

POST ISSUANCE COMPLIANCE: TAX-EXEMPT BOND FINANCINGS	POLICY	
	Document Number:	FR-DF-PL-1000
	Version Number:	01

1.0 Purpose:

The purpose of this policy is to ensure that Santa Clara Valley Transportation Authority (VTA) will be in compliance with requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied with respect to tax-exempt bonds and other obligations (collectively, the "Tax-Exempt Bonds") after they are issued so that interest on the Tax-Exempt Bonds will be and remain tax-exempt.

2.0 Scope:

This policy applies to all Divisions of VTA and all users of VTA property and equipment which has been financed with tax-exempt bonds.

3.0 Responsibilities:

The VTA Board of Directors has delegated to the Chief Financial Officer and General Manager (through the adoption of resolutions approving each tax-exempt bond financing transaction) the responsibility to monitor VTA's compliance with post-issuance federal tax requirements for VTA's tax-exempt bonds.

4.0 Policy:

It is the policy of VTA to comply with all applicable federal tax law requirements to ensure that interest earned by tax-exempt bondholders is not taxable under the Code. The Chief Financial Officer shall develop and implement procedures that will assure compliance with this policy. Such procedures shall address the following:

- 4.1 Arbitrage Yield Restriction and rebate requirements
- 4.2 Restrictions on Private Business Use and private loans
- 4.3 Records to be maintained for Tax-Exempt Bonds
- 4.4 Form of records to be maintained
- 4.5 Education with respect to federal tax requirements for Tax-Exempt Bonds

5.0 Definitions:

- 5.1 **Arbitrage Yield Restrictions:** Although there are some exceptions, the Code generally restricts the rate of return on investments purchased with bond proceeds (or some funds pledged to the repayment of bond proceeds) to a yield that is not higher than the yield paid on the bonds. If the yield received on bond proceeds are in excess of the yield paid on the bonds, there is a rebate requirement; specifically, the excess earnings shall be returned to the IRS.

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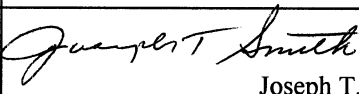
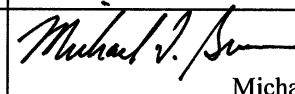
5.2 **Private Business Use:** Use by any person other than a state or local government unit (including business corporations, partnerships, limited liability companies, associations, nonprofit corporations, natural persons engaged in trade or business activity and any federal agency) that results from:

- a. sale of the property;
- b. use of the property under a lease, management or service contract (except for certain "qualified" management or service contracts);
- c. output contract for the purchase of electricity or water;
- d. privately sponsored research contract (except for certain "qualified" research contracts);
- e. "naming rights" contract;
- f. public-private partnership arrangement;
- g. any use arrangement that provides special legal entitlements for the use of the bond- financed property.

6.0 **Summary of Changes:**

Initial release of this Policy.

7.0 **Approval Information:**

<i>Prepared by</i>	<i>Reviewed by</i>	<i>Approved by</i>
 Kimberly Koenig Manager, Department of Finance	 Joseph T. Smith Chief Financial Officer	 Michael Burns General Manager

Original Date:	Revision Date:	Page 2 of 2
3/17/2009	N/A	