

**HRTAC**  
**Addenda #1**  
**RFP 2017-01: Investment Management Services**

The following questions were received after HRTAC RFP 2017-01: Investment Management Services was published on July 14, 2016:

**Q1: Please clarify if this is being issued for private equity investment management services?**

**A1:** The Hampton Roads Transportation Accountability Commission (“HRTAC” or “Commission”) is a political subdivision of the Commonwealth of Virginia created under §33.2-2601 et seq. of the Code of Virginia. All cash and investment activities shall be conducted in accordance with applicable law, including the Code of Virginia Hampton Roads Transportation Fund (“HRTF”; §33.2-2600 et seq.), Security for Public Deposits Act (“SPDA”; §2.2-4400 et seq.), Investment of Public Funds Act (§2.2-4500 et seq.), and Administration of the Transportation Trust Fund (§33.2-1525), the provisions of any applicable bond resolutions, and this Investment Policy (the “Policy”). The HRTAC Statement of Investment Policy, Effective July 1, 2016, [http://www.hrtac.org/uploads/docs/Investment%20Policy Approved.pdf](http://www.hrtac.org/uploads/docs/Investment%20Policy%20Approved.pdf) provides for the direction of the investment of the excess revenues falling under this RFP.

**Q2:**

- 1. How many managers exactly is the fund anticipating hiring?**
- 2. What strategies should the manager(s) utilize? Active or passive? Cap size, core/value/growth if equities...if fixed income core/core-plus/emerging markets, high yield, etc.**
- 3. How much is the search for? How much in assets will the potential manager(s) oversee and where is the funding coming from?**
- 4. Why is the search happening now?**
- 5. Is a consultant helping with the search? If so, who? What office are they in?**
- 6. I know bids are due August 11, any idea when a decision is expected?**
- 7. What is the overall size of HRPDC?**
- 8. What is the target and current asset allocation?**

**A2.**

- 1. This is a procurement of services RFP and HRTAC is not hiring any direct employees**
- 2. HRTAC has an approved investment policy.**
- 3. The value of the Assets is contained in the Background section of the RFP, page 3.**
- 4. Effective July 1, 2016, HRTAC changed its investment policy to meet legislative requirements and language pertaining to the Hampton Roads Transportation Fund.**
- 5. No**
- 6. The schedule is contained in the RFP, Section IV on page 5.**
- 7. The inquirer was confused that it is HRTAC that is conducting the RFP.**
- 8. The investment policy is the guide to this question.**

- Q3:**
- 1. Why is the search being conducted?**
  - 2.) Does the Commission currently utilize a firm for these services?**
  - 3.) If yes to #2, what is the name of that firm and are they welcome to rebid?**
  - 4.) When does the commission hope to have a final selection made?**
  - 5.) What is the typical amount the investment manager would be responsible for in commission funds?**

**A3:** 1. HRTAC has updated its Investment Policy due to updates brought about by changes in legislation effective July 1, 2016.

2. Yes

3. Sterling Capital Investment and Yes

4. September 2016

5. The Hampton Roads Transportation Accountability Commission (“HRTAC”), is a regional governmental entity created by the General Assembly of Virginia in 2014. HRTAC is comprised of the chief elected officer of each of the 10 cities and the board appointed elected officer of each of the 4 counties embraced by the HRTAC, 3 state delegates and 2 state senators, and 4 non-voting members. HRTAC is responsible for determining how approximately \$200 million per year in Hampton Roads Transportation Funds (“HRTF”), a new regional transportation revenue, will be invested in transportation projects in Hampton Roads. As of April 30th the General Ledger had a balance of \$426,312,052. As of May 31st the General Ledger had a balance of \$438,339,854. During the 2016 Session of the General Assembly, HB1111, <http://leg1.state.va.us/cgi-bin/legp504.exe?161+ful+CHAP0603+pdf> codified HRTAC’s investment authority over the HRTF with direction. In response to the legislation, HRTAC has developed a Statement of Financial Policy that was adopted by the Board effective July 1, 2016. This policy will act as a guide for HRTAC and its financial investment management services contractors in the administration and investment of the HRTF excess revenues. HRTAC is required to develop a funding plan that provides for the expenditure of funds over a four- to six-year period and aligns with the Statewide Transportation Plan as much as possible. HRTAC adopted its initial funding plan (Initial Financial Plan) in 2014. The HRTAC 2016-2022 Funding Plan replaces the Initial Financial Plan and provides current direction on project use of HRTF, financing and timing. The HRTAC Funding Plan may be found at: <http://www.hrtac.org/uploads/docs/Approved%20HRTAC%202016-2022%20FUNDING%20PLAN%203%2017%202016%20Information%20Posted.pdf>. In the development and implementation of its investment strategy, HRTAC staff has been directed to solicit proposals for financial investment management services. Currently, HRTAC has investment deposits at First Union Bank and Trust, BB&T/Sterling Investment, and the VA Local Government Investment Pool.

**Q4:** 1. Provide an estimate of the expected amount of assets to be invested in 2017?  
2. Please confirm that this RFP is seeking discretionary investment management services rather than only advisory services?  
3. Regarding the price schedule, is a flat dollar fee permissible rather than an asset-based fee schedule?

**A4:** 1. Varying between \$300M and \$400M based on the draws for construction projects.  
2. Currently, Sterling Capital provides investment management services through an investment management/BB&T Custodial account relationship. HRTAC also has investments at the Local Government Investment Pool (LGIP) and Union Bank that Sterling is not providing investment management or advisory services. This is the link to HRTAC's Investment Policy:  
[http://www.hrtac.org/uploads/docs/Investment%20Policy Approved.pdf](http://www.hrtac.org/uploads/docs/Investment%20Policy%20Approved.pdf) The RFP Scope of Services 1, 2, 3, and 4 describe the types of activities contemplated <http://www.hrtac.org/uploads/docs/HRTAC%20Investment%20Management%20Services%20RFP%20Final%20Published.pdf>.  
3. Provide your proposal as you like, but remember we are having to conduct a cross evaluation of the proposers.

