

**Hampton Roads Transportation Accountability Commission
Special Meeting**

Thursday, May 28, 2015

1:00 PM

The Regional Board Room, 723 Woodlake Drive, Chesapeake, Virginia

From Chair Alan Krasnoff:

In accordance with Article IV, Section C of the Bylaws, I, as Chair, have received requests for a special meeting of the Hampton Roads Transportation Accountability Commission. By this email, I am providing each of you notice that the Commission will hold a ***special meeting*** on ***Thursday, May 28, 2015 at 1:00 PM***, in the Regional Building Board Room, located at 723 Woodlake Drive, Chesapeake, Virginia 23320, for the purpose of considering the following matters (which shall constitute the agenda for the meeting):

1. The Final FY 2016 Budget (Attachment 1) – *Recommended Action: Approval*; and
2. The Investment Policy with BB&T (Attachment 2) – *Recommended Action: Approval.*



FY2016 Operating Budget

Income:	Income
Income/HRTF Reimbursement	\$ 1,088,232
Total Income	1,088,232
Expenditures:	Expenditures
<u>Personnel Expenditures</u>	
Reimbursement - HRTPO/HRPDC Support Staff	\$ 95,000
HRTAC Staff	520,932
Personnel Subtotal	615,932
<u>Professional Services:</u>	
Audit Services	40,000
Bank Fees	3,500
Legal (non-project services)	180,000
Financial Advisors	179,000
Insurance (Officers & Directors, Liability)	3,000
Executive Director Search Consultant	0
Recruiting	5,000
Professional Subtotal	410,500
<u>Technology/Communication</u>	
Computer hardware and peripherals/maintenance	10,000
Website Consultant (Development & Hosting)	300
Technology/Communication Subtotal	10,300
<u>Administrative Expenses</u>	
Public Notices/Advertising	20,000
Office Space	TBD
Office Supplies	2,000
Furniture	10,000
Printing/Copying	5,000
Dues/Subscriptions	2,000
Travel	5,000
Meeting Expenses	3,500
Postage Delivery	1,000
Professional Development	3,000
Administrative Expenses Subtotal	51,500
Total Expenditures	\$ 1,088,232
Budget Balance	\$ 0

***[Copy of Policy Being Considered at Finance Committee
May 20, 2015 Meeting]***

Investment Policy Agreement

Between: Sterling Capital Management LLC ("Adviser")
and Hampton Roads Transportation Accountability Commission ("Client")

Investment Objectives:

The Adviser shall manage the account of the Client giving priority to the following **primary investment objective**:

- ☐ Capital preservation with limited volatility in the portfolio's market value

Secondary investment objectives in support of the primary investment objective:

- ☐ Liquidity
- ☐ Income maximization

Benchmark:

It has been mutually agreed upon by the Client and the Adviser that the comparative benchmark for performance purposes for this account will be:

- ☐ Custom Index: Combo of 1-3 year Government Bond Index and T-Bill (% allocation of each Benchmark reflective of the cash needs of the Commission)

Portfolio Constraints:

A. Diversification:

- 1) The maximum allocation to any single obligor, at time of purchase, will be limited to 5% of the portfolio's market value.
 - i) Exception: The percentage of assets in the account which are obligations of the United States of America or its Agencies (as determined under Va. Code Section 2.2-4501(A)(2), shall not be limited.

B. Credit Quality:

- ☐ All investments will have a minimum credit quality rating of Aa3 and AA- (long-term) or A-1 and P-1 (short term). One rating by any of the three major rating agencies, (Moody's, S&P, or Fitch) will apply. Also, if split rated, the lower of the split rating will apply. Credit quality requirements for specific types of investments are set forth below.

C. Duration:

- 1) The average duration of the portfolio will range between 80% and 120% of the benchmark's duration.

D. Maturity*:

- ☐ Maturity requirements for certain specific types of investments are set forth below, but in no event shall the maximum effective maturity for any single issue exceed three years from the date of settlement. Client funds shall be invested in a manner that is consistent with the liquidity/cash needs identified by Client from time to time, and Adviser shall maintain a portfolio that is consistent with those needs.

****Note: This restriction only pertains to individual securities, as the overall interest rate sensitivity of the portfolio will be governed by the aforementioned duration limitation.***

Permissible Investments:

The Adviser may invest in the following investments in accordance with applicable Virginia laws.

A. OBLIGATIONS OF THE UNITED STATES

Pursuant to Va. Code Section 2.2-4501, the Client is authorized to invest in obligations issued or guaranteed by the U.S. Government, an agency thereof, or U.S. Government Sponsored Enterprises (GSEs). These securities can be held directly, in the form of repurchase agreements collateralized by such debt securities, and in the form of a registered money market or mutual fund provided that the portfolio of the fund is limited to such evidences of indebtedness.

Acceptable Agency and/or GSE instruments must have at least two of the following short term ratings: Moody's P-1, S&P A-1, Fitch F-1, or Duff and Phelps D-1.

B. COMMERCIAL PAPER

Pursuant to Va. Code Section 2.2-4502, the Client is authorized to invest in "prime quality" commercial paper with a maturity of 270 days or less.

