Niagara Frontier Transportation Authority
Serving Buffalo Niagara

181 Ellicott Street
Buffalo, New York 14203
716-855-7300
Fax: 716-855-7657
TDD: 855-7650
www.nfta.com

ECLEC JUN0513PM12:11

June 5, 2013

Honorable Thomas DiNapoli
New York State Comptroller
110 State Street, 10th Floor
Albany, New York 12236

Re: Niagara Frontier Transportation Authority

Dear Comptroller DiNapoli:

Enclosed please find the PARIS Report for the Niagara Frontier Transportation Authority's annual reporting requirements pursuant to Regulation 2, NYCRR, Part 201, of the Public Authorities Law.

If you have any questions or require further information, please feel free to contact me at (716) 855-7250.

Very truly yours,

Deborah C. Leous

DEBORAH C. LEOUS
Chief Financial Officer

DCL/cf
Enclosure

cc: Hon. Andrew Cuomo, New York State Governor
Senator John A. DeFrancisco, Chairman, Senate Finance Committee
Empire State Development Corporation
Assemblyman Herman D. Farrell, Jr., Chairman, Assembly Ways & Means Committee
Robert Graber, Clerk of the Erie County Legislature
Senator Liz Krueger, Ranking Minority Member, Senate Finance Committee
Joan McDonald, Commissioner, New York State Department of Transportation
Robert L. Megna, Director, New York State Division of Budget
New York State Legislative Library (three copies)
Assemblyman Bob Oaks, Ranking Minority Member, Ways & Means Committee
Hon. Mark Poloncarz, Erie County Executive
Hon. William Ross, Chairman, Niagara County Legislature

OSC Data Request(Part 201) for Niagara Frontier Transportation Authority

Fiscal Year Ending 03/31/2013

Run Date: 06/04/2013

Status: CERTIFIED

Planned Debt Issuances Listing

Does the authority plan to issue any debt during the current fiscal year? Yes

Type of debt	Program	Amount
Authority Debt - Revenue		$96,200,000

Debt Service Reserve Listing

Type	Principal	Interest	Total
Actual Service Reserve	$13,475,053	$743,277	$14,218,330
Statutory Requirement	$13,475,053	$743,277	$14,218,330

Debt Related Documents

Question	Response	Attachments
1. Has the Public Authority prepared SWAP/Derivative Guidelines?	Yes	Attachment Included
2. Has the Public Authority prepared Bond Sale Guidelines?	Yes	Attachment Included
3. Has the Public Authority prepared an Annual Bond Sale Report?	No	

State Support & Cost Recovery:

Question	Response
1. Indicate the total amount of outstanding advances (first instance appropriations) due to the State as of the end of the reporting fiscal year.	$3,38[illegible],000
2. Is the Public Authority in compliance with all existing repayment agreements? If no, identify each agreement, the amount due and the reason for noncompliance.	Yes

Repayment Agreements Not in Compliance List:

Agreement Number	Amount Due	Reason for Noncompliance

No data has been entered by the Authority for this section in PARIS

Question	Response	Explanation
3. Identify any repayments that are due during the current State fiscal year.		
4. Will the Public Authority be able to make these scheduled payments?		
5. Has the Public Authority made any payments under Section 2975 of the Public Authorities Law for recovery of state governmental costs?	No	
a. If yes, enter the amount paid during the current fiscal year, in whole dollars.		
b. Was this payment made as a result of an agreement or contract with the Director of the Budget?		
6. Has the Public Authority made any payments under Section 2976 of the Public Authorities Law for cost recovery on the issuance of debt obligations?	No	
a. If yes, enter the amount paid during the current fiscal year, in whole dollars.		
b. Was this payment made as a result of an agreement or contract with the Director of the Budget?		

State Go Bond Proceed Receipts List:

Date	Amount Spent	Program Name

This authority has indicated that it has no State GO Bond Proceed Receipts during the reporting period.

Bond Proceed Disbursements List:

Disbursement Date	Payee Name	Amount Disbursed	Statutory Program	State Spending or Aid Program	Statutory Reference

This authority has indicated that it has No Bond Proceed Disbursements during the reporting period.

Comm. 12M-5
Page 9 of 30

Additional Comments:

Niagara Frontier Transportation Authority
Master Liability Management Policy Guidelines

April 25, 2013

1. Scope

This Liability Management Policy applies to all present and future debt of the Niagara Frontier Transportation Authority and its subsidiaries (NFTA).

All debt transactions, including hedging transactions or commitments will be subject to this policy and prior review and approval of the NFTA Board of Commissioners.

