavior for the Northern Virginia Transportation Authority (NVTA) employees/staff. This official guidance establishes an ethical framework for the actions of executive management, staff members, and jurisdiction staff working on behalf of the NVTA.

- II. **General.** The code is intended to inspire a superior level of conduct, sensitivity and sound judgment for employees and to complement, not replace all professional codes of ethics. Employees should be aware of and abide by their respective professional values and requirements. Employees must perform their designated function in a manner that reflects the highest standards of ethical behavior. Employees are obligated to respect, honor and uphold the Constitution, laws and legal regulations, policies and procedures of the United States, and the Commonwealth of Virginia.

- III. **Values.** The code of ethics is supported by six core principles that form the ethical foundation of the organization: Honesty, Public Service, Respect, Responsibility, Stewardship and Trust.
 - A. **Honesty.** Be truthful in all endeavors; be honest and forthright with each other and the general public.

 - B. **Public Service.** Ensure all actions taken and decisions made are in the best interest of the general public.

 - C. **Respect.** Treat all individuals with dignity; be fair and impartial; affirm the value of diversity in the workplace and at the NVTA; appreciate the uniqueness of each individual; create a work environment that enables all individuals to perform to the best of their abilities.

 - D. **Responsibility.** Take responsibility for actions; conduct all workplace actions with impartiality and fairness; report concerns in the workplace, including violations of laws, policies and procedures; seek clarification when in doubt; ensure that all decisions are unbiased.

 - E. **Stewardship.** Exercise financial discipline with assets and resources; make accurate, clear and timely disclosures; maintain accurate and complete records; demonstrate commitment to protecting entrusted resources.

 - F. **Trust.** Build regard for one another through teamwork and open communication; develop confidence with the public by fulfilling commitments and delivering on promises.

Approved by the Finance Committee: December 5, 2014

Approved by Northern Virginia Transportation Authority: December 11, 2014

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 2 -- Conflict of Interest

- I. **Purpose.** The purpose of this policy is to ensure that the Northern Virginia Transportation Authority (NVTa) employees participate in the Authority's business in a manner free from any conflicts of interest or the appearance of a conflict of interest.

- II. **General.** All staff shall comply with the State and Local Government Conflict of Interests Act and this policy. Consistent with the intent of the *Code of Virginia* §2.2-3114 and 2.2-3115, staff in positions that may influence financial decisions of the Authority shall file a "Statement of Economic Interests" by December 15th and June 15th of each year as required by law with the Clerk to NVTa and the Virginia Conflict of Interest and Ethics Advisory Council. The NVTa recognizes elected officials are required to biannually file their Statement of Economic Interests through their locality.

- III. **Procedures.**
 - A. **Recusal.** In the event that a staff member is conflicted (consistent with the parameters provided in his/her "Statement of Economic Interests") or would have the appearance of potentially being conflicted, the staff member shall recuse him/herself from any discussion or deliberation of the relevant item. The record of the relevant meeting shall reflect such recusal.

 - B. **Process.** In December and June of each year, the Executive Director shall remind relevant staff of the biannual requirement. Statements will be provided to the Executive Director by December 15th and June 15th of each year. The Executive Director will inform the chair of the Authority that he/she has completed and filed his/her statement. Statements shall be filed with the State and a copy will be retained in an appropriate file by the Executive Director.

 - C. **Designated Staff.** Staff members with responsibility for financial advice, transactions or project selection shall be required to file a statement as specified by the Executive Director. As a minimum, this will include the Executive Director, Chief Financial Officer, Assistant Finance Officer and Program Coordinators.

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NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 3 – Whistle Blower Protection Policy

- I. Purpose.** The purpose of this policy is to provide the Northern Virginia Transportation Authority (NVTA), executive management, employees, staff from member jurisdictions and the public, who participate in the NVTA’s business, a means of raising concerns – without retribution -- in the event they believe any person(s) associated with the NVTA has been, or is engaged in, illegal or unethical behavior relevant to the NVTA’s operation or is in violation of written NVTA policy.
- II. General.** The Northern Virginia Transportation Authority shall adhere to all federal, state and local laws, and regulations that apply to the NVTA and to the NVTA policies. In support of this overarching principle, this policy has been established to encourage person(s) to feel confident in raising concerns, to ensure person(s) raising a concern(s) receive a response for their concerns, and that if they raise concerns there will be no retaliation (for having raised the concern).

For employees and jurisdiction staff an “open door” policy exists. They are encouraged to share their questions, concerns, suggestions or complaints with the Executive Director. In the event where there are circumstances that this may be inappropriate, staff should contact the Chief Financial Officer (CFO) or the NVTA Counsel.

III. Specific Provisions.

- A. General protection.** Everyone’s support is necessary in achieving compliance with relevant laws, regulations, and policies. In the interest of ensuring such compliance, a person(s) raising a concern is protected from retaliation if they bring an alleged unlawful activity or practice that is relevant to the parties of interest of the NVTA to the attention of the Executive Director and provides the NVTA with a reasonable opportunity to investigate and correct the alleged unlawful or inappropriate activity or behavior.
- B. Complaint.** If any person(s) associated with the NVTA reasonably believes in good faith that some policy, practice, or activity of the NVTA is in violation of law or written NVTA policy, a written complaint must be filed by that person with the Executive Director, or, the CFO. A complaint involving the Authority Chairman shall be filed with the Finance Committee Chairman. Anonymous complaints are acceptable, however may hinder any investigation. The Executive Director shall inform the Authority Chairman of any complaint and keep the Chairman informed of any investigation and its outcome. Depending on the nature, seriousness, and sensitivity of the complaint, the Authority Chairman shall inform the Authority members (in closed session). The Authority shall establish the appropriate investigatory steps to be taken.
- C. Examples.** Some examples of unlawful activity, policy, or practice include but are not limited to:

1. Theft, either petty or serious
2. A criminal offense (Federal or Commonwealth of Virginia)
3. Breach of statutory regulations, including health and safety
4. Breach of NVTA policy
5. Dishonesty
6. Any attempts to cover-up or conceal any of the above

D. Investigation. Once a complaint has been received, the complainant will be informed by the Executive Director, or responsible person, as noted in Section III.b, within ten (10) business days of how the investigation will proceed and if it will result in an internal inquiry or a more formal investigation. Upon conclusion of any investigation, the complainant shall be informed of its results (with appropriate sensitivity to any confidential information). All complaints shall remain confidential (other than in cases where appropriate investigatory agencies may need to be involved).

IV. Non-retaliation. The NVTA shall not retaliate against a person(s) who in good faith has made a protest or raised a complaint against some practice of the NVTA or of another individual or entity with whom the NVTA has a business relationship on the basis of a reasonable belief that the practice is in violation of law or NVTA written policy and complainant follows the procedures outlined in this policy.

V. Informed Staff. The Executive Director shall ensure the NVTA and jurisdiction staff are aware of this policy.

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NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 4 -- Fraud and Related Improprieties

- I. General.** The Northern Virginia Transportation Authority (NVTA) is committed to preventing fraud and similar improprieties in the workplace and in work related matters. Staff are expected to be sensitive to any improprieties that might occur within their areas of responsibility and bring to the attention of the Executive Director any concerns they might have of suspected fraud or other improprieties.
- II. Definition.** Fraud is any use of falsehood or deception with regard to theft or intentional, reckless, or negligent misuse, destruction, falsification, alteration, concealment, misappropriation, waste or abuse of NVTA funds, property, or time in order to secure direct or indirect financial or material gain, personal advantage, or other benefit, or for other reasons. Fraud includes other acts of omission or commission similar in nature to the foregoing. Specific examples of fraud include, but are not limited to:
- Falsification or alteration of official NVTA records or data.
 - Malicious damage or deliberate destruction of NVTA property, data or records.
 - Theft, misappropriation, or unauthorized removal or misuse of NVTA funds, records, or property.
 - Seeking or accepting anything of material value from vendors or persons seeking to do business or currently providing services/materials to the NVTA (e.g., favors, kickbacks or bribes).
 - Neglecting or subverting job responsibilities in exchange for an actual, expected, or promised reward.
 - Violations of State and Local Conflict of Interests Act. Violations of the Virginia Public Procurement Act.
- III. Reporting Fraud or Potential Fraud.**
- A. NVTA Employee, Vendor or Contractor.** Any NVTA staff with reason to believe that another employee, vendor or contractor of a company or external entity doing business with the NVTA is engaged in fraudulent conduct will promptly report such information or concern to the Executive Director.
- B. Executive Director.** Any NVTA staff with reason to believe that the Executive Director is engaged in fraudulent conduct will promptly report such information or concern to the Authority Chairman.
- IV. Investigative Procedures.¹**

¹ In the unique circumstance of the Executive Director being suspected of fraud, the Authority Chairman will modify these procedures with such modification as are appropriate.

- A. Immediate Action.** Upon being informed of suspected fraud, the Executive Director will make a determination whether the alleged incident or activity appears fraudulent. In doing so, he/she will consult with the NVTA Counsel. If the incident or activity appears to be fraudulent, the Executive Director will:
- Take appropriate steps to limit additional damage or loss to the NVTA by securing records, equipment, etc.,
 - Advise the Authority Chairman of the alleged fraud or impropriety,
 - As appropriate, obtain legal advice from the NVTA Counsel,
 - As appropriate, contact the local police department, reporting the suspected fraud and obtaining additional advice on how best to resolve the issue and ensure appropriate prosecution.
- B. Investigative Responsibility.** The Executive Director, in consultation (as appropriate) with local police and the NVTA Counsel, will determine the appropriate approach to any investigation. A senior NVTA employee may be directed to conduct an investigation or, in some cases, the investigative responsibility may rest with the local police department. No individual employee will attempt on his/her own to investigate the suspected fraud unless so directed by the Executive Director.
- C. Confidentiality.** Employees shall not discuss or disclose the facts, suspicions, or allegations with anyone involving fraudulent (or alleged fraudulent) conduct except as provided for in this policy or unless specifically directed to do so by those responsible for the investigation. Allegations will be treated with the highest degree of confidentiality and sensitivity.
- D. Personal Workspace.** It is important that respect be maintained for personal workspaces. However, at times, searches of workspaces may be necessary to thoroughly investigate an allegation or incident. Those responsible for the investigation have the authority to examine, copy and/or remove all or any portion of the contents of computers, files, desks, cabinets, lockers and storage facilities without the prior knowledge or consent of any individual who may use or have custody of such premises or own any such items. Employees have no right or expectation of privacy in any computer, desk, file cabinet, locker or other storage facility used to conduct NVTA business, or located on any premises owned, leased, or controlled by the NVTA. Review of records, the confidentiality of which is protected under state or federal law, will be coordinated with the Executive Director (and with counsel).
- E. Recovery of Losses.** Every effort will be made to effect recovery of NVTA losses from the responsible person(s) where such effort is in the best interest of the NVTA.
- F. Report.** Once an investigation is concluded, the findings will be documented and recommendations for appropriate action will be made by the investigating person.

G. Public Information. All contact with the media and decisions on release of any information will be made by the Executive Director in coordination with the Authority Chairman.

V. Retaliation. It is a violation of this policy to retaliate against or penalize any individual for reporting a violation of this policy or for cooperating, giving testimony, or participating in an investigation concerning a violation of this policy. Appropriate disciplinary action will be taken against those found retaliating against the employee.

VI. Failure to Report or Cooperate. Failure to report information indicating a violation of this policy, and refusal to respond to questions or failure to cooperate in an investigation of violations of this policy violate the administrative regulations and are subject to disciplinary action.

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NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 5 – Freedom of Information Act Requests

- I. Purpose.** The purpose of this policy is to affirm the intent of the Northern Virginia Transportation Authority (NVTa) to adhere to the Virginia Freedom of Information Act (FOIA) which guarantees citizens of the Commonwealth and representatives of the media access to public records held by public bodies, public officials and public employees.
- II. Policy.** The Authority will seek adhere to the Virginia Freedom of Information Act and the Public Records Act in the conduct of meetings, retention of public records, and responsiveness to requests for records under FOIA.
- III. Specific Provisions of Policy.**
 - A.** All FOIA requests for information must be routed or presented to the Executive Director.
 - B.** All requests will be responded to within five working days of receipt. ‘Day one’ is considered the day after the request is received.
 - C.** FOIA permits the charging of reasonable costs, not to exceed actual costs, of responding to requests. The Executive Director with assistance from the Chief Financial Officer will determine if there is a cost to be charged for the record request.
 - D.** The Executive Director may at his/her option consult with the NVTa Counsel with regard to FOIA matters and before or during the process of responding to any FOIA requests.

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NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 6 – Records Retention Policy¹

- I. **Purpose.** The purpose of this policy is to ensure that the Northern Virginia Transportation Authority (NVTa) is compliant with federal and state requirements for records retention.
- II. **General.** The Virginia Public Records Act (*Code of Virginia* §42.1-76 et seq.) defines public records: "Public record" or "record" means recorded information that documents a transaction or activity by or with any public officer, agency or employee of an agency. Regardless of physical form or characteristic, the recorded information is a public record if it is produced, collected, received or retained in pursuance of law or in connection with the transaction of public business. The medium upon which such information is recorded has no bearing on the determination of whether the recording is a public record.

Federal and state requirements, as well as good business practice, dictate that the NVTa have a disciplined and organized approach to records retention. Although the Sarbanes-Oxley legislation was largely aimed at private sector businesses, many of its requirements are seen as also appropriate for the public sector.
- III. **Specific Requirements of Policy.** NVTa documents shall be maintained for the periods indicated in the schedule adopted by the Library of Virginia in accordance with the Public Records Act.
- IV. **Electronic Records.** Electronic records will be handled as if they were paper documents. Any electronic files classified into one of the Library of Virginia categories will be maintained according to that guideline. If there is sufficient reason to keep an email message, the message should be printed in paper copy and kept in the appropriate file or moved to an "archive" computer file folder. Backup and recovery methods will be tested on a regular basis.
- V. **Safekeeping.** The Executive Director shall designate a staff member with responsibility for compliance with this policy. NVTa documents shall be maintained in a safe, and secure, and accessible manner. Electronic files will be backed up nightly.
- VI. **Destruction of Documents.** Financial and employee related documents will be destroyed by shredding. Document destruction will be suspended immediately upon any indication of an official investigation or when a lawsuit is filed or appears imminent. Destruction will be reinstated upon conclusion of the investigation.
- VII. **Compliance.** All NVTa employees shall comply with the details of this policy. Failure to comply may result in civil and/or criminal sanctions. The Executive Director will periodically review these procedures with legal counsel and/or outside certified public accountants to ensure that NVTa remains in compliance with new or revised regulations.

¹ Adapted from Virginia Public Records Act. 42.1-82

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NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 7 – Confidential Commonwealth and Local Tax Information

- I. **Purpose.** The purpose of this policy is to affirm the intent of the Northern Virginia Transportation Authority (NVRTA) to adhere to the *Code of Virginia* §58.1-3 Secrecy of Information; penalties.
- II. **Policy.** The Authority will adhere to the *Code of Virginia* §58.1-3, Secrecy of Information; penalties in the conduct of meetings, publication of information, communication with outside parties, recording and retention of public records and responsiveness to requests for records.
- III. **Specific Provisions of Policy.**
 - A. Except in accordance with a proper judicial order or as otherwise provided by law, Authority employees shall not divulge any information acquired by them in the performance of duties with respect to the transactions, property, including personal property, income or business of any person, firm or corporation.
 - B. The publication of statistics so classified as to prevent the identification of particular reports or returns items identified to a single taxpayer is permitted.
 - C. Authority employees will ensure that all confidential information provided to them in the course of their work is physically secured and properly disposed of when no longer needed.
 - D. Any employee with any questions on the implementation of this policy should consult with the Chief Financial Officer before allowing any information to be used or released outside of the Authority.

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NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 9 -- Debt Management Policy

- I. General.** This debt management policy is adopted to implement the debt program of the Northern Virginia Transportation Authority (the “Authority” or “NVTA”) as authorized by the *Code of Virginia* §33.2-2512. The purpose of the Authority’s Debt Management Program will be to support the construction program of the Authority while achieving the lowest cost of capital. In order to accomplish this goal, it will be necessary to adopt policies and procedures that ensure the highest credit quality, assure access to capital markets and preserve financial flexibility.
- II. Background.** The Authority’s goal is to achieve a minimum rating in the double-A category on its senior lien debt obligations. Therefore, the Authority shall implement policies and procedures for managing debt including overarching financial policies for maintaining a high quality debt program and detailed guidelines for debt issuance. The policy will guide decisions on all debt issued by the Authority and also assist the Authority in realizing debt service savings and efficiencies. Specifically, the policies will support the following objectives:
- Achieve and maintain a double-A category rating from one or more of the nationally recognized municipal bond credit rating firms for all senior lien revenue debt;
 - Guide the Authority and its managers in policy and debt issuance decisions;
 - Maintain appropriate capital assets for present and future needs;
 - Promote sound financial management;
 - Ensure legal use of the Authority’s debt issuance authority;
 - Promote cooperation and coordination with other stakeholders in the financing and delivery of transportation services and infrastructure; and
 - Evaluate debt issuance options.
- III. Application of Revenues**
- A. NVTA Act.** §33.2-2509 of the NVTA Act authorizes the use of revenues of the Northern Virginia Transportation Authority (including regional tax and fee revenues transferred from the NVTA Fund established under §33.2-2509) as follows:
1. Solely for transportation purposes benefitting those counties and cities embraced by the Authority.
 2. Thirty percent (the "30 Percent Share") shall be distributed to the localities on a pro rata basis subject to reduction under the "maintenance of effort" provisions of §33.2-2510.B.1.
 3. The remaining seventy percent will be distributed as follows:
 - a. First to pay debt service on bonds issued by the Authority and secured by a pledge of such monies;

- b. For "pay-as-you-go" projects;
- c. Each project financed by such monies or bonds secured thereby must meet the following criteria:
 - i. Must be (x) in regional transportation plan in accordance with §33.2-2510 ("TransAction 2040") and be rated in accordance with §33.2-257 or (y) a mass transit capital project that increases capacity;¹
 - ii. Must reflect the Authority's priority for selecting projects that are expected to provide the greatest congestion reduction relative to the cost of the project;
 - iii. Must be located (x) only in localities embraced by the Authority or (y) in adjacent localities but only to the extent that such extension is an insubstantial part of the project and is essential to the viability of the project within the localities embraced by the Authority ; and
 - iv. Must result in each locality's total long-term benefit being approximately equal to the proportion of the total of the fees and taxes received by the Authority that are generated by or attributable to the locality.

B. Master Indenture of Trust. The Master Indenture of Trust approved on July 24, 2013, further specifies that all amounts transferred from the NVTA Fund are deposited to a Revenue Fund and are distributed as follows:

1. First, the 30 Percent Share is deposited in the Member Locality Distribution Fund;
 - a. And then from such Fund to the Operating Fund in an amount sufficient to fund the next 30 days of operations;
 - b. And then from such Fund to each locality its pro rata portion of the remaining 30 Percent Share (subject to reduction as described above);
2. Then the remaining amounts (the "Regional NVTA Funds") must be distributed in the following order of priority:
 - a. To fund all senior debt service requirements;
 - b. To fund all debt service reserve requirements (if due);
 - c. To fund subordinate debt service requirements (if due); and
 - d. To fund all rebate fund requirements (if due).
3. Once all debt service requirements are met, the remaining Regional NVTA Funds are deposited to the NVTA General Fund available for any other lawful purpose of the Authority, including the construction of "pay-as-you-go" projects.

II. Debt Management Planning.

A. Debt Affordability Criteria (Debt Capacity).

1. Debt Capacity. For planning purposes, Debt Capacity for the issuance of new debt shall be calculated as a function of the projected Regional NVTA Funds, as defined in the Master Indenture of Trust.

¹ For "regional funds" received in FY 2014, the rating requirement does not apply.

- a. It should be stressed that in accordance with the terms of the Master Indenture of Trust and the order of precedence defined in the Code of Virginia, debt service payments shall have precedence over all other obligations of the Authority.
 - b. Debt Capacity shall be projected forward a sufficient time to support the cash flow requirements of the Authority's adopted long range capital plan together with funds identified for pay-as-you-go construction.
2. Debt service coverage requirements.
- a. The NVTA strives to set policy targets for debt service coverage at the minimum levels necessary, in light of relevant criteria and methodologies of the credit rating agencies and recommendations of the NVTA's Financial Advisor, to achieve a minimum of a AA category rating on senior lien debt.
 - b. Senior lien debt. The ratio of annual Regional NVTA Funds to annual senior lien debt service will be a minimum of 2.0 times. A proforma calculation for this ratio is included as Exhibit 1 to this policy.
 - c. Subordinate lien debt. The ratio of annual Regional NVTA Funds minus annual debt service on senior lien debt to annual subordinate lien debt service will be a minimum of 1.30 times. A proforma calculation for this ratio is included as Exhibit 1 to this policy.
3. Treatment of Local Revenues.
- a. Required Transfers. Authority revenues earmarked for transfer to the member localities, the 30 percent share will not be included in the debt capacity calculation or calculation of coverage requirements.
4. "Pay go" and reserve set asides. Any portion of Regional NVTA Funds not utilized for debt service due to coverage requirements will be set aside for pay-as-you-go capital financing and additional reserves as required by this policy over a reasonable period of time as determined by the Authority.
5. Reserve and liquidity levels.
- a. Debt Service Reserve Fund. Consistent with the provisions of the Master Indenture of Trust, each bond issue may include a Debt Service Reserve Fund ("DSRF") funded from bond proceeds, Regional NVTA Funds or the NVTA General Fund as determined by the Authority at the time of issuance. In considering the need for this structural feature, the NVTA may consider whether it is economically advantageous to have a DSRF and the potential impact on the existing credit ratings on the Authority's outstanding bonds, among other factors.
 - b. Working Capital Reserve. The Authority will maintain a Working Capital Reserve account in its General Fund equal to at least six months of the budgeted, annual Regional NVTA Funds. Such funds may be used within a fiscal year to manage any mismatches in the actual receipt of revenue and the disbursement of funds for project construction to project implementing entities. If tapped, the Executive Director of the NVTA will develop and submit to the

Authority a plan to restore the Working Capital Reserve to its minimum level over a period not to exceed 18 months. The NVTA will revisit the level of this reserve no later than June 30, 2015 to reflect its actual cash flow patterns and experience and periodically as needed.

B. Bond Structure.

1. Term of Bonds. The NVTA shall strive to match the financing period with the economic life of the asset being developed in general conformance with the following guidelines:
 - a. Short term debt (less than ten years) normally should be used for projects with an economic life of 0 to 15 years, but may be used at any time to restructure the Authority's outstanding debt portfolio to reduce the average life of the Authority's bonds.
 - b. Terms of the bonds for major construction projects shall not exceed 30 years which is less than the 40 year maximum term of debt permitted under §15.2-4519.B.1.
 - c. The Authority will attempt to achieve an average bond life for all aggregate outstanding debt of less than 20 years in order to ensure that significant debt capacity is available to meet the future needs of the Authority.
2. Capitalized Interest. The Authority intends to pay interest on all debt obligations when due from current revenues unless the capitalization of interest shall be deemed necessary and prudent or the best interest of the Authority for any project specific financing. If used, the capitalized interest period and amount shall not exceed that which is necessary to complete the construction period.
3. Debt Service Repayment Structure. It is the preference of the Authority to promote rapid repayment of debt principal in order to (i) achieve the objective of average bond life of less than 20 years, (ii) to maintain or improve the credit rating, and (iii) to execute the capital program in the most cost effective manner. The Authority may choose to structure debt repayment so as to wrap around existing obligations or to achieve other financial planning goals.
4. Call Provisions. Optional redemption provisions on the NVTA debt, if any, shall be determined based upon the market conditions at the time of issuance with advice from the Financial Advisor. The Authority will select the call provision most likely to result in the lowest cost of funds while providing reasonable opportunity and flexibility for future refinancing to achieve future debt service savings.

C. Types of Debt.

1. Revenue Bonds. The NVTA expects to issue revenue bonds, either on a senior lien or subordinate basis, as its primary form of debt. The debt capacity of the Authority to issue revenue bonds shall be governed by this Debt Management Policy.

2. Lease Purchase Agreements. Lease purchase debt for which the asset is pledged, in addition to Authority revenues, as security for the debt payment may not be issued unless the Board adopts specific policies in this regard.
3. Variable Rate Debt (short or long term). The Authority may issue variable rate debt to achieve a lower cost of capital, improve cash flow efficiencies or manage interest rate risk and in no case shall variable rate debt exceed ten percent of the total debt of the NVTA. Any commercial paper program that is used as an interim financing tool shall not be included in the calculation of the ten percent (10%) maximum variable rate debt limit. The NVTA will revisit this threshold periodically to reflect market conditions, credit rating agency criteria, and the NVTA's liquidity and cash flow experience. Any changes to the threshold must be approved by the Authority.
4. Commercial Paper/Interim Financing. The Authority may establish a commercial paper program or other forms of interim construction financing such as bond anticipation notes if economically advantageous to manage the Authority's cash flow, improve efficiency or reduce negative arbitrage. The Authority may create its own program or use a pool legally available to it within the Commonwealth.
5. Federal or State or other Conduit Pool Loan Programs. The Authority may use pooled loan programs supported by available Regional NVTA Funds if cost effective (e.g., sales through the Virginia Resources Authority). Such debt may be senior or subordinate lien as negotiated with the issuing authority with such coverage and other requirements as determined by the issuing agency and consistent with the Master Indenture of Trust.
6. Unrated Debt. The Authority may issue unrated debt if deemed in its best interests.
7. Derivative Structures. The Authority shall not make use of derivative structures (swaps, hedges, etc.) for at least five years after adoption of this policy. Such structures shall not be used thereafter unless the Authority shall adopt specific policies in this regard.

D. Refinancing Outstanding Debt.

1. Minimum Savings Threshold. The Authority establishes a minimum present value savings threshold of three percent (3%) of the refunded bond principal amount. The present value savings will be net of all costs related to the refinancing.
2. Restructuring. The Authority may restructure debt when it is in the best financial interest of the Authority to do so. Such refundings will be limited to restructuring to meet anticipated revenue expectations, achieve costs savings, mitigate irregular debt service payments, release reserve funds, consolidate multiple series of outstanding debt, or remove unduly restrictive bond covenants.

3. Term of Refunding Issues. The Authority will normally refinance bonds within the original term of the existing debt. However, after careful evaluation, the Authority may consider maturity extension when necessary to achieve a desired outcome, provided that such extension is permissible under the Master Indenture of Trust.

E. Use of Credit Enhancement.

1. Bond Insurance. Bond insurance may be obtained to achieve a higher credit rating than the NVTA's uninsured debt when cost effective.
2. Letters of Credit. Letters of Credit may be obtained when cost effective.

F. Additional Bonds.

1. The NVTA anticipates new money bond sales in a frequency adequate to meet its cash flow needs.
2. Additional bond issuance shall not exceed any of the limits prescribed in the Debt Affordability section of these policies in any fiscal year.
3. Subsequent bond sales will be on parity with prior issuances of senior or subordinate lien bonds, as appropriate.
4. Additional bond issuances should be planned to remain within capacity/affordability limits based on careful forecasts of revenues reasonably anticipated to be received over the course of the following six (6) years.

G. Capital Financial Plan.

1. Beginning in FY2015, the NVTA shall adopt a multi-year capital plan. The capital plan will be developed in accordance with all applicable statutory requirements. The Authority shall make every effort to coordinate the timing of the adoption of its capital plan to benefit the capital planning processes of the Authority's member jurisdictions and of impacted state and regional authorities.
2. The Authority will review and update the long-term comprehensive transportation plan for the region at least every five (5) years.

III. Debt Management Administration.

A. Selection of Advisors and Other Providers.

1. Financial Advisor. The Authority will use the services of a Financial Advisor to assist in the implementation and execution of bond policies, sales and other financial analyses as necessary. The Financial Advisor will be selected through a competitive process in accordance with the Code of Virginia and other procedures

that the Authority may establish under such terms and compensation as the Authority may determine. A selection advisory committee shall include the Chief Financial Officer and other members appointed by the Executive Director, including at least three knowledgeable staff members from member jurisdictions, which will include the top three revenue contributing jurisdictions and a rotation of up to two of the remaining contributing jurisdictions. The Executive Director shall make every effort to ensure that each member jurisdiction is given the opportunity to participate in the selection process.

2. Bond Counsel. The Authority will use the services of Bond Counsel to assist in the implementation and execution of bond policies, sales and other legal analyses as necessary. The Bond Counsel will be selected through a competitive process in accordance with the Code of Virginia and other procedures that the Authority may establish under such terms and compensation as the Authority may determine.
3. Other Services. The Authority may obtain the services of other advisors as necessary to implement its debt program under such terms and conditions as may be determined by the Authority. Such services may include, but are not limited to, trustee and fiscal agent services, specialized financial analytical services, special tax or disclosure counsel, rebate and arbitrage compliance services, audit services and other services that may be necessary.
4. Other Jurisdiction Contracts. The Authority may use any contract for consultant services issued by a member jurisdiction or agency of the Commonwealth provided that the terms and conditions of the contract permit its use by other jurisdictions or governmental entities of the Commonwealth and the contract was competitively bid or issued through a request for proposal.

