

RIHousing

Request for Proposals Interest Rate Swap Advisory Services

INTRODUCTION

Through this Request for Proposals (“RFP”), RIHousing seeks proposals from qualified firms to provide interest rate swap advisory and swap portfolio monitoring services to RIHousing for a term of three years. RIHousing currently has no outstanding swaps. Due to existing market conditions, it is anticipated that new bond/refunding opportunities may require RIHousing to issue some variable rate bonds and utilize the swap market to create a synthetic fixed rate option.

INSTRUCTIONS

Ten (10) copies of the proposal should be submitted to RIHousing, 44 Washington Street, Providence, Rhode Island 02903-1721, Attn: Kara Lachapelle, CFO. Please also direct a courtesy copy by email to: klachapelle@rihousing.com. Proposals should be concise and include all attachments and work samples. Proposals must be presented on business letterhead.

Proposals must be received no later than 5:00 EST p.m. on May 7, 2018.

Respondents are advised that all submissions (including those not selected for engagement) may be made available to the public on request upon completion of the process and award of a contract(s).

SCOPE OF WORK

Please see the Scope of Work provided at Attachment A.

ITEMS TO BE INCLUDED WITH YOUR PROPOSAL

- A. General Firm Information
 - 1. Provide a brief description of your firm, including but not limited to the following:
 - a. Name of the principal(s) of the firm
 - b. Name, telephone number and email address of a representative of the firm authorized to discuss your proposal.
 - c. Address of all offices of the firm.
 - d. Number of employees of the firm.

B. Experience and Resources

1. Describe your firm and its capabilities. In particular, support your capacity to perform the Scope of Work.
2. Indicate which principals and associates from your firm would be involved in providing services to RIHousing. Provide appropriate background information for each such person and identify his or her responsibilities.
3. List the government entities and State Housing Finance Agencies where your firm serves as designated Qualified Independent Representative (QIR) and/or provides derivative valuation services and compliance testing in accordance with GASB Statement No. 53.
4. List at least three (3) current or previous clients knowledgeable of the firm's performance in providing services described in the Scope of Work and a contact and telephone number for each reference.
5. Describe your firm's level of technical experience in providing the services described in the Scope of Work.
 - a. Include details about experience with variable rate bonds and interest rate swaps in connection with financing affordable housing. Compare the benefits of Indexed Floating Rate Notes and Variable Rate Demand Notes.
 - b. Describe three (3) engagements where your firm has provided relevant or similar services for other municipal issuers. Please include engagements that demonstrate a new swap agreement, a swap termination, and a swap counterparty replacement or an instance where you advised an issuer not to enter into a swap or to adjust an existing swap agreement.
 - c. Describe your experience working with clients and clients' swap counsel in developing standard swap documents or in negotiating new swap documents with counterparties. Describe how your firm would set up a document review process.
 - d. Please describe your firm's ability to provide swap monitoring services including mark-to-market and collateral valuations, termination values, and periodic payments. Identify and describe any web-based platforms utilized.
6. Identify any conflict of interest that may arise as a result of business activities or ventures by your firm and associates of your firm, employees, or subcontractors

as a result of any individual's status as a member of the board of directors of any organization likely to interact with RIHousing.

7. Identify any material litigation, administrative proceedings or investigations in which your firm is currently involved. Identify any material litigation, administrative proceedings or investigations, to which your firm or any of its principals, partners, associates, subcontractors or support staff was a party, that has been settled within the past two (2) years.
8. Describe how your firm will handle actual and or potential conflicts of interest.

C. Fee Structure

The cost of services is one of the factors that will be considered in awarding this contract. The information requested in this section is required to support the reasonableness of your fees. Assume three (3) bond issues yearly of \$100 million each, with 75% fixed, 25% hedged variable rate. There may be issues that do not include swaps. Please provide your optimal fee structure (e.g., monthly retainer, fee per swap, hourly charge, etc.).

1. Please provide the annual fee or fee per engagement your firm would charge for providing the services listed in the Scope of Work at Attachment A.
2. Provide an itemized breakdown of billing rates and hourly costs, list of key personnel and their hourly rates, reimbursable expenses, etc. for any services that may be requested in addition to the services previously described.
3. Please provide any other fee information applicable to the engagement that has not been previously covered that you wish to bring to the attention of RIHousing.