2. Liability Management Policy Objectives

- Establish a basis for the NFTA's Liability Management Program based on sound financial principles.
- Set forth a liability management structure to facilitate the sound and efficient management of debt and cash flows.
- To define permissible hedging instruments and limitations on their use.
- To comply with the due diligence requirements that prudent professionals utilize.
- To conform to all applicable federal, state, local and Authority legal requirements.
- To provide guidelines that control the overall process so that all liabilities are managed in accordance with the stated objectives.
- Develop formalized criteria to monitor, evaluate and establish the basis for comparing the performance results achieved by the liability management program, thereby establishing accountability.

3. Philosophy:

The NFTA takes an active role in managing exposures to fluctuations in cash outflows for various operating expenses as well as changes in interest rates. The active management of exposures involves an ongoing assessment of the risks facing the Authority and the most efficient methods for eliminating, reducing or transferring these risks of cash flow fluctuations and other external influences.

The NFTA, in its liability management, assesses risks and market conditions to determine:

- The most appropriate level of exposure to a particular cash flow or rate level, and

- The most effective vehicle for achieving that exposure.

The NFTA recognizes that the costs and benefits of different hedging instruments and the desirability of exposure to a particular cash flow or interest rate, or financial price, can vary over time depending on the market conditions and circumstances of the NFTA. We further recognize that our target exposure to cash flows and interest rates and the instruments used to achieve the stated targets, will also vary with market conditions and the NFTA's current credit rating, as well as other items known and unknown at this time, that change on a periodic basis.

The NFTA defines hedging as activities intended to achieve desired exposures to cash flows and interest rates consistent with our objective of protecting revenues and other assets from adverse changes in rates or prices. Hedging does not require the elimination of all exposure to a given risk; rather, hedging should be used to keep exposures within acceptable bounds, as defined by this policy.

The NFTA defines speculation as the creation of positions that are inconsistent with the NFTA's liability management objectives. One characteristic of speculation is that it distorts exposures beyond the range normally encountered.

The initiation of hedges shall be only for non-speculative purposes, to eliminate, reduce, or otherwise redistribute risks related to existing cash flows and debt positions, and in all cases only where it is economically justifiable to do so relative to other alternatives. The termination of hedges is a part of the management liability process and shall not be considered a speculative activity.

4. Authority

The NFTA is authorized by section 2.08 of the Master resolution dated May 12, 1994, to utilize hedge, support and other financial agreements. The NFTA Board of Commissioners establishes liability management policies and guidelines. Based on those policies and guidelines, independent liability management consultants and financial advisor(s) with demonstrated expertise may be chosen to help manage the liabilities of the NFTA.

The selection of underwriters, the financial advisor and bond counsel shall be made in accordance with the Authority's procurement guidelines through the evaluation of request for proposals.

In order to capitalize on fast-changing market conditions, the Executive Director and the Chief Financial Officer may enter into any transaction authorized by this policy, pursuant

to the prior approval of the Board of a resolution setting the general parameters of the transaction.

The Chief Financial Officer, in consultation with the financial advisor as needed, shall have the authority to determine if transactions shall be on a negotiated, competitive or on a private placement basis.

Terms and conditions of any swap transaction as negotiated by the Chief Financial Officer, in accordance with these guidelines, shall be subject to the provisions of the applicable New York State statutes and these guidelines.

The NFTA shall be authorized to enter into interest rate swap transactions only with qualified swap counterparties. The Chief Financial Officer, in consultation with the Executive Director and General Counsel, shall have the authority to select the counterparties, so long as the criteria are met. The composition of the approved swap counterparties will change from time to time.

5. Guidelines for the Use of Variable Rate Debt

Variable rate debt can be a valuable tool for the NFTA to use in the management of its assets and liabilities. However, the use of variable rate debt, though historically allowing lower borrowing costs, presents some risks that the NFTA must consider. The following guidelines shall be used in determining if variable rate debt is appropriate.

In general, the NFTA should maintain its flexibility and continuously review new products and opportunities to allow the Authority to take advantage of changing interest rate environments and new products or approaches as they become available. In low interest rate environments, the NFTA should lock in low fixed rates, through conversions, fixed rate debt issuance, and either traditional or synthetic refundings. In high interest rate environments, the NFTA should increase variable rate debt issuance, defer borrowing and evaluate other alternatives that will allow the Authority to reduce its overall cost of capital when interest rates decrease.

Due to the historical spread between long-term rates and short-term rates, the NFTA should consider maintaining a portion of its portfolio in variable rate debt. However, the NFTA shall attempt to constrain its unhedged variable rate exposure to no more than 20% of the Authority's outstanding indebtedness. The NFTA shall identify any short-term cash reserves or balances since the earnings from these funds will serve as a natural hedge offsetting the impact of higher variable rate debt costs. In addition, the Authority should also consider other strategies to allow assets and liabilities to move in tandem, such as entering into a "percentage of LIBOR" swap. Any synthetic fixed rate debt,

achieved through a swap transaction whereby the Authority swaps variable rate for fixed rate should not be counted toward this ceiling.