B. Methods of Issuance.

1. Competitive Sales. The NVTA shall issue debt on a competitive basis whenever practical.
2. Negotiated Sales. The NVTA may issue bonds via negotiated sale based on an evaluation of current market conditions and the economic advantages to the NVTA, especially for the first few series of bond issues until the Authority has gained sufficient market acceptance and recognition as a regular issuer.
3. Private Placements. The NVTA is permitted to use private placement financings based on an evaluation of current market conditions and the economic advantages to the NVTA.

C. Underwriter Selection (if negotiated sale).

1. The NVTA will always use a formal, competitive, open selection process to choose an underwriter.

2. The NVTA's Financial Advisor may not participate in any sale as an underwriter (senior manager, co-manager, or part of a syndicate) while under contract to the Authority or as otherwise prohibited by applicable MSRB Rules.
3. The NVTA will determine the selection process for appointing any co-managing underwriters.
4. The NVTA may competitively select a pool of underwriters who may be used to underwrite bond sales over a multi-year period. The period in which an underwriter can be used may exceed more than one financing and more than one year; the period of use will be established at the time of the initial underwriter selection.
5. Underwriter selection shall be conducted in accordance with applicable procurement statutes and procedures established by the Authority. A selection advisory committee shall include the Chief Financial Officer and other members appointed by the Executive Director, including at least three knowledgeable staff members from member jurisdictions, which will include the top three revenue contributing jurisdictions and a rotation of up to two of the remaining contributing jurisdictions. The Executive Director shall make every effort to ensure that each member jurisdiction is given the opportunity to participate in the selection process.

D. Public Notices and Hearings.

1. Notices of public hearing shall be published and public hearings held prior to the Authority approval of any debt issuance if required by and in conformance with federal law, where applicable, and the Virginia Code.
2. The NVTA shall post any such notices of public hearing to be published on its website and in a paper or papers of general circulation within the jurisdictions embraced by the NVTA. Regardless of whether such publication is required by federal or Virginia law; provided that the failure to effect any such local publication shall not invalidate any Authority action unless the local publication is required by laws.

IV. Provisions Pertaining to the 30 Percent Share: The NVTA Role as a Conduit Issuer.

- A. The NVTA may act as a conduit issuer for any member locality utilizing a separate Trust Indenture specifically for the member's issuance of debt secured by their 30 Percent Share. Member localities may agree to a Master Indenture with allowance for Supplemental Indentures specifically for the conduct of its initial and subsequent issues.
- B. Debt Service for any NVTA conduit debt issued for individual member localities may be paid directly to the member locality's trustee for an issue secured by the member locality's 30 Percent Share of NVTA revenues. Localities may pledge other revenues as needed. The aggregate of all revenues pledged must meet a minimum coverage ratio of 1.00 times.

- C. Localities may agree to a joint issue for projects that benefit more than one locality, however, such joint ventures shall at a minimum clearly establish jurisdictional shares and responsibility for debt service payments.
- D. Any debt issued by the NVTA directly for the benefit of an individual member locality must not have any impact on the NVTA's credit rating, debt capacity/affordability or marketing of other NVTA debt.
- E. Conduit debt issued by the NVTA on behalf of a locality shall not have any negative fiscal or operational impact on the NVTA or on any of the other member localities. The NVTA and its other member localities shall be protected in the event of default or non-appropriation by the obligated member.
- F. All costs of issuance will be borne entirely by the member locality in a manner of its choosing, which may include capitalization of such costs. The NVTA may charge a fee for its services in addition to normal costs of issuance.

V. **Provision Pertaining to the 30 Percent Share: Operating Reserve.** The Authority will maintain an operating reserve account in the Member Locality Distribution Fund sufficient to fund to at least twenty percent (20%) of operating expenses. This operating reserve may be used, at the discretion of the NVTA's Executive Director, to cover unanticipated increases in the Authority's operating budget. If used, the Executive Director will present a plan to the NVTA Board for refilling the reserve during the next ensuing fiscal year budget process. The Authority will invoice each member locality for their proportionate contribution necessary to refill the reserve to three months of operating expenses.

VI. **Investment Policies.** The Authority will establish separate, written investment policies consistent with applicable sections of Virginia Code and that provide for maintenance of sufficient cash on hand to meet daily operating, capital and debt service requirements in conformance with the expected schedule and actual receipt of revenues from all sources.

VII. **Debt Management Monitoring & Responsible Parties.**

A. **Post Issuance Compliance Procedures.** The Authority will establish appropriate accounting and reporting procedures to ensure the timely payment of debt service, the satisfaction of all debt service coverage requirements and financial covenants and compliance with applicable federal tax and securities laws. Prior to issuance of any tax-exempt debt, the NVTA will develop separate, written Post Issuance Compliance procedures.

B. **Arbitrage rebate compliance.** The Authority will sell the minimum amount necessary to meet construction requirements consistent with Federal arbitrage restrictions and comply with all necessary reporting requirements. The Authority will attempt to size its sale amounts so as to qualify for the two year spend down exception test.

- C. Secondary market disclosure (Rule 15c2-12 compliance).** Continuing Disclosure shall at a minimum include the year-end financial audit in addition to other documents designated by the Authority. The Authority shall ensure that any local jurisdiction constituting a “material obligor” with respect to any of the Authority’s debt within the meaning of Rule 15c2-12 agrees to provide the continuing disclosure required under the Rule.
- D.** The NVTA’s Executive Director or his/her designee will be responsible for the implementation of this Debt Management Policy with the advice and input from the NVTA’s legal counsel and Financial Advisor.
- E.** The NVTA’s Executive Director and Chief Financial Officer will review and update this Debt Management Policy at least every five (5) years.

Exhibit 1: Proforma Debt Service Coverage Calculation Methodology
Figures shown below are for illustrative purposes only.

- Annual Regional NVTA Funds = **(A)** = \$210,000,000
- Debt Service on Senior Lien Debt = **(B)** = \$7,000,000
- Debt Service on Subordinate Lien Debt = **(C)** = \$1,000,000
- Debt Service Coverage Requirement for Senior Lien Debt = **(A / B)** = \$210,000,000 / \$7,000,000 = 30.0x
- Debt Service Coverage Requirement for Subordinate Lien Debt = **(A-B) / C** = (\$210,000,000 - \$7,000,000) / \$1,000,000 = 203.0x

Approved by Northern Virginia Transportation Authority: December 12, 2013

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 10 – Financial Management (Financial Operations)

I. Purpose. The purpose of this policy is to provide the general policy guidance for the financial management of the Northern Virginia Transportation Authority (NVTA). The objectives of these policies include:

- Establishing a framework for strong internal controls and adequate design of internal controls over all significant accounts and processes.
- Ensuring proper management approval and review of financial transactions.
- Achieving operational efficiencies through standardization of accounting and reporting practices.

II. General. The NVTA will organize and maintain its financial operations in a manner consistent with federal, state, and local laws and regulations as well as with proper business practices (e.g., Governmental Accounting Standards Board - GASB).

III. General Guidelines

A. Financial planning and budgeting shall be consistent with the following guidelines:

1. Consistency with Authority policies, strategic plan, project plans and expressed priorities.
2. Clarity with respect to any assumptions used in budget development.
3. Manage cash flow of tax revenues appropriated by the Commonwealth of Virginia for the purpose of regional transportation projects to reduce traffic congestion and improve air quality.
4. Allocating funds consistent with HB 2313.
5. The issuance of bonds will be in all respects for the benefit of the inhabitants of the nine member jurisdictions; the issuance of bonds are to further the purposes of the NVTA and the NVTA Act.
6. The NVTA operational budget is paid by the member jurisdictions and will contain: sufficient level of detail to enable a reasonably accurate projection of revenue and expenses; visibility of revenue and expenses (to include labor costs).
7. Planning and budgeting process that provides for Authority approval of annual budget plan at least two months prior to the start of a new fiscal year.
8. A detailed mid-year (fiscal year) budget review will be held by the Finance Committee, with recommended adjustments made to the Authority as needed.
9. Use of the prescribed accounting methods based on GASB guidance.

B. Maintenance of financial condition and ongoing monitoring will be consistent with the following guidelines:

1. The financial condition of the Authority shall be reviewed, as a minimum, by the Finance Committee and the NVTA on a quarterly basis.
2. Annually the Finance Committee and the Authority will review the annual audited Financial Statements.
3. Expenditures shall be consistent with the approved budget. The Executive Director may make minor operating budget adjustments (\$10,000 or less) between program areas at his/her discretion; however, major adjustments (>\$10,000) shall have the advance recommendation of the Finance Committee to the Authority or Authority approval.
4. As required in the NVTA Debt Policy number 9, the Authority will maintain a Working Capital Reserve (WCR) account equal to six months of the budgeted, annual, Regional NVTA Funds (70% Funds). Such funds may be used within a fiscal year to manage any mismatches in the actual receipt of revenue and the disbursement of funds for project construction to project implementing entities. The Executive Director will submit to the Authority a plan to restore the WCR to its minimum level over a period not to exceed 18 months.
5. As required in the NVTA Debt Policy number 9, the Authority will maintain an operating reserve sufficient to fund at least twenty percent (20%) of NVTA operating expenses. This reserve may be used at the discretion of the Executive Director to cover unanticipated expenditure increases in the budget. If used, the Executive Director will present a plan to the Authority for refilling the reserve during the next fiscal year budget process.

C. Financial records shall be maintained consistent with following guidelines:

1. Financial records will be retained in accordance with the NVTA Records Retention Policy number 6.
2. The Chart of Accounts shall be used and structured in a manner that is supportive of the NVTA operations in conformance with Generally Accepted Accounting Principles (GAAP) and an appropriate basis of accounting.
3. The Authority will maintain four (4) unique funds as the basis for the NVTA's accounting and reporting structure.
 - a. General Fund will be used to maintain and report the NVTA's operational budget. This Fund will include the annual contribution from the member jurisdictions as well as other general costs.
 - b. Special Revenue Fund for the thirty percent (30%) distribution will contain the 30% portion of the three NVTA tax revenues received. This fund will include the distributions to each of the member jurisdictions.
 - c. Special Revenue Fund for Regional Funds (70%) will include the 70% portion of the three NVTA tax revenues received. Project disbursements will be tracked in this fund by jurisdiction and/or agency.

- d. Debt Service Fund will contain all transactions related to the issuance of NVTA Bonds, line of credit, and repayment of those debts.

D. Bank and other financial accounts shall be organized and maintained consistent with following guidelines:

1. The Chief Financial Officer (CFO), upon approval and with signature authority of the Executive Director, opens and closes all bank and other financial accounts (e.g., checking, safe keeping, investment) in accordance with the Virginia Security for Public Deposits Act.
2. In accordance with the NVTA Procurement Policy number 10.b, the CFO and Executive Director have signature authority on all accounts. The CFO is authorized to sign checks up to \$15,000. Checks over \$15,000 must be countersigned by the Executive Director. In all cases, expenditures must be consistent with the approved budget or a separate approval by the Authority.
3. In accordance with the NVTA Procurement Policy number 10.b, specific prior approval of the Authority is needed for any expenditure that exceeds \$30,000.
4. In all cases, appropriate documentation will be maintained consistent with state records management requirements.
5. Bank and other corporate financial information (e.g., rules and regulations, account numbers) shall be retained, maintained, and updated as directed by the CFO.
6. No petty cash or other 'Cash on Hand' will be permitted.

E. Capital assets shall be accounted for along the following general guidelines and in accordance with the Capital Asset Accounting Policy number 10.g:

1. Depreciation account shall be maintained for office & technological equipment and furnishings valued above \$5,000 at the time of purchase or acquisition. Such assets shall be depreciated over their useful life, typically four (4) years for computer hardware and peripherals, five years (5) for office equipment and seven (7) years for office furnishings.
2. Disposal of the NVTA's assets acquired by sale, loan, or gift requires documented written approval by the CFO.
3. The Clerk of the Authority shall conduct an annual inventory of the NVTA assets including – computer hardware/peripherals, office equipment and furnishings for the annual audit. The clerk will initiate and maintain a tagging system and inventory for capital items.

F. The accounts of the Authority shall be audited consistent with the following guidance and in accordance with the Audit Policy number 10.a:

1. Accounts shall be audited annually by a certified public accountant qualified to audit municipal entities and authorities in Virginia.
2. As a minimum, the audit contract shall be re-bid at least every five (5) years. If the contract is renewed with the prior firm, the firm must designate a different audit manager.
3. The Finance Committee will review the audit and make appropriate recommendations to the Executive Director and the Authority.

G. Travel costs and expenses shall be consistent with the NVTAs Financial Policies including Procurement Policy number 10.b. and Administrative Policy number 10.d.

H. Credit (Purchase) card(s) may be used only for business-related expenses consistent with the Financial Management –Purchase Card Policy number 10.h.

1. All accounts shall be held in the name of the NVTAs and not based on personal credit. Any unauthorized charges will be the responsibility of the employee making the charge. The employee may be subject to disciplinary action including dismissal. Employee personal charges must be reimbursed immediately or the charge will be deducted from the employee's next pay check.

IV. Responsibilities.

A. Authority. The Authority is responsible for providing broad financial guidance and oversight, to include approval of budget parameters, annual program plans consistent with HB 2313 and the annual budget.

B. Finance Committee. As stated in the Authority Bylaws, the Finance Committee shall be responsible for advising the Authority on all financial matters and overseeing financial activities undertaken by the NVTAs professional staff, including:

1. Reviewing, commenting on, and recommending the annual budget presented by the Executive Director.
2. Reviewing, commenting on, and recommending any budget amendments presented by the Executive Director.
3. Overseeing the NVTAs financial policies (e.g., bond, investment, procurement) and making appropriate recommendations.
4. Monitoring contracts for incidental services, including incidental financial services, and recommending task orders.

5. Monitoring the NVTA's expenditures for compliance with policies and guidance of the NVTA.
6. Reviewing annual revenue estimates.
7. Approving the selection of an audit firm and audit work plan supporting the annual preparation of financial statements including meeting with the auditor before the audit begins and when it has concluded. This meeting can be in person or via a conference call.
8. Assisting with other financial activities as may be directed by the NVTA.

C. Chief Financial Officer Reporting to Executive Director.

1. Manages the Authority's finances on a day-to-day basis.
2. Executes the Authority-approved budget.
3. Develops financial mechanisms/procedures to ensure financial accountability and transparency.
4. Ensures that there are written procedures (financial operation policies) for the fiscal operation of the Authority.
5. Provides monthly financial management reports to the Executive Director, Finance Committee and Authority.

Approved by the Finance Committee: December 5, 2014

Approved by Northern Virginia Transportation Authority: December 11, 2014

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 10.a. - Financial Management; Audit Policy

I. Purpose. This audit policy is adopted to implement the auditing program of the Northern Virginia Transportation Authority (NVTA) as required by the *Code of Virginia* §30-140 and the NVTA Bylaws Article VIII, Section B-Audits. The purpose of the NVTA's Audit Policy is to delineate the areas of responsibility and to minimize the risk of non-compliance with accounting and reporting standards required by the Commonwealth of Virginia's Auditor of Public Accounts.

II. Requirements.

A. Audit Requirements. The *Code of Virginia* §30-140, requires that all authorities, boards and commissions having financial transactions in excess of \$25,000 shall file an audit report within 90 days after the close of the fiscal year with the Auditor of Public Accounts.

B. NVTA Bylaws Article VIII. Section B, more specifically requires an audit by an independent certified public accountant, be conducted at least annually. Such audits will, at a minimum, obtain an opinion as to the accuracy of the annual financial statements. Additional audit activity may be obtained by the Finance Committee as it deems prudent.

C. Public Notice. The *Code of Virginia* §30-140, requires the NVTA to publish a summary statement of financial condition in a newspaper of general circulation based on its locality. The minimum statement should include total assets, liabilities, and fund balances; total revenues, expenditures, and other sources or uses; and the resulting net change in fund balances.

D. Auditing Standards. The audit must be conducted in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. The auditor must follow Government Auditing Standards regardless of whether the NVTA received federal financial assistance.

E. Financial Reporting Requirements. The Auditor of Public Accounts requires the NVTA's financial statements be prepared in accordance with the provisions of the Governmental Accounting Standards Board (GASB).

III. Responsibilities.

A. The Authority. The NVTA governing board is ultimately responsible for the Authority's financial management and financial reporting requirements. The Authority provides guidance to the Finance Committee and the Executive Director as necessary to ensure compliance and resolve financial issues.

B. Finance Committee (In its role serving as NVTA’s Audit Committee). The Finance Committee serves as the audit committee for the NVTA governing body due to its unique position as the ultimate monitor of the financial reporting process and internal controls. The Finance Committee (audit committee) provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns.

1. The Finance Committee manages the appointment, compensation, retention, and oversight of the independent auditing firm, the auditor’s work and the corresponding independent audit report with management report (if applicable). The Finance Committee will meet with auditor before the audit begins and when it is concluded.
2. The Finance Committee will advise the Authority on the results of the audit. In concurrence with the Authority, the Finance Committee works with the independent auditing firm and senior management to resolve any issues.

C. Chief Financial Officer through the Executive Director - Within the guidance provided by the Finance Committee, the Chief Financial Officer (CFO) will solicit bids and award a contract for an independent auditing firm. The CFO is responsible for the maintenance and security of accurate financial records including the preparation of records for audit. The CFO provides oversight of the NVTA staff in support of the Finance Committee’s requests and needs.

Approved by the Finance Committee: December 5, 2014

Approved by Northern Virginia Transportation Authority: December 11, 2014

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 10.b. - Procurement

- I. Purpose.** The purpose of the adoption of a procurement policy is to establish the Northern Virginia Transportation Authority (NVTA) limits and procedures relating to the purchasing of materials, supplies, equipment, and professional services.
- II. General.** The NVTA is governed by the Virginia Public Procurement Act (VPPA). Using the Act as a guideline, the NVTA has developed its procurement policy. The procurement policy is developed to provide for the fair and equitable treatment of all persons involved in public purchasing by the NVTA, to maximize the purchasing value of public funds in procurement and to provide safeguards for maintaining a procurement system of quality and integrity.
- III. Accountability.** The Executive Director and/or the Chief Financial Officer shall assume lead responsibility for initiating financial and procurement actions for the Authority consistent with applicable authorization by the Authority, the availability of budgeted funds for the purpose, and the VPPA and all applicable laws.
- IV. Small Purchases.** The small purchase threshold for the NVTA is as term “small purchases” is defined by the VPPA. Procurements made pursuant to the small purchase procedures do not require public bid openings or newspaper advertising of competitively negotiated procurements.

The following procedures apply to all goods, non-professional, and professional services, with distinctions based on the type of purchase to conform to the VPPA.

- A. Single Quotation:** Where the NVTA’s cost of goods or services is \$5,000 or less, purchases may be made upon receipt of a minimum of one (1) written or telephone quotation. If more than one quote is received, the award shall be made to the lowest responsive and responsible bidder.
- B. Unsealed Bidding:** Goods or services over \$5,000 and up to the maximum allowable limit defined by the VPPA as a small purchase may be procured through unsealed bidding. The eVA Quick Quote process is the preferred method for securing competition; however, a solicitation for unsealed bidding may be used. The solicitation shall be open for at least three (3) business days.
- C. Unsealed Proposals:** Goods or services over \$5,000 and up to the maximum allowable limit defined by the VPPA as a small purchase may be procured through an unsealed proposal process. A written determination for the use of competitive negotiation is not required for unsealed proposals. The solicitation for unsealed proposals should include a cover sheet, a general description of what is being sought,

the evaluation criteria and weights to be used in evaluation, contract terms and conditions, including unique capabilities or qualifications that will be required. All responses must be received at the designated location by the date and time stated in the solicitation. In lieu of an evaluation committee, the end user may solely evaluate and rank offers. Upon completion of the evaluation, negotiations shall be conducted with the offerors selected.

V. **Formal Procurements.** All procurements anticipated to cost more than the maximum allowable limit defined by the VPPA as a small purchase shall be conducted in accordance with the competitive sealed bidding and competitive negotiation requirements of the VPPA. Prior approval of the Authority is required.

VI. **Sole Source Purchases.** Upon determination in writing that there is only one practical source available for that which is to be procure, a contract may be negotiated and awarded to that source without competitive sealed bidding or competitive negotiation in accordance with the *Code of Virginia* §2.2-4303.E. All sole source purchases will be reported to the Finance Committee at the next meeting.

VII. **Emergency Purchases.** In case of emergency, a contract may be awarded without competitive sealed bidding or competitive negotiation; however, such procurement shall be made with such competition as is practicable under the circumstances, in accordance with the *Code of Virginia* §2.2-4303.F. All emergency purchases will be reported to the Finance Committee at the next meeting.

Estimated Cost	General Procedures
\$5,000 or Less	Goods or services purchases require a minimum of one (1) written or telephone quotation. Lowest bidder required for more than one (1)
\$5,000.01 to \$30,000 Unsealed Bidding	Goods or services purchases may be procured through the eVA Quick Quote process. Solicitation shall be open for three (3) business days. Must include total cost over the life of the contract. Approval of Chief Financial Officer and Executive Director required.
\$5,000.01 - \$30,000 Unsealed Proposals	Requires at least three (3) electronic or written quotes. Solicitation should include general description of purchase, evaluation criteria and weights used in the evaluation, contract terms and conditions. Must include total cost over the life of the contract. Approval of Chief Financial Officer and Executive Director required.

\$30,000.01 - \$50,000 Unsealed Proposals	Prior approval of the Authority is required; at least four (4) written quotations must be received. Solicitation should include general description of purchase, evaluation criteria and weights used in the evaluation, contract terms and conditions.
\$30,000.01 and Over – For Professional Services Only	Requires a Formal Request for Proposals established by the VPPA prerequisites. Firms are short listed based on evaluation criteria then an interview is conducted. Firms are then ranked based on criteria. Negotiations can begin with the firm ranked number 1.
\$50,000.01 and Over	Requires a Formal Invitation for Bid or Request for Proposals be issued in compliance with VPPA The request will be advertised in a local newspaper and/or published on the NVTAs website. All bids and RFPs must remain “on the street” for a minimum of ten (10) days as required by law.

The above table is provided as a recap. It will be updated for changes in the VPPA.

VIII. Cooperative Procurement. The NVTAs may purchase from another public body’s contract even if it did not participate in the request for proposal or invitation to bid, if the request for proposal or invitation to bid specified that the procurement was being conducted on behalf of other public bodies, in accordance with the restrictions cited in the *Code of Virginia* §2.2-4304. The NVTAs may participate in the NOVA Consortium, Washington Metropolitan Council of Governments or similar organizations.

IX. Payment for Purchases of Goods and Services.

- A. Purchases consistent with above guidelines and within approved budget parameters may be approved by the Executive Director or CFO.
 1. The CFO is authorized to sign checks up to \$15,000. Checks over \$15,000 must be countersigned by the Executive Director. In all cases, expenditures shall be consistent with approved budget or a separate approval by the Authority.
 2. Specific prior approval of the Authority is needed for any expenditure that exceeds \$30,000.
 3. In all cases, appropriate documentation will be established and maintained consistent with state records management requirements.

Approved by the Finance Committee: December 5, 2014

Approved by Northern Virginia Transportation Authority: December 11, 2014



Northern Virginia Transportation Authority
The Authority for Transportation in Northern Virginia

Northern Virginia Transportation Authority

Investment Policy

Adopted December 11, 2014

This Investment Policy has been established by the Northern Virginia Transportation Authority (Authority) to ensure effective management of the day-to-day investment activity, and is designed to increase non-tax revenues by investing funds when not needed for current obligations. The objective is to obtain, while protecting principal, the highest possible yield on available financial assets, consistent with constraints imposed by safety objectives, cash flow considerations and the laws of the Commonwealth of Virginia that govern the placement of public funds. The general custody of all funds requires the investment of those funds within the confines of the Code of Virginia and a comprehensive Investment Policy developed and maintained by the Authority.

Investment Policy

Purpose and Scope.....1
Objectives.....1
Role of the Chief Financial Officer1
Role of the Investment Monitor2
Role of the Finance Committee2
Ethics and Conflict of Interest.....2
Internal Controls2
External Portfolio Management.....2
Community Bank Program3
Investment of Bond Proceeds3
Arbitrage Management Program.....3
Payment of Banking Service and Investment Fees4
Authorized Depository and Fee Service Banks.....4
Authorized Investment Broker/Dealers.....4
Benchmarks5

Purchase of Investments

General5
Investment Policies and Standards5
Allowable Investments7
Diversification and Maturities.....10
Delivery Requirements.....11

Reports of Investment Activity

Reports to the Finance Board.....12
Financial Statement Basis.....12

Attachments

Glossary Attachment 1
Relevant Code Sections Attachment 2
Broker/Dealer Investment Policy Confirmation..... Attachment 3

INVESTMENT POLICY

PURPOSE AND SCOPE

The purpose of this statement of investment policy is to establish guidelines for the safeguarding and efficient management of Authority funds and for the purchase, sale and custody of investment instruments. The goal is to minimize risk and to ensure the availability of cash to meet Authority expenditures, while generating revenue from the use of funds, which might otherwise remain idle.

Unless otherwise noted, all citations in this policy refer to the Code of Virginia (1950), as amended.

OBJECTIVES

The primary objectives of the Authority's investment activities, in priority order, are: safety, liquidity, and yield (SLY).

Safety of principal is the foremost objective in the investment of public funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

The investment portfolio will remain sufficiently liquid to enable the Authority to meet all operating requirements, which might be reasonably anticipated.

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles. This objective shall take into account constraints as to acceptable risk, the characteristics of the Authority's cash flows and the funding expectations of approved projects.

ROLE OF THE CHIEF FINANCIAL OFFICER

The Chief Financial Officer (CFO) is charged with collecting, safeguarding and disbursing Authority funds. The CFO serves as the investment officer for the Authority with authority for investment decisions to include managing the day-to-day operations of the portfolio, placing purchase orders and sell orders with dealers and financial institutions, procuring banking and financial services and preparing reports as required.

The CFO shall invest all available cash (with the exception of 30% funds) into a common investment portfolio. The CFO is required to file a statement of economic interest annually with the Authority Administrative Assistant/Clerk by no later than January 15 (§2.2-3116). The CFO may require any employee of the Authority entrusted with the investment of Authority funds to file a similar statement. In no event shall any employee involved in the investment process also be involved in personal business activity that could conflict with proper execution of the investment program.

The CFO shall continue to monitor the statutes and regulations and modify investment procedures accordingly to ensure compliance.

The CFO as well as staff assigned to investment and accounting functions; shall individually and as a group stay current on new regulations and market trends in investments, technology enhancements and new banking as well as financial services. Individual readings, research, subscriptions to news services, attending training and informational symposiums on these topics is encouraged and supported.

ROLE OF THE INVESTMENT MONITOR

The Investment Monitor is designated by the CFO to review the balances and activity in the Authority's investment portfolio. The Investment Monitor shall be thoroughly familiar with this Investment Policy and the Code of Virginia regarding allowable investments. The Investment Monitor will not be actively involved in investment activity other than to monitor transactions for compliance with this policy and the Code of Virginia. The Investment Monitor shall have read-only access to the portfolio tracking system with which to confirm all investment balances, purchases, maturities, sales and trades.

ROLE OF THE FINANCE COMMITTEE

The Finance Committee is established in the Authority to review the CFO's actions regarding the disposition of Authority funds. The Finance Committee meets at regular intervals with the CFO to review the Statement of Accountability. The makeup of the Finance Committee is specified in the Bylaws.

ETHICS AND CONFLICT OF INTEREST

Employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Authority.

INTERNAL CONTROLS

The CFO is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met, to the extent possible with staff resources.

- Prevention of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping using a delivery versus payment basis
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian.

EXTERNAL PORTFOLIO MANAGEMENT

In order to better manage yield in changing interest rate environments, the CFO may decide to contract for external portfolio management. This portion of the investment portfolio may be invested for periods greater than two (2) years but not more than five (5) years. Since these funds have been set aside they are not currently required to meet the near term liquidity needs of the Authority. These funds may not exceed 25% of the net balance of the Authority's 70% Regional Fund pooled cash and investments. The external portfolio manager must comply with all the requirements of the Code of Virginia with respect to the investment of local funds.

COMMUNITY BANK PROGRAM

In order to enable community based financial institutions to compete against regional and national institutions for Authority funds the CFO may set aside a portion of Authority funds upon which only local community based institutions may bid. In order to qualify for the Community Bank Program, an institution must be headquartered locally or maintain a significant portion of its branches within the Authority membership jurisdictional boundaries. Any banks which show significant community reinvestment activities beyond the minimums required in the Community Reinvestment Act will receive consideration. Newly chartered banks, meeting the above criterion, will qualify after being closely reviewed for solvency, stability and quality as well as experience of executive management.

The aggregate investments held for any qualifying institution is not to exceed five (5) percent of the institution's total assets as reported on their most recent audited financial statements or Quarterly Call Report. The CFO may require such bids to include a premium over the market rate to compensate for the increased administrative costs and reduction of liquidity which this program may entail. Such premiums shall be determined by the CFO periodically based on prevailing market conditions.

