

November 28, 2006

**REQUEST FOR PROPOSALS (“RFP”)  
ARBITRAGE REBATE COMPLIANCE SERVICES**

*The City of Auburn seeks to retain a Consultant to provide some or all necessary arbitrage rebate compliance services for City and Water Board bond and warrant issuances.*

**I. BACKGROUND**

The City of Auburn, Alabama and its Water Works Board have issued several long term, tax-exempt bond issues to finance a variety of activities including the construction and/or acquisition of structures and improvements. The Fiscal Year for these entities is October 1 through September 30. These issues, which we understand to be subject to the arbitrage rebate requirements contained in Section 148(f) of the Internal Revenue Code of 1986 (the “Rebate Requirements”), are listed on Exhibit A, attached hereto. The proceeds of each issue are held and invested by the City of Auburn, unless issued for the benefit of the Auburn City Schools, in which cases the Board holds and invests the proceeds.

Given the specialized knowledge necessary to ensure compliance with the Rebate Requirements, the City desires to develop and implement a process to coordinate compliance.

The purpose of this Request for Proposal (the “RFP”) is to solicit responses from firms capable of providing the requisite services. The City may elect to contract for some or all of the available services. To facilitate the City’s selection process, please provide your quote on a per issue and per services basis.

**II. SCHEDULE OF EVENTS**

City issues RFP	November 28, 2006
Proposals are due	December 12, 2006
Proposal Evaluation Completed	December 29, 2006
Staff recommendation of consultant for Council approval	January 12, 2006
Council Action on staff recommendation	January 16, 2006

### **III. SCOPE OF SERVICES**

For each bond issue, the consultant is to:

- A. Verify that the issue is subject to the Rebate Requirement. (If not subject, provide a report documenting release of requirements.)
- B. Calculate the bond yield.
- C. Identify, and separately account for, all “Gross Proceeds” (as that term is defined in the Rebate Requirements) of the bond issue, including those requiring allocation analyses due to “transferred proceeds” and/or “commingled funds” circumstances.
- D. Calculate the issue’s excess investment earnings (cumulative rebate liability), taking into account any proceeds that are or have become subject to the yield restriction requirements.
- E. Provide an executive summary identifying the methodology employed, major assumptions, conclusions, and any recommendations for changes in City recordkeeping and investment policy.
- F. Train City staff on arbitrage-related matters to improve funds and records management.
- G. Provide assistance and consultation as necessary to retain records and documentation at least six years after each issue’s final maturity.
- H. Provide a legal opinion that arbitrage calculation results are consistent with the Rebate Requirements or an explanation as to why such opinion is unnecessary.
- I. Perform all applicable annual arbitrage rebate calculations through the term of the contract.
- J. Perform all applicable anniversary arbitrage rebate calculations through the term of the contract.
- K. Provide the City and Water Board five copies each and the Bond Trustees one copy of the calculation reports. Include appropriate documentation required to support calculations. Each entity will be issued a report pertaining only to its own issuances.
- L. Prepare all filings required by the Internal Revenue Service necessary for the payments of arbitrage rebates or refunds.
- M. Represent the City as necessary in the event of an IRS inquiry.
- N. Coordinate between the Bond Trustees and the City and/or Water Board so all necessary information is provided to perform calculations accurately.

### **IV. PROPOSAL FORMAT GUIDELINES**

Interested contractors are to provide the City of Auburn with a thorough proposal using the following guidelines:

Proposal should be typed and as brief as possible, providing relevant factual information and *excluding marketing materials*. Each proposal will adhere to the following order and content of sections. Proposal should be straightforward and concise and provide explanation in layman’s language of technical terms used. Emphasis should be concentrated on conformance with the RFP instructions, responding to the RFP requirements, and on

providing a complete and clear description of the offer. Proposals which appear unrealistic in the terms of technical commitments, lack of technical competence or are indicative of failure to comprehend the complexity and risk of this contract may be rejected. The following proposal sections are to be included in the proposer's response:

**A. Cover Letter**

A cover letter, not to exceed three pages in length, should summarize key elements of the proposal. An individual authorized to bind the consultant's firm must sign the letter. The letter must stipulate that the proposal price be valid for a period of at least 180 days. Indicate the address and telephone number of the contractor's office located nearest to Auburn, Alabama and the office from which the project will be managed.

