

JEB SPAULDING
STATE TREASURER



UNCLAIMED PROPERTY DIVISION
TEL: (802) 828-2407

RETIREMENT DIVISION
TEL: (802) 828-2305
FAX: (802) 828-5182

ACCOUNTING DIVISION
TEL: (802) 828-2301
FAX: (802) 828-2884

STATE OF VERMONT
OFFICE OF THE STATE TREASURER

REQUEST FOR PROPOSALS

TO PREQUALIFY BANKING INSTITUTIONS

TO PROVIDE

CERTIFICATE OF DEPOSIT SERVICES

FOR THE

TREASURER'S *BANK IN VERMONT* PROGRAM

OFFICE OF THE VERMONT STATE TREASURER

Issued June 14, 2004

Updated September 27, 2010

109 STATE STREET • MONTPELIER, VERMONT 05609-6200
TREASURER: (802) 828-2301 • TOLL-FREE (IN VT ONLY): 1-800-642-3191 • FAX: (802) 828-2772
www.vermonttreasurer.gov

I. BACKGROUND and PURPOSE

The Office of the Vermont State Treasurer is inviting banking institutions to participate in a certificate of deposit (CD) program designed to support community banking and earn a competitive return on State funds. The Treasurer's *Bank in Vermont* program will invest State funds on a predictable basis through CDs, via a competitive bidding process, in banks with branches in Vermont. The program is designed to be attractive to the wide range of banking institutions in Vermont, and is predicated on the belief that investing Vermont funds in Vermont, consistent with earning a competitive rate of return, is a good policy.

The Office of the State Treasurer requests responses from banking institutions which wish to be placed on a list of eligible institutions for a competitive bid program for certificates of deposit (CDs). Responses to this request will be used to evaluate prospective candidates wishing to provide investment services for CDs, and to determine maximum levels of participation based on the bank's size, financial health, risk factors, credit ratings, and capital levels.

The objectives of the RFP are as follows:

- To develop a list of eligible banking institutions that have expressed an interest in participating in periodic competitive bid processes with the State of Vermont.
- To develop maximum investment ceilings for each participating banking institution.
- To establish a partnership that will support the State's challenge to deliver quality services to agencies, citizens, and local governments.
- To diversify the State's investment portfolio.
- To obtain the highest return possible, consistent with safety and liquidity.

The Office of the State Treasurer is seeking information on banking institutions interested in competitive bidding for CDs. Bids will be scheduled monthly. Banking institutions that have been pre-qualified will be notified in writing and/or by e-mail in advance of this schedule.

Once a banking institution is pre-qualified, a "pre-qualification agreement" will be executed. It will include the bank's ceiling and collateralization requirements. The extent of collateral required, if any, will be determined based on the application and the reports submitted to the Office of the State Treasurer. Collateralization levels and terms are subject to negotiation. Delivery and collateral instructions will be included in the final agreement.

A block of funds will be set aside for the scheduled bid in specified time frames based on the State's cash flow projections and the yield curve at the time of the bid. Some of the funds may be "short," generally thirty (30), sixty (60), ninety (90), and one hundred twenty (120)-day periods. Depending on the interest rate environment, the Office of the State Treasurer may look to put a portion of these funds out in one to three-year certificates of deposit. Over time, the Office of the State Treasurer envisions a "laddered" CD portfolio. The amounts designated to each maturity cycle will be announced. Eligible banking institutions will submit bids for these funds through means acceptable to the Office of the State Treasurer, with intent being to solicit bids through the Internet and/or e-mail. A banking institution may not submit a bid or bids in excess of its maximum ceiling minus CDs already in force with the banking institution under this program. The Office of the State Treasurer will award CDs based on rank order of quoted rates and associated dollar levels until the funds are depleted for each scheduled maturity period. The Office of the State Treasurer reserves the right to establish a minimum interest rate quote, and not award all or part of the funds if the minimum rate is not bid.

