City of Franklin Request for Proposals

Purchasing Office Solicitation No.: 2019-015

1. Solicitation identified: This Request for Proposals applies to the following procurement solicitation:

custody services for non-pension investments

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2. Notice to Proposers publication date: **February 28, 2019**

3. Solicitation release date: **March 2, 2019**

4. Deadline for optional submittal in writing of questions seeking to revise or clarify any aspect of this procurement solicitation: **March 21, 2019, 2:00 p.m. Central Time**

5. Proposals submittal deadline and scheduled opening: **April 2, 2019, 2:00 p.m. Central Time**

6. Tentative date for interviews of one or more finalists, if such interviews are to be conducted: **April 25, 2019**

7. Tentative date of release of City's tabulation of proposals received and notice of intent to award: **May 9, 2019**

8. Tentative date of award: Meeting of Board of Mayor and Aldermen at which is tentatively scheduled to be awarded the selection of the proposal that best meets the needs of the City: **May 28, 2019**

9. Objective: To secure, by means of a competitive procurement process, the selection of a responsive and responsible proposal, that best meets the needs of the City of Franklin, to furnish all labor, materials and means necessary to supply, deliver and render the required custody services for non-pension investments, and to prepare and produce the desired deliverables, all as described below. See the accompanying Instructions for Proposers for additional information and instructions.

10. Exceptions:

    a. To avoid the need to take an exception to this procurement solicitation, potential proposers may request revisions to the same before the deadline for optional submittal in writing of questions seeking to revise or clarify any aspect of this procurement solicitation. See the accompanying Instructions for Proposers for contact information.

    b. Any deviation or variance from this procurement solicitation shall be considered by the City to be an exception.

c. Any exceptions to this procurement solicitation shall be listed in detail in a separate document to be prepared by the proposer and provided in or with the proposal. Such listing shall include a description of exactly how such exceptions deviate from the City's expectations as expressed and implied by the procurement solicitation, and shall indicate why such exceptions should be judged by the City to meet or exceed those expectations. Any and all exceptions to this procurement solicitation which the City, in its sole discretion, deems not to meet or exceed the City's intention as expressed and implied by the procurement solicitation may be considered by the City as a factor in evaluating the proposal.

11. General terms and conditions:

a. Proposal price: The proposal price shall include all equipment, labor, materials, permit(s), freight and required insurance to supply and deliver the required products and/or render the required services.

b. Payment terms: As a matter of practice, the City pays for goods and/or services only after receipt and acceptance by the City of such goods and/or services, and only after receipt of an accurate, proper, complete and itemized invoice for such goods and/or services, net thirty (30) calendar days from date of delivery or rendering of service or date of invoice, whichever is later. The City's preferred payment terms, as described in the preceding sentence, are offered to the proposer as a condition of award. If the proposer prefers alternate payment terms, then the proposer shall indicate, both in its proposal as well as on the Proposal Submittal Form, its preferred payment terms. Payment terms may be a factor in the City's selection criteria. Payment terms are non-negotiable after award is made.

c. Applicable laws and regulations: All applicable federal and state laws, city ordinances, orders, rules and regulations of all authorities having jurisdiction over the specified service(s) shall apply to the quoted purchase price, and they will be deemed to be included in this procurement solicitation the same as though they are written out in full herein.

d. Use of subcontractors: The proposer awarded the purchase may not subcontract any service component of the award except as is indicated in its proposal. Requirements for references and insurance shall apply to any subcontractor.

e. Safe work area: The proposer awarded the purchase will be expected to utilize best practices to minimize the risk of personal injury to the public, City personnel and employees of the proposer and/or the proposer's subcontractors, if any.

f. Other documents to be required of the proposer recommended to be awarded the purchase: See the accompanying "Instructions for Proposers" for a listing of other documents to be required of the proposer recommended to be awarded the purchase.

g. Damages: The proposer awarded the purchase shall be responsible for any damages it causes in the course of performing the specified service(s), and shall repair or replace any damaged property to the satisfaction of the City at the proposer's own expense and at no additional charge to the City.

