

Triangle Tax District
Durham County – Transit
Financial Policies and Procedures Manual

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Durham Operating Fund Balance and Liquidity Policy and Guidelines

Purpose

As administrator of the Triangle Tax District, GoTriangle will maintain sound financial practices including minimum fund balance and liquidity requirements.

Fund Balance and Liquidity Policy

It is the policy of the Triangle Tax District to maintain both minimum fund balance and cash reserve requirements. Based on the funding sources and responsible fiscal management, the Durham Operating Fund will maintain a fund balance to be used as a resource for expected and unexpected, but agreed upon, financial demands and to demonstrate strong liquidity to credit rating agencies as well as federal and state governments. This information will be used to support applications for additional funding towards Durham County Transit projects, including applications for the issuance of debt, and request federal and state grant resources.

A minimum of 90 days unrestricted cash must be maintained in the Durham Operating Fund Cash is defined as 'on-deposit' in the bank account.

The policy should be administered under the following requirements:

All restricted, committed, assigned and unassigned fund balance, as defined in Governmental Account Standards Board (GASB) Statement 54, may be used in the calculation of the minimum fund balance requirement.

Funds may only be spent in accordance with the external guidelines and enabling legislation as defined in Article II of the Durham County Transit Governance ILA.

Idle funds as defined in N.C.G.S. 159-30 will be invested in accordance with applicable North Carolina General Statutes and GoTriangle's investment guidelines.

Procedure

The Durham County Transit Financial Model for the Durham Operating Fund will include projections of fund balance and annual expenditures. Annual reporting will be provided by GoTriangle to the SWG, Durham County Board of Commissioners, DCHC MPO Policy Board and GoTriangle Board of Trustees, which will allow a review of budget compared to actuals for the Durham Operating Fund. Additionally, this annual review will ensure that sufficient fund balance will be available at year end to meet the adopted reserve requirement as defined above. The Durham County Transit Annual Work Program will include funds allocated, if needed, to maintain the Durham Operating Fund balance to meet financial policy guidelines. To demonstrate progress and compliance with this policy, GoTriangle will include a calculation of this liquidity measure within the statistical section of its Annual Comprehensive Financial Report ("ACFR").

Durham Capital Fund Balance Policy and Guidelines

Purpose

As administrator of the Triangle Tax District, GoTriangle will maintain sound financial practices including minimum fund balance requirements.

Capital Fund Balance Policy

It is the policy of the Triangle Tax District to maintain a minimum capital fund balance. Based on the nature of the funding sources and responsible fiscal management, the Durham Capital Fund will maintain a fund balance to act as a resource for capital project funding shortfalls.

The target fund balance for the Durham Capital Fund will be five percent (5%) of a 10-year rolling horizon timeframe to further inform the Durham County Transit Multi-Year Vision Plan's Capital Improvement Plan (CIP).

The policy should be administered under the following requirements:

In addition to the reserve of the 5% of the CIP reserve the Durham County financial plan will also keep a minimum \$10 million balance in the projected cash flows of their financial model.

The five percent (5%) fund balance will be separate and apart from project contingency budgeted as a part of individual projects appropriated in the Durham Capital Fund.

Idle funds as defined by N.C.G.S. 159-30 will be invested in accordance with applicable North Carolina General Statutes and GoTriangle's investment guidelines.

Procedure:

Projections of the fund balance as a percentage of the Durham County Transit Annual Work Program's CIP will be maintained, demonstrating future compliance with this policy. To demonstrate progress and compliance with this policy, GoTriangle will include a calculation within the statistical section of its ACFR.

Durham County Transit Billing, Payment, and Reimbursement Policy and Guidelines

Purpose

As administrator of the Triangle Tax District, GoTriangle will be responsible for the billing, payment and reimbursement of funds that support approved expenditures as part of the Durham County Transit Multi-Year Vision Plan.

Policy

It is the policy of the Durham Operating Fund and the Durham Capital Fund and participating local governments and other entities to maintain strong billing, payment, and reimbursement practices.

Guidelines

Transit expenditures by the participating local governments and other entities are to be budgeted annually and recommended by the SWG and adopted by the Durham County Board of Commissioners and GoTriangle Board of Trustees.