**B. Background and Approach Section**

The Background and Approach Section should describe your understanding of the City and Water Works Board, the work to be done, the objectives to be accomplished and should refer to the Scope of Work of this RFP.

**C. Methodology Section**

Provide a detailed description of the approach and methodology to be used to accomplish the Scope of Work of this RFP. The Methodology Section should include:

- 1) Brief explanation of circumstances requiring methodological discretion and the firm's recommended approach to addressing such circumstances. Specific examples of how such discretionary measures can impact analyses performed on complex debt issuances are preferred. Examples might include allocation of commingled funds, identifying and advising on optional elections available to the City, and utilizing market vs. present value for identifying fund balances.
- 2) Detailed description of efforts your firm will undertake to achieve client satisfaction and to satisfy the requirements of the "Scope of Services" section.
- 3) Detailed project schedule, identifying all tasks and deliverables to be performed, durations for each task, and overall time of completion. Indicate if any additional tasks are considered necessary and/or advisable.
- 4) Detailed description of the information and assistance you will require from City staff. Include needs for bond issuance and investment information, and any special reporting formats that may be required.

**D. Project Organization and Staffing**

Describe the approach and methods for managing the operation as well as the completion of this project. Provide a list of individual(s) who will be working on this project. Include a resume for each listed individual.

**E. References**

Provide the names and contact person(s) of at least five municipalities or municipal-level agencies for which your firm has provided arbitrage rebate compliance services for five (5) or more bond issues. If the respondent has any Alabama clients, the City would prefer that at least one be included on the references list. The City of Auburn reserves the right to contact any of the organizations or individuals listed.

## **F. Statement of Qualifications**

The information requested in this section should describe the qualifications of the firm, key staff and subcontractors performing projects that are similar in size and scope within the past five years, to demonstrate competence to perform these services.

The Statement of Qualifications Section shall include:

- 1) Description of the firm's experience in providing arbitrage rebate compliance services in general, and specifically with regard to transactions issued by municipalities and municipal-level entities. Highlight experience with complex tax-exempt structures such as variable rate issues, advance refundings, etc. Include at least two examples of work performed at the branch office which will have primary responsibility for this engagement. These examples should reflect currently applicable laws, rules, and regulations.
- 2) Description of the legal expertise available within or to your firm, particularly with regard to the provisions of Section 148(f) of the Internal Revenue Code and Regulations. Describe the assurance you can provide the City that work performed is consistent with federal tax and other applicable laws. Explain whether the necessary legal advice will be provided within your firm or by a subcontractor. Describe any legal opinions that may be required to satisfy each arbitrage calculation.

**NOTE:** If the requisite legal expertise is available within your firm, describe your firm's expertise with the relevant provisions of the Internal Revenue Code and applicable rules and regulations. If the legal advice is to be provided outside your firm, identify the source of this expertise and explain the source's knowledge of the relevant Code and Regulation sections. Explain any mark-ups you will add to the cost of outside legal advice. Provide an estimate of the scope and cost of legal advice, including estimated hours and fee rates.

- 3) Description of the firm's availability with respect to future and/or additional rebate compliance services, i.e., new bond issues subject to the rebate requirement.

## **G. Fee Proposal**

The City desires a three-year proposal. Describe your firm's fee schedule. Provide a fee schedule for each bond described in Exhibit A. Specifically state additional fees charged for the following:

- A. Yield restriction analyses
- B. Commingled funds analyses
- C. Transferred proceeds analyses
- D. Variable rate issues
- E. Periods in excess of twelve (12) months

Provide estimates of other expenses exclusive of fee schedules. Identify follow-up consultation and services available after the completion of the arbitrage calculation, and the costs. Describe how you would propose to handle and bill for amending your calculations if new regulations require amending previous calculations.

## V. PROCESS FOR SUBMITTING PROPOSALS

- **Content of Proposal**

The proposal must be submitted using the format as indicated in the proposal format guidelines.

- **Preparation of Proposal**

Each proposal shall be prepared simply and economically, avoiding the use of elaborate promotional materials beyond those sufficient to provide a complete, accurate and reliable presentation.

- **Number of Proposals**

Please submit three (3) copies of your proposal in sufficient detail to allow for thorough evaluation and comparative analysis.

