AGENDA
BOARD OPERATIONS COMMITTEE
May 24, 2017
10:45 a.m. – 11:15 a.m.
Conference Room 2
SunLine Transit Agency
Thousand Palms, CA

Public Comments will be accepted on each Agenda item upon the conclusion of the staff report on that item. Public comments on non-agendized items will be accepted during the Public comments section. Comments may be limited to 3 minutes in length. Please notify the Committee Chair if you wish to comment.)

1. **Call to Order**

2. **Roll Call**

3. **Confirmation of Agenda**

4. **Presentations**

5. **Public Comments**
   Anyone wishing to address the Board Operations Committee on items not on the Agenda should do so at this time. Each presentation is limited to three minutes.

6. **Committee Member Comments**

- ACTION -

7. **First Reading of Ordinance #17-1** **Approve**
   (Greg Pettis, Chair of Board Operations Committee;
   Staff: Eric Taylor)
   Recommend that the Board of Directors approve the first reading of Ordinance No. 17-1 to establish the informal bidding procedure needed to allow the Agency additional flexibility for public works contracting as authorized by the Uniform Public Construction Cost Accounting Act ("Act").

8. **Investment Policy Revision B-090298(a) & B-090298(b)** **Approve**
(Greg Pettis, Chair of Board Operations Committee;
Staff: Luis Garcia)
Recommend that the Board of Directors approve the attached revised investment policies for the Bargaining and Non-Bargaining retirement plans.

9. **Adjourn**

SunLine Transit Agency

DATE:	**May 24, 2017**	**ACTION**
TO:	**Board Operations Committee** **Board of Directors**	
FROM:	**Financial Services & Support Manager**	
RE:	**First Reading of Ordinance #17-1**	

Recommendation

Recommend that the Board of Directors approve the first reading of Ordinance No. 17-1 to establish the informal bidding procedure needed to allow the Agency additional flexibility for public works contracting as authorized by the Uniform Public Construction Cost Accounting Act ("Act").

Background

In general local agencies must competitively bid all public projects (as defined by California Public Contract Code Section 20162) in excess of $5,000 in accordance with the requirements set forth in the Public Contract Code, commencing with Section 20160. In 1983, the California Legislature adopted Assembly Bill 1666 which added Chapter 2 to Part 3 of Division 2 of the Public Contract Code, which provides for a uniform cost accounting standard for construction work performed or contracted by local agencies and further provides for an alternative method for bidding public projects. In order to implement these alternative bidding procedures, SunLine must (1) adopt a resolution explaining the Board of Director's decision to become subject to the Act, (2) adopt an ordinance stabling an informal bidding procedure, and (3) inform the State Controller of the Board of Director's decision.

Provisions of the Public Contracting Code require very specific competitive bidding procedures which are intended to ensure that entities obtain good values while ensuring equality among contractors. Unfortunately, for some smaller projects, these very specific competitive bidding procedures can be overly cumbersome and end up draining entity resources. The Act provides a set of procedures which are more closely tailored to smaller projects and still allow for equality among contractors throughout the bidding process.

The Uniform Public Construction Cost Accounting Act allows for the following:

(1) For projects valued at up to $45,000, the Agency can use its own employees or serve as its own general contractor; and

(2) For projects valued at up to $175,000, the Agency can use informal bidding procedures which require the Agency to maintain a list of contractors by category of work and send notices to contractors on the list, listed trade journals, or both; and

(3) For projects valued at above $175,000, the Agency must use the very specific formal bidding procedures which require publication in a newspaper of general circulation and trade journals.

To take advantage of these higher bidding floor amounts and the resulting streamlining of the bidding process and cost savings associated with that streamlining, the Agency will have to comply with the uniform cost accounting procedures promulgated by the State. This will require a bit more work by the Agency's finance staff, particularly in learning the new procedures and beginning the compliance process. But it is the conclusion of SunLine Staff that the savings that will be realized over the long term by adoption of the ordinance and compliance with the uniform cost accounting procedures will outweigh any short-term burdens.

The Ordinance identifies the process for bidding construction projects under the Act, the adoption of which is required by the Act.