"Prime quality" shall be as rated by at least two of the following: Moody's P-1, S & P A-1, Fitch F-1, or Duff and Phelps D-1, or by their corporate successors, provided that at the time of any such investment:

1. The issuing corporation, or its guarantor, has a net worth of at least \$100 million; and
2. The net income of the issuing corporation, or its guarantor, has averaged three million dollars per year for the previous five years; and
3. All existing senior bonded indebtedness of the issuer, or its guarantor, is rated "A" or better or the equivalent rating by at least two of the following: Moody's, S & P, Fitch, or Duff and Phelps.

Commercial paper must be issued by domestic corporations.

Not more than 5% of the total funds available for investment at time of purchase may be invested in any one issuing or guaranteeing corporation.

C. BANKER'S ACCEPTANCES

Pursuant to Va. Code Section 2.2-4504, the Client is authorized to invest in bankers acceptances.

Banker's acceptances must have at least two of the following: Moody's rating of A-1, S & P P-1, Fitch F-1, or Duff and Phelps D-1.

Banker's acceptances must be with major U.S. banks.

The sovereign rating of an issuer's country of domicile must be rated AA+ or better by Moody's, S & P or Fitch.

D. SECURITIES LENDING

Pursuant to Va. Code Section 2.2-4506, the Client is authorized to participate in Securities Lending. However, due to the inherent risk associated with Securities Lending, the Client does not engage in this activity.

E. REPURCHASE AGREEMENTS

Pursuant to Va. Code Section 2.2-4507, the Client is authorized to invest in overnight, term and open repurchase agreements that are collateralized with securities that are approved for direct investment.

All repurchase agreements shall be fully collateralized by U.S. Treasury issues, agencies or U.S. Government Sponsored Enterprises (GSEs) with maturities of less than ten years and executed using the "Master Repurchase Agreement" developed by the Bond Market Association. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of the market value of principal plus accrued interest, and the value shall be adjusted daily.

F. MUTUAL FUNDS

Pursuant to Va. Code Section 2.2-4508, the Client is authorized to invest in mutual funds.

Mutual funds must have a rating of AAA or better by S&P, Moody's or other nationally recognized rating agency, and a weighted average maturity of one year or less.

All mutual fund investments must be in compliance with the Code of Virginia.

Securities held shall be limited to obligations issued or guaranteed by the U.S. Government, an agency thereof, or U.S. Government Sponsored Enterprises (GSEs).

G. CORPORATE NOTES

Pursuant to Va. Code Section 2.2-4510, the Client is authorized to invest in corporate notes.

Corporate notes must have a rating of at least Aa by Moody's and AA by S & P. Corporate notes must be issued by a domestic corporation.

H. DEPOSITS

1) Negotiable Certificates of Deposit and Bank Notes

Pursuant to Va. Code Section 2.2-4509, the Client is authorized to invest in negotiable certificates of deposit and negotiable bank deposit notes of domestic banks.

All negotiable certificates of deposit and negotiable bank deposit notes of domestic banks must have a rating of A-1 by S & P, P-1 by Moody's for maturities of one year or less.

Negotiable certificates of deposit with maturities greater than one year and not exceeding five years require at least two of the following ratings: AA by Standard and Poor's, Aa by Moody's, or AA by Fitch.

2) Insured Deposits

Pursuant to Va. Code Section 2.2-4518, the Client is authorized to invest in deposits with the following conditions:

1. The funds are initially invested through any federally insured bank or savings institution that is qualified by the Virginia Treasury Board to accept public deposits;

2. The bank or savings institution arranges for the deposit of the funds in one or more federally insured banks or savings institutions wherever located, for the Client;

3. The full amount of principal and any accrued interest of each such deposit is covered by federal deposit insurance;

4. The bank or savings institution acts as custodian for the Client with respect to each deposit issued for the Client; and

5. At the same time that the Client's funds are deposited and each deposit is issued, the bank or savings institution receives an amount of deposits from customers of other financial institutions wherever located equal to or greater than the amount of funds invested by the County through the selected bank or savings institution.

Deposits made in accordance with the above requirements shall not be subject to the provisions of Chapter 44 (§ 2.2-4400 et seq.), § 2.2- 4515, or any security or collateral requirements that may otherwise be applicable to the investment or deposit of public funds by government investors.

I. UNAUTHORIZED INVESTMENTS

It is the policy of the Client not to invest in Derivatives, a financial contract whose value derives from the value of underlying stocks, bonds, currencies, commodities, etc.

The Client may not borrow funds for the express purpose of reinvesting these funds, otherwise known as leveraging.

Realized Gain/Loss Restrictions:

- ☐ No restriction on realized gains or losses *

Portfolio Valuation:

A. All assets held for the Client in this account will be priced on a market value basis at month end.

Policy Review

A. A review of the sufficiency of this policy will be conducted annually in conjunction with a review of account performance. Any modifications or amendments to this policy must be in written form. The Client has the right to modify this policy at any time upon written notice to the Adviser.

Exceptions to Policy

- A. No intended exceptions to this policy will occur without the Client's prior approval.
- B. In the event that any unintended exceptions to this policy do occur, it will be reported to the client in a timely fashion.

The undersigned do hereby acknowledge and agree to conduct all activities for this account in accordance with this agreement.

Investment Adviser:

Sterling Capital Management LLC

Date: _____

By: _____

Client:

Hampton Roads Transportation Accountability
Commission

Date: _____

By: _____
Alan P. Krasnoff, Chair