

**Agenda for
Organizational Meeting of
the Board of Directors of the
Tulare County Regional Transit Agency**

August 17, 2020, 2:30 p.m.

**Tulare County Board of Supervisors Chambers
2800 West Burrel Avenue
Visalia, CA 93291**

NOTE: This meeting will allow Board Members and the public to participate in the meeting via Teleconference, pursuant to the Governor's Executive Order N-29-20 (March 17, 2020), available at:

<https://www.gov.ca.gov/wp-content/uploads/2020/03/3.17.20-N-29-20-EO.pdf>

The call-in number for this meeting is: 877-858-5743 | Passcode: 609873

In compliance with the Americans with Disabilities Act and the California Ralph M. Brown Act, if you need special assistance to participate in this meeting, including auxiliary aids, translation requests, or other accommodations, or to be able to access this agenda and documents in the agenda packet, please contact the Tulare County Association of Governments ("TCAG") office at 559-623-0450 at least 3 days prior to the meeting. Any staff reports and supporting materials provided to the Board after the distribution of the agenda packet are available for public inspection at the TCAG office.

- 1. CALL TO ORDER, WELCOME, AND ROLL CALL** by TCAG Executive Director.
- 2. PLEDGE OF ALLEGIANCE** by TCAG Executive Director.
- 3. PUBLIC COMMENT**

**NOTICE TO THE PUBLIC
PUBLIC COMMENT PERIOD**

At this time, members of the public may comment on any item of interest to the public and within the subject matter jurisdiction of TCRTA but not appearing on this agenda. Under state law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public is invited to make comments at the time the item comes up for Board consideration. Any person addressing the Board will be limited to a maximum of three (3) minutes so that all interested parties have an opportunity to speak with a total of fifteen (15) minutes allotted for the Public Comment Period. Speakers are requested to state their name(s) and address(es) for the record.

ACTION ITEMS

- 4. ADMINISTER OATH OF OFFICE TO DIRECTORS** by TCAG Executive Director. (No page)
- 5. ELECTION AND SEATING OF CHAIR AND VICE CHAIR OF BOARD** by TCAG Executive Director. (Page 1)
- 6. APPOINTMENT OF TCAG EXECUTIVE DIRECTOR AS INTERIM EXECUTIVE DIRECTOR AND BOARD SECRETARY OF TCRTA** (Page 2)
- 7. REQUEST TCAG TO PROVIDE INTERIM ADMINISTRATIVE AND STAFF SUPPORT, OFFICE SPACE, AND START-UP BUDGET FINANCING FOR TCRTA** (Page 3)
- 8. APPOINTMENT OF COUNTY COUNSEL AS INTERIM LEGAL COUNSEL FOR TCRTA** (Page 4)
- 9. ADOPTION OF BYLAWS OF TCRTA BOARD OF DIRECTORS** (Pages 5-14)
- 10. ADOPTION OF CONFLICT OF INTEREST CODE FOR TCRTA** (Pages 15-19)
- 11. ADOPTION OF CEQA PROCEDURES FOR TCRTA** (Pages 20-22)
- 12. ADOPTION OF LOCAL DEBT POLICIES FOR TCRTA** (Pages 23-34)
- 13. DIRECT INTERIM EXECUTIVE DIRECTOR TO:**
 - a. File a Notice of a Joint Powers Agreement with the California Secretary of State, along with a copy of the agreement, within 30 days after the effective date of the Agreement and request TCAG to advance the \$1.00 filing fee;
 - b. Register the new agency with the California Secretary of State (Roster of Public Agencies) within 70 days of start-up (no filing fee);
 - c. Notify Tulare County Auditor-Controller/Treasurer-Tax Collector Cass Cook of his appointment as Auditor and Treasurer for the new agency, provide him with a copy of signed Joint Powers Agreement, and request assistance in establishing necessary accounts and financial record keeping for new agency;
 - d. Begin implementation of Joint Powers Agreement, development of operational and capital budgets for TCRTA for fiscal year 2020-21, and negotiation of cooperative agreements with current transit providers.
- 14. OTHER BUSINESS**
 - a. Information: Items from Staff.
 - b. Information: Items from Board Members.
 - c. Request from Board Members for Future Agenda Items.
- 15. ADJOURN**

The next scheduled meeting of the Tulare County Regional Transit Agency (TCRTA) Board of Directors will be held on Monday, September 21, 2020 at 2:30 p.m. in the Tulare County Board of Supervisors Chambers, 2800 W. Burrell Avenue, Visalia, CA 93291.

TULARE COUNTY REGIONAL TRANSIT AGENCY

<u>BOARD OF DIRECTORS</u>	<u>ALTERNATE</u>	<u>AGENCY</u>
Mary Waterman-Philpot	Dave Hails	City of Exeter
Greg Gomez	Tina Hernandez	City of Farmersville
Pam Kimball	Brian Watson	City of Lindsay
Virginia Gurrola	Monte Reyes	City of Porterville
Jose Sigala	Terry Sayre	City of Tulare
Rudy Mendoza	Emmanuel Llamas	City of Woodlake
Kuyler Crocker	Eddie Valero	County of Tulare

EX OFFICIO MEMBERS

Georgina Cardenas, CalVans

TCRTA STAFF

OFFICE INFORMATION

*The TCTRA is temporarily receiving support from the Tulare County Association of Governments.

TCAG

210 N. Church Street, Suite B

Visalia, CA 93291

Phone: (559) 623-0450

Fax: (559) 733-6720

www.tularecog.org

Tulare County Regional Transit Agency

AGENDA ITEM 5

August 17, 2020

Prepared by Elizabeth Forte, TCAG Staff

SUBJECT:

Action: Election and Seating of Chair and Vice Chair of Board

DISCUSSION:

As specified in the Joint Powers Agreement, the TCRTA shall appoint a Chair and Vice Chair to serve two years. The terms for the selected officers shall conclude on June 30, 2022.

ATTACHMENT:

None

Tulare County Regional Transit Agency

AGENDA ITEM 6

August 17, 2020

Prepared by Elizabeth Forte, TCAG Staff

SUBJECT:

Action: Appointment of TCAG Executive Director as Interim Executive Director and Board Secretary of TCRTA

DISCUSSION:

An Interim Director is necessary to perform certain duties to formally establish this agency, such as filing notices with the California Secretary of State and the Tulare County Auditor-Controller/Treasurer-Tax Collector, as described in Agenda Item 13. An Interim Director is also needed to initiate other necessary items for the implementation of the Agency.

ATTACHMENT:

None

AGENDA ITEM 7

August 17, 2020

Prepared by Elizabeth Forte, TCAG Staff

SUBJECT:

Action: Request TCAG to Provide Interim Administration and Staff Support, Office Space, and Start-up Budget Financing for TCRTA

DISCUSSION:

The TCRTA is a new agency. As it is maturing, support for its operations is needed. This item would authorize TCAG support, such as staffing, office space, and start-up funding, for the TCRTA in its initial stages of formation.

ATTACHMENT:

None

Tulare County Regional Transit Agency

AGENDA ITEM 8

August 17, 2020

Prepared by Elizabeth Forte, TCAG Staff

SUBJECT:

Action: Appointment of County Counsel as Interim Legal Counsel for TCRTA

DISCUSSION:

The TCRTA requires legal counsel. This action would authorize Tulare County Counsel as interim counsel for the TCRTA.

ATTACHMENT:

None

Tulare County Regional Transit Agency

AGENDA ITEM 9

August 17, 2020

Prepared by Elizabeth Forte, TCAG Staff

SUBJECT:

Action: Adoption of Bylaws of TCRTA Board of Directors

DISCUSSION:

Proposed Bylaws for the TCRTA are attached for consideration and approval.

