



TO: Mayor and Council

FROM: Howard S. Lazarus, City Administrator

CC: Jacqueline Beaudry, City Clerk
Tom Crawford, CFO
Derek Delacourt, Community Services Area Administrator
Jason Forsberg, Interim Police Chief
John Fournier, Assistant City Administrator
Nick Hutchinson, City Engineer
Molly Maciejewski, Public Works Manager
Cresson Sloten, Systems Planning Manager
Colin Spencer, Purchasing Manager

SUBJECT: July 1 Council Agenda Responses

DATE: June 27, 2019

CA-6 – Resolution to Approve Street Closures for University of Michigan Football Games for the 2019 Season

Question: Regarding CA-6, this appears to be the same street closure routine (streets and times) that was implemented around UM Stadium on football Saturdays the last couple of years. Are any changes planned, and have there been any specific issues/concerns that have surfaced since this plan was put in place? (Councilmember Lumm)

Response: The street closures remain the same as previous years and no issues or concerns have been brought forward.

CA-7 – Resolution to Approve an Agreement with SmithGroup, Inc. to Conduct Public Engagement, Develop Potential Building Concepts and Evaluate Feasibility of the Property Located at 350 South Fifth (Commonly Referred to as the Y-Lot) and Appropriate Related Funds (\$75,000.00) (8 Votes Required)

Question: Q1. The scope referenced in Exhibit A continues to mention the AADL and AAATA properties as well as the Y Lot property and the final report will be reviewed with the Boards of AAATA, AADL and DDA in addition to city council. I’m assuming that means the development concepts that are prepared will include all of the properties – is that correct? And if so, why isn’t the AADL contributing to the cost of the study as AAATA and the DDA are? (Councilmember Lumm)

Response: The scope was written to allow for the potential concepts to include various land combinations including the Y-Lot, the Y-Lot and AAATA (air rights, and/or entire space), and the Y-Lot, AAATA and the Library. While AAATA has full approval to pursue and participate in this process, the Library is more in an exploratory phase where they are best suited to participate along with the community. They were willing to have their site considered as part of the engagement process, but chose not to participate in the RFP review and selection committee nor the local stakeholders group.

Question: Q2. Also related to scope, Exhibit A specifically mentions Option 2B –Public Partnership Mixed-Use and Mixed-Income. Will any other of the options identified previously be explored and if not, why not? (Councilmember Lumm)

Response: The staff memo recommended that Option 2B be the main point of consideration for public engagement and concept development based on the guidance provided by City Council Resolution [R-18-173](#). However, the public engagement process will include the opportunity to explore some of the same issues/questions as were explored in the Y-Lot memo. For example – if the desired components are market-rate and affordable housing – how tall would it have to be for it to work financially? If commercial or public uses were added, how would that impact the proforma? Etc. So within the public engagement process it’s likely that other options will be tried out – however we want the engagement to be framed by the initial council resolution for this project.

Question: Q3. Exhibit A also indicates the deliverables include “related development and operating budgets”. Given the confusion regarding what the SWRMP financial analysis covers, can you please clarify what exactly will be provided in terms of financial analysis (development cost projections, operating costs and required subsidies, potential funding sources and cost sharing among public entities, etc.). (Councilmember Lumm)

Response: The related development and operating budgets would likely include most of what you described above, based on the land lease model and an intent to recapture the cost of exercising it’s rights, as included by City Council resolution [R-18-173](#).

Question: Q4. Also, can you please ensure that the financial data provided includes an estimate of the property's value if sold as a market rate residential and/or mixed use development? (Councilmember Lumm)

Response: An estimated market rate value of the property should be easy to provide as part of the process. However, it should be noted that the council resolution focused on development of the site as mixed-use and mixed-income residential with the city maintaining ownership and offering a land-leases for potential developers. A sale option is not to be considered, per the resolution, until 48 months after the City's exercising of the development right as authorized on April 17, 2017.

Question: Q5. Exhibit A also includes the deliverable of a list of recommended entitlements the City Council should consider pre-approving for the site plan including potentially "waiving minimum parking requirements". Can you please also ensure that for the alternatives presented, there is data on parking (demand likely generated, requirements under existing code, etc.)? (Councilmember Lumm)

Response: We expect there to be data for any preferred alternatives that includes the programming (mix of uses on site), and potential demand generated. However, as uses can change, parking demand can change over the life of a development. Any pre-entitlement improvement will include parking requirements, data will be provided at that time. Staff will be looking to the consultant to suggest appropriate entitlements or other steps that would help create a pathway for development, should the process result in a preferred alternative. The examples listed were only to provide a sense of what those entitlements could look like. Parking is expected to be a key consideration in the community discussions, and in review of appropriate zoning and entitlements recommended.

Question: Q6. The documents mention that funding for this is limited to \$75K, but that the city and other partners can/will assist the consultant. How much staff time/cost has been invested in this Y Lot analysis to date and how much additional time/cost is likely in supporting SmithGroup on this agreement? (Councilmember Lumm)

Response: Four city (or city contracted) staff, have engaged in approximately 6 meetings and also committed other time to prepare the scope of services, review the RFPs, interview consultants, finalize recommendation to council and work on any follow-up to varying degrees. The same staff group will serve on the steering committee, and is expected to meet with the consultants after they are selected, as well as support and participate in the community engagement. To date there has been minimal staff time spent drafting the RFP and going through the selection process. I expect approximately another 10k – 15k in city staff time to assist with the project. That does not include county and/or AATA staff time.

Question: Q7. Can you please provide more detail on the public engagement effort this agreement pays for – type of engagement, how many public sessions, who will be invited to participate (general public, invited stakeholders, etc.)? (Councilmember Lumm)

Response: The team included in their proposal a community engagement strategy that would include stakeholder engagement (including development community as well as a week-long series of public meetings that would include workshops, education, and the opportunity to co-create ideas with residents and stakeholders in the community. In their interview, the consultant also noted that for such an engagement to be successful, it will be essential to identify what equitable engagement looks like up front, and make sure that appropriate outreach, marketing and accommodations are made to support participation from a wide variety of Ann Arbor residents and stakeholders.

Question: The memo accompanying the resolution does not include any details regarding the particulars of the four proposals received. Please provide the cost submitted with each proposal and any details about the proposals that might distinguish the proposals. (Councilmember Eaton)

Response:

- Stantec - (\$74,920) Stantec has a strong engineering background that appealed related to addressing logistics of potential needs of the AAATA in particular. They had a partnering firm with good affordable housing development and financing background.
- Hamilton Anderson – (\$80,095) Hamilton Anderson brings strength in providing conceptual designs and community engagement.
- Yard & Company – (\$63,000) Y&C puts a premium on getting projects to development, and have creative engagement approaches.
- Smith Group – (\$73,500) Smith Group has successfully worked in Ann Arbor, hosting community engagement sessions and providing designs that are in the process of being implemented. For this proposal, they are also bringing in affordable housing developer expertise and additional support for engagement.

Question: Please provide a summary of the factors discovered in the interviews that led to the recommendation of this consultant over the others. (Councilmember Eaton)

Response: The review team found value in all four submissions, and as a result felt it most appropriate to interview all four proposal teams. In discussion, the group found that Smith Group was strongest across several different areas that seemed essential for a successful process: Familiarity and success with past public engagement in Ann Arbor was to their advantage, as was their partnering with an affordable housing development specialist (James Lima). They also are open to an iterative process that can be responsive to stakeholder and resident feedback through the process. Their team is also experienced at moving a preferred concept from the idea to the actualization stage.

Question: Should this be integrated with the work of the Center of the City Task Force (DC-1, 19-1206)? Residents, including nominees to the Task Force, have expressed a

desire to consider planning for the area in a wholistic manner. (Councilmember Bannister)

Response: There is value in the Center of the City and the Y-Lot effort connecting in some fashion. Staff will work with the consultant to establish a channel of communication with the Center of the City Task Force during the Y-lot planning process.

CA-12 – Resolution to Approve an Agreement with Aon Consulting, Inc. for Advisory Services Related to De-Risking the City’s Pension System (\$38,500.00) (8 Votes Required)

Question: Q1. Exhibit A does not specifically identify the scope of services, but references AON’s Proposal to RFP19-09 – can you please provide AON’s RFP response? (Councilmember Lumm)

Response: See attached.

Question: Q2. The retiree health care VEBA isn’t mentioned so I’m assuming that is not covered in the study. Is that correct, and have other employers also sold their retiree health care liabilities (in addition to their pension liabilities) to insurance companies? And if so, can you please provide the financial data on those transactions. (Councilmember Lumm)

Response: The retiree healthcare VEBA was not included as part of the RFP. The market for healthcare liabilities is not as developed as the annuities for pensions, and it is difficult to find comparable examples of VEBA de-risking transactions. Typically more efficient plan design options are considered as well as alternatives in the marketplace for individuals to buy insurance. In some instances, city’s determine a lump-sum, pay-out amount to replace the retiree healthcare benefit.

Question: Q3. What are the impacts (if any) to individual retirees of selling the pension liabilities to an insurance company – fees, default risks, guarantees, etc.? Does this impact the administration of the pension program (or is this just purely a financing mechanism)? (Councilmember Lumm)

Response: These items will be addressed in the final report.

Question: Q4. As noted in the cover memo, the adoption of the hybrid plan structure transferred some of the future risk to employees. Will that 401-K portion of the plan be impacted/included in the sale? (Councilmember Lumm)

Response: Typically the 401K portion is not impacted, but this will also be included in the report.

Question: Q5. I know other employers have sold their pension liabilities to insurance companies. Please confirm that the study look at their experience, including identifying any issues/unintended consequences that have arisen? (Councilmember Lumm)

Response: Yes, this will be included in the report.

Question: Q6. This would be a very large financial transaction and offloading the market risk/volatility will be expensive – please confirm the study provide city cash flow comparisons of selling vs. retaining the liabilities under different market return scenarios. (Councilmember Lumm)

Response: Yes, this will be included in the report.

Question: The memo accompanying the resolution does not include any details regarding the particulars of the five proposals received. Please provide the cost submitted with each proposal and any details about the proposals that might distinguish the proposals. (Councilmember Eaton)

Response: Attached are the responses to the proposal from each of the five respondents along with their cost submission. The proposals were evaluated by a team of three comprised of Tom Crawford, Wendy Orcutt, and Stephen Ranzini. The proposals were evaluated based on professional qualifications, past involvement with similar projects, proposed work plan, and their pricing proposal. The resulting ranking was Aon, Nyhart, Strome, and Cowden. Gallagher’s response was determined not to be sufficient on the first three criteria to warrant opening the pricing proposal.

Question: Please provide a summary of the ranking of the five proposals that led to the selection of this consultant. (Councilmember Eaton)

Response: Each member of the evaluation team ranked Aon as their top choice.

CA-13 – Resolution to Extend Toter Solid Waste Collection Cart Purchases (not-to-exceed \$131,000.00 Annually)

Question: Why do we need to use virgin plastic for these collection containers? Perhaps we could help the recycling commodities market by using plastic that is not virgin? (Councilmember Ramlawi)

Response: The carts are manufactured from a mix of virgin and recycled plastic. The national pricing agreement fluctuates based on the price of virgin material rather than on the price of the recycled content. Toter carts are made from up to 50% recycled content. Visit <https://www.toter.com/about/sustainability> for more information.

The City has not found a cart made of more recycled material. All of the City's solid waste carts are Toter, which enable the City to keep one stock of parts and use wheels, lids, etc. from one cart to repair other carts.

Question: Do the numbers given of 1500, 400 and 600 totes, equate to the annual number of new containers we need or the 4 year total? (Councilmember Ramlawi)

Response: These are our anticipated needs over 4 years but the number could change as carts wear out and new customers are added. The contract is a not-to-exceed annual amount that would allow us to purchase the bulk of the carts in one year or spread it across multiple years.

Question: The memo accompanying the resolution notes "Pricing is based on the virgin plastic market and changes every 90 days." Is there a significant difference in the price of virgin resin and recycled content plastic materials? (Councilmember Eaton)

Response: The carts are manufactured from a mix of virgin and recycled plastic. The national pricing agreement fluctuates based on the price of virgin material rather than on the price of the recycled content.

Question: Does this contract require that collection carts be made of virgin resin, or is that just the basis used for the pricing of carts? (Councilmember Eaton)

Response: It is just the basis used for the pricing of the carts. The carts are made from a mixture of virgin and recycled material.

Question: Is it possible to purchase carts with a high percent recycled content? Does this contract allow that? (Councilmember Eaton)

Response: Toter uses up to 50% recycled content in the manufacturer of its carts, and recycles carts. Visit <https://www.toter.com/about/sustainability> for more information. The City has not found a cart made of more recycled material.

All of the City's solid waste carts are Toter, which enable the City to keep one stock of parts and use wheels, lids, etc. from one cart to repair other carts.

Question: Are there any circumstances under which the City would need to change carts in the future? (Councilmember Bannister)

Response: The City owns the carts and does not foresee a circumstance where we would need to change carts. All of the City's solid waste carts are Toter, which enable the City to keep one stock of parts and use wheels, lids, etc. from one cart to repair other carts.

CA-17 – Resolution to Approve Change Order No. 2 with Fonson Company, Inc. for the North Fifth Avenue Reconstruction project (\$428,000.03) and Appropriate Additional Contributed Funding DDA Funding (\$510,000.00) (8 Votes Required)

Question: What improvements were authorized by the DDA staff under the second change order to the Community High School property? (Councilmember Ramlawi)

Response: The memo reference to DDA staff approval is simply a reflection of process; DDA staff are charged with implementing what is authorized by the DDA Board. The DDA Board and City Council approved the inclusion and appropriation of the CHS plaza dollars when they approved the cost-share agreement with the City on February 20, 2018. ([Resolution R-18-056](#))

Sidewalk pavers and stormwater/plaza improvements at the CHS corner were always desired outcomes of the project. The stormwater runoff from the CHS corner was a known issue and sidewalk pavers existed prior to reconstruction. These items were anticipated to be outside of the budget. When the bids came in significantly under budget, the CHS Plaza and sidewalk brick restoration were added back into the scope.

The CHS plaza improvements include rain gardens to capture stormwater that was previously entering the City stormwater system and causing flooding at the Kerrytown Shops, concrete work to create the plaza, and seating space. To construct these improvements, the basketball court had to be relocated, as it was previously in the stormwater path.

Question: What additional improvements were authorized & executed to the streetscape and landscape under the second change order? (Councilmember Ramlawi)

Response: Please see above response.

Question: What are the line itemized amounts for each of the change orders that added 1.096 million dollar to the total project cost? (Councilmember Ramlawi)

Response: See attached.

Question: Regarding CA-17, how was the DDA share (\$510K) of the two change orders (total of \$1.1M) determined? (Councilmember Lumm)

Response: The share of the change orders was determined based on the City and DDA cost-share agreement approved in February 2018.

Question: Also on CA-17, while the additional storm sewer seems to be the result of conditions discovered during the project, the other items in the change orders seem to be just added scope to the project. Is that accurate, and if so, isn't it more costly to add scope items during the project rather than including them in the original bid scope? (Councilmember Lumm)

Response: Most of the cost increases are the result of conditions discovered during construction and within the scope of the project. Project scope added by the City included milling/repaving of Fifth Avenue from Kingsley to Beakes, and from Ann to Catherine. While adding brand new items of work can in general be more costly, that is not the case in this instance. Unit prices are already in the contract for most of these items of work, which allows the City to add work at the prices included in the competitive bid. The bids for the Fifth Avenue Project came back significantly under the engineer's estimate, which allowed the DDA to add stormwater and plaza improvements at the Community High School corner of the project, as well as restore brick in the sidewalk extension and the street.

CA-18 - Resolution to Approve Amendment No. 3 to the Professional Services Agreement with Tetra Tech, Inc. for the Ann Arbor Landfill Monitoring and Maintenance Program for PFAS and Other Sampling and Monitoring (estimated \$351,124.00 annually) and to Approve a Consulting Services Contingency Amount (\$40,000.00 annually)

Question: Regarding CA-18, perhaps I missed it, but I'm a bit confused if this amendment is expanding the scope of an existing contract with Tetra Tech by \$350K, or is it extending the existing contract at an annual total cost of \$350K? Can you please clarify? (Councilmember Lumm)

Response: It is extending the contract and adding additional monitoring. Total price of contract is \$350K.

B-2 - An Ordinance to Amend the Zoning Map Being a Part of Section 5:10.2 of Chapter 55 of Title V of the Code of the City of Ann Arbor, Rezoning of 13.81 Acres from M1 (Limited Industrial District) to PUD (Planned Unit Development District), 841 Broadway PUD Zoning and Supplemental Regulations (CPC Recommendation: Approval - 7 Yeas and 2 Nays) (Ordinance No. ORD-19-20)

Question: It is my understanding that PUD zoning is closely tied to a site plan. Why is this PUD plan being submitted with an area plan rather than a site plan? (Councilmember Eaton)

Response: A conceptual plan for the PUD, which is an area plan, is required to be submitted along with a PUD. A site plan could also be submitted.–The petitioner has proposed amending the City Zoning Map from R1C to PUD, Planned Unit Development District. The petitioner in this case has chosen to proceed with an Area Plan and establish the PUD zoning regulations under which a site plan will be submitted.

Question: What authority would the Council have to reject a site plan after the zoning and area plan are approved? For example, what would be legitimate concerns that could support rejection of the site plan from the list of concerns expressed by staff in the memo to Planning Commission? (Councilmember Eaton)

Response: The area plan that has been submitted serves as a conceptual plan for the PUD. It generally shows the concept for the development, but the PUD Supplemental Regulations specifically list the zoning requirements for the property. A PUD Site Plan would need to be approved by Council prior to any development. Council could reject the site plan if it did not meet the requirements in the PUD Supplemental Regulations, or any of the City's additional development requirements. The standards for PUD Site Plan Review in Chapter 55, Section 5.29(H)(3) are similar to standards for site plan approval for other zoning districts except that the PUD zoning requirements, as included in the Supplemental Regulations, would apply.

Question: Is the Council allowed to postpone the rezoning until the developer submits a site plan? (Councilmember Eaton)

Response: Yes, the rezoning could be postponed.

Question: What practical impact would requiring a site plan have on processing the rezoning? (Councilmember Eaton)

Response: Requiring a site plan for a rezoning would delay the rezoning process while the petitioner gathers more detailed information for submission of the site plan. Area plans are only required to provide a brief description of the development program, a community analysis, a site analysis, general information, and a schematic design for the entire development site. Site plans are required to include more detailed information: the number and type of dwelling units proposed; placement of proposed structures; front, side and rear open space and setback lines; number and dimensions of parking spaces; landscaping; soil erosion and sedimentation control plans; storm water management plans; utilities; the accurate location and description of all natural features; the location and extent of natural features open space; or a natural features protection plan, mitigation plan and alternative analyses. After submission of the site plan it would proceed through staff reviews and Planning Commission action before linking back with the second reading of the rezoning request at Council.

B-5 – An Ordinance to Amend Sections 1:311, 1:316, 1:317, 1:319, and 1:324 in Chapter 14 (Purchasing, Contracting and Selling Procedure) of Title I of the Code of the City of Ann Arbor (Ordinance No. ORD-19-23)

Question: Regarding B-5, thank you for updating Legistar to reflect the version council amended at first reading. At that June 17th meeting, staff indicated it would be sending

council suggested revisions to that amended June 17th version to consider. When will council receive those suggestions? (Councilmember Lumm)

Response: This information is included in the attached memo.

Question: Can you provide some examples of contracts for services for less than \$25,000 that were subject to competitive bidding in the recent past that would not require competitive bidding under the proposed changes to this ordinance? (Councilmember Eaton)

Response: This information is included in the attached memo.

Question: Can you provide recent examples of contracts for services for less than \$25,000 that were not subject to competitive bidding (sole sourced)? (Councilmember Eaton)

Response: This information is included in the attached memo.

Question: Please provide examples of contracts for more than \$25,000 that were sole sourced with or without Council giving prior approval to not requiring competitive bidding? (Councilmember Eaton)

Response: We will refer you to the memo for a more robust discussion of this topic, however there are very few examples of procurement above \$25,000 that did not go through a competitive process as the current city code allows for this to occur in limited instances. There were three best-source/sole-source procurements in FY2019 that exceeded \$25,000 and all three went to Council for their approval. They are detailed in attachments to the memo. Outside of these instances, emergency procurements would also fall into this category but are very rare and are reported to Council per city code.

Question: If this ordinance amendment is not adopted, what process would be required to permit sole sourcing the MRF contract with Recycle Ann Arbor? (Councilmember Eaton)

Response: The proposed ordinance amendment that is up for second reading would allow the City Council to decide if the City could proceed with the MRF's proposal on a best source or sole source basis. If the ordinance amendment is not passed, competitive bidding for the general services component of the MRF's proposal seems to be required per 1:314 and 1:316.

DC-3 – Resolution to Order Election, Approve Charter Amendment of the Ann Arbor City Charter Sections to Establish Non-Partisan Nomination and Election for the Offices of Mayor and Council and Determine Ballot Language for this Amendment (7 Votes Required)

Question: Was the wording of this amendment reviewed by legal staff (either now or back in 2018)? (Councilmember Nelson)

Response: The language was reviewed by the City Attorney's Office in 2018 and was reviewed again this year.

Question: How would this amendment impact an independent candidacy in November (i.e. "sticker" candidate)? Can an independent candidate win election in November without having participated in the August primary? (Councilmember Nelson)

Response: Currently, Independent candidates, or candidates with "no party affiliation" who run in partisan elections, file qualifying petitions to run in November only. The August Primary is for candidates filing with major party affiliation (Democratic or Republican) for the purpose of nominating one candidate from each party to the November General Election. The major party candidates and any minor party candidates (nominated by Caucus), along with Independent candidates, all run for election in November. Under the proposed Charter amendment, all candidates would file for the non-partisan office and party affiliation would no longer be considered, which is to say that that party affiliation of the candidate(s) would not appear on the ballot in any place. They would not be "independent" candidates; rather the offices would now be non-partisan. As proposed, if more than two candidates filed, a non-partisan primary would be held to narrow the field to a run-off in November of the top two candidates. If less than two candidates filed, the election would be held in November, with no primary necessary. Note that a "sticker" candidate is a term used for a write-in candidate, not an independent. The process for filing as a write-in candidate would not change.

Question: It is my understanding that the AAPS will have a bond issue on the November ballot. If that is true, how will the costs of holding the November election be allocated between the School District and the City if this proposal is placed on the ballot with the bond issue? (Councilmember Eaton)

Response: We will charge AAPS, or any other authority that may place an issue on the ballot, only the incremental cost to add their question to our ballot and election. For example, if it was determined that the AAPS question may generate more turnout, we could possibly charge for an increase in ballot orders or supplies. Generally, there is very little cost to those who add a question to a City election. Note that once the City places a question on the ballot, it is a City election and the City has primary financial responsibility; it doesn't matter who votes to call the special election first.

DB-1 - Resolution to Approve the Broadway Park Redevelopment Brownfield Plan (BRC Recommendation: Approval - 4 Years and 0 Nays)

DB-2 - Resolution to Approve the 841 Broadway Area Plan, 841 Broadway (CPC Recommendation: Approval - 7 Years and 2 Nays)

Question: Q1. Have there been any substantive changes in the Area Plan or PUD supplemental regulations since first reading last month? (Councilmember Lumm)

Response: There have been no changes to the Area Plan or PUD Supplemental Regulations at this time.

Question: Q2. What is the current status in terms of the secondary, emergency-only access through Broadway Park? (Councilmember Lumm)

Response: The status has not changed since the first Council meeting. The secondary access will be evaluated as part of the site planning process. PAC will make a recommendation on the proposed use of the park, prior to any consideration of approval by the City Council for such access.

Question: Q3. In terms of parking (on-site vs. off site), I was a bit confused even after the discussion at first reading. Can you please clarify the amount of parking contemplated in the Area Plan and how much of it is in the parking structure, how much is surface parking on-site, and how much is off-site? Also, can you please clarify how much parking is required per our rules once the Area Plan is fully built out? (Councilmember Lumm)

Response: The Area Plan as proposed has 276 parking spaces in a structure and 210 surface parking spaces for a total of 486 parking spaces provided. The Area Plan shows all parking on the subject site and no off-site parking. Given the uses proposed on the Area Plan, when the project is complete, it would require 452 parking spaces.

Question: Q4. I'm also still not clear on exactly what approving an Area Plan (as opposed to a Ste Plan) actually means, and what commitments/guarantees (if any) that approval establishes in terms of approving the specific site plan when it comes forward? Can you please clarify that as well? (Councilmember Lumm)

Response: A conceptual plan for the PUD, which is an area plan, is required to be submitted along with a PUD. The purpose of an area plan is to demonstrate that the property could be developed consistent with the requested zoning classification. Any site plan submitted after approval of the supplemental regulations must adhere to the requirements of the regulations. Site plan approval is not guaranteed after zoning district approval, however the supplemental regulations do establish use and dimensional requirements for the site. Any site plan submitted would be subject to review and adherence to the zoning district standards and all typical site plan review standards. The same standards for site plan review and approval that apply to any site plan project would apply to this site.

Question: Q5. In reading through the Brownfield Plan and staff summary, my takeaway is that the taxable value will grow from roughly \$600K to \$32M and the City will be foregoing roughly \$500K a year in incremental taxes for 12 years until the abatement period is over – is that correct? (Councilmember Lumm)

Response: Yes, those are approximate figures based on the TIF Table projections in the Brownfield Plan.

Question: Q6. The staff memo on the Brownfield indicated the staff recommendation (which was accepted) was to cap the non-environmental reimbursable costs at \$8M which would generate a 9% return for the developer. How does that 9% return compare to other Brownfield abatement proposals we've had and is the 9% what we typically use in determining the appropriate level of non-environmental reimbursable costs? Also, since the \$8M cap has been incorporated, does that mean the finance team supports the Brownfield Plan? (Councilmember Lumm)

Response: Benchmark rates of return for real estate investment as reported by PwC are in the 6-12% range, with a mean of 8.57%, so Finance considered 9% reasonable. Finance has not expressed support nor lack thereof for the project, but sought to present a reasonable arrangement which seeks to balance the financial needs of the developer as presented versus some restraint for providing public subsidies for private projects.

Question: Q7. In determining the amounts for the state and for local tax abatements, is it done pro-rata on the incremental taxes generated by the development or on some other basis? (Councilmember Lumm)

Response: The proposed brownfield plan would capture 100% of the local and state millage available for capture. The proportion of capture must be equal for all millages. In other words, you cannot capture 50% of local taxes but 100% of State school taxes. If this question is referring to the proportion of local millages to state school millages, this is based on all millage available for capture (each year) throughout the duration of the brownfield plan. The Brownfield Plan reflects a “plan” or “projection” of what those proportions will be (31% State, 69% Local). But, the actual proportion depends entirely on what millages are levied in any year and available.

Question: Q8. The Brownfield documents mentioned that (at that point when the staff report was written) there were still open items in terms of what DTE was responsible for as a “Liable Party” vs. what could qualify for the Brownfield Plan, and that further discussions with EGLE were necessary for clarification. Have those open items been resolved? (Councilmember Lumm)

Response: As a liable party DTE will have long-term Due Care responsibilities with EGLE for the closure and remediation activities completed by them. Currently staff is not aware

of any additional open items with EGLE. Staff reached out to EGLE to see if they have a response, one was not provided at the time of this response.

DS-1 – Resolution Authorizing Publication of Notice of Intent to Issue General Obligation Capital Improvement Bonds (Ann Ashley Parking Structure Expansion) (6 Votes Roll Call)

Note, staff requested to defer this item to an August Council agenda to allow the DDA to discuss the scope of their project. This item will be removed with the Friday, June 28 agenda update from the City Clerk.

Question: After publishing this notice, will there be a public hearing? (Councilmember Nelson)

Response: The Notice of Intent to issue bonds, which is published, is to inform the electors and taxpayers of the City of their right to place the issuance of the bond as a ballot question during the next citywide election. If a petition is circulated and the appropriate number of signatures is collected and verified, the bond would not be issued unless it was approved by a majority of voters at an election. After the Notice Period ends, staff will return to Council with a resolution requesting authorization to issue the debt. Per state law, there is no requirement for a public hearing.

Question: Regarding DS-1, has it been determined at this time what the bond maturities will be? (Councilmember Lumm)

Response: The term has not been finalized at this time but will not exceed 25 years.

Question: Also on DS-1, is it still expected that 375-400 spaces will be added and can you please provide the latest construction timing schedule? (Councilmember Lumm)

Response: Yes, it is still expected that 375-400 spaces will be added. The start date would be sometime later in 2019, and DDA engineers have estimated that the project will take approximately 22-24 months to construct.



Proposal for Pension Annuity Purchase

RFP # 19-09

City of Ann Arbor

April 10, 2019

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This proposal includes data that shall not be disclosed outside the Government and shall not be duplicated, used, or disclosed in whole or in part for any purpose other than to evaluate this proposal. If, however, a contract is awarded to Aon Consulting, Inc. as a result of or in connection with the submission of this data, the Government shall have the right to duplicate, use, or disclose the data to the extent provided in the resulting contract. This restriction does not limit the Government's right to use information contained in this data if it is obtained from another source without restriction.

April 4, 2019

City of Ann Arbor
c/o Customer Service
301 East Huron Street
Ann Arbor, MI 48107

RE: RFP # 19-09

To Whom It May Concern,

Thank you for allowing Aon the opportunity to participate in your search for a consultant to evaluate the feasibility and cost for the City of Ann Arbor ("City") to potentially purchase annuities. Our response is intended to demonstrate our expertise in annuity purchases and our commitment to becoming a trusted advisor.

Why Aon

- **Our Expertise**—We provide actuarial consulting services to more than 150 public plans and are frequent speakers at public sector retirement-focused conferences. This allows us with a unique view of public sector retirement trends and innovations. Additionally, we have advised clients on more than 100 annuity purchases over the last three years and have developed extensive best practices. This unique combination of public sector actuarial and annuity purchase experience makes us the best partner for the City for this project.
- **Our Approach**—We provide a fresh, new perspective and unbiased view having not been involved in the design of your current retirement programs and ideas. We've structured our approach based on past experience and our understanding of the City's objectives. This allows us to provide the City with the most efficient fee proposal that completely meets all of the City's needs. Please note, however, that we're flexible and are willing to adjust our approach as needed.
- **Our Resources**—Our team is composed of members with deep expertise in public sector actuarial, annuity purchase and investment portfolio management. This allows us to take a holistic view and provide the City with a complete view of the impact. We have developed a proprietary annuity purchase tool to help our clients gauge the cost and better time the purchase.

Please note that we have reviewed the RFP, Addenda 1 and 2, and terms and conditions, and there are certain provisions contained therein that we believe would require further negotiation if we are selected for the engagement. If we are selected as the winning bidder, we would like to have a discussion with you about the contracting process and jointly determine the appropriate path forward to reaching an agreement. In any event, we are confident that our legal and business teams can negotiate expeditiously and in good faith to reach a mutually agreeable contract. Please refer to Appendix A for a summary of these items.

Please let us know if we can assist in any way as you work through the selection process.

Sincerely,

Aon Consulting, Inc.


Michael T. Novy
VP-Legal

3000 Town Center | Suite 3000 | Southfield, MI 48075
t +1.248.936.5418
aon.com



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Executive Summary

We understand the City is considering the purchase of annuities for some portion of its pension population. The exact amount and group covered is open for discussion, and the City is seeking the services of a consultant to assist it with the amount, covered population and process. This proposal focuses on purchasing retiree annuities which we think could be the City's best alternative; however, Aon can and is willing to discuss other alternatives with the City as desired.

The purchase of annuities is a complex process and is very uncommon in the public sector. Thus, the City needs a partner who has experience in the annuity market, understands public sector actuarial needs and the portfolio management implications. Based on our understanding and prior experience, we've developed this offer as a two-phase and potentially three-phase project to manage outcomes, fees and the City's workload. We have structured our approach to allow decision points for the City to determine whether it wishes to proceed or not.

- Project Phase 1 focuses on identifying the target group of pensioners for annuitization, evaluating long-term financial impact using estimated annuity purchase rates and identifying alternative sources of funding.
- Project Phase 2 is focused on developing and delivering a RFP to the insurance market to gauge their interest and potential pricing for this transaction.
- Optional: Project Phase 3 is the Fiduciary implementation phase of the project, including insurer negotiations and selection (not currently in the scope of this RFP). While this was not specifically requested in the RFP, it will be the natural next step if the City decides to move forward after Phase 2.

The third and final phase is contingent upon the results of the first two phases and you selecting us to execute your transaction. The deliverable for Phase I and II will be a written report summarizing our analysis, findings and conclusions along with meetings with the City, as desired. More details are provided in the Proposed Work Plan section of this proposal, and pricing assumptions are included in the Fee Proposal provided under separate attachment.

Section III – Minimum Information Required

The following describes the elements that should be included in each of the proposal sections and the weighted point system that will be used for evaluation of the proposals.

A. Professional Qualifications

- 1. State the full name and address of your organization and, if applicable, the branch office or other subsidiary element that will perform, or assist in performing, the work hereunder. Indicate whether it operates as an individual, partnership, or corporation. If as a corporation, include whether it is licensed to operate in the State of Michigan.**

Aon Consulting, Inc., a corporation, is a fully owned subsidiary of Aon plc. For a listing of all Aon subsidiaries, please refer to our Annual Report which can be found on our website at: <http://ir.aon.com>.

Aon is registered, and we currently do business, in all U.S. states.

Our U.S. headquarters is located at:

The Aon Center
200 E. Randolph Street
Chicago, IL 60601

Actuarial services and general project management will be provided from our offices in Chicago, IL, Southfield, MI, and Atlanta, GA, and the annuity placement will be provided from our Chicago, IL office.

- 2. Include the name of executive and professional personnel by skill and qualification that will be employed in the work. Show where these personnel will be physically located during the time they are engaged in the work. Indicate which of these individuals you consider key to the successful completion of the project. Identify only individuals who will do the work on this project by name and title. Resumes and qualifications are required for all proposed project personnel, including all subcontractors. Qualifications and capabilities of any subcontractors must also be included.**

We have assembled a team of highly qualified professionals to ensure that the City will receive a responsive, client-centric approach and significant value. Our goal is to deliver a best-in-front team of industry experts with the experience to exceed your expectations.

The leaders of your dedicated team for this project are listed below, along with a brief biography and description of their roles. We do not intend to use any subcontractors for this work.

Alex Geml, FSA, EA will serve as the overall project lead as well as the lead for the annuity contract design and financial analysis for the City of Ann Arbor. Alex sits in our Southfield, MI office. Alex is one of Aon's national experts in pension risk management, including annuity purchases and other de-risking transactions. Alex also has considerable expertise in the management of assets for pension plans.

Eric Atwater, FSA, EA is one of our National Public Sector Actuarial Practice Leaders located in Aon's Atlanta, GA office. He will serve primarily as a public-sector resource for City of Ann Arbor. Eric specializes in the management of assets and liabilities for public pension and OPEB plans. He is generally recognized as an expert in benefit reform (both pension and OPEB) and consulting to public plans with challenging funding situations. He is also a regular speaker at industry conferences and has recently been quoted in pension-related articles in the Wall Street Journal, Washington Post and several local newspapers.

Blaine Reber will serve as the lead consultant for soliciting annuity pricing from qualified insurance companies. He is one of the leaders of our pension risk transfer practice and sits in our Lincolnshire, IL office.

Detailed biographies of your core Aon team members for this project are provided below.

Alex Geml, FSA, EA

Partner, Lead Consultant Annuity Contract Design and Cost Analysis—Overall Project Lead

Alex is an actuary and investment consultant in our Southfield, Michigan office. Alex is a partner of the firm. He has thirteen years of experience with Aon Hewitt, consulting with clients on all retirement plan issues, including emphasis on retirement plan design, liability settlement strategies, asset/liability analysis, and actuarial valuations.