D. Miscellaneous

1. RIHousing encourages the participation of persons of color, women, persons with disabilities and members of other federally and State-protected classes. Describe your firm's affirmative action program and activities. Include the number and percentage of members of federally and State-protected classes who are either principals or senior managers in your firm, the number and percentage of members of federally and State-protected classes in your firm who will work on RIHousing's engagement and, if applicable, a copy of your Minority- or Women-Owned Business Enterprise state certification.
2. Discuss any topics not covered in this Request for Proposals that you would like to bring to RIHousing's attention.

E. Certifications

1. RIHousing insists upon full compliance with Chapter 27 of Title 17 of the Rhode Island General Laws, Reporting of Political Contributions by State Vendors. This law requires State Vendors entering into contracts to provide services to an agency such as RIHousing, for the aggregate sum of \$5,000 or more, to file an affidavit with the State Board of Elections concerning reportable political contributions. The affidavit must state whether the State Vendor (and any related parties as defined in the law) has, within 24 months preceding the date of the contract, contributed an aggregate amount in excess of \$250 within a calendar year to any general officer, any candidate for general office, or any political party.
2. Does any Rhode Island “Major State Decision-maker,” as defined below, or the spouse or dependent child of such person, hold (i) a ten percent or greater equity interest, or (ii) a Five Thousand Dollar or greater cash interest in this business?

For purposes of this question, “Major State Decision-maker” means:

- (i) All general officers; and all executive or administrative head or heads of any state executive agency enumerated in § 42-6-1 as well as the executive or administrative head or heads of state quasi-public corporations, whether appointed or serving as an employee. The phrase “executive or administrative head or heads” shall include anyone serving in the positions of director, executive director, deputy director, assistant director, executive counsel or chief of staff;
- (ii) All members of the general assembly and the executive or administrative head or heads of a state legislative agency, whether appointed or serving as an employee. The phrase “executive or administrative head or heads” shall include anyone serving in the positions of director, executive director, deputy director, assistant director, executive counsel or chief of staff;
- (iii) All members of the state judiciary and all state magistrates and the executive or administrative head or heads of a state judicial agency, whether appointed or serving as an employee. The phrase “executive or administrative head or heads” shall include anyone serving in the positions of director, executive director, deputy director, assistant director, executive counsel, chief of staff or state court administrator.

If your answer is “Yes,” please identify the Major State Decision-maker, specify the nature of their ownership interest, and provide a copy of the annual financial disclosure required to be filed with the Rhode Island Ethics Commission pursuant to R.I.G.L. §§36-14-16, 17 and 18.

3. In the course of providing goods or services to RIHousing, the selected respondent may receive certain personal information specific to RIHousing customer(s) including, without limitation, customer names and addresses, telephone numbers, email addresses, dates of birth, loan numbers, account numbers, social security numbers, driver's license or identification card numbers, employment and income information, photographic likenesses, tax returns, or other personal or financial information (hereinafter collectively referred to as the "Personal Information"). The maintenance of the Personal Information in strict confidence and the confinement of its use to RIHousing are of vital importance to RIHousing. Please include a letter from your president, chairman or CEO certifying that, in the event your firm is selected:

- (i) any Personal Information disclosed to your firm by RIHousing or which your firm acquires as a result of its services hereunder will be regarded by your firm as confidential, and shall not be copied or disclosed to any third party, unless RIHousing has given its prior written consent thereto; and

- (ii) your firm agrees to take all reasonable measures to (a) ensure the security and confidentiality of the Personal Information, (b) protect against any anticipated threats or hazards to the security or integrity of the Personal Information, and (c) maintain reasonable security procedures and practices appropriate to your firm's size, the nature of the Personal Information, and the purpose for which the Personal Information was collected in order to protect the Personal Information from unauthorized access, use, modification, destruction or disclosure; and

- (iii) when discarding the Personal Information, destroying it in a commercially reasonable manner such that no third party can view or recreate the information, electronically or otherwise.

These provisions, which implement the requirements of the Rhode Island Identity Theft Protection Act, R.I.G.L. § 11-49.2 et seq., will also be incorporated into the final contract with the selected respondent(s).

4. Please include a letter from your president, chairman or CEO certifying that (i) no member of your firm has made inquiries or contacts with respect to this Request for Proposals other than in an email or written communication to Kara Lachapelle, klachapelle@rihousing.com seeking clarification on the Scope of Work set forth in this proposal, from the date of this RFP through the date of your proposal, (ii) no member of your firm will make any such inquiry or contact until after May 7, 2018 (iii) all information in your proposal is true and correct to the best of her/his knowledge, (iv) no member of your firm gave anything of monetary value or promise of future employment to a RIHousing employee or Commissioner, or a relative of the same, based on any understanding that such person's action or judgment will be influenced and (v) your firm is in full compliance with Chapter

27 of Title 17 of the Rhode Island General Laws, Reporting of Political Contributions by State Vendors.