Variable Rate Debt Alternatives
Each mode of variable rate exposure has its unique advantages and disadvantages. Decisions about which mode NFTA should utilize at any point in time should be based on a number of factors including the relative cost benefit to the Authority. Variable Rate Demand Obligations (VRDOs) are the traditional means of achieving variable rate exposure and provide municipal issuers with access to a large, well-established liquid market. Auction rate products offer the advantage of not requiring bank liquidity. Synthetic variable rate debt offers issuers access to the well established swap market, along with structuring flexibility and potentially lower borrowing costs.

The NFTA should determine allocations to each class of variable rate debt within caps and floors and manage the precise allocation based on market constraints in advance of issuing bonds. Factors impacting decisions will be the capacity of insurers to insure NFTA bonds, the cost of bond insurance, swap market levels, and the cost and availability of letters of credit, as well as any other related costs.

6. Authorized Hedging Instruments

Interest rate swaps and options and variable rate debt are appropriate financial management tools that can help the NFTA meet important financial objectives. Properly used, these instruments can increase NFTA's financial flexibility, provide opportunities for interest rate savings or enhanced investment yields, and help NFTA manage its balance sheet through better matching of assets and liabilities. However, as important as these techniques are, they should not be used for speculation.

Swaps are appropriate to use when they achieve a specific objective consistent with overall financial policy. Swaps may be used to lock-in a current market fixed rate or create additional variable rate exposure. Swaps may be used to produce interest rate savings, alter the pattern of debt service payments, or for asset/liability matching purposes. Swaps may be used to cap, limit or hedge variable rate payments.

Options granting the right to commence or cancel an underlying swap may be used to the extent the swap itself is otherwise consistent with these guidelines; however, the NFTA must determine if the use of any such option is appropriate and warranted given the potential benefit, risks, and objectives of the Authority.

Variable rate debt, either as variable rate demand obligations, auction rate securities or created synthetically through a swap, is an important municipal finance tool. However,

similar to swaps, variable rate debt has certain risks and benefits that must be analyzed and understood by the NFTA prior to entering into a variable rate transaction.

7. Guidelines for the Use of Swaps, Options and other Derivatives

In connection with the use of any swaps, NFTA's Board shall make a finding that, pursuant to Section 2.06 (Variable Rate Debt) and Section 2.08 (Hedge, Support and Other Financial Agreements) of the Master Resolution adopted by the NFTA Board on May 12, 1994 the authorized swaps contemplated herein are designed to reduce the amount or duration of the interest rate risk or result in a lower cost of borrowing when used in combination with the issuance of the Bonds or enhance the relationship between the risk and return with respect to NFTA's investments or program of investment.

Rationale
The NFTA may utilize financial instruments that:

- Optimize capital structure; including schedule of debt service payments and/or fixed vs. variable rate allocations
- Achieve appropriate asset/liability match
- Actively manage or reduce interest rate risk
- Provide greater financial flexibility
- Generate interest rate savings
- Enhance investment yields.

The use of derivative financial products may provide a higher level of savings benefit to the NFTA, or otherwise help the NFTA to meet the objectives outlined herein, as the NFTA may determine in its sole discretion.

The NFTA may expressly utilize the following financial products on a current or forward basis, after identifying the objective(s) to be realized and assessing the attendant risks:

- Interest rate swaps, including fixed, floating and/or basis swaps
- Interest rate caps/floors/collars
- Options, including swaptions, caps, floors, collars and/or cancellation or index-based features

Limitations
NFTA may not use financial instruments that in NFTA's sole discretion:

- Are speculative or create extraordinary leverage or risk
- Lack adequate liquidity to terminate at market
- Provide insufficient price transparency to allow reasonable valuation

In connection with any transaction, the Chief Financial Officer, the Executive Director, the General Counsel and NFTA's Financial Advisor and Bond Counsel shall review the proposed transaction and outline any considerations associated with the transaction to the Board of Commissioners, or a designated committee of the Board. Such a review shall include the identification of the proposed benefit and potential risks, which shall include, but not necessarily be limited to, those risks outlined herein. As part of this analysis, the NFTA shall present both the existing and any proposed transactions consistent with the Market Net Termination Exposure outlined herein.

Understanding the Risks
Among the items that the NFTA shall examine in determining whether to enter into a swap or other derivative transaction are the following:

Market or Interest Rate Risk
- The possibility that your debt service costs associated with variable rate debt increase and negatively affect coverage ratios and cash flow margins.

Tax Risk
- The possibility that the transaction is subject to a future change in federal income tax policy.

Liquidity Risk
- The possibility that a VRDO remarketing may fail.