ATTACHMENT:

Bylaws of the Tulare County Regional Transit Agency

**BYLAWS OF THE
TULARE COUNTY REGIONAL TRANSIT AGENCY
2020**

A. GENERAL PROVISIONS

1. Formation and Purpose of the Tulare County Regional Transit Agency

The TULARE COUNTY REGIONAL TRANSIT AGENCY (“TCRTA” or “Transit Agency”) is a joint powers agency formed by the County of Tulare and the Cities of Exeter, Farmersville, Lindsay, Porterville, Tulare, and Woodlake (each, a “Member Agency” and together, the “Member Agencies”) pursuant to Section 6500 *et seq.* of the Government Code of the State of California through the adoption of a Joint Powers Agreement that became effective on August __, 2020 (the “Joint Powers Agreement”).

The purpose of the Joint Powers Agreement is to empower the Member Agencies to exercise their common powers by the formation and operation of TCRTA, with full power and authority to own, operate, and administer a public transportation system within the jurisdictions of the Member Agencies. TCRTA is and shall operate as a public agency separate and apart from the Member Agencies.

2. Purpose of Bylaws

The purposes of these Bylaws are to assist TCRTA’s governing Board of Directors (“Board”) as it sets policy and conducts the business and affairs of TCRTA. These Bylaws are intended to help clarify and define the responsibilities of the officials of TCRTA, to supplement the Joint Powers Agreement and state law, and to promote guidelines that are more specific for the actions of the Board by means that are fair, fiscally responsible, and protective of the interests of the people served by TCRTA. These Bylaws express the consensus of the Board as to policy matters covered but are not intended to be exhaustive nor are they intended to restrict the otherwise lawful authority of the Board. Notwithstanding any other term, provision, or condition of these Bylaws, no otherwise lawful act of the Board or the officers of TCRTA shall be invalidated by reason of any term, provision, or condition of these Bylaws.

3. Roster of Public Agencies

Pursuant to California Government Code section 53051, each time a change is made in the name of TCRTA, the address of TCRTA, or a change in the members of the Board, a notice of same shall be filed by TCRTA’s Executive Director (or his or her designee) with the California Secretary of the State and the Tulare County Clerk within ten (10) days of the change.

4. Applicable Law

That which is contained in the applicable provisions of the Government and other applicable California Codes and regulations, together with applicable federal laws and regulations and the Joint Powers Agreement, shall govern the actions of TCRTA and the Board.

**BYLAWS OF THE
TULARE COUNTY REGIONAL TRANSIT AGENCY
2020**

B. ORGANIZATION

1. Board of Directors

- 1.1 Unless otherwise expressly stated, the powers of TCRTA shall be exercised by the Board.
- 1.2 The Board shall be composed of elected officials, hereafter called "Directors," from each Member Agency. Each Member Agency shall appoint one regular Director and one alternate Director to the Board. Each Director will serve at the pleasure of the Director's appointing authority; however, Directors who are members of the governing body of their respective Member Agencies shall cease to serve as Directors upon termination of that public office. The applicable appointing authorities shall fill vacancies on the Board of Directors.
- 1.3 The following shall sit as non-voting, *ex-officio* members of the Board:
 - 1.3.1 The Tulare County Association of Governments Board members sitting as the Public Transit Representative and Alternate (if different than an already seated Director); and
 - 1.3.2 The Calvans Executive Director or his/her designee.
- 1.4 Before entering on the duties of his or her office and after appointment to a new term each Director shall take (orally) and subscribe (sign) the oath or affirmation required by law before an officer authorized to certify oaths. The signed oath shall be kept on file in TCRTA's office.
- 1.5 The Directors shall serve on the Board without additional compensation but shall receive reimbursement for actual and necessary travel expenses incurred in the performance of their duties and outlined in accordance with policies established by the Board.

2. Officers of the Board of Directors

- 2.1 The Board shall elect a Chair and Vice-Chair from among the Directors, and such other officers as the Board may deem necessary. The regular biennial election of officers shall be held at the Board's first regular meeting of the applicable calendar year. An election to fill a vacancy in an office may be held at any regular meeting of the Board or a special meeting called for that purpose.
- 2.2 The Chair, Vice-Chair, and other officers elected by the Board each shall serve at the pleasure of the majority of the voting members of the Board and be elected for terms of two years, with no limit on the number of terms served. Each such officer shall continue to serve until his or her successor is elected, or until his or her death, resignation, or removal from office by the majority of the voting members of the Board, whichever occurs earlier.
- 2.3 The Chair shall preside at all meetings of the Board and generally shall perform all duties incident to the office of Chair and such other duties as may from time to time be assigned to such office by the

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Board. The Chair shall have the same rights as the other Directors in voting, introducing motions, resolutions, and any discussions.

- 2.4 At the request of the Chair, or in case of his or her absence or disability, the Vice-Chair shall perform all duties of the Chair and, when so acting, shall have all the powers of, and be subject to all restrictions upon, the Chair. In addition, the Vice-Chair shall perform such other duties as may from time to time be assigned to that office by the Board of Directors or the Chair.
- 2.5 The Executive Director of the Transit Agency (provided for below) shall serve *ex-officio* as the Secretary of the Board. The Secretary shall (i) certify and keep at the office of the Transit Agency, or at such other place as the Board may order, the original or a copy of the Joint Powers Agreement, these Bylaws, and the other documents provided for below, as amended or otherwise altered; (ii) keep at the office of the Transit Agency, or at such other place as the Board may order, a book of minutes of all meetings of the Board, recording therein the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, and the proceedings thereat; (iii) see that all notices are duly given in accordance with the provisions of the Joint Powers Agreement, the Bylaws, or as required by law; (iv) be custodian of the records of the Transit Agency; (v) exhibit at all reasonable times to any Director, upon application, the Bylaws and minutes of the proceedings of the Board; and (vi) in general, perform all duties of the office of Secretary and such other duties as may from time to time be assigned to such office by the Board or the Chair.
- 2.6 Any officer may resign at any time by giving written notice to the Board. Any such resignation shall take effect at the time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed for regular election or appointment to such office. A Director elected to fill a vacant office shall serve for remainder of the unexpired term of said office, and shall be eligible for election for a regular term of such office thereafter in accordance with these Bylaws.
- 2.7 With prior Board approval, the Chair, the Vice-Chair, the Secretary, or any other designated officer, agent, or employee of the Transit Agency is authorized to execute all documents in the name of the Transit Agency.

C. MEETINGS OF THE BOARD

1. Meetings Generally

All meeting of the Board shall be called for, noticed, and conducted in accordance with the Ralph M. Brown Act found at California Government Code section 54950 *et seq.* (the "Brown Act"). Meetings may be canceled by a vote of the Board. The Board Secretary, in consultation with the Board Chair and Vice-Chair, shall prepare an agenda for each regular meeting and or a special meeting of the Board. Any Director may request an item to be placed on the regular meeting agenda or special meeting agenda.

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2. Regular Meetings

At its first regular meeting of each calendar year, the Board of Directors shall establish a schedule of regular meetings for that year, including the date, time, and location for such meetings. Every regular meeting of the Board of Directors shall be held at such date and time and at such location within the boundaries of the County of Tulare as so established and publically noticed in the agenda for the meeting. Regular meetings of the Board may be cancelled or may be held on such other dates and/or at such other times and locations as may be approved by the Board or as directed by the Board's Chair.

3. Special Meetings

Special meetings may be called at any time by the Board's Chair, Vice-Chair, or at the suggestion of the TCRTA's Executive Director, or upon written request by any two members of the Board. Each member shall receive written notice at least 24 hours in advance of any special meeting unless the member has specifically waived this required notice. In accordance with the Brown Act, the call and notice shall specify the time and place of the special meeting and the business to be transacted. No other business shall be considered at such special meeting.