- **Submission of Proposals**

Complete written proposals must be submitted to:

Andrea Jackson  
Finance Director  
City of Auburn  
144 Tichenor Avenue, Suite 5  
Auburn, AL 36830  
Fax 334-501-7297  
[ajackson@auburnalabama.org](mailto:ajackson@auburnalabama.org)

*Proposals must be received no later than 11:00 a.m. (CST) on December 12, 2006. Proposals will not be accepted after this deadline. Faxed or e-mailed proposals will be accepted; however, the City will be not be responsible for determining whether the documents received by facsimile or electronically are complete nor for contacting proposers to determine if facsimile or electronic submissions are complete.*

- **Inquiries**

Questions about this RFP must be directed in writing, via e-mail to:

Penny Smith  
Deputy Finance Director  
City of Auburn  
144 Tichenor Avenue, Suite 5  
Auburn, AL 36830  
[psmith@auburnalabama.org](mailto:psmith@auburnalabama.org)

From the date that this RFP is issued until a firm is selected and the selection is announced, firms are not allowed to communicate for any reason with any City employee other than the contact officer listed above regarding this RFP. The City reserves the right to reject any proposal for violation of this provision. No questions other than written will be accepted, and no response other than written will be binding upon the City. Written responses to questions shall be provided to all firms to which this RFP was sent.

- **Conditions for Proposal Acceptance**

This RFP does not commit the City to award a contract nor to pay any costs incurred for any services. The City, at its sole discretion, reserves the right to accept or reject any or all proposals received as a result of this RFP, to negotiate with any qualified source, or to cancel this RFP in part or in its entirety. All proposals will become the property of the City of Auburn. If any proprietary information is contained in the proposal, it should be clearly identified.

## **VI. EVALUATION CRITERIA**

Proposals will be evaluated on the basis of their responses to all provisions of this RFP. The City of Auburn may use some or all of the following criteria in its evaluation and comparison of proposals submitted. The criteria listed are not necessarily an all-inclusive list. The order in which they appear is not intended to indicate their relative importance:

- A. Compliance with RFP requirements
- B. Understanding of the project, as demonstrated by the proposal
- C. Recent experience in conducting engagements that are similar in scope, complexity, and magnitude for other public agencies
- D. Educational background, work experience, and directly related consulting experiences
- E. Price
- F. References

The City may also contact and evaluate the proposer's and subcontractor's references; contact any proposer to clarify any response; contact any current user of a proposer's services; solicit information from any available source concerning any aspect of a proposal; and see and review any other information deemed pertinent to the evaluation process. The evaluation committee shall not be obligated to accept the lowest priced proposal, but shall make a recommendation to the City Council for an award in the best interests of the City.

After written proposals have been reviewed, discussions with prospective firms may or may not be required. If scheduled, the oral interview will be in question/answer format for the purpose of clarifying the intent of any portions of the proposal. The individual who will be directly responsible for carrying out the contract, if awarded, should be present at the oral interview.

A Notification of Intent to Award may be sent to the vendor selected. Award is contingent upon the successful negotiation of final contract terms. Negotiations shall be confidential and not subject to disclosure to competing vendors unless an agreement is reached. If contract

negotiations cannot be concluded successfully, the City may negotiate a contract with the next highest scoring vendor or withdraw the RFP.

The successful vendor is responsible for acquiring the appropriate licenses and permits, including a City of Auburn business license, to conduct work with the City of Auburn. Any non-Alabama vendors must submit a written opinion from an attorney stating the amount, if any, of preference granted by law to businesses in the state in which the firm is located.

**Exhibit A**  
 Attachment to Arbitrage Rebate Compliance Services RFP  
**Water Works Board of the City of Auburn Alabama**

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Source of Payment</u>	<u>Principal Issued</u>
General obligation bonds, Dated 07/01/01 (Water Sys Renovations and Imprvmts)	2.75%-5.125%	7/1/2026	Revenue of the Water Board of the City of Auburn	\$ 11,080,000
General obligation bonds, Dated 08/01/02				
Current Interest Bonds (Refund 93 bonds)	1.5%-4.8%	9/1/03-22	Revenue of the Water Board of the City of Auburn	\$ 7,955,000
Capital Appreciation Bonds (Fund '02 projects)	5.37%-5.45% Yield To Maturity	9/1/27-32		<u>\$ 1,844,657</u>
				<u>\$ 20,879,657</u>