Termination Risk
- The possibility that the transaction be terminated by either party. There may be a cost involved in termination.

Risk of Uncommitted Funding (Put Risk)
- The transaction may create additional financing dependent upon third party participation.

Legal Risk
- The possibility that the transaction is not expressly authorized.

Counterparty Risk
- This related to the creditworthiness of the counterparty.

Rating Agency Risk
- The proposed transaction may not be consistent with current ratings.

Basis Risk
- A potential mismatch between the interest rate received from the swap contract and the interest actually owed on the bonds.

Tax Exemption Risk
- The transaction puts the NFTA's bonds at the risk of being deemed taxable.

Accounting Risk
- The transaction creates any unanticipated accounting issues from a financial statement perspective.

Administrative Risk

- The potential the transaction can not be readily administered and monitored consistent with the policies outlined herein.

Amortization Risk

- The risk that there are potential costs of servicing debt or honoring swap transactions resulting from a mismatch between bonds and the notional amount of the swap outstanding.

Subsequent Business Conditions

- The transaction or its benefits depend upon the continuation, or realization, of specific industry or business conditions.

Savings Thresholds

A synthetic refunding, using swaps or other derivatives, should generate present value savings of at least 5%. Currently a common threshold in the municipal finance industry is that a refunding should generate 3% present value savings. Financial transactions, using swaps or other derivative products, should generate 2% greater savings than the benefit threshold then in effect for traditional bonds. This threshold will serve as a guideline and will be subject to amendment should the transaction, in NFTA's sole judgment, helps to meet any of the objectives outlined herein. The higher savings target reflects the greater complexity and higher risk of derivative financial instruments.

Terms and Notional Amount of Swap Agreement

The NFTA will use standard ISDA swap documentation including the Schedule to the Master Agreement and a Credit Support Annex. The NFTA may consider additional documentation if the product is proprietary or the NFTA deems such documentation is otherwise in its interest.

The NFTA shall determine the appropriate term for an interest rate swap agreement on a case-by-case basis. In connection with the issuance or carrying of bonds, the term of the swap agreement between the NFTA and a qualified swap counterparty shall not extend beyond the final maturity date of existing debt of NFTA on a specific project, or in the case of a refunding transaction, beyond the final maturity of the refunding bonds. At no time shall the total net notional amount of all swaps exceed the total amount of outstanding revenue bonds. For purposes of calculating net exposure, credit shall be given to any fixed versus variable rate swaps that offset for a specific project or bond transaction.

The swap agreement between the NFTA and each counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions, provisions and safeguards as the NFTA, in consultation with its legal counsel, deems necessary or desirable.

Subject to the provisions contained herein, NFTA swap documentation and terms shall include the following:

- Downgrade provisions triggering termination shall in no event be worse than those affecting the counterparty.
- Governing law for swaps will be New York
- The specified indebtedness related to credit events in any swap agreement should be narrowly drafted and refer only to indebtedness of the NFTA.
- Collateral thresholds should be set on a sliding scale reflective of credit ratings.
- Eligible collateral should be limited to Treasuries and obligations of Federal Agencies where the principal and interest are guaranteed by the United States.
- The right to optionally terminate a swap agreement at any time over the term of the agreement.
- Termination value should be set by "market quotation" methodology, when NFTA deems appropriate.

Qualified Swap Counterparties

The NFTA shall do business with highly rated counterparties. Qualified swap counterparties should be rated:

(i) at least "Aa3" or "AA-" by one of the nationally recognized rating agencies and not rated lower than A2 or A by any nationally recognized rating agency, or
(ii) have a "AAA" subsidiary as rated by at least one nationally recognized credit rating agency.

The nationally recognized rating agencies are Moody's Investors Services, Inc., Standard and Poor's Rating Services, and FitchRatings. In addition, a qualified swap counterparty must have a demonstrated record of successfully executing swap transactions as well as creating and implementing innovative ideas in the swap market. Each counterparty shall have minimum capitalization of at least $150 million.

However, the NFTA should not have an immutable credit standard. While, as noted above, the NFTA will make best efforts to do business with highly rated counterparties of AA- or better. However, for lower rated (below AA-) counterparties, the NFTA should seek credit enhancement in the form of:

- Contingent credit support or enhancement;
- Collateral consistent with the policies contained herein;
- Ratings downgrade triggers.

In order to diversify NFTA's counterparty credit risk, and to limit NFTA's credit exposure to any one counterparty, limits will be established for each counterparty based

upon both the credit rating of the counterparty as well as the relative level of risk associated with each existing and projected swap transaction.

The NFTA shall structure swap agreements to protect itself from credit deterioration, and shall consider using a credit support annex or other form of credit enhancement to secure counterparty performance. Such protection shall include any terms and conditions that, at NFTA's sole discretion, are necessary or in NFTA's best interest.