4. Emergency Meetings

Emergency meetings may be called without compliance with the 24-hour notice requirement in the case of any emergency situation involving matters upon which prompt action is necessary as set forth in the Brown Act.

5. Closed Sessions

Closed sessions may be held during a regular or special meeting. The general reason for a closed session must be made public as required by the Brown Act. Closed sessions not expressly authorized by the Brown Act are prohibited. Following a closed session, the Chair shall announce any action taken by the Board during such closed session to the extent such announcement is required by law.

6. Quorum and Vote

A majority of the total voting membership of the Board shall constitute a quorum for the transaction of business. Regular business will be acted upon by approval of a quorum of the Board, with the exception of the following actions which shall require approval by a unanimous vote of the Directors present and voting at a regular or special meeting of the Board, provided that a quorum of the Board is present and voting:

- 6.1 Approval of the TCRTA annual Budget (defined below), including any amendments or revisions thereto.
- 6.2 Local Transportation Fund (LTF) Claims Approval for Submittal to the Tulare County Association of Governments.

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6.3 Withdrawal of a Member Agency from the Joint Powers Agreement prior to completion of initial new membership term (per Article I, Section 2 of the Joint Powers Agreement).

6.4 Readmission of an agency that was a prior member of the Transit Agency and has since withdrawn.

7. Committees

7.1 Standing Committees

The Board may create standing committees of the Board at its discretion. Standing committees shall be advisory committees to the Board and shall not commit TCRTA to any policy, act, or expenditure. Each standing committee may consider TCRTA related issues, on a continuing basis, assigned to it by the Board. The Board of Directors shall appoint committee members.

All meetings of standing committees of the Board shall be conducted as public meetings in accordance with the Brown Act. Minutes or summary notes for each meeting of each committee shall be forwarded to the Board of Directors as a public record.

7.2 Ad Hoc Committees

The Board shall appoint such ad hoc committees as may be deemed necessary or advisable. The specific duties and purpose of each ad hoc committee shall be outlined at the time of creation and appointment, and the committee shall be considered dissolved when its final report action has been made.

D. APPOINTMENT OF EXECUTIVE DIRECTOR

The Board shall appoint an Executive Director of TCRTA. The Executive Director shall serve at the pleasure of or upon the terms prescribed by the Board. The Executive Director so appointed may be an employee of a Member Agency, an employee of the TCRTA, or an independent contractor (or employee of an independent contractor). Under rules and regulations provided by the Board, the powers and duties of the Executive Director are:

- 1.1. To lead and coordinate the transit system of the Transit Agency and to be responsible to the Board for proper administration of all affairs of the Transit Agency.
- 1.2. To appoint, assign, direct, supervise, and, subject to the personnel rules adopted by the Board, discipline or remove Transit Agency employees.
- 1.3. To arrange for secondary support services, including: legal counsel, general services, office space, human resources, fiscal and administrative support, communications, information technology, payroll, and other support services necessary or convenient for the operation of the transit system and Transit Agency.

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- 1.4. To supervise and direct the preparation of TCRTA's annual operating and capital improvement budgets, hereafter called "Budget," for the Board and be responsible for the Budget's administration after adoption by the Board.
- 1.5. To formulate and present to the Board plans for transit facilities and/or services and the means to finance them.
- 1.6. To supervise the planning, acquisition, construction, maintenance, and operation of the transit facilities and/or services of the Transit Agency.
- 1.7. To provide regular performance updates to the Board.
- 1.8. To attend all meetings of the Board and act as the Secretary of the Board. As Secretary, he or she shall cause to be kept minutes of all meetings of the Board, to cause a copy of the minutes of the previous Board meeting to be included with the agenda of the next regular meeting of the Board, and perform all of the duties of the Secretary as prescribed in Section B. 2.5. above.
- 1.9. To establish and maintain fare collection and deposit services.
- 1.10. To organize and operate an ongoing transit-marketing program, including special promotions.
- 1.11. To evaluate and propose new programs and public transportation services, with implementation to occur as approved by the Board.
- 1.12. To execute transfers within major budget units, in concurrence with the Treasurer/ Auditor-Controller of the Transit Agency, as long as the total expenditures of each major budget unit remain unchanged.
- 1.13. To purchase or lease items, fixed assets, or services within the levels authorized in the applicable Budget.
- 1.14. To lease buses, vans, and other transit vehicles on an "as needed" basis from public or private organizations when deemed necessary to assure continued reliability of service.
- 1.15. To perform such other duties as the Board may require in carrying out the policies and directives of the Board.

E. MISCELLANEOUS PROVISIONS

1. Treasurer and Auditor

Pursuant to California Government Code Section 6505.5, the County Treasurer and County Auditor of the County of Tulare has been designated in the Joint Powers Agreement as Treasurer and Auditor of the Transit Agency. As such, they shall have the powers, duties, and responsibilities as set forth in said section of the Government Code. The County of Tulare shall be compensated for the services rendered. The amount and

**BYLAWS OF THE
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method of compensation agreed upon between the County and Transit Agency shall be set forth in the annual Budget of the Transit Agency.

2. Annual Audit

The Board shall cause an annual audit of the Transit Agency to be prepared and filed pursuant to California Government Code Section 6505. The Transit Agency shall pay the cost of such audit whether conducted by the County Auditor or an independent auditor.

3. Official Bonds

Pursuant to California Government Code Section 6505.1, the Board shall require the official bonds be filed by any officers, employees, or agents, which have access to the property of the Transit Agency. The cost of said bonds shall be borne by the Transit Agency.

4. Purchasing Procedures

The Board may establish purchasing procedures and policies to ensure the Transit Agency receives competitive prices for the lease or purchase of goods and services. Formal bidding shall not be required unless specifically directed by the Board or required by applicable state or federal law, or required in order to comply with applicable cooperative purchasing arrangements.

5. Indemnification

The Transit Agency shall indemnify, defend, and hold harmless the Member Agencies, their officers, agents, and employees, and members of the Board of Directors, their officers, agents, and employees, and committee members, their officers, agents, and employees, from and against any and all claims and losses whatsoever, occurring or resulting to persons, firms, or corporations furnishing or supplying work, services, materials or supplies to the Transit Agency in connection with the performance of the Joint Powers Agreement, and, except as expressly provided by law, from any and all claims and losses accruing or resulting to any persons, firm or corporation, for damage, injury, or death arising out of or connected with the Transit Agency's performance of its obligations under the Joint Powers Agreement. Nothing herein shall limit the right of the Transit Agency to purchase insurance or to create a self-insurance mechanism to provide coverage for the foregoing indemnity.

In this regard, the Member Agencies do not intend hereby to be obligated either jointly or severally for the debts, liabilities or obligations of the Transit Agency, except as may be specifically provided for in California Government Code Section 895.2 as amended or supplemented. Provided, however, if any Member Agency is, under such applicable law, held liable for the acts or omissions of the Transit Agency caused by negligent or wrongful act or omission occurring in the performance of the Joint Powers Agreement, then such parties shall be entitled to contribution from the other Member Agencies so that after said contributions each Member Agency shall bear a proportionate share of such liability, in ratios consistent with those provided for in Article III, section 4 of the Joint Powers Agreement. This provision does not apply to acts or omissions of a Member Agency in implementing the public transit system approved by the Transit Agency within such Member Agency's boundaries and managed in whole or in part by such Member Agency.

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6. Privileges and Immunities

All of the privileges and immunities from liability, exemptions from laws, ordinances and rules, all pension, relief, disability, workmen's compensation, and other benefits which apply to the activity of officers, agents or employees of any Member Agency when performing their respective functions within the territorial limits of their respective public agencies, shall apply to them to the same degree and extent while engaged in the performance of any of their functions and duties extraterritorially under the auspices of the Transit Agency and the provisions of the Joint Powers Agreement.