The investments under the Community Bank Program are subject to the same restrictions and the same collateralization requirements as all other investments. The CFO reserves the right to reject bids that are not suitable or otherwise not in the best interest of the Authority.

INVESTMENT OF BOND PROCEEDS

The Tax Reform Act of 1986 restricts the interest which may be earned on the unexpended proceeds of tax-exempt bonds issued after 1986. The average yield of investments purchased with bond proceeds may not exceed the yield on the bonds. Any excess earnings are considered arbitrage earnings and must be remitted to the U.S. Treasury. In order to avoid the difficulties associated with arbitrage, all unexpended bond proceeds shall be invested separately in the State Non-Arbitrage Pool, or its equivalent.

Notwithstanding the general policy that the CFO shall refrain from specific fund investments, interest earned on these investments shall be allocated to the funds for which the bonds were issued.

ARBITRAGE MANAGEMENT PROGRAM

The arbitrage management program seeks to promptly reimburse pooled cash for expenses related to bond projects and to manage the Authority relationship with the State Non-Arbitrage Program (SNAP). Through the prompt replenishment of eligible capital expenses the Arbitrage Management Program seeks to maximize the Authority's liquidity and investment earnings. The main points of the program are:

1. Make cash draws from the appropriate SNAP account based on the Authority general ledger activity.
2. Establish and manage arbitrage rebate accounts to cover projected IRS rebate liability.
3. Provide the most accurate information to the Arbitrage Rebate Calculation Agent based on the Authority general ledger activity.
4. Return any erroneously drawn funds to the appropriate SNAP account within five (5) months, if the underlying expense is retracted by a member jurisdiction.
5. Rely on the appropriate member jurisdictions to maintain the detailed documents to support their transactions related to expenses eligible for cash draws.

PAYMENT OF BANKING SERVICE AND INVESTMENT FEES

The CFO determines whether paying for banking, financial services and financial products directly or through compensating balances is in the best interest of the Authority. The method of payment chosen will, for the most part, be based on the current rate of return on the portfolio versus the compensating balance rate offered by individual institutions.

Payment methods may change on a month to month and institution by institution basis depending upon which arrangement produces the best overall return, cost constraint and operational efficiency. Investment proceeds and/or compensating balance arrangements can be used for banking and financial services only within the fund which holds the balance. Examples would be investment fees stay within the 70% Regional Revenue funds. Operational banking fees remain within the Operating Fund.

AUTHORIZED DEPOSITORY AND FEE SERVICE BANKS

The CFO shall maintain a list of financial institutions authorized to provide depository and/or investment services. In order to ensure orderly and fair competition, the CFO will routinely bid new fee services on an individual basis, when such service is not functionally linked to an existing banking process. Priority will be given to making certain that opportunities are presented to participants in a fair and orderly process.

1. Banks must be “qualified public depositories” as defined in the *Code of Virginia* §2.2-4401 Security for Public Deposits Act.
2. All commercial banks wishing to be authorized to provide services must report a minimum of 4% or greater in the Tier 1 (Core) capital rating in their Quarterly Call Report filed with the FDIC. If any bank were to report a rating of less than 4% the deposit and fee relationship will be considered in jeopardy and the CFO will take appropriate and prudent action.
3. The CFO will conduct a bi-annual review of the condition of each authorized financial institution. The CFO will undertake interim reviews as conditions dictate.

AUTHORIZED INVESTMENT BROKER/DEALERS

The CFO shall maintain a list of financial institutions authorized to provide depository (Certificates of Deposit, Negotiated Order of Withdrawal and Money Market accounts) and/or investment broker services.

In order to ensure orderly and fair competition, the CFO shall limit the number of broker/dealers on the authorized list. For the broker/dealers on the list, priority will be given to making certain that opportunities are presented to participants in a fair and orderly process.

Further, authorized financial institutions will:

1. Maintain compliance with FINRA Net Capital Requirements for Brokers or Dealers - SEA Rule 15c3-1.
2. Any broker must maintain an active registration in good standing with FINRA.
3. Achieve a successful review, by the Authority, of individual broker records as posted by FINRA.
4. All Broker/Dealers are required to sign an acknowledgement as to receiving, understanding and agreeing to abide by this investment policy prior to the start of any activity. Broker/Dealers which repeatedly propose non-allowable or noncompetitive investments will be removed from the approved list.

5. Broker/Dealers will be automatically removed from the authorized list if no instruments have been purchased from their firm for 16 consecutive months.

BENCHMARKS

The portfolio performance benchmarks will be both the Fed Funds Rate and the Treasury 90 Day T-Bill rate. Comparisons to the Virginia State Non-Arbitrage Program (SNAP) and the Virginia Local Government Investment Pool (LGIP) will be maintained as they are both highly liquid investment pools operated in compliance with the Code of Virginia.

PURCHASE OF INVESTMENTS

GENERAL

Generally, investment offers must be considered in a competitive environment. Investments in excess of five (5) million dollars must be selected on a competitive basis. Offers must be solicited/received from a minimum of two dealers or financial institutions. The CFO may use discretion in selecting the bidders, taking into consideration an institution's reputation, past success rate, timeliness in providing bids and any other factors which the CFO believes have bearing.

In general, the highest yielding instrument offered with an appropriate maturity to match with projected liquidity needs will be the investment selected. The CFO may reject an investment, even if it yields the highest rate, if he feels it carries an element of risk which may not be reflected in the published credit rating or if it is not in the Authority's interest to hold such an investment in its portfolio.

Banks and broker/dealers shall be instructed to mail trade confirmations or similar documentation to the Authority Administrative Assistant/Clerk. The Administrative Assistant will show all trade confirmations to the Executive Director, keep a copy on file and provide the originals to the Authority Assistant Finance Officer for entry into the accounting system.

In accord with primary objectives, in priority order of safety, liquidity, and yield (SLY), investments shall be made with the judgment and care which persons of discretion, prudence and intelligence exercise in the management of their own affairs, not for speculation, but for the protection of principal. Consideration for the safety of capital shall be paramount over the probable income to be derived. Individuals responsible for investing Authority funds shall in no way benefit personally as a result of investment decisions.

INVESTMENT POLICIES AND STANDARDS

There are certain standards of "adequacy" and "appropriateness" set by the Authority, in addition to the creditworthiness of an institution, against which offers shall be measured when purchasing investments. For example, diversification reduces overall portfolio risks while attaining market average rates of return. The policies and standards which regulate specific investments and the composition of the investment portfolio shall include, but not be limited to, the following:

1. No investment shall be purchased if the yield is less than that of the most recently auctioned issue of the United States Treasury of a similar term.
 - a. No investment shall be purchased if two of three or more enhanced ratings from nationally recognized ratings firms are not at or above the minimum required in the Code of Virginia. Due to the use of credit qualifiers by the rating agencies to signify rating reviews in the financial market turmoil starting in calendar year 2009, negative rating qualifications (such as AA- or A1-) will not exclude the instrument.
 - b. The status of any credit enhancement firm will be examined when considering the purchase of an instrument. The CFO will keep a list of unacceptable credit enhancement firms. Any instrument with a credit enhancement by a firm on this list will be considered based on its underlying credit rating not the enhanced rating.
2. At no time, shall more than thirty-five percent of the portfolio be invested in commercial paper.

3. No more than five (5) percent of the portfolio shall be invested in the commercial paper of a single entity.
4. The CFO will determine/reaffirm on a weekly basis the target balance for the portion of the portfolio invested with maturities greater than 24 months.
5. At no time shall the remaining maturity of an investment exceed 60 months, unless such investment has a PUT option as described in the Diversity & Maturity Section.
6. The CFO shall endeavor to maintain an appropriate diversification in the portfolio. The CFO will diversify instruments and institutions in order to reduce overall portfolio risk while attaining market rates of return.
7. The CFO shall use the average of the three-month Treasury bill auctions for a quarter as a benchmark for the return on the investment portfolio.
8. All investments with the sole exception of bank depository instruments, will be purchased on a delivery versus payment basis through a trust and custody agent under contract with the Authority.

The Finance Committee may add, delete or modify standards of investment at its discretion in response to changing economic, national or international conditions. Such additions, deletions or modifications shall be reported to the Authority at the next meeting of that body.

All institutions solicited for offers shall be advised of the allowable investments and any restrictions upon investments. Only investments which meet the criteria enumerated above may be considered. The CFO may consider barring institutions from consideration should they repeatedly offer disallowed investments.

ALLOWABLE INVESTMENTS

The Authority must limit investments to those allowed by the Code of Virginia. The Authority, however, may restrict investments beyond the limits imposed by the Code if such restrictions serve the purpose of further safeguarding Authority funds or are in the best interests of the Authority.

The allowable types of investments under the Code of Virginia for non-sinking funds are as follows:

1. Stocks, bonds, notes and other evidences of indebtedness of the Commonwealth of Virginia, and other evidences of indebtedness unconditionally guaranteed as to payment of principal and interest by the Commonwealth of Virginia.
2. Bonds, notes and other obligations of the United States, and securities unconditionally guaranteed as to the payment of principal and interest by the United States, or any agency thereof. The evidences of indebtedness enumerated by this subdivision may be held directly, or in the form of repurchase agreements collateralized by such debt securities, or in the form of securities of any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided that the portfolio of such investment company or investment trust is limited to such evidences of indebtedness, or repurchase agreements collateralized by such debt securities, or securities of other such investment companies or investment trusts whose portfolios are so restricted.
3. Stocks, bonds, notes and other evidences of indebtedness of any state of the United States upon which there is no default and upon which there has been no default for more than ninety days; provided, that within the twenty fiscal years next preceding the

making of such investment, such state has not been in default for more than ninety days in the payment of any part of principal or interest of any debt authorized by the legislature of such state to be contracted.

4. Stocks, bonds, notes and other evidences of indebtedness of any county, city, town, district, authority or other public body in the Commonwealth upon which there is no default; provided, that if the principal and interest be payable from revenues or tolls and the project has not been completed, or if completed, has not established an operating record of net earnings available for payment of principal and interest equal to estimated requirements for that purpose according to the terms of the issue, the standards of judgment and care required in Article 2 (§ 26-45.3 et seq.) of Chapter 3 of Title 26, without reference to this section, shall apply.

In any case in which an authority, having an established record of net earnings available for payment of principal and interest equal to estimated requirements for that purpose according to the terms of the issue, issues additional evidences of indebtedness for the purposes of acquiring or constructing additional facilities of the same general character that it is then operating, such additional evidences of indebtedness shall be governed by the provisions of this section without limitation.

5. Legally authorized stocks, bonds, notes and other evidences of indebtedness of any city, county, town or district situated in any one of the states of the United States upon which there is no default and upon which there has been no default for more than ninety days; provided, that (i) within the twenty fiscal years next preceding the making of such investment, such city, county, town or district has not been in default for more than ninety days in the payment of any part of principal or interest of any stock, bond, note or other evidence of indebtedness issued by it; (ii) such city, county, town or district shall have been in continuous existence for at least twenty years; (iii) such city, county, town or district has a population, as shown by the federal census next preceding the making of such investment, of not less than 25,000 inhabitants; (iv) the stocks, bonds, notes or other evidences of indebtedness in which such investment is made are the direct legal obligations of the city, county, town or district issuing the same; (v) the city, county, town or district has power to levy taxes on the taxable real property therein for the payment of such obligations without limitation of rate or amount; and (vi) the net indebtedness of such city, county, town or district (including the issue in which such investment is made), after deducting the amount of its bonds issued for self-sustaining public utilities, does not exceed ten (10) percent of the value of the taxable property in such city, county, town or district, to be ascertained by the valuation of such property therein for the assessment of taxes next preceding the making of such investment.
6. Savings accounts or time deposits in any bank or savings and loan association within the Commonwealth of Virginia, providing such bank or savings and loan association is a "qualified public depository". Such savings accounts or time deposits must meet the collateralization requirements as set forth in the Virginia Security for Public Deposits Act and the regulations of the State Treasury Board. The collateral must be a security or securities allowable as a direct investment with a market value of not less than fifty percent of the deposit amount where the depository is a commercial bank and not less than one hundred percent of the deposit amount where the depository is a savings and loan or savings bank. This collateral must be pledged to the Treasury Board and held by the Board in its designated trust depository or another depository

approved by the Board (§58.1-3149 and §2.2-4400).

7. Repurchase agreements which are collateralized with securities that are approved for direct investment. The Treasurer may require that physical possession of the collateral be taken (§2.2-4507). Physical possession must be taken when the term of the repurchase agreement exceeds ten (10) days. The Treasurer shall execute a master repurchase agreement with the bank or broker/dealer, which is the counterparty to the repurchase transaction prior to entering into any repurchase transaction.
8. Banker's acceptances from "prime quality" institutions. Prime quality shall be as determined by one or more nationally recognized rating agencies (§2.2-4504).
9. "Prime quality" commercial paper (§2.2-4502). "Prime quality" shall be as rated by at least two (2) of the following: Moody's Investors Service, Inc., within its NCO/Moody's rating of P1, by Standard & Poor's, Inc., within its rating of A-1, by Fitch Investor's Services, Inc., within its rating of F-1, by Duff and Phelps, Inc., within its rating of D-1, or by their corporate successors (§2.2-4502.3).
10. "High quality" corporate notes (§2.2-4510). High quality shall be defined as a rating of at least AA by Standard and Poor's, at least Aa by Moody's and at least AA/F1 by Fitch and a maturity of no more than five (5) years. All investments should be rated by at least two rating agencies.
11. Certificates representing ownership in either treasury bond principal at maturity or its coupons for accrual periods. The underlying United States Treasury bonds or coupons shall be held by a safekeeping agent independent of the seller of the certificates (§2.2-4505).
12. The Local Government Investment Pool (LGIP). Investments in this pool are subject to the rules and regulations as set forth by the Virginia Department of the Treasury which manages the pool (§2.2-4602). The CFO shall, on a continual basis, monitor the management and operations of the LGIP.
13. The State Non-Arbitrage Pool (SNAP). Investments in this pool are limited to unexpended proceeds from the issuance of bonds, the interest on which is subject to rebate under the provisions of the Tax Reform Act of 1986 (§2.2-4700), and reserve accounts directly related to the issuance of debt or other credit agreement.
14. Open-end mutual funds, provided the funds are registered under the Security Act of Virginia or the Federal Investment Act of 1940 and that the investments by such Funds are restricted to the same securities as approved for direct investments (§2.2-4508).
15. Negotiable certifications of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of at least A-1 by Standard & Poor's, P-1 by Moody's Investor Service, Inc., A-1, by Fitch Investor's Services, Inc., and F-1, by Duff and Phelps, Inc., for maturities of one year or less, and a rating of at least AA by Standard & Poor's and Aa by Moody's Investor Service, Inc., for maturities over one year and not exceeding five years (§2.2-4509).
16. Non-negotiable certificates of deposit of banks certified as qualified to hold Virginia Public Deposits.

DIVERSIFICATION & MATURITIES

The CFO will diversify holdings of the investment instruments to avoid incurring unreasonable risk inherent in over-investing in any specific instruments or class of instruments, individual financial institution or maturity schedule; while attaining market average rates of return.

Length and allowable percentage of instruments maturity scheduling shall be timed according to anticipated need. Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures as well as considering sizable blocks of anticipated revenues.

If a legally authorized stock, bond, note or other evidence of indebtedness of any city, county, town or district situated in any one of the states of the United States has a PUT option which requires the issuer of the instrument to return all principal, and accrued interest within 30 days of the exercise of the PUT option, than the maturity of that instrument will be considered the PUT option not the stated maturity of the instrument.

The table below shows the maximum length and maximum portfolio composition of each investment class:

<u>Class</u>	<u>Length</u>	<u>Percent of total portfolio & cash</u>
Stocks, bonds, notes and other evidences of indebtedness of the Commonwealth of Virginia	60 months of less	75%
Stocks, bonds, notes and other evidences of indebtedness of the United States	60 months or less	100%
Stocks, bonds, notes and other evidences of indebtedness of any county, city, town, district, authority or other public body of the Commonwealth of Virginia	36 months or less	75%
Legally authorized stocks, bonds, notes and other evidences of indebtedness of any city, county, town or district situated in any one of the states of the United States.	36 months or less	75%
Savings accounts or time deposits (CDs) in any bank or savings and loan association within the Commonwealth of Virginia	24 months or less	60%
Repurchase Agreements	12 months or less	20%
Banker's Acceptances	12 months or less	10%
Prime Quality Commercial Paper	270 days or less	35% with a 5% per issuer limit

<u>Class</u>	<u>Length</u>	<u>Percent of total portfolio & cash</u>
High Quality Corporate Notes	36 months or less	50%
Certificates representing ownership in either treasury bond principal at maturity or its coupons for accrual periods	36 months or less	25%
The Local Government Investment Pool (LGIP)	N/A	100%
Open End Mutual Funds	N/A	Maximum 20% in any one fund. Prior 3 year history must exceed internal performance by 25bps, net of mgmt fee.
The State Non-Arbitrage Pool (SNAP)	N/A	100% of bond proceeds or debt related reserve account
Negotiable certificates of deposit and negotiable bank deposit notes	24 months or less	25%
External Management Contract	3 years or less	25% of net balance of pooled investments, using lowest portfolio amount as target point. Prior 3 year history must exceed internal performance by 25bps, net of mgmt fee.

DELIVERY REQUIREMENTS

Collateral for savings and time deposits shall be pledged according to the provisions of the Security for Public Deposits Act and the requirements of the State Treasury Board regulations.

All securities will be purchased on a delivery versus payment basis.

The Authority must designate one or more institutions to act as custodian for all non-depository investments. Such institutions must be qualified to do business in the State of Virginia as banks or trust companies. Delivery to the designated trustee, in lieu of physical possession, meets these delivery requirements.

REPORTS OF INVESTMENT ACTIVITY

REPORTS TO THE FINANCE COMMITTEE

The CFO shall report to the Finance Committee on a regular basis, as determined by the Committee, such information as the Committee requires in order to fulfill its function. At its discretion the Committee may require additional information or clarification from the CFO either orally or in writing.

The reports to the Finance Committee shall consist of a summary of cash and investments which are the assets of the Authority. This report, will list each depository, investment firm or custodian with balances. A listing of all investments, a detailed report of the investments held and the annual return being realized by each will be provided. A separate report shall be prepared for each calendar month as of the last day of that month.

FINANCIAL STATEMENT BASIS

Financial statement presentation of investments, accrual of interest, amortization of premiums and accretion of discounts shall be according to generally accepted accounting principles as applied to municipalities.

Those principals shall be as determined by the Commonwealth of Virginia Auditor of Public Accounts, the American Institute of Certified Public Accountants and its designated units, the Financial Accounting Standards Board and the Governmental Accounting Standards Board.

Reporting components will include:

- Listing of individual securities held at the end of the reporting period.
- Mark to market valuation on a monthly basis.
- Average weighted yield to maturity of portfolio.
- Listing of investments by maturity date.
- Percentage of the total portfolio which each type of investment represents.

COMPLIANCE WITH THE CODE OF VIRGINIA

This policy seeks to restrict and define investment actions at a more detailed level than presented in the Code of Virginia.

In the absence of any issue or situation not specifically addressed by this policy; any action undertaken by the CFO or his staff will at all times be in compliance with the Code of Virginia.

ATTACHMENTS

GLOSSARY – Attachment 1

Accrual Basis

Basis of accounting under which revenues are recorded when earned and expenditures are recorded as soon as they result in liabilities for benefits received.

Accrued Interest

The accumulated interest due on a bond as of the last interest payment made by the issuer.

Agency Security

A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Amortization

The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Arbitrage

A technique employed to take advantage of price differences in separate markets. This may be accomplished by purchasing a security in one market and immediately selling in another market at a better price. As used in the context of investing public funds, arbitrage means borrowing at low tax-exempt rates and investing in taxable instruments. The arbitrage rebate provisions of the 1986 tax reform act govern this type of activity.

Average Life

The average length of time that issues of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Bankers Acceptance

Negotiable time drafts drawn on commercial banks to finance import, export, shipment and storage of goods. Banker's acceptances are backed by the credit of the bank, which assumes primary liability. The acceptance is further collateralized by the goods in shipment or storage. Possession of a banker's acceptance requires taking delivery of a physical instrument.

Basis Point (bps)

A basis point refers to the measure of the yield to maturity of an investments calculated to four decimal places. For example, one quarter of one percent would be expressed as "twenty-five basis points".

Bid

The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value

The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Bond

A written, interest bearing certificate of debt with a promise to pay on a specific date and with a set annual rate of interest.

Broker

A person or firm acting as an agent for buyers and sellers.

Callable Bond

A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price

The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk

The risk to a bondholder that a bond may be redeemed prior to maturity.

Capital Reserve Fund

That portion of the County's investment portfolio which the Treasurer may designate for longer term investment. These funds are not currently required to meet the County's working capital needs and can be invested on a longer term basis.

Cash Equivalents

Instruments or investments of such high liquidity and safety that they are virtually as good as cash. Examples are a money market fund and a treasury bill.

Cash Sale/Purchase

A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

Certificate of Deposit

A bank deposit evidenced by a negotiable or non-negotiable instrument which provides on its face that the amount of such deposit is payable to the bearer or a specified person on a certain date or upon notice in writing. Negotiable CD's may be sold on the secondary market, thus providing liquidity. Liquidation of non-negotiable CD's generally involves penalties.

Collateralization

Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Collusion

Collusion is a situation where two or more individuals are working in conjunction to commit fraud.

Commercial Paper

Business promissory notes, with a stated date of payment, which are usually sold at a discount and are backed by the general credit of the company. The credit of commercial paper may be enhanced by letters of credit from one or more banks. Commercial paper is generally for terms of less than 270 days, longer corporate obligations are referred to as notes or bonds and are subject to a greater degree of regulation.

Compensating Balance

A minimum level of deposits maintained in one or more non-interest-bearing accounts at a bank to defray the costs of banking services.

Coupon Rate

The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

Credit Quality

The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk

The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return)

A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Custodial Safekeeping

Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.

Demand Deposit

A depository account from which withdrawals may be made as desired, e.g. a checking account.

Derivative Security

Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Discount

The amount or percentage at which a security sells below par value. For example, if a bond with a \$1,000 par value sells for \$900 the discount is \$100 or 10%.

D.K.

“Don’t know”. If the delivery of a security fails because the trustee was not informed to take delivery or because the security is delivered for a different amount than agreed upon, the trade is “DK’ed”, meaning refused.

D.T.C.

The Depository Trust Company (DTC) of New York acts as the repository for all securities which are electronic, as opposed to physical, delivery. These include all U.S. Treasury and agency issues and certain issues of commercial paper.

D.V.P.

Delivery Verses Payment. Delivering securities “DVP” means that funds are not released by the trustee until the security is delivered either in physical form or through DTC.

Duration

A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Fair Value

The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FDIC

Federal Deposit Insurance Corporation

Federal Funds (Fed Funds)

Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate

Interest rate charged by one institution lending federal funds to the other.

Federal Reserve System

System established by the Federal Reserve Act of 1913 to regulate the U.S. monetary and banking system. The Federal Reserve System (the Fed) is comprised of 12 regional Federal Reserve Banks, their 24 branches, and all national and state banks that are part of the system. National banks are stockholders of the Federal Reserve Bank in their regions. The Fed’s main functions are to regulate the national money supply, set reserve requirements for member banks, supervise the printing of currency at the mint, act as clearinghouse for the transfer of funds throughout the banking system and examine member banks to make sure they meet various Federal Reserve regulations.

FINRA

Financial Industry Regulatory Authority is the largest non-governmental regulator for all securities firms doing business with the United States public.

Fiscal Year

A twelve-month period of time to which the annual budget applies and at the end of which a governmental unit determines its financial position and the results of its operation.

Governmental Accounting Standards Board (GASB)

A nationally recognized board consisting of five members, appointed by and operating under the Financial Accounting Foundation. The GASB is the highest source of reporting and accounting guidance for state and local governments.

Government Securities

An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market.

Interest Rate

See Coupon Rate.

Interest Rate Risk

The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Internal Controls

Internal controls are procedures designed to protect the assets of the entity from loss, theft, or misuse.

Inverted Yield Curve

A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment

The use of capital to create more money, either through income producing vehicles or through more risk-oriented ventures designed to result in capital gains. Investment connotes the idea that safety of principal is important. Speculation, on the other hand, is far riskier.

Investment Company Act of 1940

Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Policy

A concise and clear statement of the objectives and guidelines formulated by an investor or investment manager for a portfolio of investment securities.

Investment-grade Obligations

An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

Jumbo CD

A certificate of deposit of at least one hundred thousand dollars.

Liquidity

A measure of the ability to convert a security into cash with a minimum risk of loss of principal or accrued interest. The easier the ability to convert the more liquid the security.

Local Government Investment Pool (LGIP)

An investment by local governments in which their money is pooled as a method for managing local funds.

Mark-to-market

The process whereby the book value or collateral value of a Security is adjusted to reflect its current market value.

Market Risk

The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value

Current market price of a security.

Maturity

The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder.

Money Market Mutual Fund

Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Municipal Obligation

A security issued by a state or local government, authority or similar entity. These obligations are generally exempt from federal income tax. Taxable municipal obligations are issued by localities or authorities for non-purpose projects.

Mutual Fund

An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the Securities and Exchange Commission (SEC) disclosure guidelines.

Mutual Fund Statistical Services

Companies that track and rate mutual funds, e.g., IBC/Donoghue, Lipper Analytical Services, and Morningstar.

National Association of Securities Dealers (NASD)

A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value

The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. $[(\text{Total assets}) - (\text{Liabilities})]/(\text{Number of shares outstanding})$.

No Load Fund

A mutual fund which does not levy a sales charge on the purchase of its shares.

Nominal Yield

The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

Offer

An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

Opportunity Cost

The highest price or rate of return an alternative course of actions would provide. In securities investments, the cost of forgoing a safe return on an investment in hopes of making a larger profit. For instance, an investor might buy a stock that shows great promise but yields on 4%, even though a higher safe return is available in a money market fund yielding 10%. The 6% yield difference is called the opportunity cost.

Par Value

The value of a security as expressed on its face without any consideration of any premium, discount or accrued interest. Par value is also known as "face amount" or "face value".

Positive Yield Curve

A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium

The amount by which the price paid for a security exceeds the par value. For example, if a bond with a \$1,000 par value sells for \$1,100 the premium is \$100 or 10%.

Primary Dealer

A securities dealer that buys government securities directly from the Federal Reserve Bank (the Fed) and that has met certain minimum financial criteria set by the Markets Reports Division of the Federal Reserve Bank of New York. The Fed requires primary dealers to maintain a minimum capital adequacy ratio of liquid capital to measured risk that meets or exceeds 125 percent.

Prime Rate

A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

Principal

The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prospectus

A legal document that must be provided to any prospective purchaser of new securities offerings registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Prudent Person Rule

An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Repurchase Agreement ("Repo")

A short term investment wherein an investor purchases a security (i.e. a Treasury Bond) in return for the seller's agreement to buy the security back on a specified date for a specified amount greater than the amount the investor paid. The principal is guaranteed and the return fixed under such an agreement.

Rule 2a-7 of the Investment Company Act

Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

Safekeeping

Holding of assets (e.g., securities) by a financial institution.

SEA

Securities Exchange Act

Serial Bond

A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

Sinking Fund

Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

SLY

Safety, Liquidity and Yield

SNAP (State Non-Arbitrage Program)

An investment program established by the State Treasurer, as authorized under Section 2.1-234.9, to assist local bond issuers in the management, investment and accounting of bond proceeds in compliance with certain provisions of the federal Tax Reform Act of 1986. The purpose of this arrangement is to centralize the administrative and legal requirements of compliance with complex IRS provisions regarding municipal bond Arbitrage.

Swap

Trading one asset for another.

Term Bond

Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Time Deposit

A bank deposit drawing interest at intervals and having a restrictive level of withdrawals, e.g. a savings account.

Total Return

The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

Treasury Bills

Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Bonds

Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Treasury Notes

Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.

Treasury Obligations

Securities representing obligations backed by the full faith and credit of the United States. Treasury bills are short term obligations (3 and 6 month), treasury notes are medium term obligations (1 to 7 years) and treasury bonds are long term obligations (over 7 years).

U.S. Agency Securities

Obligations issued by agencies established by the United States but not backed by the full faith and credit of the government. These obligations are regarded as almost as risk free as direct treasury issues as the federal government supervises and regulates the issuers and is regarded as having a moral obligation to ensure repayment.

Volatility

A degree of fluctuation in the price and valuation of securities.

Weighted Average Maturity (WAM)

The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds thirteen months.

When Issued (WI)

A conditional transaction in which an authorized new security has not been issued. All “when issued” transactions are settled when the actual security is issued.

Yield

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

Yield-to-call (YTC)

The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

Yield Curve

A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-maturity

The rate of return yielded by a debt security held to maturity when both interest payments and the investor’s potential capital gain or loss are included in the calculation of return.

Zero Balance Account

A disbursing account in which no cash is maintained. As checks drawn on the account are presented the funds necessary to pay them are withdrawn from a master account at the same bank. Zero balance accounts are used to control float or provide account separation for specialized purposes.