II. SCOPE of WORK

General Scope and Business Specifications

With respect to the CDs and the bid process, the following shall be in effect:

- ◆ Interest on the CDs will be calculated on a 360-day basis using the actual number of days, payable upon maturity.
- ◆ The Office of the State Treasurer will provide the settlement date and maturity date in its bid announcement. In general, the settlement date will be two business days after the bid award.
- ◆ The Office of the State Treasurer will provide fed wire instructions to banking institutions once they are pre-qualified. All transactions will be completed by fed wire.
- ◆ The minimum bid is \$100,000. Bids may increase in increments of \$50,000 to a maximum ceiling set for the banking institution minus any current CDs purchased by the Office of the State Treasurer. This ceiling is established for the banking institution as a whole, including any CDs in other Office of the State Treasurer CD programs.
- ◆ Each bidder may submit up to Three (3) bids, the total of which may not exceed the banking institution's maximum ceiling minus current CDs purchased by the Office of the State Treasurer. The total applies to the sum of all bids for each maturity period. For instance, if a qualifying bank wished to place bids for up to \$500,000, the institution could submit three separate bids at varying rates up to that total.
- ◆ Bids below the minimum rate established by the Office of the State Treasurer prior to the bid process will not be accepted.
- ◆ Collateral, where required, will be delivered to a third-party bank designated by the Office of the State Treasurer. Acceptable collateral will be defined in the "Pre-qualification Agreement."
- ◆ The Office of the State Treasurer reserves the right to reject any submitted bid for any reason at his discretion. A bidder submitting a winning bid is irrevocably obligated to provide the certificate of deposit at the specified terms if acceptable to the Office of the State Treasurer, as described above. The Office of the State Treasurer also reserves the right to make a partial award subject to the minimum increments and ceilings described above. Based on ongoing review of financial data, the Office of the State Treasurer reserves the right to adjust the banking institution's maximum investment ceiling.

Time Requirements

Once pre-qualified, the banking institution will remain on the approved list and will be notified of bid schedules unless it requests, in writing, to be removed. The Office of the State Treasurer also has the option of removing or adding a bank from/to the pre-qualification list at any time.

Minimum Qualifications

Participation in this program is limited to banking and savings and loan institutions domiciled in or having branches within the boundaries of the State of Vermont.

Additional Requirements

The banking institution will provide various financial data to the Office of the State Treasurer, which will be used to determine maximum levels of participation based on the bank's size, financial health, risk factors, credit ratings, and capital levels. In addition the banking institution must have a satisfactory or outstanding rating under the federal Community Reinvestment Act of 1977.

The banking institution will attest that its firm and key professionals do not have or anticipate a potential conflict of interest with the Office of the State Treasurer or the State of Vermont. The banking institution must also assert that it is in compliance with the State of Vermont's Unclaimed Property Act (27 V.S.A. Chapter 13) and that it is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont.

Confidential Information

The banking institution agrees that all discussions or information gained during an engagement shall be considered confidential, and that no information gathered by the banking institution shall be released without prior written consent of the Office of the State Treasurer.

III. Terms and Conditions for Submission of Proposals

The purpose of this section is to state the terms and conditions that will govern the submission of responses to the State in response to this Request for Proposals.

Proposal Inquiries

All inquiries concerning this RFP shall be made in writing, citing the RFP title, page, section, and paragraph, and shall be submitted to:

Dan Currier
Cash & Investment Manager
Office of the State Treasurer
109 State Street, 4th Floor
Montpelier, VT 05606-6200
E-mail: dan.currier@state.vt.us

Submission of questions via e-mail is encouraged.

Any banking institution that intends to submit a response is prohibited from contacting any employees of the Office of the State Treasurer other than the contact person. An exception to this rule applies to banking institutions or firms that currently do business with the Office of the State Treasurer, but shall be limited to that business and should not relate to this RFP. **Failure to observe this rule may result in disqualification.** Furthermore, no other individual employee or representative of the State of Vermont is authorized to provide any information or respond to any question or inquiry concerning this RFP other than as described herein.

In an effort to provide a fair process and complete information, all written questions and the responses will be summarized in a fact sheet that will be available to any potential respondent and posted on the Office of the State Treasurer's Web site (www.vermonttreasurer.gov). Similar inquiries will be consolidated into one question. The name(s) of the banking institutions submitting the questions will not be listed.