Financial Impact

Implementation of uniform public cost accounting procedures will save the Agency time and money. Avoiding complex bidding procedures on small projects will save staff time. It will also allow SunLine additional flexibility in awarding smaller public works contracts to those bidders who most closely meet the Agency's needs. There will be short-term costs associated with ensuring that the Agency's finance staff is set to comply with the uniform cost accounting procedures.

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Eric Taylor

TOP

ORDINANCE NO. 17-1

AN ORDINANCE OF THE BOARD OF DIRECTORS OF SUNLINE TRANSIT AGENCY ADOPTING PUBLIC WORKS BIDDING PROCEDURES

THE SUNLINE TRANSIT AGENCY ("Agency") BOARD OF DIRECTORS ORDAINS AS FOLLOWS:

<u>SECTION 1.</u> Purpose

This ordinance is enacted for the purpose of implementing the Uniform Public Construction Cost Accounting Act ("Act") (Public Contract Code section 22000 and following) and the policies and procedures of the California Uniform Construction Cost Accounting Commission ("Commission").

<u>SECTION 2.</u> Public project bidding requirements.

The cost limitations and circumstances for determining whether a public project (as defined in the Act) may be performed by force account, negotiated contract, purchase order, informal bidding, or formal bidding are those set forth in Act.

<u>SECTION 3.</u> Informal bidding procedures.

Public projects subject to informal bid procedures may be let to contract as follows:

A. Contractors List. The Agency will develop and maintain a list of contractors in accordance with the Act and the criteria established by the Commission.

B. Notice to Contractors. The Agency will solicit bids by written request to contractors licensed and experienced for the type of public work to be performed from the Agency's list of qualified contractors established pursuant to this section. Qualified contractors on the list for the category of work to be performed and all construction trade journals specified by the Commission will be mailed a notice inviting informal bids unless the product or service is proprietary.

C. Form of Notice. The notice inviting informal bids must describe (1) the project in general terms, (2) how to obtain more detailed information concerning the project, and (3) state the time and place for the submission of bids.

D. The mailing of notices to such qualified contractors and construction trade journals will be done in accordance with the procedures specified in the Act.

E. Award of Contract. The award of contract may be made to the lowest responsible bidder.

F. Rejection or Absence of Bids. The Agency reserves the right to reject any and all bids presented. If no bids are received, the public project may be performed by Agency employees by force account or by negotiated contract.

G. If all bids received are in excess of the maximum dollar amount for contracts let through informal bidding under the Act, the governing body of the public agency may, by adoption of a resolution by a four-fifths vote, award the contract, at an amount no more than the amount stated in Section 22034(d) of the Act, to the lowest responsible bidder, if it determines the cost estimate of the public agency was reasonable.

SECTION 4. **Formal bidding procedures**.

Public projects that exceed the maximum permitted amount under the Act for informal bidding and are not otherwise exempt must be let to contract by formal bidding procedures in accordance with the Act and other applicable provisions of the Public Contracts Code.

SECTION 5. **Delegation of authority to award contracts.**

The CEO/General Manager is authorized to award informal contracts pursuant to this Ordinance.

SECTION 6. **Federal Requirements**

The procedures authorized by this Ordinance shall be followed to the extent that they are consistent with federal procurement and contracting laws and regulations applicable to the subject public project. If there are any inconsistencies between the procedures herein and any federal requirements, the federal requirements shall control.

SECTION 7. **Environmental Findings**.

The Board of Directors exercises its independent judgment and finds that the enactment of this Ordinance is exempt from the California Environmental Quality Act ("CEQA") under the CEQA Guidelines (Chapter 3 of Title 14 of the California Code of Regulations beginning at Section 15000), specifically, Section 15061(b)(3), because the adoption of this Ordinance will implement a regulatory process that will not foreseeably result in construction or other physical activities, either directly or indirectly, and that therefore the enactment of this Ordinance does not have the potential to result in any significant effects on the environment.

SECTION 8. **Publication** The Clerk of the Board of Directors is directed to cause this ordinance to be published in the manner required by law.