Maximum Net Termination Exposure

The guidelines below provide general termination exposure guidelines with respect to whether NFTA should enter into an additional transaction with an existing counterparty. Such guidelines will also not mandate or otherwise force automatic termination by NFTA or the counterparty. Such provisions will only act as guidelines in making a determination as to whether or not a transaction should be executed given certain levels of existing and projected net termination exposure to a specific counterparty. The calculation of net termination exposure per counterparty shall take in consideration multiple transactions, some of which may offset the overall exposure to NFTA.

Maximum Net Termination Exposure will be based on the sum of

(i) the market value of existing transactions as of the first day of the month prior to the execution of any new transaction, plus

(ii) the expected worse case termination value of the new transaction.

For purposes of this calculation, the NFTA shall include all existing and projected transactions of an individual counterparty and all transactions will be analyzed in aggregate such that the maximum exposure will be additive and netted.

The maximum termination exposure shall be tied to the credit rating of a counterparty and whether or not the counterparty has posted collateral against this exposure. Under this approach, NFTA will set limits on individual counterparty exposure based on existing as well as new or proposed transactions. For existing transactions, exposure shall be based on the market value as of the first day of the month prior to the execution of any new or proposed transaction. For a new or proposed transaction, exposure will be based on the estimated maximum exposure assuming two standard deviations.

The exposure thresholds shall be reviewed periodically to ensure that the thresholds are appropriate. If a counterparty has more than one rating, the lowest rating will govern for purposes of the calculating the level of exposure. The following chart summarizes the thresholds:

Maximum Net Termination Exposure for Counterparties

Credit Rating	*Maximum Collateralized Exposure*	*Maximum Uncollateralized Exposure*	*Maximum Total Termination Exposure*
AAA	Not applicable	$40 million	$40 million
AA	$30 million	$10 million	$40 million
Below AA	$30 million	None	$30 million

If the exposure limit is exceeded by a counterparty, the NFTA shall conduct a review of the exposure limit per counterparty. The NFTA, in consultation with its Bond Counsel and Financial Advisor, shall evaluate appropriate strategies to mitigate this exposure.

Swap Collateralization
As part of any swap agreement, the NFTA shall require collateralization or other forms of credit enhancements to secure any or all swap payment obligations. As appropriate, NFTA, in consultation with Counsel may require collateral or other credit enhancement to be posted by each swap counterparty under the following circumstances:

- Each counterparty to the NFTA may be required to post collateral if the credit rating of the counterparty or parent falls below the "AA" category. Additional collateral for further decreases in credit ratings of each counterparty shall be posted by each counterparty in accordance with the provisions contained in the collateral support agreement to each counterparty with the NFTA.
- Threshold amounts shall be determined by the NFTA on a case-by-case basis. The NFTA will determine the reasonable threshold limits for the initial deposit and for increments of collateral posting thereafter.
- Collateral shall be deposited with a third party trustee, or as mutually agreed upon between the NFTA and the counterparty.
- A list of acceptable securities that may be posted as collateral and the valuation of such collateral will be determined and mutually agreed upon during negotiation of the swap agreement with each swap counterparty.
- The market value of the collateral shall be determined on a monthly basis, or more frequently if the NFTA determines it is in NFTA's best interest given the specific collateral security.

8. Contingency Reserve

In the event that the NFTA receives a premium payment or other revenue stream from a counterparty as the result of entering into a transaction that may result in the future issuance of variable rate debt, the NFTA shall make every effort to segregate one

hundred percent of such payment or revenue stream in the NFTA's accounts. Such funds shall only be used to pay the shortfall that may occur if the amount of variable rate debt service paid by the NFTA exceeds the variable rate payments received by the NFTA from a counterparty, unless otherwise approved by the Board. In the event that such segregated funds shall exceed the amount that the NFTA expects to be the maximum aggregate shortfall that could reasonably occur as a result of the variable rate debt service payments made by the NFTA being in excess of the variable rate payments received by the NFTA from a counterparty, such excess funds may be used for any other authorized purpose.

9. Reporting

A written report providing the status of all interest rate swap agreements entered into by the NFTA will be provided to the Board at least on a quarterly basis and shall include the following:

- A description of all outstanding interest rate swap agreements, including project and bonds series, type of swap, rates paid and received by NFTA, total notional amount, average life of each swap agreement, remaining term of each swap agreement.
- Highlights of all material changes to swap agreements or new swap agreements entering into by NFTA since the last report.
- Market value of each of NFTA's interest rate swap agreements.
- The credit rating and each swap counterparty and credit enhancer insuring swap payments, if any.
- If applicable, information concerning any default by a swap counterparty to NFTA, including but not limited to the financial impact to NFTA, if any.
- A summary of swap agreements that were terminated.
- For swap transactions entered into to generate debt service savings, the NFTA will calculate on an annual basis the actual debt service requirements versus the projected debt service on the swap transaction. Such a calculation shall include the determination of the cumulative actual savings versus the projected savings at the time a swap is executed.

