

August 12, 2011

TO: Board of Mayor and Aldermen

FROM: Eric S. Stuckey, City Administrator
Russell Truell, Assistant City Administrator/CFO
Shirley Harmon, Human Resources Director
Brian Wilcox, Purchasing Manager

SUBJECT: Consideration of contract award to U.S. Bank of Minneapolis, MN for custodial services only for the City's Employee Pension Plan for three (3) years with two (2) one-year options to extend (Purchasing Office Procurement Solicitation No. 2012-005; Contract No. 2011-0118)

Purpose

The purpose of this procurement is to purchase custodial bank services for the City's Employee Pension Plan for three (3) years with two (2) one-year options to extend.

Background

The City published on June 23, 2011 a Notice to Proposers in the *Williamson Herald* for employee pension plan custodial bank services. In addition, solicitation documents were sent on or about the same date directly to 36 potential proposers known or thought to be interested in this solicitation. Proposals from eleven (11) vendors were publicly opened at the submittal opening held on July 21, 2011. A tabulation of the proposals received for this solicitation is attached.

All eleven proposals were evaluated by the Employee Pension Plan's investment consultant Barry Bryant of Dahab Associates, Inc. The results of that evaluation were presented on July 29, 2011 to Human Resources Director Shirley Harmon, Assistant City Administrator Russell Truell and Purchasing Manager Brian Wilcox. This presentation and the ensuing discussion resulted in the selection of the following five finalists, and issuance of an invitation to all except SunTrust Bank, the incumbent service provider, to be interviewed by the Employee Pension Committee:

- Fifth Third Bank
- M&T Bank
- State Street Bank
- SunTrust Bank
- U.S. Bank

In general, non-finalists were not selected for the following four reasons:

- fees that were higher than those of others
- retail (as opposed to institutional) orientation
- service concerns due to recent acquisitions
- other competitive advantages of another proposal by a bank of otherwise similar description

A proposal evaluation team, consisting of Dr. Ken Moore, Mayor, Human Resources Director Shirley Harmon, Assistant Human Resources Director Candace Connell, Assistant City Administrator Russell Truell and Comptroller Mike Lowe, then undertook to evaluate the proposals submitted by the five finalists. Using the

selection criteria identified in the Request for Proposals, the team individually scored each of the five proposals and then met on August 4, 2011 and discussed their individual scores. A result of this discussion was a decision to have the average of the five pre-conference individual scores serve as the final composite score of the proposal evaluation team. These composite scores for the proposals submitted by the five finalists are listed on the tabulation of proposals.

The Employee Pension Committee interviewed four of the five finalists on August 8. Following the interviews, and following discussion including a review of the results of the proposal evaluations undertaken by the Proposal Evaluation Team, the committee voted to make its recommendation (see below).

Financial Impact

The fees for custodial bank services are borne by the employee pension trust. The fees proposed by U.S. Bank would be substantially less than the fees now being incurred.

Options

In the financial custodial services industry, there are three broad levels of services rendered: custodial services only, custodial services as a directed trustee and custodial services as a discretionary trustee. The City's current custodial bank service provider, SunTrust Bank, provides custodial services as a discretionary trustee. The City's Request for Proposals solicited proposals for either custodial services only or custodial services as a directed trustee. U.S. Bank is offering both of these levels of service. The Employee Pension Committee is of the opinion that custodial services as a discretionary trustee are not of material advantage to the City and not worth the extra \$6,500.55 in estimated annual fees over the estimated annual fees for custodial services only.

In accordance with the solicitation documents, the City reserves the right to reject any and all proposals.

Recommendation

The Employee Pension Committee recommends that the City accept the proposal ranked highest by the proposal evaluation team, from U.S. Bank of Minneapolis, MN, in the estimated annual amount of \$14,101.66 for custodial services only for the City's Employee Pension Plan for three (3) years with two (2) one-year options to extend. Purchasing Manager Brian Wilcox is of the opinion that the prepared solicitation documents as distributed allowed for competition among multiple vendors, and that the Employee Pension Committee's recommendation appears to be made in a fair and impartial manner based upon the proposals received.