Alex is a fellow of the Society of Actuaries and an enrolled actuary. Alex has a Bachelor of Science in actuarial mathematics from the University of Michigan, and he has an MBA from the University of Chicago Booth School of Business with a concentration in analytic finance.

Eric J. Atwater, FSA, EA

Partner, National Public Sector Actuarial Practice Leader—Sub Project Lead – Cost Feasibility

In his role as the Co-Practice Leader for our National Public Sector Actuarial Practice, Eric is responsible for implementation and adherence to quality assurance procedures as well as any other items that may impact public sector pension and OPEB plans. He also serves as lead consulting actuary and relationship manager to public entities. He specializes in the management of assets and liabilities for public pension and Other Post Employment Benefit (OPEB) plans. He has over eighteen years of consulting experience in pension and employee benefits in both the public and private sector. Prior to joining Aon, Eric spent nine years as Consulting Actuary focused exclusively on public and quasi-public entities' retirement and post-retirement benefit programs.

Eric is generally recognized as an expert in pension reform and consulting to public plans with distressed funding situations. He has lead benefit (Health, Pension and/or OPEB) reform for public entities including: City of Memphis (TN), City of New Orleans (LA), DeKalb County (GA) and Town of Hamden (CT). He is also a regular speaker at industry conferences and has been quoted in pension-related articles in the Wall Street Journal, Washington Post, and several local newspapers.

Eric graduated with honors from Georgia State University, where he received a BBA with a concentration in Actuarial Science. He is a Fellow of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries, a Member of the American Academy of Actuaries, and an Enrolled Actuary. He serves on the Board of Directors for the International Association of Black Actuaries and is also in the process of completing the requirements for the CFA.

Blaine Reber

Partner, Pension Risk Transfer—Sub Project Lead – Preliminary Pricing

Blaine is a partner in our Lincolnshire, IL office and assists plan sponsors with de-risking strategies and asset distribution. In his role, he is primarily responsible for annuity placements resulting from frozen and/or terminating defined benefit plans, liability de-risking solutions and insurance company creditworthiness analysis.

Blaine joined the firm from OneAmerica (American United Life) where he developed, implemented and managed OneAmerica's pension risk transfer businesses; helping them re-enter market in 2014. His responsibilities included implementation, relationship management, and defined benefit administration.

Blaine has spent over 25 years focused on various types of retirement solutions within the defined contribution, defined benefit and non-qualified retirement space. Before joining OneAmerica, he spent 20 years at Fidelity Investments in their defined benefit and defined contribution implementation and corporate actions group.

Blaine earned his Bachelor of Science degree from Southern Utah University and his Master of Business Administration from the University of Phoenix.

3. State history of the firm, in terms of length of existence, types of services provided, etc. Identify the technical details that make the firm uniquely qualified for this work.

Aon plc (NYSE: AON) is a leading global professional services firm providing advice and solutions in Risk, Retirement, and Health at a time when those topics have never been more important to the global economy. Aon develops insights—driven by data and delivered by experts—that reduce the volatility our clients face and help them maximize their performance.

With roots that date back to the 1680s, Aon plc has grown from an insurance partnership into the leading global provider of risk management services, insurance and reinsurance brokerage, and human capital consulting. Recognizing specific client needs for advisory services in the human resource and benefits area, Aon plc began to offer human resources related consulting services in 1934. Aon Consulting, Inc. was incorporated in 1978 as a subsidiary of Aon Corporation.

For more than 40 years, Aon has been supporting client goals through consulting and brokerage services; throughout this long history, Aon has worked closely with a wide variety of public and government entities to provide annual reviews and analysis for benefit plans and programs as well as to provide solicitation and placement/renewal services for public insurance and benefit plans.

Aon and Aon Hewitt Investment Consulting (“AHIC”) will both help to execute this project plan. AHIC is providing services here in its capacity of providing annuity placement services. We are uniquely qualified to complete this work for the following reasons:

- **Our Annuity Market Experience and Team:** We have been providing annuity services since 1991 and over the past 15 years have led or supported over 250 annuity projects ranging in size from less than \$1 million to over \$20 billion. As such, we have developed a broad range of tools to help plan sponsors analyze the financial aspects related to annuity transactions. We also have the necessary experience to help plan sponsors execute all of the complex and customized elements of an annuity purchase.
- **Acknowledged Full Service Fiduciary:** As an independent, fee-only consultant, our clients’ interests come first. Aon never has accepted and does not accept commissions for our annuity advisory consulting. We always negotiate fees directly with our clients prior to performing services. Moreover, our willingness to acknowledge a fiduciary role in support of our clients might be seen as a differentiator in the market. The City should know it has a partner that has “skin in the game” for any potential, albeit unlikely concerns around the guidance that we provide to your firm.
- **Due Diligence Committee Process:** Our Settlement Annuity Placement Oversight Committee is the cornerstone of Aon’s fiduciary process. This group actively monitors the annuity provider universe and determines which providers are suitable for fiduciary consideration as “Safest Available Annuity Providers”. Our process analyzes numerous data points per insurer and tracks specific “early warning signs” used to trigger removal from Safest Available Annuity Provider consideration. Although ERISA and Department of Labor compliance is not compulsory for Ann Arbor, we do know these best practices are important to you as you seek to protect your participants.
- **Tools and Analytics:** Our Aon Annuity Price Tracker and our Plan Termination Estimate (TAPE) will help the City have true price discovery and an understanding of fair market value to translate into better price discovery. We believe this will result in an optimal pricing outcome at deal execution.

B. Past involvement with Similar Projects

The written proposal must include a list of specific experience in the project area and indicate proven ability in implementing similar projects for the firm and the individuals to be involved in the project. A complete list of client references must be provided for similar projects recently completed. The list shall include the firm/agency name, address, telephone number, project title, and contact person.

Aon conducts between 45 to 50 annuity purchases each year for pension plans and this number continues to trend higher over the past few years. We believe the most insightful information on our capabilities and experience comes directly from our clients. As a courtesy to our clients, many of whom have corporate policies pertaining to reference checks, we are protective of their time and the nature of our relationships with them. Please inform us before contacting our references. This allows us time to work with you and our clients to establish a mutually convenient time for the reference call. We are also happy to provide additional references as needed.

Genesis Health System	
Contact Name/Title:	Mark Rogers, CFO
Address:	1401 West Central Park Davenport, IA 52803
Phone Number:	+1.563.421.6513
Email Address:	rogersm@genesishealth.com
Services Provided:	Annuity Purchase and Overall Plan Termination

University Hospitals	
Contact Name/Title:	Bradley C. Bond, Treasurer
Address:	Management Services Center 3605 Warrensville Center Road Shaker Heights, OH 44122
Phone Number:	+1.216.767.8007
Email Address:	Bradley.Bond@UHhospitals.org
Services Provided:	Retiree Annuity Purchase

Alcoa Corporation	
Contact Name/Title:	Jennifer Keiser, Manager Compensation & Benefits
Address:	201 Isabella St., Suite 500 Pittsburgh, PA 15212
Phone Number:	+1.412.315.2895
Email Address:	Jennifer.keiser@alcoa.com
Services Provided:	Retiree Annuity Purchase

C. Proposed Work Plan

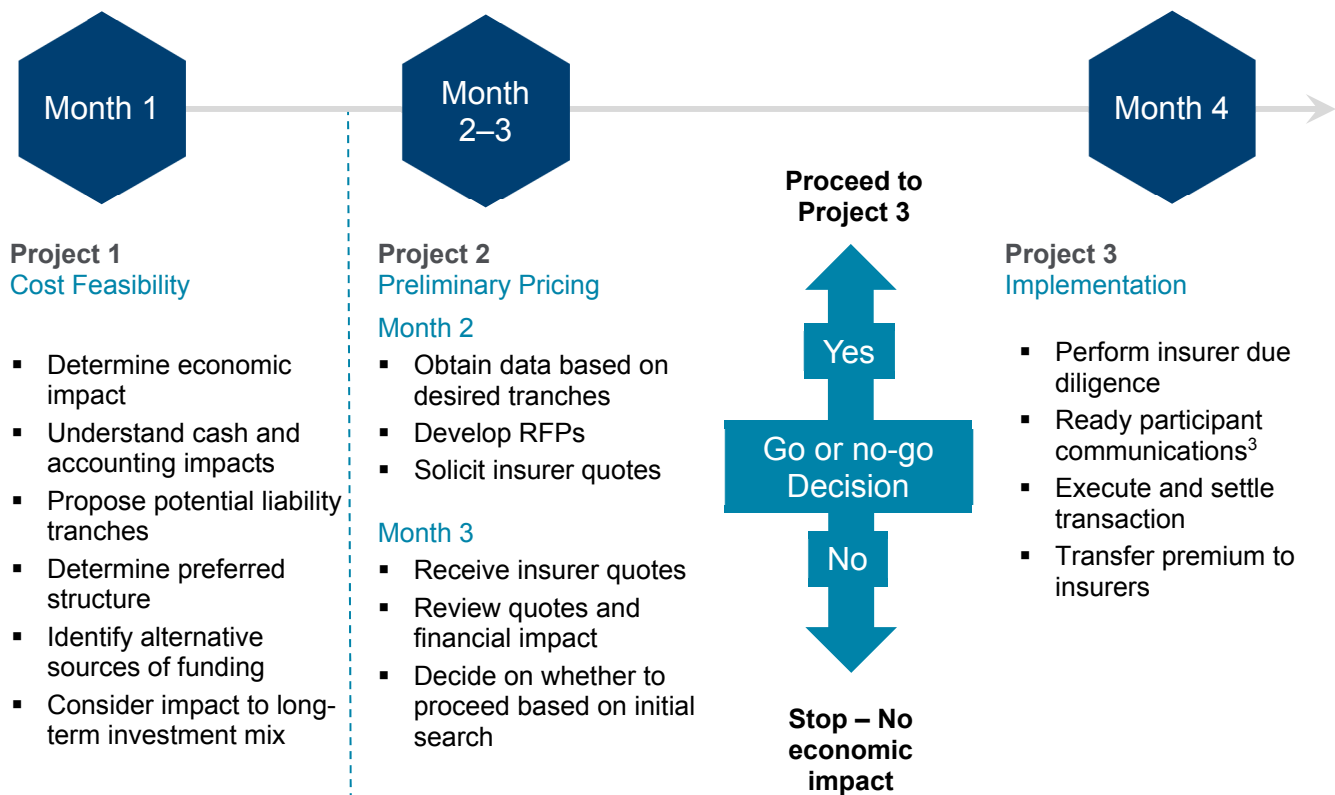
Provide a detailed and comprehensive description of how the offeror intends to provide the services requested in this RFP. This description shall include, but not be limited to: how the project(s) will be managed and scheduled, how and when data and materials will be delivered to the City, communication and coordination, the working relationship between the offeror and City staff, and the company’s general philosophy in regards to providing the requested services.

Project Team

We begin our process with governance and project communication to ensure we execute effectively. Alex Geml will service as your overall project manager. Alex will coordinate with you and your team to set expectations, establish periodic status meetings and provide written updates as requested. A key element to project completion is our project plan which identifies all deliverables, timeframes, and personnel accountable/responsible to execute all specific tasks.

Overall Project High-Level Timeline^{1,2,3}

If we purchase annuities for your retirees only, Aon will take approximately three months from start to finish for cost feasibility and preliminary pricing. After completing these objectives, Aon will provide the City with a comprehensive report outlining its findings.



¹Focuses on settlement only. Timeline does not include transition management timing.

²Not all client experiences are the same and implementation periods may vary significantly from those presented based on a client’s specific circumstances.

³Services provided by an affiliate of Aon Hewitt Investment Consulting.

Project 1: Cost Feasibility

Eric Atwater and Alex Geml will work with our internal staff to assess your pension liability and provide cost estimates on your pension liability. Aon outlines the task below to accomplish your goals.

Perform Economic analysis	Evaluate long-term impact, including accounting impact	Week 1-4	Aon
Develop cash impact	Determine the impact of an annuity purchase on the future cash funding requirements for the plan. Could consider alternative strategies like borrowing to fund and potential changes to investment strategy for the remaining assets in the plan.	Week 1-3	Aon, City of Ann Arbor
Analyze covered population	Analysis of different subsets of the retiree population.	Week 1-3	Aon
Perform data inventory to ensure it is complete	Determine the data file transaction readiness of pricing information for insurance company	Week 2-3	Aon
Summarize price estimates and related financial results	Aon meets with the City to discuss estimates, compare estimated plan liability measures and analyze accounting and cash impacts	Week 4	Aon, City of Ann Arbor

Not all client experiences are the same and implementation periods may vary significantly from those presented based on a client's specific circumstances

Aon will help the City conduct a cost feasibility study which will include, but is not limited to assessing your pension liability, providing actuarial projections to assess the cost estimate for an annuity purchase and determining the funding needed for the pension liability. This information should meet with your stated desire to also understand all cost including the police and fire groups. Finally, when Aon completes its analysis, we will provide you with a report outlining:

- Settlement Tranche Development
- Cash and Settlement Impacts
- Economic framework for Decision Making
- Actuarial projections for Annuity Cost Projections

Project 2: Preliminary Pricing

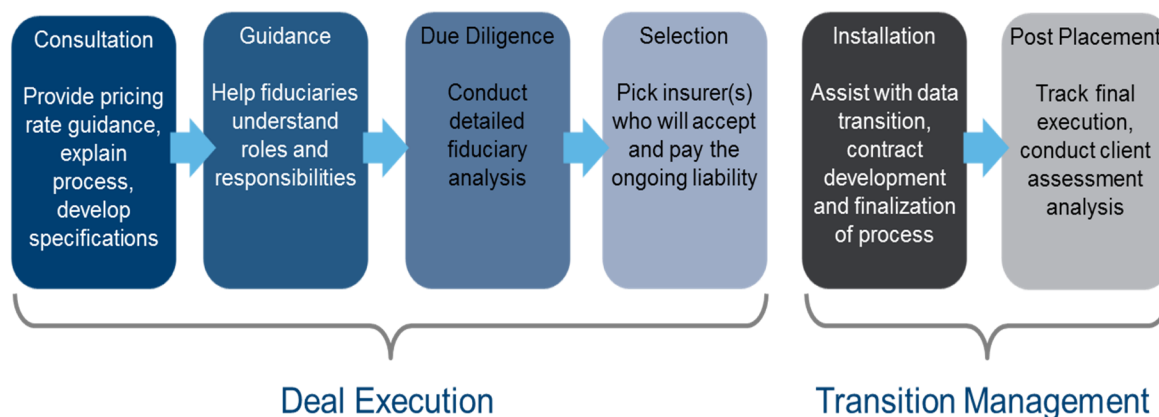
Once Project 1 is complete, the City will need to determine if it desires to move on to the next project phase. Project 2 is typically a 6-8 week process to engage potential insurers and receive indicative pricing for a potential settlement. Blaine Reber will work with our internal staff to assess your pension liability and provide cost estimates for the annuity purchase. Aon outlines the task below to accomplish your goals.

Develop list of insurers	At least 16 insurers are potential bidders; we would solicit their interest and indicative pricing through a Request for Proposal (RFP).	Week 1	AHIC
Prepare pricing quality census data and plan specs	Aon will review data file based on maximum sized deal considered	Weeks 1-2	Aon, AHIC
Draft request for proposal and indicative pricing	Aon to draft with the City, review and approve; RFP will include various pricing scenarios for different population segments, control pricing / control total rules, impact of asset-in-kind as needed and different insurer structures to the extent they are needed	Weeks 1-2	Aon, AHIC, City of Ann Arbor

Send RFP to insurers	Aon to send RFP to insurers with due date in three weeks	Week 3	AHIC
Respond to insurers Q&A	Aon answers insurers' questions as required	Week 3	Aon, AHIC
Receive preliminary pricing	Aon receives written proposals and illustrative bids from interested insurers based on census data and provided plan specs	Week 6	AHIC
Review proposals	Aon reviews the proposals and bids for accuracy, including calls and meetings with insurers as necessary	Weeks 6-7	Aon, AHIC
Summarize insurer and related financial results	Aon meets with the City to discuss quotes, compare pricing to various plan liability measures and analyze accounting and cash impact	Weeks 7-8	Aon, AHIC, City of Ann Arbor
Develop next steps and recommendations	Aon and the City finalize next steps for continued settlement strategy implementation and consideration whether to start Phase 3	Weeks 7-8	Aon, City of Ann Arbor

Process Management—A primary objective of an annuity purchase is to create value by removing pension liabilities and the associated risk from the organization's balance sheet. The cost of risk transfer comes at a premium, and the economics need to make sense when considering the accounting, cash requirements and overall cost implications of a deal. It is important to balance the organizational goals of best price with the fiduciary best practices of participant protection.

We have a comprehensive process that we believe will help the City balance and achieve both the operational and due diligence objectives, as highlighted below. However, for your project, it is primarily the consultation process that we will execute in Phase 2. You should know that the guidance, due diligence and selection processes will commence if you decide to execute the transaction. Additionally, once the selection is finalized, then the transition management phase begins as the City would transfer the obligation to the third party insurance company.



Consultation—Specifically, in evaluating the bids, we would ask the insurers to provide enough detail to evaluate price, structure, contracting needs and transition needs. This includes:

- Comparing initial pricing indications under various scenarios;
 - Structures: general account, pooled separate account and/or individual separate account (credit enhanced)

- Assets: all cash, partial asset transfer and/or “perfect” assets-in-kind transfer
- Single or multiple insurers: 100% or 50%
- Confirming “control pricing” by using proprietary methodology to check insurer assumptions and methods to ensure accuracy;
- Reviewing sample insurance contracts, both Group Annuity Contracts and other agreements; and
- Outlining data transition and reconciliation adjustment terms, which are important terms to acknowledge early in the process.

We understand that insurers “hold back” for economic value during this process and we need to include that in our assessment of the prices. Asking insurers for updates or prices too frequently may complicate the process or reduce the reliance on these quotes, so we carefully balance the number of interactions with each insurer.

It is important to have good accurate data to receive good price discovery. We will request information from the City to conduct the bid inquiry and to conform with cybersecurity protections. Insurers require pricing-quality census data, which is de-identified census data (no SSNs or names) that includes, but is not limited to:

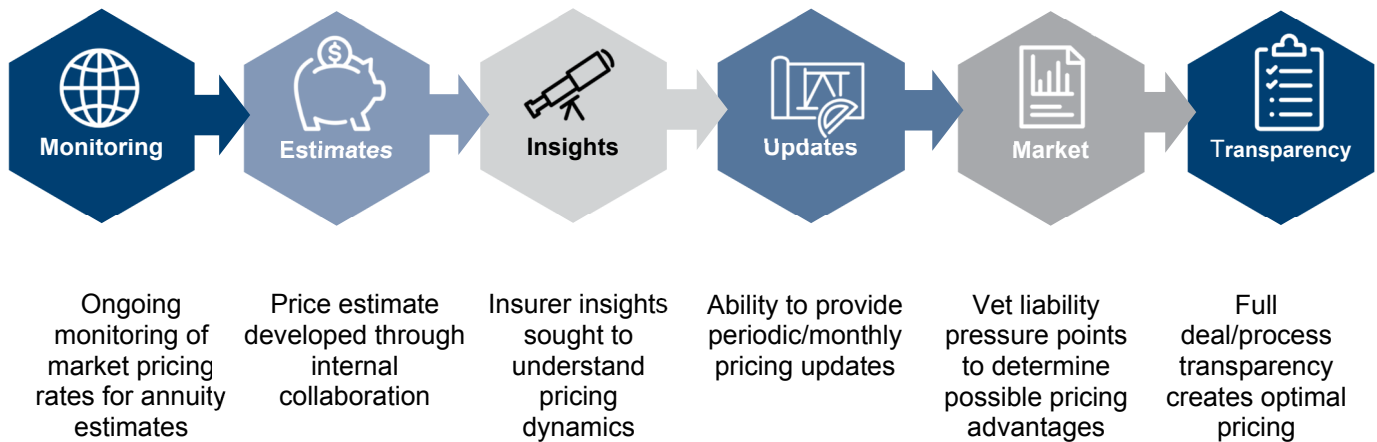
- Unique identifier for current and future tracking
- Birthdate
- Gender
- Retirement date (as applicable)
- Benefit amount(s), form and frequency of payment
- Beneficiary gender and birthdate (as applicable)

Additionally, a data review is critical to ensure favorable price discovery for our clients. As requested, Aon will review the City participants’ accrued benefits, death benefits and other pertinent plan provisions. We have staff who are experts at this process and have been doing so for many years. We will review basic pricing information such as gender, dates of birth for participants and potential contingent annuitants. However, review of data such as insurance deductions, employee contributions and QDROs are important considerations as well. Please note that our review is included in our cost and is not an additional service.

Price Discovery—It is important that we obtain good annuity price discovery for you. We developed the Aon Annuity Purchase Tracker (Aon APT) two years ago, so stakeholders could estimate a daily retiree annuity transaction price for a typical annuitant population. This APT metric helps pension sponsors estimate annuity transaction cost quickly and inexpensively without engaging the insurance market until later in the process.

Aon uses information surveyed from insurers with our proprietary interest rate market analysis. We estimate annuity pricing, typically, to help plan sponsors perform financial analysis. Aon’s APT metric provides a benchmark for average, fair market pricing for an all retiree transaction.

We provide the following process flow to help you understand the process for helping you obtain good price discovery.



Aon will help the City vet and understand insurer market pricing, understand the options to fund the annuity purchase and understand any legal restrictions if present. This information should meet with your stated desire to understand to conclude whether the annuity purchase is beneficial for the City. Finally, when Aon completes its analysis, we will provide you with a report outlining:

- Revised economic analyst based on insurer pricing;
- Detailed explanation on insurer pricing relative to GASB and funding liabilities;
- Legal consultation surrounding the annuity purchase; and
- Suggestions for the City to reduce its plan contributions.

Alternatives / Other Strategies

You asked us to help you think about other strategies and techniques as you make your assessment, and Aon plans to provide the following assistance.

Annuity Buy-in	Buy-in is a strategy that would allow the City to hedge investment and longevity risk with an insurance company, while preparing for an annuity buy-out. The parties accomplish this strategy through purchasing a buy-in contract while maintaining the related assets and liabilities on balance sheet. It might be helpful as an alternative, so we will discuss it.
Asset in Kind	Ability to transfer assets with agreed upon securities in lieu of cash. Depending on the assets under consideration the sponsor can realize favorable economic savings for the City of Ann Arbor.
Mortality Study	Information for insurers that allow them to assess the underlying death rates in the annuitized population. Insurers companies use this information to help them better assess the annuitized population. Our quote only assists in insurers in assessing a prepared mortality study. If you want us to develop the mortality study, we can provide a price for said services as you desire.
Benefit Payment Guarantees	Annuities have State Guaranty association protections in the unlikely event an insurer becomes insolvent. We will help the City understand the quantitative assessment so participant protections are understood and analyzed.

Project 3: Potential Implementation (Out of Scope of the RFP)

Aon will be more than happy to engage the City and help you implement the annuity purchase under consideration. Once Project 2 is complete, the City will need about a 5-week process to transact the final deal. Blaine Reber will again work to bring the transaction to conclusion. In fact, this Project 3—Implementation is a core competency of Aon and we believe there are four compelling reasons to use us:

- **Acknowledged Full-Service Fiduciary:** As an independent, fee-only consultant, our clients' interests come first. Aon never has accepted and does not accept commissions for our annuity advisory consulting. We always negotiate fees directly with our clients prior to performing services. Moreover, our willingness to acknowledge a fiduciary role in support of our clients might be seen as a differentiator in the market. The City should know it has a partner that has “skin in the game” for any potential, albeit unlikely concerns around the guidance that we provide to your firm.
- **Large, Complex and Varied Transaction Execution Experience:** Aon has a reputation for working on some of the largest and most complex settlement transactions to date. Our prior engagements demonstrate our work with jumbo transactions; we have the specific deal flow knowledge to help execute any type of annuity transaction.
- **Due Diligence Committee Process:** Our Settlement Annuity Placement Oversight Committee is the cornerstone of Aon's fiduciary process. This group actively monitors the annuity provider universe and determines which providers are suitable for fiduciary consideration as “Safest Available Annuity Providers”. Our process analyzes numerous data points per insurer and tracks specific “early warning signs” used to trigger removal from Safest Available Annuity Provider consideration. Although ERISA and Department of Labor compliance is not compulsory for Ann Arbor, we do know these best practices are important to you as you seek to protect your participants.
- **Tools and Analytics:** Our Aon Annuity Price Tracker and our Plan Termination Estimate (TAPE) will help the City have true price discovery and an understanding of fair market value to translate into better price discovery. We believe this will result in an optimal pricing outcome at deal execution.

We have outlined the implementation task to complete the final installation.

Conduct Fiduciary Annuity Kick-off Meeting	Discuss process and set joint expectations (1 hour)	Week 9	AHIC, City of Ann Arbor
Conduct Fiduciary Due Diligence Review	Review due diligence standards, assess how each insurer meets those standards and discuss final process steps (3 hours)	Week 11	AHIC, Committee
Execute the Plan Amendment	City signs plan document that gives finance permission to execute the transaction	Week 13	City of Ann Arbor, Legal
Final Insurer Selection	AHIC receives final (updated) bids from the insurers and emails a summary. Finance holds conference call, at which time they select an insurer based due diligence standards. AHIC notifies the chosen insurer of bid acceptance (1 hour)	Week 13	AHIC, Committee
Conduct Annuity Provider Transition Meeting	Chosen annuity provider schedules and leads a kickoff call	Week 14	City of Ann Arbor, AHIC, Actuary, Annuity Provider

Aon did not provide a cost for the potential implementation in this proposal; however, we stand ready to proceed and assist the City with the final transition.

D. Fee Proposal

Please refer to the fee proposal provided under separate attachment as requested.

E. Authorized Negotiator

Include the name, phone number, and e-mail address of persons(s) in your organization authorized to negotiate the agreement with the City.

Rebecca Knight
Senior Counsel
+1.312.381.1838
rebecca.knight@aon.com

Alex Geml
Partner
+1.248.936.5418
alex.geml@aon.com

F. Attachments

Legal Status of Offeror, Conflict of Interest Form, Living Wage Compliance Form, and the Non-Discrimination Form must be completed and returned with the proposal. These elements should be included as attachments to the proposal submission.

Attachment B

LEGAL STATUS OF OFFEROR

(The Respondent shall fill out the provision and strike out the remaining ones.)

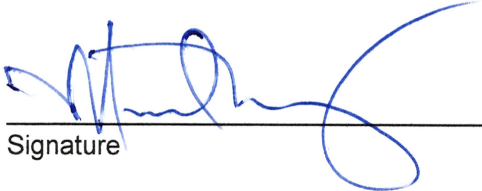
The Respondent is:

- A corporation organized and doing business under the laws of the state of New Jersey, for whom Michael T. Novy bearing the office title of VP-Legal, whose signature is affixed to this proposal, is authorized to execute contracts on behalf of respondent.*

*If not incorporated in Michigan, please attach the corporation's Certificate of Authority

- A limited liability company doing business under the laws of the State of _____, whom _____ bearing the title of _____ whose signature is affixed to this proposal, is authorized to execute contract on behalf of the LLC.
- A partnership organized under the laws of the State of _____ and filed with the County of _____, whose members are (attach list including street and mailing address for each.)
- An individual, whose signature with address, is affixed to this RFP.

Respondent has examined the basic requirements of this RFP and its scope of services, including all Addendum (if applicable) and hereby agrees to offer the services as specified in the RFP.

 Date: April 4, 2019
 Signature _____

(Print) Name Michael T. Novy Title VP-Legal

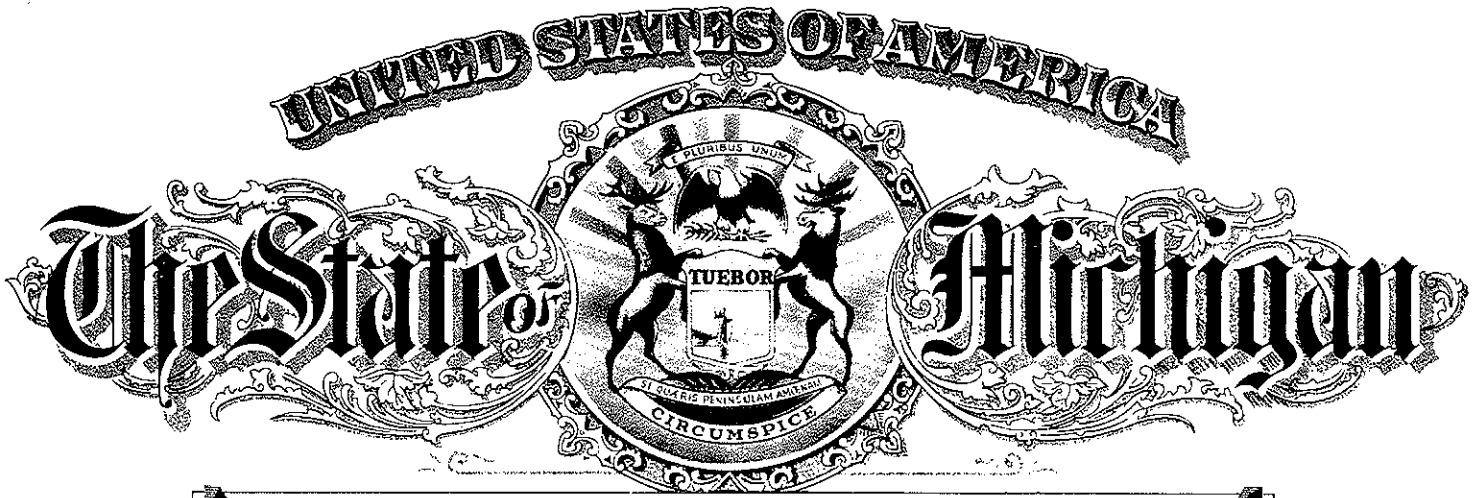
Firm: Aon Consulting, Inc.

Address: 200 E. Randolph Street, Chicago, IL 60601

Contact Phone 847.295.5000 Fax _____

Email ted.novy@aon.com





Michigan Department of Commerce

Lansing, Michigan

This is to Certify That An Application for a Certificate of Authority of

ALEXANDER & ALEXANDER BENEFITS SERVICES INC.

a corporation existing under the laws of the State of

NEW JERSEY

to transact business in Michigan was duly filed in this office on the

8TH

day of

JULY

,19 86

, in conformity with Act 284, Public Acts of 1972, as

amended, and said corporation is authorized to transact in this State any business of the character set forth in its application. The authority shall continue as long as said corporation retains its authority to transact such business in the jurisdiction of its incorporation and its authority to transact business in this State has not been surrendered, suspended or revoked.

In testimony whereof, I have hereunto set my hand and affixed the Seal of the Department, in the City of Lansing, this **8TH** *day of* **JULY** **,19 86**

Doug Van
Director

MICHIGAN DEPARTMENT OF COMMERCE — CORPORATION AND SECURITIES BUREAU							
(FOR BUREAU USE ONLY)	FILED						
	Date Received MAY 08 1986						
	JUL 8 1986						
Administrator MICHIGAN DEPT. OF COMMERCE Corporation & Securities Bureau							
CORPORATION IDENTIFICATION NUMBER	6	2	0	-	6	6	5

**APPLICATION FOR CERTIFICATE OF AUTHORITY
TO TRANSACT BUSINESS OR CONDUCT AFFAIRS IN MICHIGAN**
For use by Foreign Corporations

(Please read instructions and Paperwork Reduction Act notice on last page)

Pursuant to the provisions of Act 284, Public Acts of 1972, as amended (profit corporations) or Act 162, Public Acts of 1982 (nonprofit corporations), the undersigned corporation executes the following Application:

1. The name of the corporation is:
ALEXANDER & ALEXANDER BENEFITS SERVICES INC.

2. (Complete this item only if the corporate name in item 1 is not available for use in Michigan)
 The assumed name of the corporation to be used in all its dealings with the Bureau and in the transaction of its business or the conduct of its affairs in Michigan is:

3. It is incorporated under the laws of New Jersey. The date of its incorporation is September 15, 1978, and the period of its duration (corporate term) is perpetual.

4.a. The address of the main business or headquarters office of the corporation is:
16 Wilton Road Westport Connecticut 06880
(Street Address) (City) (State) (ZIP Code)

b. The mailing address if different than above is:

(Street Address) (City) (State) (ZIP Code)

ly

5. The address of its registered office in Michigan is:

615 Griswold Street Detroit , Michigan 48226
(Street Address) (City) (ZIP Code)

and the name of the resident agent at the registered office is:

The Corporation Company

The resident agent is an agent of the corporation upon whom process against the corporation may be served.

6. The specific business or affairs which the corporation is to transact or conduct in Michigan is as follows:

See attached

The corporation is authorized to transact such business or conduct such affairs in the jurisdiction of its incorporation.

7. (To be completed by profit corporations only)

The authorized capital stock of the corporation is:

2,500 common shares having a par value per share of \$.01

_____ preferred shares having a par value per share of \$ _____

_____ common shares having no par value.

_____ preferred shares having no par value.

Signed this 21st day of April, 1966

By Alice L. Russell

Alice L. Russell, Secretary

(Sign in Blue Ink with Blue)

TO ACT AS BROKERS, AGENTS, SPECIAL AGENTS, AND ADJUSTERS IN THE BUSINESS OF PLACING, SELLING OR DEALING IN ANY KIND OR CLASS OF INSURANCE IN ANY OR ALL OF ITS BRANCHES INCLUDING MARINE INSURANCE, FIRE INSURANCE, LIFE INSURANCE, AVIATION INSURANCE, ACCIDENT AND HEALTH INSURANCE, CASUALTY INSURANCE, WORKMEN'S COMPENSATION INSURANCE, FIDELITY INSURANCE, INSURANCE AGAINST LOSS BY DEFAULTS, WHETHER WILLFUL OR OTHERWISE, IN THE FULFILLMENT OF CONTRACTS AND INSURANCE AGAINST LOSS BECAUSE OF FRAUD, THEFT, ROBBERY OR ANY KIND OF MISCONDUCT.

TO INVESTIGATE AND REPORT UPON THE CAUSE AND EXTENT OF INSURED LOSSES; TO ADJUST AND TO ACT AS AGENT IN THE PAYMENT OF SAME; TO ATTEND TO THE COLLECTION OF PREMIUMS ON POLICIES ISSUED BY ITS PRINCIPALS, AND TO THE CANCELLATION, ALTERATION AND EXTENSION OF POLICIES AND OTHER CONTRACTS MADE BY THEM, WHEN AND AS AUTHORIZED AND DIRECTED.



THE RAMAPO GROUP, INC.

I, the Secretary of State of the State of New Jersey, DO HEREBY CERTIFY that the records of this office show that the charter of the above-named corporation was filed in this office on the 15th day of September A.D. 1978 and said corporation changed its corporate name to ALEXANDER & ALEXANDER BENEFITS SERVICES INC. on December 31, 1985 and so far as the records of this office show said corporation continues as an existing corporation in the State of New Jersey.

I FURTHER CERTIFY, at the time of the issuance of this certificate, Annual Reports are current.

I FURTHER CERTIFY, that the location of the registered office is 22-08 Route 208, Fairlawn, New Jersey 07410 and the registered agent is Angelo M. D'Alessandro.