Zero-coupon Securities

Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security.

RELEVANT CODE SECTIONS – Attachment 2

CHAPTER 44 VIRGINIA SECURITY FOR PUBLIC DEPOSITS ACT

§ 2.2-4400. Short title; declaration of intent; applicability.

- A. This chapter may be cited as the "Virginia Security for Public Deposits Act."
- B. The General Assembly intends by this chapter to establish a single body of law applicable to the pledge of security as collateral for public funds on deposit in financial institutions so that the procedure for securing public deposits may be uniform throughout the Commonwealth.
- C. All public deposits in qualified public depositories that are required to be secured by other provisions of law or by a public depositor shall be secured pursuant to this chapter.
- D. This chapter, however, shall not apply to deposits made by the State Treasurer in out-of-state financial institutions related to master custody and tri-party repurchase agreements, provided (i) such deposits do not exceed ten percent of average monthly investment balances and (ii) the out-of-state financial institutions used for this purpose have a short-term deposit rating of not less than A-1 by Standard & Poor's Rating Service or P-1 by Moody's Investors Service, Inc., respectively.

(1973, c. 172, §§ 2.1-359, 2.1-361; 1984, c. 135; 2000, cc. 335, 352; 2001, c. 844.)

§ 2.2-4401. Definitions.

As used in this chapter, unless the context requires a different meaning:

"Default or insolvency" includes, but shall not be limited to, the failure or refusal of any qualified public depository to return any public deposit upon demand or at maturity and the issuance of an order of supervisory authority restraining such depository from making payments of deposit liabilities or the appointment of a receiver for such depository.

"Eligible collateral" means securities of the character authorized as legal investments under the laws of the Commonwealth for public sinking funds or other public funds and securities acceptable under United States Treasury Department regulations as collateral for the security of treasury tax and loan accounts and Federal Loan Bank letters-of-credit that adhere to the guidelines as promulgated by the Treasury Board.

"Located in Virginia" means having a main office or branch office in the Commonwealth where deposits accepted, checks are paid, and money is lent.

"Public deposit" means moneys of the Commonwealth or of any county, city, town or other political subdivision thereof, including moneys of any commission, institution, committee, board or officer of the foregoing and any state, circuit, county or municipal court, which moneys are deposited in any qualified public depository in any of the following types of accounts: nonnegotiable or registered time deposits, demand deposits, savings deposits, and any other transaction accounts, and security for such deposit is required by other provisions of law, or is required due to an election of the public depositor.

"Qualified public depository" means any national banking association, federal savings and loan association or federal savings bank located in Virginia and any bank, trust company or savings institution organized under Virginia law that receives or holds public deposits that are secured pursuant to this chapter.

"Required collateral" of a qualified public depository means, (i) in the case of a bank, a sum equal to fifty percent of the actual public deposits held at the close of business on the last banking day in the month immediately preceding the date of any computation of such balance, or the average balance of all public deposits for such preceding month, whichever is greater, and (ii) in the case of a savings and loan association or savings bank, a sum equal

to 100 percent of the average daily balance for the month immediately preceding the date of any computation of such balance of all public deposits held by such depository but shall not be less than 100 percent of the public deposits held by such depository at the close of business on the last banking day in such preceding month.

"Treasurer" and "public depositor" means the State Treasurer, a county, city, or town treasurer or director of finance or similar officer and the custodian of any other public deposits secured pursuant to this chapter.

"Treasury Board" means the Treasury Board of the Commonwealth created by § 2.2-2415. (1973, c. 172, § 2.1-360; 1984, c. 135; 1987, c. 718; 1996, c. 77; 1998, cc. 20, 21; 2001, c. 844; 2008, c.)

§ 2.2-4402. Collateral for public deposits.

Every qualified public depository shall deposit with the State Treasurer, or, with the approval of the Treasury Board, with the Federal Reserve Bank of Richmond or any other bank or trust company located within or without the Commonwealth, eligible collateral equal to or in excess of the required collateral of such depository to be held subject to the order of the Treasury Board. Eligible collateral shall be valued as determined by the Treasury Board. Substitutions and withdrawals of eligible collateral may be made from time to time under regulations issued by the Treasury Board.

Each qualified public depository shall, at the time of the deposit of eligible collateral, deliver to the State Treasurer a power of attorney authorizing him to transfer any registered securities deposited, or any part thereof, for the purpose of paying any of the liabilities provided for in this chapter.

Notwithstanding any other provisions of law, no depository shall be required to give bond or pledge securities in the manner herein provided for the purpose of securing deposits received or held in the trust department of the depository and that are secured as required by § [6.1-21](#) or that are secured pursuant to Title 12, § 92a of the United States Code by securities of the classes prescribed by § 6.1-21.

No qualified public depository shall accept or retain any public deposit that is required to be secured unless it has deposited eligible collateral equal to its required collateral with some proper depository pursuant to this chapter.

(1973, c. 172, § 2.1-362; 2001, c. 844.)

§ 2.2-4403. Procedure for payment of losses where depository is bank.

When the Treasury Board is advised by any treasurer or otherwise determines that a default or insolvency has occurred with regard to a qualified public depository that is a bank, it shall as promptly as practicable make payment to the proper treasurer of all funds subject to such default or insolvency, pursuant to the following procedures:

1. The Treasury Board and the treasurer shall ascertain the amount of public funds on deposit with the qualified public depository in default or insolvent that are secured pursuant to this chapter, either with the cooperation of the Commissioner of Financial Institutions or receiver appointed for such depository or by any other means available, and the amount of deposit insurance applicable to such deposits.
2. The amount of such public deposits ascertained as provided in subdivision 1, net of applicable deposit insurance, shall be assessed by the Treasury Board first against the depository in default or insolvent to the extent of the full realizable current market value of the collateral deposited by it to secure its public deposits, and second, to the extent that such collateral is insufficient to satisfy the liability of the depository upon its deposits secured pursuant to this chapter against each of the other qualified public depositories according to the ratio that the average daily balance for each month of the secured public deposits held by the depository during the twelve calendar months

immediately preceding the date of the default or insolvency with respect to which the assessment is made bears to the total average daily balance for each month of all secured public deposits held by all qualified public depositories that are banks, other than the defaulting depository, during those twelve calendar months.

3. Assessments made by the Treasury Board shall be payable on the second business day following demand, and in case of the failure of any qualified public depository to pay such assessment when due, the State Treasurer shall promptly take possession of the eligible collateral deposited with him or with the Federal Reserve Bank of Richmond or other bank or trust company pursuant to this chapter and liquidate the same to the extent necessary to pay such assessment and turn over such amounts received to the Treasury Board.
4. Upon receipt of such assessment, payments or the proceeds of the eligible collateral liquidated to pay such assessments from the State Treasurer, the Treasury Board shall reimburse the public depositors to the extent of the depository's deposit liability to them, net of any applicable deposit insurance.

(1973, c. 172, § 2.1-363; 1978, c. 14; 1984, c. 135; 2001, c. 844.)

§ 2.2-4404. Procedure for payment of losses where depository is savings bank or savings and loan association.

When the Treasury Board is advised by any treasurer or otherwise determines that a default or insolvency has occurred with regard to a qualified public depository that is a savings bank or a savings and loan association, it shall as promptly as practicable make payment to the proper treasurer of all funds subject to such default or insolvency, pursuant to the following procedures:

1. The Treasury Board and the treasurer shall ascertain the amount of public funds on deposit with the qualified public depository in default or insolvent that are secured pursuant to this chapter, either with the cooperation of the Commissioner of Financial Institutions or receiver appointed for such depository or by any other means available, and the amount of deposit insurance applicable to such deposits.
2. The amount of such public deposits ascertained as provided in subdivision 1 net of applicable deposit insurance, shall be assessed by the Treasury Board against the depository in default or insolvent. The State Treasurer shall promptly take possession of such of the eligible collateral deposited by such depository with him, or with any other depository pursuant to this chapter, as is necessary to satisfy the assessment of the Treasury Board and shall liquidate the same and turn over the proceeds thereof to the Treasury Board.
3. Upon receipt from the State Treasurer of the payments or proceeds of the eligible collateral liquidated to pay such assessments from the State Treasurer, the Treasury Board shall reimburse the public depositors to the extent of the depository's deposit liability to them, net of any applicable deposit insurance.

(1984, c. 135, § 2.1-363.1; 2001, c. 844.)

§ 2.2-4405. Powers of Treasury Board relating to the administration of this chapter.

The Treasury Board shall have power to:

1. Make and enforce regulations necessary and proper to the full and complete performance of its functions under this chapter;
2. Prescribe regulations fixing terms and conditions consistent with this chapter under which public deposits may be received and held;
3. Require such additional collateral, in excess of the required collateral of any qualified public depository, of any and all such depositories as it may determine prudent under the circumstances;

4. Determine what securities shall be acceptable as eligible collateral, and to fix the percentage of face value or market value of such securities that can be used to secure public deposits;
 5. Require any qualified public depository to furnish such information concerning its public deposits; and
 6. Determine when a default or insolvency has occurred and to take such action as it may deem advisable for the protection, collection, compromise or settlement of any claim arising in case of default or insolvency.
- (1973, c. 172, § 2.1-364; 2001, c. 844.)

§ 2.2-4406. Subrogation of Treasury Board to depositor's rights; payment of sums received from distribution of assets.

Upon payment in full to any public depositor, the Treasury Board shall be subrogated to all of such depositor's rights, title and interest against the depository in default or insolvent and shall share in any distribution of its assets ratably with other depositors. Any sums received from any such distribution shall be paid to the other qualified public depositories against which assessments were made, in proportion to such assessments, net of any proper expense of the Treasury Board in enforcing any such claim.

(1973, c. 172, § 2.1-365; 2001, c. 844.)

§ 2.2-4407. Deposit of public funds in qualified public depository mandatory.

No public deposit that is required to be secured pursuant to this chapter shall be made except in a qualified public depository.

(1973, c. 172, § 2.1-366; 2001, c. 844.)

§ 2.2-4408. Authority to deposit public funds.

- A. All treasurers and public depositors are hereby authorized to deposit funds under their control in qualified public depositories securing public deposits pursuant to this chapter.
- B. Local officials handling public funds in the Commonwealth may not require from a depository institution any pledge of collateral for their deposits in such institution which is in excess of the requirements of this chapter.

(1973, c. 172, § 2.1-367; 1980, c. 538, § 2.1-234.5; 1998, cc. 20, 21; 2001, c. 844.)

§ 2.2-4409. Authority to secure public deposits; acceptance of liabilities and duties by public depositories.

All institutions located in the Commonwealth that are permitted to hold and receive public deposits are hereby authorized to secure such deposits in accordance with this chapter.

Any institution accepting a public deposit that is required to be secured pursuant to this chapter shall be deemed to have accepted the liabilities and duties imposed upon it pursuant to this chapter with respect to the deposit.

(1973, c. 172, § 2.1-368; 2001, c. 844.)

§ 2.2-4410. Liability of treasurers or public depositors.

When deposits are made in accordance with this chapter no treasurer or public depositor shall be liable for any loss thereof resulting from the failure or default of any depository in the absence of negligence, malfeasance, misfeasance, or nonfeasance on his part or on the part of his assistants or employees.

(1973, c. 172, § 2.1-370; 2001, c. 844.)

§ 2.2-4411. Reports of public depositories.

Within ten days after the end of each calendar month or when requested by the Treasury Board each qualified public depository shall submit to the Treasury Board a written report, under oath, indicating (i) the total amount of public deposits held by it at the close of business on the last banking day in the month, (ii) the average daily balance for the month of all secured public deposits held by it during the month, (iii) a detailed schedule of pledged collateral at its current asset value for purposes of collateral at the close of business on the last banking day in the month, and (iv) any other information with respect to its secured public deposits that may be required by the Treasury Board. Each qualified public depository shall also furnish at the same time to each public depositor for which it holds deposits and that makes a written request therefore a schedule of the secured public deposits to the credit of such depositor as of the close of business on the last banking day in the month and the total amount of all secured public deposits held by it upon such date. (1973, c. 172, § 2.1-369; 1979, c. 154; 2001, c. 844.)

CHAPTER 45
INVESTMENT OF PUBLIC FUNDS ACT

§ 2.2-4500. Legal investments for public sinking funds.

The Commonwealth, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth may invest any sinking funds belonging to them or within their control in the following securities:

1. Bonds, notes and other evidences of indebtedness of the Commonwealth, and securities unconditionally guaranteed as to the payment of principal and interest by the Commonwealth.
 2. Bonds, notes and other obligations of the United States, and securities unconditionally guaranteed as to the payment of principal and interest by the United States, or any agency thereof. The evidences of indebtedness enumerated by this subdivision may be held directly, or in the form of repurchase agreements collateralized by such debt securities, or in the form of securities of any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided that the portfolio of such investment company or investment trust is limited to such evidences of indebtedness, or repurchase agreements collateralized by such debt securities, or securities of other such investment companies or investment trusts whose portfolios are so restricted.
 3. Bonds, notes and other evidences of indebtedness of any county, city, town, district, authority or other public body of the Commonwealth upon which there is no default; provided, that such bonds, notes and other evidences of indebtedness of any county, city, town, district, authority or other public body are either direct legal obligations of, or those unconditionally guaranteed as to the payment of principal and interest by the county, city, town, district, authority or other public body in question; and revenue bonds issued by agencies or authorities of the Commonwealth or its political subdivisions upon which there is no default.
 4. Bonds and other obligations issued, guaranteed or assumed by the International Bank for Reconstruction and Development, bonds and other obligations issued, guaranteed or assumed by the Asian Development Bank and bonds and other obligations issued, guaranteed or assumed by the African Development Bank.
 5. Savings accounts or time deposits in any bank or savings institution within the Commonwealth provided the bank or savings institution is approved for the deposit of other funds of the Commonwealth or other political subdivision of the Commonwealth.
- (1956, c. 184, § 2-297; 1958, c. 102; 1966, c. 677, § 2.1-327; 1970, c. 75; 1974, c. 288; 1986, c. 270; 1988, cc. 526, 834; 1996, cc. 77, 508; 2001, c. 844.)

§ 2.2-4501. Legal investments for other public funds.

- A. The Commonwealth, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth may invest any and all moneys belonging to them or within their control, other than sinking funds, in the following:
- 1) Stocks, bonds, notes, and other evidences of indebtedness of the Commonwealth and those unconditionally guaranteed as to the payment of principal and interest by the Commonwealth.
 - 2) Bonds, notes and other obligations of the United States, and securities unconditionally guaranteed as to the payment of principal and interest by the United States, or any agency thereof. The evidences of indebtedness enumerated by this subdivision may be held directly, or in the form of repurchase agreements collateralized by such debt securities, or in the form of securities of any open-end

or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided that the portfolio of such investment company or investment trust is limited to such evidences of indebtedness, or repurchase agreements collateralized by such debt securities, or securities of other such investment companies or investment trusts whose portfolios are so restricted.

- 3) Stocks, bonds, notes and other evidences of indebtedness of any state of the United States upon which there is no default and upon which there has been no default for more than ninety days; provided, that within the twenty fiscal years next preceding the making of such investment, such state has not been in default for more than ninety days in the payment of any part of principal or interest of any debt authorized by the legislature of such state to be contracted.
- 4) Stocks, bonds, notes and other evidences of indebtedness of any county, city, town, district, authority or other public body in the Commonwealth upon which there is no default; provided, that if the principal and interest be payable from revenues or tolls and the project has not been completed, or if completed, has not established an operating record of net earnings available for payment of principal and interest equal to estimated requirements for that purpose according to the terms of the issue, the standards of judgment and care required in Article 2 (§ 26-45.3 et seq.) of Chapter 3 of Title 26, without reference to this section, shall apply.
In any case in which an authority, having an established record of net earnings available for payment of principal and interest equal to estimated requirements for that purpose according to the terms of the issue, issues additional evidences of indebtedness for the purposes of acquiring or constructing additional facilities of the same general character that it is then operating, such additional evidences of indebtedness shall be governed by the provisions of this section without limitation.
- 5) Legally authorized stocks, bonds, notes and other evidences of indebtedness of any city, county, town or district situated in any one of the states of the United States upon which there is no default and upon which there has been no default for more than ninety days; provided, that
 - i) within the twenty fiscal years next preceding the making of such investment, such city, county, town or district has not been in default for more than ninety days in the payment of any part of principal or interest of any stock, bond, note or other evidence of indebtedness issued by it;
 - ii) such city, county, town or district shall have been in continuous existence for at least twenty years;
 - iii) such city, county, town or district has a population, as shown by the federal census next preceding the making of such investment, of not less than 25,000 inhabitants;
 - iv) the stocks, bonds, notes or other evidences of indebtedness in which such investment is made are the direct legal obligations of the city, county, town or district issuing the same;
 - v) the city, county, town or district has power to levy taxes on the taxable real property therein for the payment of such obligations without limitation of rate or amount; and
 - vi) the net indebtedness of such city, county, town or district (including the issue in which such investment is made), after deducting the amount of its bonds issued for self-sustaining public utilities, does not exceed ten percent of the value of the taxable property in such city, county, town or district, to be ascertained by the valuation of such property therein for the assessment of taxes next preceding the making of such investment.

- 6) Bonds and other obligations issued, guaranteed or assumed by the International Bank for Reconstruction and Development, by the Asian Development Bank or by the African Development Bank.
- B. This section shall not apply to retirement funds and deferred compensation plans to be invested pursuant to §§ 51.1-124.30 through 51.1-124.35 or § 51.1-601.
- C. Investments made prior to July 1, 1991, pursuant to § 51.1-601 are ratified and deemed valid to the extent that such investments were made in conformity with the standards set forth in Chapter 6 (§ 51.1-600 et seq.) of Title 51.1.
(1956, c. 184, § 2-298; 1966, c. 677, § 2.1-328; 1980, c. 596; 1988, c. 834; 1991, c. 379; 1992, c. 810; 1996, c. 508; 1999, c. 772; 2001, c. 844.)

§ 2.2-4502. Investment of funds of Commonwealth, political subdivisions, and public bodies in "prime quality" commercial paper.

- A. The Commonwealth, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth may invest any and all moneys belonging to them or within their control other than sinking funds in "prime quality" commercial paper, with a maturity of 270 days or less, of issuing corporations organized under the laws of the United States, or of any state thereof including paper issued by banks and bank holding companies. "Prime quality" shall be as rated by at least two of the following: Moody's Investors Service, Inc., within its NCO/Moody's rating of prime 1, by Standard & Poor's, Inc., within its rating of A-1, by Fitch Investor's Services, Inc., within its rating of F-1, by Duff and Phelps, Inc., within its rating of D-1, or by their corporate successors, provided that at the time of any such investment:
 - 1) The issuing corporation, or its guarantor, has a net worth of at least fifty million dollars; and
 - 2) The net income of the issuing corporation, or its guarantor, has averaged three million dollars per year for the previous five years; and
 - 3) All existing senior bonded indebtedness of the issuer, or its guarantor, is rated "A" or better or the equivalent rating by at least two of the following: Moody's Investors Service, Inc., Standard & Poor's, Inc., Fitch Investor's Services, Inc., or Duff and Phelps, Inc.Not more than thirty-five percent of the total funds available for investment may be invested in commercial paper, and not more than five percent of the total funds available for investment may be invested in commercial paper of any one issuing corporation.
- B. Notwithstanding subsection A, the Commonwealth, municipal corporations, other political subdivisions and public bodies of the Commonwealth may invest any and all moneys belonging to them or within their control, except for sinking funds, in commercial paper other than "prime quality" commercial paper as defined in this section provided that:
 - 1) Prior written approval is obtained from the governing board, committee or other entity that determines investment policy. The Treasury Board shall be the governing body for the Commonwealth; and
 - 2) A written internal credit review justifying the creditworthiness of the issuing corporation is prepared in advance and made part of the purchase file.(1973, c. 232, § 2.1-328.1; 1974, c. 295; 1976, c. 665; 1986, c. 170; 1987, c. 73; 1988, c. 834; 1992, c. 769; 2001, c. 844.)

§ 2.2-4503.

Not set out.

§ 2.2-4504. Investment of funds by the Commonwealth and political subdivisions in bankers' acceptances.

Notwithstanding any provisions of law to the contrary, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth may invest any and all moneys belonging to them or within their control other than sinking funds in bankers' acceptances.

(1981, c. 18, § 2.1-328.3; 1988, c. 834; 2001, c. 844.)

§ 2.2-4505. Investment in certificates representing ownership of treasury bond principal at maturity or its coupons for accrued periods.

Notwithstanding any provision of law to the contrary, the Commonwealth, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth may invest any and all moneys belonging to them or within their control, in certificates representing ownership of either treasury bond principal at maturity or its coupons for accrued periods. The underlying United States Treasury bonds or coupons shall be held by a third-party independent of the seller of such certificates.

(1983, c. 117, § 2.1-328.5; 1985, c. 352; 1988, c. 834; 2001, c. 844.)

§ 2.2-4506. Securities lending.

Notwithstanding any provision of law to the contrary, the Commonwealth, all public officers, municipal corporations, political subdivisions and all public bodies of the Commonwealth may engage in securities lending from the portfolio of investments of which they have custody and control, other than sinking funds. The Treasury Board shall develop guidelines with which such securities lending shall fully comply. Such guidelines shall ensure that the state treasury is at all times fully collateralized by the borrowing institution.

(1983, c. 268, § 2.1-328.6; 2001, c. 844.)

§ 2.2-4507. Investment of funds in overnight, term and open repurchase agreements.

Notwithstanding any provision of law to the contrary, the Commonwealth, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth, may invest any and all moneys belonging to them or within their control in overnight, term and open repurchase agreements that are collateralized with securities that are approved for direct investment.

(1985, c. 352, § 2.1-328.8; 1988, c. 834; 2001, c. 844.)

§ 2.2-4508. Investment of certain public moneys in certain mutual funds.

Notwithstanding any provision of law to the contrary, the Commonwealth, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth may invest any and all moneys belonging to them or within their control, other than sinking funds that are governed by the provisions of § 2.2-4500, in one or more open-end investment funds, provided that the funds are registered under the Securities Act (§ 13.1-501 et seq.) of the Commonwealth or the Federal Investment Co. Act of 1940, and that the investments by such funds are restricted to investments otherwise permitted by law for political subdivisions as set forth in this chapter, or investments in other such funds whose portfolios are so restricted.

(1986, c. 170, § 2.1-328.9; 1988, c. 834; 1996, c. 508; 2001, c. 844.)

§ 2.2-4509. Investment of funds in negotiable certificates of deposit and negotiable bank deposit notes.

Notwithstanding any provision of law to the contrary, the Commonwealth and all public officers, municipal corporations, and other political subdivisions and all other public bodies of the Commonwealth may invest any or all of the moneys belonging to them or within their control, other than sinking funds, in negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of at least A-1 by Standard & Poor's and P-1 by Moody's Investor Service, Inc., for maturities of one year or less, and a rating of at least AA by Standard & Poor's and Aa by Moody's Investor Service, Inc., for maturities over one year and not exceeding five years. (1998, cc. 20, 21, § 2.1-328.15; 2001, c. 844.)

§ 2.2-4510. Investment of funds in corporate notes.

- A. Notwithstanding any provision of law to the contrary, the Commonwealth, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth may invest any and all moneys belonging to them or within their control, other than sinking funds, in high quality corporate notes with a rating of at least Aa by Moody's Investors Service, Inc., and a rating of at least AA by Standard and Poors, Inc., and a maturity of no more than five years.
- B. Notwithstanding any provision of law to the contrary, any qualified public entity of the Commonwealth may invest any and all moneys belonging to it or within its control, other than sinking funds, in high quality corporate notes with a rating of at least A by two rating agencies, one of which shall be either Moody's Investors Service, Inc., or Standard and Poors, Inc.

As used in this section, "qualified public entity" means any state agency or institution of the Commonwealth, having an internal or external public funds manager with professional investment management capabilities.

(1987, c. 187, § 2.1-328.10; 1988, c. 834; 1994, c. 145; 2001, c. 844; 2002, cc. 18, 438.)

§ 2.2-4511. Investment of funds in asset-backed securities.

Notwithstanding any provision of law to the contrary, any qualified public entity of the Commonwealth may invest any and all moneys belonging to it or within its control, other than sinking funds, in asset-backed securities with a duration of no more than five years and a rating of no less than AAA by two rating agencies, one of which must be either Moody's Investors Service, Inc., or Standard and Poors, Inc.

As used in this section, "qualified public entity" means any state agency, institution of the Commonwealth or statewide authority created under the laws of the Commonwealth having an internal or external public funds manager with professional investment management capabilities.

(1994, c. 145, § 2.1-328.13; 1997, c. 29; 2001, c. 844.)

§ 2.2-4512. Investment of funds by State Treasurer in obligations of foreign sovereign governments.

Notwithstanding any provision of law to the contrary, the State Treasurer may invest unexpended or excess moneys in any fund or account over which he has custody and control, other than sinking funds, in fully hedged debt obligations of sovereign governments and companies that are fully guaranteed by such sovereign governments, with a rating of at least AAA by Moody's Investors Service, Inc., and a rating of at least AAA by Standard and Poors, Inc., and a maturity of no more than five years.

Not more than ten percent of the total funds of the Commonwealth available for investment may be invested in the manner described in this section.

(1988, c. 461, § 2.1-328.11; 2001, c. 844.)

§ 2.2-4513. Investments by transportation commissions.

Transportation commissions that provide rail service may invest in, if required as a condition to obtaining insurance, participate in, or purchase insurance provided by, foreign insurance companies that insure railroad operations.

(1988, c. 834, § 2.1-328.12; 2001, c. 844.)

§ 2.2-4514. Commonwealth and its political subdivisions as trustee of public funds; standard of care in investing such funds.

Public funds held by the Commonwealth, public officers, municipal corporations, political subdivisions, and any other public body of the Commonwealth shall be held in trust for the citizens of the Commonwealth. Any investment of such funds pursuant to the provisions of this chapter shall be made solely in the interest of the citizens of the Commonwealth and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

(1996, c. 437, § 2.1-328.14; 2001, c. 844.)

§ 2.2-4515. Collateral and safekeeping arrangements.

Securities purchased pursuant to the provisions of this chapter shall be held by the public official, municipal corporation or other political subdivision or public body or its custodial agent who may not otherwise be a counterparty to the investment transaction. Securities held on the books of the custodial agent by a custodial agent shall be held in the name of the municipal corporation, political subdivision or other public body subject to the public body's order of withdrawal. The responsibilities of the public official, municipal corporation, political subdivision or other public body shall be evidenced by a written agreement that shall provide for delivery of the securities by the custodial agent in the event of default by a counterparty to the investment transaction.

As used in this section, "counterparty" means the issuer or seller of a security, an agent purchasing a security on behalf of a public official, municipal corporation, political subdivision or other public body or the party responsible for repurchasing securities underlying a repurchase agreement.

The provisions of this section shall not apply to (i) investments with a maturity of less than thirty-one calendar days or (ii) the State Treasurer, who shall comply with safekeeping guidelines issued by the Treasury Board or to endowment funds invested in accordance with the provisions of the Uniform Prudent management of Institutional Funds Act, Article 1.1 (§ 55-268.1 et seq.) of Chapter 15 of Title 55.

(1988, c. 834, § 2.1-329.01; 2001, c. 844; 2008, c. 184.)

§ 2.2-4516. Liability of treasurers or public depositors.

When investments are made in accordance with this chapter, no treasurer or public depositor shall be liable for any loss there from in the absence of negligence, malfeasance, misfeasance, or nonfeasance on his part or on the part of his assistants or employees.

(1979, c. 135, § 2.1-329.1; 2001, c. 844.)

§ 2.2-4517. Contracts on interest rates, currency, cash flow or on other basis.

A. Any state entity may enter into any contract or other arrangement that is determined to be necessary or appropriate to place the obligation or investment of the state entity, as represented by bonds or investments, in whole or in part, on the interest rate cash flow or other basis desired by the state entity. Such contract or other arrangement may include contracts providing for payments based on levels of, or changes in, interest rates. These contracts or arrangements may be entered into by the state entity in

connection with, or incidental to, entering into, or maintaining any (i) agreement that secures bonds or (ii) investment, or contract providing for investment, otherwise authorized by law. These contracts and arrangements may contain such payment, security, default, remedy, and other terms and conditions as determined by the state entity, after giving due consideration to the creditworthiness of the counterparty or other obligated party, including any rating by a nationally recognized rating agency, and any other criteria as may be appropriate. The determinations referred to in this subsection may be made by the Treasury Board, the governing body of the state entity or any public funds manager with professional investment capabilities duly authorized by the Treasury Board or the governing body of any state entity authorized to issue such obligations to make such determinations.

As used in this section, "state entity" means the Commonwealth and all agencies, authorities, boards and institutions of the Commonwealth.

- B. Any money set aside and pledged to secure payments of bonds or any of the contracts entered into pursuant to this section may be invested in accordance with this chapter and may be pledged to and used to service any of the contracts or other arrangements entered into pursuant to this section.

(2002, c. 407.)

§ 2.2-4518. Investment of funds in certificates of deposit.