Any change to, or interpretation of, the RFP by the Office of the State Treasurer will be posted on the Web site for the Office of the State Treasurer (www.vermonttreasurer.gov). Potential respondents are encouraged to check this Web site for any additions, clarifications, or revisions to the document.

Financial Responsibility

The respondent understands and agrees that the State shall have no financial responsibility for any costs incurred by the respondent in responding to this RFP.

The respondent shall be solely responsible for meeting all terms and conditions specified in the RFP, its proposal, and any resulting contract.

Number of Response Copies

Please submit three (3) paper copies of your response to:

Dan Currier
Cash & Investment Manager
Office of the State Treasurer
109 State Street, 4th Floor
Montpelier, VT 05606-6200
E-mail: dan.currier@state.vt.us

One e-mail copy of your package is acceptable instead of paper copies. If the proposal is submitted by e-mail Section V: Certification must be submitted by paper copy.

Since this is an ongoing procurement, a deadline for submission is not established.

All material received in response to this RFP shall become the property of the Office of the State Treasurer and will not be returned to the respondent. Regardless of the respondent(s) selected, the Office of the State Treasurer reserves the right to use any information presented in a proposal.

Disqualification of Proposals

- A. Non-responsive Proposals: Proposals that are not responsive or that fail to comply with mandatory requirements of the RFP shall be deemed non-responsive and shall be disqualified. Non-responsive proposals shall include, but not be limited to, those that fail to address or meet any mandatory item, and those submitted in insufficient number or in incorrect format.
- B. Collusion: Collusion by two or more respondents agreeing to act in a manner intended to avoid or frustrate fair and open competition is prohibited, and shall be grounds for rejection or disqualification of a proposal or termination of a contract.
- C. Debarred Respondents or Subcontractors: A respondent, which is currently subject to any Vermont or federal debarment order or determination, shall not be considered for evaluation. If a proposal is dependent upon the services of a named subcontractor and the disqualification of this named subcontractor would materially alter the proposal, then that proposal shall be deemed non-responsive if the named subcontractor is found to be debarred.

Contract Duration

This is an ongoing prequalification process and no deadlines are established. A banking institution must be pre-qualified and have a "prequalification agreement" in place before it can participate in any investment bids issued by the Office of the State Treasurer.

Terms and Conditions Agreement

Once a banking institution is pre-qualified, a "pre-qualification agreement" will be executed. It will include the bank's ceiling and collateralization requirements, if applicable. Delivery and collateral instructions will be included. The banking institution's representative will also be required to certify the following:

- ◆ The banking institution will notify the Office of the State Treasurer immediately, by telephone, and in writing, in the event of a material adverse change in its financial condition.
- ◆ The banking institution pledges to exercise due diligence in informing the Office of the State Treasurer of all foreseeable risks associated with any financial transactions that the institution conducts with the State of Vermont.
- ◆ The banking institution and key professionals do not have or anticipate a potential conflict of interest with the Office of the State Treasurer.
- ◆ The banking institution is in compliance with the State of Vermont's Unclaimed Property Act (27 V.S.A. Chapter 13).
- ◆ The banking institution is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont.

IV. ESSENTIAL ELEMENTS OF PROPOSAL

The bidder must complete the following questionnaire and submit three (3) copies to the Office of the State Treasurer as indicated above.

**STATE OF VERMONT
OFFICE OF THE STATE TREASURER**

**PRE-QUALIFICATION TO PARTICIPATE IN COMPETITIVE BIDDING
OF CERTIFICATES OF DEPOSIT (CDs)
REQUEST FOR RESPONSE**

Banking Institution Name: _____

SECTION I: CONDITIONS QUALIFYING A BANKING INSTITUTION TO PROPOSE

Legal and other requirements (to pre-qualify, ALL of the following requirements must be met):

- ◆ Is the banking institution authorized to conduct business within the State of Vermont?
 Yes No

- ◆ Does the banking institution have a branch office within the boundaries of State of Vermont?
 Yes No