10. Amount of Debt to be Issued

The amount of bond debt that may be issued for the aviation system is governed by the Master resolutions Section 2.02 and debt for all other areas of the Authority must be justified on a cost benefit basis.

All debt must be reviewed and approved by the Audit and Governance Committee before full Board approval.

11. Liability Management Policy Review

This policy will be reviewed, by the NFTA Board of Commissioners, at least annually and any amendments, deletions, additions, improvements or clarification will be made if deemed appropriate.

BOND SALE GUIDELINES

PROFESSIONAL SERVICES SECTION

This section defines professional services that may be used, establishes the selection considerations when following the Authority's Procurement process, and specifies the required conflict of interest provisions. This is not an exhaustive list of professionals.

Financial Advisor ("FA") – a Financial Advisor means an individual or entity that provides advisory services with experience in the area of debt transactions for issuers of municipal debt.

1) Selection

a) The Financial Advisor must have documented experience in providing financial advisory services for the Authority or comparable issuers, and for financings of similar size, types and structures.

b) The Financial Advisor is to be selected either by a Competitive Request for Proposal (RFP) or Qualification (RFQ) process.

2) Terms of contract

The Authority must decide whether to retain the Financial Advisor for a single debt transaction or for period of time.

a) The Financial Advisor's performance shall be reviewed at least annually for multi-year contracts and as part of the after sale evaluation for transactions.

3) Conflict of Interest

a) The Financial Advisor's fiduciary duty in a transaction or for the contract period shall strictly be only to the Authority.

b) The Financial Advisor shall not bid on an issue for which they are providing advisory services.

c) The Financial Advisor must disclose all relationships to any other transaction participant outside of the transaction.

d) The Financial Advisor must fully disclose all existing client and business relationships between and among the professionals to the Authority's transaction. This disclosure shall extend to any existing or known future relationships or representations that could give rise to, or the appearance of, a conflict of interest.

e) The complete conflict of interest information disclosure shall be presented by Chief Financial Officer to the Board at a public meeting prior to proceeding with a debt issuance.

f) The Financial Advisor shall agree to refrain from entering into any relationship that would give rise to a conflict of interest during the contract period. Any feature to comply with this anti-conflict provision will result in the termination of the advisory contract.

Issuer's Counsel

1) Selection

a) The Issuer's Counsel must have documented experience in providing legal advice for the Authority or comparable issuers, related to financings of similar size, types and structures,

b) The Issuer's Counsel is to be selected either by a Competitive Request for Proposal (RFP) or Qualification (RFQ) process.

c) The Issuer's Counsel is to be retained prior to any formal action on a transaction.

2) Terms of contract

The Authority must decide whether to retain the Issuer's Counsel for a single debt transaction or for period of time.

a) The Issuer's Counsel's performance shall be reviewed at least annually for multi-year contracts and as part of the after sale evaluation for transactions.

3) Conflict of Interest

a) The Issuer's Counsel's sole client relationship governed by ethical rules in a transaction must strictly be only to the Authority. No waiver of any conflict of interest with respect to representations of multiple parties in the same transaction will be permitted.

b) The Issuer's Counsel may serve as Bond Counsel and Swap Counsel

c) The Issuer's Counsel must disclose all relationships to any other transaction participant outside of the transaction.

d) The Issuer's Counsel must fully disclose all existing client and business relationships between and among the professionals to the Authority's transaction. This disclosure shall extend to any existing or known future relationships or representations that could give rise to, or the appearance of, a conflict of interest.

e) The complete conflict of interest information disclosure shall be presented by the Chief Financial Officer to the Board in a public meeting prior to proceeding with a debt issuance.

f) The Issuer's Counsel shall agree to refrain from entering into any relationship that would give rise to a conflict of interest during the contract period. Any failure to comply with this anti-conflict provision will result in the termination of the contract.

Bond Counsel - Bond Counsel shall mean to individual or entity that has legal experience and expertise in the area of municipal finance transactions.

1) Selection

a) The Bond Counsel must have documented experience in providing legal advice for the Authority or comparable issuers, related to financings of similar size, types and structures,

b) The Bond Counsel is to be selected either by a Competitive Request for Proposal (RFP) or Qualification (RFQ) process.

c) The Bond Counsel is to be retained prior to any formal action on a transaction.

2) Terms of contract

The Authority must decide whether to retain the Bond Counsel for a single debt transaction or for period of time.

a) The Bond Counsel's performance shall be reviewed at least annually for multi-year contracts and as part of the after sale evaluation for transactions.