- A. Notwithstanding any provision of law to the contrary, the Commonwealth and all public officers, municipal corporations, other political subdivisions, and all other public bodies of the Commonwealth, each referred to in this section as a "public entity," may invest any or all of the moneys belonging to them or within their control in accordance with the following conditions:

- 1) The moneys are initially invested through any federally insured bank or savings institution selected by the public entity that is qualified by the Virginia Treasury Board to accept public deposits;
- 2) The selected bank or savings institution arranges for the deposit of the moneys in certificates of deposit in one or more federally insured banks or savings institutions wherever located, for the account of the public entity;
- 3) The full amount of principal and any accrued interest of each such certificate of deposit are covered by federal deposit insurance;
- 4) The selected bank or savings institution acts as custodian for the public entity with respect to such certificates of deposit issued for the public entity's account; and
- 5) At the same time that the public entity's moneys are deposited and the certificates of deposit are issued, the selected bank or savings institution receives an amount of deposits from customers of other financial institutions wherever located equal to or greater than the amount of moneys invested by the public entity through the selected bank or savings institution.

- B. Moneys arranged to be invested by the selected bank or savings institution in certificates of deposit in one or more federally insured banks or savings institutions wherever located, for the account of the public entity in accordance with the conditions prescribed in subsection A shall not be subject to the provisions of Chapter 44 (§ 2.2-4400 et seq.), § 2.2-4515, or any security or collateral requirements that may otherwise be applicable to the investment or deposit of public moneys by government investors.

(2008, c. 103.)

CHAPTER 46
LOCAL GOVERNMENT INVESTMENT POOL ACT

§ 2.2-4600. Short title; definitions.

This chapter may be cited as the "Local Government Investment Pool Act."
(1980, c. 538, §§ 2.1-234.1, 2.1-234.3; 1996, c. 77; 2001, c. 844.)

§ 2.2-4601. Findings and purpose.

- A. The General Assembly finds that the public interest is served by maximum and prudent investment of public funds so that the need for taxes and other public revenues is decreased commensurately with the earnings on such investments. In selecting among avenues of investment, the highest rate of return, consistent with safety and liquidity, shall be the objective.
- B. The purpose of this chapter is to secure the maximum public benefit from the investment of public funds, and, in furtherance of such purposes to:
 - 1) Establish and maintain a continuing statewide policy for the deposit and investment of public funds;
 - 2) Establish a state-administered pool for the investment of local government funds; and
 - 3) Authorize treasurers or any other person collecting, disbursing, or otherwise handling public funds to invest such public funds either in accordance with Chapter 45 (§ 2.2-4500 et seq.) of this title or through the local government investment pool created by the chapter.
- C. The General Assembly finds that the objectives of this chapter will best be obtained through improved money management, emphasizing the primary requirements of safety and liquidity and recognizing the different investment objectives of operating and permanent funds.

(1980, c. 538, § 2.1-234.2; 2001, c. 844.)

§ 2.2-4602. Local government investment pool created.

- A. A local government investment pool is created, consisting of the aggregate of all funds from local officials handling public funds that are placed in the custody of the State Treasurer for investment and reinvestment as provided in this chapter.
- B. The Treasury Board or its designee shall administer the local government investment pool on behalf of the participating local officials subject to regulations and guidelines adopted by the Treasury Board.
- C. The Treasury Board or its designee shall invest moneys in the local government investment pool with the degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Specifically, the types of authorized investments for local government investment pool assets shall be limited to those set forth for local officials in Chapter 45 (§ 2.2-4500 et seq.) of this title.
- D. A separate account for each participant in the fund shall be kept to record individual transactions and totals of all investments belonging to each participant. A monthly report showing the changes in investments made during the preceding month shall be furnished to each participant having a beneficial interest in the local government investment pool. Details of any investment transaction shall be furnished to any participant upon request.
- E. The Treasury Board or its designee shall administer and handle the accounts in the

same manner as bond and sinking fund trust accounts.

- F. The principal and accrued income, and any part thereof, of each and every account maintained for a participant in the local government investment pool shall be subject to payment at any time from the local government investment pool upon request, subject to applicable regulations and guidelines. Accumulated income shall be remitted or credited to each participant at least quarterly.
- G. Except as provided in this section, all instruments of title of all investments of the local government investment pool shall remain in the custody of the State Treasurer. The State Treasurer may deposit with one or more fiscal agents or banks, those instruments of title he considers advisable, to be held in safekeeping by the agents or banks for collection of the principal and interest or other income, or of the proceeds of sale. The State Treasurer shall collect the principal and interest or other income from investments of the investment pool, the instruments of title to which are in his custody, when due and payable.

(1980, c. 538, § 2.1-234.8; 1984, c. 320; 1988, c. 834; 2001, c. 844.)

§ 2.2-4603. Investment authority.

Subject to the procedures set forth in this chapter, any local official handling public funds may invest and reinvest any money subject to his control and jurisdiction in the local government investment pool established by § 2.2-4602.

(1980, c. 538, § 2.1-234.4; 1988, c. 834; 2001, c. 844.)

§ 2.2-4604. Interfund pooling for investment purposes.

Local officials handling public funds may effect temporary transfers among separate funds for the purpose of pooling amounts available for investment. This pooling may be accomplished through interfund advances and other appropriate means consistent with recognized principles of governmental accounting provided that (i) moneys are available for the investment period required; (ii) the investment fund can repay the advance by the time needed; (iii) the transactions are fully and promptly recorded; and (iv) the interest earned is credited to the loaning or advancing jurisdiction.

(1980, c. 538, § 2.1-234.6; 1981, c. 583; 2001, c. 844.)

§ 2.2-4605. Powers of Treasury Board relating to the administration of local government investment pool.

- A. The Treasury Board shall have power to:
 - 1) Make and adopt regulations necessary and proper for the efficient administration of the local government investment pool hereinafter created, including but not limited to:
 - a) Specification of minimum amounts that may be deposited in the local government investment pool and minimum periods of time for which deposits shall be retained in such pool;
 - b) Creation of a reserve for losses;
 - c) Payment of administrative expenses from the earnings of such pool;
 - d) Distribution of the earnings in excess of such expenses, or allocation of losses, to the several participants in a manner that equitably reflects the differing amounts of their respective investments and the differing periods of time for which such amounts were in the custody of the pool; and
 - e) Procedures for the deposit and withdrawal of funds.
 - 2) Develop guidelines for the protection of the local government investment pool in the event of default in the payment of principal or interest or other income of any investment of such pool, such guidelines to include the following procedures:

- a) Instituting the proper proceedings to collect the matured principal or interest or other income;
 - b) Accepting for exchange purposes refunding bonds or other evidences of indebtedness at appropriate interest rates;
 - c) Making compromises, adjustments, or disposition of matured principal or interest or other income as considered advisable for the purpose of protecting the moneys invested;
 - d) Making compromises or adjustments as to future payments of principal or interest or other income considered advisable for the purpose of protecting the moneys invested.
- 3) Formulate policies for the investment and reinvestment of funds in the local government investment pool and the acquisition, retention, management, and disposition of investments of the investment pool.
- B. The Treasury Board may delegate the administrative aspects of operating under this chapter to the State Treasurer, subject to the regulations and guidelines adopted by the Treasury Board.
- C. Such regulations and guidelines may be adopted without complying with the Administrative Process Act (§ 2.2-4000 et seq.) provided that input is solicited from local officials handling public funds. Such input requires only that notice and an opportunity to submit written comments be given.
- (1980, c. 538, § 2.1-234.7; 2001, c. 844.)

§ 2.2-4606. Chapter controlling over inconsistent laws; powers supplemental.

Insofar as the provisions of this chapter are inconsistent with the provisions of any other law, the provisions of this chapter shall be controlling and the powers conferred by this chapter shall be in addition and supplemental to the powers conferred by any other law.

(1980, c. 538, § 2.1-234.9; 2001, c. 844.)

CHAPTER 47
GOVERNMENT NON-ARBITRAGE INVESTMENT ACT

§ 2.2-4700. Authorization to Treasury Board to provide certain assistance.

- A. This chapter shall be known, and may be cited, as the "Government Non-Arbitrage Investment Act."
 - B. The General Assembly authorizes the Treasury Board to make available to the Commonwealth, to counties, cities and towns in the Commonwealth, and to their agencies, institutions, and authorities or any combination of the foregoing assistance as provided in this chapter in making and accounting for such investments.
- (1988, c. 498, § 2.1-234.9:1; 1990, c. 516; 1991, c. 245; 2001, c. 844.)

§ 2.2-4701. Definitions.

As used in this chapter, unless the context requires a different meaning:

"Bonds" means bonds or other obligations issued by the Commonwealth, by counties, cities and towns, and by their agencies, institutions, and authorities or by any combination of the foregoing under the provisions of the Public Finance Act (§ 15.2-2600 et seq.), or otherwise, the interest on which is intended to be excludable from the gross income of the recipients thereof for federal income tax purposes.

"Depository institution" means any commercial bank, trust company, or savings institution insured by an agency or instrumentality of the United States government.

"Issuers" means the Commonwealth, counties, cities and towns in the Commonwealth, and their agencies, institutions, and authorities.

"Official handling public funds" or "official" means the treasurer of the issuer or, if there is no officer known as treasurer of the issuer, the chief financial officer of the issuer, and any person or entity described in § 58.1-3123.

(1988, c. 498, § 2.1-234.9:2; 1990, c. 516; 1991, c. 245; 1996, c. 77; 2001, c. 844.)

§ 2.2-4702. Powers of the Treasury Board under this chapter.

The Treasury Board shall have power to:

1. Provide assistance to issuers in the management of and accounting for their funds, including, without limitation, bond proceeds, reserves and sinking funds, and the investment thereof, any portion of the investment earnings on which is or may be subject to rebate to the federal government.
2. Manage, acquire, hold, trade and sell investment obligations, for and on behalf of issuers or a pool or pools, and not for its own account, that are authorized investments for issuer bond proceeds, reserves, sinking funds or other funds, as the case may be.
3. Establish one or more pools of the issuer bond proceeds, reserves, sinking funds or other funds that are placed in the custody of the State Treasurer for investment and reinvestment in authorized investments.
4. Adopt regulations necessary and proper for the efficient administration of the pools authorized by this chapter without complying with the Administrative Process Act (§ 2.2-4000 et seq.), provided that notice and an opportunity to submit written comments on such regulations be given to officials handling public funds.
5. Formulate policies for the investment and reinvestment of funds under management, including funds in the pool or pools, and the acquisition, retention, management and disposition of investments.
6. Delegate the administration of this chapter to the State Treasurer, subject to the regulations and guidelines adopted by the Treasury Board.
7. Retain employees and engage and enter into contracts with independent investment managers, accountants, counsel, depository institutions and other advisors and agents, as may be necessary or convenient.
8. Enter into contracts with issuers with respect to the performance of investment services.
9. Charge issuers for the costs of its investment services and for its expenses.
10. Do any and all other acts and things necessary, appropriate or incidental in carrying out the purposes of this chapter.

(1988, c. 498, § 2.1-234.9:3; 1990, c. 516; 2001, c. 844.)

§ 2.2-4703. Powers of issuers.

Any provision of any general or special law or of any charter to the contrary notwithstanding, issuers may use the investment services of the Treasury Board and for that purpose may enter into contracts with the Treasury Board and its agents.

(1988, c. 498, § 2.1-234.9:4; 1990, c. 516; 2001, c. 844.)

§ 2.2-4704. Alternative method.

This chapter shall be deemed to provide an additional, alternative method for the performance of actions authorized hereby and shall be regarded as supplemental and additional to powers conferred by other laws and shall not be regarded as in derogation of any powers now existing.

(1988, c. 498, § 2.1-234.9:5; 2001, c. 844.)

§ 2.2-4705. Liberal construction; inconsistent laws inapplicable.

A. This chapter, being necessary for the welfare of the people of the Commonwealth, shall

be liberally construed to effect the purposes thereof.

B. Insofar as the provisions of this chapter are inconsistent with the provisions of any general or special laws or charters, or parts thereof, the provisions of this chapter shall control.

(1988, c. 498, §§ 2.1-234.9:6, 2.1-234.9:7; 2001, c. 844.)

ARTICLE 2 Treasurers

§ 58.1-3149. Money received to be deposited. - All money received by a treasurer for the account of either the Commonwealth or the treasurer's county or city shall be deposited intact by the treasurer as promptly as practical after its receipt in a bank or savings institution authorized to act as depository therefore. All deposits made pursuant to this provision shall be made in the name of the treasurer's county or city. The treasurer may designate any bank or savings and loan association authorized to act as a depository to receive any payments due to the county or city directly, either through a processing facility or through a branch office. ((Code 1950, § 58-939; 1975, c. 20.; 1984, c. 675; 1996, c. 77.) **The 1996 amendment** substituted "savings institution" for "savings and loan association" near the end of the first sentence.

§ 58.1-3150. Duties of depository officers. - No treasurer or executive officer of any depository shall permit any public deposit to remain in any depository which is not a "qualified public depository" as defined in §2.1-360 (b) and which is not secured pursuant to the Virginia Security for Public Deposits Act (§2.1-359 et seq.). (Code 1950, § 58-948; 1984, c. 675; 1996, cc. 364, 390.)

The 1996 amendments. – The 1996 amendments by cc. 364 and 390 are identical, and rewrote the section which formerly read; "No treasurer or executive officer of any depository shall permit the amount of money on deposit with any depository at any time pursuant to the provisions of this article to exceed the amount of bond given or the value of the securities pledged and deposited to secure such money, plus the amount insured by the Federal Insurance Deposit Corporation."

§ 58.1-3151. County finance board. - Each county of the Commonwealth may establish a county finance board, which shall consist of the chairman of the governing body of the county, the treasurer of the county and a citizen of the county of proven integrity and business ability. The citizen member shall be appointed by the circuit court of the county. However, in any county adjoining any county having a population of more than 500 per square mile the county finance board shall consist of the chairman of the governing body, the treasurer, the attorney for the Commonwealth and a citizen of the county of proven integrity and business ability. The citizen member thereof shall be appointed by the circuit court of the county or by the judge thereof in vacation. The term of the citizen member shall be four years, but the circuit court of the county may remove for cause any such member and appoint some other qualified citizen of the county in his stead for the unexpired portion of his term.

The governing body of any county which has a county finance board established under the provisions of this section may by ordinance duly adopted abolish the finance board, whereupon all authority, powers, and duties of the finance board shall vest in the governing body. (Code 1950, § 58-940; 1954, c. 587; 1984, c. 675.)

§ 58.1-3152. Organization and procedure of board. - The chairman of the governing body of the county shall be the chairman of the county finance board and the clerk of the governing body shall be ex officio clerk thereof. The board shall meet at such times and at such places as the chairman or a majority of the members of the board may decide. The clerk shall record the activities and proceedings of such board in a suitable record book which shall be provided for such purpose by the governing body. (Code 1950, § 58-941; 1984, c. 675.)

§ 58.1-3153. Compensation for the citizen member of the county finance board. - The citizen member of the county finance board may in the discretion of the governing body of the county receive for each day's attendance as a member of the board a sum not less than twenty dollars and such reimbursement for his daily mileage as prescribed in §14.1-5. The allowance made under this section shall be paid by the governing body out of county funds, on a certificate of attendance from the chairman of the county finance board, verified by the written statement of the citizen member as to mileage traveled in going to and returning from the meeting. The total compensation paid under this section shall not exceed \$360, in addition to the mileage allowance, in any one year. (Code 1950, § 58-942; 1952, c. 630; 1974, c. 6; 1976, c. 308; 1984, c. 675.)

§ 58.1-3154. Selection and approval of depositories. - The depository or depositories for the money received by a county treasurer shall be selected pursuant to the provisions of the Virginia Security for Public Deposits Act (§2.1-359 et seq.). (Code 1950, § 58-943; 1984, c. 675.)

§ 58.1-3155. Deposit of local funds in banking institutions outside of the Commonwealth to meet obligations payable outside of the Commonwealth. - Notwithstanding other provisions of this article the treasurer of any county, city or town may if the State Commission on Local Debt gives prior approval, deposit local funds in banking institutions outside of the Commonwealth. Such institutions, which shall be designated by the commission, shall give such security as the commission deems proper and shall meet such other conditions as the commission prescribes. All such deposits shall be limited to the sums reasonable necessary to pay principal or interest on obligations of the county, city or town which are payable at some place outside the commonwealth and where any such banking institution is located. (Code 1950, § 58-943.1; 1950, p.410; 1984, c. 675.)

§ 58.1-3156. County finance boards may direct treasurer to invest under certain circumstances. - Notwithstanding other provisions of this article, whenever the county finance board determines that county or district funds would otherwise draw no interest or draw a lesser rate of interest, the finance board may direct the county treasurer to invest such funds in accordance with guidelines issued by the State Treasurer. (Code 1950, § 58-943.2, 1954, c. 498; 1974, c. 224; 1984, c. 675; 1988, c. 834.)

§ 58.1-3158. Duties of treasurers. - No treasurer shall permit any public deposit to be deposited with any depository unless it is a "qualified public depository" as defined in § 2.1-360(b). All such deposits shall be secured pursuant to the Virginia Security for Public Deposits Act (§2.1-359 et seq.). (Code 1950, § 58-944; 1956, c. 84; 1958, c. 442; 1966, c. 498; 1984, c. 675; 1996, cc. 364, 390.)

The 1996 amendments by cc. 364 and 390 are identical, and rewrote the section, which formerly read: "No money received by a treasurer shall be deposited with any depository until such depository has given bond with the same conditions as those required for bonds

given by state depositories who elect to give bond to protect money deposited with them by the State Treasurer pursuant to the provisions of §§ 2.1-211 to 2.1-214 or until such depository has qualified under § 2.1-239 et seq.”

§ 58.1-3160. Monthly report of treasurer to board. - At the end of each month each county treasurer shall report to the county finance board the amount of money on deposit with each depository. (Code 1950, § 58-949, 1984, c. 675.)

§ 58.1-3161. Interest on deposits. - Each depository of each county shall, in the discretion of the county finance board, pay interest on money deposited under the provisions of this article. The rate of such interest shall be agreed upon by the treasurer and the depository subject to the approval of the county finance board if it so desires. (Code 1950, § 58-950; 1984, c. 675.)

Broker/Dealer Investment Policy Confirmation
The Investment Policy for the Northern Virginia Transportation Authority

Name of Firm/Bank/Broker/Dealer:

I acknowledge that I have received and reviewed the Investment Policy of the Authority. I have read and understand the policy and am aware of the Code of Virginia with respect to municipal investment statutes, as included as an appendix to the Investment Policy. Further, I have insured that other personnel, who may conduct business with the Authority from time to time, are aware of the Policy and its provisions. In my dealings with the Authority, I will, at all times, follow the guidelines as presented in the Investment Policy.

I certify that I am authorized to represent and commit my firm to this acknowledgement.

Printed Name: _____

Signature: _____

Title: _____

Date: _____

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 10.d. – Employee Travel and Reimbursement

- I. **Purpose.** The purpose of this policy is to define the policy regarding employee reimbursement for meals, local and non-local travel.
- II. **Local Travel Expense Report.** Employees should request reimbursement monthly. Requests for reimbursement not made within 45 days of expense may not be fulfilled. Local travel reimbursement requests must include the travel date, destination, reason for travel, method of travel, mileage for personal automobile and cost. Mileage will be reimbursed at the published IRS Rate.
- III. **Non-Local Travel Expense Report.** Non-local travel must be approved in advance by the Executive Director. Costs associated with non-routine travel outside the Washington metropolitan region should be reported on the appropriate form to include the reason for travel, location, description of costs, and appropriate receipts. Receipts are required for airline, train, shuttles, hotels, restaurants, parking, tolls and miscellaneous items. Rental cars requested for non-local travel must be preapproved by the Chief Financial Officer. Reimbursement is not available for luxury cars. Airline travel shall be at the coach/business rates. Personal expenses should be designated on receipts.

Expense report should be submitted promptly after travel has been completed, but no later than a month thereafter. Approval is required by the employee supervisor and the Chief Financial Officer. Approved reports will be processed and forwarded to accounts payable.

- IV. **Permitted Travel Expenses.** Mileage to attend meetings outside of the NVTA office is permitted. Mileage is not allowed for travel between an employee's home and the NVTA office. Mileage from home to an appointment or from an appointment to home is not reimbursable unless the distance is substantially greater than the employee's normal commute.
 - A. Actual, reasonable, costs for food and lodging are allowed. The test of "reasonable" is general consistency with accepted Federal/State rates.
 - B. Travel shall be at coach rates. Any exception must be approved by the Executive Director in advance. Whenever it is available and advantageous to do so, employees should request the appropriate government rate for overnight lodging expenses.
 - C. The cost of meals should be consistent with Federal per diem rates. Customary gratuities are reimbursable at customary rates.
 - D. Personal care items and personal use items are not reimbursable.

- E. Entertainment such as in-flight movies or hotel movies is not reimbursable.
 - F. Alcohol is not reimbursable.
 - G. Snacks and comfort items (unless a substitute for a meal or other expense) are not reimbursable.
 - H. The Executive Director may reduce the submitted reimbursement request to the Federal per diem rate.
- V. **Meal Expenses.** Meals provided as part of a conference or travel package should be utilized.
- A. Local meal costs shall not be reimbursed unless:
 - Expenses are for a business meeting with one or more person(s) other than the NVTa staff, or
 - Meal is a part of travel to or from a meeting outside of normal business hours, or
 - Meal is part of a NVTa staff or Authority meeting that results in an inability to have normal meal and for which a meal has not been provided, excluding routine scheduled meetings.
- VI. **Mileage Reimbursement Rate.** Mileage reimbursements shall be consistent with the current IRS rate.
- VII. **Travel Advance.** Travel advances will be limited to the use of the office purchasing card for conference and ticket purchases. Employees who submit prompt expense reimbursement requests will typically have their reimbursement prior to their credit card invoice cycles.

Upon request by an employee, the Executive Director may authorize a travel advance on an infrequent basis for unique situations that are received in sufficient time to permit normal processing through accounts payable.

Upon completion of the trip, any excess funds must be returned, together with a completed non-local travel expense form, within 14 Days.

Approved by the Finance Committee: December 5, 2014

Approved by Northern Virginia Transportation Authority: December 11, 2014

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 10.e. -- Financial Management; Budget Policy

I. Purpose. This Budget Policy is adopted to implement the budget program for the Northern Virginia Transportation Authority (NVTA) as required by the NVTA Bylaws Article VIII, Section C- Budget & Fiscal Year and *Code of Virginia* §15.2-2503 through 15.2-2507. The purpose of the NVTA's Budget Policy is to clarify the responsibilities, deadlines and budget process required to minimize risk of non-compliance. The goal of the budget process is to aid the NVTA governing body in the preparation and approval of the annual Fiscal Year Operating, 30% Local Distribution Fund and 70% Regional Revenue Fund Budgets containing an itemized listing of expenditures, financial borrowings and estimated revenues before the start of the new fiscal year.

II. General.

A. Budget Calendar. The CFO will publish a Budget Calendar each year that specifies each of the budget tasks, events and decisions required along with deadlines for each specific task. The calendar will be shared with all groups contributing to the overall process. This will aid in the coordination of data needed from the NVTA Committees and member jurisdictions and keep the Authority informed of key deadlines for decision making and publishing the budget.

B. Budget Tasks. The Budget tasks include budget guidance from the Authority, estimating revenues, expenditures, debt service and working capital contributions. They also include determining the NVTA's general and administrative expenses billed to the member jurisdictions.

III. Revenue Projections.

A. Prepare Revenue Projections. Revenue projections are calculated for the next biannual timeframe. Multi-year projections provide a necessary planning tool for regional projects.

B. Annually, the Revenue Subcommittee, including the CFO, will request updated two (2) year revenue projections from each of the Member Jurisdictions. The local projections will be used to estimate NVTA's Sales Tax, Grantors Tax and Transient Occupancy revenues.

C. The monthly variances between the projected revenue per source and the actual revenue received will be closely monitored. Mid-year budget amendments will be proposed to the Authority if it is determined the fiscal year's projected revenue is significantly under or over stated.

D. The NVTA staff will analyze the effects of pending or potential changes to the revenue due to tax rates or the tax bases.

- E. The CFO will work with the revenue subcommittee made up of representatives from member jurisdictions to develop consensus on the revenue forecasts.

IV. Prepare NVTA Expenditure Projections.

- A. Multi-year expenditure projections should be prepared to correspond with the revenue projections.
- B. The NVTA Act, *Code of Virginia* §33.2-2510 specifies the use of the NVTA revenues. The “30 Percent Share” distributed to member jurisdictions is calculated based on the final revenue estimates.
- C. The Administrative expenses of the Authority, provided in the Annual Operating Budget, will be paid by the member jurisdictions either by a deduction from the “30 Percent Share” or paid directly to the NVTA annually by July 15.
- D. The remaining seventy percent or Regional NVTA Funds will be calculated based on the final revenue estimates.
- E. Funds are first allocated to Debt Service. Amortization Schedules will be used to project annual Debt Service. Financial Advisors can provide estimates for expected debt service associated with new issuances.
- F. Regional NVTA Funds will be available for approved “pay as you go” or PayGo projects.
- G. Remaining amount is available for transfer to Working Capital Reserve, if required, based on the Working Capital Reserve Funding Policy. The Reserve is set by the Debt Policy number nine (9) at six months of the budgeted annual Regional NVTA Funds.

V. Prepare NVTA Administrative Operating Budget.

- A. The Administrative Operating Budget is limited solely to the administrative expenses of the Authority and excludes debt service, working capital reserve funding and project costs such as construction, operation or acquisition of transportation facilities.
- B. Generally, budget amounts are estimated by averaging expenses for the past three to five years and adjusting for anticipated changes and other known economic factors. Until such history is available, administrative expenses, except those listed below, will be budgeted based on available data adjusted for designated growth factors.

C. Personnel Costs and Benefits.

1. Personnel costs are estimated by first projecting salaries for the budget year based on the approved budgeted positions and the sum of the current pay rate plus merit increases.
2. Once the salaries are calculated, the FICA, Unemployment, LT Disability and Workers Compensation are calculated based on the current rates, adjusted as needed.
3. The retirement contribution is calculated based upon the budgeted salary amounts using the present employee group.
4. The health insurance costs are based on the current rates escalated by an anticipated increase, with a provision for increased coverage.

D. Office Rent. The office rent budget includes all fees specified in the lease for the upcoming fiscal years. The budget is calculated based upon the known costs specified in the lease with a maximum contingency for increased CAM costs if required in the lease.

E. Professional Services.

1. Professional services include the costs for outside auditing, financial consulting, technical and legal services.
2. Auditing fees are budgeted based on the contract in the fiscal year the services are performed.
3. Financial consulting and legal services are budgeted using contracted maximum rates with a contingency for additional services.
4. Technical services are budgeted based on anticipated additional needs.
5. Each of these items should include an estimated cost for planned events such as moving or new debt issuance.

F. Computer Expense. Computer expense is budgeted for the purchase of new computer equipment, contracted network support, access fees, staff training and miscellaneous computer supplies.

G. Furniture and Equipment. This category provides for the anticipated replacement and acquisition of office furniture and equipment.

H. Public Information. Public Information includes technical studies, the annual report, and any brochures etc. printed for use by the general public.

VI. Appropriated Surplus. Included as a source of revenue is a projected excess accumulated surplus that is available to offset the proposed operating budget expenses. This surplus is in excess of the Authority's anticipated minimum operating reserve set at 20% of operating expenditures. Where a projected budgetary deficit exists, the current budget will have to provide funds to bring this budgetary deficit to the required level.

VII. Reporting. Each month a budget to actual variance report is prepared for the Finance Committee and the Authority's review.

Approved by the Finance Committee: December 5, 2014

Approved by Northern Virginia Transportation Authority: December 11, 2014

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy 10.f. – Operating Cash Management

- I. Purpose.** The purpose of this policy is to ensure cash and financial instruments (cash, checks, bonds etc.) are treated and processed within a framework of internal controls, proper accounting and transparency.

- II. Policy.** The Authority will seek to eliminate or limit the use or acceptance of cash in all business transactions. The Authority will not open or maintain a petty cash account or fund. The Authority will not use cash directly in any disbursement transaction. The use of the Authority purchase card, ACH transfers or other on-line banking in addition to checks is encouraged for the payment of all obligations.

- III. Specific Provisions of Policy.**
 - A.** Bank accounts and investment institutions must be properly authorized and supported by written agreements.

 - B.** All cash received should be deposited in an NVRTA bank account daily.

 - C.** No Authority check may be made payable to “cash,” “bearer,” or the Authority.

 - D.** No cash withdrawals are permitted from any Authority bank account.

 - E.** Wire transfers and ACH transactions must be authorized and confirmed in writing.

 - F.** Cash receipts must be logged in by the Administrative Assistant and transferred to the accounting department for deposit.

 - G.** Checks received by the Authority will be logged on the mail log and the CFO or Accountant notified as soon as practical.

 - H.** All checks received by the Authority will be processed through the remote deposit capture equipment integrated with the Authority bank account within 24 business hours.

 - I.** Employees may seek approval and reimbursement for use of personal cash on behalf of the Authority related to travel, office supplies or other incidental expenses.