The adopted budget ordinances for the Durham Operating Fund, the Durham Capital Fund, and the operating/capital funding agreements with the participating partners are the controlling documents for billing, payments, and reimbursement.

Dollars appropriated in the Durham Capital Fund are appropriated pursuant to Section 13.2 of N.C.G.S. Chapter 159 and therefore do not lapse at the end of the year and are available for reimbursement requests for the duration of the respective project unless subsequently amended by Board action or project closeout.

Reimbursement payments made for expenditures in conjunction with appropriations from the Durham Operating Fund and the Durham Capital Fund will be made to the participating local governments and other participants after the GoTriangle Finance Department has received a request for reimbursement using the pre-established Durham County Transit template and associated required documentation.

The associated required documentation is further defined as follows:

Required Documentation

- Reimbursement template (Excel File)
- General Ledger (GL) Detail Report for each project – the GL report provides details of the transactions that have been posted against a specified project/account. These details should include but are not limited to, the posting date, vendor name, and transaction amount.
- Rainbow/Stoplight Report – this report provides a status update on all projects within the project sponsor’s portfolio. The status of the projects is indicated by the selected color.

Preferred Documentation

In addition to the required documentation specified above, project sponsors are encouraged to provide the following:

- Copies of vendor invoices

Invoice copies provide full transparency and accountability for project expenditures funded through the Durham Transit Plan. Although not currently required, this level of accountability is consistent with the internal policies and procedures established by the Durham County Government Finance Department.

Per Section 7.06 of the Transit Governance Interlocal Agreement, all parties to the ILA have the right to review any records related to the funding of Tax District operations or projects.

Documentation for each project sponsor's reimbursement request should be uploaded to the SharePoint site managed by GoTriangle.

GoTriangle's reimbursement requests will be paid following review by the Staff Working Group Administrator. All other reimbursement requests will be reviewed by GoTriangle. Upon approval, GoTriangle will send payment to all parties.

Payments will be made in accordance with the North Carolina Local Government Budget and Fiscal Control Act.

Submissions for reimbursement may be made as often as is efficient and effective for the local participating entity; however, disbursements from GoTriangle are recommended to be completed quarterly but will be no more frequent than on a monthly basis.

Advance payments and/or establishment of a working capital fund for specific circumstances may be considered by GoTriangle.

The request for reimbursement and supporting documentation should be submitted either in writing or by electronic means as specified in the terms of the operating and capital agreements.

Reimbursement requests will include a statement signed by the requesting agency's Finance Officer or designee, stating funds were spent in accordance with the adopted Annual Transit Work Program and associated laws, rules and regulations, and the request for funds includes items due and payable.

Projects that involve federal funding agreements may require additional documentation and review that will be incorporated in future project agreements.

Debt Policy and Guidelines

Purpose

As administrator of the Triangle Tax District, GoTriangle may issue debt to support approved capital projects in the Durham County Transit Multi-Year Vision Plan. It is the goal of the SWG that debt issuances will strive to obtain favorable ratings available for transit financing. The debt policy outlines the requirements and criteria set forth to achieve this goal and to advance the Durham County Transit Multi-Year Vision Plan.

Debt Policy

It is expected that debt will periodically be issued by GoTriangle in support of the Durham County Transit Multi-Year Vision Plan under the following requirements:

Any debt to be issued will be reviewed and recommended by the SWG, approved by the Durham County Board of Commissioners, and approved and authorized by the GoTriangle Special Tax Board (pursuant to N.C.G.S. 160-167).

Per North Carolina Law, debt issuances will be approved by the Local Government Commission.

Debt service payments will be made in accordance with the North Carolina Local Government Budget and Fiscal Control Act.

Any proposed debt issuance will be evaluated using prospective revenue expenditure amounts, as modeled in the Durham County Transit Financial Model, which is mutually agreed to by the SWG. The Durham Transit Financial Model assumptions will be agreed to annually by the SWG through coordination efforts defined in the Governance ILA.