h. Terms and Conditions: By submitting its proposal, the proposer certifies that it has read and accepts all terms, conditions and requirements of this solicitation, including the terms and conditions identified and listed in the City's Standard Procurement Terms and Conditions attached hereto and hereby incorporated by reference.

i. Refusal to honor submittal: If and after an award is made by the City, if the proposer refuses to execute an agreement or contract or in any other way honor the terms and conditions of its submittal, the City shall be entitled to seek compensation for its damages, which may include the cost of conducting a new solicitation.

j. Confidential and/or proprietary information; trade secrets. All contents of all submittals are subject to public disclosure and shall not contain any confidential and/or proprietary information and/or trade secrets. Further, by submitting its proposal, the proposer indemnifies and holds the City of Franklin harmless against any loss or damage, including reasonable attorney fees, it may incur as a result of the City's reliance upon the proposer's representation that materials supplied by the proposer do not contain trade secrets or proprietary information which is not subject to public disclosure.

12. Detailed requirements: Please note:

- Proposers shall provide in or with their proposal a detailed description of any goods, products, items, software and/or hardware included in their proposal, as well as the proposed services to be rendered.
- Any exceptions to this procurement solicitation shall be listed in detail in a separate document to be prepared by the proposer and provided in or with the proposal. Such listing shall include a description of exactly how such exceptions deviate from the City's expectations as expressed and implied by the procurement solicitation, and shall indicate why such exceptions should be judged by the City to meet or exceed those expectations.

12.1. Overview and purpose

The City of Franklin, Tennessee seeks proposals from qualified and competent financial institutions for custody services for the City's non-pension investments in financial securities. The City currently holds marketable securities through a financial institution which acts as the centralized independent third-party custodian. All trades of marketable securities are executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Responding financial institutions must be organized and operate under the laws of the State of Tennessee or the United States and have an asset base of $100 million or greater. The City's goal is to engage the best qualified service provider at the most cost-effective price.

12.2. Background and context; information supplied

The City of Franklin, founded in 1799, is located in Middle Tennessee. The local economy is a well-balanced blend of financial, agricultural, wholesale, retail, manufacturing, and service industries. No single industry is critical to the region's economy. The City covers an area of 41 square miles and serves a population of 70,908 according to the City's 2017

special census. The City is one of the fastest growing municipalities in the State of Tennessee, with the population increasing by 13% since the 2010 census.

The City has operated under a Mayor/Board of Aldermen form of government under state charter since 1903. Policy-making and legislative authority are vested in a governing board consisting of the Mayor and eight other members (Aldermen). The Board is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the government's Administrator. The Administrator's responsibilities include carrying out the policies and ordinances of the governing board, preparing an annual budget, and overseeing the day-to-day operations of the government. The Board is elected on a non-partisan basis. Board members serve four-year staggered terms, with four Aldermen elected at large and the remaining four elected by ward two years later. The Aldermen elected by wards must live within the ward in which they represent. The Mayor also serves a term of four years. The City provides a full range of services, including: police and fire protection; the construction and maintenance of highways, streets, and other infrastructures; collection and disposal of solid waste; planning and codes; operation of a city court; implementation of storm water regulations and remedies; an inner-city transit system, and a city-wide park system. The City also has its own water, sewer, and reclaimed water system.

The City's audited financial statements for fiscal year 2018 are available on the City's website at https://www.franklintn.gov/home/showdocument?id=29654. Information about the City's non-pension investments can be located in the report on pages 42-43.

An annual review of the financial condition and registration of the qualified financial institution selected as custodian will be conducted by the City's Finance Department.

