

RFP DESIGN - PROCURING SERVICES WITH THE FUTURE IN MIND

August 12, 2016



Central Florida Chapter

Florida Government Finance Officers Association

J.P.Morgan

Agenda

- Objectives
- Request for Proposal (“RFP”) Defined
- The RFP Process
- Critical Success Factors
- Questions

Objectives

- Structure forward looking RFPs
- Understand banks' perspective
- Incorporate best practices into your RFPs
- Be more successful with your RFPs

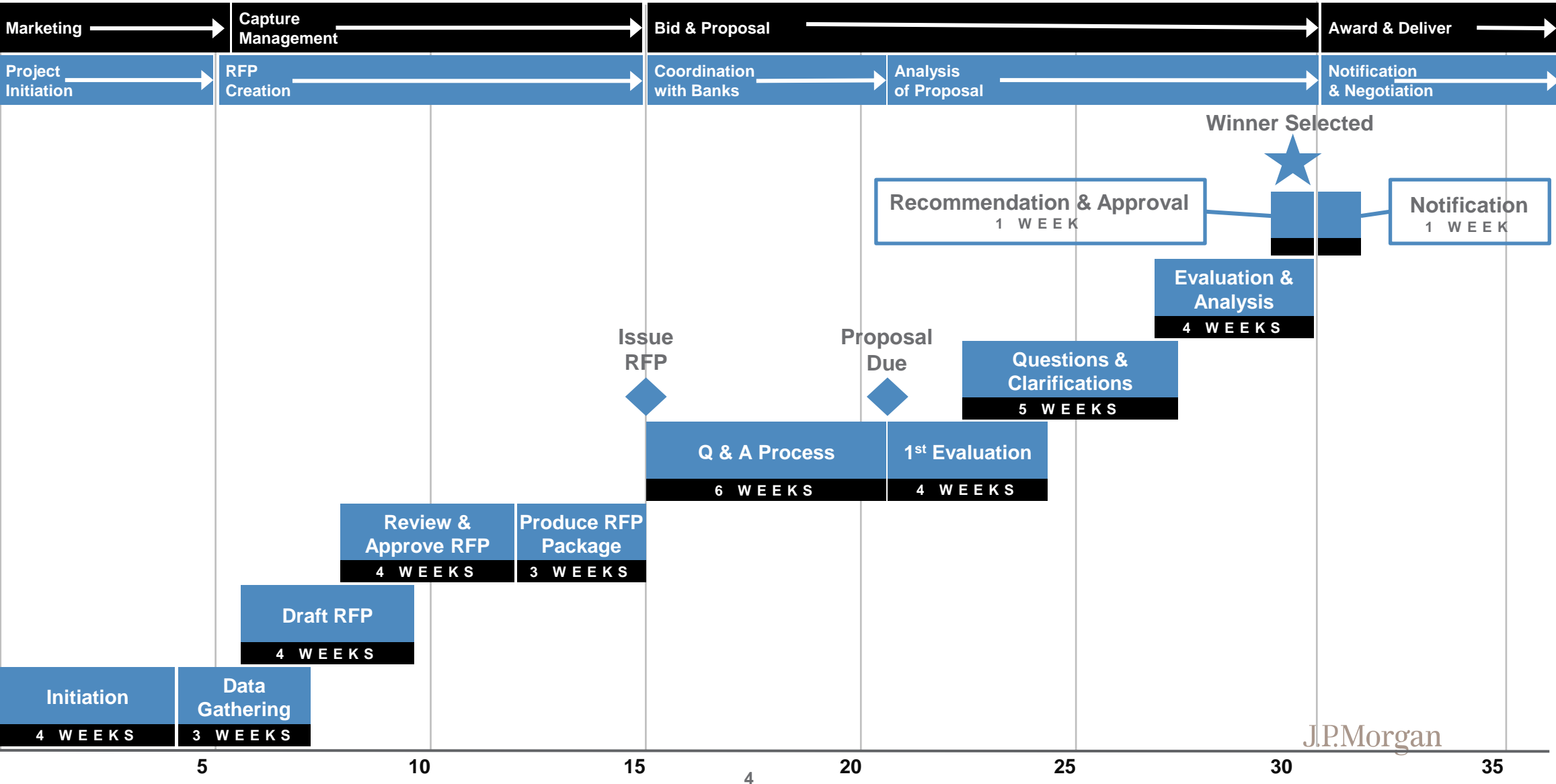
What is an RFP?