7. Policies and Procedures, Bylaws, Conflict-of-Interest Code, and Debt Policies

Within the first six (6) months of the Transit Agency's existence, the Board shall establish a Policies and Procedures Manual to govern the day-to-day operations of the Transit Agency, local debt policies pursuant to California Government Code section 8855, and a Conflict-of-Interest Code pursuant to California Government Code section 87300, all of which are not inconsistent either with applicable law or with the Joint Powers Agreement. Each Director and Member Agency shall receive a copy of the adopted Policies and Procedures Manual, these Bylaws, and the Conflict-of-Interest Code. Thereafter, the Board may amend or repeal any bylaw, regulation, policy, procedure, or portion of the Conflict-of-Interest Code, provided that such action is not inconsistent with either the applicable law or the Joint Powers Agreement. The Executive Director shall send to each Director and to each Member Agency all Bylaw amendments, and Debt Policy and Conflict-of-Interest Code revisions promptly after adoption by the Board.

8. Fiscal Year and Budget

The fiscal year for the Transit Agency shall be July 1 through June 30 of the following calendar year.

The Board shall adopt an annual Budget prior to the beginning of each fiscal year. Except as otherwise provided in Article III, Section 4 of the Joint Powers Agreement, a unanimous vote of approval by all Directors present and voting at a regular or special meeting of the Board, at which a quorum must be present, shall be required for the adoption of the Budget, and any amendments or revisions thereto.

9. The annual Budget may carry forward funds for future fiscal years where necessary to reflect obligations under state or federal funding or grant agreements.

10. Amendment

These Bylaws may be amended by the Board from time-to-time as the Board deems necessary. Such amendments shall be considered to be within the regular business of the Board and may be adopted upon approval of a quorum of the Board.

**BYLAWS OF THE
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THESE BY-LAWS RATIFIED ON _____, 2020 by the following vote:

SIGNATURES OF BOARD OF DIRECTORS:

CHAIR:

VICE CHAIR:

DIRECTOR:

DIRECTOR:

DIRECTOR

DIRECTOR:

DIRECTOR:

ATTEST:

AGENCY INTERIM SECRETARY:

Tulare County Regional Transit Agency

AGENDA ITEM 10

August 17, 2020

Prepared by Elizabeth Forte, TCAG Staff

SUBJECT:

Action: Adoption of Conflict of Interest Code for TCRTA

DISCUSSION:

The proposed Conflict of Interest Code for the TCRTA is attached for consideration and approval.

ATTACHMENT:

Conflict of Interest Code of the Tulare County Regional Transit Agency

CONFLICT OF INTEREST CODE OF THE TULARE COUNTY REGIONAL TRANSIT AGENCY

(Adopted **August 17, 2020**)

The Political Reform Act (Gov Code § 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted 2 Cal. Code of Regulations section 18730, which contains the terms of a standard conflict of interest code that can be incorporated by reference in an agency's code. After public notice and hearing, Section 18730 may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This incorporation page, Regulation 18730 and the attached Appendix designating positions and establishing disclosure categories, shall constitute the conflict of interest code of the **Tulare County Regional Transit Agency (the "Transit Agency")**.

All officials and designated positions required to submit a statement of economic interests shall file their statements with the **Transit Agency Executive Director** (or his or her designee) as the Transit Agency's Filing Officer. The Transit Agency's Filing Officer shall make and retain a copy of all statements filed by Officials listed in Government Code Section 87200, and forward the originals of such statements to the Fair Political Practices Commission. The Transit Agency's Filing Officer shall retain the originals of the statements of all other officials and designated positions and. will make all retained statements available for public inspection and reproduction during regular business hours (Gov. Code§ 81008.)

**CONFLICT OF INTEREST CODE OF THE
TULARE COUNTY REGIONAL TRANSIT AGENCY**

(Adopted August 17, 2020)

PART "A"

The Transit Agency Officials who manage public investments as defined by 2 Cal. Code of Regs. § 18700.3, are NOT subject to the Transit Agency's Code but must file disclosure statements under Government Code section 87200 et seq. [Regs. § 18730(b)(3)]

OFFICIALS WHO MANAGE PUBLIC INVESTMENTS

It has been determined that the positions listed below are Other Transit Agency Officials who manage public investments. ¹ These positions are listed here for informational purposes only.

TCRTA Director of Finance

¹ Individuals holding one of the above listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by § 87200.

**DESIGNATED POSITIONS
GOVERNED BY THE CONFLICT OF INTEREST CODE**

Designated Positions' Title or Function	Disclosure Categories Assigned
Members and Alternates, Board of Directors	All
Executive Director	All
Assistant Executive Director	All
Consultants and New Positions ²	TBD

² Individuals serving as a consultant as defined in FPPC Reg 18700.3 or in a new position created since this Code was last approved that makes or participates in making decisions must file under the broadest disclosure set forth in this Code subject to the following limitation:

The Transit Agency Executive Director may determine that, due to the range of duties or contractual obligations, it is more appropriate to designate a limited disclosure requirement. A clear explanation of the duties and a statement of the extent of the disclosure requirements must be in a written document. (Gov. Code § 82019; Reg. 18734.) The Transit Agency Executive Director's determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code. (Gov. Code § 81008.)

PART "B"

DISCLOSURE CATEGORIES

The disclosure categories listed below identify the types of economic investments that the designated position must disclose for each disclosure category to which he or she is assigned.³ "Investment" means financial interest in any business entity (including a consulting business or other independent contracting business) and are reportable if they are either located in or doing business in the jurisdiction, are planning to do business in the jurisdiction, or have done business during the previous two years in the jurisdiction of the Transit Agency.

Category 1: All investments and business positions in business entities and sources of income, including gifts, loans and travel payments, that are located in, do business in, or own real property within the jurisdiction of the Transit Agency.

Category 2: All interests in real property that is located in whole or in part within, or not more than two (2) miles outside, the jurisdiction of the Transit Agency.

Category 3: All investments and business positions in business entities and sources of income, including gifts, loans and travel payments, that are engaged in land development, construction or the acquisition or sale of real property within the jurisdiction of the Transit Agency.

Category 4: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that provide services, products, materials, machinery, vehicles or equipment of a type purchased or leased by the Transit Agency.

Category 5: All investments and business positions in business entities and sources of income, including gifts, loans and travel payments, that provide services, products, materials, machinery, vehicles or equipment of a type purchased or leased by the designated position's department, unit or division.

Category 6: All investments and business positions and sources of income, including gifts, loans and travel payments, subject to the regulatory, permit, or licensing authority of the designated position's department, unit or division.

³ This Conflict of Interest Code does not require the reporting of gifts from outside this agency's jurisdiction if the source does not have some connection with or bearing upon the functions or duties of the position. (Reg. 18730)

AGENDA ITEM 11

August 17, 2020

Prepared by Elizabeth Forte, TCAG Staff

SUBJECT:

Action: Adoption of CEQA Procedures for TCRTA

DISCUSSION:

The proposed CEQA Procedures for the TCRTA are attached for consideration and approval.

ATTACHMENT:

Tulare County Regional Transit Agency Procedures for Implementing the California Environmental Quality Act

TULARE COUNTY REGIONAL TRANSIT AGENCY
PROCEDURES FOR IMPLEMENTING THE CALIFORNIA ENVIRONMENTAL QUALITY ACT
(Adopted August 17, 2020)

A. Authority and Purpose

Section 21083 of the California Public Resources Code requires that the Secretary of the Resources Agency adopt guidelines for the implementation of the California Environmental Quality Act of 1970 ("CEQA") by public agencies. The guidelines that have been adopted are set forth in the California Code of Regulations (Chapter 3, Title 14 Sections 15000, *et. seq.*) (the "State CEQA Guidelines").