PASSED, APPROVED AND ADOPTED by the Board of Directors of SunLine Transit Agency on this 28th day of June, 2017, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Diane Beebe, Clerk of the Board SunLine Transit Agency	Russell Betts, Chairperson of the Board SunLine Transit Agency

APPROVED AS TO FORM

Eric Vail,
General Counsel
SunLine Transit Agency

SunLine Transit Agency

DATE:	**May 24, 2017**	**ACTION**
TO:	**Board Operations Committee** **Board of Directors**	
FROM:	**Deputy Chief Financial Officer**	
RE:	**Investment Policy Revision B-090298(a) & B-090298(b)**	

Recommendation

Recommend that the Board of Directors approve the attached revised investment policies for the Bargaining and Non-Bargaining retirement plans.

Background

In March 2017, the pension committees unanimously approved PFM Asset Management as the new investment manager for the Bargaining and Non-Bargaining pension plans. The outcome was subsequently presented to the Board in April 2017. In conjunction with the new investment manager, it was determined that the investment policy required an update.

The **current investment policy** was last reviewed and approved by the Board in January 2006. The revised investment policies reflect a more comprehensive policy statement while updating guidelines regarding asset allocation. Key assumptions such as the time horizon, return objective and target asset weightings remain the same. Although the target asset weighting remains at a 60/40/0 percentage for equities/fixed income/cash, the range of the assets have been updated to maximize returns within the approved guidelines.

Financial Impact

None.

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Luis Garcia

TOP

INVESTMENT POLICY STATEMENT

FOR

SUNLINE TRANSIT AGENCY
NON-BARGAINING UNIT EMPLOYEE PENSION PLAN

May 24, 2017

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The Sunline Transit Agency Retirement Committee (the "Committee") has established the Non-Bargaining Unit Employee Pension Plan (the "Plan"). This Plan is intended to provide funding for the retirement benefits to the non-bargaining employees of Sunline Transit Agency on the most cost-efficient basis. The Committee hereby adopts this Investment Policy Statement ("Policy Statement") for the following purposes.

Purpose

The main investment objective of the Plan is to achieve long-term growth of Plan assets by maximizing long-term rate of return on investments and minimizing risk of loss to fulfill the Committee's stated objectives for the Plan.

The purpose of this Policy Statement is to achieve the following:

1. Document investment objectives, performance expectations and investment guidelines for Plan assets.

2. Establish an appropriate investment strategy for managing all Plan assets, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Plan.

3. Establish investment guidelines to control overall risk and liquidity.

4. Establish periodic performance reporting requirements to monitor investment results and confirm that the investment policy is being followed.

5. Comply with fiduciary, prudence, due diligence and legal requirements for Plan assets.

Investment Authority

The Sunline Transit Agency ("Agency") has established the Retirement Committee ("Committee") to oversee certain policies and procedures related to the operation and administration of the Plan. The Committee will have authority to implement the investment policy and guidelines in the best interest of the Agency to best satisfy the purposes of the Plan. In implementing this Policy Statement, the Committee believes it may delegate certain functions to:

1. An investment advisor ("Advisor") to assist the Committee in the investment process and to maintain compliance with this Policy Statement. The Advisor may assist the Committee in establishing investment policy objectives and guidelines and may also select investments with discretion to purchase, sell, or hold specific securities that will be used to meet the Plan's investment objectives. The Advisor will: a) adjust asset allocation for the Plan subject to the guidelines and limitations set forth in this Policy Statement; b) select investment managers ("Managers") and strategies consistent with its role as a fiduciary; c)

monitor and review Managers and measure and evaluate their performance against their peers based upon the performance of the total funds under their direct management; and d) execute other tasks as deemed appropriate in its role as Advisor for Plan assets. The investment vehicles allowed may include mutual funds, commingled trusts, separate accounts, limited partnerships and other investment vehicles deemed to be appropriate by the Advisor. The Advisor shall never take possession of securities, cash or other assets of the Plan, all of which shall be held by the custodian. The Advisor must be registered with the Securities and Exchange Commission.

2. A custodian selected by the Committee to maintain possession of physical securities and records of street name securities owned by the Plan, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Plan.

3. A trustee appointed by the Committee, such as a bank trust department, if the Committee does not have its own Trustees, to assume fiduciary responsibility for the administration of Plan assets; provided, however, that if the Committee shall have appointed an investment advisor, then any trustee appointed under this paragraph shall have no authority with respect to selection of investments.