Debt Guidelines

Debt issuances that are incorporated as part of the financial model will be modeled using the following guidelines:

It is the goal that all rated debt issued on behalf of approved capital projects in the Durham County Transit Multi-Year Vision Plan will obtain a rating no lower than A1 (Moody's) or A+ (S&P/Fitch) and preferably in a double-A category.

Actions recommended by the SWG, or adopted by the Durham County Board of Commissioners and GoTriangle Board of Trustees shall not diminish the financial health of Durham Operating and/or Durham Capital Funds.

Debt will be issued to ensure sufficient flexibility to meet future obligations outlined in the Durham County Transit Multi-Year Vision Plan and to take advantage of opportunities based on market conditions.

The gross debt service coverage ratio will not go below 2 times (2X) gross revenue to annual debt service, excluding short-term principal payments.

Gross revenue is defined as Durham County Locally Dedicated Transit Funding Sources as stated in Section 2 of the Durham County Transit Governance ILA, plus additional farebox revenue attributed to services funded by Durham County Locally Dedicated Transit Funding Sources plus any federal capital funds expected.

The debt service coverage (i.e., the ability to pay debt service after operations) will not go below 1.25 times (1.25X) annual debt service excluding principal payments on short-term debt.

Debt service coverage is defined as Durham County Locally Dedicated Transit Funding Sources, plus additional fare box revenue attributed to services funded by Durham County Locally Dedicated Transit Funding sources, plus any federal capital funds expected, less the sum of expenses for tax district administration, and transit operations.

Upon the full funding of reserves, any cash that maintains the Durham Transit plan in accordance with above mentioned rules may be used as cash funding for capital projects to provide additional sources of funding for capital projects to minimize debt levels. Future bonds issued will conform and adhere to

Additional bonds test contained in bond documents, and

Debt service coverage ratios of the Durham Operating Funds and Durham Capital Funds Debt Policies

A Debt Service Reserve Fund (“DSRF”) will be established for debt issuances where the DSRF creates a lower cost of funds and does not exceed the minimum amount permitted under federal tax law.

Investment of bond proceeds will be in accordance with all applicable North Carolina statutes and federal tax law.

Debt will be structured in a manner consistent with the useful life of related projects, not to exceed a final maturity of 35 years. Principal amortization will be level debt service or faster, except for deferrals of principal in connection with construction period financing or short-term financing related to future receipt of federal and/or state funds.

Debt issued in support of the Durham County Transit Multi-Year Vision Plan will be authorized under N.C.G.S. 160A-20. Alternative debt instruments may be evaluated and utilized subject to recommendation by the SWG and approved by the Durham County Board of Commissioners and GoTriangle Board of Trustees.

If a project sponsor seeks repayment for debt issued outside of the Durham County Transit Multi-Year Vision Plan it will be paid after all debt service and operating expenses of the plan have been paid and will subordinate to as debt issued by Tax District Administration. Debt payments reimbursed to the project sponsor will be identified as a yearly capital project and included in all Capital Improvement programs (CIP) upon initial approval.

Select SWG voting members or designated representatives of SWG voting agencies (if/when applicable) will participate in the following:

- RFP and/or selection process of:
- Financial Advisor; Investment Consultant for GoTriangle (as necessary)
- Underwriter(s); Bond Counsel; and any other necessary roles related to GoTriangle debt financing in support of the Durham County Transit Multi-Year Vision Plan
- Providing assistance as needed for guidance associated with debt issuances to include interactions with rating agencies.

Increased Cost of Existing Services (ICES)

UPDATE Spring 2023 – Parties and Implementation Partners will refer to legacy language from prior Transit Governance ILA to define how operators can seek funding to support increased cost of services. This language is shown below.