Section 15022 of the State CEQA Guidelines requires that each public agency adopt objectives, criteria, and specific procedures for administering its responsibilities under CEQA. The purpose of these procedures is to comply with the requirements of Section 15022.

B. State CEQA Guidelines Adopted by Reference

The Tulare County Regional Transit Agency ("TCRTA") hereby adopts by reference the current version of the State CEQA Guidelines for compliance with the California Environmental Quality Act (most recently amended as of December 28, 2018), and any subsequent revisions thereto as permitted by Section 15022(d) of those State CEQA Guidelines. TCRTA has also established the following procedures for the implementation of CEQA. For areas of CEQA responsibility not specifically addressed by these procedures, TCRTA will follow the text of the State CEQA Guidelines.

C. Delegation of Responsibility; Appeal

The Executive Director (which term includes the Executive Director and his or her designee) shall execute all activities required by these procedures and the State CEQA Guidelines. Typical activities include consultation with Lead and Responsible Agencies, findings of exemption, preparation of initial studies and the determination to prepare a Negative Declaration or Environmental Impact Report ("EIR"), and preparation and filing of appropriate notices.

Any person aggrieved by a determination of the Executive Director may appeal such determination to the TCRTA Board of Directors. The appeal shall be filed in writing with the Executive Director within 10 days after the Executive Director's determination and shall state the reasons for appeal and the desired action. The appeal shall be placed on the next open agenda of the TCRTA Board of Directors.

D. Exempt Activities

Exempt activities include ministerial projects and categorical exemptions. The Executive Director shall determine if a proposal is exempt.

E. TCRTA as Responsible Agency

When TCRTA is a Responsible Agency, TCRTA shall certify that it has reviewed the Lead Agency's environmental documents and, if required, adopt findings for approval and statements of overriding considerations in accordance with Sections 15091 and 15903 of the State CEQA Guidelines.

1. Consultation: The Executive Director shall respond to consultation by the Lead Agency to assure that the environmental document will be adequate for TCRTA's use. The Executive Director shall reply certified mail within 30 days after receiving a Notice of Preparation from the Lead Agency.
2. Comments: The Executive Director shall submit comments to the Lead Agency on draft EIRs and Negative Declarations concerning the adequacy or appropriateness of the document. The comments shall be limited to those project activities which are related to TCRTA's area of expertise or which will be required to be considered by TCRTA.
3. Adequacy of EIR or Negative Declaration: If the Executive Director finds that the Negative Declaration or EIR prepared by the Lead Agency is not adequate for TCRTA use, the Executive Director shall bring the matter to the TCRTA Board of Directors prior to 30 days after the Lead Agency files a Notice of Determination.
4. Final EIR or Negative Declaration: The Executive Director shall provide the final EIR or Negative Declaration to the TCRTA Board of Directors prior to, or along with, an agendaized staff report.
5. Findings and Statements: The Executive Director shall prepare, or cause to be prepared, "draft" Findings and Statements, findings for approval, and statements of overriding considerations for TCRTA Board of Directors consideration.
6. Notice of Determination: The Executive Director shall file a Notice of Determination within 5 working days after deciding to carry out or approve a project.

F. TCRTA as Lead Agency

When TCRTA is the Lead Agency, then TCRTA, through the Executive Director, shall screen projects and prepare appropriate environmental documents. As Lead Agency, the TCRTA Board of Directors shall certify that the final EIR or Negative Declaration has been prepared in compliance with CEQA, that that the final EIR or Negative Declaration has been reviewed and considered by the Board of Directors, and if required, the Board of Directors shall adopt findings for approval or denial, and statements of overriding consideration as appropriate.

AGENDA ITEM 12

August 17, 2020

Prepared by Elizabeth Forte, TCAG Staff

SUBJECT:

Action: Adoption of Local Debt Policies for TCRTA

DISCUSSION:

The proposed Local Debt Policies for the TCRTA are attached for consideration and approval.

ATTACHMENT:

Tulare County Regional Transit Agency Procedures for Implementing the California Environmental Quality Act

Tulare County Regional Transit Agency
Debt Policy
(Adopted August 17, 2020)

I. Introduction

The purpose of this Debt Policy is to establish guidelines for the issuance and management of future debt of the Tulare County Regional Transit Agency ("TCRTA" or the "Transit Agency"). This Debt Policy confirms the commitment of the Board, management, staff, and other decision makers to adhere to sound financial management practices. Priorities of the Debt Policy are as follows:

- Effectively manage and mitigate financial risk
- Preserve future program flexibility
- Maintain strong credit ratings and good investor relations
- Achieve the lowest cost of capital
- Maintain ready and cost-effective access to the capital markets

II. Scope and Authority

This Debt Policy shall guide the issuance and management of all debt funded through the capital markets, including the selection and management of related financial and advisory services and products.

This Policy shall be reviewed periodically and updated as needed. Any changes to the policy are subject to approval by the Transit Agency's Board of Directors ("Board") at a public meeting. Overall policy direction of this Debt Policy shall be provided by the Board. Responsibility for implementation of the Debt Policy, and day-to-day responsibility and authority for structuring, implementing, and managing the Transit Agency's debt and finance program, shall reside with the Transit Agency's Executive Director and Finance Director. This Debt Policy requires the Board to specifically authorize each debt financing.

Transit Agency debt issuances shall comply with all applicable Federal, State, local and securities and tax laws, and these policies. While adherence to this Policy is required in applicable circumstances, the Transit Agency recognizes that changes in the capital markets, Transit Agency programs, and other unforeseen circumstances may from time-to-time produce situations that are not covered by the Debt Policy and so require modifications or exceptions to achieve policy goals. In these cases, management flexibility is appropriate, provided specific authorization from the Board is obtained.

Government Code section 53635.7 requires that all borrowing in the amount of \$100,000 or more be placed on an Transit Agency Board agenda as a separate item of business for discussion, consideration, and deliberation and in accordance with the Brown Act provisions otherwise applicable to Board meetings.

III. Capital Budgeting and Planning for Debt Issuance

A. TCRTA

TCRTA was formed as of July 1, 2020 upon approval of a Joint Powers Agreement among the County of Tulare and the Cities of Exeter, Farmersville, Lindsay, Porterville, Tulare, and Woodlake (each, a "Member Agency," and together, the "Member Agencies"). The purpose of TCRTA is to own, operate, and administer a public transportation system within the jurisdictions of the Member Agencies. TCRTA is in the process of formulating its first capital and operational budgets and such budgets are to be adopted annually.

Borrowing needs will be evaluated on a periodic basis within the context of the Transit Agency's capital and operational budgets. As noted previously, this Debt Policy requires that the Board specifically authorize each debt financing.

IV. Standards For and Appropriate Use of Debt Financing

As borrowing needs are identified, the Transit Agency will evaluate the nature of the capital investment (*e.g.*, the purpose and useful life of the asset) to ensure that long-term debt is the appropriate financing mechanism to meet the funding need. Standards for the appropriate use of debt financing will include those described below.

A. Long Term Capital Acquisitions: Long-term debt should be used to finance essential capital acquisitions where it is cost effective and fiscally prudent. The debt repayment period should not exceed 120% of the useful life of the equipment or project being financed. The ability or need to expedite or maintain the programmed schedule of approved capital acquisitions will be a factor in the decision to issue long-term debt. Long-term debt will not be issued for current operational costs or for recurring uses. Revenue surpluses may be used to pay debt off early to save interest charges.

B. Debt Financing Mechanism: The Transit Agency will evaluate the use of financial alternatives available including, but not limited to, long-term debt, short-term debt, commercial paper, direct bank loans, private placement, and inter-fund borrowing. TCRTA will utilize the most cost advantageous financing alternative consistent with limiting the Transit Agency's risk exposure.