3) Conflict of Interest

a) The Bond Counsel's sole client relationship governed by ethical rules in a transaction must strictly be only to the Authority. No waiver of any conflict of interest with respect to representations of multiple parties in the same transaction will be permitted.

b) The Bond Counsel may serve as Issuer's Counsel and Swap Counsel.

c) The Bond Counsel must disclose all relationships to any other transaction participant outside of the transaction.

d) The Bond Counsel must fully disclose all existing client and business relationships between and among the professionals to the Authority's transaction. This disclosure shall extend to any existing or known future relationships or representations that could give rise to, or the appearance of, a conflict of interest.

e) The complete conflict of interest information disclosure shall be presented by the Chief Financial Officer to the Board in a public meeting prior to proceeding with a debt issuance.

f) The Bond Counsel shall agree to refrain from entering into any relationship that would give rise to a conflict of interest during the contract period. Any failure to comply with this anti-conflict provision will result in the termination of the contract.

Negotiated Sale - Underwriter

1) Selection

a) The Underwriter shall not serve as the Financial Advisor to the Authority in the same debt or derivative transaction. A Financial and/or Swap Advisor cannot resign and become the Underwriter in a debt transaction.

b) The Underwriter must have documented experience in underwriting debt for the Authority or comparable issuers, and for financings of similar size, types and structures.

c) The Underwriter is to be selected either by a Competitive Request for Proposal (RFP) or Qualification (RFQ) process, with the assistance of the Financial Advisor, if one is being used for the debt issuance.

2) Terms of contract

The Authority must decide whether to retain the Underwriter for a single debt transaction or for period of time.

a) The Underwriter's performance shall be reviewed at least annually for multi-year contracts and as part of the after sale evaluation for transactions.

3) Conflict of Interest

a) The Underwriter must disclose all relationships to any other transaction participant outside of the transaction.

b) The Underwriter must fully disclose all existing client and business relationships between and among the professionals to the Authority's transaction. This disclosure shall extend to any existing or known future relationships or representations that could give rise to, or the appearance of, a conflict of interest.

c) The complete conflict of interest information disclosure shall be presented by the Chief Financial Officer to the Board in a public meeting prior to any debt issuance.

Underwriter's Counsel

1) Selection

a) The Authority reserves the right to approve the Underwriter's selection of counsel.

b) The Authority reserves the right to draw up a list of general qualifications or a list of acceptable firms for an underwriter to select counsel.

2) Conflict of Interest

a) The Underwriter's Counsel must disclose all relationships to any other transaction participant outside of the transaction.

b) The Underwriter's Counsel must fully disclose all existing client and business relationships between and among the professionals to the Authority's transaction. This disclosure shall extend to any existing or known future relationships or representations that could give rise to, or the appearance of, a conflict of interest.

c) The complete conflict of interest information disclosure shall be presented by the Chief Financial Officer to the Board in a public meeting prior to any debt issuance.

Swap Advisor

1) Selection

a) Swap Advisors must have documented experience in providing swap or derivative advisory services for the Authority or comparable issuers, and for financings of similar size, types and structures.

b) The Swap Advisor is to be selected either by a Competitive Request for Proposal (RFP) or Qualification (RFQ) process.

c) The Swap Advisor is to be retained prior to planning the transaction.

2) Terms of contract

The Authority must decide whether to retain the Swap Advisor for a single debt transaction or for period of time.

a) The Swap Advisor's performance shall be reviewed at least annually for multi-year contracts and as part of the after sale evaluation for transactions.

3) Conflict of Interest

a) Swap Advisor's fiduciary duty in a transaction or for the contract period shall strictly be only to the Authority.

b) Swap Advisors shall not bid on the underlying debt issue for which they are providing advisory services.

c) The Swap Advisor must disclose all relationships to any other transaction participant outside of the transaction.

d) The Swap Advisory must fully disclose all existing client and business relationships between and among the professionals to the Authority's transaction. This disclosure shall extend to any existing or known future relationships or representations that could give rise to, or the appearance of, a conflict of interest.

e) The complete conflict of interest information disclosure shall be presented by the Chief Financial Officer to the Authority in a public meeting prior to debt issuance.

f) The Swap Advisor shall agree to refrain from entering into any relationship that would give rise to a conflict of interest during the contract period. Any failure to comply with this anti-conflict provision will result in the termination of the advisory contract.

Swap Counsel

1) Selection

a) The Swap Counsel must have documented experience in providing legal advice for the Authority or comparable issuers, related to financings of similar size, types and structures,

b) The Swap Counsel is to be selected either by a Competitive Request for Proposal (RFP) or Qualification (RFQ) process.

c) The Swap Counsel is to be retained prior to any formal action on a transaction.