12.3. Term of award

The services to be rendered pursuant to this procurement solicitation are to be offered as a requirements contract for a term of award of three (3) years, effective upon the effective date of any procurement agreement resulting from this procurement solicitation as such procurement agreement is executed in full by both parties. The City is targeting an effective date of July 1, 2019. At any time after commencement but before or as soon as practicable after the expiration of this term of award, the City and the proposer awarded the purchase may choose to exercise an option to extend the term of award twice, each time for up to one (1) additional year, for a maximum possible term of award of five (5) years total, provided: (a) that both parties consent to such an extension at that time; (b) that the decision to exercise such an extension is memorialized in writing and is executed by one or more authorized representatives of each party; (c) that the same terms and conditions that apply to the original term of award shall also apply to such an extension, including pricing; (d) that if the proposer awarded the purchase chooses not to consent to an extension to the term of award, then it shall notify the City of that decision a minimum of six (6) months in advance of the scheduled expiration of the term of award; and (e) at the City's discretion, such as if the City does not have or anticipates not having a successor service provider selected by the expiration of the term of award, including any extensions anticipated by this procurement solicitation if exercised, the City and the proposer awarded the purchase may negotiate an additional extension beyond such expiration. Note that the

City and the proposer awarded the purchase each specifically retain the right, with or without cause, not to extend the term of award.

12.4. Anticipated scope of work and deliverables

The City desires the financial institution to provide custody, valuation and reporting of investments held by the City. The Finance Department has investment authority as permitted by the Board of Mayor and Alderman under the parameters detailed in the *Investment Policy* (attached as Appendix No. 1).

At January 31, 2019, the City had a total of almost $104 million in the custody account, with the following allocation:

- Money Market Account $268,370
- US Government Agency Notes 58,576,435
- U S Treasury Obligations 45,143,415

Investments not currently held in the custody account total $2,573,527 of non-negotiable local bank Certificates of Deposit. Additional investment accounts include the State of Tennessee Local Government Investment Pool (LGIP), a Treasury Direct account with the U S Treasury and the City of Franklin General Operating (checking) account.

The City seeks the following:

12.4.1. To have assets not held by the custodian included in standard valuation reports offered by the custodian through its web-based client server or portal, and for the custodian's software to assist the City with determining the cash flow, accrual and investment performance.

12.4.2. Comprehensive reporting, a web-based portfolio inquiry suite and valuation services for all negotiable and other securities complying with the *Investment Policy*.

12.4.3. Reporting to include mark-to-market information for all custodian-held securities each month and at fiscal year-end (June 30).

12.4.4. Reporting and valuation services for non-custodian-held securities such as CDs, CDARS, T-bills, T-notes, TIPS and other accounts.

12.4.5. A robust set of investment performance and financial market analysis tools accessible through a web-based client server or portal, including the ability to establish or utilize an existing benchmark, assess portfolio risk, project cash flow and call/maturity schedules, report portfolio allocations and analyze yield data. The ability to produce high quality graphs and charts illustrating portfolio statistics is preferred.

12.4.6. The ability to import non-custodian data into the web-based client account and export transactions and accrued interest data from the web-based client account.

12.5. Evaluation criteria

The City shall use the weighted evaluation criteria listed below to evaluate the proposals. The City may invite one or more of the finalists to interview with the City. The City anticipates any such interviews would be remote, utilizing WebEx video conferencing technology.

The following criteria shall be used to evaluate proposals:

A. Competency, experience and qualifications: Competency, experience and qualifications of the firm, as well as of key personnel to be assigned to the City, both during implementation and thereafter, with scopes of work for clients of similar description. Quality and relevance of the identified client references. Any conflicts of interest between the firm and/or its key personnel and the City. Whether the firm has the financial wherewithal to perform the services described by the Request for Proposals. Value: up to 30 points.

B. Unique strengths of the proposer/proposal: Exceptional, value-added features or capabilities of the firm and/or individuals that would be assigned to the project; identifiable differentiation(s) between the firm and its competition. Unique strengths of the proposal. Value: up to 20 points.

C. Fee for proposed products and services: Value of grand total pricing, including expenses, with more points awarded to lower pricing. Value: up to 30 points.