IN TESTIMONY WHEREOF, I have



MICHIGAN DEPARTMENT OF COMMERCE - CORPORATION AND SECURITIES BUREAU

Date Received APR 27 1998		(FOR BUREAU USE ONLY)
		FILED
Name		APR 29 1998
Address		Administrator MI DEPARTMENT OF CONSUMER & INDUSTRY SERVICES CORPORATION, SECURITIES & LAND DEVELOPMENT BUREAU
City	State	Zip Code
EFFECTIVE DATE:		

Document will be returned to the name and address you enter above

AMENDED APPLICATION FOR CERTIFICATE OF AUTHORITY TO TRANSACT BUSINESS IN MICHIGAN

For use by Foreign Corporations

(Please read information and instructions on the last page)

Pursuant to the provisions of Act 284, Public Acts of 1972, the undersigned corporation executes the following Amended Application:

1. The name of the corporation is: <u>Alexander & Alexander Benefits Services Inc.</u>							
2. If the name in Item 1 was not available for use in Michigan, the qualifying assumed name adopted when obtaining the Certificate of Authority is: _____							
3. The identification number assigned by the Bureau is: <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>6</td><td>2</td><td>0</td><td>-</td><td>6</td><td>6</td><td>5</td></tr></table>	6	2	0	-	6	6	5
6	2	0	-	6	6	5	
4. It is incorporated under the laws of <u>New Jersey</u>							
5. The corporation was authorized to transact business in Michigan on the <u>8th</u> day of <u>July</u> , 19 <u>86</u>							
6. The period of its duration (corporate term) is <u>Perpetual</u>							
7. If the name of the corporation has changed, its new name is: <u>Aon Consulting, Inc.</u> The effective date of this name change was the <u>9th</u> day of <u>March</u> , 19 <u>98</u> and the name change was made in compliance with the laws of the jurisdiction of its incorporation.							
8. Complete this item only if the new name in Item 7 is not available for use in Michigan. The qualifying assumed name of the corporation to be used in all its dealings with the Bureau and in the transaction of its business in Michigan is: _____							
9. If the qualifying assumed name in Item 2 has changed, the new name is: _____							

10. The address of its registered office in Michigan is:

601 Abbott Road, East Lansing , Michigan 48823
(Street Address) (City) (ZIP Code)

The mailing address of the registered office in Michigan, if different than above, is:

_____, Michigan _____
(Street Address or P.O. Box) (City) (ZIP Code)

The name of the resident agent at the registered office is: The Prentice-Hall Corporation System, Inc.

The resident agent is an agent of the corporation upon whom process against the corporation may be served.

11. The address of the main business or headquarters office of the corporation is: _____

123 North Wacker Drive, Chicago, Illinois 60606
(Street Address) (City) (State) (ZIP Code)

The mailing address if different than above is:

(Street Address) (City) (State) (ZIP Code)

12. If the business the foreign corporation proposes to do in this State is to be enlarged, limited, or otherwise changed, the specific business which the corporation is to transact in Michigan is as follows:

No Change


The corporation is authorized to transact such business or conduct affairs in the jurisdiction of its incorporation.

13. The total authorized shares of the corporation are: _____

The effective date of the stock change was the _____ day of _____, 19 _____.

For year ending _____ the apportionment percentage from the most recently filed Single Business Tax return is: _____

Signed this 17th day of April, 19 98.

By 
(Signature)

Arlene Jeschke Assistant Secretary
(Type or Print Name) (Type or Print Title)

Attachment C

CITY OF ANN ARBOR DECLARATION OF COMPLIANCE

Non-Discrimination Ordinance

The “nondiscrimination by city contractors” provision of the City of Ann Arbor Non-Discrimination Ordinance (Ann Arbor City Code Chapter 112, Section 9:158) requires all contractors proposing to do business with the City to treat employees in a manner which provides equal employment opportunity and does not discriminate against any of their employees, any City employee working with them, or any applicant for employment on the basis of actual or perceived age, arrest record, color, disability, educational association, familial status, family responsibilities, gender expression, gender identity, genetic information, height, HIV status, marital status, national origin, political beliefs, race, religion, sex, sexual orientation, source of income, veteran status, victim of domestic violence or stalking, or weight. It also requires that the contractors include a similar provision in all subcontracts that they execute for City work or programs.

In addition, the City Non-Discrimination Ordinance requires that all contractors proposing to do business with the City of Ann Arbor must satisfy the contract compliance administrative policy adopted by the City Administrator. A copy of that policy may be obtained from the Purchasing Manager

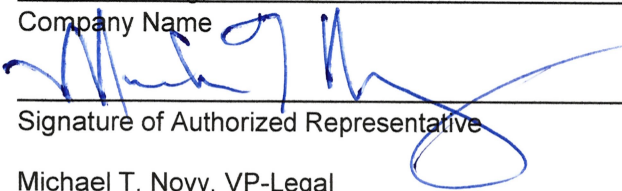
The Contractor agrees:

- (a) To comply with the terms of the City of Ann Arbor’s Non-Discrimination Ordinance and contract compliance administrative policy.
- (b) To post the City of Ann Arbor’s Non-Discrimination Ordinance Notice in every work place or other location in which employees or other persons are contracted to provide services under a contract with the City.
- (c) To provide documentation within the specified time frame in connection with any workforce verification, compliance review or complaint investigation.
- (d) To permit access to employees and work sites to City representatives for the purposes of monitoring compliance, or investigating complaints of non-compliance.

The undersigned states that he/she has the requisite authority to act on behalf of his/her employer in these matters and has offered to provide the services in accordance with the terms of the Ann Arbor Non-Discrimination Ordinance. The undersigned certifies that he/she has read and is familiar with the terms of the Non-Discrimination Ordinance, obligates the Contractor to those terms and acknowledges that if his/her employer is found to be in violation of Ordinance it may be subject to civil penalties and termination of the awarded contract.

Aon Consulting, Inc.

Company Name



April 4, 2019

Signature of Authorized Representative

Date

Michael T. Novy, VP-Legal

Print Name and Title

200 E. Randolph St., Chicago, IL 60601

Address, City, State, Zip

847.295.5000 / ted.novy@aon.com

Phone/Email address

Questions about the Notice or the City Administrative Policy, Please contact:

Procurement Office of the City of Ann Arbor

(734) 794-6500

Attachment D

CITY OF ANN ARBOR LIVING WAGE ORDINANCE DECLARATION OF COMPLIANCE

The Ann Arbor Living Wage Ordinance (Section 1:811-1:821 of Chapter 23 of Title I of the Code) requires that an employer who is (a) a contractor providing services to or for the City for a value greater than \$10,000 for any twelvemonth contract term, or (b) a recipient of federal, state, or local grant funding administered by the City for a value greater than \$10,000, or (c) a recipient of financial assistance awarded by the City for a value greater than \$10,000, shall pay its employees a prescribed minimum level of compensation (i.e., Living Wage) for the time those employees perform work on the contract or in connection with the grant or financial assistance. The Living Wage must be paid to these employees for the length of the contract/program.

Companies employing fewer than 5 persons and non-profits employing fewer than 10 persons are exempt from compliance with the Living Wage Ordinance. If this exemption applies to your company/non-profit agency please check here No. of employees__

The Contractor or Grantee agrees:

- (a) To pay each of its employees whose wage level is not required to comply with federal, state or local prevailing wage law, for work covered or funded by a contract with or grant from the City, no less than the Living Wage. The current Living Wage is defined as \$13.61/hour for those employers that provide employee health care (as defined in the Ordinance at Section 1:815 Sec. 1 (a)), or no less than \$15.18/hour for those employers that do not provide health care. The Contractor or Grantor understands that the Living Wage is adjusted and established annually on April 30 in accordance with the Ordinance and covered employers shall be required to pay the adjusted amount thereafter to be in compliance with Section 1:815(3).

Check the applicable box below which applies to your workforce

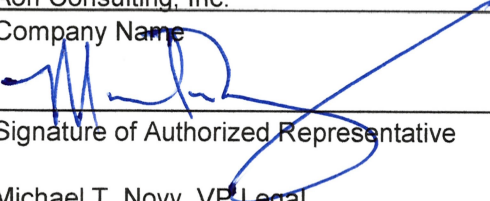
Employees who are assigned to any covered City contract/grant will be paid at or above the applicable living wage without health benefits

Employees who are assigned to any covered City contract/grant will be paid at or above the applicable living wage with health benefits

- (b) To post a notice approved by the City regarding the applicability of the Living Wage Ordinance in every work place or other location in which employees or other persons contracting for employment are working.
- (c) To provide to the City payroll records or other documentation within ten (10) business days from the receipt of a request by the City.

- (d) To permit access to work sites to City representatives for the purposes of monitoring compliance, and investigating complaints or non-compliance.
- (e) To take no action that would reduce the compensation, wages, fringe benefits, or leave available to any employee covered by the Living Wage Ordinance or any person contracted for employment and covered by the Living Wage Ordinance in order to pay the living wage required by the Living Wage Ordinance.

The undersigned states that he/she has the requisite authority to act on behalf of his/her employer in these matters and has offered to provide the services or agrees to accept financial assistance in accordance with the terms of the Living Wage Ordinance. The undersigned certifies that he/she has read and is familiar with the terms of the Living Wage Ordinance, obligates the Employer/Grantee to those terms and acknowledges that if his/her employer is found to be in violation of Ordinance it may be subject to civil penalties and termination of the awarded contract or grant of financial assistance.

Aon Consulting, Inc.
Company Name

Signature of Authorized Representative
April 4, 2019
Date
Michael T. Novy, VP Legal
Print Name and Title

200 E. Randolph Street
Street Address
Chicago, IL 60601
City, State, Zip
847.295.5000
Phone/Email address

Attachment E

VENDOR CONFLICT OF INTEREST DISCLOSURE FORM

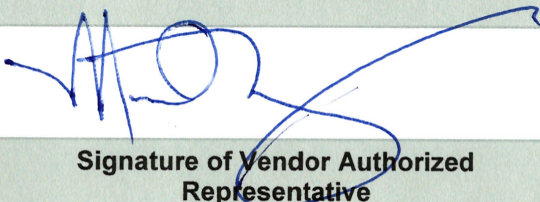
All vendors interested in conducting business with the City of Ann Arbor must complete and return the Vendor Conflict of Interest Disclosure Form in order to be eligible to be awarded a contract. Please note that all vendors are subject to comply with the City of Ann Arbor's conflict of interest policies as stated within the certification section below.

If a vendor has a relationship with a City of Ann Arbor official or employee, an immediate family member of a City of Ann Arbor official or employee, the vendor shall disclose the information required below.

1. No City official or employee or City employee's immediate family member has an ownership interest in vendor's company or is deriving personal financial gain from this contract.
2. No retired or separated City official or employee who has been retired or separated from the City for less than one (1) year has an ownership interest in vendor's Company.
3. No City employee is contemporaneously employed or prospectively to be employed with the vendor.
4. Vendor hereby declares it has not and will not provide gifts or hospitality of any dollar value or any other gratuities to any City employee or elected official to obtain or maintain a contract.
5. Please note any exceptions below:

Conflict of Interest Disclosure*	
Name of City of Ann Arbor employees, elected officials or immediate family members with whom there may be a potential conflict of interest.	<input type="checkbox"/> Relationship to employee <hr style="border: 0; border-top: 1px solid black;"/> <input type="checkbox"/> Interest in vendor's company <input checked="" type="checkbox"/> Other (please describe in box below)
<p>Aon is a publicly traded corporation and its shares are sold to the public. Aon does not know individuals who may own an interest (shares) in the firm. It is against Aon policies to provide gifts or hospitality or gratuities to obtain or maintain a contract. The Aon project team has not offered or promised employment to any City of Ann Arbor employee in pursuit of this contract.</p>	

*Disclosing a potential conflict of interest does not disqualify vendors. In the event vendors do not disclose potential conflicts of interest and they are detected by the City, vendor will be exempt from doing business with the City.

I certify that this Conflict of Interest Disclosure has been examined by me and that its contents are true and correct to my knowledge and belief and I have the authority to so certify on behalf of the Vendor by my signature below:		
Aon Consulting, Inc.	847.295.5000	
Vendor Name	Vendor Phone Number	
	04/03/2019	Michael T. Novy
Signature of Vendor Authorized Representative	Date	Printed Name of Vendor Authorized Representative





Appendix

A. Legal Exceptions to City of Ann Arbor RFP

We have reviewed the RFP and terms and conditions and have highlighted below certain key provisions contained therein that we believe would require further negotiation if we are selected for the engagement. Please note, that notwithstanding the requirements in Section H of the RFP, Aon cannot accept the Professional Services Contract without modifications. If we are selected as the winning bidder, we would like to have a discussion with you about the contracting process and jointly determine the appropriate path forward to reaching an agreement. In any event, we are confident that our legal and business teams can negotiate expeditiously and in good faith to reach a mutually agreeable contract.

- Section V—Compensation of Contractor: Aon requests that payment terms for the proposed services be on a 30-day net, with an interest rate of 9% (or such other amount mandated by city or state law) applied to late payments. Further, the client would be responsible for any reasonable travel-related expenses that Aon consultants incur while providing these services.
- Section VI—Insurance/Indemnification: Aon will agree to reasonable insurance limits based on the contractual obligations Aon incurs. In general, the insurance requirements are acceptable, though some negotiation may be needed. **It is a requirement for all Aon contracts that a limitation of liability be included.** Aon's proposal is submitted on the condition that the parties will mutually agree on a limitation of liability related to the indemnification provision for Aon's errors (i.e., negligence) up to an agreed upon annual cap approximately equal to the amount of annual fees paid to Aon under the parties' contract. For other breaches of the contract (such as intellectual property infringement, criminal misconduct, willful misconduct, gross negligence), Aon is willing to accept total liability. Aon also finds that given the types of services we provide, it generally makes more sense for clients to defend claims. In addition, Aon would like standard mutual exclusions for consequential, indirect, incidental, special or punitive damages.
- Section X—Assignment: Generally, Aon does not use subcontractors for consulting services. However, there are times when non-material portions of the services are subcontracted, such as printing, binding, and shipping services, and for the sake of efficiency, we would expect the right to use subcontractors for such services without consent. Aon would remain responsible for subcontractor's actions as if it had been performed by Aon.

B. U.S. Pension Risk Transfer Annuity Settlement Market Brief

2019 U.S. Pension Risk Transfer Annuity Settlement Market Update

Market Growth Continues

April 2019

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U.S. Pension Risk Transfer Annuity Settlement Market Review	2
Annuity Market Pricing Dynamics	8
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Aon U.S. Pension Risk Transfer Contacts	12

Introduction

The Pension Risk Transfer (PRT) Market is Growing

The 2018 pension risk transfer annuity settlement market produced another year of significant growth with close to \$27.5B of sales activity. This momentum began with corporate tax reform tailwinds, which triggered plan sponsors accelerating required pension contributions. Some sponsors strategically used those monies for pension settlements.

Many similar trends from 2017 continued into 2018. Such trends included “targeted retiree” deals where plan sponsors settled a portion of their in-pay liability. Aon observed that a growing number of plan sponsors were repeat buyers implementing their second, third, or even fourth deal. There were also some notable deals announced, including Bristol-Myers’ plan termination, Lockheed Martin’s combined buyout and buy-in and FedEx’s \$6 billion annuity lift-out. The FedEx announcement was the largest transaction since 2012. It is noteworthy that all three deals used independent fiduciaries to represent plan participants’ interests.

Other observations to note:

- Insurer participation remained relatively stable in 2018. There was one new entrant, Great American, in the small and middle market.
- More insurers transacted, beneficially for sponsors, in different market segments than last year. Also, no insurers exited the PRT market as witnessed in some prior years.
- Deal cost, based on observable market pricing ranges, averaged approximately 102% over FTSE Pension Discount Curve liability for all-retiree deals.
- Aon witnessed highly competitive pricing on larger deals where some transacted prices were lower than Projected Benefit Obligation (PBO).
- Finally, we foresee continued competitive PRT annuity pricing persisting through 2019.

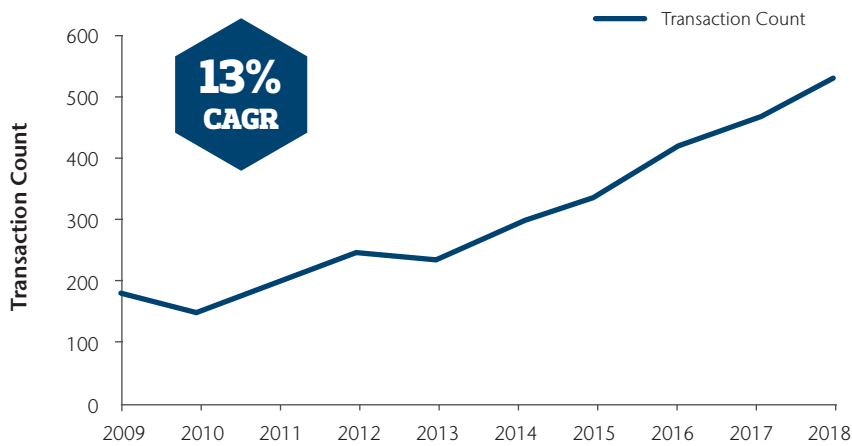
Aon continues its proud and extensive record of supporting U.S. PRT annuity settlement activity, as both plan sponsor and fiduciary advisor. First quarter 2019 activity already appears substantially higher than last year. However, let us first review the 2018 landscape with plan sponsors and other stakeholders.

U.S. Pension Risk Transfer Annuity Settlement Market Review

U.S. Pension Annuity Settlement Market Continues to Accelerate

2018 witnessed PRT annuity settlement growth for the fifth consecutive year.

Transaction Count

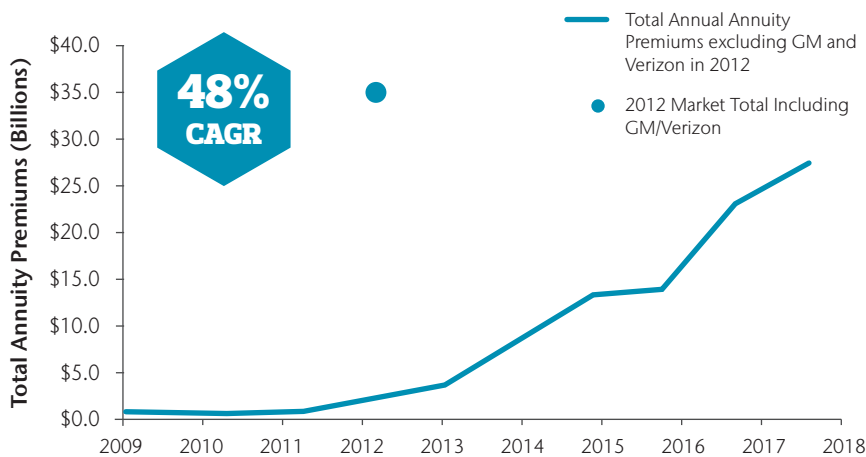


Total 2018 PRT annuity market premiums were

\$27.5 billion
(+18%) versus

\$23.2 billion in 2017.

Premiums



Source: Aon U.S. PRT Insurer Sales Data Survey as of 12/31/2018

The markets experienced 13% average compounded annual growth (CAGR) in deal count and 48% annual growth in total deal premiums since 2009.

We focus on two strategies sponsors use to transfer pension liability: plan terminations and annuity lift-outs.

Plan Termination — A strategy where sponsors discharge all pension plan assets and liabilities (often via a combination of voluntary lump sums and an annuity purchase), and the plan ceases to exist.

Annuity Lift-Out — An alternate, more targeted strategy to annuitize some current retirees and less frequently, some deferred participants. These lift-out strategies are popular for reducing plan liability and expenses without terminating the plan.

This market update analyzes these two strategies, which facilitate pension liability transfers via the PRT annuity settlement marketplace.

Factors	Plan Termination Strategy	Annuity Lift-Out Strategy
Participants Included	All participants (actives, terminated vested and retirees)	Typically retirees only and infrequently terminated vesteds
Project Timing	12 to 18 months	3 to 6 months
Financial Impact	Higher—Full funding and settlement accounting required	Lower—Full funding not required, and settlement accounting impact varies
Lump Sum Window	Generally, yes, though not required and not generally offered to retirees	Not generally included
Remaining Pension Plan	No	Yes

Of note:

More Deals

530 total deals transacted (14% increase), versus 465 in 2017.

Seasonal Factors

42% of total dollars placed in the fourth quarter alone, versus 48% in fourth quarter 2017.

Large Deals Drive Market

79% of total dollars placed were for deals over \$100 million with 21% under \$100 million.

9% of transacted deals were over \$100 million with 91% under \$100 million.

Source: Aon U.S. PRT Insurer Sales Survey as of 12/31/2018

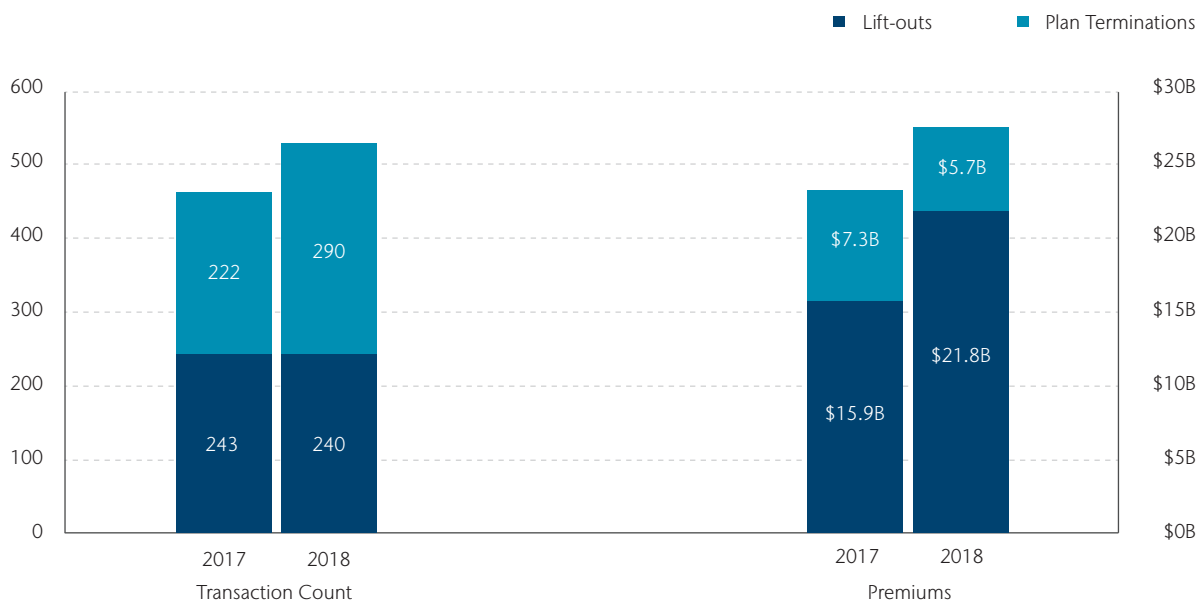
Plan Termination and Annuity Lift-Out Markets

Plan Termination Annuity Deals Spike — Deal count increased dramatically in 2018 (+31%), while premiums fell (-22%). Sponsors clearly planned well in advance, anticipating favorable PRT annuity markets and transacting more plan termination deals. However, large premium deals have a greater impact on the total market, and overall premium volumes were larger in 2017 by comparison.

Annuity Lift-Out Premiums Increase — Annuity lift-out deal count remained relatively flat as compared to 2017. However, the market transacted 37% more total annuity lift-out premium dollars driven again by large deals. In addition to FedEx (\$6.0 billion), some other large deals publicly announced included International Paper (\$1.6 billion) and Raytheon (\$0.9 billion).

Understanding these market dynamics remains imperative for transacting favorable deals.

PRT Market Split by Type

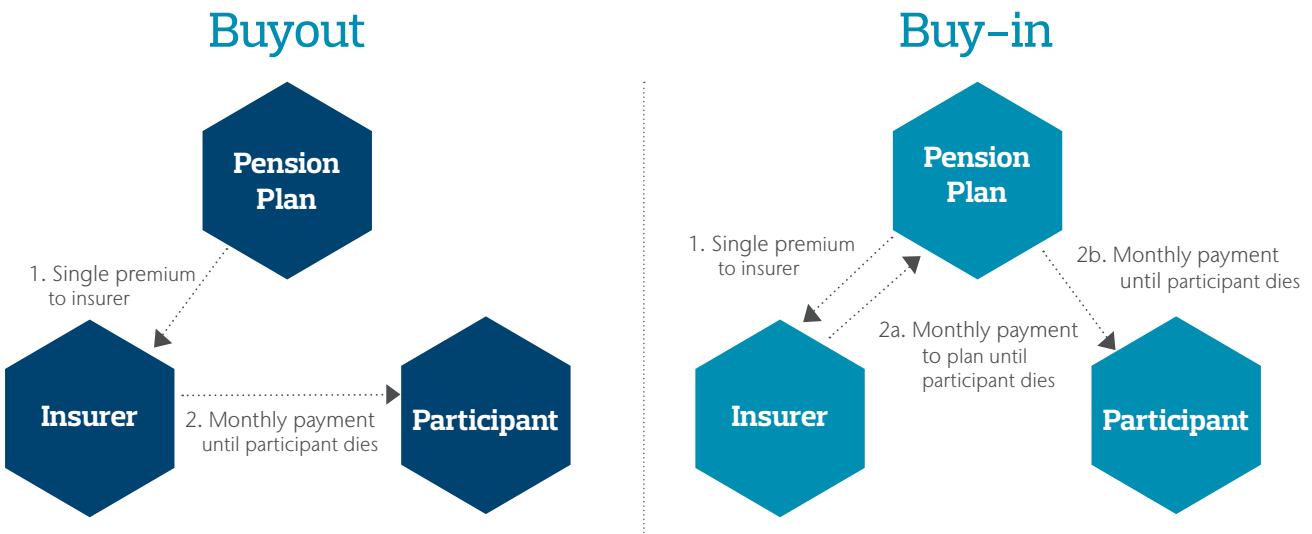


Source: Aon U.S. PRT Insurer Sales Survey Data as of 12/31/2018

Annuity Buy-Ins Versus Annuity Buyouts

A deal creating buzz late in 2018 was Lockheed Martin’s combined annuity lift-out and annuity buy-in with Prudential and Athene, respectively. The annuity buy-in is a common pension strategy used in the UK for many years. In the U.S., it is used rarely, due to regulatory and accounting reasons. Sponsors will purchase an annuity buy-in to hedge investment and longevity risk with an insurance company, potentially, while preparing for an annuity buyout. The parties accomplish this strategy through purchasing a buy-in contract while maintaining the related assets and liabilities on the balance sheet. Based on public comments by Lockheed Martin, the buy-in structure assists with settlement cost recovery from government contracts.

It will be notable if more future U.S. annuity buy-ins transact because of the Lockheed deal. The PRT market transacted three annuity buy-ins last year, aside from Lockheed. Overall, U.S. buy-in market activity remains sparse as sponsors and fiduciaries assess these alternatives.



Repeat Deals—“Do it Again”

Another significant trend in 2018 was sponsors transacting repeat deals. The primary reason for repeat transactions is favorable prior experience, with plan sponsors appreciating pricing, robust fiduciary processes and smooth administrative transition to insurers. The sincerest form of flattery is receiving a client call and hearing, “Hey, can we do that again?”

Another reason sponsors may “do it again” is the quietness heard from participants transitioning to insurers. A few years ago, as sponsors began transacting jumbo deals, some plan sponsors were concerned about participant reactions and inundated call centers. Fortunately, few challenges materialized as robust written communications minimized participant inquiries. These transitions have been, and continue to be smooth due to insurers’ on-boarding administrative experiences.

Repeat deals announced publicly in 2018 include International Paper, Boise Cascade, and Owens-Illinois. Note, a repeat-buyer selecting another insurer is a distinct possibility. Experience and history matters, but each deal stands independently.

Why might a sponsor contemplate a repeat annuity transaction?

- **Favorable Experience**—Sponsors extol ease with repeat deals since one knows what to expect and where to streamline.
- **Multiple Plans**—A sponsor might annuitize participants in one plan now and another later.
- **Funding Minimization**—Some sponsors limit funding impacts, i.e., reduce contribution levels by executing smaller, repeat deals.
- **Settlement Accounting Avoidance**—Some sponsors avoid settlement charges by executing deals under threshold levels.

Insurer Participation—Continued Market Evolution

The PRT annuity marketplace grew its ranks in 2018 through one new entrant, Great American Life in Cincinnati, OH. Great American focuses on the small to middle market and added necessary capacity to the plan termination annuitization segment. Conversely, no insurer exited the market in 2018, unlike 2017 when Voya left the PRT space due to capital utilization priorities.

Each insurer has notable unique capabilities and risk appetites. The chart lists active U.S. PRT annuity providers.

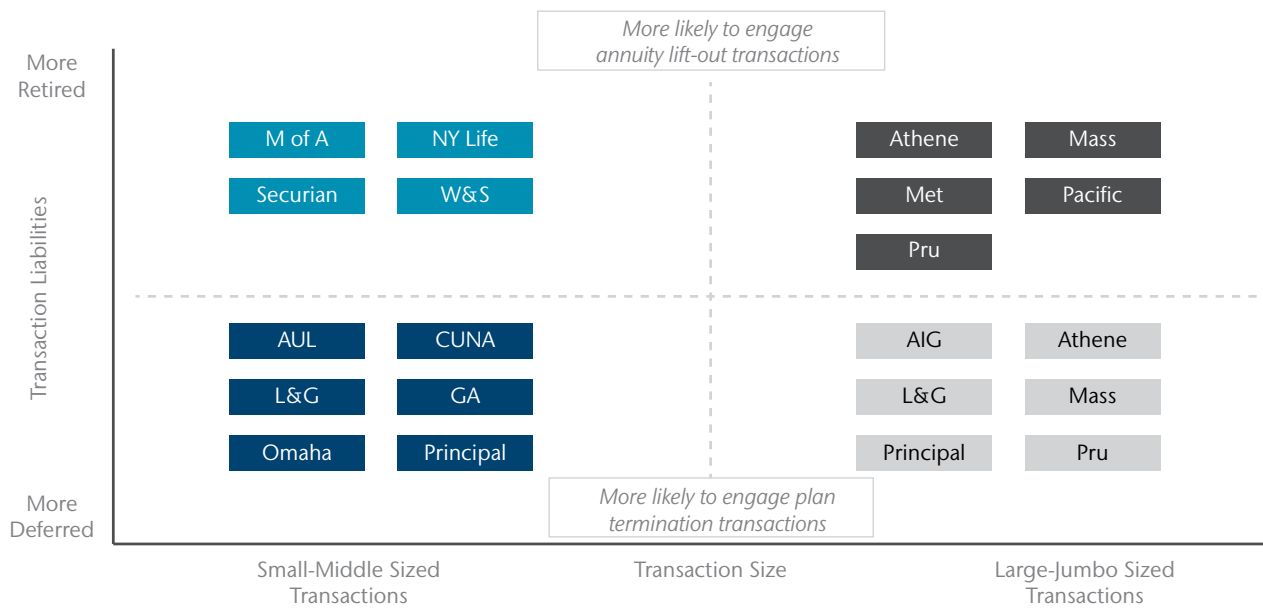
Insurer	U.S. Life Insurance Group Assets (Bil.)	Public / Mutual	Holding Company Parent Location
Prudential	\$578	Public	U.S.
MetLife	\$410	Public	U.S.
New York Life	\$325	Mutual	U.S.
AIG	\$284	Public	U.S.
MassMutual	\$255	Mutual	U.S.
Principal	\$185	Public	U.S.
Pacific Life	\$136	Mutual	U.S.
Athene	\$84	Public	Bermuda
Securian	\$47	Mutual	U.S.
Western & Southern	\$47	Mutual	U.S.
Great American	\$39	Public	U.S.
OneAmerica	\$37	Mutual	U.S.
Mutual of Omaha	\$31	Mutual	U.S.
Mutual of America	\$20	Mutual	U.S.
CUNA Mutual	\$18	Mutual	U.S.
Legal & General	\$5	Public	U.K.

Source: Aon - The current U.S. PRT marketplace includes insurers that have active PRT businesses and provides market quotes to sponsors and advisors. Public/Mutual designation based on ultimate parent company. Group assets based on S&P Global Market Intelligence as of 12/31/2018

The PRT marketplace typically segments within the following four tranches:

Small Market (<\$10 M)	More often plan terminations, historically greatest aggregate deal flow.
Middle Market (\$10 M–\$100 M)	Balanced between plan terminations and lift-outs, increasing deal flow.
Large Market (\$100 M–\$1 B)	More often lift-outs, increasing deal flow.
Jumbo Market (>\$1 B)	More often lift-outs, deal flow episodic year-to-year.

The illustration below provides U.S. annuity provider transaction preferences updated slightly from 2017.



Source: Aon - The illustration above generally indicates insurer bidding appetite based on Aon’s experience with U.S. PRT annuity providers. Each insurer’s bidding appetite varies over time and changes based on specific individual deal facts and circumstances

Transaction Size—Insurers located in the left quadrants focus on smaller deals. Insurers located in the right quadrants focus on larger deals.

Transaction Type—Insurers located in the top quadrants focus on annuity lift-out deals. Insurers located in the bottom quadrants focus on plan termination deals.

Aon observed that more insurers migrated up-market resulting from newer insurers quoting in the small to middle market segments. This dynamic created greater choice for sponsors. Annuity lift-out deals between \$50–\$200 million still have the greatest participation.

It is reasonable to secure three to six insurers on any given deal, all things considered and based on various factors. Approximately 70% of Aon-led retiree lift-outs included five or more bidders, up from three or more last year¹. Aon even transacted one PRT annuity deal with eleven bidders due to these market dynamics.

More insurers in 2018 were willing to support more complex PRT solutions. These solutions included credit enhanced “separate account” alternatives and asset-in-kind transfers to improve market attractiveness and competitiveness. Finally, we witnessed independent fiduciaries engaged with greater frequency. Companies utilized independent fiduciaries for more plan terminations and some used them at lower deal sizes than in prior years.

Cybersecurity Protection

“Is plan participant data secure?”

A significant trend that Aon vets with insurers which has been heightened by plan sponsor and fiduciary inquiry is data security and information breaches.

We outline a few items that plan fiduciaries and sponsors should consider for insurer inquiry:

- Material insurer data breaches
- Cybersecurity insurance protection
- Third-party assessments
- Remediation reporting
- Privacy and security policies
- Participant system authentication

It is critical that plan sponsors and fiduciaries understand insurers’ cybersecurity protections to safeguard their plan participants.

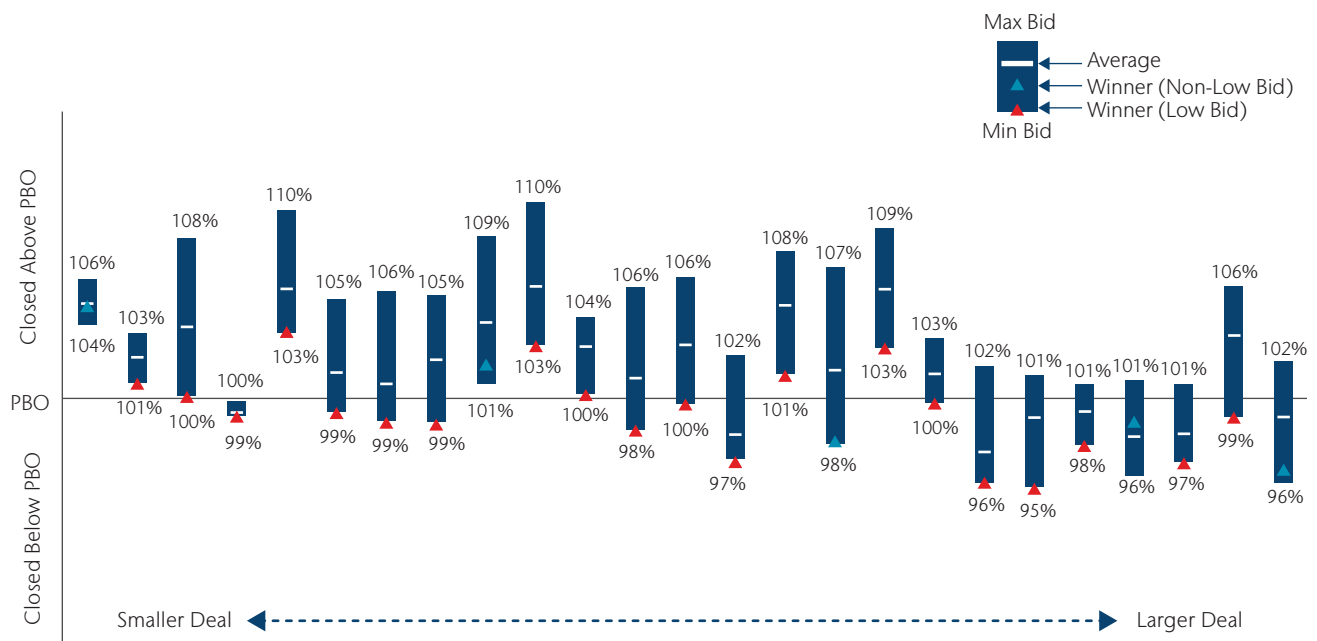
¹ Data based on retiree lift-outs from plans where Aon is the actuary.