The Durham County Multi-Year Vision Plan (Plan) provides that all funding for bus services will be appropriated as set forth in the Plan. The use of these bus service funds is limited to support of *new* bus services *above and beyond* the existing transit system services in place on January 15, 2013. Notwithstanding the foregoing, a Calculated Amount, as defined below, of the annual bus service funds provided in the Plan may be used by GoDurham to pay for the Increased Cost, as defined below, of existing bus service operations each year. The “Calculated Amount” which may be used for this purpose shall be an amount equal to or less than one-half of the prior year total receipts from the Durham County local vehicle registration fee of \$7.00 permitted by Article 52 of NCGS Chapter 105. For the 2014 and 2015 fiscal year’s actual receipts for vehicle registration fees in Durham County as acceptable to the parties and to GoDurham. For purposes of this paragraph, “Increased Costs” shall be the increase in the annual per hour Operating Cost for bus service, as defined below, multiplied by the annual revenue hours of bus service provided by GoDurham as of January 15, 2013. “Operating Cost” shall include the costs of bus operations, maintenance, supervision, and administration bus shall not include capital costs for facilities or vehicles.

The scenarios below are drafted for future consideration by parties and implementation partners upon the next deliberation of the Multi-Year Transit Vision Plan.

Purpose

Transit operators in Durham County are able to use one Locally Dedicated Transit Funding Source (the County Vehicle Registration Tax, pursuant to N.C.G.S. 105-570, which is levied at \$7.00 per year) to supplement projected increased costs of existing, or baseline, services that were in operation prior to the passage of the County’s ½ cent sales tax dedicated to public transportation investment.

ICES Policy

An equitable formula is to be used in determining annual allocations of available funds from the projects County Vehicle Registration Tax for each fiscal year to all operators providing services within Durham County (GoDurham & GoTriangle).

Variables include:

- Total Revenue Service Hours for Fixed Route Bus Services, per provider, at the end of FY2012
- Total Expenditures for Fixed Route Bus Services, per provider, at the end of FY2012
- Average annual historical cost escalation rate, per provider, from FY2012 to current fiscal year
- Mutually agreed upon cost escalation rate for upcoming fiscal year

Step 1

Calculate ratio of Fixed Route Bus Revenue Service Hours operated by each agency in Durham County at the end of FY2012.

NOTE: GoTriangle will need to account for estimated number of hours of revenue service and associated costs operated ONLY within Durham County at end of FY2012.

Step 2

Apply the ratio of each operator's revenue service hours to the upcoming fiscal year's County Vehicle Registration Tax projected amount. These three individual ratios will be applied in Step 5.

Step 3

Calculate the estimated increased cost of services from FY2012 by escalating Total Expenditures for Fixed Route Bus Services, per provider, at the end of FY2012 (see NOTE for GoTriangle above) using the average annual historical cost escalation rate, per provider, from FY2012 to current fiscal year.

Step 4

Through agency coordination, a mutually agreed upon escalation rate will be used to calculate the upcoming fiscal year's projected costs for the continuation of baseline services from FY2012.

Step 5

Apply the ratios realized in Step 2 to each operator's projected costs calculated in Step 4. This will indicate the level of funding needed to support those FY2012 baseline services and associated increased cost of those services in the upcoming fiscal year.

Option A (maintaining existing cap of 50% of \$7 tax source)

IF the sum of ICES calculated for the upcoming fiscal year for each agency in step five is greater than 50% of the available amount of funding projected to be available from the County Vehicle Registration Tax funding source, then each agency and its governing jurisdiction are responsible for funding for the balance from other local funding sources not already dedicated to supporting local public transportation investments.

If the sum of ICES calculated for the upcoming fiscal year for each agency in step five is less than the available amount of funding projected to be available from the County Vehicle Registration Tax funding source, then the SWG will advise the Tax District and associated governing bodies on appropriate allocation into reserves.

Option B (Increasing cap option to 75% of \$7 tax source)

IF the sum of ICES calculated for the upcoming fiscal year for each agency in step five is greater than 75% of the available amount of funding projected to be available from the County Vehicle Registration Tax funding source, then each agency and its governing jurisdiction are responsible for funding for the

balance from other local funding sources not already dedicated to supporting local public transportation investments.

If the sum of ICES calculated for the upcoming fiscal year for each agency in step five is less than the available amount of funding projected to be available from the County Vehicle Registration Tax funding source, then the SWG will advise the Tax District and associated governing bodies on appropriate allocation into reserves.

