

Request for Proposals to Serve as Investment Manager to the Louisville Arena Authority



louisville arena authority

Date: April 26, 2019

Proposals Due: May 8, 2019

Louisville Arena Authority

Request for Proposals to Serve as Investment Manager to the Louisville Arena Authority

Background Information

The Louisville Arena Authority (the “LAA”) was created in 2005. The LAA guided the development, financing and construction process of the arena. It also selected the financing, construction, and management partners. The LAA’s Finance Committee currently oversees finance and investment-related activity of the Arena.

The Finance Committee, in accordance with the Arena’s internal procurement policies, is issuing this RFP to select and authorize third party Investment Manager(s) for the management of all funds and accounts held by the LAA and its trustee (“Bond Trustee”) including but not limited to all revenue, operating and bond-related funds (“LAA Accounts”). The Investment Manager will provide investment advice with respect to the LAA Accounts and to assist the LAA in direction of the Bond Trustee with respect to investment of LAA Accounts held by the Bond Trustee.

Such Investment Manager(s) must be registered under the Investment Advisors Act of 1940. Because the Investment Manager will manage bond proceeds, it must be registered with the SEC as a Registered Municipal Advisor or Registered Investment Advisor.

If selected, the Investment Manager will function in accordance with the terms of the LAA’s Investment Policy attached herein.

RFP Process

RFPs are due by 5:00 PM ET on May 8, 2019. Proposals shall be limited to 10 pages and a minimum size 11 font. Cover letters, limited to one page, and appendices are not counted toward the page limit. Five bound copies and one electronic copy shall be delivered to:

Hilliard Lyons (Financial Advisor to the LAA)
Attn: Chip Sutherland
500 West Jefferson Street, 8th Floor
Louisville, KY 40202
(502) 588-8462 | csutherland@hilliard.com

Questions Regarding this RFP

Questions regarding this RFP are to be directed to Chip Sutherland (502.588.8462 | csutherland@hilliard.com) or Kelly Mrsic (502.588.1763 | kmrsic@hilliard.com) no later than 5:00 PM ET on Friday, May 3. Do not contact any other parties to discuss this RFP. Doing so will be grounds for disqualification.

Schedule

The LAA anticipates the following schedule:

RFP released	April 26, 2019
Deadline for inquires/questions from firms	May 3, 2019
RFP responses due	May 8, 2019

No Assurances

Circulation of this RFP by the LAA does not mean there will be an Investment Advisor selected or that the schedule above will be followed.

Required Components of Proposal

A. Firm Overview

1. Describe the organization, date founded and ownership of your firm. Has the firm experienced a significant change in organizational structure, ownership or management during the past three years and, if so, please describe.
2. Is your firm a registered investment advisor under the Investment Advisers Act of 1940?
3. Summarize fidelity bond coverage, errors and omissions, employee dishonesty, fiduciary liability insurance, or fiduciary coverage your firm carries.

B. Experience, Personnel and Process

1. Describe your firm's experience in managing investment portfolios. Include any relevant experience managing similar pools of assets and/or bond proceeds.
2. Please describe your firm's experience managing bond-related accounts currently held with bond trustees. Does your firm have experience working with the LAA's current Bond Trustee (Regions Bank)?
3. List the persons that would be dedicated to this portfolio and their role. Provide a brief resume of each professional and his or her role in managing the account.
4. Provide two client references including client name, contact personnel, address, and phone number for clients for whom you currently provide similar services, including the management of bond proceeds.

C. Investment Strategy

1. Briefly describe your investment strategy for the fixed income strategy you are presenting.
2. What are the primary strategies employed by your firm for adding value to portfolios (e.g. market timing , credit research, sector allocation, duration management, protection of principal, etc.)?
3. Based on the LAA's Investment Policy provided and the disbursement schedule attached, please provide a representative portfolio using currently available investments. Please include allocation statistics using the concentration guidelines in the Investment Policy.
4. Describe the investment accounting and performance reporting system used by your firm and its flexibility to custom tailor reports to the LAA's needs.

D. Fees

1. Please provide a proposed fee schedule.
2. Is there a minimum fee?
3. Are there any fees other than management fees based on a percentage of assets under management?

Selection Process

Selection procedures will be based upon the following criteria:

Criteria	Proportion of Score (%)
Firm Overview	20%
Experience, Personnel and Process	40%
Investment Strategy	10%
Fee	30%

Any and all costs or expenses associated with the preparation of a response to this request for proposals and participation in the selection process, including travel time and expenses, shall be the responsibility of the institution submitting the proposal, and the LAA shall not have any obligation to pay or reimburse any such cost of expense.

Additional Information

The LAA reserves the right to request oral on-site interviews with one or more of the respondents.