 - J.** Any cash or checks received will be kept in a secure locked cabinet or drawer by the Administrative Assistant until processed.

Approved by the Finance Committee: December 5, 2014

Approved by Northern Virginia Transportation Authority: December 11, 2014

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 10.g. -- Financial Management; Capital Asset Accounting

I. Purpose. This policy addresses capital asset accounting for Northern Virginia Transportation Authority's (NVTA) administrative assets. In order to assure the accurate recording and control of administrative assets, capital asset acquisitions must be classified and capitalized in a consistent manner, and periodic physical inventories must be taken.

II. Capitalization Guidelines.

A. To qualify as a "Capital Asset" the asset must have an economic useful life of more than one year and an installed cost in excess of \$5,000. The total costs of acquiring and placing an asset in operation are capitalized. Such costs include purchase price (net of discount), freight and any installation costs.

B. Qualified capital assets should be classified and recorded in major office furniture and fixture categories. Asset classifications may include the following:

1. Office Furniture. Desks, chairs, credenzas, conference tables, bookcases, etc.
2. Office Equipment. Copier, telephone, postage meter, refrigerator, projector, etc.
3. Computer Equipment. Laptop computers, desktop computers, servers, processors, monitors, printers, software, etc.
4. Leasehold Improvements. Improvements to the leased offices occupied by the NVTA.

C. Betterments, while generally not applicable to administrative assets, may be capitalized if the expenditure materially increases the value of the asset and/or extends the economic life of the asset beyond the originally estimated life.

D. Expenditures considered repairs and maintenance are classified as operating costs and are chargeable to an expense account as incurred. Maintenance costs are the normal expenditures associated with keeping property in an efficient operating condition. Repair costs are incurred as a result of damage to assets or impairment due to normal use. Normally those costs are incurred to maintain or restore an asset to an operable condition without increasing its expected useful life or productive capacity.

III. Depreciation and Amortization Guidelines.

A. Depreciation and amortization of capitalized "in-service" assets must be recorded annually. The calculation of this expense will commence with the first full month the asset is placed in service.

B. Depreciation expense is calculated on a straight-line basis over the estimated useful life of the asset and subtotaled by Asset Category. The entire asset cost will be depreciated, without regard to any anticipated residual value. Depreciable or “useful” lives must be reviewed periodically for continuing applicability.

C. Chart. Depreciable or Useful Life of Assets.

Asset Category	Useful Life (yrs)
Cell Phones	2
Computer Hardware & Peripherals	4
Office Furniture	7-10
Office Equipment	5-10
Leasehold Improvements	Life of the lease

D. Each capital asset must be entered on a capital asset Excel Schedule to facilitate the calculation of depreciation. The asset schedule includes the acquisition date, capitalized cost, the annual depreciation and the Total Accumulated Depreciation. This schedule must be reconciled to the general ledger control account on an annual basis.

IV. Annual Capital Asset Inventory. As a key control in the protective custody of property, a physical inventory will be taken annually by the NVTA’s Administrative Assistant/Clerk. Each capital asset will be observed and its operating condition evaluated. Adjustments to the inventory for lost or damaged assets must be approved by the Chief Financial Officer.

V. Disposal of Capital Assets.

A. Capital assets may be disposed of in a sale, retirement, or replacement transactions. Approval must be granted by the Chief Financial Officer before an asset can be sold or retired. Disposals are accounted for by crediting the asset account for the original cost of the asset, charging accumulated depreciation for the depreciation expensed to date, and recognizing any gain or loss on disposal of the asset. Approval from the Executive Director must be obtained to write off any asset due to loss or damage.

B. Proceeds received upon the sale of an asset should be recorded and controlled by the Accountant in the same manner as all other receipts. The Accountant must record the disposal on the Capital Asset Excel Spreadsheet.

Approved by the Finance Committee: December 5, 2014

Approved by Northern Virginia Transportation Authority: December 11, 2014

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy 10. h. – Purchase Card

- I. Purpose.** The purpose of this policy is to ensure the purchase card uses, roles and responsibilities are understood and all transactions processed within a framework of internal controls, proper accounting and transparency.
- II. Policy.** The Authority will limit the number of cards issued to one. The intent of the purchase card is to facilitate transactions, not to utilize a line of credit. Therefore, all transactions will be reconciled monthly and all undisputed charges will be paid monthly.
- III. Specific Provisions of Policy.**
 - A.** The monthly card(s) transaction limit will be \$15,000.
 - B.** The single purchase limit on the card(s) will be \$5,000.
 - C.** The card is only authorized for Authority approved purchases. No personal purchases will ever be authorized on the card.
 - D.** Improper use of the card will be considered misappropriation of Authority funds.
 - E.** The employee(s) issued or using the card will at all times follow the cardholder use agreement (attached). Written acknowledgement of the agreement will be signed by the cardholder(s) and the CFO.
 - F.** Staff is expected to use the highest professional judgment in any situations not covered by this policy or the cardholder agreement.
 - G.** All transactions must comply with all Authority policies and Virginia Public Procurement Act requirements.
 - H.** All charges will be billed directly to the Authority, reconciled and paid or disputed monthly.
 - I.** The card is Authority property and will be surrendered immediately at the request of the Authority.
 - J.** Charges made on the card are automatically assigned to a cost center assigned by the CFO.
 - K.** The assignment of a card is based on functional need for Authority business only. Assignment of a card is not reflective of title or position.

- L.** The CFO will utilize available card features to disallow point of purchase transactions such as alcohol, cash advances, adult entertainment, etc.

Approved by the Finance Committee: December 5, 2014

Approved by Northern Virginia Transportation Authority: December 11, 2014



Cardholder Use Agreement

Your signature below is verification that you have read the Authority policies and this agreement; acknowledge an understanding of both and agree to comply with both. It also acknowledges that you have received the one card numbered _____.

1. I understand the card is for Authority-approved purchases only and I agree not to charge personal purchases.
2. Improper use of this card can be considered misappropriation of Authority funds. This may result in disciplinary action up to and including termination of employment.
3. If the card is lost or stolen, I will immediately notify Elan Financial Services by telephone. I will confirm the telephone call by mail or facsimile with a copy of the notification to the program administrator.
4. I agree to surrender the card immediately upon termination of employment, whether for retirement, voluntary or involuntary reasons.
5. I am considered responsible for any and all charges against the card. A log will be kept to record access to the card other than the card holder and will include the date, purpose of usage, total dollar amount and acknowledgement of receipt.
6. All charges will be billed directly to and paid directly by the Authority. The bank cannot accept any monies from me directly; therefore any personal charges billed to the Authority could be considered misappropriation of Authority funds.
7. As the card is Authority property, I understand that I may be periodically required to comply with internal control procedures designed to protect Authority assets. This may include being asked to produce the card to validate its existence and account number. I will be required to produce receipts and statements to audit its use.
8. I will receive a Monthly Reconciliation Statement (MRS), which will report all activity during the statement period. Since I am responsible for all charges as well as producing a reconciled request for payment. I will resolve any discrepancies by either contacting the supplier or the bank. The monthly statement, monthly reconciliation will be presented to the Authority accountant for review prior to final approval of the CFO.
9. The charges made against the card are automatically assigned to the cost center assigned to the card as specified by the CFO. This code cannot be changed without CFO involvement. When and if changed, the new accounting code will not affect any charges made prior to the change but will affect future charges.

I understand the card is not necessarily provided to all employees. Assignment is based on my need to purchase materials for the Authority and/or to provide for business travel. The card may be revoked based on change of assignment or location. I understand that the card is not an entitlement or benefit nor is it reflective of title or position.

AUTHORIZATION			
Employee Signature		CFO Signature	
Employee Printed Name	Date		Date

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 11 – Distribution of Thirty Percent Funds

- I. Purpose.** In accordance with and subject to the requirements of, the *Code of Virginia* §33.2-2510.B.1-4838.1, thirty percent (30%) of the revenues received by the Northern Virginia Transportation Authority (NVTA) shall be distributed on a pro rata basis, with each member jurisdiction's share being the total of such fees and taxes (revenue) received by the NVTA that are attributable to the locality divided by the total revenue received by the NVTA (the "30% Funds"). Each locality shall execute the Memorandum of Agreement (MOA) Regarding Distribution of 30% Funds. (Attachment I.) Annually, each jurisdiction will complete an Annual Jurisdiction Certification, certifying the use of previously disbursed 30% funds and eligibility to receive the upcoming fiscal years funds. (Attachment II.)
- II. General.**
- A.** The Authority will segregate funds received from the Commonwealth of Virginia between 30% Funds and 70% Funds as soon as practical.
 - B.** The Authority will distribute 30% Funds to localities as soon as practical contingent on an active Memorandum of Agreement and requirements set out in the Code of Virginia.
 - C.** Each locality shall deposit its 30% Fund revenues received from the NVTA into a separate, special fund.
 - D.** Funds are to be expended for additional urban or secondary road construction, or other capital improvements that reduce congestion, for other transportation capital improvements which have been approved by the most recent long range transportation plan adopted by the NVTA, or for public transportation purposes.
 - E.** Each locality is required to provide the NVTA annual certification by August 1 each year in the format required by the NVTA confirming the 30% Funds it received were used in compliance with the Code of Virginia. If the certification is not received by August 1, transfers of the current fiscal year 30% Funds will cease until the certification is submitted in good form.
 - F.** Administrative expenses of the NVTA, as set forth in the NVTA's annual budget (not otherwise funded through other sources), shall be allocated among the member jurisdictions based on population.
 - G.** The member jurisdictions are required to adopt the commercial and industrial (C&I) property tax for transportation at a rate of \$0.125 per \$100 valuation or deposit an equivalent amount into its NVTA separate special fund for transportation improvements by March 1 of each year for the current fiscal year.
 - H.** If a jurisdiction fails to deposit the full amount of the C&I tax or equivalent into its special fund for transportation, the NVTA shall reduce its disbursement of 30% funding

by the difference between the amounts deposited compared to the amount required to be deposited.

1. If the full amount of the C&I Equivalency Transfer is not deposited by August 1, then the NVTa will halt 30% Distributions for that fiscal year.
 2. 30% Funds held by the NVTa due to an incomplete or missing C&I equivalency transfer shall be held in escrow by the NVTa until March 1 of that fiscal year.
 3. On March 1 of that fiscal year any 30% Funds matched by an equivalency transfer will be remitted to the jurisdiction.
 4. Any 30% Funds held after March 1 will be irrevocably transferred to the 70% Regional Revenue Fund for use as determined by the Authority.
- I.** Each jurisdiction is required to maintain its Maintenance of Effort for transportation based on the average transportation expenditures for FY2011, 2012 and 2013, or lose its share of the 30% Funds for the fiscal year succeeding the year in which it did not maintain its transportation expenditures as set forth in Enactment Clause 14 of Chapter 766.
- J.** The NVTa has a continuing responsibility to ensure that the 30 % Funds are properly spent.
- K.** The NVTa and the member counties are required to work cooperatively to ensure that the towns with populations greater than 3,500 receive their respective shares of the 30% Funds.
- L.** Information regarding the receipt of all revenues, all 30% transfers to localities and the payment of the Authority administrative expenses will be open and transparent to all member jurisdictions and reported to the Finance Committee and the Authority at their regular meetings.

III. Responsibilities.

A. Chief Financial Officer (CFO) Reporting to Executive Director.

1. The CFO will be responsible for accepting the funds from the Commonwealth, investing and safekeeping the funds, distributing the funds to the member jurisdictions, and providing periodic reports on deposits and disbursements to member jurisdictions, the Finance Committee and the Authority.
2. The initial disbursement to the jurisdictions will be made no later than one (1) month following the execution of the MOA by the jurisdictions. Subsequent distributions shall occur monthly or as soon as practical.

3. The CFO will monitor member jurisdictions compliance with their respective MOA's and advise the Executive Director of any non-compliance.

B. Member Jurisdictions.

1. Must comply with the terms of the MOA and the Code of Virginia in regard to the use of 30% funds.
2. Each jurisdiction is responsible for paying its share of the Authority's administrative expenses by July 15 of each year.
3. Each member jurisdiction can choose to provide its share of the administrative expenses by asking the Authority to reduce the amount it will receive from its 30% Funds or by paying the invoice from other sources by July 15.
4. By August 1 of each year, the Chief Administrative Officer (CAO) of each member jurisdiction will certify that the jurisdiction has adopted the C&I tax at \$0.125 per \$100 valuation or set aside an equivalent amount of local revenues for transportation purposes in their special fund. The CAO will certify that the jurisdiction met the maintenance of effort requirement for the previous fiscal year.
5. Counties must ensure that towns with a population of 3,500 or more comply with the requirements of HB 2313. Counties are required to enter into a formal MOA with their towns (over 3,500 population).
6. All city, county and town records must be maintained for five years from the date the record was created. All parties must comply with the Public Records Act, and all applicable state and federal laws regarding records retention.

Approved by the Finance Committee: December 5, 2014

Approved by Northern Virginia Transportation Authority: December 11, 2014

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 12 – Regional Funds 70% Funds

I. Purpose. *Code of Virginia* §33.2-2509 directs the Northern Virginia Transportation Authority (NVTA or the “Authority”) to use 70 percent of the revenue collected (the “Regional Revenue Funds”) from the three Northern Virginia taxes and fees plus the NVTA bond proceeds for (i) transportation projects selected by the Authority that are contained in Transaction 2040 and its updates or (ii) mass transit capital projects that increase capacity benefitting those counties and cities embraced by the NVTA. The Standard Project Agreement for Funding (SPA) is the mechanism NVTA shall use to govern the distribution and use of Regional Revenue Funds and for the NVTA to ensure that such funds are spent in accordance with the Virginia Code and Authority policies. (Attachment I.)

II. General.

A. Regional Funds will be distributed as follows:

1. To pay debt service on bonds issued by the Authority and secured by a pledge of such monies.
2. To fund a Working Capital Reserve and/or Debt Service Reserve equal to at least six (6) months of the budgeted, annual Regional NVTA Funds.
3. To fund cost of issuance and other debt related fees and services.
4. For “pay-as-you-go” (PayGo) projects approved by the Authority.
5. Each project financed by Regional Funds must meet the following criteria as well as be approved by NVTA and subject to all applicable laws:
 - a. Project must be in the regional transportation plan, the TransAction 2040 plan and its updates, and be rated in accordance with *Code of Virginia* § 33.2-257 (“VDOT Rating”) if required, or a mass transit capital project that increases capacity.
 - b. Must reflect the Authority's priority for selecting projects that are expected to provide the greatest congestion reduction relative to the cost of the project.
 - c. Must be located only in localities embraced by the Authority or in adjacent localities but only to the extent that such extension is an insubstantial part of the project and is essential to the viability of the project within the localities embraced by the Authority.
 - d. Must result in each locality's total long-term benefit being approximately equal to the proportion of the total of the fees and taxes received by the Authority that are generated by or attributable to the locality.

B. The Regional Funds must be distributed in the following order of priority:

1. To fund all senior debt service requirements.

2. To fund all debt service reserve requirements (if due).
3. To fund subordinate debt service requirements (if due).
4. To fund all rebate fund requirements (if due).

C. The SPA is the guiding document regarding the responsibilities of each party in reference to project funding using Regional Funds.

III. Responsibilities.

A. Executive Director.

1. Is responsible to assign a project coordinator to monitor each project to ensure compliance with the SPA.
2. The Executive Director will make guidelines available to the recipient as necessary to assist with compliance of the SPA.
3. Written requests for supplemental project funding shall be submitted to the Executive Director for review. The Executive Director will present a recommendation to the Finance Committee for consideration. The Finance Committee may make a recommendation on any such request to the Authority for final determination.
4. The Executive Director will review written requests from recipients to advance a project to a future phase. The requests will be shared with the Finance Committee for consideration. The Finance Committee may make a recommendation on any such request to the Authority for final determination. The SPA doesn't prevent a recipient from self-funding a future phase of an approved project and seeking reimbursement from the Authority based on the original or modified cash flow projections.
5. The Executive Director will advise the recipient in writing of questionable uses of any funding which comes to the Authority's attention. The Executive Director will provide a report of the incident and make recommendations for resolution to the Finance Committee. The Finance Committee will forward the issue and possible resolution to the Authority. Additional funding will be withheld until final resolution of the matter.

B. Chief Financial Officer (CFO) Reporting to Executive Director.

1. The CFO has primary responsibility to ensure Regional funds are properly safeguarded and disbursed.
2. The CFO will be responsible for ensuring recipient project cash flow requirements are periodically updated to properly manage the project needs of the recipient.

3. The CFO will manage the requisition process, as outlined in the SPA, for cash flow purposes to facilitate reimbursement to the recipient within 20 days of receiving a completed and approved requisition request.
4. The CFO will manage the Authority's cash position to ensure availability of funds to meet programmed reimbursement requests.

C. Program Coordinator.

1. The NVTA's program coordinator will be responsible for monitoring projects on behalf of the NVTA so as to ensure compliance with this Agreement and all statutes required under the Code of Virginia.
2. The assigned program coordinator is charged with overseeing, managing, reviewing and processing, in consultation with the NVTA's Executive Director and its CFO, all payment requisitions submitted by recipients for projects. He/she will also notify the recipient of the reasons why a payment requisition has been declined.
3. The assigned program coordinator will have no independent authority to direct changes or make additions, modifications, or revisions to the Project Scope of Work as set forth in Appendix A or to the Project Budget and Cash Flow as set forth in Appendix B.
4. In consultation with the Executive Director, program coordinators will conduct periodic reviews to ensure that the project remains in compliance with the agreed upon project scope.
5. The program coordinator will ensure that written certification is received for matching project funds and for compliance with VDOT requirements, if the project is to be accepted into the VDOT system for maintenance.

D. Recipients.

1. Each recipient is responsible to ensure work is performed in accordance with all applicable federal, state and local laws and regulations, and the SPA.
2. Each recipient must perform or have performed all environmental work, right-of-way acquisition, construction, contract administration, testing services, inspection services, or capital asset acquisition necessary to complete the project.
3. A recipient must acknowledge the requirements of the NVTA's Resolution 14-08 NORTHERN VIRGINIA TRANSPORTATION AUTHORITY ('NVTA') POLICY FOR USE OF 70% FUNDS UNDER 2013 VA. ACTS CH. 766 REGARDING FUNDING OF PROJECTS UNDERTAKEN BY NVTA OR ON ITS BEHALF WITH THE DISTRICT OF COLUMBIA, VIRGINIA, ANY OTHER STATE OR A

POLITICAL SUBDIVISION THEREOF, OR THE UNITED STATES OF AMERICA, if applicable.

4. A recipient must name the Authority and its bond trustee as additional insureds on insurance policies associated with the project.
5. A recipient must certify that it will use the project for its intended purpose for the duration of its useful life.
6. A recipient must acknowledge that the Authority will not be responsible for operating or maintaining the project upon completion.
7. A recipient must comply with will federal and state requirements for other funding sources which may be used to fund the project and certify that it has adhered to all applicable laws and regulations, as well as the requirements of the agreement.

Approved by the Finance Committee: December 5, 2014

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NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 13 – Continuing Disclosure and Post Issuance Policy

- I. Purpose.** The Northern Virginia Transportation Authority (the "Authority") issues tax-exempt and other tax-advantaged bonds (collectively "Tax-Advantaged Bonds") to obtain funds to finance portions or all of various capital improvements. The Authority has adopted this policy and procedure (the "Post-Issuance Compliance Policy and Procedure") to ensure that the Authority's continuing disclosures are accurate and comply with all applicable federal and state securities laws, and to assist in monitoring the Authority's compliance with the continuing disclosure obligations specified in Rule 15c2-12 under the Securities Exchange Act of 1934.
- II. Designation of Responsibilities.** The Chief Financial Officer (CFO) shall be designated as the Chief Compliance Officer and shall be responsible for the administration and supervision of the Authority's post-issuance compliance management program. The Chief Compliance Officer shall review the Post Compliance Issuance procedure document at least annually. Material changes to this document shall only be made after recommendation by the Finance Committee and approval of the Authority.
- III. Records Retention.**
- A. The Records.** The Tax Compliance Officer shall retain records demonstrating compliance with the Post-Issuance Compliance Policy and Procedure. These records may consist of, but shall not be limited to, the documents listed on Appendix A (the "Records").
- B. The Annual Compliance File.** The Tax Compliance Officer shall retain an electronic or paper file for each continuing disclosure annual filing the Authority completes (the "Annual Compliance File"). Each Annual Compliance File shall include, but not be limited to:
1. Final versions of the Authority's Official Statement;
 2. Audited financial statements; written confirmations of the annual filings made by the Authority with the MSRB;
 3. Any related letters and legal opinions;
 4. A list of individuals to whom they have been distributed and the dates of such distributions; and
 5. Any other specific records relating to tax and other post-issuance compliance as enumerated in Appendix B attached hereto.
- C. The Annual Compliance File shall be maintained in a central repository by the Authority in accordance with the length of time as specified by federal requirements applicable to Tax-Advantaged Bonds or Virginia Record Retention Requirements, whichever is longer.**

- D. Electronic media will be the preferred method for storage of all documents and other records maintained by the Authority in connection with tax and other post-issuance compliance.

IV. Continuing Disclosure.

- A. Under the provisions of the Securities and Exchange Commission (the "SEC") Rule 15c2-12 (the "Rule"), underwriters of Authority bonds are typically required to obtain an agreement for ongoing disclosure in connection with the public offering of bonds. The transcript for each such issue of bonds will include a Continuing Disclosure Certificate or another undertaking by the Authority to comply with the Rule (the "Undertaking").
- B. **Annual Filings.** Pursuant to each Undertaking, the Authority is required each year to file annual reports with the Municipal Securities Rulemaking Board's (the "MSRB") Electronic Municipal Market Access ("EMMA") system in accordance with such Undertakings. Such annual reports are required to include certain updated financial and operating information identified on Appendix B, and the Authority's audited financial statements.
- C. **Event Notices.** As set forth in each Undertaking, the Authority must provide notice (an "Event Notice") to the MSRB of the events identified in and listed in Appendix C attached hereto. Weekly, the CFO or appropriate Designee shall monitor such list for the occurrence of such an event and, if needed, shall prepare an Event Notice that complies with the Rule and shall file such Event Notice with EMMA as required by the Rule.
- D. **Financial Statements.** The CFO or Designee shall submit the Authority's audited financial statements ("Financial Statements") to EMMA on an annual basis as required under each Undertaking.

- V. **Public Statements of Financial Information.** Whenever the Authority makes statements or releases information relating to its finances to the public that are reasonably expected to reach investors and the trading markets (including without limitation, all Event Notices, statements in the audited financial statements and other financial reports and statements of the Authority), the Authority is obligated to ensure that such statements and information contained therein are complete, true and accurate in all material respects. The CFO or appropriate designee shall determine whether such statements or releases should be provided to the MSRB as voluntary disclosure, and if so, the CFO or appropriate designee shall prepare and make a filing on EMMA of such statements or releases.

- VI. **Remedial Action.** In the event the Authority discovers that it has become non-compliant with its continuing disclosure obligations, the CFO shall work with the Authority's attorney and/or bond counsel to remedy the noncompliance and file the necessary notices to the MSRB with EMMA.

VII. Training. Authority personnel are to periodically obtain training with regard to the Authority's continuing disclosure obligations and retention of the records set forth in Section III of this Continuing Disclosure & Post Issuance Compliance Policy. The training shall include a review of the Authority's recent compliance initiatives and discussions relating to post-issuance compliance requirements. Training is especially warranted in the event of changes in law or changes in Authority staff.

Approved by the Finance Committee: December 5, 2014

Approved by Northern Virginia Transportation Authority: December 11, 2014

APPENDIX A

LIST OF POST-ISSUANCE COMPLIANCE RECORDS (TO BE AMENDED BY THE AUTHORITY AS NECESSARY)

1. Preliminary and Final Official Statements.
2. Audited Financial Statements.
3. Filings made by the Authority with the MSRB, whether made pursuant to a continuing disclosure undertaking to which the Authority is a party or otherwise.
4. Press releases and other information distributed by the Authority for public dissemination to the extent that such releases are reasonably expected, in the determination of the Chief Financial Officer, the Authority Attorney and/or bond counsel, to reach investors and the trading markets for municipal securities.
5. Rating Agency Presentations.
6. Such portions of the Authority's published annual Adopted Budget as the CFO, the Authority Attorney and/or bond counsel deem to be appropriate, which shall at a minimum include the Executive Summary.
7. Any other communications that are reasonably expected, in the determination of the CFO, the Authority Attorney and/or bond counsel, to reach investors and the trading markets for municipal securities.

Appendix B

Operating Data

Below is the list of operating data that must be updated annually and filed with the MSRB in accordance with Section IV.B. of the Policy.

This list is current as of December 31, 2014, and must be updated by the CFO or appropriate designee annually.

FY2014 Regional Revenues

	FY20__ Budget	FY20__ Actual	Percentage Change Budget / Actual
Additional Sales and Use Tax			
Regional Congestion Relief Fee			
Regional Transient Occupancy Tax			
Total:			

FY20__ Regional Revenues by Member Locality and By Source

Member Locality	Additional Retail Sales and Use Tax	Regional Congestion Relief Fee	Transient Occupancy Tax	Total
City of Alexandria				
Arlington County				
City of Fairfax				
Fairfax County				
City of Falls Church				
Loudoun County				
City of Manassas				
City of Manassas Park				
Prince William County				
Total FY 20__ Regional Revenues:				

Budgeted and Projected Regional Revenues⁽¹⁾

	20__	20__	20__	20__	20__	20__
Additional Retail Sales and Use Tax						
Regional Congestion Relief Fee						
Additional Transient Occupancy Tax						
Total:						

Note: (1) Preliminary estimates and actual results may vary.

Appendix C

LIST OF EVENT NOTICES

The Chief Financial Officer should review this list at least weekly to determine whether any event has occurred that may require a filing with EMMA.

For Tax-Advantaged Bonds subject to Rule 15c2-12, the following events automatically trigger a requirement to file with EMMA within ten (10) business days of their occurrence:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulty.
4. Unscheduled draws on credit enhancements reflecting financial difficulty.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the security.
7. Modifications to rights of security holders, if material.
8. Bond calls or tender offers, if material.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, if material.
11. Rating Changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person as set forth in §17 CFR 240 15c2-12.
13. Merger, acquisition or sale of all or substantially all of issuer assets.
14. Appointment of successor trustee or additional trustee or name changes of a trustee, if material.
15. Failure to provide, in a timely manner, notice to provide required annual financial information by the date specified in any continuing disclosure undertaking.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 14 – Computer and Electronic Systems Use

- I. **Purpose.** This policy provides guidance with respect to computers, peripherals and other electronic systems.
- II. **General.** The Northern Virginia Transportation Authority (NVTA) computers, peripherals and electronic communications are, as a general rule, to be used only for NVTA related work. Incidental and occasional personal use is permitted. Staff using the Internet represent the NVTA and shall not use it for purposes that are illegal, unethical and potentially harmful to the NVTA and its reputation. Under no circumstances may NVTA computers or other electronic means be used to access pornographic materials, gamble or play computer games. The NVTA computers are Authority property and may be accessed/inspected by the NVTA at any time, without notice to or approval by the employee using the computer.
- III. **Applicability.** The guidance in this SOP applies to all NVTA employees (full or part-time), volunteers or others who may be given permission to use an NVTA-owned or leased computer or other electronic communications.
- IV. **Expectation of Privacy.** All computer, electronic, and telephonic documents and communications (e.g., email, Internet, voicemail, etc.) transmitted by, received by, or stored in the NVTA's networks or computers are the property of the NVTA. Employee use may be monitored at any time to ensure compliance with NVTA policies and SOPs. Any data stored, created or received while using the NVTA's computers or networks are neither private nor confidential. The NVTA reserves the right to access and disclose any of this data, with or without knowledge of the employee.
- V. **Access to Files and Email.** Electronic files and email may be accessed only with the authorization of the Executive Director or the Chief Financial Officer (CFO). The NVTA may also disclose electronic files and email pursuant to a proper discovery request, court order or applicable law.
- VI. **Prohibited Uses of Electronic Communications.** The NVTA prohibits the use of any means of electronic communications that is intended to:
 - Harass or threaten other users or interfere with their access to computing facilities.
 - Send or forward racially, sexually or ethnically offensive messages.
 - Send material that is slanderous or libelous or that involves defamation of character.
 - Send fraudulent email.
 - Break into another user's computer or mailbox.
 - Promote a personal, social, religious or political cause, regardless of worthiness.
 - Search for or use websites that involve hate groups or racially offensive or sexually explicit material.
 - Gamble.
 - Send malicious programs such as computer viruses.

- Participate in activities that promote computer crime or misuse, including but not limited to, posting or disclosing passwords, credit card and other account numbers (other than in legitimate conduct of the NVTA business) and system vulnerabilities.
- Violate any software licensing agreement, to include distributing software.
- Infringe on any copyright or other intellectual property right.
- Send mass mailings of a non-business nature.
- Initiate or forward emails of a non-business nature (e.g., jokes).
- Participate in chain letters.
- Disclose confidential NVTA business information.
- Download and execute any program, screensaver or audio files from the Internet that are not relevant to NVTA business.
- Knowingly introduce a computer virus into the NVTA computers or networks.
- Load diskettes, cd-rom's, dvd discs, flash drives or external drives **of unknown origin** that have not been checked by the CFO or Executive Director.
- Download and use Instant Messaging software.