Option C (removing cap, allowing access to full amount of annual \$7 tax source)

IF the sum of ICES calculated for the upcoming fiscal year for each agency in step five is greater than the available amount of funding projected to be available from the County Vehicle Registration Tax funding source, then each agency and its governing jurisdiction are responsible for funding for the balance from other local funding sources not already dedicated to supporting local public transportation investments.

If the sum of ICES calculated for the upcoming fiscal year for each agency in step five is less than the available amount of funding projected to be available from the County Vehicle Registration Tax funding source, then the SWG will advise the Tax District and associated governing bodies on appropriate allocation into reserves.

Carryover Policy

Capital

- Durham County Tax District will work towards development and maintaining a capital reserve fund
- Capital project allocations as defined by the transit plan will be reserved and can be drawn on throughout the life of the project as per annual work plan programming
- Capital fund dollars appropriated within the annual programming are available for reimbursement requests for the duration of each project unless subsequently amended by Board action or until project closeout
 - Upon project closeout, any leftover funds (surplus) will be released and made available for future capital projects upon recommendation from the Durham County Staff Working Group

Operating

- Dollars appropriated in the operating fund will lapse at the end of the year as of June 30
- Any unutilized operating funds will be returned to the operating fund balance for future programming

Bus Operating Cost Per Hour Policy

Transit agencies will be reimbursed for the following cost categories:

- Operations
- Fuel
- Maintenance
- Supervision of operators, safety, and maintenance staff

No overhead may be charged to the Tax District as part of bus service operations including service planning, financial management, management of contracts with operators or interlocal agreements, capital purchases, leasing of facilities, non-operations facility maintenance, etc. Those costs may be requested and paid for through other Transit Plan projects subject to approval of the Transit Plan and Annual Work Program.

The approval of the annual work program will include an estimated cost per hour for each agency. This cost per hour should be consistent with the transit agency's overall cost per hour paid through other funding sources. As such, the Transit Plan and local funding growth rates should be consistent when controlling for any new or expanded services. If any agency requests an increase that exceeds 2.5% compared to the previous year's Work Plan, transit agencies will be encouraged to submit a second quarter amendment that will include documentation to the Staff Working Group to verify their budgets meet this policy and be included as part of the recommendation of the amendment request. If the increase is recommended by the Staff Working Group, the revised cost per hour will be the starting point plus a 2.5% increase for the following year's cost per hour.

Reimbursements will be made based on the estimated cost per hour for quarters 1, 2, and 3. Quarter 4 will include a reconciliation based on the actual annual cost per hour. Transit agencies are expected to complete the Durham Transit Reimbursement year-end reconciliation template that is included in the reimbursement template. The cost per hour that is listed in the reconciliation template should be consistent with other funding source cost per hours across the transit agency's network.

GoTriangle will use a consistent cost per hour across all three County Transit Plans (i.e., Durham, Orange & Wake Counties).

Exhibit A: GoTriangle Financial Policies and Procedures (for reference)

[INSERT GOTRIANLGE FINANCIAL POLICIES & PROCEDURES DOCUMENT AS EXHIBIT A]



GoTriangle Investment Guidelines

Exhibit A

3.0 FINANCIAL

3.10 INVESTMENT POLICY & PROCEDURE

3.10.1 Investment Policy

- A. TTA shall remain 100% invested at all times with the exception of moneys held for petty cash or moneys held in a compensating balance account. (100% invested refers to actual investments as well as the use of interest bearing checking accounts).
- B. G.S. 159-30(c) authorizes TTA to invest in obligations of the United States of America or obligations fully guaranteed both as to principal and interest by the United States of America; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust, a money market fund.
- C. Eligible deposits and investments are limited to those restricted by the federal government (refer to the North Carolina Department of the State Treasurer Policies Manual, Cash Management tab, beginning with page 16). The guidelines state that proper diversification of the investment portfolio must be achieved in order to minimize risks brought on by economic and market changes.
- D. Collateralization for deposits shall be in accordance with Title 20, Chapter 7 of the North Carolina Administrative Code (NCAC). All deposits for TTA shall be fully protected through deposit insurance and eligible collateral securities pursuant to 20 NCAC 7. The Financial Reporting Manager shall notify the TTA depository when an account is opened that the moneys deposited are public funds subject to collateralization and shall file a "Public Deposit Status Report" with each depository and the State Treasurer promptly after June 30. The Financial Reporting Manager shall maintain a file of the list of financial institutions using the Pooling Method from the Department of the State Treasurer. There shall be a signed escrow agreement with a third party escrow agent for each Dedicated Method depository that holds uninsured deposits, unless the escrow agent is the Federal Home Loan Bank or the Federal Reserve

