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## *Memorandum*

TO: BATA Oversight Committee

DATE: December 3, 2008

FR: Deputy Executive Director

RE: Reauthorization of BATA Debt Policy, Resolution No. 51, Revised

Staff recommends this Committee forward approval of Resolution 51, Revised to the Authority to amend counterparty ratings requirement after execution of the documents.

BATA adopted a debt policy in May 2004 that outlined debt and swap guidelines as proposed by Government Finance Officers Association (GFOA), Municipal Securities Rulemaking Board (MSRB), and nationally recognized rating agencies (Fitch, Moodys and Standard & Poors) and was set forth in BATA Resolution No. 51.

Currently, BATA's Debt Policy requires a two pronged test. The counterparty's ratings, or the ratings of an entity controlling the counterparty, must be the equivalent of "A+" or better from three nationally recognized rating agencies at the time of the execution of the documents for the transaction, and the counterparty must maintain ratings that are equal to or better than BATA's current ratings from any two nationally recognized rating agencies.

BATA proposes an amendment to clarify the second part of the test. The counterparty is required to possess ratings that are equal to or better than BATA's ratings from two nationally recognized rating agencies **at the time of trade**. The current wording implies that the counterparty has to maintain the ratings when the intent was to evaluate the ratings at the time of the transaction. BATA already has protections against a future downgrade including our requirement for the counterparty to post collateral on a ratings downgrade and BATA's existing option to unilaterally terminate the swaps at any time with 15 days notice.

AF:bm

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Andrew B. Fremier