

RFP for Bond Underwriting Services

The Board of Trustees awarded a contract for bond underwriting services to George K. Baum & Company on June 28, 2018.

Evaluation committee recommendation: George K. Baum & Company

Score received: 91.8

Other scores:

Offeror A – 66.95 points

Justification Statement:

Criterion 1 – Demonstrated qualifications and ability to provide bond underwriting services: George K. Baum (GKB) scored 37.85 out of the 40 possible points for this criterion. GKB demonstrated a thorough understanding of the water municipal bond market, especially in Utah where they have a majority of the market share. All members of the support team were named, with the lead banker and most of the support staff residing within Utah (Offeror A only named one member of the support team and has no office or team members residing within Utah, though one visits monthly). While both proposals provided services expected of an underwriter, GKB also offered free trainings to District staff and Board members.

Criterion 2 – Responsiveness of work plan: GKB received 23.75 out of 25 possible points for this section. GKB submitted a work plan indicative of a clear understanding of the municipal bond market. All questions were answered, and GKB's philosophies appear to work well with the District's position on bond underwriting.

Criterion 3 – Past performance: GKB received 23.4 out of the maximum 25 points possible on this section. GKB demonstrated clear evidence of experience with public water districts of comparable size. GKB also provided succinct and easy-to-read details on the performance of past issues (some committee members were unable to determine if Offeror A had fully answered this section of the proposal).

Criterion 4 – Cost proposal: GKB received 6.8 out of 10 maximum points possible on its cost proposal. Since GKB's proposal was more than a 5% higher than the lowest cost proposal, an informal cost-benefit analysis was performed per Utah Code 63G-6a-708. It was determined that GKB was justified in being awarded the contract despite not being the lowest cost proposal.

Cost-Benefit Analysis:

Offeror A had the lowest priced proposal (after the District made assumptions for missing information). The evaluation committee believes the cost difference in the hypothetical bonding proposal submitted by GKB is outweighed by the benefits the District would receive.

- Before costs were considered, GKB scored 85 out of a possible 90 points on its proposal. Offeror A received 56.95 out of 90 points. This was primarily due to GKB consistently providing more transparency and details into its operations and having a better understanding of the District and its issues.
- GKB has an office with a full support staff in Utah. GKB stressed its availability and proximity to the District should any need arise. Offeror A stated that the lead of their team visited Utah monthly and could arrange for that visit to fall within a needed meeting. It was not noted if the District would be billed for these travels or if Offeror A would be willing to attend multiple meetings within a month.
- In its cost proposal, GKB explicitly states that their proposed fee includes everything for a bond issuance and that there would be no additional costs but that they do ask for the reimbursement of travel expenses if the District was going to require them to go to rating agency visits. GKB also provided pricing for other possible fees that could be incurred outside of a bond financing. Offeror A did not address the questions on the cost proposal about other fees, instead responding “none anticipated” or “N/A”. When asked whom was responsible for fees for underwriter’s counsel if needed, Offeror A responded, “Barring unusual structure or security, we do not anticipate needing underwriter’s counsel” and did not provide details as to whom would be responsible for the fees.
- Under the “service provided” section, Offeror A listed the District’s original RFP verbatim. GKB went into detail about what types of bonds they would underwrite, all the services that would be provided with bond issuances, and included extra services not requested by the District that the District would probably utilize. GKB stated that all these services were included in the cost given in the cost proposal.

Given the lack of details in Offeror A’s proposal as to what is included in the cost proposal and what extra fees might be incurred, the evaluation committee is concerned the price proposed by Offeror A might not be truly reflective of the final price the District would pay in a bond issuance. Further, the benefit from the experience of GKB with local districts within Utah, the additional training and planning provided by GKB, and the proximity of their office and ease of attending last minute meetings justifies the increased costs reflected in the cost proposals.