**Q5:** 1. Appendix A, Section I, Subsection R (Insurance) – with respect to insurance coverage and limit requirements, item 4 (professional liability insurance) requires that *the contractor shall maintain, during the life of the contract, such professional liability insurance (in our case, bankers professional liability insurance), including bodily injury and property damage if excluded in commercial general liability coverage required above, as to protect the Contractor, the Contractor staff, or by any subcontractor or anyone directly or indirectly employed by either of them against claims for damages, including protection of the owner (HRTAC).* Although Fulton Financial Corporation maintains professional liability insurance with limits well in excess of those required under the *Request for Proposal*, according to our legal department, Fulton Financial Corporation will not be able to provide protection to HRTAC under that professional liability insurance policy. Does this condition disqualify us from consideration under the above captioned RFP? If this is a disqualifier, there is no need to address the following questions.

2. Appendix A, Section I, Subsection T (Drug-Free Workplace) – Fulton Financial Corporation maintains and enforces a drug and alcohol policy in our employee handbook; additionally, drug testing is a part of our background screening process for new hires; we do not have signage on our property that we are drug and alcohol free; we rely on the policy. Does this condition disqualify us from consideration under the above captioned RFP? If this is a disqualifier, there is no need to address the following questions.

3. Appendix C (Litigation Disclosure Form) – It's important to note that Fulton Financial Corporation employs over 4,000 individuals, almost 1,600 of whom are officers and/or directors; and, all of whom are subject to inquiries and criminal background checks, at the time of hiring, as required in accordance with Section 19 of the Federal Deposit Insurance Act and the Statement of Policy

of the Federal Deposit Insurance Corporation regarding certain criminal convictions, and prospective officers having convictions for any criminal offense involving dishonesty or breach of trust or money laundering are, except for certain de minimis offenses, not eligible for employment, or to serve as a director. Furthermore, active officers are required to immediately report any convictions for those offenses, and those officers would no longer be considered eligible for employment. Please see the following questions with respect to Appendix C:

- a. **Item 1 (officer/director felony convictions, etc.) - We do not continuously track this information; instead, we conduct and review background checks at the time of hire. As an alternative, we could perform an updated criminal background check for the relationship management team assigned to the HRTAC engagement. Does this condition disqualify us from consideration under the above captioned RFP? If this is a disqualifier, there is no need to address the following questions.**
- b. **Item 2 (officer/director termination for cause or otherwise related to work performed by the HRTAC, or other governmental or private entity) We do not track this information. As an alternative, we could ask the relationship management team, assigned to the HRTAC engagement, to execute affidavits or statements to this effect. Does this condition disqualify us from consideration under the above captioned RFP? If this is a disqualifier, there is no need to address the following questions.**
- c. **Item 3 (officer/director litigation with HRTAC, or other governmental or private entity) - We do not track this information. As an alternative, we could ask the relationship management team, assigned to the HRTAC engagement, to execute affidavits or statements to this effect. Does this condition disqualify us from consideration under the above captioned RFP? If this is a disqualifier, there is no need to address the following questions.**
- d. **Item 4 (parent company/subsidiary litigation with HRTAC, or other governmental or private entity) - Fulton Financial Corporation, and its wholly-owned subsidiaries, are, from time to time, named as defendants in legal proceedings relating to the conduct of their business. Some of these proceedings may include allegations of fraud. There are no legal proceedings pending or threatened against Fulton Financial Corporation, and its wholly-owned subsidiaries, which are, in the opinion of management, in consultation with legal counsel, expected to have a material impact upon the financial position or operating results of Fulton Financial Corporation, and its wholly-owned subsidiaries, or its ability to provide the products and services to its clients, customers and prospective clients/customers. We are unaware (pending formal inquiry) of any current or past claims or litigation, involving Fulton Financial Corporation, and its wholly-owned subsidiaries, with or against HRTAC. Does this condition disqualify us from consideration under the above captioned RFP? If this is a disqualifier, there is no need to address the following questions.**

4. RFP Section VII (Specific Proposal Instructions), Subsection B.b.vii – references compliance with arbitrage regulations. Are all or any portion of the funds, subject to investment management under the RFP, categorized as *municipal bond proceeds*, originating from the issuance of Municipal Bonds; if so, what is the approximate dollar amount?

5. RFP Section II (Background) – the two links provided are not working; therefore, we are unable to view the language associated with the investment policy, governing statutes, etc.

6. RFP Section IX (Submittal Process and Information) – a portion of the language in the section states that *one (1) electronic copy in either MS Word or PDF format on a CD...* This interprets that a CD is required only in the case of a PDF file; for clarification, is a CD (containing our RFP response, regardless of format) required to be submitted with the package of hard copied and bound presentations?

- A5:
1. Insurance is not required in this instance.
  2. Subsection T of the referenced policy is adequate.
  3. This requirement is clarified that litigation refers to employees and not board officers.
  4. It is likely that HRTAC will issue bonds in the future and the proceeds may be subject to arbitrage rules.
  5. Even if the links are not active links in the RFP, copying and pasting the links into a web browser will work. The approved HRTAC Investment Policy link is: [http://www.hrtac.org/uploads/docs/Investement%20Policy Approved.pdf](http://www.hrtac.org/uploads/docs/Investement%20Policy%20Approved.pdf).
  6. Please provide a CD containing the submission files