4. Specialists such as attorneys, auditors, actuaries and, retirement plan consultants to assist the Committee in meeting its responsibilities and obligations to administer Plan assets prudently.

Statement of Investment Objectives

The investment objectives of the Plan are as follows:

1. To invest assets of the Plan in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of Plan beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses from individual investments.

2. To provide for funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of the Plan.

3. To enhance the value of Plan assets in real terms over the long-term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.

4. Subject to performance expectations over the long-term, to minimize principal fluctuations over the Time Horizon (as defined below).

5. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in this Policy Statement under the section labeled “Performance Expectations”.

Investment Guidelines

Within this section of the Policy Statement, several terms will be used to articulate various investment concepts. The descriptions are meant to be general and may share investments otherwise considered to be in the same asset class. They are:

"Growth Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on capital appreciation. Investments within the Growth Assets category can include income and risk mitigating characteristics, so long as the predominant investment risk and return characteristic is capital appreciation. Examples of such investments or asset classes are: domestic and international equities or equity funds, certain real estate investments, and hedge funds focused on equity risk mitigation or equity-like returns.

"Income Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on income generation. Investments within the Income Assets category can include capital appreciation and risk mitigating characteristics, so long as the primary investment risk and return characteristic is income generation. Examples of such investments or asset classes are: fixed income securities, guaranteed investment contracts, certain real estate investments, and hedge funds focused on interest rate risk mitigation or income investment-like returns.

"Real Return Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on real returns after inflation. Investments within the Real Return category can include inflation protected securities, certain real estate investments and hedge funds.

Time Horizon

The Plan's investment objectives are based on a long-term investment horizon ("Time Horizon") of five years or longer. Interim fluctuations should be viewed with appropriate perspective. The Committee has adopted a long-term investment horizon such that the risks and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

Liquidity and Diversification

In general, the Plan may hold some cash, cash equivalent, and/or money market funds for near-term Plan benefits and expenses. Remaining assets will be invested in longer-term investments and shall be diversified with the intent to minimize the risk of long-term investment losses. Consequently, the total portfolio will be constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries.

Asset Allocation

The Committee believes that to achieve the greatest likelihood of meeting the Plan's investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows to achieve an average total annual rate of return that is equal to or greater than the Plan's target rate of return over the long-term, as described in the section titled "Performance Expectations".

	Asset Weightings	
Asset Classes	**Range**	**Target**
Growth Assets		
Domestic Equity	19% - 59%	39%
International Equity	1% - 41%	21%
Other	0% - 20%	0%
Income Assets		
Fixed Income	20% - 60%	40%
Other	0% - 20%	0%
Real Return Assets	0% - 20%	0%
Cash Equivalents	0% - 20%	0%

The Advisor and each Manager will be evaluated against their peers on the performance of the total funds under their direct management.

Rebalancing Philosophy

The asset allocation range established by this Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside Policy Statement ranges. When allocations breach the specified ranges, the Advisor will rebalance the assets within the specified ranges. The Advisor may also rebalance based on market conditions.

Risk Tolerance

Subject to investment objectives and performance expectations, the Plan will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon.

Performance Expectations

Over the long-term, five years or longer, the performance objective for the Plan will be to achieve an average total annual rate of return that is equal to or greater than the Plan's stated total return objective of 7%. Additionally, it is expected that the annual rate of return on Plan assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Plan investments and blended benchmark comparisons for the Plan in its entirety.

Selection of Investment Managers

The Advisor shall prudently select appropriate Managers to invest the assets of the Plan. Managers must meet the following criteria:

- The Manager must provide historical quarterly performance data compliant with Global Investment Performance Standards (GIPS®), Securities & Exchange Commission ("SEC"), Financial Industry Regulatory Agency ("FINRA") or industry recognized standards, as appropriate.
- The Manager must provide detailed information on the history of the firm, key personnel, support personnel, key clients, and fee schedule (including most-favored-nation clauses). This information can be a copy of a recent Request for Proposal ("RFP") completed by the Manager or regulatory disclosure.
- The Manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- The investment professionals making the investment decisions must have a minimum of three (3) years of experience managing similar strategies either at their current firm or at previous firms.
- Where other than common funds such as mutual funds or commingled trusts are utilized, the Manager must confirm receipt, understanding and adherence to this Policy Statement and any investment specific policies by signing a consent form provided to the Manager prior to investment of Trust assets.