D. Pricing and payment clarity: Clarity of proposed pricing. Clarity of payment timing. Value: up to 10 points.

E. Thoroughness and quality of proposal: Thoroughness and degree of responsiveness of the proposal to the Request for Proposals, including the instructions. Degree to which the proposal conveys an understanding of the City's needs. Degree to which the proposal predicts the results of the City accepting that proposal and whether those results would address the City's stated goals and objectives. Value: up to 10 points.

12.6. Information required to be included in proposal

The following information shall be included by the potential service provider in its submittal in order for it to be considered responsive:

A. Competency, experience and qualifications:

1. Is your financial institution organized and operating under the laws of the State of Tennessee or the United States?
2. Does your financial institution have an asset base of $100 million or greater? What is your asset base?
3. What is your most recent S&P, Moody's, and Fitch ratings?
4. Is there any litigation or investigation by a regulatory authority that your organization or officers have been involved in over the last three (3) years that relate to custody services? If so, please describe.
5. What is the total number of your custody clients and total market value of custody assets?
6. What is the total number of your public custody clients and total market value of public custody assets?
7. What is your average client size in terms of assets? Largest? Smallest? Median?

8. What is the number of custody accounts that you have gained and lost in the year ending December 31, 2018.
9. What percentage of the financial institution's revenues is generated by the custody services?
10. Where is your financial institution headquartered?
11. Where are your custody operations located?
12. What year did you initiate your custody services?
13. Who would be the individual or team that will be involved with this relationship?
14. How many accounts does this individual or team currently handle?
15. What are the sizes of the accounts they currently handle?
16. How much time is typically needed in the conversion to begin services?
17. How many months of data is retained?
18. Are there reports and data functions available on-line?
19. Can the client download the data to create custom reports?
20. Do you provide investment advisors (of which the city uses) with access to a remote inquiry service? If so, what information or reports are available to them on-line?
21. Does your reporting fulfill GASB Statement 76 reporting requirements?
22. Can you account for client assets held at the client's location?
23. How current are transactions and valuations on asset statements?
24. Do asset statements reflect pending transactions?
25. Do asset statements reflect accrued items such as accrued income and expenses?

B. Unique strengths of the proposer/proposal:

1. Describe the organizational structure of the bank and custody department.
2. Describe your strengths that differentiate your custody service from other service providers.
3. The City uses an investment advisor. Describe how your organization interacts with investment advisors.
4. Describe how you assure that custody services are provided in accordance with proper standards of care, regulatory requirements, and the executed agreement for service?
5. What is your system of quality control to ensure reporting accuracy?
6. Describe any unique features about your custody reports.
7. Discuss your operational procedures for settling purchases, sales, and maturities.

8. Discuss your procedures for tracking failed trades and reporting failed trades to the client. How quickly are failed trades reported? Do you guarantee proceeds? In which markets?
9. Describe your audit process associated with the client's monthly portfolio statements.
10. Describe your investment vehicles used for your short-term investment fund.
11. Describe your process of maintaining full investment ("daily sweep") of cash balances.
12. How do you handle the investment of cash in trades that fail?
13. Describe your system's software. Indicate who designed the software (developed in-house or purchased?)
14. Describe your policies regarding confidentiality of client information.
15. What steps are you taking to avoid computer hacking of custodial systems and promote cybersecurity?
16. Describe your emergency disaster recovery procedures.
17. Describe your system security (e.g., encryption and on-line authentication).
18. Provide a copy of your most recent annual report.
19. Provide a copy of your most recent SSAE 16 or comparable report.
20. Provide three (3) client references, with portfolios like the City of Franklin, who are currently using your custody services. Include the name, title, street address, current e-mail address, and current telephone number of the person best informed and qualified to speak about the experience of the client with the firm that the City of Franklin may contact as a reference for that client. If the City of Franklin is a current or past client of the proposer for similar services, then list the City of Franklin in addition to the list of other client references.
21. Please indicate in the proposal if your financial institution offers retention or transition incentives. If submitting a proposal from a financial institution not currently being used by the City for custody services for non-pension financial securities, please indicate the procedures that would be employed for the transition.