Annuity Market Pricing Dynamics

2018 Insurer Price Competitiveness

2018 insurer-pricing was attractive and better than expected. The chart below summarizes 2018 pricing experience, relative to Projected Benefit Obligation (PBO). We estimated a normalized PBO, in all cases, based on the FTSE Pension Discount Curve consistently comparing prices from deal-to-deal. The retiree lift-out deals, outlined below, increase in liability size sorted from left to right.

2018 Retiree Lift-Out Pricing Experience—Insurer-Pricing as a Premium Over FTSE PBO²



Source: Aon U.S. PRT annuity transaction data. Sample of actual retiree lift-out transactions executed in 2018

We note the following insights:

- Nearly two-thirds of deals closed at or below benchmark FTSE PBO, while the insurer-pricing range averaged 2% above FTSE PBO.
- Pricing spread is generally 5%–7% of FTSE PBO from lowest to highest.
- Smaller deals closed at relatively higher price points.
- Frequently, deals settled at lowest price, but not always.

The above data represents “final” insurer-pricing, reflecting an insurer’s most competitive offer. Aon continues to observe that insurer-pricing might move 2%–3% lower (assuming no change in market interest rates) between initial/preliminary and final pricing.

Regarding price, fiduciary processes consider innumerable factors for final selection. Aon observed selection factors including insurer balance sheet considerations, favorable variance in insurers’ contract provisions, branding, market reputation and prior client insurer experience to state a few. Discussions are thoughtful as fiduciaries weigh countless selection factors including price.

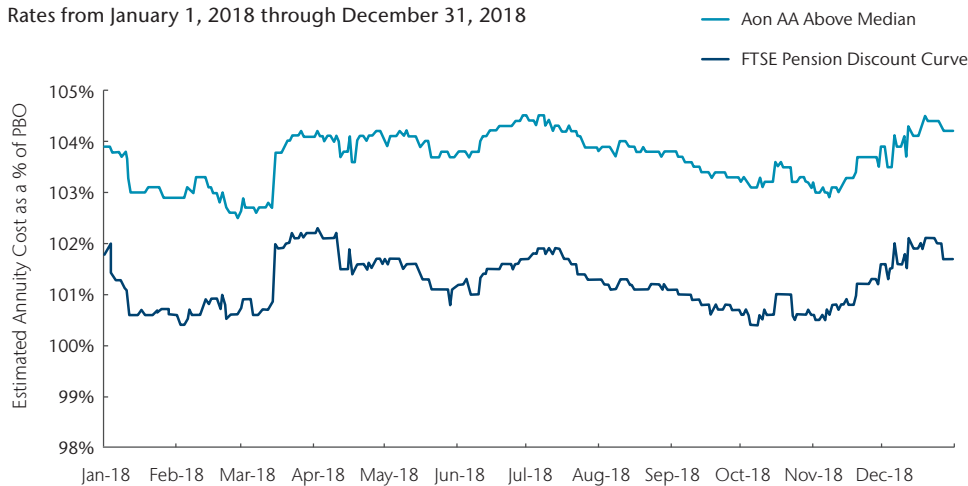
² Actual client specific PBO may be based on a yield curve other than the FTSE Pension Discount Curve. Aon adjusted liabilities based on the FTSE Pension Discount Curve for comparison purposes. Results based on data and outcomes where Aon is the actuary.

Aon APT Pricing Index

The first question sponsors typically ask is “how much will this cost?” when beginning this analysis. We developed the Aon Annuity Purchase Tracker (Aon APT) two years ago, so stakeholders could estimate a daily retiree annuity price, as a percent of PBO, for a typical annuitant population. This Aon APT metric helps U.S. pension sponsors estimate annuity transaction cost quickly and inexpensively without engaging the insurance market until later in the process.

2018 Aon Annuity Purchase Tracker (Aon APT)

Rates from January 1, 2018 through December 31, 2018



Source: Aon Annuity Purchase Tracker data

Aon uses information surveyed from insurers in addition to our proprietary interest rate market analysis. We estimate annuity pricing to help plan sponsors perform financial analysis. Aon’s APT metric provides a benchmark for average, fair market pricing for an all-retiree transaction.

We observed the following data insights:

- During 2018, the Aon APT index ranged from 101% to 104% of PBO.
- APT Pricing, as a PBO percentage, was competitive and banded tightly during 2018.
- Understanding how PBO is measured is important as one should comprehend the often-quoted “annuity as a percent above PBO” statistic.

Our Aon APT index focuses solely on retired life annuitizations, which is the largest PRT segment on a dollar-weighted basis. Estimating annuity pricing for non-retired lives is challenging as one needs to make plan-specific assumptions on benefit timing, payment form, potential lump sums, etc. Aon uses its proprietary Termination and Annuity Pricing Estimator (TAPE) for deferred annuity pricing results.

TAPE develops a unique price estimate by harvesting plan specific data and future benefit payment projections. It also reflects the specific pension plan and population characteristics.

TAPE provides plan sponsors with anticipated pricing, like APT, since there is not a final transactional price until a formal market quote is received. Companies can use these estimates to proceed without obtaining insurer-derived annuity quotes, saving upfront time, money and resources.

³ Based on APT rates as of December 31, 2018.

104%³
of AA Above
Median PBO

102%³
of FTSE PBO

Five Reasons to Transact in 2019

- Competitive insurer market
- Favorable relative pricing
- Regulatory comfort and fiduciary framework
- Repeatable and proven transaction processes
- Sufficient insurer capacity

Not Everyone Does a Deal

PRT deals cover only a small percentage of U.S. corporate pension liability although they receive broad industry headlines. Some sponsors decide against annuity purchases for good reasons. We list some below:

Discount Rate versus Expected Return on Assets

Most plans have at least a 200-basis point⁴ assumption differential. Any pension settlement can be an immediate drag on earnings.

Funding Levels

A lower funded status, when executing a settlement, may create accelerated or additional contributions. A viable PRT transaction may not be realistic with a lower funded status, all things considered.

Time Commitment

Sponsors and fiduciaries must dedicate adequate time for deal execution. Some sponsors simply have no time or resources to transact reasonably.

Waiting for Full Plan Termination

Other sponsors want to eliminate pension liability but wait until they can eliminate the entire plan. It may be prudent to pre-plan and transact later if time is not an immediate factor.

Settlement Accounting

Some sponsors will avoid a deal if it triggers settlement accounting on the income statement.

⁴ Source: Internal Aon survey for pension clients as of 2018 fiscal year-end.

Looking Ahead – Five Market Driving Themes

We expect 2019 to be similar to 2018 with deal flow in the \$25B to \$30B range. Here are Aon's key drivers:

1. **Plan terminations will become even more popular**—Especially for those plans that are frozen, well-funded, and hedged significantly through asset allocation. Some companies will transact fully while others will settle over multiple years, while the PRT market prepares for more deferred participant deals.
2. **Risk sharing among insurers inside and outside of the market**—Insurers will continue to find their “sweet spot” as the market matures. As advisors, we seek to match plan liabilities with those insurers. Concurrently, insurers are beginning to partner with each other and are starting to offer combined solutions which meet their risk appetites. These structures foster great capacity, new entrants and healthy risk diversification continuing price-competitive dynamics.
3. **Buy-ins in the States**—We do not envision prolific annuity buy-in market growth as exists in the UK. However, Aon believes annuity buy-ins have a place in the U.S. especially for price certainty as part of a plan termination. Although Aon acknowledges there are various market techniques to accomplish this objective, sponsors will consider annuity buy-in solutions with greater frequency.
4. **An economic slowdown could lead to an annuity market slowdown**—If a plan sponsor has earnings pressure, we anticipate it may avoid the PRT market. These deals are a drag on earnings typically. A transaction delay may help manage investor earnings expectations.
5. **Robust governance must exist**—A reliable insurer marketplace is the essential foundation for sponsors and fiduciaries. It remains critical that stakeholders perform appropriate due diligence on insurance companies. This outcome leads to fiduciaries selecting companies that vigilantly meet ERISA and related Department of Labor 95-1 safe harbor “safest available” annuity standards.

Aon U.S. Pension Risk Transfer Contacts

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About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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The information contained herein and the statements expressed are of a general nature and are not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information and use sources we consider reliable, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

www.aon.com

GDM000000



Proposal to provide actuarial services to:

City of Ann Arbor, MI

April 10, 2019



CONFIDENTIAL





31313 Northwestern Hwy, Suite 114
Farmington Hills, MI 48334
Ofc: (248) 461-3620
Fax: (248) 327-4482

April 10, 2019

City of Ann Arbor
c/o Customer Service
301 East Huron Street
Ann Arbor, MI 48107

RE: RFP No. 19-09 - Pension Annuity

Dear Mr. Roberts:

Thank you for allowing me to present the enclosed proposal to perform actuarial consulting services for the City of Ann Arbor Employees' Retirement System.

Within the attached proposal, I have detailed our qualifications and outlined our approach for the services requested. A significant advantage of working with a smaller consulting firm, such as Strome Actuarial Services, LLC, is the flexibility we have in consultation with our clients. For example, when a question arises, a phone conversation and a simple summary email are often sufficient.

Strome Actuarial Services, LLC is well positioned to offer the City of Ann Arbor the quality of services you seek. We embrace an "always open, always available" service delivery philosophy. In addition, we will provide you with the expertise and timely service that you require. We will commit to perform all work as specified in this proposal in a thorough, professional and timely manner.

This proposal was prepared after receipt of Addendum No. 2 to the original RFP 19-09.

We appreciate your consideration and willingness to review this proposal in detail. If you have any additional questions, feel free to give me a call at (248) 461-3625.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Michael J. Strome', written over a faint circular watermark.

Michael J. Strome, FSA, EA, MAAA
President
Strome Actuarial Services, LLC



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Professional Qualifications

Overview of the Firm

Strome Actuarial Services, LLC is operated out of Farmington Hills, Michigan, founded by Michael J. Strome in January 2014. Since its inception, the firm has provided actuarial expertise to an extensive network of businesses and local governments throughout Michigan.

Because Strome Actuarial Services, LLC is a relatively small firm, our fees are very competitive. We offer the following additional benefits to our clients:

- Consistent fixed fees (no surprises or unbudgeted expenses)
- Dependable, reliable, professional delivery of services in a timely manner
- Excellent customer service as demonstrated by client retention, word of mouth referrals and an ongoing relationship with clients
- Professionalism as demonstrated by certification by the Society of Actuaries, Academy of Actuaries, and Conference of Consulting Actuaries
- Broad range of perspectives having worked and consulted with an extensive number of clients, each having different needs

Strome Actuarial Services is licensed to operate in the State of Michigan. We operate as a Limited Liability Corporation. Our full name and address are as follows:

Strome Actuarial Services, LLC
31313 Northwestern Hwy, Suite 114
Farmington Hills, MI 48334

Our Mission Statement is to: "Have an unwavering and unconditional commitment to provide the highest quality services available to our clients."

This is based on our philosophy and three fundamental principles of doing business:

- To operate with the highest degree of integrity: always do the right thing; maintain moral excellence.
- Provide the knowledge to clients so the "right" decisions can be made.
- A commitment to excellent service through open, honest communications.



Personnel Overview

Michael Strome, FSA, EA, MAAA, founder and owner of Strome Actuarial Services, LLC has over 25 years of demonstrated actuarial experience with increased responsibility at each step of his career. In addition, Michael has achieved the highest designation awarded by the Society of Actuaries, a Fellow of the Society.

Michael brings business acumen and defined benefit retirement plan experience to firms both on a regional and national basis. Strome Actuarial Services, LLC provides all required services to address the needs of an employer with a defined benefit retirement plan. In addition, Michael has the experience and provides consulting expertise regarding plan funding, plan administration, retirement benefits, and plan termination.

Following his graduation from the University of Michigan with a B.S. in Applied Mathematics, Michael joined the actuarial practice of PricewaterhouseCoopers where he ultimately reached the position of Consultant. He later served as Director at Buck Consultants and Assistant Vice President at Aon Hewitt, providing actuarial consulting services to a wide range of firms.

* * *

Michael Iacoboni, ASA, EA, MAAA is a Senior Retirement Actuary at Strome Actuarial Services. Before joining the firm, he spent more than ten years at Milliman, Inc. providing pension and OPEB consulting to corporate and governmental plan sponsors.

Michael is familiar with both the funding and accounting aspects of public benefit plans. He served as a member of the team that implemented GASB Statement No. 68 compliance for CalPERS, and all its participating employers. He has conducted numerous plan design and benefit change studies for large public pension plans.

Michael graduated from Whitman College in Walla Walla, Washington with a B.A. in Mathematics.

* * *

Emily King, ASA, MAAA is a consulting actuary at Strome Actuarial Services. She has over ten years of consulting experience and has worked with Strome Actuarial Services since inception. Prior to Strome Actuarial Services, she worked for Aon Hewitt. Emily has been part of a number of de-risking and annuity projects in addition to general consulting for corporate and multiemployer pension and OPEB plan sponsors.

Emily graduated with a B.A. in Mathematics from Grinnell College in Grinnell, Iowa.

* * *



Mark Unhoch is a Partner with October Three and leads the Annuity Services Practice (O3 Annuity Services LLC, 233 S. Wacker Drive, Chicago, IL 60606.) During his career, Mark has worked with Plan Sponsors of all sizes to provide innovative, cost-efficient solutions for their defined benefit pension plans. He is proficient in executing customized risk transfer solutions and providing the due diligence required by the Department of Labor (DOL 95-1) in a manner plan sponsors can clearly understand.

Before joining October Three, Mark led the development of the Pension Risk Transfer strategies for 14 years at Hartford Life. He has executed thousands of pension risk transfer transactions for organizations, involving various levels of complexity. His technical knowledge of insurance company pricing, regulatory rules and economic events are an invaluable resource for plan sponsors.

In his 28 years of experience in the Pension Risk Transfer (PRT) market, Mark has worked with thousands of plan sponsors helping them to determine whether PRT is feasible, what options are available, how to develop the correct strategy, and what is the best way to implement the strategic plan. The organizations he has worked with over the years range from large employers such as MIT, KPMG, PWC, Akin Gump and Chrysler to small employers such as American Moving and Storage, National Association of Secondary School Principals and Letts Industries.

Mark holds a B.A. in Mathematics from Louisiana State University.



Services Offered by Strome Actuarial Services, LLC

Strome Actuarial Services, LLC (SAS) has developed innovative responses to the forces that affect the defined benefit retirement programs. We have accumulated the specialized knowledge and experience to help our clients cope with new regulations as they unfold. We strive to deliver services in the way that best matches the unique needs and operating style of each client and allows for modifications in the relationship as time passes and circumstances change.

The services offered include but are not limited to:

- Pension plan valuations: funding and accounting, including minimum and maximum contribution requirements
- Defined benefit plan design consulting
- Pension plan administration including:
 - Ad hoc participant communications (e.g. QDRO's)
 - Annual participant notices
 - Required government filings
- Assistance with de-risking strategies
 - Annuity Purchases
 - Implementation and plan terminations.

The structure of our organization allows us to be nimble enough to allow us to partner with other professionals or service providers. This brings additional perspective in order to provide the most effective solution for the Client.

Our objective in all our client relationships is to work in partnership with our clients in the context of a close working relationship. Our goal is to “further business strategies through people strategies” by bringing new proactive ideas to the forefront as appropriate.

Our advice is unbiased and grounded in the perspective of the typical middle market company.

Why choose Strome Actuarial Services?

We make it a priority to clearly and accurately communicate complex concepts to clients – offering the knowledge and insight they require to make informed decisions relating to their plan. Our lead consultants have a combined four decades of experience in communicating technical issues.



We believe Strome Actuarial Services, LLC is the best choice for the City of Ann Arbor because:

- We are experts in dealing with defined benefit plan actuarial and consulting work and this allows us to provide solid, expert recommendations;
- We provide proactive personal service and are able to effectively communicate complex actuarial concepts so the management can feel comfortable that they are making informed decisions;
- Our standardized processes and software allow us to provide services to clients with utmost efficiency and accuracy;
- Our small size allows us to operate independently of any external or corporate priorities, allowing us to focus entirely on our clients' needs.

Standards of Practice

The Society of Actuaries has established standards of practice in order to assure the public that actuaries are professionally accountable. In addition, these standards provide practicing actuaries with a basis for assuring that their work will conform to appropriate practices. These standards protect the clients of actuaries in the following ways:

- Indicating for various areas of actuarial practice the appropriate procedures, techniques, and approaches, thereby enhancing the public's trust in the credibility and completeness of the actuarial work product.
- Providing a means by which the many separate elements that make up actuarial practice can be reviewed and updated on a regular basis, so that practice remains current.
- Furnishing criteria for evaluating actuarial work products.
- Providing a basis for discipline in those instances in which standards are not adhered to.

All the members of Strome Actuarial Services, LLC's staff are well trained regarding the actuarial standards of practice related to retirement benefit plans. More importantly, the firm adheres to these standards of practice and will not compromise the integrity or quality of the work provided to its clients by short cutting the standards. This assures the work product provided to the clients is accurate, meets all government requirements, and is of the highest quality.

Technology

Strome Actuarial Services, LLC has invested heavily in technology in order to provide efficiencies and enhanced technology to our clients. Our valuation software, ProVal, is the market leading retirement actuarial valuation and projection software. It is a fully integrated actuarial system that handles valuation data, liability calculations, funding and accounting results production as well as financial projections.



Past Involvement with Similar Projects

Strome Actuarial Services, LLC performed an analysis for Letts Industries, a corporate pension plan sponsor looking to mitigate risk relating to their Defined Benefit Plan. By analyzing the retiree population, a specific subset of retirees was selected for annuitization which achieved the sponsor's objectives: reduce the size of the Plan in relation to the organization, reduce the long term administrative expenses of the Plan, and avoid causing a sharp increase in projected cash flow. Mark Unhoch of October Three was brought in to assist with the estimation, negotiation, and implementation of the annuity purchase.

Chip Letts
Letts Industries, Inc.
1111 Bellevue Avenue
Detroit, MI 48207
734-233-8949

Strome Actuarial Services assisted a Government Hospital which was in the process of a pension de-risking transaction. The Hospital needed assistance on risk mitigation as well as possible ways to restructure the Plan. The various strategies included complete termination, partial termination, lump sum window, splitting the Plan into various subsets, as well as other options for settling the liability. Strome Actuarial Services was brought in and partnered with Mark Unhoch to assist with this analysis.

The CEO, CFO, and Director of HR are no longer employed at the Hospital. We can provide their new contact information upon request.

In 2018, Michael Iacoboni helped a large corporate plan sponsor implement a two-phased annuity purchase program for its entire retiree population. He worked closely with senior executives, corporate accountants, Human Resources staff, pension administrators and insurance pricing actuaries to complete this annuity purchase. The result was an asset transfer in excess of \$100 million and annuitization of over 1,000 retired plan participants.

In addition, Michael Iacoboni has consulted on numerous Lump Sum Window programs as part of a broad, pension de-risking strategy.

Retiree pension annuity purchase
Boise Cascade Company
Mr. Kelly Hibbs
1100 W Jefferson St
Boise, ID 83702
208-384-6161



Proposed Work Plan

- 1- First planning meeting: establish the City's purpose and priorities. What, specifically, is the city planning to achieve from an annuity program or alternative de-risking strategy? There are likely multiple answers to this question, so Strome will first set out to gain an understanding of them all as well as which ones (if any) take precedence. Strome will present items and issues that will be impacted by an annuity purchase or other de-risking such as:
 - a. The System's funded level: both funded percentage and amount of gross unfunded liability
 - b. Accounting (GASB) reporting
 - c. Future volatility of the System's liabilities
 - d. Investment strategies, time horizons and assumptions
 - e. Fiduciary duties and due diligence
 - f. Security of current and past participants' pension benefits
 - g. Plan administration
 - h. Communication with plan participants
 - i. Participant data: complete and current

Strome will go over these issues and others with the City. This will allow Strome to understand where the City's needs and priorities lie with regards to each one. This in turn will provide context for Strome to develop an overall strategy for the City's pension system.

At this first meeting, we will also establish roles and responsibilities. Strome will present in detail which members of our staff the City can contact about certain aspects of the project. We will also formulate a timeline for completion of key next steps. We believe that knowing *who* is responsible for *what*, and *when* it is due, is an important part of our client relationships.

- 2- Gather participant data from City of Ann Arbor. Strome staff will communicate with the City's plan administration staff via e-mail and phone conversations. Strome will identify which data points will be needed, and we will work to ensure that transmission of the data is done securely.
Timing: within one to two weeks of signed work agreement.
- 3- Contact insurance or annuity providers. Michael Strome and Mark Unhoch will initiate outreach to annuity providers and other insurance groups to establish an initial gauge of interest and pricing.



Timing: one to two weeks after Strome has received, examined and (if necessary) cleaned pension plan participant data from the City.

- 4- Replicate most recent City of Ann Arbor pension valuation. This will be led primarily by Michael Iacoboni and other Strome staff. All results will be reviewed by Michael Strome, as per our standard procedure.

Timing: this will be done concurrently with Item 3.

- 5- Combining items 1, 2 and 4 above, Strome will develop an initial recommendation for an annuity purchase strategy. This strategy will be presented to the City, either electronically or in person. Included in the presentation will be:
 - a. Range of impacts that should reasonably be expected for the System's funding level.
 - b. Potential number and types of participants who would be affected.
 - c. Alternative choices for the City to pursue and the difference in potential impacts that these alternatives would produce.

Timing: 4-6 weeks after receipt of participant data.

- 6- Feedback from the City regarding Strome's initial recommendation will be used to further develop a strategy for the City. This more evolved strategy will be developed into a draft report which will be presented at an in-person meeting.

Timing: to be determined according to the City's schedule.

- 7- Michael Strome and other lead consultants from Strome will gather input on the draft report from the City. From these discussions, we will develop a presentation to be given at a working session with the City Council.

Timing: 2-3 weeks after discussions and feedback in Item 6.

- 8- A working session with the City Council and plan administrators will be conducted. At least two consultants from Strome will attend.

Timing: to be determined by the City

- 9- City Council meeting, attended by at least two consultants from Strome.

Timing: to be determined by the City

The preceding is a proposed action plan; the final plan will respond to your unique schedule and requirements, pursuant to our initial planning meeting.



Fee Proposal

The Fee Proposal is being submitted as part of this proposal in a separate, sealed, envelope.

Authorized Negotiator

Michael J. Strome, President and Owner, is authorized to negotiate any and all agreements with the City of Ann Arbor.

248-461-6325

michael@stromeactuarial.com

Attachments

The following attachments have all been completed and are enclosed with this proposal:

- Legal Status of Offeror
- Conflict of Interest Form
- Living Wage Compliance Form
- Non-Discrimination Form



**ATTACHMENT B
LEGAL STATUS OF OFFEROR**

(The Respondent shall fill out the provision and strike out the remaining ones.)


The Respondent is:

- A corporation organized and doing business under the laws of the state of _____, for whom _____ bearing the office title of _____, whose signature is affixed to this proposal, is authorized to execute contracts on behalf of respondent.*

*If not incorporated in Michigan, please attach the corporation's Certificate of Authority

- A limited liability company doing business under the laws of the State of Michigan whom Michael Strome bearing the title of President whose signature is affixed to this proposal, is authorized to execute contract on behalf of the LLC.
- A partnership organized under the laws of the State of _____ and filed with the County of _____, whose members are (attach list including street and mailing address for each.)
- An individual, whose signature with address, is affixed to this RFP.

Respondent has examined the basic requirements of this RFP and its scope of services, including all Addendum (if applicable) and hereby agrees to offer the services as specified in the RFP.

Signature  Date: 4/9/2019

(Print) Name Michael Strome Title President

Firm: Strome Actuarial Services LLC

Address: 31313 Northwestern Hwy Ste 114 Farmington Hills

Contact Phone 248 461 3625 Fax 248 327 4482 MI 48334

Email michael@stromeactuarial.com

**ATTACHMENT C
CITY OF ANN ARBOR DECLARATION OF COMPLIANCE**

Non-Discrimination Ordinance

The "non discrimination by city contractors" provision of the City of Ann Arbor Non-Discrimination Ordinance (Ann Arbor City Code Chapter 112, Section 9:158) requires all contractors proposing to do business with the City to treat employees in a manner which provides equal employment opportunity and does not discriminate against any of their employees, any City employee working with them, or any applicant for employment on the basis of actual or perceived age, arrest record, color, disability, educational association, familial status, family responsibilities, gender expression, gender identity, genetic information, height, HIV status, marital status, national origin, political beliefs, race, religion, sex, sexual orientation, source of income, veteran status, victim of domestic violence or stalking, or weight. It also requires that the contractors include a similar provision in all subcontracts that they execute for City work or programs.

In addition the City Non-Discrimination Ordinance requires that all contractors proposing to do business with the City of Ann Arbor must satisfy the contract compliance administrative policy adopted by the City Administrator. A copy of that policy may be obtained from the Purchasing Manager


The Contractor agrees:

- (a) To comply with the terms of the City of Ann Arbor's Non-Discrimination Ordinance and contract compliance administrative policy.
- (b) To post the City of Ann Arbor's Non-Discrimination Ordinance Notice in every work place or other location in which employees or other persons are contracted to provide services under a contract with the City.
- (c) To provide documentation within the specified time frame in connection with any workforce verification, compliance review or complaint investigation.
- (d) To permit access to employees and work sites to City representatives for the purposes of monitoring compliance, or investigating complaints of non-compliance.

The undersigned states that he/she has the requisite authority to act on behalf of his/her employer in these matters and has offered to provide the services in accordance with the terms of the Ann Arbor Non-Discrimination Ordinance. The undersigned certifies that he/she has read and is familiar with the terms of the Non-Discrimination Ordinance, obligates the Contractor to those terms and acknowledges that if his/her employer is found to be in violation of Ordinance it may be subject to civil penalties and termination of the awarded contract.

Strome Actuarial Services LLC

Company Name

 4/9/2019

Signature of Authorized Representative

Date

Michael Strome, President

Print Name and Title

31313 Northwestern Hwy. Ste 114, Farmington Hills MI 48334

Address, City, State, Zip

248-461-3625 michael@stromeactuarial.com

Phone/Email address

Questions about the Notice or the City Administrative Policy, Please contact:

Procurement Office of the City of Ann Arbor

(734) 794-6500

**ATTACHMENT D
CITY OF ANN ARBOR
LIVING WAGE ORDINANCE DECLARATION OF COMPLIANCE**

The Ann Arbor Living Wage Ordinance (Section 1:811-1:821 of Chapter 23 of Title I of the Code) requires that an employer who is (a) a contractor providing services to or for the City for a value greater than \$10,000 for any twelve-month contract term, or (b) a recipient of federal, state, or local grant funding administered by the City for a value greater than \$10,000, or (c) a recipient of financial assistance awarded by the City for a value greater than \$10,000, shall pay its employees a prescribed minimum level of compensation (i.e., Living Wage) for the time those employees perform work on the contract or in connection with the grant or financial assistance. The Living Wage must be paid to these employees for the length of the contract/program.

Companies employing fewer than 5 persons and non-profits employing fewer than 10 persons are exempt from compliance with the Living Wage Ordinance. If this exemption applies to your company/non-profit agency please check here No. of employees

The Contractor or Grantee agrees:

- (a) To pay each of its employees whose wage level is not required to comply with federal, state or local prevailing wage law, for work covered or funded by a contract with or grant from the City, no less than the Living Wage. The current Living Wage is defined as \$13.61/hour for those employers that provide employee health care (as defined in the Ordinance at Section 1:815 Sec. 1 (a)), or no less than \$15.18/hour for those employers that do not provide health care. The Contractor or Grantor understands that the Living Wage is adjusted and established annually on April 30 in accordance with the Ordinance and covered employers shall be required to pay the adjusted amount thereafter to be in compliance with Section 1:815(3).

Check the applicable box below which applies to your workforce

Employees who are assigned to any covered City contract/grant will be paid at or above the applicable living wage without health benefits

Employees who are assigned to any covered City contract/grant will be paid at or above the applicable living wage with health benefits

- (b) To post a notice approved by the City regarding the applicability of the Living Wage Ordinance in every work place or other location in which employees or other persons contracting for employment are working.
- (c) To provide to the City payroll records or other documentation within ten (10) business days from the receipt of a request by the City.
- (d) To permit access to work sites to City representatives for the purposes of monitoring compliance, and investigating complaints or non-compliance.
- (e) To take no action that would reduce the compensation, wages, fringe benefits, or leave available to any employee covered by the Living Wage Ordinance or any person contracted for employment and covered by the Living Wage Ordinance in order to pay the living wage required by the Living Wage Ordinance.

The undersigned states that he/she has the requisite authority to act on behalf of his/her employer in these matters and has offered to provide the services or agrees to accept financial assistance in accordance with the terms of the Living Wage Ordinance. The undersigned certifies that he/she has read and is familiar with the terms of the Living Wage Ordinance, obligates the Employer/Grantee to those terms and acknowledges that if his/her employer is found to be in violation of Ordinance it may be subject to civil penalties and termination of the awarded contract or grant of financial assistance.

Strome Actuarial Services LLC 31313 Northwestern Hwy Ste 114
Company Name Street Address

[Signature] 4/9/2019 Farmington Hills MI 48334
Signature of Authorized Representative Date City, State, Zip

Michael Strome, President 248-461-3625 michael@strome
Print Name and Title Phone/Email address

actuarial.com



ATTACHMENT E

VENDOR CONFLICT OF INTEREST DISCLOSURE FORM

All vendors interested in conducting business with the City of Ann Arbor must complete and return the Vendor Conflict of Interest Disclosure Form in order to be eligible to be awarded a contract. Please note that all vendors are subject to comply with the City of Ann Arbor's conflict of interest policies as stated within the certification section below.

If a vendor has a relationship with a City of Ann Arbor official or employee, an immediate family member of a City of Ann Arbor official or employee, the vendor shall disclose the information required below.

1. No City official or employee or City employee's immediate family member has an ownership interest in vendor's company or is deriving personal financial gain from this contract.
2. No retired or separated City official or employee who has been retired or separated from the City for less than one (1) year has an ownership interest in vendor's Company.
3. No City employee is contemporaneously employed or prospectively to be employed with the vendor.
4. Vendor hereby declares it has not and will not provide gifts or hospitality of any dollar value or any other gratuities to any City employee or elected official to obtain or maintain a contract.
5. Please note any exceptions below:

Conflict of Interest Disclosure*	
Name of City of Ann Arbor employees, elected officials or immediate family members with whom there may be a potential conflict of interest.	<input type="checkbox"/> Relationship to employee
	<input type="checkbox"/> Interest in vendor's company
	<input type="checkbox"/> Other (please describe in box below)

*Disclosing a potential conflict of interest does not disqualify vendors. In the event vendors do not disclose potential conflicts of interest and they are detected by the City, vendor will be exempt from doing business with the City.

<p>I certify that this Conflict of Interest Disclosure has been examined by me and that its contents are true and correct to my knowledge and belief and I have the authority to so certify on behalf of the Vendor by my signature below:</p>		
Strome Actuarial Services LLC		248-461-3625
Vendor Name		Vendor Phone Number
	4/9/2019	Michael Strome
Signature of Vendor Authorized Representative	Date	Printed Name of Vendor Authorized Representative

Questions about this form? Contact Procurement Office City of Ann Arbor Phone: 734/794-6500, procurement@a2gov.org

City of Ann Arbor
Financial and Administrative Services Area

Is Presented with Proposal for a

RFP No. 19-09 – Pension Annuity

**City of Ann Arbor
c/o Customer Service
301 East Huron Street
Ann Arbor, MI 48107**

By:

Principal Contact and Person Authorized to Execute Contract

Elliot N. Dinkin, President/CEO
Phone: 412-394-9997
Cowden Associates, Inc.
444 Liberty Avenue, Suite 605
Pittsburgh, PA 15222
Fax: 412-394-9324

COWDEN

City of Ann Arbor
RFP No. 19-09 – Pension Annuity

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Exhibit I: Biographies

Exhibit II: *WorldatWork* – WorkSpan Article

This proposal is effective for 90 days from the date of submission and subject to change thereafter.

Ethical Responsibility

Cowden conducts our business in accordance with all applicable federal, state, and local laws and regulations. Legal compliance is one of the core assets of our ethical responsibility and assists in defining the minimum essential duties and responsibilities in servicing our clients.

Cowden strives to act with the utmost integrity, not just in our most important corporate decisions, but in the actions taken every day by our employees. Ethical conduct is a high ideal, but often just means exercising common sense and sound judgement. It is the job of every Cowden employee to conduct business with the utmost integrity, thus, making Cowden a better company, a better partner with our clients, and a better corporate citizen.

The information contained herein is confidential and may only be used by the City of Ann Arbor. Under no circumstances should the information contained herein be shared with anyone outside of the City of Ann Arbor.

Cover Letter

April 10, 2019

City of Ann Arbor
c/o Customer Service
301 East Huron Street
Ann Arbor, MI 48107

RE: Response to: RFP No. 19-09 – Pension Annuity

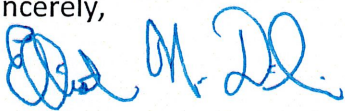
Cowden Associates, Inc. (Cowden) is pleased to provide this response to the City of Ann Arbor's (CAA) Request for Proposal (RFP) for a consultant to evaluate the feasibility and cost for the CAA to purchase an annuity to pay its pension benefits.

Cowden has received Addendum No. 1 Corrections/Additions/Deletions
Cowden has received Addendum No. 2 Questions and Answers

Cowden is recognized as a leading, independent compensation, health and benefits, and retirement consulting firm regionally, nationally, and internationally. Established in 1996, Cowden brings together seasoned professionals to provide client-focused advice designed to produce superior and measurable results to businesses, regardless of size or industry. Client industries include financial institutions, governmental entities, healthcare, manufacturing, not-for-profit, school districts, and Taft-Hartley.

We are committed to providing the services at the pricing proposed within this RFP response. Thank you for this opportunity and your consideration.

Sincerely,



Elliot N. Dinkin
President/CEO
412.394.9997
elliottd@cowdenassociates.com

Enclosures

City of Ann Arbor
RFP No. 19-09 – Pension Annuity

A. Professional Qualifications

- 1. State the full name and address of your organization and, if applicable, the branch office or other subsidiary element that will perform, or assist in performing, the work hereunder. Indicate whether it operates as an individual, partnership, or corporation. If as a corporation, include whether it is licensed to operate in the State of Michigan.**

Response:

Cowden Associates, Inc.
444 Liberty Avenue, Suite 605
Pittsburgh, PA 15222

Our parent company, Acrisure, LLC is licensed to operate in the State of Michigan.

- 2. Include the name of executive and professional personnel by skill and qualification that will be employed in the work. Show where these personnel will be physically located during the time they are engaged in the work. Indicate which of these individuals you consider key to the successful completion of the project. Identify only individuals who will do the work on this project by name and title. Resumes and qualifications are required for all proposed project personnel, including all subcontractors. Qualifications and capabilities of any subcontractors must also be included.**

Response:

Cowden Associates, Inc. will be the primary firm responsible for all deliverables for the project. Depending upon the final scope of the project related to the actual purchasing of the annuities, we may as warranted, be assisted by staff of Ann Arbor Annuity Exchange or if so desired by CAA, utilize a recommended organization.