Bank. The Financial Reporting Manager shall request and receive timely confirmations of collateral pledged by Dedicated Method institutions. A file of all pledges of collateral and a record of pledged securities per Dedicated Method depository shall be maintained by the Financial Reporting Manager. There shall be no releases or substitutions of collateral securities resulting in a decrease in the market value of securities pledged by Dedicated Method depositories without prior approval by the Chief Financial Officer. The Financial Reporting Manager shall request and receive a statement of collateral pledged from each Dedicated Method institution at least quarterly including the total par and market value of the securities.

- E. The Chief Financial Officer shall be responsible for obtaining custody and providing safekeeping of securities and deposit certificates according to G.S. 159-30(d). All securities purchased by TTA shall be delivered (or book entered) to the Authority's custodian and placed in its custody account in the name of TTA. All such custodial agreements shall be between TTA and the custodian in the name of TTA. Certificates of deposit purchased by TTA shall be delivered to the Financial Reporting Manager.
- F. The Financial Reporting Manager shall ensure proper diversification of the investment portfolio in order to minimize risks brought on by economic and market changes.
- G. Diversification by Financial Institution:
 - 1. No more than 50% of TTA's moneys shall be invested in any obligation that does not bear the full faith and credit of the United States of America.
 - 2. No more than 50% of TTA's total moneys shall be placed with a single financial institution.
 - 3. No more than 25% of the overall portfolio shall be invested in the securities of a single issuer, except for the U.S. Treasury or U.S. backed instruments (i.e. GNMA's)
 - 4. No more than 10% of the portfolio shall be invested in a regular savings account.
 - 5. No more than 10% of the portfolio shall be invested in overnight securities or in highly marketable, short-term securities which can be quickly sold to meet liquidity needs.

H. Diversification by Classes of Securities:

| Type of Security | Maximum percentage |
|---|---|
| U.S. Treasury Certificates, Bonds, Notes, and Bills. | 100% of Portfolio |
| Obligations of U.S. Government-sponsored entities (Instrumentality) | 75% of Portfolio |
| Collateralized Governmental Mortgage Obligations of Government sponsored enterprises (i.e. Freddie Mac or Fannie Mae) | 10% of Portfolio |
| Collateralized Governmental Mortgage Obligations of Ginnie Mae | 40% of Portfolio |
| North Carolina State and Local Bonds | 50% of Portfolio |
| Certificates of Deposit | 100% of Portfolio |
| Commercial papers, Bankers Acceptance | 25% of Portfolio |
| NCCMT Certified Mutual Funds | 100% of Portfolio |
| Repurchase Agreement | As required for overnight cash flow, or 25% |
| Ginnie Mae Pools | 50% of Portfolio |

I. Maturities Schedule:

1. Short Term Portfolio: No less than \$500,000 of the total investment portfolio shall mature within seven days. No less than 25% of the portfolio shall mature in 90 days.
2. Intermediate Term Portfolio: the average maturity of the portfolio shall not exceed five years.
3. Long Term Portfolio: The average maturities of this portfolio shall not exceed twenty years. Any exceptions must be approved by the Chief Financial Officer. Reasons for exceptions may include anticipated higher market yields.

Note: The North Carolina Capital Management Trust (NCCMT) maintains this level of diversification for issuers and industries; therefore, a unit of government's investment with the NCCMT would not be subject to these limits.