VII. Access Codes and Passwords. The confidentiality and integrity of data stored on the NVTA's computer systems and networks must be protected by access controls to ensure that only authorized employees and others designated by the NVTA have access. This access should be relevant to employee's or volunteer's job duties. Passwords for employee computers must be changed every three (3) months.

VIII. Physical Security. All computer hardware, software, data and documentation must be secured to prevent misuse, theft, unauthorized access and environmental hazards.

IX. Responsibilities.

A. Chief Financial Officer (CFO).

1. Authorizing access to equipment and files.
2. Authorizing any changes of physical equipment, including purchase and upgrade.
3. Informing Executive Director of any unique or special circumstances.

B. NVTA Clerk.

1. Providing computers and access codes to employees, interns and volunteers.
2. Maintaining inventory of all computer and computer related equipment/software.
3. Authorizing program/application additions or updates for any NVTA equipment.
4. Orienting new employees on this guidance and obtaining agreement below; maintaining record of written agreements.
5. Ensuring that all employees, interns and volunteers are cognizant of this policy and enforcing it.

C. All employees and volunteers/interns using electronic equipment. Compliance with this policy and reflecting understanding of it by signature below.

Approved by the Finance Committee: December 5, 2014

Approved by Northern Virginia Transportation Authority: December 11, 2014

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 14 – Computer and Electronic Systems Use

Employee/User Agreement

I have read and understand Policy 14 – Computer and Electronic Systems Use and will abide by it.

Printed Name

Signature

Date

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy 15 - Tax-Exempt Bonds **Post-Issuance Tax Compliance Policies and Procedures**

Statement of Purpose

The Northern Virginia Transportation Authority ("NVTA") intends to issue bonds the interest on which is excludable from gross income for federal income tax purposes (the "Tax-Exempt Bonds") to obtain funds to finance portions or all of various transportation projects approved for financing by the NVTA (the "Projects"). The NVTA has adopted these policies and procedures (these "Policies") to assist in monitoring and maintaining compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), and the regulations of the U.S. Treasury promulgated thereunder (the "Treasury Regulations"), applicable to the Tax-Exempt Bonds in order to preserve their tax-exempt status. Compliance with applicable provisions of the Internal Revenue Code and the Treasury Regulations is an ongoing requirement and an integral component of the NVTA's financial policies and internal controls programs. These Policies specifically cover (i) record retention, (ii) limitations on "private business use," including in particular the rules relating to the taking of "remedial action" to preserve the status of an issue of Tax-Exempt Bonds, and (iii) limitations on earning arbitrage, including the payment of arbitrage rebate to the federal government at various intervals (the "Rebate Requirement").

These Policies require ongoing surveillance through, and sometimes beyond, the final maturity of the particular issue of Tax-Exempt Bonds and may require consultation with Bond Counsel and/or the Council of Counsels (hereinafter referred to collectively as "Counsel") long after the issue date of the issue.

These Policies are intended to reflect best practices, to be revised periodically as the NVTA's financing plans and other circumstances warrant, including changes in federal tax law, and as the municipal bond market and Internal Revenue Service ("IRS") enforcement each evolve. Failure to conform to any element of these Policies should in no way imply that the NVTA is not in compliance with the provisions of the Internal Revenue Code applicable to its Tax-Exempt Bonds. In addition, the CFO (defined below) is authorized, after consultation with Counsel to allow deviations from strict compliance with these Policies to the extent necessary to carry out the intent and purpose of these Policies and provided such deviations do not jeopardize the tax-exempt status of any Tax-Exempt Bonds.

Unless otherwise defined, each capitalized term used in these Policies has the meaning set forth in the Master Indenture of Trust dated as of December 1, 2014, as it may be amended or supplemented hereafter (the "Indenture"), or in the Standard Project Agreement for Funding and Administration (the "SPA") between the NVTA and the Member Locality or other state, regional or local governmental project sponsor that will receive proceeds of the NVTA's Tax-Exempt Bonds (each a "Project Sponsor").

Background

The NVTA is a political subdivision of the Commonwealth of Virginia created by and existing under Chapter 25, Title 33.2, Code of Virginia of 1950, as amended (the "NVTA Act"). As provided by the NVTA Act, the NVTA embraces the Counties of Arlington, Fairfax, Loudoun and Prince William, and the Cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park (collectively, the "Member Localities"). Each Member Locality is located within the boundaries of Planning District 8.

The NVTA Act provides, among other things, that the NVTA (i) will prepare a regional transportation plan for Planning District 8 that will include, but not necessarily be limited to, transportation improvements of regional significance, and those improvements necessary or incidental thereto, and will from time to time revise and amend the plan and (ii) has the power to construct or acquire, by purchase, lease, contract, or otherwise, the transportation facilities specified in the regional transportation plan when adopted.

The NVTA Act empowers the NVTA to issue bonds and other evidences of indebtedness, including Tax-Exempt Bonds, to finance transportation projects benefiting the Member Localities.

The NVTA's Tax-Exempt Bonds are limited obligations of the NVTA and payable solely from the revenues, moneys and other property pledged by the NVTA for such purpose, which principally consist of the Regional Revenues.

The NVTA anticipates that its activities will be limited to funding transportation facilities ("Projects") to be constructed and acquired by the Project Sponsors. The NVTA is not expected to own, lease, control (except via contract), operate or maintain any of the Projects.

The NVTA has developed the SPA to formalize the terms under which an approved Project will receive funding. Each SPA will be executed by the NVTA and the applicable Project Sponsor with respect to each Project.

The SPA provides that the Project Sponsor receives funding on a reimbursement basis, and memorializes the Project budget and cash flow timing. The SPA also obligates the Project Sponsor to comply with the applicable requirements of the Virginia Code and federal law and to provide information to the NVTA so that the NVTA can monitor compliance by the Project Sponsor with applicable law. Each SPA for a Project that is expected to receive proceeds of Tax-Exempt Bonds also contains covenants with which the Project Sponsor must comply to help the NVTA preserve the excludability of interest on such Tax-Exempt Bonds.

I. Responsible Officer and Review and Update of Policies

- A.** The NVTA's Chief Financial Officer (the "CFO") shall be the individual responsible for overseeing tax compliance with regard to the NVTA's Tax-Exempt Bonds. The CFO may delegate responsibilities to such individuals as he or she deems appropriate (each such designee, is a "Tax Compliance Designee"). The CFO, with the assistance from the Tax Compliance Designees, shall be responsible for ensuring an adequate succession plan for transferring tax compliance responsibilities when changes in staff occur.

- B. The CFO shall use these Policies, together with other procedures applicable to her or his area of responsibility, to timely identify and elevate the resolution of potential or actual tax law violations relating to the NVTA's outstanding Tax-Exempt Bonds.
- C. The CFO is to review and update these Policies and the associated systems in consultation with the Counsel before each issuance by the NVTA of Tax-Exempt Bonds and otherwise on a periodic basis (at least annually).

II. Annual Questionnaires

- A. One of the primary sources of the information necessary to monitor the use of the proceeds of the Tax-Exempt Bonds and the property financed and refinanced therewith will be generated pursuant to the questionnaire attached hereto as Appendix A (the "Annual Project Sponsor Questionnaire"). Not less than 30 days after the end of each of the NVTA's fiscal years during the Term of an issue of Tax-Exempt Bonds (as defined below), the CFO will receive a completed Annual Project Sponsor Questionnaire from each Project Sponsor of a Project financed in whole or in part with the issue. The CFO will retain the completed Annual Project Sponsor Questionnaires in accordance with the Records Retention requirements of these Policies.
- B. Not less than 60 days after the end of each of the NVTA's fiscal years during the Term of an issue of Tax-Exempt Bonds, the CFO will complete the Annual CFO Questionnaire with respect to each issue of the Tax-Exempt Bonds. The form of the Annual CFO Questionnaire is set forth in Appendix B. The CFO will retain the completed Annual CFO Questionnaires in accordance with the Records Retention requirements of these Policies.
- C. The "Term of an issue of Tax-Exempt Bonds" means the term to final maturity or, if earlier, the final redemption of an issue of the NVTA's Tax-Exempt Bonds, or any Tax-Exempt Bonds issued to refund such issue in whole or in part.

III. Records Retention

- A. The CFO is to coordinate procedures for record retention and review of such records as more fully described herein and shall be familiar with IRS Forms of the 8038 series, and relevant provisions of the Internal Revenue Code and the Treasury Regulations, including but not limited to Treasury Regulations Sections 1.141-2, 1.141-3, 1.141-12, and 1.148-1 through 1.150-2. Specific records relating to tax compliance to be retained are more fully described in Appendix C.
- B. Electronic media will be the preferred method for storage of all documents and other records maintained by the NVTA in connection with tax compliance. Document maintenance requirements may change over time, and the CFO shall consult with Counsel to update its records retention policy so as to facilitate continuing compliance with the provisions of the Internal Revenue Code applicable to the NVTA's Tax-Exempt Bonds.
- C. The Commonwealth of Virginia statutes also address record retention requirements (the "Virginia Record Retention Requirements"). This Post-Issuance Compliance Procedure

is not intended to conflict with the Virginia Record Retention Requirements. It is the NVTAs policy and intention to comply fully with both the federal requirements applicable to Tax Exempt Bonds and the Virginia Record Retention Requirements.

IV. Private Business Use-Change in Use and Remedial Action

A. Private Business Use Generally

1. Tax-Exempt Bonds may lose their tax status if they meet (1) (a) the private business use test in Section 141(b)(1) of the Internal Revenue Code, and (b) the private security or payment test in Section 141(b)(2) of the Internal Revenue Code, or (2) the private loan financing test in Section 141(c) of the Internal Revenue Code. The private business use test relates to the use of the proceeds of an issue and the test is met if more than the lesser of (1) \$15,000,000 and (2) 10%¹ of the proceeds of an issue meet the private business use test. Generally, private business use arises if proceeds of an issue are used by persons or entities other than state or local governmental entities ("Nongovernmental Entities") in a trade or business ("Private Business Use"). It is necessary to look to direct and indirect uses as well as actual and beneficial uses. In most cases, Private Business Use arises if a Nongovernmental Entity has special legal entitlements with respect to financed property.
2. Private payments include revenues derived, directly or indirectly, with respect to property used or to be used for a Private Business Use. Private security takes into account the payment of debt service on an issue that is directly or indirectly secured by any interest in property used or to be used for a Private Business Use.
3. For purposes of the private security or payment test, generally applicable taxes are not taken into account (that is, are not payments from a Nongovernmental Entity and are not payments in respect of property used for a private business use). Under current law, a generally applicable tax is an enforced contribution exacted pursuant to legislative authority in the exercise of the taxing power that is imposed and collected for the purpose of raising revenue to be used for governmental or public purposes. A generally applicable tax must have a uniform tax rate that is applied to all persons of the same classification in the appropriate jurisdiction and a generally applicable manner of determination and collection.
4. The Regional Revenues pledged to secure and pay the Bonds are the receipts from additional retail sales and use taxes, a regional congestion relief fee and transient occupancy taxes levied by the General Assembly of Virginia in the Member Localities, credited to the Northern Virginia Transportation Authority Fund (the "NVTAs Fund"), and appropriated by the General Assembly from the NVTAs Fund to the NVTAs for credit to the Revenue Fund established under the Indenture, net of the 30 percent transferred to the Member Localities as provided under the NVTAs Act. It is anticipated that in each federal tax certificate and compliance agreement ("Tax Certificate") executed for a series of Tax-Exempt Bonds, the NVTAs will be able to

¹ The 10% limitation is reduced to 5% with respect to Private Business Use that is either unrelated to governmental uses of proceeds of the same issue, or disproportionate to related governmental uses of proceeds of such issue.

represent, in consultation with Counsel, that the Regional Revenues will be derived from generally applicable taxes.

5. The Projects are expected to be either non-revenue-producing, such as freeway improvements, or Projects the revenues from which inure to the benefit of the Project Sponsors or other governmental units, such as WMATA or the Virginia Railway Express. Neither the Member Localities nor any of the other Project Sponsors are expected to be "related persons" to the NVRTA for federal tax purposes.
 6. Notwithstanding that it is anticipated that most of the NVRTA's issuances of Tax-Exempt Bonds will have no private security or payments, the SPA for a Tax-Exempt Bond-Financed Project will require the Project Sponsor to limit the amount of Private Business Use of such Project. The NVRTA is doing this (i) out of an abundance of caution and (ii) because most of the Member Localities and other Project Sponsors are subject to similar requirements for each of their bond-financed capital projects. Many of the questions on the Project Sponsor Questionnaire relate to compliance with the Private Business Use restrictions.
 7. Private Business Use and Private Payments are described more fully in Appendix D attached hereto. In addition to Appendix D, the Tax Compliance Designee shall refer to the Tax Certificate executed for a particular issue of Tax-Exempt Bonds and the related SPAs for purposes of ascertaining the application of the private business tests and the private loan financing test to such issue of Tax-Exempt Bonds and unique circumstances that may be applicable to the issue. The Tax Compliance Designee shall also consult with Counsel as appropriate for clarification and guidance with respect to the application of such tests.
- B.** The following are specific NVRTA policies with respect to addressing Private Business Use:
- **Structuring of Arrangements to Avoid Private Business Use or Private Payments.** It is the policy of the NVRTA that, to the extent consistent with the governmental objectives of the NVRTA, any potential arrangement that might result in Private Business Use of bond financed property shall be structured by the NVRTA and the Project Sponsors so as to avoid or minimize Private Business Use or Private Payments.
 - **Use Short-Term Use Exception to Private Business Use.** For recurring arrangements that have the potential to result in Private Business Use (e.g., periodic uses of meeting rooms by community members), it is the general policy of the NVRTA to work with the Project Sponsors to structure such arrangements to satisfy a Short-Term Use Exception to Private Business Use (defined in Appendix D).
 - **Allocating Equity to Project Components with Private Business Use or Private Payments.** It is the general policy of the NVRTA that to the extent an arrangement that might result in Private Business Use cannot be structured so as to avoid Private Business Use or Private Payments, where reasonably possible, the

NVTA will finance the subject property on a PayGo basis or with taxable debt. The allocations of PayGo funds and taxable debt proceeds shall be evidenced in the Final Allocation described below if the Project was financed in part by Tax-Exempt Bonds.

- **Allocation of Bond Proceeds to Assets Financed.** For each issue of Tax-Exempt Bonds, the NVTA shall require the related Project Sponsors to produce and maintain records establishing costs financed. Guidelines for allocating proceeds to expenditures/costs are set forth in Treasury Regulations Sections 1.141-6 and 1.148-6. Generally, the NVTA may use any reasonable, consistently applied accounting method to account for gross proceeds, investments and expenditures of an issue. Such information and allocations shall be evidenced in the Final Allocation described below.
- **Final Allocations.** For each issue of Tax-Exempt Bonds, the CFO must prepare a written account of the allocation of proceeds to expenditures not later than 12 months after the last date an expenditure is paid with the proceeds of the issue but in no event later than the date 60 days after the fifth anniversary of the respective issue date or the date 60 days after the retirement of the issue, if earlier. Such written account is referred to in these Policies as the "Final Allocation." The NVTA acknowledges that, in the absence of records to establish an accounting method for an issue and the allocation of proceeds of an issue, the specific tracing method applies.
- **Quantifying Private Business Use and Periodic Review.** The NVTA will monitor compliance with the private business tests and the private loan financing tests and develop and maintain a log with respect to each issue of Tax-Exempt Bonds, and periodically (e.g., annually), set forth the amount of proceeds of such issue allocable to each separate facility financed by the NVTA, and the amount of proceeds of such issue attributable to Private Business Use. The primary tool for monitoring compliance with this Policy will be the Annual Project Sponsor Questionnaire.
- **Dispositions.** It is the policy of the NVTA that all dispositions of assets financed with Tax-Exempt Bonds are to be addressed in a manner that does not jeopardize the tax-exempt status of the NVTA's Tax-Exempt Bonds.

C. Change in Use and Remedial Action

1. Even though the NVTA reasonably expects on the issue date of each issue of Tax-Exempt Bonds to satisfy all applicable federal tax requirements relating to such bonds for so long as the bonds remain outstanding, post-issuance events can occur that jeopardize compliance with these requirements. "Change in use" generally relates to Private Business Use considerations and generally means a change in the use of proceeds of an issue of State or local bonds from the use for which those proceeds were used, or expected to be used, as of the date of issue. Change in use transactions that may affect the status of Tax-Exempt Bonds often include the sale, transfer or lease of property financed with bond proceeds to another entity (often the other entity is a for-profit entity). Such transactions may be entered into out of necessity or

without an understanding that it may be contrary to the private business tests. As an arbitrage example, the NVTA may inadvertently violate an applicable yield restriction requirement with respect to an issue of Tax-Exempt bonds.

V. Arbitrage and Rebate

Section 148 of the Internal Revenue Code, the regulations promulgated thereunder and pronouncements relating thereto (the "Arbitrage Rules") are intended to ensure that issuers of Tax-Exempt Bonds, such as the NVTA, issue Tax-Exempt Bonds for the primary purpose of financing property needed by the NVTA to carry out its governmental purposes, and not for the purpose of exploiting the difference between the interest cost to the NVTA on the Tax-Exempt Bonds and the yield on higher yielding taxable obligations. Section 148(f) of the Internal Revenue Code, which sets forth the "Rebate Requirement," requires that an amount equal to the sum of (i) the excess of the aggregate amount earned on all investments over the amount that would have been earned if such investments had a yield equal to the yield with respect to the respective Tax-Exempt Bonds, plus (ii) any income attributable to the excess described in (i), be paid to the United States Treasury.

Compliance with the Arbitrage Rules is required on a continuing basis and primarily involves ensuring that proceeds of Tax-Exempt Bonds are invested in accordance with the applicable yield limitations, and rebating certain investment earnings to the United States Treasury, unless an exception to the Rebate Requirement can be satisfied.

In furtherance of complying with the Arbitrage Rules, the CFO shall oversee the undertaking of the actions set forth in Appendix E.

- VI. Post-issuance Credit Enhancement Transactions. Prior to engaging in any post-issuance credit enhancement transactions (e.g., bond insurance, letter of credit) or hedging transactions (e.g., interest rate swaps, caps), the CFO is to consult with Counsel.**
- VII. Refunding Bonds. In the case of refunding bonds, the CFO should coordinate with the NVTA's financial advisor, Counsel, the bond trustee or escrow agent to arrange for the purchase of the refunding escrow securities, and should obtain a computation of the yield on such escrow securities from the NVTA's outside arbitrage rebate specialist.**
- VIII. Voluntary Compliance Agreement Program**

If the NVTA does not stay within the limitations of the private business tests, the private loan financing tests, or the arbitrage requirements described herein, the CFO shall work with Counsel to take appropriate steps to preserve the tax-exempt status of the respective Tax-Exempt Bond issue, including taking appropriate "remedial action" pursuant to Treasury Regulations Section 1.141-12. Remedial action for this purpose may consist of the redemption or defeasance of bonds and/or the investment/expenditure of amounts received as a result of the sale of bond financed property in other qualified approved project financings of the NVTA. The NVTA may also be able to take corrective action under the Voluntary Compliance Agreement Program of the IRS (commonly referred to as VCAP). Counsel is

available to provide guidance as to the implementation of such action. The CFO shall maintain copies of the documentation with respect to any remedial actions taken.

IX. Reissuance

Generally, a reissuance occurs when there are significant changes to the terms of a Tax-Exempt Bond so that the bond ceases to be the same bond for federal tax purposes. A reissuance is a deemed exchange of the modified bond for the original bond for federal income tax purposes. The reissuance rules apply to all Tax-Exempt Bonds, from a large bond issue, a loan from Virginia Resources Authority, a small lease entered into to purchase equipment and to a note held by a local bank.

The CFO is to (i) identify and consult with Counsel regarding any post-issuance change to any terms of an issue of Tax-Exempt Bonds, (ii) request Counsel to determine whether such potential change would cause the issue to be treated as "reissued" for federal income tax purposes, and (iii) take such action as may be required to preserve the tax-exempt status of the issue.

X. Training Policy

The NVTA personnel are to periodically obtain training with regard to the record retention, private business use, arbitrage and rebate issues addressed by these Policies. The training shall include a review of the NVTA's recent compliance initiatives, discussions relating to restrictions on the use of proceeds of Tax-Exempt Bonds, arbitrage requirements and recent developments with respect to Tax-Exempt Bonds. Training is especially warranted in the event of changes in law or changes in the NVTA staff.

XI. Additional Resources

Additional resources available to the NVTA include the following, accessible on the internet.

Description

IRS Form 13907	Tax-Exempt Bond Financings Compliance Check Questionnaire
IRS Form 14246	Advance Refunding Bonds Compliance Check Questionnaire
IRS Form 14429	Tax-Exempt Bond Voluntary Closing Agreement Program Request
IRS Publication 3755	Addresses filing requirements applicable to tax-exempt bonds (<i>e.g.</i> , 8038-G and 8038-T)
IRS Publication 4079	IRSTax-Exempt Governmental Bonds Compliance Guide
http://www.irs.gov/taxexemptbond	IRS website providing Information for the Tax Exempt Bond Community

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APPENDIX A

ANNUAL PROJECT SPONSOR QUESTIONNAIRE

The _____ ("Project Sponsor") is the "Recipient Entity" under the Standard Project Agreement for Funding and Administration dated _____, ____ (the "SPA") between the Northern Virginia Transportation Authority ("NVTA") and the Project Sponsor.

Unless otherwise defined, each capitalized term used in this Annual Project Sponsor Questionnaire (this "Questionnaire") has the meaning set forth in the SPA.

Under the SPA, the Project Sponsor is to receive a portion of the proceeds (the "NVTA Bond Proceeds") of the NVTA's _____ Bonds, Series ____ (the "NVTA Bonds"), to assist the Project Sponsor in the financing, in whole or in part, of the NVTA Project Number _____, which is described on Appendix A to the SPA (the "Project").

The undersigned acknowledges that this Questionnaire is designed to document and evidence the Project Sponsor's compliance with provisions of the SPA, including but not limited to the Project Sponsor's agreement to comply with the tax covenants attached to the SPA. The tax covenants are designed to preserve the tax-exempt status of the NVTA Bonds.

1. Has the undersigned been duly authorized by the governing body of the Project Sponsor to complete and submit this Questionnaire?

Yes _____ No _____

2. Is the description of the Project set forth on Appendix A to the SPA still accurate in all material respects?

Yes _____ No _____

If "No," please attach an explanation.

3. Has the Project been completed?

Yes _____ No _____

If "Yes," please provide the date of final completion: _____

If "No," please provide the expected final completion date: _____

4. If the Project has been completed, has the final allocation of the NVTA Bond Proceeds and other funds to the expenditures for the Project been completed?

Yes _____ No _____

If "Yes," please attach a copy of the final allocation.

If "No," please provide the date that the final allocation will be provided _____.

[Note that these Policies require a final allocation for the Bonds not later than 12 months after the final completion of all of the financed Projects.]

5. If the Project has not been completed, are the Project Budget and Cash Flow projections attached as Appendix B to the SPA still accurate?

Yes _____ No _____ N/A _____

If "No," please attach an update to Appendix B to the SPA.

6. Is the Project owned by the Project Sponsor for federal tax purposes?

Yes _____ No _____

If "No," please attach an explanation.

7. Are there any lease arrangements that may result in Private Business Use of the Project?

Yes _____ No _____

If "Yes," please attach an explanation.

8. Are there any management or service contracts that may result in Private Business Use of all or any portion or function of the Project?

Yes _____ No _____

If "Yes," please attach an explanation and provide a copy of any such contract.

9. Enter the percentage of the portion of the Project financed by the NVTA Bond Proceeds that is used in a Private Business Use by a Nongovernmental Entity.

_____ %

10. Has there been any sale or disposition of any of the Project to a Nongovernmental Entity since the NVTA Bonds were issued?

Yes _____ No _____

If "Yes," please attach an explanation.

11. Has the Project Sponsor used any of the NVTA Bond Proceeds directly or indirectly to make or finance loans to Nongovernmental Entities?

Yes _____ No _____

If "Yes," please attach an explanation.

12. Has the Project Sponsor requisitioned or spent any of the NVTA Bond Proceeds for any Project Cost not constituting a Capital Expenditure?

Yes _____ No _____

If "Yes," please attach an explanation.

13. Has or will the Project Sponsor have any funds that are restricted, segregated, legally required or otherwise intended to be used, directly or indirectly, for the purposes for which the Project Sponsor is receiving NVT A Bond Proceeds, other than those funds reflected on Appendix B to the SPA?

Yes _____ No _____

If "Yes," please attach an explanation.

14. Have all the NVT A Bond Proceeds requisitions by the Project Sponsor been (i) remitted directly by the NVT A to the Project contractors/vendors or applied to reimburse the Project Sponsor for its funds that have been so remitted as (ii) paid to the contractors/vendors within five (5) banking days after the date on which the NVT A advances the amount of the requisition?

Yes _____ No _____

If "No," please attach an explanation. Please note that Appendix D of the SPA provides that the NVT A may request detailed information about the investment of any NVT A Bond Proceeds not remitted or paid as described in this Question 14.

15. Is any portion of the Project NOT intended to be available or in fact is NOT reasonably available for General Public Use?

Yes _____ No _____

If "Yes," please attach an explanation.

16. Other than as may be described above or in any attachment to this Questionnaire, is the Project Sponsor in default of any of its obligations under the SPA?

Yes _____ No _____

If "Yes," please attach an explanation.

Date: _____

Authorized Representative

APPENDIX B

ANNUAL CFO QUESTIONNAIRE

Part I - General

1. Name of Bond Issue: _____
2. Issue Date: _____
3. Original Principal Amount: \$_____
4. Issue Price: \$_____
5. Fiscal Year: _____ ("FY")

Part II – Proceeds

1. Amount of bonds retired before and during the FY: \$_____
2. Amount of bonds legally defeased before and during the FY: \$_____
3. Total proceeds of issue: \$_____
4. Gross proceeds in reserve funds: \$_____
5. Capitalized interest from proceeds: \$_____
6. Proceeds in refunding escrows: \$_____
7. Issuance costs from proceeds: \$_____
8. Credit enhancement from proceeds: \$_____
9. Working capital expenditures from proceeds: \$_____
10. Capital expenditures from proceeds: \$_____
11. Other spent proceeds: \$_____
12. Other unspent proceeds: \$_____
13. Date of completion of all Projects financed by bonds: _____
14. Were the bonds issued as part of a current refunding issue?
Yes _____ No _____
15. Were the bonds issued as part of an advance refunding issue?
Yes _____ No _____

16. Has the final allocation of proceeds been made?
 Yes _____ No _____
17. Does the NVTA maintain adequate books and records to support the final allocation of proceeds?
 Yes _____ No _____
18. Have all Annual Project Sponsor Questionnaires for Projects financed by the Bonds been completed and submitted in a timely manner?
 Yes _____ No _____
- If "No," please attach an explanation.

Part III – Arbitrage

1. Has the issuer filed Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate?
 Yes _____ No _____
2. If "No," to question 1, did the following apply?
- a. Rebate not due yet?
 Yes _____ No _____
 - b. Exception to rebate?
 Yes _____ No _____
 - c. No rebate due?
 Yes _____ No _____
 - d. If "Yes" to question 2c, what date was the rebate computation was performed?
 _____, _____
3. Is the bond issue a variable rate issue?
 Yes _____ No _____
4. a. Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?
 Yes _____ No _____
- b. Name of provider: _____
- c. Term of hedge: _____

- d. Was the hedge superintegrated?
Yes _____ No _____
- e. Was the hedge terminated?
Yes _____ No _____
- 5. a. Were gross proceeds invested in a guaranteed investment contract (GIC)?
Yes _____ No _____
- b. Name of provider: _____
- c. Term of GIC: _____
- d. Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?
Yes _____ No _____
- 6. Were any gross proceeds invested beyond an available temporary period?
Yes _____ No _____

Part IV – Miscellaneous

- 1. Have the Policies been reviewed during the FY and, if necessary or desirable, updated or amended?
Yes _____ No _____
- 2. [Reserved]
- 3. [Reserved]

Date: _____

Chief Financial Officer, Northern
Virginia Transportation Authority

APPENDIX C

RETENTION OF RECORDS

Retention of Records. The NVTAs are to retain the following documentation (the "Records"):

- (a) All legal and accounting documents relating to proceeds of the Tax-Exempt Bonds, including opinions of counsel and the tax certificate with respect to each issue of Tax-Exempt Bonds.
- (b) Expenditure of proceeds of Tax-Exempt Bonds as described below.
 - (i) Documents evidencing the expenditure of the proceeds of the Tax-Exempt Bonds and investment earnings thereon and the specific assets financed with such proceeds, including projected draw schedules and invoices (*e.g.*, records with respect to the bond accounts and funds);
 - (ii) Documents setting forth all funds and accounts relating to the Tax-Exempt Bonds;
 - (iii) Documents pertaining to the investment of the proceeds of the Tax-Exempt Bonds (*e.g.*, records with respect to the bond accounts and funds), including the purchase and sale of securities, guaranteed investment contracts, and swap/hedge transactions;
 - (iv) With respect to all investments acquired in any fund or account in connection with the Tax-Exempt Bonds, the specific information set forth under the heading "Arbitrage and Rebate" herein;
 - (v) The Annual Project Sponsor Questionnaires;
 - (vi) Each of the requisitions submitted under the SPA; and
 - (vii) Each of the Annual CFO Questionnaires.
- (c) Documents evidencing any allocations with respect to the proceeds of the Tax-Exempt Bonds, including the Final Allocation described in the Policies;
- (d) [Should be submitted by the Project Sponsors and retained by the NVTAs] Documents evidencing the use and ownership of the bond financed property, including contracts for the use of such property, and documents evidencing the sale or other disposition of the bond financed property; and
- (e) Copies of the documentation with respect to any remedial actions.