EVALUATION AND SELECTION

A selection committee consisting of RIHousing employees (the “Committee”) will review all proposals and make a determination based on the following factors:

- Professional capacity to undertake the Scope of Work
- Proposed fee structure
- Ability to perform within time and budget constraints
- Evaluation of potential work plans
- Previous work experience and performance with RIHousing and/or similar organizations
- Recommendations by references
- Firm minority status and affirmative action program or activities
- Other pertinent information submitted.

RIHousing may invite one or more finalists to make presentations.

In its sole discretion, RIHousing may negotiate with one or more firms who have submitted qualifications to submit more detailed proposals on specific projects as they arise.

By this Request for Proposals, RIHousing has not committed itself to undertake the work set forth. RIHousing reserves the right to reject any and all proposals, to rebid the original or amended scope of services and to enter into negotiations with one or more respondents. RIHousing reserves the right to make those decisions after receipt of responses. RIHousing’s decision on these matters is final.

For additional information contact: Kara Lachapelle, CFO, klachapelle@rihousing.com.

Attachment A

Scope of Work

RIHousing seeks to engage qualified independent firms to serve as the designated Qualified Independent Representative (QIR) on behalf of RIHousing. This will include analyzing and negotiating new swap contracts and, once contracts are entered, providing swap monitoring services, and assisting in valuing and determining the effectiveness of each derivative transaction as required by GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53).

The services to be performed by the selected firm or firms will include, but are not limited to, the following:

- Serve as the designated QIR for RIHousing as defined by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The QIR will assist RIHousing in analyzing, structuring, negotiating, pricing and executing derivative transactions with counterparties.
- Work with RIHousing in document negotiation with new counterparties. This would include advising RIHousing in the negotiation of International Swaps and Derivatives Association (ISDA) documents including Schedules, Credit Support Annexes, Confirms, and/or Novation Agreements. Advisory services would also include reviewing other documents, including Preliminary Official Statements, term sheets, etc. that may speak to swaps and derivatives.
- Work closely with the Bond Working Group, particularly the lead underwriter, issuer, and quantitative consultant (cfX Incorporated), who has the bond structuring responsibility.
- Assist or handle, as applicable, all matters relating to new swap agreements, swap terminations and restructurings.
- Assist with the ongoing enhancing and modification of swap policies as necessary.
- Assist RIHousing in analyzing and mitigating its exposure to counterparty risk, including the determination of how a proposed transaction would affect such exposure, reviewing and adjusting counterparty collateral levels and/or additional termination event thresholds. Assist in the development of regular reports on counterparty risk using different measures, stress tests and scenario analysis, etc.
- Provide notification services for critical events related to RIHousing's derivative portfolio including collateral threshold alerts by counterparty and counterparty credit rating changes.
- Once established, provide independent fair market valuation of RIHousing's interest rate swaps as requested by RIHousing. The fair market valuation presentation should be provided both on an aggregate basis and itemized by swap counterparty and bond series. Assist with any fair market value disputes between counterparties.

- Track, calculate, verify, and report all fixed and floating swap settlements, including reset rates and day counts according to terms of each trade confirmation once deals are entered into.
- Provide interest rate scenario analysis and calculate the anticipated effect on the value of RIHousing's derivative portfolio, once established.
- On an annual basis (once established), utilize various testing methods to determine whether RIHousing's derivatives qualify as effective hedge compliance under GASB 53. The testing results should be prepared on a timely basis to ensure that RIHousing's June 30 audited financials are completed within 90 days after fiscal year end.
- Assist and advise, as requested, in identifying the required GASB 53 financial presentation and related disclosures needed for the annual audited financial statements.
- Provide pricing and swap advisor certifications to RIHousing and Bond Counsel in connection with the execution of new derivative contracts, novations, transferred or deallocated swap agreements, and other derivative transactions that may be anticipated.
- Assist and advise RIHousing, as requested, in identifying any financial presentation, related disclosures or valuations needed for the annual audited financial statements under GASB Statement No. 72, *Fair Value Measurement and Application*.