Guidelines for Portfolio Holdings

Direct Investments by Advisor

Every effort shall be made, to the extent practical, prudent and appropriate, to select investments that have investment objectives and policies that are consistent with this Policy Statement (as outlined in the following sub-sections of the "Guidelines for Portfolio Holdings"). However, given the nature of the investments, it is recognized that there may be deviations between this Policy Statement and the objectives of these investments.

Limitations on Managers' Portfolios

EQUITIES

No more than the greater of 5% or weighting in the relevant index (Russell 3000 Index for U.S. issues and MSCI ACWI ex-U.S. for non-U.S. issues) of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed 5% of those outstanding; and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard (GICS).

Domestic Equities. Other than the above constraints, there are no quantitative guidelines as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the Manager.

International Equities. The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple countries, regions and sectors.

FIXED INCOME

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets as calculated by the Advisor shall be investment grade or better, based on the rating of one Nationally Recognized Statistical Rating Organization ("NRSRO").

OTHER ASSETS (ALTERNATIVES)

Alternatives may consist of non-traditional asset classes such as real estate and investments designed to hedge inflation, when deemed appropriate. The total allocation to other assets may not exceed 20% of the overall portfolio. Prior to adding an allocation to any of the following asset classes, with the exception of publicly-traded mutual fund vehicles, the Advisor shall receive approval from the Agency.

Real Estate: Consists of publicly traded Real Estate Investment Trust ("REIT") securities and/or non-publicly traded private real estate and shall be diversified across a broad array of property types and geographic locations. Investments of this type are designed to provide a stable level of income combined with potential for price appreciation, particularly in periods of unexpected inflation. For private real estate, the illiquid, long-term nature should be considered. For purposes of asset allocation targets and limitations, publicly traded REITs will be categorized as "Other" under the Growth Assets category. Depending on the investment characteristics of a private real estate fund, the fund will be categorized as "Other" under either the Income Assets category, for example, a core real estate fund, or under the Growth Assets category, for example, an opportunistic real estate fund where capital gains are expected to make up a significant portion of the total return.

Inflation Hedge: Shall consist of pooled vehicles holding among other assets: Treasury Inflation Protected Securities ("TIPS"), commodities or commodity-linked contracts, index-linked derivative contracts, certain real estate or real property funds and the equity of companies in businesses thought to hedge inflation. Inflation hedge assets will be reported in the Real Return Assets category.

CASH EQUIVALENTS

Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

Portfolio Risk Hedging

Portfolio investments designed to hedge various risks including volatility risk, interest rate risk, etc. are allowed to the extent that the investments are not used for the sole purpose of leveraging Plan assets. One example of a hedge vehicle is an exchange traded fund ("ETF") which takes short positions.

Prohibited Investments

Except for purchase within authorized investments, securities having the following characteristics are not authorized and shall not be purchased: letter stock and other unregistered securities, warrants, direct commodities or commodity contracts, or private placements (with the exception of Rule 144A securities). Further, derivatives, options, short sales or futures for the sole purpose of direct portfolio leveraging are prohibited. Direct ownership of real estate, natural resource properties such as oil, gas or timber and the purchase of collectibles is also prohibited.

Safekeeping

All assets of the Plan shall be held by a custodian approved by the Committee for safekeeping of Plan assets. The custodian shall produce statements on a monthly basis, listing the name and value of all assets held, and the dates and nature of all transactions in accordance with the terms in the Plan Agreement. Investments of the Plan not held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts. Investments and portfolio securities may not be loaned.

Control Procedures

Review of Investment Objectives

The Advisor shall review annually and report to the Committee the appropriateness of this Policy Statement for achieving the Plan's stated objectives. It is not expected that this Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in this Policy Statement.

Review of Investment Performance

The Advisor shall report on a quarterly basis to the Committee to review the investment performance of the Plan. In addition, the Advisor will be responsible for keeping the Committee advised of any material change in investment strategy, Managers, and other pertinent information potentially affecting performance of the Plan.