Employee for Cowden Associates, Inc. will all be located at:

444 Liberty Avenue, Suite 605
Pittsburgh, PA 15222

Key Executive: Elliot N. Dinkin, President/CEO

Key Executive: Robert Crnjarich, EA, FCA, MAAA, Senior Vice President, Retirement and Actuarial Services

See Exhibit I for biographies.

In addition to resumes, the attached Exhibit II is a recent article by Elliot Dinkin published in WorldatWork's *WorkSpan* magazine titled: "What to Do About Underfunded Pension Plans."

City of Ann Arbor
RFP No. 19-09 – Pension Annuity

3. State history of the firm, in terms of length of existence, types of services provided, etc. Identify the technical details that make the firm uniquely qualified for this work.

Response:

For more than 35 years, Cowden has provided *compensation, health and benefits, and retirement* consulting regionally, nationally, and internationally to an array of clients from our single office based in Pittsburgh, PA.

Cowden is recognized as a consulting industry leader because of our exceptional interactive approach, which sets us apart from similar firms. To deliver a tailored solution to our clients' specific needs, we first identify the overall attributes unique to their organizations. We then build an understanding of the organization by asking questions, observing, and listening. In this manner, clients receive innovative solutions for their specific business circumstances.

Cowden was established in 1996 through a merger between Halliwell and Associates, which was founded by Paul D. Halliwell in 1973, and MMC&P Spectrum Benefits Options. In 2017, Cowden became part of Acrisure, a leading, national network of agencies offering insurance and risk management expertise to a broad base of clients of all sizes and across a myriad of industries. Through Acrisure, Cowden is positioned to provide increased capabilities across a full spectrum of insurance-related products and consulting services. Additionally, with our enhanced national presence, not only do we have access to a multitude of vendors, we tap into the expertise of over 5,000 insurance industry professionals.

Cowden has performed annuity purchase services for all types of organizations. Our process permits us to know the tasks, timing and responsibilities before we begin.

The most unique aspect of our process is that we are 100% independent of insurance companies. This affords us the ability to make recommendations based on the best interest of our clients with no obligations to represent any one company above others for financial gain.

Additionally, our staff of 25 employees, including six credentialed actuaries, allows us the ability to provide clients with the valuable technical expertise to ensure all aspects of the project are completed timely and accurately.

We believe that Cowden's total compensation philosophy and approach to assisting our clients in managing their benefit plans sets us apart from our competitors. While the concept is not new, the total compensation approach, stems from the viewpoint that employers should develop and implement a strategic business plan built upon a well-rounded philosophy that places an emphasis on compensation, benefits, and work-life balance. That is why in today's business environment, we firmly believe that employers must continuously develop new approaches for managing total compensation programs which attract, retain, and motivate employees.

City of Ann Arbor
RFP No. 19-09 – Pension Annuity

Our consultative process positions employers to strategically implement a focused, comprehensive total compensation approach that is critical in the attraction, retention, and motivation of employees and a necessity in fulfilling an organization's strategic business objectives. We stand firm in our belief that for employers to accomplish their objectives, there must be a blend of base pay, incentive pay (whether in the form of cash or non-cash awards such as stocks), benefits, or non-financial rewards. Thus making our clients employers of choice.

Our clients are confident and satisfied with our consultative model and total compensation approach. Cowden has achieved an average client retention rate of 95%.

City of Ann Arbor
RFP No. 19-09 – Pension Annuity

B. Past Involvement with Similar Projects

The written proposal must include a list of specific experience in the project area and indicate proven ability in implementing similar projects for the firm and the individuals to be involved in the project. A complete list of client references must be provided for similar projects recently completed. The list shall include the firm/agency name, address, telephone number, project title, and contact person.

Response:

Firm Name: **Independent Health Association, Inc.**
Address: 511 Farber Lakes Drive
Buffalo, NY 14221
Telephone: 716.635.3710
Project Title: Annuity Purchase
Contact Person: Mark Johnson – Retired/Advisory Role
Individuals Involved: Elliot Dinkin and Robert Crnjarich, EA, FCA, MAAA

Firm Name: **The Heinz Endowments**
Address: 30 EQT Tower
625 Liberty Avenue
Pittsburgh, PA 15222
Telephone: 412.338.2625
Project Title: Annuity Purchase
Contact Person: Edward F. Kolano, Vice President, Finance and Administration/Chief 1
Individuals Involved: Elliot Dinkin and Robert Crnjarich, EA, FCA, MAAA

Firm Name: **Easterseals Western and Central Pennsylvania**
Address: 2525 Railroad Street
Pittsburgh, PA 15222
Telephone: 412.392.4400
Project Title: Annuity Purchase
Contact Person: Peter Mendes, Consultant (Prior acting CFO of Easterseals)
Individuals Involved: Elliot Dinkin and Robert Crnjarich, EA, FCA, MAAA

Firm Name: **1889 Foundation**
Address: 4 Valley Pike
Johnstown, PA 15905
Telephone: 814.532.0100
Project Title: Annuity Purchase
Contact Person: Wendy Reitnauer, Director of Finance
Individuals Involved: Elliot Dinkin, Robert Crnjarich, EA, FCA, MAAA, and David Weaver, EA, ASA, MAAA

City of Ann Arbor
RFP No. 19-09 – Pension Annuity

Firm Name: **Highlands Hospital**
Address: 401 East Murphy Avenue
Connellsville, PA 15425
Telephone: 724.626.2359
Project Title: Annuity Purchase
Contact Person: John Andursky, Chief Financial Officer
Individuals Involved: Elliot Dinkin and Robert Crnjarich, EA, FCA, MAAA

Firm Name: **Laurel Valley Golf Club**
Address: P. O. Box 435
Ligonier, PA 15658
Telephone: 724.238.9555
Project Title: Annuity Purchase
Contact Person: Bruce Robinson, CCM, General Manager
Individuals Involved: Elliot Dinkin and Robert Crnjarich, EA, FCA, MAAA

Firm Name: **Pittsburgh Golf Club**
Address: 5280 Northumberland Street
Pittsburgh, PA 15217
Telephone: 412.621.4530
Project Title: Annuity Purchase
Contact Person: Denise Folley, Plan Administrator
Individuals Involved: Elliot Dinkin and Robert Crnjarich, EA, FCA, MAAA

Firm Name: **L. B. Foster**
Address: 415 Holiday Drive
Pittsburgh, PA 15220
Telephone: 412.928.3450
Project Title: Annuity Purchase
Contact Person: James Maloney, Chief Financial Officer and Treasurer
Individuals Involved: Elliot Dinkin and Robert Crnjarich, EA, FCA, MAAA

Firm Name: **Triangle Package Machinery Co.**
Address: 6655 W. Diversey Avenue
Chicago, IL 60707
Telephone: 773.836.3453
Project Title: Annuity Purchase
Contact Person: Tim Gasparich, Chief Financial Officer
Individuals Involved: Elliot Dinkin and Robert Crnjarich, EA, FCA, MAAA

City of Ann Arbor
RFP No. 19-09 – Pension Annuity

In addition to the identified references, we have performed analysis reviews for organizations who are or have considered annuities as an option. Those organizations include:

- People’s Bank
- The Pittsburgh Post-Gazette
- Ross International, LTD.

Other Clients of Interest:

- Retirement Board of Allegheny County
- City of Miami
- Port Authority of Allegheny County
- Allegheny County Sanitary Authority
- Westmoreland County Municipal Authority
- Borough of Gettysburg
- City of Franklin

C. Proposed Work Plan

Provide a detailed and comprehensive description of how the offeror intends to provide the services requested in this RFP. This description shall include, but not be limited to: how the project(s) will be managed and scheduled, how and when data and materials will be delivered to the City, communication and coordination, the working relationship between the offeror and City staff, and the company's general philosophy in regards to providing the requested services.

Offerors shall be evaluated on the clarity, thoroughness, and content of their responses to the above items.

Response:

Overview of work plan:

Phase I: Objectives of the project and creation of work plan — The initial phase of the project will be to gain a complete understanding of the operations of the CAA, focusing on the structure and the budget. We will review the current demographics of current employees, deferred vested pension plan participants, and current retirees. During this phase, we will want to comprehend the CAA's objectives for undertaking this project and determine the ultimate goals, such as:

- Eliminate liability
- Smooth out the volatility of the balance sheet liabilities
- Reduce operating expenses
- Improve cash position of the CAA

This Phase will commence with a kickoff meeting and deliver an initial data request either prior to or immediately after the kickoff meeting. This can be completed immediately upon engagement. During this initial kickoff meeting, we will discuss the details of the project, including timelines, responsibilities, your preferred form of communications, and coordination of CAA personnel. We are respectful of your time and other commitments and want to be certain that our involvement is planned to accommodate your schedules.

Phase II: Creating a baseline report — Armed with the data obtained during Phase I and relying upon our in-depth knowledge of pension plan operations and related actuarial analysis, we will prepare and deliver an overview of multiple strategies to accomplish the goals and objectives of this project. This will include the impact on the CAA from a financial prospective, including future projections of cashflow, expense and balance sheet ramifications of any approach. This information will be delivered in a detailed report including all related assumptions and methods. The report format will be customized to meet your needs. Specifically, we would subdivide the groupings among General Employees, Police, and Fire.

City of Ann Arbor
RFP No. 19-09 – Pension Annuity

This initial report will outline the specific concepts and steps needed to implement the project. For example, we will break out the current costs and liabilities by each group within the plan – separating current actives, deferred vested participants (DVs) and current retirees, as well as further separations among General Employees, Police, and Fire.

For example, one of the initial approaches may be to offer voluntary lump-sum windows for DVs and current retirees. We would compare the estimated impact of this offering utilizing various assumptions regarding acceptance rates of the lump-sum window. The other option could potentially involve the purchase of non-participating annuity contracts for DVs and current retirees, illustrating the impact on the CAA’s pension plan from a cashflow, expense, and liability perspective and then ranking the impact aligned with your objectives.

We are uniquely qualified to estimate this information using our actuarial expertise and can create the ideal model to accomplish these tasks. Certainly, if preferable, we can coordinate our activities with your current actuaries if it is determined to be more efficient both from a cost and time perspective. We would be pleased to discuss with you the pros and cons of this approach.

Phase III: Obtaining quotes for annuity purchases and presenting results – Over 15 years ago, we decided as a firm, to create a unique sub-specialty to assist plan sponsors in evaluating options for de-risking strategies. We wanted to be certain to meet the following conditions:

- **Assist a plan sponsor in meeting fiduciary obligations** – Our work can be used to demonstrate a sound and thorough approach to support the position that the plan sponsor was acting prudently.
- **Maintain independence** – We did not want to have any direct or indirect relationships with any insurance companies who were in the business of providing any type of annuity products. This way we would always be acting exclusively in the best interest of our clients by only accepting fees and/or commissions for our services, as fully disclosed, prior to the start of any engagement. In order to do this, we formed an alliance with the ***Ann Arbor Annuity Exchange*** as a solid partner to be utilized in this approach. We have worked with them on a majority of these projects but not all, and have other strategic alliances available for this project if so desired by the CAA. We highlight our involvement with them to illustrate our focus for maintaining independence as well as their geographic location within the city limits of Ann Arbor. We would be responsible for working with them or other vendors as directed, and any compensation earned on this engagement for any other party would also be our responsibility. Our fees and/or commissions are competitive and CAA will not incur additional costs.
- **Providing proactive advice** – We can advise you on market changes and other factors of the ideal time to move forward on a particular course of action, including pulling the trigger on all of or a portion of a particular annuity purchase.

City of Ann Arbor
RFP No. 19-09 – Pension Annuity

- **Creation of a sound and repeatable process** — The selection of an annuity provider for purposes of a pension benefit distribution is a fiduciary decision governed by the Employee Retirement Income Security Act of 1974 (ERISA). The Department of Labor issued Interpretive Bulletin 95-1 (IB 95-1), as amended, to provide guidance in the selection of an annuity provider.

In accordance with IB 95-1, plan fiduciaries must conduct an objective, thorough, and analytical search for purposes of identifying providers from which to purchase annuities. The bulletin establishes factors that should be considered by fiduciaries in evaluating a provider's claims-paying ability and creditworthiness, including, but not limited to the following:

- The quality and diversification of the annuity provider's investment portfolio
- The size of the insurer relative to the proposed contract
- The level of the insurer's capital and surplus
- The lines of business of the annuity provider and other indications of an insurer's exposure to liability
- The structure of the annuity contract and guarantees supporting the annuity, such as the use of separate accounts
- The availability of additional protection through state guaranty associations and the extent of their guarantees.

In conjunction with your derisking analysis of the Plan, our initial focus will most likely be related to the potential purchase of annuities for current retirees. Based on our experience, we will develop the following criteria and process for each search:

- Any and all annuity purchases must be *non-participating* annuity contracts.
 - Once purchased, there will be no trailing liability to the CAA.
 - Once purchased, the Plan and the CAA will have no on-going administrative or compliance issues/responsibilities regarding the payment of benefits.
- Identify the potential scope of insurance companies that are experienced in handling qualified plan purchases of this nature, focusing on the size of the one-time investment and related ongoing administration.
- Insurance companies must be highly rated (A rated or better, based on AM Best ratings and other independent ratings agencies, including Moody's).
- A large number of qualified vendors will be offered an opportunity to provide complete quotations.
- Independent quotations will be solicited using the census of existing retirees of the Plan.
 - Data provided should contain relevant information such as: date of birth (retiree and spouse, or surviving spouse), retirement election chosen, monthly benefit payment, and other necessary information to produce a quote.
- Then narrow the finalists based on price, financial ratings, and service.
- Negotiations will be conducted to arrive at a *best price*.

City of Ann Arbor
RFP No. 19-09 – Pension Annuity

The decision to purchase non-participating annuities representing a large portion of plan assets for current retirees is a significant investment decision for the fiduciaries of the Plan. As such, conducting an independent search for the best available entity should be completed in a prudent manner. In conducting the search, many companies will be identified. Since the focus is on life payouts, the search will identify the best combination of pricing, service, financial ratings, and other clients' experiences. Based on the certain criteria, we will then present our findings to the relevant parties and provide you with sufficient data for you to make an informed choice of a qualified annuity carrier.

Our report will include breaking down the results into the required format that would include details for General Employees, Police, and Firefighters.

Following is a sample work plan that will identify timing and responsibilities:

City of Ann Arbor Annuity Purchase Work Plan				
Phase	Task	Responsible Party	Status	Timeline
Phase I	Creation of a Work Plan <ul style="list-style-type: none"> • Project development <ul style="list-style-type: none"> ○ Initial data request ○ Responsibilities ○ Communication 	Cowden Associates/City of Ann Arbor	TBD	Within one week after completing engagement agreement
Phase II	Financial Analysis <ul style="list-style-type: none"> • Impact of cashflow, expense and balance sheet of identified strategies • Identified assumptions • Detailed methodology • Group specific (General, Police, and Fire) 	Cowden Associates	TBD	Within 4 weeks of receiving all data

**City of Ann Arbor
RFP No. 19-09 – Pension Annuity**

City of Ann Arbor Annuity Purchase Work Plan				
Phase	Task	Responsible Party	Status	Timeline
Phase III	<p>Annuity Purchase Process</p> <ul style="list-style-type: none"> • Updated census TBD • Determine market value of plan assets TBD • Prepare database for submission to potential annuity providers • Gather plan documentation for submission to potential annuity providers • Annuity search • Prepare a special report TBD • Liabilities will be calculated TBD based on updated census • An individual participant liability listing on a Funding Target basis will be provided with the inactive statuses grouped for: <ul style="list-style-type: none"> ○ General Employees ○ Police ○ Fire • Obtain Board approval of transaction • Final annuity placement 	Cowden Associates	TBD	This process can be completed in approximately 4 weeks after direction is provided for Phase II

City of Ann Arbor
RFP No. 19-09 – Pension Annuity

D. Fee Proposal

Fee schedules shall be submitted in a separate, sealed, envelope as part of the proposal. Fees are to include the names, title, hourly rates, overhead factors, and any other relevant details. The proposal should highlight key staff and positions that would likely be involved with projects. Offerors shall be capable of justifying the details of the fee proposal relative to personnel costs, overhead, how the overhead rate is derived, material and time.

Response:

The Fee Proposal is provided under separate sealed cover of the proposal package.

City of Ann Arbor
RFP No. 19-09 – Pension Annuity

E. Authorized Negotiator

Include the name, phone number, and e-mail address of persons(s) in your organization authorized to negotiate the agreement with the City.

Response:

The following individual is authorized to negotiate the agreement with the City:

Elliot N. Dinkin, President/CEO

Phone: 412-394-9997

Cowden Associates, Inc.

444 Liberty Avenue, Suite 605

Pittsburgh, PA 15222

elliottd@cowdenassociates.com

**ATTACHMENT B
LEGAL STATUS OF OFFEROR**

(The Respondent shall fill out the provision and strike out the remaining ones.)

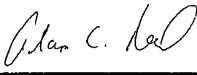
The Respondent is:

- A corporation organized and doing business under the laws of the state of _____, for whom _____ bearing the office title of _____, whose signature is affixed to this proposal, is authorized to execute contracts on behalf of respondent.*

*If not incorporated in Michigan, please attach the corporation's Certificate of Authority

- A limited liability company doing business under the laws of the State of MICHIGAN whom ADAM C. REED bearing the title of EXECUTIVE VICE PRESIDENT whose signature is affixed to this proposal, is authorized to execute contract on behalf of the LLC.
- A partnership organized under the laws of the State of _____ and filed with the County of _____, whose members are (attach list including street and mailing address for each.)
- An individual, whose signature with address, is affixed to this RFP.

Respondent has examined the basic requirements of this RFP and its scope of services, including all Addendum (if applicable) and hereby agrees to offer the services as specified in the RFP.


_____ Date: 4-1-19,
Signature

(Print) Name ADAM C. REED Title EVP

Firm: ACRISURE, LLC dba COWDEN ASSOCIATES

Address: 5664 PRAIRIE CREEK DR S.E. CALEDONIA, MI 49316

Contact Phone (616) 541-1221 Fax (616) 541-1337

Email AREED@ACRISURE.COM

**ATTACHMENT C
CITY OF ANN ARBOR DECLARATION OF COMPLIANCE**

Non-Discrimination Ordinance

The "non discrimination by city contractors" provision of the City of Ann Arbor Non-Discrimination Ordinance (Ann Arbor City Code Chapter 112, Section 9:158) requires all contractors proposing to do business with the City to treat employees in a manner which provides equal employment opportunity and does not discriminate against any of their employees, any City employee working with them, or any applicant for employment on the basis of actual or perceived age, arrest record, color, disability, educational association, familial status, family responsibilities, gender expression, gender identity, genetic information, height, HIV status, marital status, national origin, political beliefs, race, religion, sex, sexual orientation, source of income, veteran status, victim of domestic violence or stalking, or weight. It also requires that the contractors include a similar provision in all subcontracts that they execute for City work or programs.

In addition the City Non-Discrimination Ordinance requires that all contractors proposing to do business with the City of Ann Arbor must satisfy the contract compliance administrative policy adopted by the City Administrator. A copy of that policy may be obtained from the Purchasing Manager

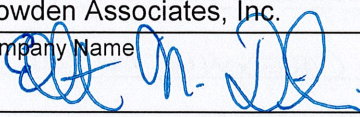
The Contractor agrees:

- (a) To comply with the terms of the City of Ann Arbor's Non-Discrimination Ordinance and contract compliance administrative policy.
- (b) To post the City of Ann Arbor's Non-Discrimination Ordinance Notice in every work place or other location in which employees or other persons are contracted to provide services under a contract with the City.
- (c) To provide documentation within the specified time frame in connection with any workforce verification, compliance review or complaint investigation.
- (d) To permit access to employees and work sites to City representatives for the purposes of monitoring compliance, or investigating complaints of non-compliance.

The undersigned states that he/she has the requisite authority to act on behalf of his/her employer in these matters and has offered to provide the services in accordance with the terms of the Ann Arbor Non-Discrimination Ordinance. The undersigned certifies that he/she has read and is familiar with the terms of the Non-Discrimination Ordinance, obligates the Contractor to those terms and acknowledges that if his/her employer is found to be in violation of Ordinance it may be subject to civil penalties and termination of the awarded contract.

Cowden Associates, Inc.

Company Name

 _____
Signature of Authorized Representative

4/5/2019

Date

Elliot N. Dinkin, President/CEO

Print Name and Title

444 Liberty Avenue, Suite 605, Pittsburgh, PA 15222

Address, City, State, Zip

412.394.9997 / elliotd@cowdenassociates.com

Phone/Email address

Questions about the Notice or the City Administrative Policy, Please contact:
Procurement Office of the City of Ann Arbor
(734) 794-6500

**ATTACHMENT D
CITY OF ANN ARBOR
LIVING WAGE ORDINANCE DECLARATION OF COMPLIANCE**

The Ann Arbor Living Wage Ordinance (Section 1:811-1:821 of Chapter 23 of Title I of the Code) requires that an employer who is (a) a contractor providing services to or for the City for a value greater than \$10,000 for any twelve-month contract term, or (b) a recipient of federal, state, or local grant funding administered by the City for a value greater than \$10,000, or (c) a recipient of financial assistance awarded by the City for a value greater than \$10,000, shall pay its employees a prescribed minimum level of compensation (i.e., Living Wage) for the time those employees perform work on the contract or in connection with the grant or financial assistance. The Living Wage must be paid to these employees for the length of the contract/program.

Companies employing fewer than 5 persons and non-profits employing fewer than 10 persons are exempt from compliance with the Living Wage Ordinance. If this exemption applies to your company/non-profit agency please check here No. of employees

The Contractor or Grantee agrees:

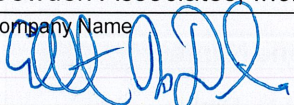
- (a) To pay each of its employees whose wage level is not required to comply with federal, state or local prevailing wage law, for work covered or funded by a contract with or grant from the City, no less than the Living Wage. The current Living Wage is defined as \$13.61/hour for those employers that provide employee health care (as defined in the Ordinance at Section 1:815 Sec. 1 (a)), or no less than \$15.18/hour for those employers that do not provide health care. The Contractor or Grantor understands that the Living Wage is adjusted and established annually on April 30 in accordance with the Ordinance and covered employers shall be required to pay the adjusted amount thereafter to be in compliance with Section 1:815(3).

Check the applicable box below which applies to your workforce	
<input type="checkbox"/>	Employees who are assigned to any covered City contract/grant will be paid at or above the applicable living wage without health benefits
<input checked="" type="checkbox"/>	Employees who are assigned to any covered City contract/grant will be paid at or above the applicable living wage with health benefits

- (b) To post a notice approved by the City regarding the applicability of the Living Wage Ordinance in every work place or other location in which employees or other persons contracting for employment are working.
- (c) To provide to the City payroll records or other documentation within ten (10) business days from the receipt of a request by the City.
- (d) To permit access to work sites to City representatives for the purposes of monitoring compliance, and investigating complaints or non-compliance.
- (e) To take no action that would reduce the compensation, wages, fringe benefits, or leave available to any employee covered by the Living Wage Ordinance or any person contracted for employment and covered by the Living Wage Ordinance in order to pay the living wage required by the Living Wage Ordinance.

The undersigned states that he/she has the requisite authority to act on behalf of his/her employer in these matters and has offered to provide the services or agrees to accept financial assistance in accordance with the terms of the Living Wage Ordinance. The undersigned certifies that he/she has read and is familiar with the terms of the Living Wage Ordinance, obligates the Employer/Grantee to those terms and acknowledges that if his/her employer is found to be in violation of Ordinance it may be subject to civil penalties and termination of the awarded contract or grant of financial assistance.

Cowden Associates, Inc.

 Company Name


 Signature of Authorized Representative
 4/15/2019

 Date

444 Liberty Avenue, Suite 605

 Street Address
 Pittsburgh, PA 15222

 City, State, Zip

Elliot N. Dinkin, President/CEO

 Print Name and Title

412.394.9997 / elliotd@cowdenassociates.com

 Phone/Email address

ATTACHMENT E



VENDOR CONFLICT OF INTEREST DISCLOSURE FORM
--

All vendors interested in conducting business with the City of Ann Arbor must complete and return the Vendor Conflict of Interest Disclosure Form in order to be eligible to be awarded a contract. Please note that all vendors are subject to comply with the City of Ann Arbor's conflict of interest policies as stated within the certification section below.

If a vendor has a relationship with a City of Ann Arbor official or employee, an immediate family member of a City of Ann Arbor official or employee, the vendor shall disclose the information required below.

1. No City official or employee or City employee's immediate family member has an ownership interest in vendor's company or is deriving personal financial gain from this contract.
2. No retired or separated City official or employee who has been retired or separated from the City for less than one (1) year has an ownership interest in vendor's Company.
3. No City employee is contemporaneously employed or prospectively to be employed with the vendor.
4. Vendor hereby declares it has not and will not provide gifts or hospitality of any dollar value or any other gratuities to any City employee or elected official to obtain or maintain a contract.
5. Please note any exceptions below:

Conflict of Interest Disclosure*	
Name of City of Ann Arbor employees, elected officials or immediate family members with whom there may be a potential conflict of interest.	<input type="checkbox"/> Relationship to employee <hr/> <input type="checkbox"/> Interest in vendor's company <input type="checkbox"/> Other (please describe in box below)

*Disclosing a potential conflict of interest does not disqualify vendors. In the event vendors do not disclose potential conflicts of interest and they are detected by the City, vendor will be exempt from doing business with the City.

I certify that this Conflict of Interest Disclosure has been examined by me and that its contents are true and correct to my knowledge and belief and I have the authority to so certify on behalf of the Vendor by my signature below:		
Cowden Associates, Inc.	412.394.9997	
Vendor Name	Vendor Phone Number	
		Elliot N. Dinkin
Signature of Vendor Authorized Representative	Date	Printed Name of Vendor Authorized Representative

Elliot N. Dinkin President/CEO

Elliot Dinkin is equally comfortable whether he is in a courtroom providing testimony or in a CFO's office providing strategic counsel.

The 35-year plus veteran of the actuarial, compensation and employee benefits field continues to make his mark. Today, as President and CEO at Cowden Associates, Inc., Elliot provides leadership to position the company at the forefront of the industry. His exceptional ability to view issues in the framework of a "total compensation" philosophy provides clients with a unique perspective as they search for creative ways to address their compensation, benefits and retirement needs. Elliot earned his MBA in Finance and Accounting from the University of Pittsburgh and a BA in Economics (Cum Laude) from Dickinson College.

Elliot's breadth and depth of experience recently enabled him to lead a complex pension-freeze process for a client. Though it was initially underfunded by about \$50 million, the freeze resulted in a fully funded \$250 million pension plan. He was also instrumental in creating a new executive compensation program for a bank holding company as it prepared to change ownership. This process involved the intricate handling of both current and future owners, while still creating an effective total compensation package that would reward and motivate key executives.

The entrepreneurial spirit that Elliot has at Cowden Associates, Inc. is the same that led him to conceive and build Elliot Dinkin and Associates, Inc., where he served as president for eight years. His insight into the challenges facing the C-suite, as well as his understanding of the global and regional marketplace makes him a natural at servicing clients and continually finding new ways to meet their needs.

In addition to providing value for clients, Elliot's expert knowledge has been tapped by publications including *The Bankers Magazine* and *Employee Benefits News*, *World@Work Benefits & Work Life Focus*, *Law360*, as well as *Smart Business Magazine* as a quarterly contributor. Elliot's speaking engagements include the International Foundation of Employee Benefit Plans (IFEBC), the Society for Human Resource Management (SHRM), the International Society of Certified Employee Benefits Specialists (ISCEBS), National Association of Health Underwriters, WPA Chapter of American Payroll Association, Pittsburgh Total Rewards Association and Institute for Entrepreneurial Excellence. His broad understanding of the issues has also made Elliot a frequent expert witness in legal proceedings on concerns ranging from compensation and collective bargaining issues to retirement. Elliot was recently elected onto the local NKF Board of Directors, and is a board member of the Pennsylvania Economy League of Greater Pittsburgh, and previously served as the Vice Chair of Finances for the Hillel Jewish University Center at the University of Pittsburgh.

"We advance the objectives of our clients by focusing our integrity and expertise to achieve superior results."

Robert Crnjarich, EA, FCA, MAAA Senior Vice President, Retirement and Actuarial Services

While his daytime passion as an actuary includes helping clients project their obligations to retirees, Bob Crnjarich's passion to help people transcends his professional life.

Bob has spent many years involved with the charity St. Barnabas Health System. Currently on the Board of The Woodlands at St. Barnabas, Bob offers input that helps retirees live comfortably at a price they can afford.

As a member of St. Barnabas Charities Founder's Day and Charitable Golf Outing Committees, Bob helped raise money for the St. Barnabas Charitable Foundation's Free Care Fund. In the process, he has had the opportunity to meet several high-profile people, including former Speaker of the House Newt Gingrich and Michael Reagan, oldest son of President Ronald Reagan.

Bob, who joined Cowden in 2006, has been involved in the employee benefits consulting business since 1983. Fresh out of the University of Pittsburgh, where he graduated magna cum laude with a degree in mathematics, Bob began his career with Mercer Human Resources Consulting as an actuarial analyst. During his time with Mercer, he eventually worked as a consultant and actuary responsible for many client relationships. Bob spent the next six years as co-owner of Boetger & Associates LLC.

Today, as a Senior Vice President with Cowden, Bob's primary responsibility is to provide senior-level retirement consulting services to a wide range of clients, as well as manage those client relationships.

Bob helps clients meet the financial, regulatory and accounting demands of their defined benefit, defined contribution and retiree healthcare plans. In addition, Bob provides analytical support by developing financial models with what if scenarios, which measure risk versus opportunity. His support includes multi-level calculations and options that consider differences in cash flow, expense and cost.

Bob is an Enrolled Actuary (EA) under ERISA, a Fellow of the Conference of Consulting Actuaries (FCA) and a Member of the American Academy of Actuaries (MAAA).

"We advance the objectives of our clients by focusing our integrity and expertise to achieve superior results."

WORKSPAN

WORKSPAN DAILY | FEBRUARY 7, 2019

What to Do About Underfunded Pension Plans

BY ELLIOT DINKIN, COWDEN ASSOCIATES

State and local governments sponsor nearly 4,000 pension plans that cover almost 20 million retirees, employees and former employees who have not yet claimed benefits. The majority of full-time state and local government employees participate in a defined benefit (DB) pension plan in which pension benefits are typically determined by a formula based on the employee's salary history and years of service. For example, if a plan offered annual payouts equal to 2% of a worker's final salary times the number of years of service and the worker had a final salary of \$80,000 after 30 years of service, the pension benefit would equal \$48,000 per year for the rest of the worker's life and, typically, would provide for survivor benefits.



Estimates of unfunded municipal pension liabilities are approximately \$1 trillion, based on current accounting rules, while other estimates, using risk-adjusted interest rates, peg the amount at between \$3 trillion and \$4 trillion.

Public pension benefits payments come from dedicated trust funds, not from governments' general operating budgets. From 1985 through 2014, fund balances were created from the combination of employee contributions (11%), government (employer) contributions (25%) and the investment returns (64%). Government employer pension contributions were 4.1% of state and local direct general expenditures, ranging across states from 1.6% to 8%.

The Governmental Accounting Standards Board (GASB) via Statement 67 created a measurement technique designed to target the contribution amounts to keep the pension plans on a sustainable path. The tool was designed to measure the present value of newly accrued

benefits during a given year plus an amount that would be sufficient to amortize existing unfunded liabilities throughout the next 30 years. For state and local pension plans, these measures have risen steadily over the past 15 years, from 6.7% of payroll in 2001 to 18.6% by 2015. Reasons for the increase include:

- Asset values dropped during the 2008 recession.
- Some municipalities did not consistently make the contributions indicated by the tool.

An underfunded pension plan does not indicate that it is failing to meet current obligations. However, after all of these interesting facts are known, the question remains – What steps should be considered to prevent potential insolvency?

Approach to Solving the Problem

No one solution will solve this problem, so a combination of alternatives is needed. Ultimately, raising taxes and realigning government spending will be considered and enacted. Unlike private single-employer pension plans and multi-employer pension plans, there is no equivalent to the Pension Benefit Guaranty Corporation (PBGC) to take over failing pension plans, including those underfunded plans that are assumed in a bankruptcy transaction. In addition, as a result of existing collective bargaining arrangements and certain state laws, it will be difficult to reduce or curtail pension plans, except for future hires.

However, as part of this analysis, it is possible to begin a process of better managing the liability and charting out a path to de-risk and ultimately eliminate pension debt. Rather than focus on the total underfunded liability, plan sponsors must begin to understand their liabilities, as broken down among:

- *Current Retirees – retirees and beneficiaries that are currently collecting benefits.* This requires a portion of the fund assets to remain fairly liquid to meet retiree payroll. What is the liability for this group by individual and what is their demographic composition?
- *Deferred Vested Participants – former employees and beneficiaries who have a vested pension benefit that will commence upon becoming retirement eligible.* This will require liquidity at some time in the future. What is the liability for this group by individual and what is their demographic composition?
- *Future Retirees – current employees who are continuing to accrue benefits and are contributing to their pension plan.* This will require liquidity at some time in the future. What is the liability for this group and what is their demographic composition?

It will not be possible for plan sponsors to invest their way out of the underfunding problem, and restrictions under state law will most likely prevent the ability to curtail benefits for future retirees, deferred vested participants and current retirees. However, splitting the liability into tranches will permit a more focused approach to implement immediate short-term solutions designed to chip away at the problem.

It is possible, with some governmental assistance, to begin a process of eliminating the liability on a targeted basis, starting with current retiree liability. The best investment choice is one that eliminates the liability. Under this approach, state and local governments should consider purchasing non-participating annuity contracts for some or all current retirees. This process effectively takes current plan assets and uses them to settle retiree liabilities, with no trailing risk to the plan or the government. The state general budget (or local government) can create subsidies or assist in reimbursing the plan for some or all losses that may arise in settling the obligation. For example, assume the carrying value for the current retirees is \$50 million and the annuity purchase expense is \$55 million. In order to assist the plan in eliminating this liability, the state government would provide a financing package to the pension plan to make up for some or all of the loss. The goal of this state assistance is to eliminate the loss generated from this transaction.

A similar process can be followed for the deferred vested participants. For this group, it may be possible to offer a voluntary lump-sum window on a favorable interest rate basis, from the plan's perspective. As such, if a deferred vested participant elects this option, there could be a potential gain to the pension plan. This would then eliminate the liability for the pension plan and permit the deferred vested participant to roll over the lump-sum benefit into a tax-deferred vehicle.

The last group is the future retirees. Once some or all of the liability is eliminated for current retirees and/or deferred vested participants, a stricter funding and liability management policy must be adopted and then enforced.

A rehabilitation plan, modeled along the lines of multi-employer pension plan rules, can be created for municipal pension plans. Government subsidies, loans and bond issuances can be created and provide an incentive for municipal plans that aggressively take actions to better manage the situation. This focused approach will help better create a short-term financial plan to assist in the rescue.

About the Author

Elliot Dinkin is President and CEO at Cowden Associates, Inc. He earned his MBA in Finance and Accounting from the University of Pittsburgh and a BA in Economics (Cum Laude) from Dickinson College. You can follow him on Twitter.

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City of Ann Arbor

RFP No. 19-09 – Pension Annuity

April 10, 2019



Gallagher – Ann Arbor Office - 100 N. 4th Ave., Ann Arbor, MI 48104

A handwritten signature in blue ink that reads "Bruce Johnson".