2) Terms of contract

The Authority must decide whether to retain the Swap Counsel for a single debt transaction or for period of time.

a) The Swap Counsel's performance shall be reviewed at least annually for multi-year contracts and as part of the after sale evaluation for transactions.

3) Conflict of Interest

a) The Swap Counsel's sole client relationship governed by ethical rules in a transaction must strictly be only to the Authority. No waiver of any conflict of interest with respect to representations of multiple parties in the same transaction will be permitted.

b) The Swap Counsel may serve as Issuer's Counsel and Bond Counsel.

c) The Swap Counsel must disclose all relationships to any other transaction participant outside of the transaction.

d) The Swap Counsel must fully disclose all existing client and business relationships between and among the professionals to the Authority's transaction. This disclosure shall extend to any existing or known future relationships or representations that could give rise to, or the appearance of, a conflict of interest.

e) The complete conflict of interest information disclosure shall be presented by the Chief Financial Officer to the Board in a public meeting prior to proceeding with a debt issuance.

f) The Swap Counsel shall agree to refrain from entering into any relationship that would give rise to a conflict of interest during the contract period. Any failure to comply with this anti-conflict provision will result in the termination of the contract.

ISSUANCE SECTION

Structuring

When determining the structure of a debt obligation the following should be considered in developing debt structure policy:

Form

1) Determine Type of Security (General Obligation, Revenue, etc.) and lien position.

2) Tax status: Debt transaction shall be structured as tax-exempt unless the constraints imposed justify the increased cost of a taxable transaction or that debt does not qualify as tax exempt.

3) Maturity: Debt transaction shall be structured with a maximum maturity of 30 years.

4) Determine Type of Debt Instrument

Sizing

Determine costs that can be included in the principal amount of debt, including construction interest. If revenue debt, determine whether debt service reserve fund will be funded with debt proceeds rather than other funds. Determine whether will permit expenditure of funds in advance of debt issuance/reimbursement resolutions.

Maturity Structure/Principal Payment

1) The Authority will generally use level principal payment or level debt service as the primary structure for repayment of debt

2) For revenue producing projects, the Authority may defer repayment of principal during the construction period and fox six (6) months afterwards.

Interest Rate -Fixed or variable rate debt may be used with all types of debt structures.

Determine when the use of variable rate debt is justified. An acceptable risk level for the use of variable rate debt must be determined.

1) A risk assessment and a determination of the operational requirements to monitor and maintain the proposed variable rate debt structure shall be made in determining whether the potential benefits outweigh the potential costs (including in the worse-case scenario) in using this structure. A stress test looking at performance of the debt instrument at various interest rates and in the situation where the instrument fails (for example, in remarketing) shall be performed. The results of the assessment shall be presented to the Board at a public meeting.

2) The Authority has set 50% of total outstanding debt as the maximum level of total outstanding debt that can be in any form of variable rate. In order to reset the level above 50%, the Authority shall first determine the risk to its current and future financial operations and position based on analysis.

Synthetic debt (variable-to-fixed and/or fixed-to-variable interest rate agreements). (Please see Liability Management Policy)

The justification for use of synthetic debt must be presented to the Board prior to the planning of the debt.

Method of Sale

The Authority legally has the discretion to select the method of sale.

1. Competitive

2. Negotiated – generally negotiated is preferred unless there is certainty the market will not be fluctuating from the time the issuance is planned until sold.

3. Private Placement – Private placement is usually used for very small issuances where the investment banker and/or financial advisor feel that it would be easier to sell this way than going to the open market.

MANAGEMENT AND MONITORING SECTION

The Authority shall retain documentation of pricing of the bonds, pre-sale and post-sale data.

Continuing Disclosure Compliance

1. For each debt issue requiring continuing disclosure under Securities and Exchange Commission Rule 15c2-12 a staff member or a contracted dissemination agent shall be named to be responsible for the required reporting.

2. A staff member shall monitor required reporting dates to ensure annual and periodic reporting requirements are satisfied.

3. Bond Counsel shall be consulted to determine requirements for disclosure to use in developing procedures.

Arbitrage Compliance

1. The Authority shall determine compliance and rebates, and if necessary procure the services of an Arbitrage Consultant.

2. Recordkeeping and retention procedures shall be determined in consultation with a Bond Counsel possessing the appropriate experience in IRS requirements.

Continuing Risk Assessment and Debt Portfolio Monitoring

The Authority shall monitor for actual and potential debt portfolio (fixed, variable rate and synthetic debt) impact on Authority's Financial Operations and Position.

Refunding Debt

1. Staff should monitor refunding opportunities at least quarterly.

2. Refunding opportunities shall be reported to the Authority if net present value savings of 5% or more can be achieved.

REVIEW - This policy shall be reviewed by the Chief Financial Officer annually.

Last reviewed 5/31/13