C. Credit Quality: Credit quality is an important consideration for the Transit Agency. All TCRTA debt management activities for new debt issuances will be conducted in a manner conducive to receiving the highest credit ratings possible consistent with the Transit Agency's debt management and project delivery objectives.

V. Purpose of Financing

The general purpose of bond financing falls into three general categories: (1) to finance new capital equipment or infrastructure, (2) to refinance existing bonds to reduce financing costs, risk or both, or (3) to reimburse a Transit Agency for eligible capital expenditures made pursuant to a cooperative agreement between the Transit Agency and TCRTA. These purposes are described in more detail below:

A. New Money Financing: New money issues are those financings that generate additional funding to be available for expenditure on capital acquisitions. These funds will be used for acquisition, construction, and major rehabilitation of capital assets. New money issues will be proposed in the context of TCRTA's capital and operational budgets.

B. Refunding Bonds: Refunding bonds are issued to retire all or a portion of an outstanding bond issue. Most typically, this is done to refinance at a lower interest rate to reduce debt service. Alternatively, some refundings are executed for a reason other than to achieve cost savings, such as to restructure the repayment schedule of the debt, to change the type of debt instruments being used, or to retire an indenture in order to remove undesirable covenants. In any event, a present value analysis must be prepared that identifies the economic effects of any refunding being proposed to TCRTA.

The Transit Agency has established a minimum debt service savings threshold goal of (1) 3.0% of the refunded bond principal amount, on a maturity-by-maturity basis, for current refundings, unless there are other compelling reasons for defeasance, and (2) 5% or more for advance refundings. As an exception to these target savings thresholds, the Transit Agency may elect to include bonds maturing in the next 24 months into a larger refunding if those maturities provide some positive savings. The present value savings will be net of all costs related to the refinancing.

Adjustments to savings thresholds for both advance refunding and current refundings may be justified based on:

- The length of time from the call to maturity. The longer the time to maturity, the higher should be the savings threshold. Conversely, a shorter time to maturity may justify a lower savings threshold.
- Interest rates at the time of the refunding relative to historical markets. In low interest rate markets, a lower threshold may be justified while a higher threshold would be justified in high interest rate markets. Generally refunding transactions should not extend the final maturity of the existing financing, net of any reserve fund offset. The Transit Agency may consider shortening the term of the originally issued financing to realize greater interest savings.

C. Reimbursement Bonds: A reimbursement bond is a tax-exempt bond the proceeds of which are allocated to prior expenditures originally paid from sources other than bond proceeds. A proper reimbursement allocation results in the proceeds being treated as spent for the governmental purpose of the original expenditures even though the actual moneys are used to replenish the funds originally used to pay the expenditures.

Under federal tax regulations, the proceeds of bonds may be allocated to a prior capital expenditure, but only if a formal declaration of reasonable intention to reimburse the expenditure with the proceeds of a borrowing (a "declaration of official intent") had been properly made within sixty (60) days after the date the expenditure was paid. This declaration of official intent is commonly made via a cooperative agreement adopted by the Board. If a declaration of official intent has been made, bond proceeds may be allocated to expenditures previously made for a period of up to 18 months after the date the expenditures were made.

VI. Types of Debt

The market for municipal finance is well developed and provides numerous products or types of debt that the Transit Agency will evaluate on a case-by-case basis. Some of the types of debt available to the Transit Agency – long-term, short-term, and variable rate – are described in this section.

A. Long Term Debt

1. Current Coupon Bonds are bonds that pay interest periodically and principal at maturity. They may be used for both new money and refunding transactions. Bond features may be adjusted to accommodate the market conditions at the time of sale, including changing dollar amounts for principal maturities, offering discount and premium bond pricing, modifying call provisions, utilizing bond insurance, and determining whether and how to fund a debt service reserve fund.

2. Transportation Infrastructure Finance Innovation Act (TIFIA) Loan is a loan provided by the United States Department of Transportation for certain transportation projects of regional importance. A TIFIA loan

may contain comparatively flexible repayment provisions and an interest rate that is tied to the prevailing 30-year US Treasury Bond yield. The Transit Agency may elect to apply for a TIFIA loan if it is determined that it is the most cost effective debt financing option available.

3. Finance or Refinance Acquisition of Transit Equipment

- a. Pursuant to California Government Code section 6518, the Transit Agency, without being subject to any limitations of any Member Agency pursuant to California Government Code section 6509, may also finance or refinance the acquisition or transfer of transit equipment or transfer federal income tax benefits with respect to any transit equipment by executing agreements, leases, purchase agreements, and equipment trust certificates in the forms customarily used by a private corporation engaged in the transit business to effect purchases of transit equipment, and dispose of the equipment trust certificates by negotiation or public sale upon terms and conditions authorized by the parties to the agreement. Payment for transit equipment, or rentals therefor, may be made in installments, and the deferred installments may be evidenced by equipment trust certificates payable from any source or sources of funds specified in the equipment trust certificates that are authorized by the parties to the agreement. Title to the transit equipment shall not vest in the Transit Agency until the equipment trust certificates are paid.
- b. If the Transit Agency finances or refinances transit equipment or transfers federal income tax benefits with respect to transit equipment under subdivision (a), it may provide in the agreement to purchase or lease transit equipment any of the following:
 - (1) A direction that the vendor or lessor shall sell and assign or lease the transit equipment to a bank or trust company, duly authorized to transact business in the state as trustee, for the benefit and security of the equipment trust certificates.
 - (2) A direction that the trustee shall deliver the transit equipment to one or more designated officers of the Transit Agency.
 - (3) An authorization for the Transit Agency to execute and deliver simultaneously therewith an installment purchase agreement or a lease of equipment to the Transit Agency.
- c. If the Transit Agency finances or refinances transit equipment or transfers federal income tax benefits with respect to transit equipment under subdivision (a), then it shall do all of the following:
 - (1) Have each agreement or lease duly acknowledged before a person authorized by law to take acknowledgments of deeds and be acknowledged in the form required for acknowledgment of deeds.
 - (2) Have each agreement, lease, or equipment trust certificate authorized by resolution of the Board.
 - (3) Include in each agreement, lease, or equipment trust certificate any covenants, conditions, or provisions that may be deemed necessary or appropriate to ensure the payment of the equipment trust certificate from legally available sources of funds, as specified in the equipment trust certificates.

- (4) Provide that the covenants, conditions, and provisions of an agreement, lease, or equipment trust certificate do not conflict with any of the provisions of any trust agreement securing the payment of any bond, note, or certificate of the Transit Agency.
 - (5) File an executed copy of each agreement, lease, or equipment trust certificate in the office of the California Secretary of State, and pay the fee, as set forth in paragraph (3) of subdivision (a) of Section 12195 of the Government Code, for each copy filed.
- d. The Transit Agency acknowledges that California Secretary of State may charge a fee for the filing of an agreement, lease, or equipment trust certificate under California Government Code section 6518. The agreement, lease, or equipment trust certificate shall be accepted for filing only if it expressly states thereon in an appropriate manner that it is filed under California Government Code section 6518. The filing constitutes notice of the agreement, lease, or equipment trust certificate to any subsequent judgment creditor or any subsequent purchaser.
- e. Each vehicle purchased or leased under California Government Code section 6518 shall have the name of the owner or lessor plainly marked on both sides thereof followed by the appropriate words "Owner and Lessor" or "Owner and Vendor," as the case may be.