- ◆ Does the banking institution currently have a satisfactory or outstanding rating under the federal Community Reinvestment Act of 1977?
 Yes No

- ◆ Does the banking institution comply with the State of Vermont's Unclaimed Property Act (27 V.S.A. Chapter 13)?
 Yes No

- ◆ Is the banking institution in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont?
 Yes No

SECTION II: REQUIRED DOCUMENTS

The Office of the State Treasurer must receive the following documents from each banking institution before the banking institution can be considered for pre-qualification:

- ◆ A copy of the banking institution's most recent annual report, if applicable.
- ◆ A copy of the banking institution's most recent SEC 10-K report, if applicable.
- ◆ A copy of the most recent last quarterly call report (required).
- ◆ A copy of the banking institution's most recent Uniform Banking Performance Report, if applicable.
- ◆ A copy of the most recent annual report for the holding company, if applicable.

SECTION III: REQUEST FOR GENERAL INFORMATION

1. Offices: Primary Contact Office:

Address

Telephone Numbers

Other Service Offices:

Address

Telephone Numbers

2. Who in the banking institution has authority to be the representative for this prospective account in submitting this application (provide name, title, telephone number(s), e-mail and facsimile number)?

Name: _____

Title: _____

Telephone number(s), e-mail, and facsimile number: _____

Note: This individual must sign the application.

3. Identify the primary account representative if the banking institution is pre-qualified and approved to participate in the competitive bid process:

Name: _____

Title: _____

Telephone number(s), e-mail, and facsimile number: _____

Immediate Supervisor: _____

4. How is your banking institution legally organized?

a. Nationally chartered bank

b. Federally chartered bank

c. State chartered bank

5. Has your banking institution operated under a different business name at any time during the last five years?

Yes No If "yes," please identify the prior name, the year of the name change, and the reason for the name change.

6. In what city and state is the banking institution headquartered?

7. Is the banking institution owned by a holding company?

Yes No If "yes," please provide the holding company's name, its net capitalization, and the city and state where it is headquartered.
Annual Reports must be submitted for the holding company.

8. After review of this application and reports, a determination may be made that a portion of any deposits in the banking institution would require collateralization. Would the banking institution still be interested in participating if such a determination is made?

Yes No

Additional comments, if any (collateralization terms are subject to negotiation):

9. If collateralization should be required for participation by the banking institution, would you agree to collateralization using U.S. treasuries, agencies, and instrumentalities (FHLB, FNMA, FFCB, FAMC, GNMA, and FHLMC) approved by the Office of the State Treasurer, held with a third-party custodian selected by the Office of the State Treasurer?

Yes No

Additional comments, if any:

Please note that the terms would be subject to negotiation and included in your "pre-qualification agreement."

10. Please provide four references of comparable public sector entities with which the banking institution branch does business. Indicate: (a) name of governmental entity; (b) contact person; (c) address; (d) telephone number; and (e) length of relationship. This information should be attached to the proposal.

11. Please identify and state related ceiling limits for all depository insurance that would be in force and that would protect State of Vermont deposits, including certificates of deposit.

12. Please provide any additional information you believe relevant to evaluation of your banking institution. (Any response to this item may be attached to the proposal)

SECTION IV: REQUEST FOR BANKING INSTITUTION DISCLOSURE

1. Have any of your public sector clients claimed, in writing, within the last five years, that your banking institution was responsible for any financial losses?

Yes No If “yes,” please attach a brief explanation.

2. Has your banking institution been subject to any litigation, arbitration, or regulatory proceedings, either pending, adjudicated, or settled, within the last five years, that involved allegations of improper, fraudulent, disreputable, or unfair financial activities?

Yes No If “yes,” please attach a brief explanation.

3. Has your banking institution been subject to a regulatory, state, or federal agency investigation within the last five years for alleged improper, fraudulent, disreputable, or unfair financial activities?

Yes No If “yes,” please attach a brief explanation.

SECTION V: CERTIFICATION

I attest to the accuracy of our responses to your RFR, and to the above certifications.

Signature

Date

Print Name

Title