- The methods and document that initiate the process of selecting a service provider
- “...a solicitation inviting proposals from vendors who believe they can provide the products and/or services your government entity needs...”

Jim Culotta, NACo

RFP Timeline

Respondent
Issuer



Project Initiation

Project
Initiation

RFP
Creation

Coordination
with Banks

Analysis
of Proposal

Notification
& Negotiation

- Identify key stakeholders
- Form RFP team
- Begin analysis of current situation and new requirements
- Learn about trends and new products / services
- Identify scope and objectives for the RFP
- Determine preliminary selection criteria
- Set RFP project timeline

RFP Creation – Data Gathering



■ Vendor meetings

■ An industry day- an event held

- to present requirements to industry representatives
- To provide vendors a showcase to present new products and services and discuss trends in the industry

■ Individual meetings

- with vendors, associations, or stakeholders who make a request
- With vendors who respond to an RFI

RFP Creation – Data Gathering



- Requests for Information
 - Use to collect general information about the products and services available in specific areas
- Complete analysis of current situation
- Complete definition of new requirements

RFP Creation – Drafting the RFP



- Typical RFP sections include:
 - Introduction
 - Proposal Instructions
 - Scope of Banking Services
 - Description of Bidder
 - Fee Schedule
 - Selection Criteria

RFP Creation – RFP Contents

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■ Introduction

- Perspective on banking services for your entity
 - Current / historical
 - Future
- Objectives of the RFP
- Due date
- Contract term

RFP Creation – RFP Contents

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- Proposal Instructions
 - Timeline
 - Bidders conference
 - Question process and point of contact
 - Response format
 - Number and type of responses
 - Delivery instructions

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- Scope of Banking Services
 - Focus on results not current process
 - State requirements
 - Typically in Q&A format
 - Provide the RFP document in Word and the fee schedule in Excel
 - Provide historical balance and transaction data (appendix)

RFP Creation – RFP Contents

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- **Scope of Banking Services**
 - **Electronic Banking & Information Reporting**
 - Internet Banking Services
 - Security
 - **Collections**
 - Depository Services, i.e. vault
 - Lockbox
 - Remote Deposit
 - Electronic Funds Transfer (“EFT”) – ACH and Wires
 - Web Payments

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- Scope of Banking Services cont'd
 - Disbursements
 - Controlled Disbursement
 - Positive Pay and Account Reconciliation
 - EFT
 - Investments
 - Collateralization
 - Implementation approach and sample plan
 - Other Services / Value Added Services
 - Purchasing Card
 - Merchant Processing

RFP Creation – RFP Contents

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- Description of Bidder
 - Resumes of key relationship personnel
 - Community involvement – Community Reinvestment Act (CRA) Rating
 - Credit ratings
 - Organizational structure
 - Customer service approach

- References
 - Experience with similar government entities

RFP Creation – RFP Contents

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- Fee Schedule
 - Require bidder to price services
 - Request bidders to list AFP codes for line items
 - Request pro forma with bottom line of fees for services
 - Optional / Value Added services presented “below the line”
- Investment interest rate(s) with rate basis, if applicable
- Earnings Credit Rate (“ECR”) with rate basis and sample calculation

RFP Creation – RFP Contents

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& Negotiation

- Selection Criteria
 - Evaluation process
 - Selection criteria
 - Experience of vendor and team
 - Ability to meet current needs / requirements
 - Implementation Process
 - Completeness of Proposal
 - References
 - Weighting
 - Weight times score = weighted score

RFP Creation – Last Steps



- Review and approve draft
- Produce RFP
 - Provide in softcopy, e.g., Word and Excel
- Distribute RFP