Addendums:

- LAA Investment Policy
- Sample DSR Disbursement Schedule



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Investment Policy

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1.) Introduction & Purpose

The Louisville Arena Authority (the “LAA”) was created in 2005. The LAA guided the development, financing and construction process of the arena. It also selected the financing, construction, and management partners. The LAA’s Finance Committee currently oversees finance and investment-related activity of the Arena.

The purpose of this Investment Policy is to establish the investment and operational policies for the management of the funds of the Louisville Arena Authority. These policies are designed to ensure the prudent management of funds, provide for ongoing operation, capital expenditures and debt service payments of the Arena, and achieve investment returns competitive with comparable funds and financial market indices.

It shall be the policy of the LAA that all investments and investment practices meet or exceed statutes governing the investment of public funds in Kentucky and any investment restrictions imposed by covenants in the Bond Trust Indenture and Loan Agreement. Further, accounting for the investments of the LAA shall be consistent with guidelines of the Generally Accepted Accounting Principles (GAAP).

2.) Scope

This Investment Policy is comprehensive and governs the administration and investment management of all funds and accounts held by the LAA and its trustee (“Bond Trustee”) including but not limited to all revenue, operating and bond-related funds (“LAA Accounts”). Any person or entity directly responsible for enacting investment-related transactions within the LAA Accounts shall be defined as “Investment Officers”. The guidance set forth herein is to be strictly followed by all those Investment Officers for any aspect of the management or administration of the LAA Accounts.

3.) Responsibilities

Responsibilities of the Finance Committee

1. Establish reasonable and consistent investment objectives and policy guidelines.
2. Evaluate the performance of the investment manager(s) on a quarterly basis.
3. Determine that the funds are prudently and effectively managed consistent with the investment policy.
4. Recommend the retention and/or dismissal of the investment manager(s).
5. Convene annually to evaluate whether this policy, investment activities, risk management controls, and processes continue to be consistent with meeting the goals and objectives for the management of the LAA funds.

Responsibilities of the Investment Manager(s):

1. Ensure required liquidity is maintained for specific funds.
2. Proactively manage incoming cash flow and outgoing money movements to optimize return with minimal costs.
3. Report, on a monthly basis, investment performance results.
4. Communicate changes in the economic outlook, investment strategy, or other factors that affect implementation of the investment policy.
5. Inform the Finance Committee about changes in portfolio management, personnel, ownership structure, investment philosophy, etc.
6. Administer the LAA investments at a reasonable cost.
7. Be available to meet with the Finance Committee to review portfolio structure, strategy, and investment performance.

4.) Authorization of Investment Manager(s)

The Finance Committee, in accordance with the Arena’s internal procurement policies, must issue an RFP to select and authorize third party investment manager(s) to provide investment advice with respect to the LAA Accounts and to assist the LAA in direction of the Bond Trustee

with respect to investment of LAA Accounts held by the Bond Trustee. If selected, the investment manager will function in accordance with the terms of this Investment Policy.

Such investment manager(s) must be registered under the Investment Advisors Act of 1940. Any investment manager that will manage bond proceeds must be registered with the SEC as a Registered Municipal Advisor or Registered Investment Advisor.

5.) Investment Objectives

Outlined below are the key hierarchal investment objectives of managing the LAA's funds.:

1. Preservation of Principal – Safety of principal is the foremost objective of the LAA. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital to provide for ongoing operating and capital expenditures of the Arena, debt service payments, and ultimate repayment of debt.
2. Liquidity - The LAA Accounts shall be managed in such a manner that ensures that funds are readily available as needed to provide for ongoing operating and capital expenditures of the Arena, debt service payments, and ultimate repayment of debt.
3. Return - The LAA Accounts shall be managed in such a manner as to maximize the return on investments net of fees but, within the context and parameters set forth by objectives 1 and 2 above as well as Qualified Investments.

6.) Standard of Prudence

The standard of prudence to be applied to the investment of the LAA Accounts shall be the "Prudent Investor" standard, as follows:

Investments shall be made with care, skill, prudence and diligence under the circumstances then prevailing including, but not limited to, the general economic conditions, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Investment and management decisions respecting individual assets are not to be evaluated in isolation, but rather in the context of the portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the portfolio.

7.) Qualified Investments

The LAA is authorized to invest the LAA Accounts in the following:

Cash (fully insured by the Federal Deposit Insurance Corporation);

U.S. Treasury Obligations;

Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;

Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or

Evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least \$15 million.

Government money market funds as defined by SEC Rule 2a-7 that can invest no less than 99.5% of its total assets in cash, government securities, and/or repurchase agreements that are collateralized fully.