Bruce Johnson, EA, MAAA
Sr. Area VP, Actuarial and Retirement Services
Gallagher Benefit Services, Inc.
3600 American Blvd. W., Suite 500
Minneapolis, MN 55431
953-356-0724
bruce_johnson@ajg.com
ajg.com



Gallagher

Insurance | Risk Management | Consulting

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Acknowledgement of Addendums: Gallagher has received and considered the following addendums including all attachments:

Addendum No. 1 – Changes/Additions/Deletions

Addendum No. 2 – Questions and Answers

A. Professional Qualifications

1. **State the full name and address of your organization and, if applicable, the branch office or other subsidiary element that will perform, or assist in performing, the work hereunder. Indicate whether it operates as an individual, partnership or corporation. If as a corporation, include whether it is licensed to operate in the State of Michigan.**

Our legal entity name is Gallagher Benefit Services, Inc. Gallagher Benefit Services, Inc. is a corporation organized under the laws of Delaware, and is licensed to operate in the State of Michigan. Our headquarters is located in Rolling Meadows, IL and the engagement team that will partner with the City of Ann Arbor is located in Bloomington, MN.

Corporate Headquarters:

2850 West Golf Road, 5th Floor
Rolling Meadows, IL 60008

Local Office

100 N. 4th Ave.
Ann Arbor, MI 48104

Branch Office:

3600 American Blvd West, Suite 500
Bloomington, MN 55431

2. **Include the name of the executive and professional personnel by skill and qualification that will be employed in the work. Show where these personnel will be physically located during the time they are engaged in the work. Indicate which of these individuals you consider key to the successful completion of the project. Identify only individuals who will do the work on this project by name and title. Resumes and qualifications are required for all proposed project personnel, including all subcontractors. Qualifications and capabilities of any subcontractors must also be included.**

The following engagement team will be assigned to the City of Ann Arbor:

Key Individuals	Title/Role	Location/Contact
Bruce Johnson, EA, MAAA	Area Senior Vice President – Actuarial & Retirement Services Strategic leadership, review and delivery of results	Bloomington, MN (952) 356-0724 bruce_johnson@ajg.com
Jesse Millner, EA, FSA, FCA	Actuarial Consultant Overall project management and coordination, identification of alternative recommendations, analysis of benefit and cost projections, customized project deliverables and resources	Bloomington, MN (952) 356-3558 jesse_millner@ajg.com
Jen Turk, EA, FSA, MAAA	Actuarial Consultant Review and advise regarding recommendations and possible implementation of plan design and strategy changes	Bloomington, MN (952) 356-0720 jen_turk@ajg.com
Nicole Ceurvorst, EA, FSA	Area Senior Vice President – Pension Risk Consulting Analysis, pricing and coordination regarding annuity purchase strategy and options	Bloomington, MN (952) 356-3594 nicole_ceurvorst@ajg.com
Non-Key Local Resource		
Laurie Riegle, CEBS	Area Vice President Local presence, relationship facilitation and management	Ann Arbor, MI (734) 665-2160 laurie_riegle@ajg.com

**Please note that subcontractors will not be used for this project.*

Bios

Bruce Johnson, EA, MAAA – Area Senior Vice President – Actuarial & Retirement Services

Bruce is an Area Senior Vice President and leader of the Actuarial & Retirement Services consulting team. In addition to providing leadership for the actuarial team, he provides consultative advice and assistance to clients on both qualified and nonqualified retirement plans. During his career, Bruce has focused on valuing such plans for purposes of funding and accounting requirements, as well as analyzing costs and cash flows related to changes in plan provisions and actuarial assumptions. Recent experience has also included a larger focus on plan termination strategies and consulting with employers regarding overall retirement readiness of employees.

Bruce has worked as an actuarial benefits consultant for over 25 years. Before joining Gallagher in January 2000, he spent time with Deloitte & Touche and Aon Consulting in Minneapolis, focusing primarily on defined benefit pension plans (qualified and nonqualified) and postretirement medical and life insurance (OPEB) plans.

Bruce earned his Bachelor's Degree in Mathematics from Bethel University in Minnesota. He is an Enrolled Actuary and a Member of the American Academy of Actuaries.

Jesse Millner, EA, FSA, FCA – Actuarial Consultant

Jesse joined Gallagher in 2011 after earning his Bachelor's Degree in Mathematics – Actuarial Science from the University of Minnesota. He is an Enrolled Actuary, a Fellow of the Society of Actuaries and a Fellow of the Conference of Consulting Actuaries.

Since joining Gallagher, Jesse has been involved in a variety of projects including pension and postretirement medical actuarial valuations and financial reporting for both private employer (qualified and non-qualified) and public sector clients. He is regularly involved in all aspects of our actuarial services, including: annual funding valuations, financial reporting (including GASB 67/68 and 74/75), plan funding projections, experience studies, plan design studies, government filings, individual benefit calculations, etc.

He also has significant experience presenting and communicating results to clients, including pension Boards and Committees, and developing unique/customized content and deliverables geared towards individual clients' needs and/or requests.

Jen Turk, EA, FSA, MAAA – Actuarial Consultant

Jen joined Gallagher in 2005 after earning her Bachelor's Degree in Mathematics – Actuarial Science from Minnesota State University – Moorhead. She is an Enrolled Actuary, a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries.

Jen is the lead consultant on many public and private sector clients, including a consortium of 37 public sector entities in Minnesota. She also has significant expertise and experience regarding pension funding valuations, plan design studies, plan terminations, experience studies and actuarial audits.

Jen is involved with pension plan funding valuations and accounting valuations, including GASB 67/68 and 74/75, FASB ASC Topics 715 and 960. She assists clients in understanding future projected plan costs and funded status through forecasting and plan design studies, the plan termination process by assisting with funding strategies, government filings, and participant communication and benefit payouts. She is also involved in analysis and cost projections for other plans such as long-term care insurance, COBRA liabilities, severance, and non-qualified benefits.

Nicole Ceurvorst, EA, FSA – Area Senior Vice President – Pension Risk Consulting

Nicole is an Area Senior Vice President and oversees the pension de-risking team. She is responsible for developing pension strategies to help clients improve their financial results, as well as maintain executive responsibility for client relationships. Nicole also manages vendor relationships, branch growth, client retention, recruiting and staff development.

Nicole joined Gallagher through an acquisition in 2018. Before coming to Gallagher, Nicole spent 22 years at Willis Towers Watson, including 5 years developing their national de-risking practice. She then spent 3 years as a business owner, focusing her business on full plan terminations as well as de-risking practices. Nicole earned her Bachelor’s Degree in Actuarial Science from the University of Illinois. She is an Enrolled Actuary and a Fellow of the Society of Actuaries.

Laurie Riegle, CEBS – Area Vice President – Local Resource

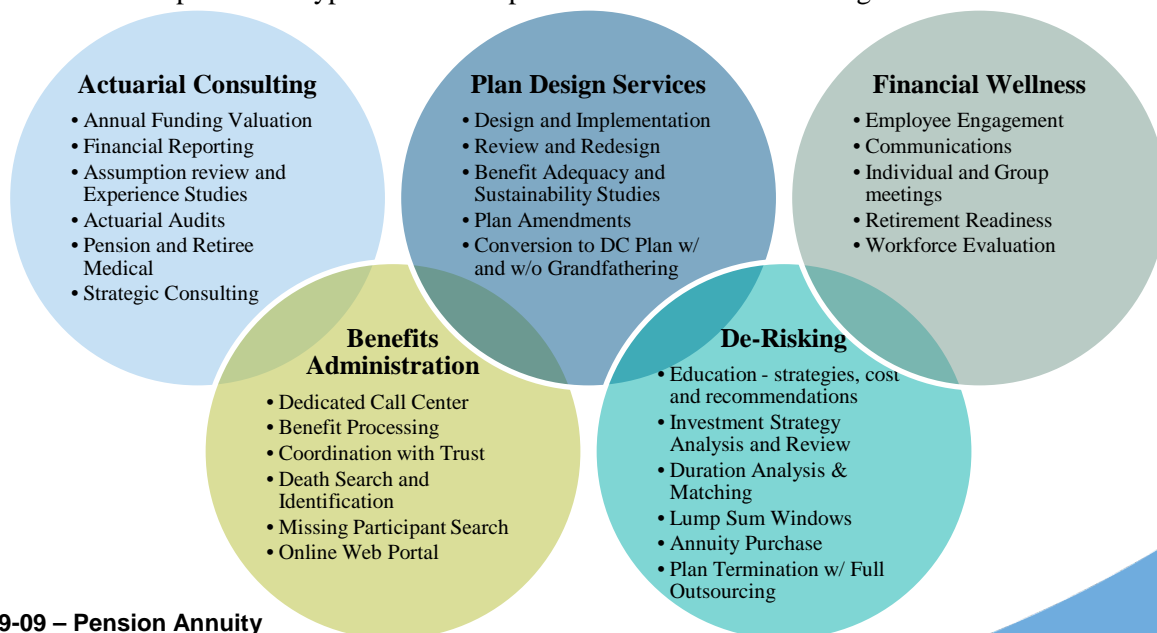
Laurie is an Area Vice President and joined Gallagher through an acquisition in 2017. Before Gallagher, Laurie was the founder and CEO of Armstrong/Robitaille/Riegle. She specializes in designing national and international employee benefit plans. Laurie is a Foundation Board Member for Washtenaw Community College and a League of Conservation Voters Board Member. She’s a graduate from the University of VA and teaches CEBS classes through EMU.

3. State history of the firm, in terms of length of existence, types of services provided, etc. Identify the technical details that make the firm uniquely qualified for this work.

Arthur J. Gallagher & Co. opened its doors for business in 1927 and is still “growing strong” because of its deep commitment to helping its clients compete, succeed and prosper. Founded by its namesake who was previously the leading producer for Chicago’s largest insurance brokerage, Gallagher is now one of the world’s largest insurance brokerage, risk management and consulting firms. We currently have over 26,000 employees. We have operations in 33 countries, and extend our client-service capabilities to more than 150 countries through a global network of correspondent brokers and consultants.

Our consultants bring a uniquely diverse array of knowledge and proficiency regarding the services requested by the City of Ann Arbor. The engagement team assigned was constructed to strategically address the City’s objectives and requirements. Each member brings important skills and insight. This team can provide well-balanced, and more importantly, unbiased perspectives and recommendations to help the City achieve its goals.

Gallagher Actuarial & Retirement Services currently employs approximately 35 total employees nationwide, including 20 credentialed actuaries. These actuaries average over 15 years of experience helping clients to strategically manage DB pension plans. We have over 170 clients and serve more than 220 defined benefit and postretirement medical plans. The types of services provided include the following:



B. Past Involvement with Similar Projects

Gallagher Actuarial & Retirement Services has significant experience providing services similar to that of the objectives listed in the City of Ann Arbor Pension Annuity RFP No. 19-09. This experience includes:

- Vast national public sector and non-profit experience – the engagement team assigned has worked with public sector and non-profit plans in several states across the country
- Comprehensive pension de-risking expertise – Gallagher is an industry leader regarding education, planning and implementation of pension de-risking services. We offer a full spectrum of services ranging from minor plan design or assumption changes all the way up to partial or full plan termination and annuity placement.
- Unbiased approach – We provide an unbiased approach of presenting information to governing bodies that allows them to make transparent, well-informed and rational decisions that best meet their objectives.

References

The following are three references from our prior work experience that are most applicable to the proposed scope of services for the City of Ann Arbor, MI:

City of Winter Haven, FL

Frederick J. Murphy, Jr., Esquire
Boswell & Dunlap LLP
(863) 533-7117
fjm@bosdun.com

Gallagher performed a comprehensive plan design study regarding the City of Winter Haven General Employees' Pension Plan. This study included an overview and background education regarding the competing factors that helped to identify the key decisions needed to shape the City's retirement objectives. Technical components of the project included replacement ratio analysis, benefit accrual cost analysis, assumption and administration review, and plan design options.

City of Haines City, FL

Deric Feacher, City Manager
(863) 421-3650
dfeacher@hainescity.com

Gallagher completed a study and statement of actuarial impact regarding the City of Haines City General Employees' Pension Plan. The purpose of this study was to analyze the cost impact of freezing benefit accruals and implementing a DC plan for all employees. This study included review of input data, performing a replication valuation, and providing a cost analysis, including funding recommendations regarding amortization of unfunded liabilities in order to meet the objective of establishing steady and predictable contribution requirements.

City of Fort Worth, TX

Susan Alanis, Assistant City Manager
(817) 392-2255
Susan.Alanis@fortworthtexas.gov

Gallagher has worked with the City for over 10 years, a relationship which directly evolved from actuarial audit work. We have been involved in numerous plan design studies that include auditing the results of the Fund's Actuary and performing funding projections. The Fort Worth Retirement Fund has over 10,000 participants, includes a complex COLA structure, and has dramatically changed their benefit process.

C. Proposed Work Plan

Our proposed work plan is shown below and has been broken down into three primary phases.

The first phase consists primarily of matching the results of the most recent actuarial valuation. This is required in order to identify the baseline for the phases that follow.

The second and largest phase includes educating the City on the spectrum of pension de-risking options and identifying how these options address the City’s financial objectives. After the City has chosen the option(s) that best align with their objectives, Gallagher would move forward with analysis of the chosen option(s), including calculating the financial impact/cost and drafting a preliminary report. The draft report will provide the City with a complete picture needed to affirm if they desire to move forward with the chosen path.

Phase three includes addressing any outstanding issues, final pricing analysis, finalizing the report, and a City Council meeting where Council action is required.

Please note that the timing below is only an estimate. Gallagher is flexible in regards to completing this project either sooner or later than what is shown below, but we believe this timeline strikes the right balance between quick action and a well considered decision making process.

Timing	Phase 1 – Replication Valuation and Identify Key Objectives
Week 1	Introductory Conference Call #1 – introduce engagement team; discuss history of Pension Plan, including: stakeholders, service providers, provision and assumption changes; discuss short and long term financial objectives, etc.
Week 1	Request documentation regarding: plan documents, census data, prior actuarial valuation reports, prior actuarial studies (experience, de-risking, plan design, etc.)
Week 8	Complete replication of most recent actuarial results and resolve discrepancies, if applicable
Week 8	Conference Call #2 – status update and communicate results of replication valuation, including key findings; discuss timing and next steps; identify City’s key financial objectives and constraints
Timing	Phase 2 – Education and Preliminary Results
Week 12	In-person Meeting #1 – educational de-risking presentation and discussion; identify and address key decisions in order to shape the City’s long term retirement objectives
Week 16	Conference Call #3 – status update; resolve open or new issues; preliminary financial results and recommendations; confirm alignment with City’s key objectives
Week 20	In-person Meeting #2 – present updated results; discuss and review draft report
Timing	Phase 3 – Finalize Results and Conclusion
Week 24	In-person Meeting #3 – finalize findings and report; working session with City Council, identify next steps or updates, if needed
Week 26	Conference Call #3 – status update, if needed; discussion and prep for In-Person Meeting #4
Week 28	In-person Meeting #4 – City Council meeting when Council action is required

D. Fee proposal

Fee proposal has been submitted in a separate sealed envelope.

E. Authorized Negotiator

The following individual is authorized to negotiate the agreement with the City of Ann Arbor.

Bruce Johnson, EA, MAAA
Area Sr. VP, Actuarial and Retirement Services
3600 American Blvd., Suite 500
Bloomington, MN 55431
952-356-0724

F. Attachments

The following items are attached in this section of the proposal.

Attachment B – Legal Status of Offeror

Attachment C – City of Ann Arbor Non-Discrimination Declaration of Compliance

Attachment D – City of Ann Arbor Living Wage Declaration of Compliance

Attachment E – Vendor Conflict of Interest Disclosure Form

Deviations

Consulting and insurance brokerage services to be provided by Gallagher Benefit Services, Inc. and/or its affiliate Gallagher Benefit Services (Canada) Group Inc. Gallagher Benefit Services, Inc. is a licensed insurance agency that does business in California as “Gallagher Benefit Services of California Insurance Services” and in Massachusetts as “Gallagher Benefit Insurance Services.” Neither Arthur J. Gallagher & Co., nor its affiliates provide accounting, legal or tax advice.

**ATTACHMENT B
LEGAL STATUS OF OFFEROR**

(The Respondent shall fill out the provision and strike out the remaining ones.)

The Respondent is:

- A corporation organized and doing business under the laws of the state of Delaware, for whom Bruce Johnson bearing the office title of Area Sr. VP, whose signature is affixed to this proposal, is authorized to execute contracts on behalf of respondent.*

*If not incorporated in Michigan, please attach the corporation's Certificate of Authority

- ~~• A limited liability company doing business under the laws of the State of _____, whom _____ bearing the title of _____, whose signature is affixed to this proposal, is authorized to execute contract on behalf of the LLC.~~
- ~~• A partnership organized under the laws of the State of _____ and filed with the County of _____, whose members are (attach list including street and mailing address for each.)~~
- ~~• An individual, whose signature with address, is affixed to this RFP.~~

Respondent has examined the basic requirements of this RFP and its scope of services, including all Addendum (if applicable) and hereby agrees to offer the services as specified in the RFP, **subject to any exceptions specifically noted in its proposal.**


Signature _____ Date: 4/9/19

(Print) Name Bruce Johnson, EA, MAAA Title Area Sr. VP, Actuarial and Retirement Services

Firm: Gallagher Benefit Services, Inc.

Address: 3600 American Blvd., Suite 500, Bloomington, MN 55431

Contact Phone 952-356-0724

Fax 866-743-5313

Email bruce_johnson@ajg.com



Michigan Department of Consumer and Industry Services

Lansing, Michigan

This is to Certify That

GALLAGHER BENEFIT SERVICES, INC.

a(n) DELAWARE profit corporation, was validly authorized on September 17, 2001, to transact business or conduct affairs in Michigan, and that said corporation holds a valid certificate of authority to transact business or conduct affairs in this state.

This certificate is issued to attest to the fact that the corporation is in good standing in Michigan as of this date and is duly authorized to transact business or conduct affairs in this state any business of the character set forth in its application which a domestic corporation formed under this act may lawfully conduct.

This certificate is in due form, made by me as the proper officer, and is entitled to have full faith and credit given it in every court and office within the United States.

In testimony whereof, I have hereunto set my hand, in the City of Lansing, this 17th day of September, 2001

Andrew S. Mitchell, Director
Bureau of Commercial Services

5. The address of its registered office in Michigan is:

601 Abbott Road East Lansing, Michigan 48823
(Street Address) (City) (ZIP Code)

The mailing address of the registered office in Michigan if different than above is:

_____, Michigan _____
(Street Address or P.O. Box) (City) (ZIP Code)

The name of the resident agent at the registered office is: CSC-Lawyers Incorporating Service (Company)*

The resident agent is an agent of the corporation upon whom process against the corporation may be served.

6. The specific business or affairs which the corporation is to transact or conduct in Michigan is as follows:

Insurance Agency and Brokerage

The corporation is authorized to transact such business in the jurisdiction of its incorporation.

7. (To be completed by profit corporations only)

The total authorized shares of the corporation are: 1,000

8. If the applicant is a trust please specify any powers or privileges possessed by the trust that are not possessed by an individual or a partnership.

Signed this 29th day of August, 2001

By Christine D. Greb
(Signature of Authorized Officer or Agent)

Christine D. Greb
(Type or Print Name)

State of Delaware
Office of the Secretary of State

PAGE 1

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "GALLAGHER BENEFIT SERVICES, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWELFTH DAY OF SEPTEMBER, A.D. 2001.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.



Harriet Smith Windsor
Harriet Smith Windsor, Secretary of State

3031822 8300

AUTHENTICATION: 1338225

010450662

DATE: 09-12-01

**ATTACHMENT C
CITY OF ANN ARBOR DECLARATION OF COMPLIANCE**

Non-Discrimination Ordinance

The "non discrimination by city contractors" provision of the City of Ann Arbor Non-Discrimination Ordinance (Ann Arbor City Code Chapter 112, Section 9:158) requires all contractors proposing to do business with the City to treat employees in a manner which provides equal employment opportunity and does not discriminate against any of their employees, any City employee working with them, or any applicant for employment on the basis of actual or perceived age, arrest record, color, disability, educational association, familial status, family responsibilities, gender expression, gender identity, genetic information, height, HIV status, marital status, national origin, political beliefs, race, religion, sex, sexual orientation, source of income, veteran status, victim of domestic violence or stalking, or weight. It also requires that the contractors include a similar provision in all subcontracts that they execute for City work or programs.

In addition the City Non-Discrimination Ordinance requires that all contractors proposing to do business with the City of Ann Arbor must satisfy the contract compliance administrative policy adopted by the City Administrator. A copy of that policy may be obtained from the Purchasing Manager

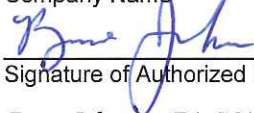
The Contractor agrees:

- (a) To comply with the terms of the City of Ann Arbor's Non-Discrimination Ordinance and contract compliance administrative policy.
- (b) To post the City of Ann Arbor's Non-Discrimination Ordinance Notice in every work place or other location in which employees or other persons are contracted to provide services under a contract with the City.
- (c) To provide documentation within the specified time frame in connection with any workforce verification, compliance review or complaint investigation.
- (d) To permit access to employees and work sites to City representatives for the purposes of monitoring compliance, or investigating complaints of non-compliance.

The undersigned states that he/she has the requisite authority to act on behalf of his/her employer in these matters and has offered to provide the services in accordance with the terms of the Ann Arbor Non-Discrimination Ordinance. The undersigned certifies that he/she has read and is familiar with the terms of the Non-Discrimination Ordinance, obligates the Contractor to those terms and acknowledges that if his/her employer is found to be in violation of Ordinance it may be subject to civil penalties and termination of the awarded contract.

Gallagher Benefit Services, Inc.

Company Name



Signature of Authorized Representative

4/9/19

Date

Bruce Johnson, EA, MAAA

Print Name and Title

3600 American Blvd., Suite 500, Bloomington, MN 55431

Address, City, State, Zip

952-356-0724 / bruce_johnson@ajg.com

Phone/Email address

Questions about the Notice or the City Administrative Policy, Please contact:

Procurement Office of the City of Ann Arbor

(734) 794-6500

Revised 3/31/15 Rev. 0

NDO-2

**ATTACHMENT D
CITY OF ANN ARBOR
LIVING WAGE ORDINANCE DECLARATION OF COMPLIANCE**

The Ann Arbor Living Wage Ordinance (Section 1:811-1:821 of Chapter 23 of Title I of the Code) requires that an employer who is (a) a contractor providing services to or for the City for a value greater than \$10,000 for any twelve-month contract term, or (b) a recipient of federal, state, or local grant funding administered by the City for a value greater than \$10,000, or (c) a recipient of financial assistance awarded by the City for a value greater than \$10,000, shall pay its employees a prescribed minimum level of compensation (i.e., Living Wage) for the time those employees perform work on the contract or in connection with the grant or financial assistance. The Living Wage must be paid to these employees for the length of the contract/program.

Companies employing fewer than 5 persons and non-profits employing fewer than 10 persons are exempt from compliance with the Living Wage Ordinance. If this exemption applies to your company/non-profit agency please check here No. of employees

The Contractor or Grantee agrees:

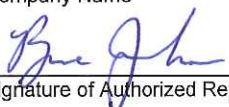
- (a) To pay each of its employees whose wage level is not required to comply with federal, state or local prevailing wage law, for work covered or funded by a contract with or grant from the City, no less than the Living Wage. The current Living Wage is defined as \$13.61/hour for those employers that provide employee health care (as defined in the Ordinance at Section 1:815 Sec. 1 (a)), or no less than \$15.18/hour for those employers that do not provide health care. The Contractor or Grantor understands that the Living Wage is adjusted and established annually on April 30 in accordance with the Ordinance and covered employers shall be required to pay the adjusted amount thereafter to be in compliance with Section 1:815(3).

Check the applicable box below which applies to your workforce	
<input type="checkbox"/>	Employees who are assigned to any covered City contract/grant will be paid at or above the applicable living wage without health benefits
<input checked="" type="checkbox"/>	Employees who are assigned to any covered City contract/grant will be paid at or above the applicable living wage with health benefits

- (b) To post a notice approved by the City regarding the applicability of the Living Wage Ordinance in every work place or other location in which employees or other persons contracting for employment are working.
- (c) To provide to the City payroll records or other documentation within ten (10) business days from the receipt of a request by the City.
- (d) To permit access to work sites to City representatives for the purposes of monitoring compliance, and investigating complaints or non-compliance.
- (e) To take no action that would reduce the compensation, wages, fringe benefits, or leave available to any employee covered by the Living Wage Ordinance or any person contracted for employment and covered by the Living Wage Ordinance in order to pay the living wage required by the Living Wage Ordinance.

The undersigned states that he/she has the requisite authority to act on behalf of his/her employer in these matters and has offered to provide the services or agrees to accept financial assistance in accordance with the terms of the Living Wage Ordinance. The undersigned certifies that he/she has read and is familiar with the terms of the Living Wage Ordinance, obligates the Employer/Grantee to those terms and acknowledges that if his/her employer is found to be in violation of Ordinance it may be subject to civil penalties and termination of the awarded contract or grant of financial assistance.

Gallagher Benefit Services, Inc.

 Company Name


 Signature of Authorized Representative
 4/9/19

 Date

3600 American Blvd. W., Suite 500

 Street Address
 Bloomington, MN 55431

 City, State, Zip

Bruce Johnson, Area Sr. VP, Actuarial and Retirement Services

 Print Name and Title

952-356-0724 / bruce_johnson@ajg.com

 Phone/Email address

ATTACHMENT E



VENDOR CONFLICT OF INTEREST DISCLOSURE FORM
--

All vendors interested in conducting business with the City of Ann Arbor must complete and return the Vendor Conflict of Interest Disclosure Form in order to be eligible to be awarded a contract. Please note that all vendors are subject to comply with the City of Ann Arbor's conflict of interest policies as stated within the certification section below.

If a vendor has a relationship with a City of Ann Arbor official or employee, an immediate family member of a City of Ann Arbor official or employee, the vendor shall disclose the information required below.

1. No City official or employee or City employee's immediate family member has an ownership interest in vendor's company or is deriving personal financial gain from this contract.
2. No retired or separated City official or employee who has been retired or separated from the City for less than one (1) year has an ownership interest in vendor's Company.
3. No City employee is contemporaneously employed or prospectively to be employed with the vendor.
4. Vendor hereby declares it has not and will not provide gifts or hospitality of any dollar value or any other gratuities to any City employee or elected official to obtain or maintain a contract.
5. Please note any exceptions below:

Conflict of Interest Disclosure*	
Name of City of Ann Arbor employees, elected officials or immediate family members with whom there may be a potential conflict of interest.	<input type="checkbox"/> Relationship to employee <hr/> <input type="checkbox"/> Interest in vendor's company <input type="checkbox"/> Other (please describe in box below)
<i>Gallagher does not have a relationship with any elected officials or immediate family members of the City of Ann Arbor.</i>	

*Disclosing a potential conflict of interest does not disqualify vendors. In the event vendors do not disclose potential conflicts of interest and they are detected by the City, vendor will be exempt from doing business with the City.

I certify that this Conflict of Interest Disclosure has been examined by me and that its contents are true and correct to my knowledge and belief and I have the authority to so certify on behalf of the Vendor by my signature below:		
Gallagher Benefit Services, Inc.	952-356-0724	
Vendor Name	Vendor Phone Number	
	4/9/19	Bruce Johnson
Signature of Vendor Authorized Representative	Date	Printed Name of Vendor Authorized Representative

Questions about this form? Contact Procurement Office City of Ann Arbor Phone: 734/794-6500, procurement@a2gov.org

Deviations

Gallagher is able to accept the provisions as outlined in the Sample Professional Services Agreement provided, with the following deviations. We welcome the opportunity to discuss these deviations in more detail and are confident we can work to mutual agreement on contract terms.

Section VI. Insurance/Indemnification:

Indemnification should be limited to negligent acts and omissions, breaches of the contract, intentional misconduct, or violations of the law.

Section VI (C). Insurance/Indemnification:

Gallagher requires a limitation of liability of fees paid be added to the indemnification provision. We suggest the following language.

LIMITATION OF LIABILITY: Notwithstanding anything contained herein to the contrary, even if advised of the possibility of loss, liability, damage or expense, Gallagher shall not be liable for any indirect damages, including any lost profits, data, business, goodwill, anticipated savings, opportunity or use or other incidental or consequential damages. Furthermore:

- i. Gallagher shall not be responsible for damages caused by acts of Client's employees, representatives, agents, subcontractors, vendors, or suppliers.
- ii. Gallagher's aggregate liability under this Agreement, if any, to Client for claimed loss or damage arising under this Agreement shall not exceed the amount actually paid by Client to Gallagher.
- iii. Client hereby expressly acknowledges and agrees that in view of the amount of the fees paid or to be paid hereunder, the limitations of liability in this Section 9 are in all respects fair and reasonable and reflect a duly considered allocation of risk between the Parties.
- iv. Notwithstanding the foregoing, this Section 9 shall not limit any liability for the personal injury to or death of any individual or physical property damage directly caused by Gallagher or beyond the extent to which the limitation would be prohibited by applicable law.

Exhibit C. Insurance Requirements:

Section A (3) & (4):

Gallagher can only agree to name the City as an additional insured on its Commercial General Liability Policy (not Motor Vehicle Liability) and it will be via a Certificate of Insurance, not an endorsement.

Section B:

- Gallagher requests that the primary, non-contributory language be removed as it is Gallagher's preference to have the City's Commercial General Liability policy be primary.
- Gallagher requests that the waiver of subrogation be removed or at least made mutual.

Section C:

- Gallagher's insurers are not required to provide advance notice of cancellation/non-renewal via the terms of the policies, so Gallagher cannot agree to provide 30 days prior notice to its clients. Rather, any cancelled or non-renewed policy will be replaced with no coverage gap and a current Certificate of Insurance will be provided to the City.
- Gallagher policies include the following deductibles:
 - Professional Liability: \$5M retention
 - Workers' Compensation & Employer's Liability: \$1M deductible
 - Commercial General Liability: \$250K deductible
 - Automobile Liability: \$2M deductible
 - These are not stated on the Certificates of Insurance and are not subject to change.
- Gallagher will not provide its clients with copies of actual policies. It will evidence coverage via Certificates of Insurance.

Gallagher at a glance

Gallagher has been designing solutions to meet our clients' unique needs for more than 90 years. We pioneered many of the innovations in risk management used by businesses in all industries today. We believe that the best environment for learning and growing is one that remembers the past and invents the future. Gallagher has divisions specializing in retail insurance brokerage operations, benefits and HR consulting, wholesale distributions and third-party administrations and claims processing.

As one of the largest insurance brokers in the world, Gallagher has approximately 700 offices in 33 countries and provides client-service capabilities in more than 150 countries around the world through our network of partners. Wherever you are – we're nearby.

Bruce Johnson, EA, MAAA

Sr. Area VP, Actuarial and Retirement Services

3600 American Blvd. W., Suite 500

Minneapolis, MN 55431

952-356-0724

bruce_johnson@ajg.com

ajg.com



Gallagher

Insurance | Risk Management | Consulting

April 10, 2019

Copy

Pension Annuity Technical Proposal
to Provide Expertise and Consulting
#19-09

City of Ann Arbor

CONTACT

Nick Meggos

FCA, EA

(618) 307-9090

nick.meggos@nyhart.com

ADDRESS

Nyhart

101 W. Vandalia Street

Suite 240

Edwardsville, IL 62025

PHONE

General (317) 845-3500

Toll-Free (800) 428-7106

Fax (317) 845-3654

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A. Professional Qualifications

1. The Organization

Nyhart's legal name:	The Howard E. Nyhart Company, Incorporated.
DBA:	Nyhart
Headquarters:	8415 Allison Pointe Boulevard, Suite 300 Indianapolis, IN 46250
Servicing Offices:	Relationship Manager – Nick Meggos, FCA, EA St. Louis Office 101 W. Vandalia Street, Suite 240 Edwardsville, IL 62025 Consulting Actuary – Danielle Winegardner, FSA, EA, MAAA Headquarters 8415 Allison Pointe Boulevard, Suite 300 Indianapolis, IN 46250 Consulting Actuary – Scott Gavin, FSA, EA, MAAA Chicago Office 707 Lake Cook Road, Suite 250 Deerfield, IL 60015
Corporation:	Nyhart is an ESOP company and operates as an S-Corporation. We were incorporated in the State of Indiana in 1955, but have been serving clients since 1943. We are authorized to conduct business, and have several clients, in Michigan.

2. Professional Personnel



Nick Meggos

EA, FCA

Relationship Manager / Actuarial Consultant

✉ nick.meggos@nyhart.com

P | 618-307-9090 | 800-428-7106 F | 317-845-3654

101 W. Vandalia Street, Suite 240 Edwardsville, IL 62025

Nick Meggos is a lead consultant in Nyhart's Actuarial Pension Plan practice, which focusses on helping clients with plan sustainability and employee retirement readiness. He has over 18 years of experience as an actuary, which allows him to bring perspective and clarity to pension plan management for both public and private plans. Nick applies his expertise in communication of actuarial concepts and results to elevate Nyhart's current client relationships and provides leadership for Nyhart's business development efforts.

Nick is a Fellow of the Conference of Consulting Actuaries and an Enrolled Actuary. He earned his Bachelor's Degree in Mathematics and Economics from Bradley University.



Danielle Winegardner

FSA, EA, MAAA

Consulting Actuary

✉ danielle.winegardner@nyhart.com

P | 317-845-3537 | 800-428-7106 F | 317-845-3654

8415 Allison Pointe Blvd., Suite 300 Indianapolis, IN 46250

Danielle Winegardner is a valuation actuary in Nyhart's Defined Benefit Practice and leads the Annuity Placement Team. She is the actuary for several private-sector and public-pension plans across the country with a focus on public-sector plans in Michigan and Florida. Her background includes plan design analysis, de-risking opportunities, actuarial audits and actuarial experience studies. Danielle works closely with clients to develop solutions that balance cost and retirement security.

Danielle works with contacts at 20 highly-rated insurance companies to create a competitive bid process for retiree annuity purchases and plan terminations. She works with plan sponsors to determine the optimal group of retirees to carve-out of the pension plan. Once the group of retirees is finalized, she provides plan sponsors with a detailed analysis of the bidding carrier's financial wellness and administrative capabilities to cover due diligence requirements. She then works with plan sponsors throughout the annuity placement process to ensure all participants receive their payments.

Danielle is a Fellow of the Society of Actuaries, an Enrolled Actuary, and a Member of the American Academy of Actuaries. She earned her bachelor's degree in mathematics and business economics from the University of Dayton. Danielle is also an active member of MAPERS and will be speaking at the Spring 2019 Conference.



Scott Gavin
FSA, EA, MAAA

Consulting Actuary

✉ scott.gavin@nyhart.com

P | 847-400-9602 | 800-428-7106 F | 317-845-3670
707 Lake Cook Road, Suite 250 Deerfield, IL 60015

Scott Gavin is a Consulting Actuary based in Nyhart's Chicago office. With over 15 years of experience as a retirement actuary, he has worked on plans with liabilities of \$5 million to over \$10 billion. He consults on a variety of pension-related topics ranging from valuations to long-term projections. Scott's collaborative approach provides his clients with insight to complex problems and an understanding of the underlying issues and resolutions.

Scott is a Fellow of the Society of Actuaries, an Enrolled Actuary, and a Member of the American Academy of Actuaries. He earned his Bachelor's Degree in Finance and Mathematics from the University of Notre Dame.

3. History of the Firm

Nyhart is an award winning employee-benefit consulting, actuarial, and administration firm headquartered in Indianapolis, IN. Founded in 1943 by Howard E. Nyhart, the family business was purchased in 1979 by an ESOP company. Since 1991, Nyhart has been 100% employee-owned, making the success of our clients personally important to every one of our 142 employee-owners.

We have offices in Atlanta, Chicago, Denver, Houston, Kansas City, New York, San Diego, and St. Louis to service our 2,000+ clients nationwide.