J. The Financial Reporting Manager shall constantly monitor the investment portfolio and make adjustments as necessary.

- K. The Financial Reporting Manager shall review daily the cash position of TTA and decide what moneys can be deposited or invested for certain periods of time. If any deposits or investments are to be made, the Financial Reporting Manager will make this determination and then institute a bidding process for TTA's moneys as follows:
1. For eligible investment vehicles, the Financial Reporting Manager shall solicit offers from an approved list of financial institutions and broker/dealers. The Financial Reporting Manager shall review the various offers and determine the appropriate investment vehicle, considering such factors as the safety of the investment, the rate, and the maturity. All interest rates shall be quoted on a discount basis. For securities purchased by TTA, the Financial Reporting Manager shall instruct the seller that securities are to be delivered to TTA's escrow agent, who will disburse moneys. The Financial Reporting Manager will be responsible for notifying the financial institution that placed the highest bid.
 2. Wire transfers, both incoming and outgoing, shall be handled by an individual other than the person receiving the telephone quotes (usually the Chief Financial Officer). Wires will be processed by the institution's deadline with written confirmation forwarded the next business day. These confirmations will be documented by the Financial Reporting Manager and delivered to the Chief Financial Officer for review.
 3. An individual shall be assigned by the Chief Financial Officer to monitor the safekeeping of securities, both owned by TTA and pledged for TTA's deposit. Once securities are escrowed, this individual shall receive timely written confirmations from the safekeeping agent acknowledging delivery of the specified securities. These confirmations shall be recorded and forwarded to the Chief Financial Officer for review.

3.10.2 Investment Procedure

- A. The Chief Financial Officer determines moneys available for investment, usually in the form of excess cash either in the checking account or in the North Carolina Capital Management Trust, or proceeds from the maturity of a security. The Financial Reporting Manager calls approved financial institutions and gets quotes on desired securities. Quotes with pertinent information such as CUSIP number, coupon rate, maturity value, etc. are faxed to the Financial Reporting Manager. The Financial

Reporting Manager submits these quotes to the Chief Financial Officer for review.

- B. The Chief Financial Officer evaluates the purchase options and yields, and checks to see if they are in accordance with the desired portfolio mix as specified in the policy above. Securities are typically purchased by TTA in blocks of \$500,000 and \$1,000,000.
- C. When a decision has been made on the purchase, the Financial Reporting Manager calls the financial institution to purchase the instrument at the quoted price. A total cost of the purchase is obtained which, if relevant, will include accrued interest paid to the previous holder. Also at this time, arrangements are made for the settlement date of the purchase. The financial institution executes the electronic purchase and delivers the certificates to TTA's custodial bank where they are held in trust.
- D. If funds are not readily available in the money market account with the custodial trust for settlement then the Financial Reporting Manager must wire funds from another TTA account (i.e. the checking account or the general investment account held with the North Carolina Capital Management Trust). Funds must be wired from the North Carolina Capital Management Trust by 12:00 noon and from the financial institution by 4:00 p.m. This transaction is documented on a wire transfer form [see Exhibit 3-C], which is also used as the source to record the journal entry to the general ledger.
- E. The Financial Reporting Manager notifies, by telephone, the custodian's trust department that a security has been purchased and gives them the total cost, settlement date, date that funds will arrive (if applicable), and identifies the sender of the funds. The contact at the trust department calls their operation center to advise of the incoming wire.
- F. The Financial Reporting Manager prepares a letter to the trust operations department for notification of the purchase. The letter is first faxed and later mailed. One copy is sent to the contact at the trust department and one copy is retained for file purposes and for support documentation for the wire transfer.
- G. A confirmation is sent to the Financial Reporting Manager by the financial institution from which the security was purchased and is retained in TTA's file. The custodian's month-end statement will reflect the purchase transaction.

- H. An investment schedule is maintained by the Financial Reporting Manager, which depicts the cash and investment portfolio, along with expected income and other pertinent information (i.e. maturity date, CUSIP numbers, etc.) This schedule is used to record the interest accruals to the general ledger and to reconcile to the general ledger.

- I. A semi-annual report, entitled Report of Cash & Investments [see Exhibit 3-D], is filed in January and July to report the investment portfolio and market values to the NC Local Government Commission for compliance purposes. The Financial Reporting Manager is responsible for completing and filing this form. The form is reviewed and signed by the Chief Financial Officer.