The Advisor shall compare the investment results on a quarterly basis to appropriate peer universe benchmarks, as well as market indices in both equity and fixed income markets. Examples of benchmarks and indexes that will be used include the Russell 3000 Index for broad U.S. equity strategies; S&P 500 Index for large cap U.S. equities, Russell 2000 Index for small cap U.S. equities, MSCI ACWI ex-U.S. Index for broad based non-U.S. equity strategies; MSCI Europe, Australasia, and Far East (EAFE) Index for developed markets international equities, Barclays Capital Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill for cash equivalents. The Russell 3000 Index will be used to benchmark the U.S. equities portfolio; the MSCI ACWI ex-U.S. Index will be used to benchmark the non-U.S. equities portfolio; the Barclays U.S. Aggregate Bond Index will be used to benchmark the fixed income portfolio. The categories "Other" will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used.

Voting of Proxies

The Committee recognizes that proxies are a significant and valuable tool in corporate governance. The voting rights of individual stocks held in separate accounts or collective, common, or pooled funds will be exercised by the investment managers in accordance with their own proxy voting policies. The voting rights of funds will be exercised by the Advisor.

Adoption of Investment Policy Statement

Any changes and exceptions to this Policy Statement will be made in writing and adopted by the Committee. Once adopted, changes and exceptions will be delivered to each Manager, as appropriate, by the Advisor.

Approved by the Sunline Transit Agency Non-Bargaining Retirement Committee:

______________________________	______________________________
Chair	Secretary
__________________	__________________
Date	Date

SunLine Transit Agency
Investment Policy, Pension Funds for
Bargaining Unit Employees
Policy No: B-090298(b)

Adopted:1/25/06
Revised: 5/24/17

INVESTMENT POLICY STATEMENT

FOR

SUNLINE TRANSIT AGENCY
BARGAINING UNIT EMPLOYEE PENSION PLAN

May 24, 2017

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5. Comply with fiduciary, prudence, due diligence and legal requirements for Plan assets.

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Real Return Assets	0% - 20%	0%
Cash Equivalents	0% - 20%	0%

The Advisor and each Manager will be evaluated against their peers on the performance of the total funds under their direct management.

Rebalancing Philosophy

The asset allocation range established by this Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside Policy Statement ranges. When allocations breach the specified ranges, the Advisor will rebalance the assets within the specified ranges. The Advisor may also rebalance based on market conditions.

Risk Tolerance

Subject to investment objectives and performance expectations, the Plan will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon.

Performance Expectations

Over the long-term, five years or longer, the performance objective for the Plan will be to achieve an average total annual rate of return that is equal to or greater than the Plan's stated total return objective of 7%. Additionally, it is expected that the annual rate of return on Plan assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Plan investments and blended benchmark comparisons for the Plan in its entirety.

Selection of Investment Managers

The Advisor shall prudently select appropriate Managers to invest the assets of the Plan. Managers must meet the following criteria:

– The Manager must provide historical quarterly performance data compliant with Global Investment Performance Standards (GIPS®), Securities & Exchange Commission ("SEC"), Financial Industry Regulatory Agency ("FINRA") or industry recognized standards, as appropriate.

– The Manager must provide detailed information on the history of the firm, key personnel, support personnel, key clients, and fee schedule (including most-favored-nation clauses). This information can be a copy of a recent Request for Proposal ("RFP") completed by the Manager or regulatory disclosure.

– The Manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

– The investment professionals making the investment decisions must have a minimum of three (3) years of experience managing similar strategies either at their current firm or at previous firms.

– Where other than common funds such as mutual funds or commingled trusts are utilized, the Manager must confirm receipt, understanding and adherence to this Policy Statement and any investment specific policies by signing a consent form provided to the Manager prior to investment of Trust assets.

Guidelines for Portfolio Holdings

Direct Investments by Advisor

Every effort shall be made, to the extent practical, prudent and appropriate, to select investments that have investment objectives and policies that are consistent with this Policy Statement (as outlined in the following sub-sections of the "Guidelines for Portfolio Holdings"). However, given the nature of the investments, it is recognized that there may be deviations between this Policy Statement and the objectives of these investments.

Limitations on Managers' Portfolios

EQUITIES

No more than the greater of 5% or weighting in the relevant index (Russell 3000 Index for U.S. issues and MSCI ACWI ex-U.S. for non-U.S. issues) of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed 5% of those outstanding; and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard (GICS).

