

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Selection of Financial Advisor and Provider of Arbitrage Rebate Services
Date: June 1, 2001

Recommended Actions:

1. Recommend the Board approve the selection of the Board's:
 - a. Financial advisor (to be provided during the Banking Committee meeting) and
 - b. Provider of arbitrage rebate services, Berens-Tate Consulting Group, and
2. Recommend the Board authorize the Executive Director to execute the contracts on behalf of the Board.

Executive Summary:

Statutory provisions require the solicitation of bids for services related to issuance of bonds through a competitive process.

The current contract with the Board's financial advisor, Springsted, expires on August 31, 2001. By contract amendment during the last five-year period, the responsibility for arbitrage rebate calculation services was transferred from Ahlers Law Firm, the Board's bond counsel, to Springsted, the Board's financial advisor. A separate Request for Proposal (RFP) was established for arbitrage rebate calculation services since not all bond counsel or financial advisor firms provide this service. In December 2000, the Board authorized the distribution of the RFPs for financial advisor and provider of arbitrage rebate services.

Four proposals for financial advisor and three for arbitrage rebate services were submitted to the Board. The selection committees, comprised of Banking Committee members, University representatives, and Board Office staff, reviewed the proposals and interviewed the candidates, in accordance with the established competitive process and selection criteria. The selection committee recommendation for the financial advisor will be presented during the Banking Committee. The selection committee recommends that the Berens-Tate Consulting Group be hired as the provider for arbitrage rebate services.

Background/Analysis:

Iowa Code §262.9(17) requires that the Board, when issuing notes or bonds, select and fix compensation for attorneys, accountants, financial advisors, banks, underwriters, insurers, and other employees or agents as needed through a competitive process. The requests for proposal included criteria as defined in the Iowa Administrative Code §681 – 8.8(1) and the Regent Procedural Guide §7.31. The Iowa Administrative Code also requires that agreements with firms selected provide for annual renewals during a period not to exceed five years.

The current contract with the Board's financial advisor, Springsted, commenced on September 1, 1996, with provisions for renewal through August 31, 2001, subject to mutual consent of financial advisor and the Board. Springsted has served as the Board's financial advisor since 1986 under three separate contract periods. In February 1998, the Board authorized an addendum to the contracts with Ahlers Law Firm and Springsted to transfer the responsibility for arbitrage rebate calculation services from Ahlers Law Firm to Springsted. This was precipitated when the key employee performing these services at Ahlers Law Firm moved from the employ of Ahlers Law Firm to Springsted. Springsted provides rebate services to a number of its other clients and agreed to provide the services at the same cost as in the Ahlers original contract. Since all financial advisors or bond counsels do not provide arbitrage rebate calculation services, a separate Request for Proposal has been established for these services.

An RFP for financial advisor was sent to selected firms; four proposals were received: Evensen Dodge; Public Financial Management, Inc. (PFM); Speer Financial; and Springsted.

An RFP for arbitrage rebate services was sent to selected firms; three proposals were received: Berens-Tate Consulting Group, Deloitte & Touche, and Springsted.

The screening committee, comprised of Banking Committee members (President Newlin for financial advisor interviews and Regent Fisher for arbitrage rebate services interviews) and representatives from the universities and the Board Office, interviewed the candidate firms on May 14, 2001.

Based on the review of the presentations, background, and capability of the firms, the screening committee recommends the selection of Berens-Tate Consulting Group as the provider of arbitrage rebate services.

The committee's recommendation for financial advisor will be presented during the Banking Committee meeting.