C. Fee for proposed services:

1. Submit a fee schedule for your organization's custody services based upon the characteristics of the City's investment portfolio included in the introduction of this Request for Proposals. Include a detailed itemized listing of all fees and charges that might be applied, both domestic and international per the following general categories:
    a. Asset Based Fees
    b. Account Setup Fees

c. Annual Account Charges

d. Activity Charges (such as security transactions and wire transfer fees)

e. Other

2. What is the total annual fee you would estimate given the assets listed in Section 11.4?

D. Pricing and payment clarity:

1. Explain your proposed fee structure. Clarity in this area is essential. Do you have periodic fee (annual, quarterly, or monthly) minimums? Are you proposing a flat fee based on the level of assets? When are custodial fees due? Is there is a discounted rate for fees that are automatically drafted from the account?

2. Under "Term of award" above, the City anticipates the pricing as proposed to apply for the duration of the term of award, including any extensions if exercised. How long would the proposed fee schedule be guaranteed for, provided there are no revisions in the type of services required?

E. Thoroughness and quality of proposal:

Indicate whether acceptance of your proposal would be likely to result in achievement of the City's goals. Provide evidence that you understand the City's needs in the Request for Proposals, and that you have responded thoroughly to all requests. Identify and describe the benefits the City would derive from accepting your proposal.

12.7. Insurance Requirements

Before award of the procurement by the City, the proposer recommended to be awarded the purchase shall provide one or more certificates of insurance providing evidence of the following minimum types and limits of unexpired insurance coverage:

Type of Coverage	Limits of Coverage	Certificate of Insurance
Commercial General Liability	• $1,000,000 Each Occurrence • $1,000,000 General Aggregate • $1,000,000 Personal and Advertising Injury • $1,000,000 Products-Completed Operations Aggregate	Certificate of Insurance shall indicate Certificate Holder[1] as Additional Insured with Additional Insured endorsement attached for both Premises/Operations and Products/Completed Operations
Workers Compensation[2]	• Statutory Limits	Certificate Holder[1] only

[1] Certificate Holder shall be listed as follows:
City of Franklin
109 3rd Ave. South
Franklin, TN 37064

[2] Workers Compensation and Employers Liability coverages are not required for Tennessee employers with fewer than five (5) employees except that employers in the construction business or trades (construction service providers) are required to carry Workers Compensation coverage unless they are sole proprietors or partners with no employees.

Type of Coverage	Limits of Coverage	Certificate of Insurance
Employers Liability[2]	• $1,000,000 Bodily Injury Each Accident • $1,000,000 Policy Limit Bodily Injury by Disease • $1,000,000 Each Employee Bodily Injury by Disease	Certificate Holder[1] only
Employee Dishonesty	$500,000 Per Occurrence	Certificate Holder[1] only
Professional or Management Liability	$5,000,000 Combined Single Limit	Certificate Holder[1] only
Cyber	$5,000,000 Cyber Liability $5,000,000 Network and Information Security Expenses	Certificate Holder[1] only

If and when insurance coverage documented by the certificate(s) of insurance referenced above expires before the expiration of the term of award, including any extensions thereto, pursuant to this procurement solicitation, then the City may suspend payment for services rendered by the proposer awarded the purchase unless and until the proposer awarded the purchase provides the City with one or more replacement certificates of insurance for unexpired insurance coverage that meets or exceeds the insurance requirements as specified above.

In the event that insurance coverage documented by the certificate(s) of insurance referenced above is materially modified or canceled before the expiration of the term of award, including any extensions thereto, pursuant to this procurement solicitation, then the proposer awarded the purchase shall, within three (3) calendar days of such learning, notify the City of any such material modification or cancelation, and the City may suspend payment for services rendered by the proposer awarded the purchase unless and until the proposer awarded the purchase provides the City with one or more replacement certificates of insurance for unexpired insurance coverage that meets or exceeds the insurance requirements as specified above.

The proposer awarded the purchase shall agree to impose the City's insurance requirements upon any subcontractors it utilizes for this procurement. The proposer awarded the purchase may not subcontract any service component of the award except as is indicated in its proposal.