Domestic Equities. Other than the above constraints, there are no quantitative guidelines as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the Manager.

International Equities. The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple countries, regions and sectors.

FIXED INCOME

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets as calculated by the Advisor shall be investment grade or better, based on the rating of one Nationally Recognized Statistical Rating Organization ("NRSRO").

OTHER ASSETS (ALTERNATIVES)

Alternatives may consist of non-traditional asset classes such as real estate and investments designed to hedge inflation, when deemed appropriate. The total allocation to other assets may not exceed 20% of the overall portfolio. Prior to adding an allocation to any of the following asset classes, with the exception of publicly-traded mutual fund vehicles, the Advisor shall receive approval from the Agency.

Real Estate: Consists of publicly traded Real Estate Investment Trust ("REIT") securities and/or non-publicly traded private real estate and shall be diversified across a broad array of property types and geographic locations. Investments of this type are designed to provide a stable level of income combined with potential for price appreciation, particularly in periods of unexpected inflation. For private real estate, the illiquid, long-term nature should be considered. For purposes of asset allocation targets and limitations, publicly traded REITs will be categorized as "Other" under the Growth Assets category. Depending on the investment characteristics of a private real estate fund, the fund will be categorized as "Other" under either the Income Assets category, for example, a core real estate fund, or under the Growth Assets category, for example, an opportunistic real estate fund where capital gains are expected to make up a significant portion of the total return.

Inflation Hedge: Shall consist of pooled vehicles holding among other assets: Treasury Inflation Protected Securities ("TIPS"), commodities or commodity-linked contracts, index-linked derivative contracts, certain real estate or real property funds and the equity of companies in businesses thought to hedge inflation. Inflation hedge assets will be reported in the Real Return Assets category.

CASH EQUIVALENTS

Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

Portfolio Risk Hedging

Portfolio investments designed to hedge various risks including volatility risk, interest rate risk, etc. are allowed to the extent that the investments are not used for the sole purpose of leveraging Plan assets. One example of a hedge vehicle is an exchange traded fund ("ETF") which takes short positions.

Prohibited Investments

Except for purchase within authorized investments, securities having the following characteristics are not authorized and shall not be purchased: letter stock and other unregistered securities, warrants, direct commodities or commodity contracts, or private placements (with the exception of Rule 144A securities). Further, derivatives, options, short sales, or futures for the sole purpose of direct portfolio leveraging are prohibited. Direct ownership of real estate, natural resource properties such as oil, gas or timber and the purchase of collectibles is also prohibited.

Safekeeping

All assets of the Plan shall be held by a custodian approved by the Committee for safekeeping of Plan assets. The custodian shall produce statements on a monthly basis, listing the name and value of all assets held, and the dates and nature of all transactions in accordance with the terms in the Plan Agreement. Investments of the Plan not held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts. Investments and portfolio securities may not be loaned.

Control Procedures

Review of Investment Objectives

The Advisor shall review annually and report to the Committee the appropriateness of this Policy Statement for achieving the Plan's stated objectives. It is not expected that this Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in this Policy Statement.

Review of Investment Performance

The Advisor shall report on a quarterly basis to the Committee to review the investment performance of the Plan. In addition, the Advisor will be responsible for keeping the Committee advised of any material change in investment strategy, Managers, and other pertinent information potentially affecting performance of the Plan.

The Advisor shall compare the investment results on a quarterly basis to appropriate peer universe benchmarks, as well as market indices in both equity and fixed income markets. Examples of benchmarks and indexes that will be used include the Russell 3000 Index for broad U.S. equity strategies; S&P 500 Index for large cap U.S. equities, Russell 2000 Index for small cap U.S. equities, MSCI ACWI ex-U.S. Index for broad based non-U.S. equity strategies; MSCI Europe, Australasia, and Far East (EAFE) Index for developed markets international equities, Barclays Capital Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill for cash equivalents. The Russell 3000 Index will be used to benchmark the U.S. equities portfolio; the MSCI ACWI ex-U.S. Index will be used to benchmark the non-U.S. equities portfolio; the Barclays U.S. Aggregate Bond Index will be used to benchmark the fixed income portfolio. The categories "Other" will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used.