Lines of Business

Retirement Services

Defined Benefit Consulting and Administration

- Valuation Services (Funding & Accounting)
- Long-Term Cost and Sustainability Projections
- Plan Design Work
- Benefit Statements
- Experience Studies
- Online Pension Administration Software
- Annuity Purchases and Consulting

Defined Contribution Consulting and Administration

- Balance Forward
- Daily Valuation

Healthcare Actuarial Consulting

- GASB and FASB Valuation Service
- Retiree Health Long-Term Cost and Design Modeling
- Medicare Part D Subsidy Report and Creditable Coverage Determinations
- Rate Setting, Design Modeling, & IBNR Reserving for Self-Insured Plans
- ACA Minimum Actuarial Value Determination

Consumer-Driven Healthcare Administration

- Flexible Spending Accounts/Dependent Care Accounts
- Health Savings Accounts
- Health Reimbursement Arrangements
- Qualified Transportation Accounts
- COBRA

Human Resources, Compensation, and Other Consulting

Votaire

B. Similar Projects

Nyhart has consulted expertly on the specific objectives outlined in the Request for Proposal for numerous organizations across the country. With that consultation, Nyhart brings to the table a unique set of skills and familiarity that, we believe, our competitors do not.

We have substantial experience assisting plan sponsors to mitigate risk in their retirement systems using diverse approaches including; general plan design, specific provision design (i.e., death and disability benefits), funding policy, lump-sum cashout programs, and annuity purchases. In addition to providing annuity placement services, we work with ~20 premier insurance companies to create a competitive-bid process that ensures we deliver the most economical prices possible to the City.

To our clients' benefit, our practice includes work with both public and private-sector plans. Our expertise is informed by each, and we understand not only the significant differences between these sectors but also the similarities. Many of the issues facing public plans now resemble the challenges the private sector faced after the *dot.com bubble* (2000-2002). We successfully navigated those challenges more than a decade ago and now can incorporate this familiarity in our approach to addressing the challenges specific to a public plan.

Nyhart knows Michigan; both Nick Meggos and Danielle Winegardner travel to Michigan on a regular basis in care of our Michigan client-base. We work with a number of public plans in Michigan and have been on the forefront of the most recent law, *PA 202*.

Including both retiree healthcare and pension, Nyhart serves over 600 municipal plans. We have been helping our clients de-risk their pension plans for over 10 years and approximately 105 of these 600 are pension plans.

Nyhart currently serves eight municipal pension retirement systems in Michigan.

St. Clair County - 2012	Pontiac Police and Fire - 2015
Shelby Township Police and Fire - 2015	Genesee County - 2017
City of Marine City - 2018	Monroe County - 2018
Ypsilanti Township Police and Fire - 2019	Taylor GERS - 2019

Nyhart currently serves twenty-four OPEB clients in Michigan.

Charter Township of Flushing - 2010	City of Marine City - 2018
City of Bay City - 2014	City of Bloomfield Hills - 2015
City of Cadillac - 2013	City of Dearborn Heights - 2008
City of Flint - 2006	City of Inkster - 2006
City of Lapeer - 2013	City of Pleasant Ridge - 2017
City of Sturgis - 2013	City of Pontiac - 2015

City of Westland - 2008	Genesee County - 2017
Highland Township - 2017	Mackinac County - 2014
Livingston County - 2013	St. Clair County - 2012
Shelby Township - 2009	Wayne County - 2012
Ypsilanti Township Police and Fire - 2019	City of South Lyon - 2018
Charter Township of White Lake - 2018	Village of Beverly Hills - 2017

Recent Project Examples

Example 1

Nyhart consulted with a Plan Sponsor who wanted to reduce the size and potential volatility of their pension plan. We reviewed the plan population and determined that a retiree carve-out and annuity placement would give them the greatest control over the magnitude and cost of the de-risking strategy. We established the optimal group of retirees to carve-out of the plan based on benefit type. Once the group was defined we coordinated preliminary bids from quality insurance companies. Once we received initial bids, we helped the Plan Sponsor determine the ultimate cost of the annuity purchase and the impact to their accounting disclosures.

When the plan sponsor decided to move forward with the annuity purchase, we organized a *bid day* to accept final bids from the insurance companies to guarantee competitive pricing. To help the plan sponsor assess the financial stability of the insurance companies, we prepared and presented a due-diligence report that dove into the financial details and administrative capabilities of the bidding insurance companies and documented the decision-making process for the plan sponsor. Our due-diligence report follows the Department of Labor’s Interpretive Bulletin 95-1 guidance requiring fiduciaries to take steps calculated to obtain the “safest annuity available” and evaluate factors related to a potential annuity provider’s claims of paying ability and creditworthiness. Nyhart does not accept insurance company commissions and maintains complete independence and transparency. Once a final insurance carrier was chosen, we worked with the plan sponsor to finalize their participant data and transfer information to the carrier. The retirees were provided communications explaining that the insurance company would be paying their benefit going forward, and payments began the following month.

Example 2

Based on the demographics, funded position, and provisions of the plan, a list of potential de-risking activities were presented to the client with a recommendation to first pursue a terminated-vested lump sum window as it had largest potential benefit-to-cost ratio. A thorough analysis of the accounting and cash costs was completed, and the decision was made to pursue the lump sum window.

Since this plan had been frozen for quite some time, much of the participant’s contact information was outdated. Through an agreement we have with a third-party locator service, we performed an address search and death audit based on data collected from credit histories, obituaries, state death databases, and other similar sources. For the surviving, locatable participants, Nyhart handled all aspects of the lump sum offering including; drafting participant communications, preparation and mailings of individual benefit paperwork (customized for the one-time payment offer), providing call center and

email support for participant inquiry, collecting and communicating the elections to the plan’s asset custodian for payment. Payment information from the asset custodian was also audited and participants with uncashed checks were contacted. Once the decision was made, the client’s involvement was limited to providing us with the occasional piece of missing employment history.

Example 3

One of our consultants recently performed a plan-design analysis for a plan sponsor that was interested in reducing the risk associated with its cash balance defined benefit plan. The sponsor, a large hospital system with a majority of nurses in the plan population, sought a defined contribution alternative which would provide benefits consistent with its current plan.

The plan design analysis looked at multiple design options and detailed “winners and losers” charts to find a design that best met the sponsor’s goals. Additional analysis determined the financial implications, both short and long-term, for the sponsor. When a suitable replacement design was deemed too expensive, the consultant performed further analysis to find a design that was cost-neutral.

Example 4

Nyhart conducted a sustainability analysis for a \$35 million public-pension plan. For this plan, a specific tax revenue funds the pension plan. With the growth of the entity, the client needed to assess if the plan was sustainable with the expected tax revenue. We modeled several scenarios conducting 30-year cost projections. This assisted the entity to identify prospective additional cash requirements for the fund. They used this information, along with other infrastructure needs, to approach the taxpayers for the funds needed to provide their services and to attract and retain talented employees.

Client References

Client	Contact	Service Provided
Brazeway 2711 East Maumee Street Adrian, MI 49221	L. Charles "Chuck" Force II 517.265.2121 cforce@brazeway.com	Pension Client Since 1951 Retirement Plan Client since 1973
Glynn County 1725 Reynolds Street, 102 Brunswick, GA 31520	Orah Reed Glynn County Board of Commissioners (912) 544-7172 oreed@glynncounty-ga.gov	Pension Client Since 2013 Experience Studies Plan Design
Western Industries, Inc. 1141 S. 10th Street Watertown, WI 53094	Rob Sylvester Manager, Speyside Equity (212) 994-0308 robert.sylvester@speysideequity.com	Pension Client Since 2017 Bulk Lump-Sum Window
St. Clair County 200 Grand River Ave., Ste. 206 Port Huron, MI 48060	Tami Rumsey Human Resources- Pension (810) 989-6910 trumsey@stclaircounty.org	Pension Client since 2012 Experience Studies

C. Proposed Work Plan

The first step will be a project kick-off call to review deliverables, timing, data requests, and to identify areas of concern to the City.

Our proposed work plan starts with first completing a comprehensive actuarial audit of the plan. This will serve the following purposes:

1. Confirm current actuarial results are reasonable based on participant data, plan provisions, and actuarial assumptions
2. Identify any plan provisions that create more risk to the overall cost of the retirement system
3. Assess if the actuarial assumptions and methods are reasonable
4. Identify risks that will cause cost-volatility

The second step will be to complete an actuarial cost projection based on a stochastic asset projection (Monte Carlo simulation). This will identify the expected range of costs over the next 10-year period.

Once we complete this step, we suggest conducting our first meeting to review our findings to date. The purpose of this meeting will be; to review the report documenting our findings; to identify potential areas for further review; and, most importantly, to receive feedback from the City on the analysis completed thus far. For the best outcome of the study, our experience has proven that a collaborative approach with the City will ensure the objectives of the study will be met or exceeded.

We anticipate this first portion of the project to take approximately six weeks, once we have received all data (participant data, plan document, sample benefit calculations, assets).

After identifying and assessing the risks for the plan, the next step will be to educate the City regarding potential strategies to reduce or eliminate these risks. We will review a number of strategies with the City, including but not limited to:

1. Annuity purchases for retirees
2. Lump sum cashout offering to terminated vested participants
3. Plan design
4. Funding policy

This analysis will include the City's cost implications for such de-risking strategies and impact on participants (if any). We will also identify implementation steps needed for each strategy. This part of the project will be completed approximately four weeks after the first meeting.

After the second meeting, we will work with City staff to determine the pertinent information discussed in the two initial meetings to be included in the working session with City Council.

At project's conclusion, the City will have the following analyses to determine next steps:

1. Current actuarial results are reasonable, how the results can change due to economic variables
2. Plan design ideas to reduce plan risks
3. Menu of de-risking strategies, cost implications, and steps to implement the strategies

D. Fee Proposal

See separate submission

E. Authorized Negotiator

The person authorized to negotiate with the City will be your Relationship Manager, Nick Meggos.

Nick Meggos works from our St. Louis Office and can be reached via phone at 800-428-7106 or 618-307-9090. You may also reach him at nick.meggos@nyhart.com.

F. Attachments

Attachment B – Legal Status of Offeror

Attachment C – Declaration of Compliance – Non-Discrimination Ordinance

Attachment D - Living Wage Ordinance Declaration of Compliance

Attachment E – Conflict of Interest Disclosure Form

Sample Due Diligence Report

We acknowledge receipt of Addendum #1 and Addendum #2.

**ATTACHMENT B
LEGAL STATUS OF OFFEROR**

(The Respondent shall fill out the provision and strike out the remaining ones.)

The Respondent is:

- A corporation organized and doing business under the laws of the state of Indiana, for whom Lisa Hague bearing the office title of CEO, whose signature is affixed to this proposal, is authorized to execute contracts on behalf of respondent.*

*If not incorporated in Michigan, please attach the corporation's Certificate of Authority

- A limited liability company doing business under the laws of the State of _____, whom _____ bearing the title of _____ whose signature is affixed to this proposal, is authorized to execute contract on behalf of the LLC.
- A partnership organized under the laws of the State of _____ and filed with the County of _____, whose members are (attach list including street and mailing address for each.)
- An individual, whose signature with address, is affixed to this RFP.

Respondent has examined the basic requirements of this RFP and its scope of services, including all Addendum (if applicable) and hereby agrees to offer the services as specified in the RFP.



Date: 04/08/19 ,

Signature

(Print) Name Lisa Hague Title Chief Executive Officer

Firm: The Howard E. Nyhart Company, Incorporated

Address: 8415 Allison Pointe Boulevard, Suite 300 / Indianapolis, IN 46250

Contact Phone 800-428-7106

Fax 317-845-3655

Email Contact: nick.meggos@nyhart.com

**ATTACHMENT C
CITY OF ANN ARBOR DECLARATION OF COMPLIANCE**

Non-Discrimination Ordinance

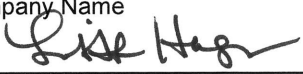
The "non discrimination by city contractors" provision of the City of Ann Arbor Non-Discrimination Ordinance (Ann Arbor City Code Chapter 112, Section 9:158) requires all contractors proposing to do business with the City to treat employees in a manner which provides equal employment opportunity and does not discriminate against any of their employees, any City employee working with them, or any applicant for employment on the basis of actual or perceived age, arrest record, color, disability, educational association, familial status, family responsibilities, gender expression, gender identity, genetic information, height, HIV status, marital status, national origin, political beliefs, race, religion, sex, sexual orientation, source of income, veteran status, victim of domestic violence or stalking, or weight. It also requires that the contractors include a similar provision in all subcontracts that they execute for City work or programs.

In addition the City Non-Discrimination Ordinance requires that all contractors proposing to do business with the City of Ann Arbor must satisfy the contract compliance administrative policy adopted by the City Administrator. A copy of that policy may be obtained from the Purchasing Manager

The Contractor agrees:

- (a) To comply with the terms of the City of Ann Arbor's Non-Discrimination Ordinance and contract compliance administrative policy.
- (b) To post the City of Ann Arbor's Non-Discrimination Ordinance Notice in every work place or other location in which employees or other persons are contracted to provide services under a contract with the City.
- (c) To provide documentation within the specified time frame in connection with any workforce verification, compliance review or complaint investigation.
- (d) To permit access to employees and work sites to City representatives for the purposes of monitoring compliance, or investigating complaints of non-compliance.

The undersigned states that he/she has the requisite authority to act on behalf of his/her employer in these matters and has offered to provide the services in accordance with the terms of the Ann Arbor Non-Discrimination Ordinance. The undersigned certifies that he/she has read and is familiar with the terms of the Non-Discrimination Ordinance, obligates the Contractor to those terms and acknowledges that if his/her employer is found to be in violation of Ordinance it may be subject to civil penalties and termination of the awarded contract.

The Howard E. Nyhart Company, Incorporated
Company Name

Signature of Authorized Representative
03/26/19
Date

Lisa Hague, Chief Executive Officer
Print Name and Title

8415 Allison Pointe Boulevard, Suite 300 / Indianapolis, IN 46250
Address, City, State, Zip

Contact: nick.meggos@nyhart.com (618-307-9090)
Phone/Email address

Questions about the Notice or the City Administrative Policy, Please contact:
Procurement Office of the City of Ann Arbor
(734) 794-6500

**ATTACHMENT D
CITY OF ANN ARBOR
LIVING WAGE ORDINANCE DECLARATION OF COMPLIANCE**

The Ann Arbor Living Wage Ordinance (Section 1:811-1:821 of Chapter 23 of Title I of the Code) requires that an employer who is (a) a contractor providing services to or for the City for a value greater than \$10,000 for any twelve-month contract term, or (b) a recipient of federal, state, or local grant funding administered by the City for a value greater than \$10,000, or (c) a recipient of financial assistance awarded by the City for a value greater than \$10,000, shall pay its employees a prescribed minimum level of compensation (i.e., Living Wage) for the time those employees perform work on the contract or in connection with the grant or financial assistance. The Living Wage must be paid to these employees for the length of the contract/program.

Companies employing fewer than 5 persons and non-profits employing fewer than 10 persons are exempt from compliance with the Living Wage Ordinance. If this exemption applies to your company/non-profit agency please check here No. of employees__

The Contractor or Grantee agrees:

- (a) To pay each of its employees whose wage level is not required to comply with federal, state or local prevailing wage law, for work covered or funded by a contract with or grant from the City, no less than the Living Wage. The current Living Wage is defined as \$13.61/hour for those employers that provide employee health care (as defined in the Ordinance at Section 1:815 Sec. 1 (a)), or no less than \$15.18/hour for those employers that do not provide health care. The Contractor or Grantor understands that the Living Wage is adjusted and established annually on April 30 in accordance with the Ordinance and covered employers shall be required to pay the adjusted amount thereafter to be in compliance with Section 1:815(3).

Check the applicable box below which applies to your workforce

- Employees who are assigned to any covered City contract/grant will be paid at or above the applicable living wage without health benefits
- Employees who are assigned to any covered City contract/grant will be paid at or above the applicable living wage with health benefits

- (b) To post a notice approved by the City regarding the applicability of the Living Wage Ordinance in every work place or other location in which employees or other persons contracting for employment are working.
- (c) To provide to the City payroll records or other documentation within ten (10) business days from the receipt of a request by the City.
- (d) To permit access to work sites to City representatives for the purposes of monitoring compliance, and investigating complaints or non-compliance.
- (e) To take no action that would reduce the compensation, wages, fringe benefits, or leave available to any employee covered by the Living Wage Ordinance or any person contracted for employment and covered by the Living Wage Ordinance in order to pay the living wage required by the Living Wage Ordinance.

The undersigned states that he/she has the requisite authority to act on behalf of his/her employer in these matters and has offered to provide the services or agrees to accept financial assistance in accordance with the terms of the Living Wage Ordinance. The undersigned certifies that he/she has read and is familiar with the terms of the Living Wage Ordinance, obligates the Employer/Grantee to those terms and acknowledges that if his/her employer is found to be in violation of Ordinance it may be subject to civil penalties and termination of the awarded contract or grant of financial assistance.

The Howard E. Nyhart Company, Incorporated
Company Name

8415 Allison Pointe Boulevard, Suite 300
Street Address


Signature of Authorized Representative

03/26/19
Date

Indianapolis, IN 46250
City, State, Zip

Lisa Hague, Chief Executive Officer
Print Name and Title

Contact: nick.meggos@nyhart.com (618-307-9090)
Phone/Email address

ATTACHMENT E



VENDOR CONFLICT OF INTEREST DISCLOSURE FORM
--

All vendors interested in conducting business with the City of Ann Arbor must complete and return the Vendor Conflict of Interest Disclosure Form in order to be eligible to be awarded a contract. Please note that all vendors are subject to comply with the City of Ann Arbor's conflict of interest policies as stated within the certification section below.

If a vendor has a relationship with a City of Ann Arbor official or employee, an immediate family member of a City of Ann Arbor official or employee, the vendor shall disclose the information required below.

1. No City official or employee or City employee's immediate family member has an ownership interest in vendor's company or is deriving personal financial gain from this contract.
2. No retired or separated City official or employee who has been retired or separated from the City for less than one (1) year has an ownership interest in vendor's Company.
3. No City employee is contemporaneously employed or prospectively to be employed with the vendor.
4. Vendor hereby declares it has not and will not provide gifts or hospitality of any dollar value or any other gratuities to any City employee or elected official to obtain or maintain a contract.
5. Please note any exceptions below:

Conflict of Interest Disclosure*	
Name of City of Ann Arbor employees, elected officials or immediate family members with whom there may be a potential conflict of interest.	<input type="checkbox"/> Relationship to employee <hr style="border: 0; border-top: 1px solid black;"/> <input type="checkbox"/> Interest in vendor's company <input type="checkbox"/> Other (please describe in box below)
N/A	

*Disclosing a potential conflict of interest does not disqualify vendors. In the event vendors do not disclose potential conflicts of interest and they are detected by the City, vendor will be exempt from doing business with the City.

I certify that this Conflict of Interest Disclosure has been examined by me and that its contents are true and correct to my knowledge and belief and I have the authority to so certify on behalf of the Vendor by my signature below:		
The Howard E. Nyhart Company, Incorporated	317-845-3500 / 800-428-7106	
Vendor Name	Vendor Phone Number	
	04/08/19	Lisa Hague
Signature of Vendor Authorized Representative	Date	Printed Name of Vendor Authorized Representative



Company ABC

Annuity Provider Selection Due Diligence Report

CONTACT

Danielle Winegardner, FSA, EA, MAAA

(317) 845-3537

danielle.winegardner@nyhart.com

ADDRESS

Nyhart

8415 Allison Pointe Blvd.

Suite 300

Indianapolis, IN 46250



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- Timeline 7
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Introduction

- The selection of a group annuity provider is a fiduciary decision. Unlike a “settlor” decision, fiduciary decisions must be made solely on behalf of plan participants. Nyhart has been retained as an independent expert to support Company ABC with the selection of a “safest annuity available” provider.
- Nyhart’s primary functions as the expert are to: (1) provide analysis of each bidding insurer, and (2) document the decision-making process. This report is designed to serve both of these functions.
- The Department of Labor’s Interpretive Bulletin 95-1 outlines the specifics of demonstrating prudence in this fiduciary decision. Nyhart’s due diligence analysis deliberately covers each defined category in the 95-1.
- In tandem with this comprehensive report, Nyhart will maintain a file containing all communication with providers relating to the bidding process. This file, paired with the following due diligence report and meetings with Company ABC, provide Company ABC with sufficient documentation for the decision-making process.



Fiduciary Guidance

- The Department of Labor’s Interpretive Bulletin 95-1 offers guidance to pension plan fiduciaries selecting an annuity provider. It states that:
 - Fiduciaries choosing an annuity provider for the purpose of making a benefit distribution must take steps calculated to obtain the “safest annuity available.”
 - Fiduciaries must conduct an objective, thorough and analytical search for the purpose of identifying and selecting providers from which to purchase annuities.
 - In conducting such a search, fiduciaries must evaluate factors relating to a potential annuity provider’s claims paying ability and creditworthiness. Reliance solely on ratings provided by insurance rating services would not be sufficient to meet this requirement. 95-1 sets forth six such factors:

Interpretive Bulletin 95-1 Factors	
1	The quality and diversification of the annuity provider’s investment portfolio
2	The size of the insurer relative to the proposed contract
3	The level of the insurer’s capital and surplus
4	The lines of business of the annuity provider and other indications of an insurer’s exposure to liability
5	The structure of the annuity contract and guarantees supporting the annuities, such as the use of separate accounts
6	The availability of additional protection through state guaranty associations and the extent of their guarantees



Additional Guidance

- In a dispute involving a plan's selection of an insurer who subsequently became insolvent, a federal circuit court warned that courts should not only be concerned with the quality of the annuity selected, but also with the fiduciary's conduct leading up to the decision.
- Thus, a prudent fiduciary should use 95-1 as part of a rigorous and documented decision-making process that has as its goal selecting the safest annuity available for the participants of the plan.
- Importantly, according to 95-1, a fiduciary may conclude, after conducting appropriate due diligence, that more than one annuity provider is able to offer the safest annuity available.



Nyhart Methodology Overview

Foundational Research

At Nyhart we have taken the time to build a strong network in the insurance industry. We routinely visit with all bidding carriers. These relationships give us an inside view on recent transactions, financial statements and administrative capabilities.

Our rigorous standards ensure the best outcome for plan participants.



Technical Analysis

Data analysis beyond “95-1” criteria is essential. That’s why we track additional metrics like net income and bond quality.

We developed the “Nyhart Score” to synthesize each technical data point into one number. Pairing this with our final bids we are able to produce a one-of-a-kind bid efficiency grid to compare premiums and technical performance in a single view.



Fundamental Analysis

Through relationships with our bidding insurers we have direct access to interview the carriers regarding recent news and fundamental changes in the company.

We couple this with evaluations of ratings history, company structure, leadership and administrative performance. Our top priority is ensuring plan participants receive payments on-time and have access to assistance whenever necessary.



Independent Expertise

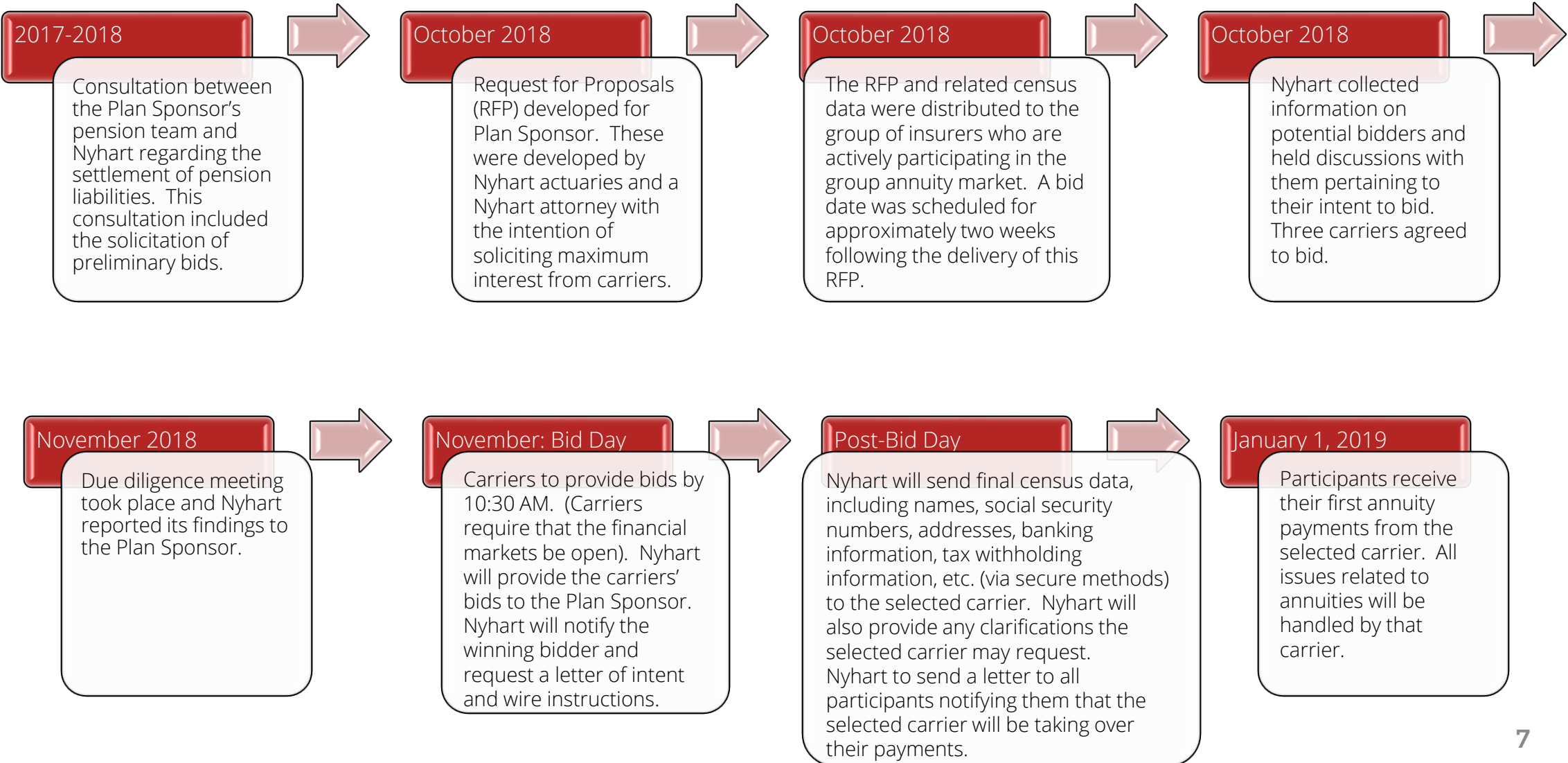
Our research culminates in a comprehensive, holistic due diligence report and meeting.

We take our independence seriously. We take no commissions or other forms of compensation from insurers that would impair that independence.

Our due diligence fulfills two vital functions: (1) final analysis of each bidding insurer, (2) full documentation of due diligence and the decision-making process.



Timeline





General Market Overview

- In 2012, the total value of pension liabilities transferred to insurers was \$2.35 billion. By 2016, it was \$14 billion. Based on our discussions with industry experts, 2017 totals will likely surpass \$14 billion.
- Is an increase in deals a good thing for plan sponsors? The short answer is *maybe*. New insurers have joined the market and an increase in reputable carriers benefits plan sponsors. But the demand for group annuities has been a strain on insurer resources. This makes attracting a healthy number of bidders a tough task.
- Leading factors in this surge are: (1) volatility in investment markets, (2) an increase in participant longevity, (3) rising PBGC premiums, (4) interest rate fluctuations and (5) regulatory requirements for operating the Plan.
- Group annuity carriers face stress on both the supply and demand sides of their business. On the supply side, many carriers indicate that internal resources are being dedicated to compliance with the Department of Labor's recent release of the "Fiduciary Rule." The increased demand for group annuity products, as a result of what was discussed above, is occurring at the same time.
- In order to produce the best result for participants, it is important to maximize the number of viable bids. That is why Nyhart has worked hard to create interest on the part of insurers.



General Market Overview

- Three carriers have committed to bidding on the plan: (1) Insurer A, (2) Insurer B and (3) Insurer C. Nyhart sought bids from six additional carriers: (1) Insurer D , (2) Insurer E , (3) Insurer F , (4) Insurer G , (5) Insurer H and (6) Insurer I. All six declined to bid.

Carrier	Reason for Declining
Insurer D	Declining to provide quotes for plans that have deferred annuitants.
Insurer E	Declining to quote due to high proportion of deferred participants and the plan's lump sum provision.
Insurer F	Size of the plan does not meet the minimum liability of \$75MM.
Insurer G	Declined primarily because of the presence of deferred participants.
Insurer H	Currently seeking a 50/50 split of retirees and deferreds for a plan of this size.
Insurer I	Size of the plan does not meet the minimum liability of \$100MM.



Analysis of Bidding Insurers

- Nyhart's analysis takes into account 95-1's guidance, traditional methods of evaluating the creditworthiness of an insurance company and the administrative experiences and expertise of each insurer. Below you will find an assessment of each insurer who has put forth a preliminary bid.
- When reviewing this analysis it is important to remember two things: (1) none of these factors should be considered in isolation. (2) 95-1's guidance does not have the force of law. It should serve merely as a tool to use when carrying out your overall fiduciary duty to assess the ability of the bidding carriers to make on-time payments for the life of the contract.



Analysis of Bidding Insurers

(1) Quality and diversification of the annuity provider's investment portfolio

- Insurance companies invest the bulk of their assets in bonds as these are generally safer than other categories of assets (i.e., stocks, mortgages and real estate).
- Each bidding carrier's portfolio includes a small allocation in asset classes considered riskier than bonds. However, this percentage is such a small portion of their overall portfolio that it does not impact the overall risk profile of the portfolio when viewed in its entirety.
- The National Association of Insurance Commissioners (NAIC) categorizes bonds in six classes, 1-6, with classes 1 & 2 categorized as investment grade and 3-6 as below investment grade. Appendix A outlines the various insurers' investment mixes, including a breakdown of their bond holdings by class.



Analysis of Bidding Insurers

(1) Quality and diversification of the annuity provider's investment portfolio

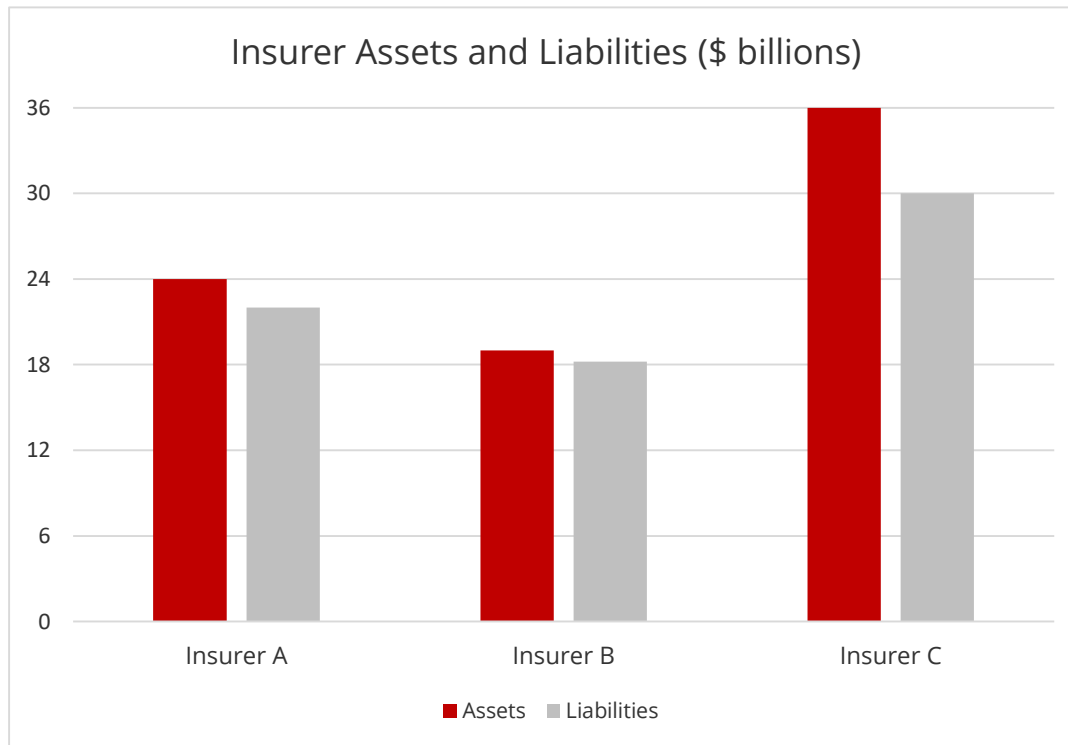
- Nyhart has assigned a value to each insurer that is the result of the percentage of bonds in their portfolio, multiplied by a weighted percentage of bond holdings that are classified as either class 1 or 2.
- The resulting number is the investment portfolio safety score.
- Portfolio safety scores among reputable carriers typically range from 50 - 70. The average score of one of our highly rated companies is 56.

Carrier	Investment Portfolio Safety Score
Insurer A	62
Insurer B	58
Insurer C	67



Analysis of Bidding Insurers

(2) Size of the insurer relative to the proposed contract



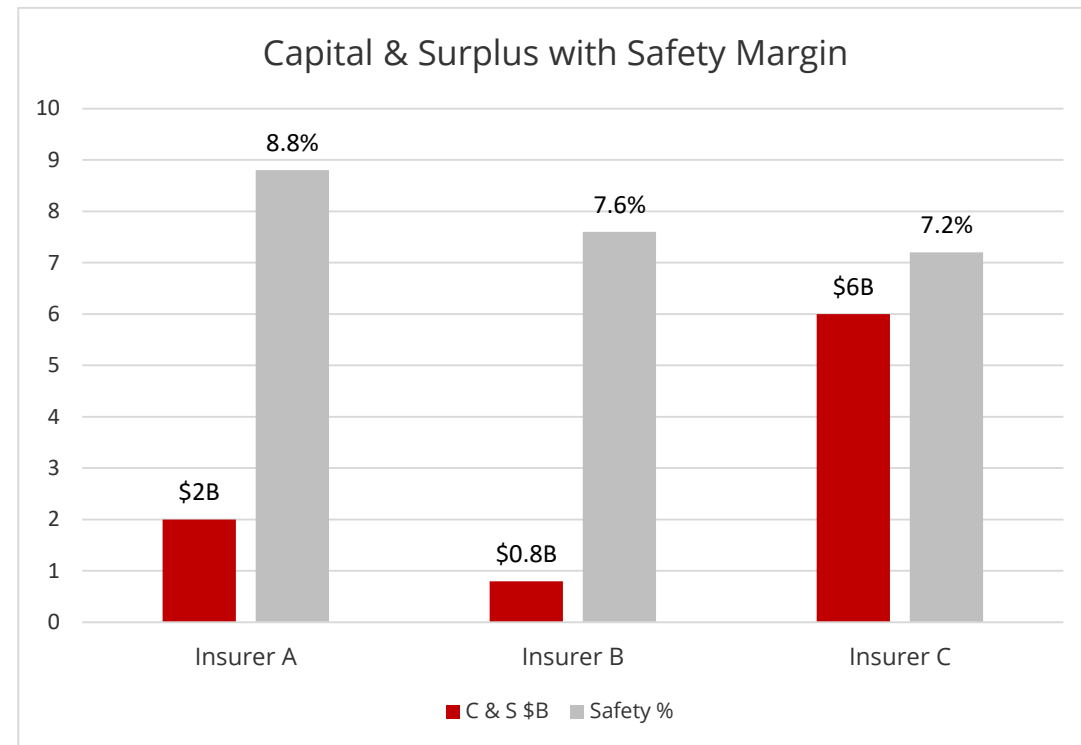
- The total group annuity contract value for your plan will be well below the maximum contract value each insurer offers.
- In fact, all bidding carriers routinely sell group annuities of a larger size. Each is well-capitalized to take on your plan, as indicated by the high ratings both have received.



Analysis of Bidding Insurers

(3) Level of the insurer's capital and surplus

- A company's capital and surplus are measured by the difference between its assets minus its liabilities. This value protects the interests of the company's policyholders in the event it develops financial problems.
- A firm's "safety margin" measures the capital and surplus amount as a percentage of the general account.
- In our experience, the most highly rated carriers who are active in the pension settlement space generally have a safety margin between 7% and 10%.