RFP Creation – Recap



- Be informative
 - Provide detailed information
 - State objectives, selection criteria and timeline
- Be specific
 - Questions, implementation, references
- Be interactive
 - Vendor meetings / RFI
 - Bidders conference
 - Question process and point of contact

Coordination With Banks



- Bidders conference
 - Held early in the timeline

- Question process
 - Allow enough time to provide answers back to banks, at least 8 business days before the proposal due date

- Addenda
 - Used to provide answers on bank submitted questions or to change RFP requirements such as due dates

Analysis of Proposals



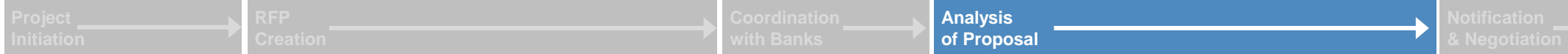
- Team evaluates together or separately
- Pass / Fail versus scored sections
- Contact references
- Pricing evaluations
- Best and Final Offer (“BAFO”) and/or Orals
 - In case of ties
 - Large or complex implementation

Evaluation Worksheet Example



| | | Desired | Bank A | Bank B | Bank C |
|---------------------------|---------------------------------|---------------|--------------|--------|-----------|
| Service Capability | | | | | |
| 1 | Exception Reporting | On-line | Email w/link | Email | IR system |
| 2 | Exception Notification | 10:00 | 10:00 | 11:00 | 10:30 |
| 3 | Teller Line Positive Pay | Yes | Yes | Yes | No |
| | | Points | | | |
| 1 | Exception Reporting | 5 | 5 | 4 | 2 |
| 2 | Exception Notification | 5 | 5 | 2 | 3 |
| 3 | Teller Line Positive Pay | 3 | 3 | 3 | 0 |

Sample Selection Sheet



| | Points | Bank A | Bank B | Bank C |
|---|--------|---------|---------|---------|
| Minimum Qualifications | P/F | Pass | Pass | Pass |
| Experience of vendor | 10 | 8 | 7 | 8 |
| Ability to meet current needs / requirements | 20 | 16 | 12 | 10 |
| Implementation process | 10 | 8 | 9 | 7 |
| Completeness of proposal | 10 | 9 | 8 | 6 |
| Experience and knowledge of bank team | 10 | 8 | 7 | 5 |
| References | 15 | 14 | 10 | 13 |
| Cost | 25 | 25 | 22 | 19 |
| Total Evaluation Score | | 88 | 75 | 68 |
| Cost Evaluation | | | | |
| Total Fees | | \$7,000 | \$8,000 | \$9,000 |
| % of Lowest | | 100% | 88% | 78% |
| Cost Evaluation Score | | 25 | 22 | 19 |

Notification & Negotiation



- Publish decision
- Offer debriefs to bidders
- Contract negotiation

Implementation

- Schedule kick-off
- Designate key contacts internal and bank
- Establish escalation process for issue resolution
- Set-up regular status meetings
- Finalize contract and account documentation
- Set up and test services
- Go live

A Banker's Perspective

3 Pluses

- A usable soft copy of the RFP and required submissions
- Sufficient time for responses
- Historical transaction volume and balance data

3 Minuses

- Ambiguous requirements
- Insufficient time
- Lack of transaction and balance data

Critical Success Factors

- Be clear on your objectives for the RFP
- Involve key stakeholders throughout the RFP process
- Ask questions that allow for differentiation
- Allow sufficient time for responses
- Provide historical transaction volume and balance data with any expected changes noted
- Get commitment from the RFP team and management
- Follow a process and a plan

RFP Design – Procuring Services With the Future in Mind

- Engage vendors upfront in the RFP process
- Focus the RFP on outcomes / results, not on current processes
- Allow for new services to be added in contract

QUESTIONS



RFP Resources

- GFOA

- <http://www.gfoa.org/>

- AFP

- <http://www.afponline.org/pub/res/brm/rfp/rfp.html>

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