Required Retention Periods. The NVTAs will retain the Records until the date that is six years after the complete retirement of the related issue of Tax-Exempt Bonds and any Tax-Exempt Bonds issued to refund such issue in whole or in part.

Form of Records. The NVTAs will keep all records in a manner that ensures complete access thereto for the applicable above described period either in hard copy or electronic format. If the records are kept in electronic format, compliance is necessary with the requirements of Revenue Procedure 97-22, 1997-1 C.B. 652 (or subsequent guidance provided by the Internal Revenue Service), which provides guidance for maintaining books and records by using an electronic storage system that either images their hardcopy books and records or transfers their computerized books and records to an electronic storage media (*e.g.*, an electronic data compression system).

APPENDIX D

DEFINITIONS OF PRIVATE PAYMENTS AND PRIVATE BUSINESS USE

Definition of Private Payments. For purposes of these Policies, "Private Payments" means payments derived, directly or indirectly, in respect of property used or to be used for Private Business Use. As an example, if there is Private Business Use with regard to a facility of the NVTAs as a result of a non-complying management contract and the NVTAs customers make payments with respect to such facility, such payments may be treated as Private Payments.

Definition of Private Business Use. For purposes of these Policies, the term "Private Business Use" means any activity that constitutes a trade or business that is carried on by persons or entities other than state or local governmental entities ("Nongovernmental Entities"). State or local governmental entities are referred to herein as "Governmental Entity." The United States of America is not treated as a Governmental Entity. Any activity carried on by a Person other than a natural person is treated as a trade or business. Any asset financed with Tax-Exempt Bonds not owned by a Governmental Entity will be considered to be used in a Private Business Use.

In most cases, Private Business Use will occur only if a Nongovernmental Entity has a special legal entitlement to use the bond financed property. Such a special legal entitlement includes ownership or actual or beneficial use pursuant to a lease, management, service or incentive payment contract, output contract, research agreement or similar arrangement. Private Business Use may also be established solely on the basis of a special economic benefit to one or more Nongovernmental Entities.

Management and Service Contracts. With respect to management and service contracts, the determination of whether a particular contract results in Private Business Use shall be based on the application of the Code and Treasury Regulations, including particularly Revenue Procedure 97-13, 1997-1 C.B. 632, as amended by Revenue Procedure 2001-39, 2001-2 C.B. 39 ("Revenue Procedure 97-13"). A summary of such Revenue Procedures is set forth in Appendix F to these Policies and a summary is set forth in a separate Memorandum to Clients for Tax-Exempt Financing Modified Rules Relating to Management Contracts provided to the NVTAs by Bond Counsel and is typically attached to the Tax Certificate executed in connection with each issue of Tax-Exempt Bonds. Such management and service contracts include, but are not limited to, operating agreements, construction management agreements, business services agreements, technical consulting services agreements and other similar agreements. Further, for purposes of determining the nature of a Private Business Use, any management or service contract that is properly characterized as a lease for federal income tax purposes is treated as a lease. Consequently, any such agreements, even though referred to as a management or service contract may nevertheless be treated as a lease. In determining whether a management or service contract is properly characterized as a lease, it is necessary to consider all of the facts and circumstances, including the following factors: (i) the degree of control over the property that is exercised by a Nongovernmental Entity; and (ii) whether a Nongovernmental Entity bears risk of loss of the financed or refinanced property.

Short-Term Use Exception. Arrangements fitting within either of the following two exceptions will not result in Private Business Use.

- **Use Pursuant to Generally Applicable and Uniformly Applied Rates.** Use pursuant to an arrangement will not result in Private Business Use if (i) the arrangement does not transfer ownership of the property to a Nongovernmental Entity, (ii) the term of the use under the arrangement, including all renewal options, is not longer than 100 days, and (iii) compensation under the arrangement is based on generally applicable and uniformly applied rates.

- **Use Pursuant to Negotiated Arm's Lengths Arrangements.** Use pursuant to an arrangement will not result in Private Business Use if (i) the arrangement does not transfer ownership of the property to a Nongovernmental Entity, (ii) the term of the use under the arrangement, including all renewal options, is not longer than 50 days, and (iii) the arrangement is a negotiated arm's-length arrangement and compensation under the arrangement is at fair market value.

Construction Contracts and Other Purchases of Capital Assets. A contract with a Nongovernmental Entity to construct capital assets or to sell capital assets to the NVTAs does not generally result in Private Business Use unless additional services are being provided by the Nongovernmental Entity in connection with such contract, e.g., construction management or consulting services. Such services with respect to bond financed property must be analyzed for Private Business Use under Revenue Procedure 97-13. Public-private partnerships should be carefully analyzed for this purpose.

Materials and Commodity Supply Contracts. A contract or purchase order for materials, commodities, inventory or other supplies from a Nongovernmental Entity does not generally result in Private Business Use unless there are additional services being provided by the Nongovernmental Entity in connection with the contracts, e.g., consulting services. Such service arrangements with respect to bond financed property must be analyzed for Private Business Use under Revenue Procedure 97-13. Public-private partnerships should be carefully analyzed for this purpose.

Ownership of bond financed property. If bond financed property is owned by a Nongovernmental Entity, such ownership will be considered Private Business Use of the asset for purposes of the Private Business Use rules.

Leases of bond financed property. All leases of bond financed property to a Nongovernmental Entity constitute Private Business Use of such property unless an exception for short term use is satisfied.

Non-possessory Incidental Use. Any non-possessory incidental use such as vending machines, bank machines and similar uses may be excluded from the Private Business Use rules to the extent of 2.5% of an issue of Tax-Exempt Bonds. Such use of bond financed property shall be tracked by Tax Compliance Designee.

Special Priority Rights or Special Economic Benefits. A contract which conveys special priority rights or special economic benefits in bond financed property to a Nongovernmental Entity may create Private Business Use. In determining whether special economic benefit gives rise to Private Business Use of bond financed property, it is necessary to consider all of the facts and circumstances, including one or more of the following factors: (i) whether the bond financed property is functionally related or physically proximate to property used in the trade or business of a Nongovernmental Entity; (ii) whether only a small number of Nongovernmental Entities receive the economic benefit; and (iii) whether the cost of the bond financed property is treated as depreciable by the Nongovernmental Entity. Such arrangements with respect to bond financed property must be reviewed by Bond Counsel.

Contract Logs. For each of the items listed in the Contract Logs, records shall be maintained setting forth (i) the issue or issues of Tax-Exempt Bonds that financed property used in connection with such arrangement, (ii) the amount of proceeds of such issue allocable to such property, and (iii) the amount of payments, if any, expected with respect to such arrangement, net of the incremental costs incurred by the NVTAs to operate and maintain the facility as a result of such arrangement. [Should be compiled by the Project Sponsor, but retained by the NVTAs.]

APPENDIX E

ARBITRAGE AND REBATE

The CFO of the NVTAs shall oversee the undertaking of the following actions.

- Refer to the Tax Certificate executed for a particular issue of Tax-Exempt Bonds for purposes of ascertaining the application of the Arbitrage Rules to such issue of Tax-Exempt Bonds.
- Consult with Counsel as appropriate for clarification and guidance with respect to application of the Arbitrage Rules.
- Review these Policies with Counsel periodically (at least annually) and refine and update the procedures as needed.
- Ensure that adequate records are established and maintained to set forth the date, amount and nature of each expenditure of the Bond Proceeds of each issue of Tax-Exempt Bonds and investment earnings thereon. Specifically, records of the following are to be established and maintained for each investment of Bond Proceeds: (i) the purchase date, (ii) the purchase price, (iii) information establishing that the purchase price is the fair market value as of such date (e.g., the published quoted bid by a dealer in such an investment on the date of purchase), (iv) any accrued interest paid, (v) the face amount, (vi) the coupon rate, (vii) periodicity of interest payments, (viii) disposition price, (ix) any accrued interest received, and (x) disposition date.
- For each issue of fixed rate Tax-Exempt Bonds, if any, obtain a computation of the yield on such issue from the NVTAs's financial advisor, and obtain from Counsel the Tax Certificate and a listing of all arbitrage yield restrictions attributable to Bond Proceeds or amounts treated as Bond Proceeds of each such issue. The tax certificate will typically contain the information described in the preceding sentence.
- For each issue of variable rate Tax-Exempt Bonds, obtain from Bond Counsel the Tax Certificate and a listing of all arbitrage yield restrictions attributable to Bond Proceeds or amounts treated as Bond Proceeds of each such issue.
- Maintain with respect to each issue of Tax-Exempt Bonds a schedule setting forth the latest date the Bond Proceeds of each issue may be invested at an unrestricted yield;
- The benchmarks that must be satisfied in order to meet exceptions to the arbitrage rebate requirements (a general description of the rebate exceptions is set forth in Appendix F attached hereto); and
- The dates on which any arbitrage rebate computations are required to be completed and arbitrage rebate is required to be paid to the United States Treasury.
- Monitoring the expenditure of Bond Proceeds and any investment earnings, which monitoring shall include obtaining and reviewing monthly reports of the expenditure and investment of proceeds of each issue of Tax-Exempt Bonds.

- Maintain a procedure for the allocation of proceeds of each issue of Tax-Exempt Bonds and investment earnings to expenditures, including the reimbursement of pre-issuance expenditures.
- Consult with and seek the assistance of the NVTAs financial advisor as needed to comply with and memorialize compliance with the requirements set forth in these Policies.
- Engage a firm with expertise in the area of arbitrage rebate compliance (the "Rebate Consultant") with respect Tax-Exempt Bonds to arrange, as necessary, for the monitoring of Bond Proceeds expenditure for compliance with various expenditure exceptions (described in Appendix F) and timely computation of arbitrage rebate or arbitrage yield reduction liability.
- If rebate or a yield reduction payment is due to the IRS, arrange for the timely filing of Form 8038-T and the payment of such rebate liability.

APPENDIX F

REBATE EXCEPTIONS

Bona Fide Debt Service Fund Exceptions

Amounts earned on money in a bona fide debt service fund shall not be taken into account for a bond year for purposes of complying with the Rebate Requirement. For purposes of complying with the Rebate Requirement with respect to issues other than as described in the preceding sentence, amounts earned on money in a bona fide debt service Fund shall not be taken into account for a Bond Year if the gross earnings thereon are less than \$100,000; an issue with an average annual debt service not in excess of \$2,500,000 may be treated as satisfying this \$100,000 limitation. A bona fide debt service fund is defined as a fund that (a) is used primarily to achieve a proper matching of revenues with principal and interest payments within each bond year, and (b) is depleted at least once each bond year, except for a reasonable carryover amount not to exceed the greater of the earnings on the fund for the immediately preceding bond year or one-twelfth of the principal and interest payments on the issue for the immediately preceding bond year.

Expenditure Exceptions

The "Six-Month Exception" to rebate is set forth in subsection (a) below and the "Eighteen-Month Exception" to rebate is set forth in subsection (b) below. The "Two-Year Exception" to rebate, available only with respect "to available construction proceeds," is set forth in subsections (c) and (d) below.

(a) **Six-Month Exception.**

- (i) In General: The Six-Month Exception will be treated as having been satisfied if (A) all "**Gross Proceeds**"² of the Tax-Exempt Bonds are allocated to expenditures for the governmental purposes of the Tax-Exempt Bonds no later than the date that is six months after the date of issuance of the Tax-Exempt Bonds, and (B) the Rebate Requirement is satisfied with respect to [1] other Gross Proceeds that arise after six months from the date of issue but that are not reasonably anticipated to arise as of the date of issue, [2] repayment of any grants made with proceeds of the Tax-Exempt Bonds, [3] sale or investment proceeds on payments under a purpose investment and [4] amounts on deposit in a reasonably required reserve or replacement fund, if any.
- (ii) **Gross Proceeds.** For purposes of meeting clause (i) above, the term Gross Proceeds excludes (A) amounts on deposit in the Debt Service Fund, (B) other Gross Proceeds that arise after six months from the date of issue but that are not reasonably anticipated to arise as of the date of issue, (C) repayment of any grants made with proceeds of the Tax-Exempt Bonds, (D) sale or investment proceeds on payments under any purpose

² Gross Proceeds means proceeds and replacement proceeds, within the meaning of Treasury Regulation Section 1.148-1 Under Section 1.148-1 of the Treasury Regulations, proceeds are amounts derived from the sale of the Tax Exempt Bonds, investment earnings thereon and transferred proceeds of an issue. Under Section 1.148-1 of the Treasury Regulations, amounts are replacement proceeds of an issue if the amounts have a sufficiently direct nexus to the issue or to the governmental purpose of the issue to conclude that the amounts would have been used for that governmental purpose if the proceeds of the issue were not used or to be used for that governmental purpose. Replacement proceeds are more fully described in Section 1.148-1(c) and include, but are not limited to, sinking funds, pledged funds and "other replacement proceeds."

investment, and (E) amounts on deposit (if any) in a reasonably required reserve or replacement fund, as defined in Treasury Regulation Section 1.148-7(b)(5).

- (iii) **Additional Six Months for Non-Private Activity Bonds.** The Six-Month Exception will be treated as satisfied if, in addition to satisfying subparagraph (ii) of this subsection (a), all Gross Proceeds of the Tax-Exempt Bonds are expended as provided in paragraph (i) of this subsection (a) except for an amount of Gross Proceeds that does not exceed the lesser of five percent (5%) of the proceeds of the Tax-Exempt Bonds and \$100,000 and such unexpended amount of Gross Proceeds is expended within one year from the date of issuance of the Tax-Exempt Bonds.

(b) **Eighteen-Month Exception.**

- (i) **In General.** The Eighteen-Month Exception will be treated as having been satisfied if (A) all Eighteen-Month Moneys (as defined in paragraph (ii) below) meet the Eighteen-Month Test, (B) the Rebate Requirement is satisfied with respect to all Gross Proceeds of the Tax-Exempt Bonds other than Eighteen-Month Moneys and amounts on deposit in a bona fide debt service fund for the Tax-Exempt Bonds, and (C) all Eighteen-Month Moneys qualify for the three (3) year temporary period set forth in Section 1.148-2(e)(2) of the Treasury Regulations.
- (ii) **Eighteen-Month Moneys.** For purposes of meeting paragraph (b)(iii) below, the term "Eighteen-Month Moneys" means all Gross Proceeds of the Tax-Exempt Bonds other than (A) amounts on deposit in a bona fide debt service fund, (B) Gross Proceeds of the Tax-Exempt Bonds that arise after eighteen (18) months from the date of issue but are not reasonably anticipated to arise as of the date of issue, (C) repayment of grants financed with proceeds of the Tax-Exempt Bonds, (D) sale or investment proceeds derived from payments under any purpose investment of the Tax-Exempt Bonds, and (E) any amounts on deposit in a reasonably required reserve or replacement fund, as defined in Treasury Regulation Section 1.148-7(b)(5). For purposes of complying with the first two spending periods set forth in paragraph (b) (iii) below, above, the estimated amount of investment earnings as of the issue date (based on reasonable expectations) are to be included in the gross proceeds of the issue.
- (iii) **Eighteen-Month Test.** To meet the Eighteen-Month Test, (A) at least fifteen percent (15%) of the Eighteen-Month Moneys have been allocated to expenditures for the governmental purposes of the Tax-Exempt Bonds within the six (6) month period beginning on the date of issuance of the Tax-Exempt Bonds, (B) at least sixty percent (60%) of the Eighteen-Month Moneys have been allocated to expenditures for the governmental purposes of the Tax-Exempt Bonds within the one (1) year period beginning on the date of issuance of the Tax-Exempt Bonds and (C) all of the Eighteen-Month Moneys have been expended for the governmental purposes of the Tax-Exempt Bonds within the eighteen (18) month period beginning on the date of issuance of the Tax-Exempt Bonds.
- (iv) **Reasonable Retainage.** For purposes of paragraph (iii) of this subsection (b), an issue will not fail to satisfy the spending requirement for the third spending period as a result of a reasonable retainage if such amount is allocated to expenditures for the governmental purposes of the Tax-Exempt Bonds within thirty (30) months from the date of issuance of the Tax-Exempt Bonds. For purposes of this paragraph (iv), a reasonable retainage is an amount retained for reasonable business purposes relating to the property financed with

the proceeds of the Tax-Exempt Bonds, e.g., a retention to ensure compliance with a construction contract in circumstances in which the amount retained is not yet payable or in which the NVTa reasonably determines that a dispute exists regarding completion of payment, and shall not exceed five percent (5%) of the net sale proceeds of the Tax-Exempt Bonds minus \$100,000.

- (v) **De Minimis Exception.** Any failure to satisfy the final spending requirement of the Eighteen-Month Exception is disregarded if the NVTa exercises due diligence to complete the project and the amount of the failure does not exceed the lesser of three percent (3%) of the issue price of the Tax Exempt Bonds and \$250,000.

(c) **Two-Year Exception.**

- (i) **75 Percent Test.** The Issuer reasonably expects as of the issue date of the Tax-Exempt Bonds that at least seventy-five percent (75%) of the "available construction proceeds" (defined below) of the Tax-Exempt Bonds will be allocated to construction expenditures (including reconstruction and rehabilitation) with respect to property that is owned by a governmental unit or an organization described in Section 501(c)(3) of the Code and exempt from federal income tax under Section 501(a) of the Code.
- (ii) **Two Year Test.** To meet the Two Year Exception, (A) at least ten percent (10%) of the available construction proceeds of the Tax-Exempt Bonds have been allocated to expenditures for the governmental purposes of the Tax-Exempt Bonds within the six (6) month period beginning on the date of issuance of the Tax-Exempt Bonds, (B) at least forty-five percent (45%) of the available construction proceeds have been allocated to expenditures for the governmental purposes of the Tax-Exempt Bonds within the one (1) year period beginning on the date of issuance of the Tax-Exempt Bonds, (C) at least seventy-five percent (75%) of the available construction proceeds of the Tax-Exempt Bonds have been allocated to expenditures for the governmental purposes of the Tax-Exempt Bonds within the eighteen (18) month period beginning on the date of issuance of the Tax-Exempt Bonds, and (D) all of the available construction proceeds of the Tax-Exempt Bonds have been allocated to expenditures for the governmental purposes of the Tax-Exempt Bonds within the two (2) year period beginning on the date of issuance of the Tax-Exempt Bonds. For purposes of determining compliance with the first three spending periods described above, the estimated amount of investment earnings as of the issue date (based on reasonable expectations) are to be included in the gross proceeds of the issue.

(d) **Available Construction Proceeds.**

- (i) **In General.** For purposes of subsection (c), the term "available construction proceeds" means an amount equal to the issue price of the Tax-Exempt Bonds (or the portion thereof at least seventy-five percent (75%) of the available construction proceeds of which are to be used for the purposes described in paragraph (i) of subsection (c) above), plus investment earnings on the Tax-Exempt Bonds or, where applicable, such portion thereof, plus investment earnings on any reasonably required reserve or replacement fund not funded from proceeds of the Tax-Exempt Bonds, plus investment earnings on all of the above described investment earnings, minus the amount of the issue price of the Tax-Exempt Bonds (or, where applicable, such portion thereof) deposited in the debt service reserve fund (if any) or to be applied to pay costs of issuance of the Tax-Exempt Bonds (if any), minus pre-issuance accrued interest. The term "available construction

proceeds," however, shall not include payments on any obligation acquired to carry out the governmental purpose of the issue or the investment earnings thereon, and shall not include investment earnings on amounts on deposit in a debt service reserve fund, if any, after the earlier of two years from the date of issue or the date on which construction of the project is substantially completed.

- (ii) **Reasonable Retainage.** For purposes of paragraph (ii) of subsection (c), all of the available construction proceeds of the Tax-Exempt Bonds shall be treated as expended for the governmental purposes of the Tax-Exempt Bonds within two (2) years from the date of issuance of the Tax-Exempt Bonds if all of such proceeds are expended for the governmental purposes of the Tax-Exempt Bonds within three (3) years from the date of issuance of the Tax-Exempt Bonds and such amounts would have been expended for such purposes within two (2) years from the date of issuance of the Tax-Exempt Bonds but for an amount that is retained for reasonable business purposes relating to property financed with the proceeds of the Tax-Exempt Bonds and that amount retained does not exceed five percent (5%) of the available construction proceeds of the Tax-Exempt Bonds as of the end of the fourth (4th) spending period referred to in paragraph (ii) of subsection (c) above. Reasonable retainage may include, for example, an amount retained to ensure compliance with the terms of a construction contract in circumstances in which the amount retained is not yet payable, or in which the NVT A reasonably determines that a dispute exists regarding either completion of construction or payment.
- (iii) **De Minimis Exception.** Any failure to satisfy the final spending requirement of the Two-Year Exception is disregarded if the Issuer exercises due diligence to complete the project and the amount of the failure does not exceed the lesser of three percent (3%) of the issue price of the Tax-Exempt Bonds and \$250,000.

APPENDIX G

QUALIFIED MANAGEMENT CONTRACT GUIDELINES

I. Qualified Management Contracts and Guidelines.

Generally, a management or service contract that meets the requirements set forth below and that does not give a service provider that is a Nongovernmental Entity (i.e., a person or entity other than a state or local governmental entity) an ownership or leasehold interest in the Tax-Exempt Financed Assets for federal income tax purposes and will not result in Private Business Use. The guidelines set forth herein are referred to as the "Qualified Management Contract Guidelines," and a contract that satisfies the guidelines is referred to herein as a "Qualified Management Contract."

Arrangements providing for exclusive use of bond financed property which is functionally related and subordinate to performance of a management contract that satisfied the Qualified Management Contract Guidelines will not give rise to private trade or business use. For example, use of a storage area by a food service manager will not give rise to private trade or business use if the management agreement satisfied the Qualified Management Contract Guidelines, the actual use of the space is in furtherance of such management contract and the amount of the space is not in excess of the service provider's reasonable needs with respect to the management contract.

II. Permitted Compensation Arrangements.

To be a Qualified Management Contract, the compensation arrangement must conform to one of the following permitted compensation arrangements described in this Part II and meet the requirements in Part III below. In addition, compensation must be reasonable and not based in whole or in part on a share of the net profits from the operation of the facility. A table summarizing the permitted compensation arrangements, maximum term and required cancellation notice is attached.

Periodic Fixed Fee and/or Capitation Fee Contracts

A. 95% Periodic Fixed Fee. A contract will satisfy the Qualified Management Contract Guidelines if:

- (1) at least 95% of the compensation for services for each annual period is based on a Periodic Fixed Fee (defined below), and
- (2) the term of the contract, including all renewal options by the Nongovernmental Entity, is not longer than the lesser of fifteen years or eighty percent of the reasonably expected economic life of the bond-financed property.

The contract may have a one-time incentive award during the term of the contract in which compensation is automatically increased by a single, stated dollar amount when a gross revenue or expense (but not both) target is reached.

B. 80% Periodic Fixed Fee. A contract will satisfy the Qualified Management Contract Guidelines if:

- (1) at least 80% of the compensation for services for each annual period is based on a Periodic Fixed Fee, and
- (2) the term of the contract, including all renewal options by the Nongovernmental Entity, is not longer than the lesser of ten years or eighty percent of the reasonably expected economic life of the bond-financed property.

The contract may have a one-time incentive award during the term of the contract in which compensation is automatically increased by a single, stated dollar amount when a gross revenue or expense (but not both) target is reached.

C. 50% Periodic Fixed Fee. A contract will satisfy the Qualified Management Contract Guidelines if:

- (1) at least 50% of the compensation is based on a Periodic Fixed Fee,
- (2) the term of the contract, including all renewal options, is not longer than five years, and
- (3) The NVTA may terminate the contract on reasonable notice, without penalty or cause, at the end of the third year of the contract.

Similarly, if all of the compensation under a management contract is based on Capitation Fee (defined below) or a combination of a Capitation Fee and a Periodic Fixed Fee, the contract may be analyzed as if at least 50% of the compensation were based on a Periodic Fixed Fee.

Periodic Fixed Fee Defined. A "Periodic Fixed Fee" means a stated dollar amount for services rendered for a specified period of time.³ The stated dollar amount may automatically increase in accordance with specified objective external standards that are not linked to the output or efficiency of a facility. For example, the Consumer Price Index and similar external indices that track increases in prices in an area or increases in revenues or costs in an industry are objective, external standards.

³ A type of periodic fixed fees is a "Capitation Fee," which is defined as a fixed periodic amount for each person for whom the service provider assumes the responsibility for providing all needed services, provided that the quantity and type of services actually provided to such persons varies substantially. For example, a fixed dollar amount payable monthly to a medical service provider for each member of a health maintenance organization for whom the provider agrees to provide all needed medical services for a specified period. Additionally, a Capitation Fee may include an automatic increase according to a specified, objective, external standard that is not linked to the output or efficiency of a facility. For example, the Consumer Price Index and similar external indices that track increases in prices in an area or increases in revenues or costs in an industry are objective, external standards. A Capitation Fee may include a variable component of up to 20 percent of the total Capitation Fee that is designed to protect the service provider against risks such as catastrophic losses.

Per Unit Fee Contracts. A contract will satisfy the Qualified Management Contract Guidelines if:

- (1) the compensation is based on a Per-Unit Fee (defined below) or a combination of a Per-Unit Fee and a Periodic Fixed Fee, if all of the financed property subject to the contract is a facility or system of facilities consisting predominantly of public utility property, the term of the contract may be as long as the lesser of 20 years or 80 percent of the reasonably expected economic life of the bond-financed property. Public utility property includes property used predominantly to furnish or sell electrical energy, water or sewage disposal services, gas or steam through a local distribution system, transportation of gas or steam through a pipeline, telephone services and certain other types of communications services.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

Policy Number 16 – Standard Project Agreement Activation

- I. Purpose.** The Authority appropriates current and projected financial resources from the Regional Revenue Fund upon project approval. The purpose of this policy is to provide a mechanism for the Authority to remove appropriations for approved projects that are not advancing to execution of a Standard Project Agreement (SPA). These appropriations will be returned to the Regional Revenue Fund for assignment to future projects.
- II. General.**
- A.** The Authority assigns funding to a project with the clear expectation of progress as outlined in the Project Description/Scope of Work. Project funding is appropriated at the point that the Authority approves the project. The SPA (covered in Policy 12) provides details of expected utilization of the appropriated funds.
 - B.** If a project sponsor is unable to complete project activation – either due to circumstances within or outside of their control – the best interest of the Authority may be served by cancelling the project and the appropriation.
 - C.** This policy only addresses projects that are not advancing to a fully executed SPA. Projects with approved SPAs that experience delays due to procurement, funding, unforeseen construction-related events, or other issues are not affected by this policy, but will be subject to ongoing review on a case-by-case basis.
 - D.** All NVTAFunds made available from actions taken under this policy will be returned to the Regional Revenue Fund for future allocation by the Authority.
 - E.** Any SPA which has not been approved by the governing body of the sponsoring entity within six months of NVTAF approval is subject to cancellation.
 - F.** At the request of a sponsoring entity made within six months, NVTAF may, at its sole discretion, refer the matter to the appropriate committee for recommended extension of the timeframe for SPA approval.
 - G.** In all cases, agreement will be sought with the implementing jurisdiction or agency. If agreement is not forthcoming the Executive Director may take a project cancellation request to the Authority for action.
 - H.** This policy will be in effect for all projects approved with FY2014 through 2017 funds.
- III. Responsibilities.**
- A. Project sponsoring agency**
 - 1. Completion of SPAs within six months of approval by the Authority.
 - 2. Request cancellation of any projects for which the jurisdiction determines the completion of a SPA is not possible, or request an extension of the six month deadline. Any request for an extension must include:
 - a. Basis for current delay.
 - b. Action needed to resolve delay.
 - c. Schedule for completion of actions to resolve delay.
 - B. NVTAF Executive Director**
 - 1. If no request for extension is presented within six months of SPA approval, make recommendation to the Authority on project cancellation.

2. Accept requests for project cancellation and forward to Authority with recommendation to accept or reject the request.
3. Evaluate requests for extension of time to complete a SPA.
 - a. Request additional information, when required to evaluate request.
 - b. Make recommendation to the Authority on SPA extension or project cancellation.

Approved by the Finance Committee: April 17, 2015

Approved by Northern Virginia Transportation Authority: April 23, 2015