**Exhibit A**  
Attachment to Arbitrage Rebate Compliance Services RFP  
**City of Auburn Alabama**

	Interest Rate	Interest Dates	Source of Payment	Principal Issued
Governmental activities:				
Bonds payable:				
General obligation bonds, Dated 03/01/05 (Refund 97 bonds, and fund '05 projects)	2.2%-5.0%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	\$ 9,905,000
Capital improvement bonds, Dated 05/01/02 (Soccer, Town Creek)	1.60%-4.75%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	7,250,000
Capital improvement bonds, Dated 06/01/98 (S. College Imp.)	3.95%-5.10%	2/1-8-1	Special 5-Mill Tax Fund ad valorem taxes	2,000,000
General obligation bonds, Dated 08/1/99 (Library, Watson Complex)	5.0%-5.4%	2/1-8/1	Special 5-Mill Tax Fund ad valorem taxes	<u>3,700,000</u>
Total bonds payable				<u>22,855,000</u>
Warrants payable:				
General obligation warrant, Dated 08/05/98 (Dean Rd. Ext.)	5.16%	Quarterly	General Fund	810,672
General obligation refunding warrant, dated 09/01/98 (12/01/91 G.O.)	3.75%-4.25%	6/1-12/1	General Fund	3,370,000
General obligation refunding school warrants, Dated 09/01/98 (87,90 & 92 G.O. School)	3.75%-4.55%	6/1-12/1	Special School Tax Fund ad valorem taxes	8,170,000
Capital improvement warrant Dated 09/30/98 (Drake, Harris & Lib. prop)	5.47%	Monthly	Full faith credit and taxing power of the City of Auburn	1,200,000
General obligation warrants Dated 8/1/99 (City Hall, streets, etc.)	5.0%-5.6%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	4,110,000
General obligation school warrant dated 10/6/99 (computer eq.)	5.98%	Monthly	Special School Tax Fund ad valorem taxes	857,750
General obligation warrants Dated 08/01/05 (School capital expansion)	3.125%-5.0%	2/1-8/1	Full faith credit and taxing power of the City of Auburn	33,010,000
General obligation warrants Dated 08/05/00 (Salmon Prop.)	6.93%	Monthly	Full faith credit and taxing power of the City of Auburn	1,507,034
General obligation warrant Dated 04/08/03 (heavy eq., 122 Tichenor)	5.11%	Monthly	Full faith credit and taxing power of the City of Auburn	1,065,500
General obligation warrants Dated 04/10/01 (Fraley property)	7.52%	Monthly	Full faith credit and taxing power of the City of Auburn	428,000
General obligation warrants Dated 09/28/01 (Drainage projects)	4.85%	Monthly	Full faith credit and taxing power of the City of Auburn	1,035,400
General obligation warrants Dated 06/27/02 (Drainage, streets)	5.74%	Monthly	Full faith credit and taxing power of the City of Auburn	1,937,000
General obligation warrants Dated 12/23/03 (Infrastructure improve.)	3.93%	Monthly	Full faith credit and taxing power of the City of Auburn	6,300,000
General obligation warrants Dated 12/31/03 (Infrastructure improve.)	2.73%	Monthly	Full faith credit and taxing power of the City of Auburn	2,056,598
General obligation refunding school warrants dated 02/01/02 (92,94 & 96 Warrants)	4.10%-5.125%	2/1-8/1	Special School Tax Fund ad valorem taxes	27,275,000
General obligation warrant dated 04/07/05 (Richland Road)	3.78%	Quarterly	Full faith credit and taxing power of the City of Auburn	2,000,000
General obligation warrants Dated 07/19/05 (Mall expansion)	5.05%	Monthly	Full faith credit and taxing power of the City of Auburn	10,000,000
General obligation warrants Dated 08/01/06 (AU Portion of Tennis Center)		Monthly	Full faith credit and taxing power of the City of Auburn	<u>3,700,000</u>
Total general governmental issues				108,332,954
Payable from specific revenue sources:				
Refunding street improvement warrants dated 8/1/76	5.5%-6%	2/1-8/1	City Gas Tax Fund city gas tax	<u>1,000,000</u>
Total warrants payable				<u>109,832,954</u>
Business-type activities:				
Warrants payable:				
Zero coupon general obligation warrants dated 08/29/01 (sewer plant & expansion)	5.70%	1/1-7/1	Sewer Fund	5,257,326
General obligation warrants dated 08/01/01 (sewer plant & expansion)	2.8%-5.0%	1/1-7/1	Sewer Fund	<u>24,765,000</u>
Total business type activity bonds and warrants payable				<u>30,022,326</u>