“State Obligations”, which means:

- a.) **Direct general obligations** of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least “A3” by Moody’s and at least “A-” by S&P Global, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
- b.) **Direct general short-term obligations** of any state agency or subdivision or agency thereof described in (a) above and rated “A-1+” by S&P Global and “MIG-1” by Moody’s.

Pre-refunded municipal obligations rated “AAA” by S&P Global and “Aaa” by Moody’s meeting the following requirements:

- a.) the municipal obligations are (1) not subject to redemption before maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
- b.) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal, interest and premium on such municipal obligations;
- c.) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) have been verified by a Verification Report;
- d.) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
- e.) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and

- f.) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A-” by S&P Global and “A3” Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A-” by S&P Global and “A3” by Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least “A-” by S&P Global and “A3” by Moody’s and acceptable to the Bond Insurer (each an “Eligible Provider”), provided that:

- a.) (1) permitted collateral shall include U.S. Treasury Obligations or securities backed by the full faith and credit of the U.S. Government such as GNMA’s and (2) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is another security backed by the full faith and credit of the U.S. Government such as GNMA’s
- b.) a third party acting solely as agent for the Bond Trustee (the “Custodian”) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books) and such collateral shall be marked to market;
- c.) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Bond Trustee setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;
- d.) the repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the Bond Insurer’s prior written consent;
- e.) the repurchase agreement shall state, and an opinion of counsel shall be rendered at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral, and all proceeds thereof; and
- f.) the repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P Global is withdrawn or suspended or falls below “A-” by S&P Global or “A3” by Moody’s, as appropriate, the provider must notify the Bond Trustee and the Bond Insurer within five days of receipt of such notice. Within ten days of receipt of such notice, the provider shall either (1) provide a written guarantee acceptable to the Bond Insurer; (2) post Eligible Collateral; or (3) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten Business Days, the provider shall, at the direction of the Bond Trustee (who shall give such direction only if so directed in writing by the Bond Insurer), repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Bond Trustee.

8.) Investment of the LAA Accounts

The LAA intends to comply with all applicable sections of the Internal Revenue Code of 1986, Arbitrage Rebate Regulations and covenants of the Bond Trust Indenture with regard to the investment of bond proceeds. Accounting records will be maintained in a form and for a period

of time sufficient to document compliance with these regulations. The LAA shall direct the Bond Trustee to invest bond proceeds, and other moneys in the bond-related funds to meet cash flow needs of trusteed funds and the Operations and Maintenance Account. Accounts held with the Bond Trustee will be treated in accordance with the provisions of the Bond Trust Indenture, including, but not limited to Section 4.16 thereof, a copy of which is attached to this Investment Policy.

9.) Liquidity Considerations

When providing advice, Investment Officials will take into consideration the following liquidity considerations for these select bond-related accounts:

- a.) LAA 2017 TIF Revenue Fund – balances short-term in nature; transfer to Senior Debt Service Funds for bond payments every June and December; remaining funds move to ENCF every June.
- b.) LAA 2017 Metro Revenue Fund – balances short-term in nature; transfer to Senior Debt Service Funds for bond payments every June and December; remaining funds move to ENCF every June.
- c.) LAA 2017 Arena Revenue Fund – balances short-term in nature; transfer to Senior Debt Service Funds for bond payments every June and December; remaining funds move to ENCF every June.
- d.) LAA 2017 Senior Interest Fund – balances short-term in nature; account clears out after every debt payment.
- e.) LAA 2017 Senior Reserve Fund – Balances long-term in nature; expected to remain funded barring unforeseen events; requires liquidity every six months to ensure the LAA has required funds available when debt service payments are due.
- f.) LAA 2017 Renovation and Replacement Fund, Arena Revenue Sub Account – balances long-term in nature; drawn on regularly, but replenished from Excess Net Cash Flow Funds as needed.
- g.) LAA 2017 Excess Net Cash Flow Fund, Arena Revenue Sub Account – balances long-term in nature; funded every June from excess Arena revenues after debt service payments; can transfer to Redemption Fund to call bonds or to Renovation & Replacement Fund

10.) Reporting

Investment Officials will supply the Finance Committee on a monthly basis with various reports including but not limited to (i) a listing of the existing accounts and investment securities, (ii)

investment activity and returns, (iii) all fees and costs incurred and (iv) other investment-related items the Finance Committee deems necessary.

11.) Adoption of Investment Policy

This policy is adopted this _____.

SAMPLE DSR DISBURSEMENT SCHEDULE

	Senior Reserve Fund Cash Flows
Balance (4/18/2019)	\$15,739,989.23
6/1/2019	15,739,989.23
12/1/2019	15,739,989.23
6/1/2020	15,739,989.23
12/1/2020	15,739,989.23
6/1/2021	15,739,989.23
12/1/2021	15,739,989.23
6/1/2022	15,739,989.23
12/1/2022	15,739,989.23