4. **Issuance of Revenue Bonds or Other Debt.** Pursuant to Article 2, commencing with section 6540, of Chapter 5 of Division 7 of Title 1 of the California Government Code and upon the affirmative authorization of each of the Member Agencies, the Transit Agency may issue revenue bonds or other forms of indebtedness, including refunding bonds, pursuant to that article to pay the cost and expenses of acquiring or constructing mass transit facilities or vehicles, including any or all expenses incidental thereto or connected therewith, and such expenses may include engineering, inspection, legal and fiscal agents' fees, costs of the issuance and sale of said bonds, working capital, reserve fund, and bond interest estimated to accrue during the construction period and for a period of not to exceed 12 months after completion of construction. The proceeds of the bonds shall be used only for the project provided for in the indenture pursuant to which such revenue bonds are issued. Pursuant to California Government Code section 6547.8, no Director shall be personally liable on the bonds or subject to any personal liability by reason of the issuance of bonds pursuant to this authority. Pursuant to California Government Code section 6551, said revenue bonds shall not constitute a debt, liability, or obligation of any Member Agency unless that Member Agency has given its express written consent to such obligation.

B. Short-Term Debt

1. **Commercial Paper Notes** may be issued as an alternative to fixed rate debt, particularly when the timing of funding requirements is uncertain. The Transit Agency may maintain an ongoing commercial paper program to ensure flexibility and immediate access to capital funding when needed.
2. **Bond Anticipation Notes (BANs)** may be issued to meet near-term needs and refinanced in anticipation of the future issuance of bond proceeds. BANs provide near-term funding with a fixed rate.
3. **Grant Anticipation Notes (GANs)** are short-term notes that are repaid with the proceeds of State or Federal grants of any type. The Transit Agency shall generally issue GANs only when there is no other viable source of funding for the project

4. Lines of Credit shall be considered as an alternative to credit support for other short-term borrowing options.

C. Variable Rate Debt

It is sometimes appropriate to issue short-term or long-term variable rate debt to diversify the debt portfolio, reduce interest costs, provide interim funding for capital acquisitions, and improve the match of variable rate assets to variable rate liabilities. The amount of unhedged variable rate debt will generally not exceed 20% of all outstanding debt.

Variable rate securities, including floating rate notes, may be used in conjunction with a financial strategy that results in synthetic fixed rate debt. Synthetic fixed rate debt may be utilized when the interest rate cost is sufficiently lower than traditional fixed rate debt or serves as an effective strategy to remove future interest rate risk.

VII. Terms and Structure of Bonds

The terms and structure of a specific bond issuance will be developed within a prudent legal framework and with the objective of maintaining strong credit ratings, addressing investor concerns, minimizing risk to the Transit Agency, and preserving future flexibility in a cost-effective manner. Some of the terms and structural considerations are discussed below.

A. Term: All capital improvements financed through the issuance of debt will be financed for a period not to exceed 120% of the expected average useful life of the assets being financed.

B. Lien Levels: Senior and Junior Liens for each revenue source may be utilized in a manner that will maximize the most critical constraint -- typically either cost or capacity -- thus allowing for the most beneficial use of the revenue source securing the bond.

C. Debt Service Structure: The Transit Agency will examine debt service structures in the context of program needs. Combined principal and interest payments for any particular bond issue will first be examined as a level payment structure. Deferred principal can create increased program and project delivery capacity and will also be examined. The Transit Agency's debt service structure will be sized within programmatic and legal constraints and with the objective of maintaining strong credit ratings.

D. Capitalized Interest: Unless otherwise required, capitalized interest will not be employed. This avoids unnecessarily increasing the bond size. Certain types of financings may require that interest on the bonds be paid from capitalized interest until the Transit Agency has constructive use of the project and project related revenues are expected to be available to pay debt service.

E. Additional Bonds Test: Any new senior lien debt issuance must not cause the Transit Agency's debt service to exceed the level at which the lesser of: i) revenues from any consecutive 12 months out of the last 18 months or ii) revenues estimated by the Transit Agency for the Fiscal Year in which the debt issued are at least 150 percent (1.50x) of the maximum annual principal and interest for the aggregate outstanding senior lien bonds including the debt service for the new issuance.

F. Call Provisions: In general, fixed rate, tax-exempt bonds will be issued with a provision that allows the Transit Agency to call outstanding bonds 10-years after the bond delivery date at par (i.e., no call premium). Shorter calls may be considered to increase program flexibility based on market conditions at the time of pricing.

VIII. Credit Enhancement

The Transit Agency will consider the cost and benefit of credit enhancement, including the potential funding of a debt service reserve fund, on a case-by-case basis with each separate bond issuance.

A. Bond insurance: The Transit Agency shall have the authority to purchase bond insurance when such purchase is deemed prudent and advantageous. The predominant determination shall be based on such insurance being less costly than the present value of the difference in the interest expense on insured bonds versus uninsured bonds.

B. Debt Service Reserves: When beneficial to the Transit Agency, a reserve fund can be funded from the proceeds of each series of bonds, subject to federal tax regulations and in accordance with the requirements of credit enhancement providers and/or rating agencies. The amount of the reserve fund (i.e., the Reserve Requirement) will be set based on measures of affordability and the benefit gained from both marketing and credit perspectives.

TCRTA shall have the authority to purchase reserve equivalents (i.e., the use of a reserve fund surety) when such purchase is deemed prudent and advantageous, subject to all applicable requirements and restrictions as set forth in the Transit Agency's legal bond documents. Such equivalents shall be evaluated in comparison to cash funding of reserves on a net present value basis.

C. Letters of Credit (LOCs): TCRTA shall have the authority to enter into a LOC when such an agreement is deemed prudent and advantageous. A LOC provides liquidity in addition to credit enhancement on the bonds. The long-term and short-term credit ratings of those financial institutions offering LOCs will be a critical consideration before procuring any LOC.

IX. Due Diligence

The Transit Agency will conduct "due diligence" meetings with all relevant Transit Agency and related staff prior to the issuance of new bonds and notes. A Preliminary Official Statement will be released to the market only after the completion of the "due diligence" meetings.

X. Method of Bond Sale

The Transit Agency will determine, on a case-by-case basis, whether to sell its bonds competitively or through negotiation. Generally, there are three methods of sale: competitive, negotiated, and private placement. Each type of bond sale has advantages and the potential to provide the lowest cost given the right conditions.

A. Competitive Sale: A competitive bond sale is used by established issuers, with strong credit ratings during times in which there are stable market conditions. With a competitive sale, an underwriter is not selected prior to the date of sale. The issuer works with its financial advisor and legal counsel to prepare documents, rating strategies, and to notify market participants of the coming bond sale according to a published Notice of

Sale. Industry-accepted information outlets as well as phone calls made directly to the desks of underwriting firms are used to notify underwriters of the upcoming sale. The underwriter is selected based solely on price on the day of sale when bids are accepted.

A competitive sale allows an issuer to control bidding parameters and select the winning underwriter solely on the lowest True Interest Cost ("TIC") submitted during a bid process. No prior input on credit, structure, or other matters is received from underwriters under a competitive sale.

B. Negotiated Sale: In a negotiated bond sale, the issuer selects the underwriter several months before the sale of the bonds through a competitive RFP process. The underwriter is selected based upon relevant experience, recent bond sale performance, and fees, among other factors. The final pricing of the bonds is directly negotiated with the underwriter based upon investor demand and orders received on the day of sale. The issuer generally relies upon the financial advisor during the negotiation process.

A negotiated sale is common for a new or infrequent issuer or an issuer with a weak bond rating. A negotiated sale can be advantageous during high volatility in the financial markets or during periods of low investor demand. Issuers who desire the underwriter's input on credit rating strategies, deal structure, document preparation, etc., will elect to sell bonds through a negotiated sale.

C. Private Placement: A private placement is a sale that is structured specifically for one purchaser, such as a commercial bank. A direct purchase agreement or revolving credit facility is a form of a private placement. Such placement shall be considered if this method is likely to result in a cost savings, more attractive terms, and conditions to the Transit Agency, or both relative to other methods of debt issuance.