Voting of Proxies

The Committee recognizes that proxies are a significant and valuable tool in corporate governance. The voting rights of individual stocks held in separate accounts or collective, common, or pooled funds will be exercised by the investment managers in accordance with their own proxy voting policies. The voting rights of funds will be exercised by the Advisor.

Adoption of Investment Policy Statement

Any changes and exceptions to this Policy Statement will be made in writing and adopted by the Committee. Once adopted, changes and exceptions will be delivered to each Manager, as appropriate, by the Advisor.

Approved by the Sunline Transit Agency Retirement Committee - Bargaining:

______________________________	______________________________
Chair	Secretary
__________________	__________________
Date	Date

SunLine Transit Agency	Investment Policy, Pension Funds for Non-Bargaining Unit Employees
Approved by Board of Directors on January 25, 2006	Policy # B-090298(a)

INVESTMENT POLICY STATEMENT

SUNLINE EMPLOYEES RETIREMENT SYSTEM
(non-bargaining unit employees)

DATED: February 1, 2006

The following statement is provided by the Retirement Committee of the Plan named above as a means of setting forth the investments of the Plan which includes the asset allocation target, investment objectives and procedures for monitoring the adherence to the directives contained in this Policy Statement.

GENERAL INFORMATION
The Plan listed above exists to provide funding of benefits provided by the Plan. The assets of the Plan are to be invested for the exclusive benefit of participants and their beneficiaries in accordance with the Plan documents and all applicable federal and state law.

The Retirement Committee, with approval of the Board of Directors, may choose a custodian, trustee and/or investment counsel to assist them in performing their obligations to the Plan.

The Retirement Committee shall be guided by general investment principles which shall be reviewed at least annually.

INVESTMENT POLICIES
The financial goal for the Plan is to provide funding for the benefits on the most cost efficient basis to SunLine Transit Agency.

OBJECTIVE: Preservation of principal is the primary objective, followed by assurance of liquidity to meet the cash needs of the plan, and obtaining the maximum investment yield consistent with those objectives.

The Retirement Committee is required to receive approval from the SunLine Board of Directors for this Policy Statement, including any future changes. This requirement shall remain in full force and effect until such time as it is altered by the Board of Directors.

The specific return objective of the Plan is:

To achieve, at a minimum, the Plan's current actuarial rate of return assumption of 7% net of expenses, over a three to five year time horizon.

Any investment manager who, in the future, may be retained by the Retirement Committee, will be afforded discretionary authority under the prudent man rule concept and shall invest assets in accordance with federal and state resolutions affecting the Plan's assets.

The portfolio will be reviewed by the Retirement Committee on a quarterly basis to ensure compliance with the guidelines.

The Retirement Committee has determined that investment of Plan assets will not be permitted in the following:

Warrants, commodities or options, other than U. S. Treasury bonds, notes and futures,

Margin purchases or short sales,

Such other assets as may be specified by the Retirement Committee from time to time.

ASSET ALLOCATION

The Plan's asset allocation target and ranges are as follows:

	Target	Range
Equities	**60%**	**35-75%**
Fixed Income	**40%**	**25-65%**
Cash & Equivalent	**0%**	**0-10%**

The Retirement Committee will re-balance the above allocation as necessary when considering the liability of Plan benefits.

Richard S. Kelly
Chairman of the Board

Date: 1-25-06

ATTEST:

C. Mikel Oglesby
General Manager

Date: 1-25-06

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SunLine Transit Agency	Investment Policy, Pension Funds for Bargaining Unit Employees
Approved by Board of Directors on January 25, 2006	Policy # B-090298(b)

INVESTMENT POLICY STATEMENT

SUNLINE TRANSIT RETIREMENT INCOME PLAN FOR BARGAINING UNIT PERSONNEL

DATED: February 1, 2006

The following statement is provided by the Retirement Committee of the Plan named above as a means of setting forth the investments of the Plan which includes the asset allocation target, investment objectives and procedures for monitoring the adherence to the directives contained in this Policy Statement.

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Richard S. Kelly
Chairman of the Board

1-25-06
Date

ATTEST:

C. Mikel Oglesby
General Manager

1-25-06
Date

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