XI. Investment of Bond Proceeds

When bonds are issued, proceeds are deposited in various accounts, such as a construction fund, capital equipment acquisition fund, debt service fund, and debt service reserve fund. Monies deposited in these funds are invested until needed. The investment strategy for each fund depends on federal/state statutes and regulations governing the types of instruments permitted to be used, the yield goals for the fund, requirements from rating agencies or credit enhancement providers, and the anticipated drawdown of bond proceeds.

The primary objectives for the investment activities of these funds will mirror that of the TCRTA investment policy, in order of priority, of safety, liquidity, and yield. The investment strategy for these funds will incorporate steps to minimize credit risk, market risk and opportunity risk by establishing guidelines for permitted investments, developing good cash flow estimates and integrating knowledge of prevailing and expected future market conditions with cash flow requirements. The investment of bond proceeds will be made in a manner that ensures legal and regulatory requirements are met, fair market value bids and offers are received, and objectives for the uses of proceeds are attained. An evaluation will be conducted of investment alternatives including individual securities or portfolio of securities, investment agreements, and mutual or pooled investment funds.

Investments will be permitted for bond proceeds as defined in the bond indenture document that will list an array of allowable options such as nonmarketable U.S. Treasury securities sold to state and local governments (SLGS), the Local Agency Investment Fund ("LAIF"), and various other investment alternatives as allowed in the California Government Code, with the goal of earning the maximum arbitrage yield. Arbitrage calculations will

be completed on a regular basis to monitor arbitrage rebate liabilities, if any, and a reserve for liabilities may be established for future remittance to the Internal Revenue Service.

XII. Consultants

The Transit Agency generally shall select its primary consultant(s) by a competitive qualifications-based process through Requests for Statements of Qualifications/Proposals (“competitive RFQ/RFP process”).

A. Selection of Financing Team Members: The Executive Director and the Finance Director will make recommendations for all financing team members, with the Board providing final approval.

1. Financial Advisor: The Transit Agency shall utilize a financial advisor to assist in its debt issuance and debt administration processes. Selection of the Transit Agency’s financial advisor(s) shall be based on, but not limited to, the following criteria: (a) experience in providing consulting services to complex issuers, (b) knowledge and experience in structuring and analyzing complex issues, (c) experience and reputation of assigned personnel, (d) prior experience with the Transit Agency, Member Agencies, or affiliates such as the Tulare County Association of Governments or Tulare County Transportation Authority, and (e) fees and expenses.

2. Bond Counsel: Transaction documentation for debt issues shall include a written opinion by legal counsel affirming that the Transit Agency is authorized to issue the proposed debt, that the Transit Agency has met all constitutional and statutory requirements necessary for issuance, and a determination of the proposed debt’s federal income tax status. A nationally recognized bond counsel firm with extensive experience in public finance and tax issues will prepare this approving opinion and other documents relating to the issuance of debt. The bond counsel may be selected through a competitive RFQ/RFP process.

3. Disclosure Counsel: When undertaking a bond sale, disclosure counsel separate from the bond counsel may be retained to prepare the official statement if additional independence or expertise is needed. Disclosure counsel will be responsible for ensuring that the official statement complies with all applicable rules, regulations, and guidelines. Disclosure counsel will be a nationally recognized firm with extensive experience in public finance. The disclosure counsel will typically be selected through a competitive RFQ/RFP process.

4. Underwriter: The Transit Agency shall have the right to select a senior manager and co-managers for a proposed negotiated sale. The Transit Agency may establish a pool of eligible underwriters, or select firms on an as-needed basis. In either case, underwriters for a particular transaction may be selected through a competitive RFQ/RFP process.

5. Underwriter’s Counsel: In any negotiated sale of Transit Agency debt in which legal counsel is required to represent the underwriter, the lead underwriter will make the appointment, subject to Transit Agency approval.

6. Other Consultants: Other professional services may include the services of trustees, verification agents, escrow agents, arbitrage consultants, and special tax consultants. The Transit Agency’s goal in selecting service providers is to achieve a good balance between cost and service.

XIII. Market Relationships

As a potential or actual debt issuer who values cost-effective market-access, the Transit Agency will actively provide requested information and maintain relationships with rating agencies, investors, and other market participants, as needed.

A. Rating Agencies: The Transit Agency's Executive Director and Finance Director shall be primarily responsible for maintaining the Transit Agency's relationships with those rating agencies (*i.e.*, Standard & Poor's, Moody's Investors Service, and Fitch Ratings) from whom the Transit Agency requests and holds ratings. The Transit Agency may, from time-to-time, choose to deal with only one or two of these agencies as circumstances dictate. In addition to general communication, the Transit Agency's Finance Director shall offer conference calls and/or meetings with rating agency analysts in connection with a planned sale of securities.

B. Investor Relations: Timely and accurate information shall be provided in response to inquiries from investors in order to maintain positive ongoing investor relations.

C. Board Communication: As a means of providing feedback from rating agencies and/or investors regarding the Transit Agency's financial strengths and weaknesses as perceived by the marketplace, information will be provided to the Board when and if material information develops.

XIV. Post Issuance Compliance and Continuing Disclosure

The Transit Agency will comply with certain post-debt issuance compliance requirements, including, but not limited to, Continuing Disclosure requirements, as stated in specific financing documents, and arbitrage regulations. Generally, tax-exempt financing issues are subject to IRS arbitrage rebate requirements. These requirements specify that any profit or arbitrage be rebated to the Federal Government. Rebate computations are typically required every five (5) years and upon final redemption, maturity, or refunding of the bonds. Any excess earnings are required to be rebated to the Federal Government. The Transit Agency will also comply with any post-debt issuance reporting requirements of State law, including but not limited to, the annual report to the California Debt and Investment Advisory Commission required by Government Code section 8855(k)(1).

It is the Transit Agency's policy to remain in compliance with Title 17 Code of Federal Regulations §240.15c2-12, Municipal Securities Disclosure, by filing the Transit Agency's annual financial statements and other financial information for the benefit of the Transit Agency's bondholders no later than the last day of the seventh month following the close of the fiscal year and filing material event notices in a timely manner. The Transit Agency may contract with its Financial Advisor or other entity for assistance in making such timely filings.

XV. Internal Control Procedures and Post-Issuance Compliance Procedures

The Transit Agency will establish and document procedures to ensure that it is in compliance with requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied with respect to tax-exempt bonds and other obligations after the bonds are issued so that interest on the bonds is and will remain tax-exempt.

In connection with any new money bond sale, the Transit Agency will ensure that bond proceeds are spent according to the allowable uses outlined in its legal documents and in context of the Transit Agency's applicable capital and operational budgets.

Proceeds from refundings will be held at the escrow agent and spent in accordance with the associated defeasance schedule outlined in the escrow agreement. The Transit Agency will not have access to these funds.

XVI. Use of Debt Proceeds

The Transit Agency's Executive Director, Finance Director, and other appropriate Transit Agency personnel shall implement Internal Control procedures outlined below to ensure that the proceeds of a proposed debt issuance will be directed to the intended use:

- Monitor the use of Debt proceeds, the use of Debt-financed assets (*e.g.*, facilities, furnishings, or equipment), and the use of output or throughput of Debt-financed assets throughout the term of the Debt to ensure compliance with covenants and restrictions set forth in applicable Transit Agency resolutions and Tax Certificates. Monitoring will include providing an annual report to the Transit Agency Board;
- Maintain records or contracts identifying the assets or portions of assets that are financed or re-financed with proceeds of each issue of Debt and to document compliance with all covenants and restrictions set forth in applicable Transit Agency resolutions and Tax Certificates. An applicable Record Retention Policy will be maintained by the Transit Agency's Finance Director; and
- Consult with Bond Counsel or other professional expert advisors in the review of any contracts or arrangements involving use of Debt-financed facilities to ensure compliance with all covenants and restrictions set forth in applicable Transit Agency resolutions and Tax Certificates.