Analysis of Bidding Insurers

(4) Lines of business

- Each of the bidding insurers has the following lines of business: life insurance, retirement, financial services and asset management. Regardless of these similarities there are a few variances worth noting. An examination of an insurer's lines of business highlights the exposure it may have to sector-specific downturns.
- Insurer A
 - Insurer A chose to pursue growth in the retirement space in 2015 with a large acquisition. This transaction included the addition of approximately 200 agents, 1000 plans, and an increase in assets under management of approximately \$30 billion. This follows a prior acquisition of retirement services in 2014.
 - Insurer A is a mutual company.
- Insurer B
 - Insurer B is a stock company.
 - Along with typical lines of business, Insurer B also provides full-range banking service.
 - The banking division accounts for approximately 18% of its operating income.
- Insurer C
 - Insurer C is a mutual company.
 - They have show a recent focus on growing Medicare Supplement products. These are now the dominant player in their individual product line
 - Group products provide an even spread of revenue between retirement plans, life, and group disability products.
- None of these lines of business represent significant deviations from a typical insurer. Thus, it can be said that every bidding insurer is predominately involved in lines of business common to the insurance industry.



Analysis of Bidding Insurers

(5) Structure of the annuity contract and guarantees supporting the annuities, such as the use of separate accounts

- A “separate account” is a fund held by an insurance company that is maintained separately from the insurer's general assets.
- The vast majority of pension settlements are backed by the insurer’s general account. But a separate account can be used to insulate the underlying assets from an insurer’s other policyholders and creditors.
- If the insurer becomes insolvent, typically these assets are secure from general account obligations.
- Separate accounts will not be used in your group annuity contract.



Analysis of Bidding Insurers

(6) Availability of additional protection through state guarantee associations and the extent of their guarantees

- States have established state guaranty organizations that provide a safety net for their state's policyholders, ensuring that they continue to receive coverage even if their insurer is declared insolvent.
- State guaranty coverage is triggered when a member insurer (any insurer licensed to do business in the state) is declared insolvent and ordered into liquidation by a court.
- Coverage only applies to residents that are state residents at the time of the insolvency.
- For policyholders that move outside of their state, their new state's guaranty organization would offer protection.



Analysis of Bidding Insurers

(6) Availability of additional protection through state guarantee associations and the extent of their guarantees

State	Max liability for present value of an annuity contract	At-Risk Participant Count
Indiana	\$250,000	3
Michigan	\$250,000	2
Illinois	\$250,000	1
Ohio	\$250,000	1
		7

- An at-risk participant is anyone whose benefit exceeds the state guarantee limit.
- These at-risk participants exceed state limit coverage by an average of \$45,000.
- The resulting total loss of benefit for this group in the case of insolvency would be \$315,000, given zero recuperation of lost benefits.



Analysis of Bidding Insurers

(6) Availability of additional protection through state guarantee associations and the extent of their guarantees

State	Max liability for present value of an annuity contract	Max aggregate benefits for all lines of insurance
Alabama	\$250,000	\$300,000
Alaska	\$100,000	\$300,000
Arizona	\$250,000	\$300,000
Arkansas	\$300,000	\$300,000
California	\$250,000	\$300,000
Colorado	\$250,000	\$300,000
Connecticut	\$500,000	\$500,000
Delaware	\$250,000	\$300,000
Dist. of Col.	\$300,000	\$300,000
Florida	\$250,000	\$300,000
Georgia	\$300,000	\$300,000
Hawaii	\$250,000	\$300,000
Idaho	\$250,000	\$300,000
Illinois	\$250,000	\$300,000
Indiana	\$250,000	\$300,000
Iowa	\$250,000	\$350,000
Kansas	\$250,000	\$300,000
Kentucky	\$250,000	\$300,000
Louisiana	\$250,000	\$500,000
Maine	\$250,000	\$300,000
Maryland	\$250,000	\$300,000
Massachusetts	\$250,000	\$300,000
Michigan	\$250,000	\$300,000
Minnesota	\$250,000	\$500,000
Mississippi	\$250,000	\$300,000

State	Max liability for present value of an annuity contract	Max aggregate benefits for all lines of insurance
Missouri	\$250,000	\$300,000
Montana	\$250,000	\$300,000
Nebraska	\$250,000	\$300,000
Nevada	\$250,000	\$300,000
New Hampshire	\$250,000	\$300,000
New Jersey	\$500,000	\$500,000
New Mexico	\$250,000	\$300,000
New York	\$500,000	\$500,000
No. Carolina	\$300,000	\$300,000
North Dakota	\$250,000	\$300,000
Ohio	\$250,000	\$300,000
Oklahoma	\$300,000	\$300,000
Pennsylvania	\$300,000	\$300,000
Puerto Rico	\$100,000	\$300,000
Rhode Island	\$250,000	\$300,000
So. Carolina	\$300,000	\$300,000
South Dakota	\$250,000	\$300,000
Tennessee	\$250,000	\$300,000
Texas	\$250,000	\$300,000
Utah	\$250,000	\$500,000
Vermont	\$250,000	\$300,000
Virginia	\$250,000	\$350,000
Washington	\$500,000	\$500,000
West Virginia	\$250,000	\$300,000
Wisconsin	\$300,000	\$300,000
Wyoming	\$250,000	\$500,000



Analysis of Bidding Insurers

Company structure overview

- Two main differences between mutual and stock companies should be noted: (1) ownership and (2) objective.
- Stock companies
 - Stock companies are publicly traded and owned by stockholders. Their objective is to make a profit for stockholders.
 - This drive for profit can sometimes lead to a more efficient operation.
 - On the flip side, stock companies often face short-term financial pressure from investors.
 - This influence could potentially carry negative outcomes for policyholders.
- Mutual companies
 - Mutual companies are owned exclusively by the policyholders.
 - In general, mutual companies are managed for the benefit and protection of policyholders.
 - Policyholders have a vote in the company's management. However, many policyholders don't vote and in general have less influence over a company than institutional investors in a stock company.
- Both have to abide by state insurance regulations and are covered by state guaranty associations in the event of insolvency.

Carrier	Ownership Structure
Insurer A	Mutual
Insurer B	Stock
Insurer C	Mutual



Analysis of Bidding Insurers

Administrative considerations

- All bidding insurers have shown a reliable history of administering payments on time.
- Each has on-boarded plans of your size and larger without issue.
- All bidding carriers have a dedicated line for annuitant questions and concerns.

	Insurer A	Insurer B	Insurer C
On-boarding Process			
Dedicated Team	Yes	Yes	Yes
Necessary Notice for Final Bid	10 Days	15 Days	30 Days
Accepted Bid On-boarding Time	20 Days	20 Days	30 Days
Direct Participant Notification	Yes	Yes	Yes
Standardized Data Process	Yes	No	Yes
Participant Service Information			
Call Center Available	Yes	Yes	Yes
Dedicated Annuity Question Line	Yes	Yes	Yes
Average Election Process Time	20 Days	20 Days	15 Days
Participant Website Available	No	Yes	Yes



Analysis of Bidding Insurers

Current Credit Ratings

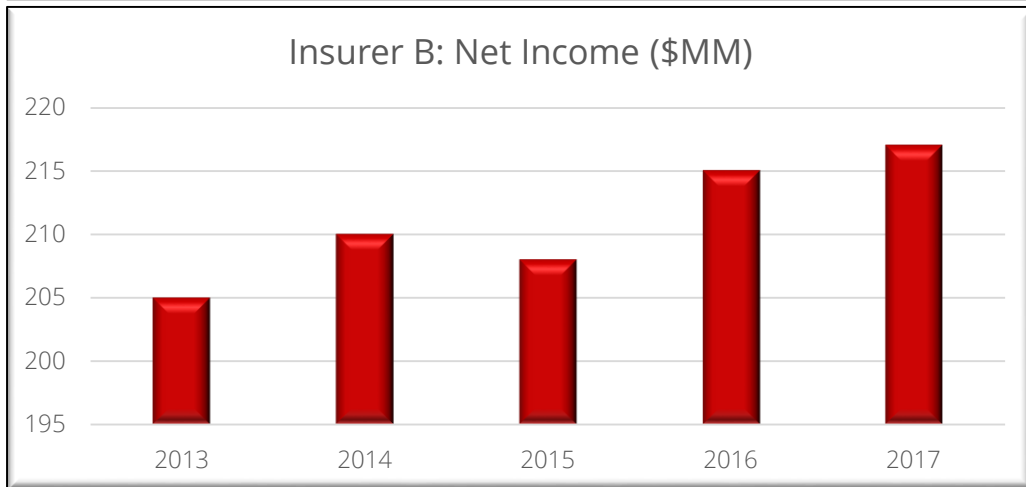
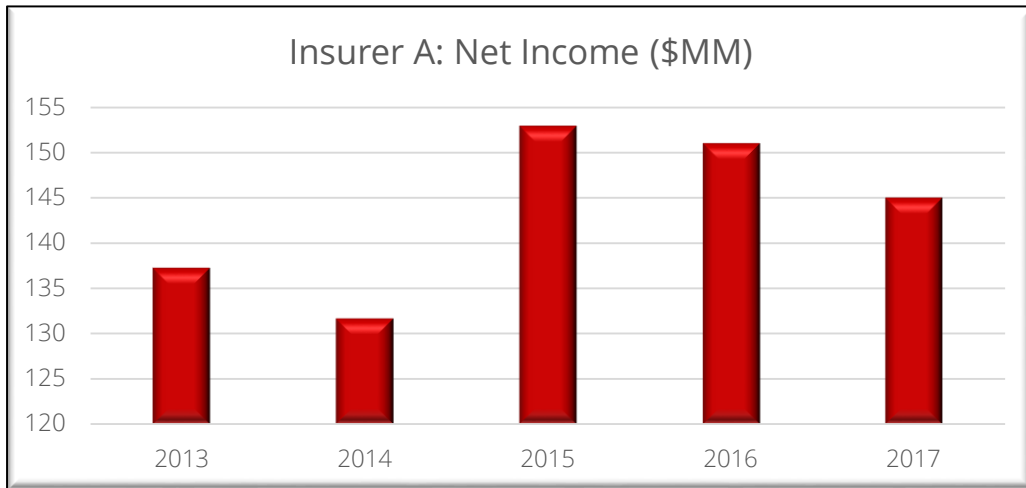
A.M. Best		
Ratings Explanation	Rating	Insurers
Secure - Superior	A++	
Secure - Superior	A+	Insurer B, Insurer C
Secure - Excellent	A	Insurer A
Secure - Excellent	A-	
Secure - Good	B++	
Secure - Good	B+	
Vulnerable - Fair	B	
Vulnerable - Fair	B-	

Ratings Explanation	Standard & Poor's		Moody's		Fitch			
	Rating	Insurers	Rating	Insurers	Rating	Insurers		
Investment Grade	Prime		AAA		Aaa		AAA	
	High Grade		AA+		Aa1	Insurer C	AA+	Insurer C
	High Grade		AA		Aa2	Insurer A	AA	Insurer A
	High Grade		AA-	Insurer C	Aa3	Insurer B	AA-	Insurer B
	Upper Med. Grade		A+	Insurer A, Insurer B	A1		A+	
	Upper Med. Grade		A		A2		A	
	Upper Med. Grade		A-		A3		A-	
	Lower Med. Grade		BBB+		Baa1		BBB+	
	Lower Med. Grade		BBB		Baa2		BBB	
	Lower Med. Grade		BBB-		Baa3		BBB-	
Non-Investment Grade	Speculative		BB+		Ba1		BB+	
	Speculative		BB		Ba2		BB	
	Speculative		BB-		Ba3		BB-	
	Highly Speculative		B+		B1		B+	

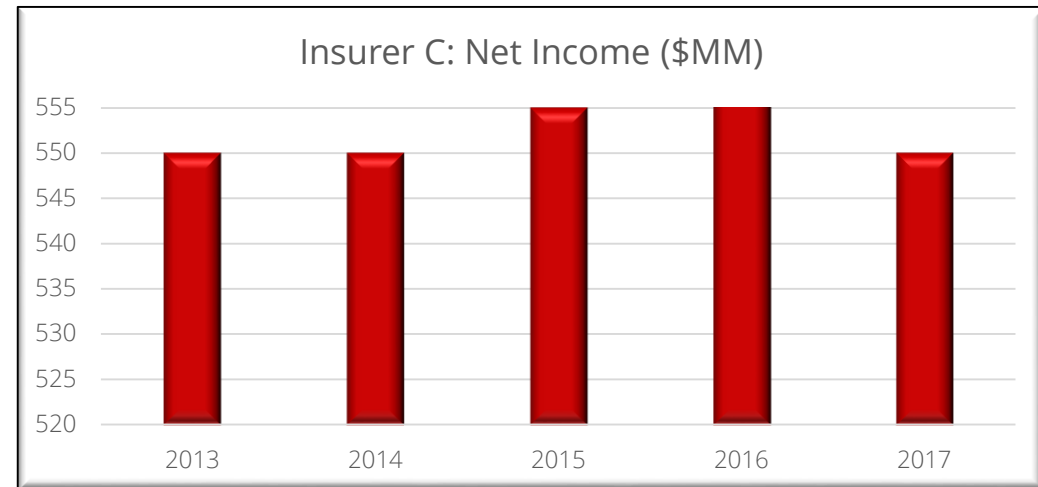


Analysis of Bidding Insurers

Operating Income History

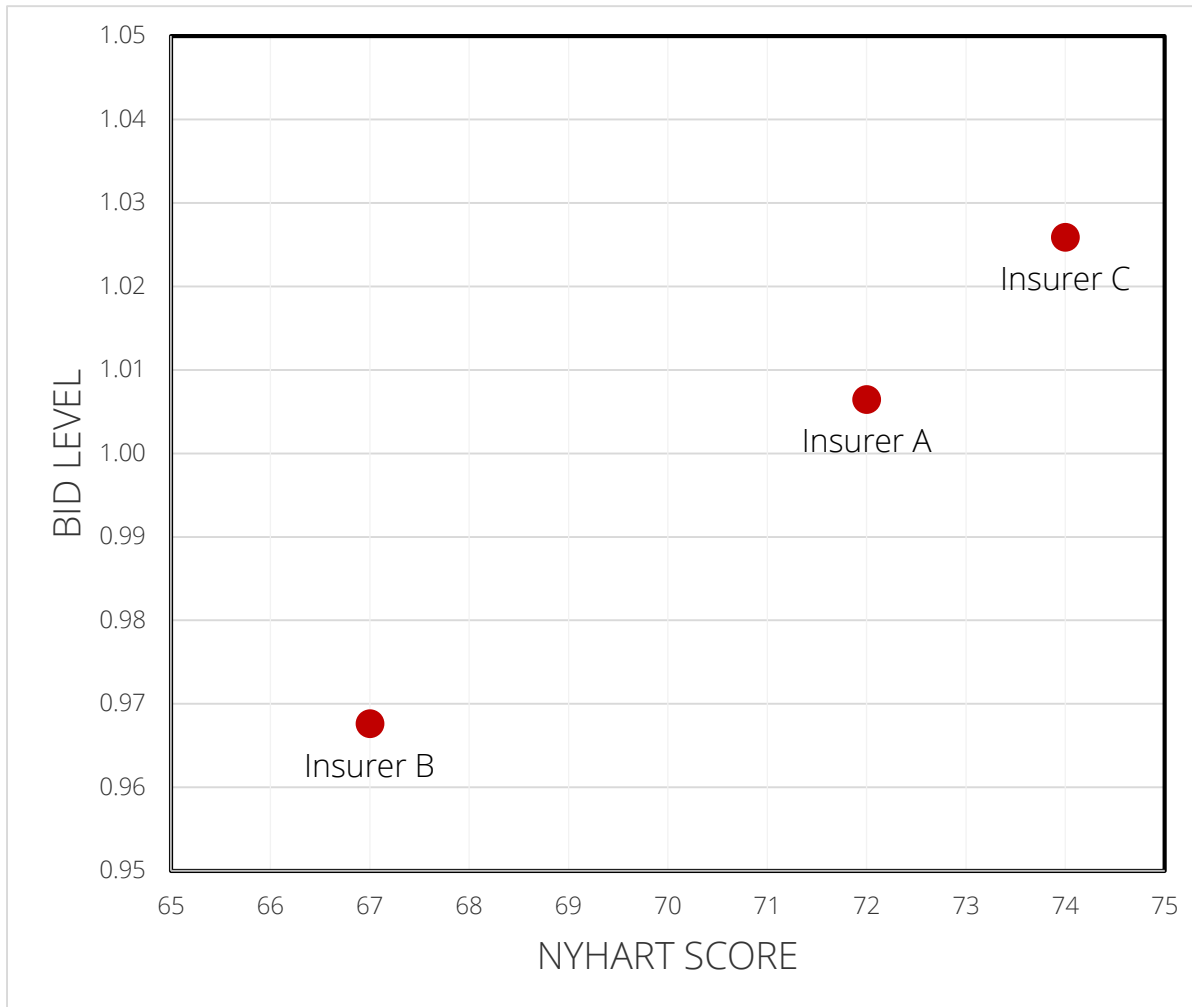


- Regular fluctuations in net income are expected. Each carrier in this case has maintained consistent levels of income, an indicator of stability.





Efficiency of Bids: Nyhart Score



- Typical “Nyhart Scores” range from the low 60’s to the upper 70’s.
- Each bidding carrier has a strong Nyhart Score.
- Insurer B has a lower Nyhart Score mainly due to a higher percentage of class 2 bond holdings, relative to Insurer A and Insurer C.
- The higher scoring carriers offered higher bids.
- It is important to remember that more than one bidding carrier can be considered a “safest annuity available” option

Carrier	Score	Bid Level	Bid (\$MM)
Insurer A	72	1.01	\$31.1
Insurer B	67	0.97	\$29.9
Insurer C	74	1.03	\$31.7



Conclusion

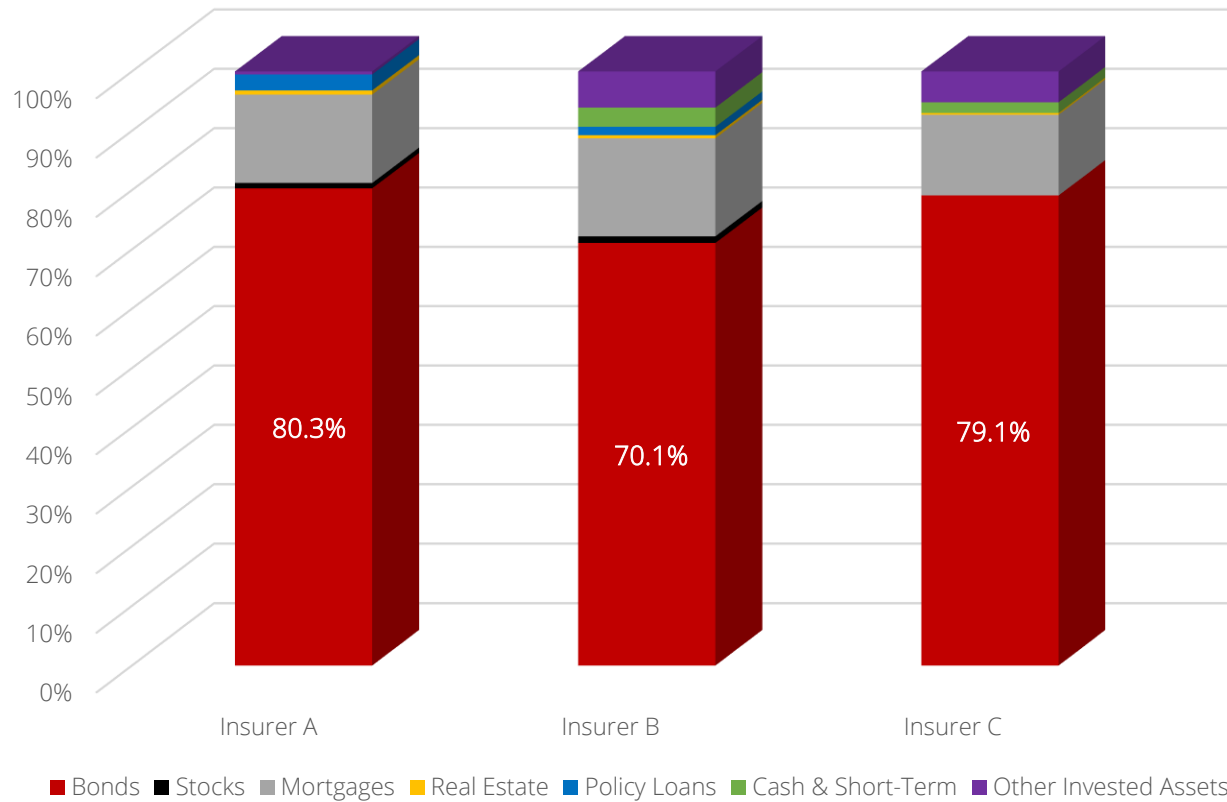
- After detailed analysis of the bidding carriers, we believe that each bidding carrier offers a secure option that can be accurately classified as “safest annuities available.”
- Based on our unbiased analysis of technical and fundamental factors relating to each bidder, there is not a significant enough gap in the offerings of any of the carriers to warrant the dismissal or recommendation of one specific carrier.*
- Therefore, it is our opinion that the selection of any of these bids would fulfill Company ABC’s fiduciary duty as a pension plan sponsor acting in accordance with the participants’ best interest.
- This opinion is based on 95-1 analyses, traditional methods of evaluating the creditworthiness of insurers and an investigation of the administrative experiences and expertise of each insurer.
- Please do not hesitate to contact your Nyhart consultant with any questions.

*Nyhart takes no commissions or other form of compensation from carriers.



Appendix A: Quality and Diversification of Insurer's Investment Portfolio

Asset Distribution

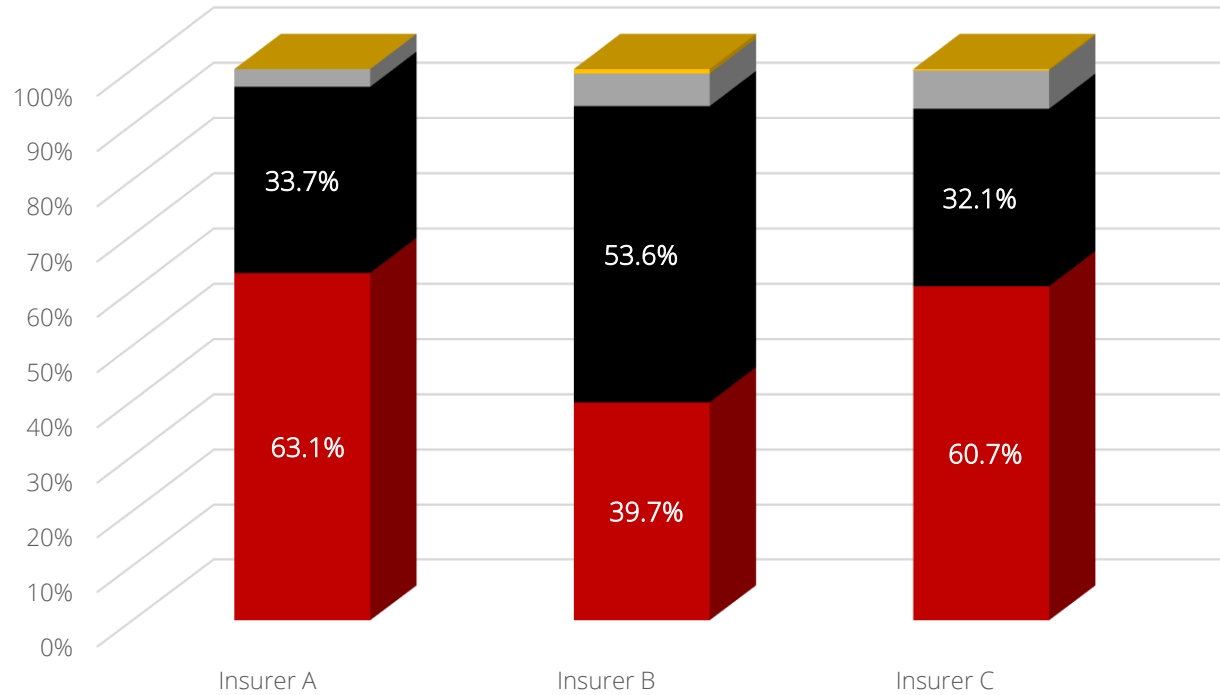


	Insurer A	Insurer B	Insurer C
Bonds	80.3%	70.1%	79.1%
Stocks	0.9%	1.1%	0.0%
Mortgages	14.9%	16.3%	13.6%
Real Estate	0.7%	0.5%	0.3%
Policy Loans	2.7%	1.4%	0.0%
Cash & Short-Term	0.0%	3.2%	1.8%
Other Invested Assets	0.5%	6.0%	5.2%



Appendix A: Quality and Diversification of Insurer's Investment Portfolio

Bond Quality / NAIC Rating



■ Class 1: Highest Quality ■ Class 2: High Quality
■ Class 3-5: Medium, Low Quality ■ Class 6: In or Near Default

	Insurer A	Insurer B	Insurer C
Class 1: Highest Quality	63.1%	39.7%	60.7%
Class 2: High Quality	33.7%	53.6%	32.1%
Class 3-5: Medium, Low Quality	3.2%	5.9%	6.9%
Class 6: In or Near Default	0.0%	0.8%	0.3%



Appendix B: Ratings Trend

	2014	2015	2016	2017	2018
Comdex Trend					
Insurer A	95	94	94	94	94
Insurer B	84	82	82	83	84
Insurer C	92	92	93	94	95
A.M. Best Trend					
Insurer A	A	A	A	A	A
Insurer B	A	A	A	A+	A+
Insurer C	A+	A+	A+	A+	A+
Standard & Poor's Trend					
Insurer A	AA-	A	A+	A+	A+
Insurer B	A	A	A	A+	A+
Insurer C	AA-	AA-	AA-	AA-	AA-
Moody's Trend					
Insurer A	Aa1	Aa1	Aa2	Aa2	Aa2
Insurer B	Aa2	Aa2	Aa3	Aa3	Aa3
Insurer C	Aa1	Aa1	Aa1	Aa1	Aa1
Fitch Trend					
Insurer A	AA+	AA	AA	AA	AA
Insurer B	AA	AA-	AA-	AA-	AA-
Insurer C	AA	AA	AA+	AA+	AA+



Appendix C: Enterprise Risk Management

- Enterprise risk management programs are designed to help insurance companies better understand their risk profile.
- A focus on enterprise risk management allows the insurer to make strategic decisions that protect their overall downside during market turmoil.
- Each bidding carrier has an enterprise risk management program.

Carrier	Enterprise Risk Management
Insurer A	A dedicated risk management team of approximately 25 employees are employed to examine the risks involved with Insurer A's lines of business and portfolio risk. This team has access to each division's financials and routinely runs an internal risk audit to ensure controls and protocol for risk management are met, company-wide.
Insurer B	Insurer B has a smaller ERM team. The 5 team members consist of directors from four divisions of the company and one chief risk officer. These members meet often to discuss their risk profile and any recent transactions that would impact the companies overall risk. It is the duty of each director to implement risk averse procedures within their respective division, while the CRO focuses on the company's risk as a whole.
Insurer C	Insurer C recently hired 50 employees to help with risk management. This is part of the reason they have seen an uptick in their overall ratings. Each group within the company is required to have a dedicated risk manager who documents and reports a group risk profile to the CRO. The CRO meets with other C-level executives at Insurer C and is part of all major decision-making processes.



Fee Proposal for Pension Annuity Purchase

RFP # 19-09

City of Ann Arbor

April 10, 2019

Contact:

Alex Geml

Partner

3000 Town Center, Suite 3000

Southfield, MI 48075

+1.248.936.5418

alex.geml@aon.com

aon.com

This proposal includes data that shall not be disclosed outside the Government and shall not be duplicated, used, or disclosed in whole or in part for any purpose other than to evaluate this proposal. If, however, a contract is awarded to Aon Consulting, Inc. as a result of or in connection with the submission of this data, the Government shall have the right to duplicate, use, or disclose the data to the extent provided in the resulting contract. This restriction does not limit the Government's right to use information contained in this data if it is obtained from another source without restriction.

Section III – Minimum Information Required

D. Fee Proposal

Fee schedules shall be submitted in a separate, sealed, envelope as part of the proposal. Fees are to include the names, title, hourly rates, overhead factors, and any other relevant details. The proposal should highlight key staff and positions that would likely be involved with projects. Offerors shall be capable of justifying the details of the fee proposal relative to personnel costs, overhead, how the overhead rate is derived, material and time.

Fees for Project Phases

The table below summarizes our fees for the three potential phases. As mentioned in our proposal, the City will have the option to decide whether to continue on after each project phase. The fees for Project Phases 2 and 3 are provided as a range, as they will depend on the size of the potential transaction and the demographics of the populations included in the transaction. We expect that Phases 2 and 3 will only be needed if the City finds that the Feasibility analysis is compelling enough to test the insurance market for actual pricing.

Project Phase	High-Level Description	Fee
I. Feasibility	<ul style="list-style-type: none"> ▪ Analyze long-term financial impact of various annuity purchase scenarios ▪ Evaluate sources of funding 	\$35,000
II. Annuity Pricing (Optional)	<ul style="list-style-type: none"> ▪ Develop RFP and collect responses from insurers ▪ Provide advice on size and timing of purchase 	\$50,000–\$150,000; depending on size and complexity
III. Implementation (Optional)	<ul style="list-style-type: none"> ▪ Educate fiduciaries ▪ Communicate with insurers, lawyers and other key stakeholders 	\$50,000–\$100,000; depending on size and complexity
Total		\$35,000+; depending on City's decisions, size and complexity of transaction

We have designed our fees to include all typical expected steps in Project 1 and Project 2 as in-scope of our fixed fees. However, if out-of-scope services arise, they would be charged based on the rates shown below. Aon's policy is to perform the work at the lowest possible billing rate that matches the technical and consulting skills required to complete the assignment in the time required. We will work with you to cost-effectively produce any potential out-of-scope calculations or deliverables.

To demonstrate our commitment to the City, we've discounted our standard hourly rates by about 30%:

Level	2019 Discounted Hourly Billing Rate
Partner	\$600
Associate Partner	\$550
Senior Consultant	\$525
Consultant	\$500
Advanced Associate/Senior Analyst	\$400
Experienced Associate/Analyst	\$375
Associate/Specialist	\$300
Administrative Support	\$150

April 10, 2019

City of Ann Arbor
c/o Customer Service
301 East Huron Street
Ann Arbor, MI 48107

RE: RFP No. 19-09 - Pension Annuity Section D: Fee Proposal

The enclosed fee proposal is being provided as a separate attachment our proposal to perform actuarial consulting services for the City of Ann Arbor Employees' Retirement System. This proposal was prepared after receipt of Addendum No. 2 to the original RFP 19-09.

Strome Actuarial Services proposes to complete the pension annuity project for City of Ann Arbor for a fee of approximately \$85,000 based on 2019 Strome Actuarial Services, LLC standard hourly rates, not to exceed \$125,000. This price was developed from Section C (Proposed Work Plan) of this Pension Annuity proposal and includes all items listed therein. This item does not include the actual annuity placement service which will be brokered by O3 Annuity Services LLC (Mark Unhoch). The fee for providing the brokerage service to place the annuities with an appropriate insurance company will be \$185,000.

As with most consulting firms, our billing structure is based on a time and expense system. For projects such as the pension annuity for the City, fee estimates and not-to-exceed quotes reflect the hours expected to be spent in the completion of a project, calculated using the standard billing rates of the personnel involved, including administrative services.

Professional fees on an hourly basis can vary significantly from firm to firm. We work diligently to keep our fees very competitive. In addition, fees can be impacted by the efficiency of the work process. As a result of our fully integrated computer systems, which deliver high levels of efficiency and quality, combined with our highly competitive fee structure, the overall costs for actuarial work delivered by Strome Actuarial Services is very reasonable.

Strome Actuarial Services (SAS) does not incorporate an "overhead rate" or any other charge beyond our hourly consulting rates (see next page). All services and reports described in the proposal are included in the not-to-exceed price given above.

Any potential out-of-pocket expenses beyond what are described in this proposal would be billed directly to City, with each item specified and listed on our invoice. We do not charge for travel time, mileage, telephone and fax expenses, photocopy expenses incurred in the regular course of business, or postage expenses.



Strome Actuarial Services is not responsible for any charges that the City of Ann Arbor may incur from insurance companies or other annuity providers in conjunction with a pension de-risking strategy. All costs and fees attributable to this Section D are specifically and uniquely intended for compensation of Strome Actuarial Services and the work performed by the SAS personnel described in this proposal.

Data Caveat

The not-to-exceed price quoted above assumes one set of clean and complete data. Lengthy data clean up and processing may result in additional time charges.

Hourly Consulting Rates

The costs proposed for the pension annuity project in the preceding section are based on estimated time needed to complete the project and the individual hourly rates shown in the table below. If a need arises for services that are outside of the scope of this proposal, including but not limited to excessive data processing, time and expense fees will be charged according to the following hourly consulting rates.

2019 Strome Actuarial Services Billing Rates per Hour by Staff Level	
Michael Strome President, Senior Actuarial Consultant	\$315
Mark Unhoch ¹ Annuity Consultant (O3)	\$315
Michael Iacoboni Senior Actuarial Consultant	\$300
Emily King Actuarial Consultant	\$250
Nicole Pittman Actuarial Analyst	\$150
Miscellaneous Administrative Work, as necessary	\$75

¹ Mark's hourly rate applies to Consulting relating to the risk mitigation consulting and will be included in the fixed fee for the Annuity Purchase quote above. Other members of O3 may be utilized to assist in the risk mitigation strategy at Mark's rate.



City of Ann Arbor
RFP No. 19-09 – Pension Annuity

Fee Proposal

Fee schedules shall be submitted in a separate, sealed, envelope as part of the proposal. Fees are to include the names, title, hourly rates, overhead factors, and any other relevant details. The proposal should highlight key staff and positions that would likely be involved with projects. Offerors shall be capable of justifying the details of the fee proposal relative to personnel costs, overhead, how the overhead rate is derived, material and time.

Response:

We are compensated for the services listed above based upon our standard hourly rates of \$150 - \$450 per hour, plus reasonable out-of-pocket expenses. Once the final scope of services is determined, an agreed upon contract and fee proposal will be completed, based upon the information contained below and the estimated hours to prepare the desired deliverables.

Key Staff and Title	Description of Project Phase Expected Involvement as Detailed in Our Response	Hours involved	Rate (A)	Estimated Fees
Phase I				
Elliot Dinkin Lead Consultant	Establishing objectives of the project and creation of work plan	30	\$450	\$13,500
Bob Crnjarich, EA, FCA, MAAA Senior Actuary	Establishing objectives of the project and creation of work plan	20	\$250	\$5,000
	Total Phase I - Fees	50		\$18,500
	Estimated out-of-pocket expenses for this Phase (incidentals for travel and related) (C)			\$ 1,500
	Total Phase I – Fees and Expenses			\$20,000

City of Ann Arbor
RFP No. 19-09 – Pension Annuity

Key Staff and Title	Description of Project Phase Expected Involvement as Detailed in Our Response	Hours involved	Rate (A)	Estimated Fees
Phase II				
Elliot Dinkin Lead Consultant	Creating a base-line report (assumes we would prepare all base line actuarial information)	35	\$450	\$15,750
Bob Crnjarich, EA, FCA, MAAA Senior Actuary	Creating a base-line report (assumes we would prepare all base line actuarial information)	70	\$250	\$17,500
Total Phase II - Fees		105		\$33,250
				Estimated out-of-pocket expenses for this Phase (incidentals for travel and related) (C) \$ 2,000
Total Phase II – Fees and Expenses				\$35,250

City of Ann Arbor
RFP No. 19-09 – Pension Annuity

Key Staff and Title	Description of Project Phase Expected Involvement	Hours involved	Rate (A)	Estimated Fees for involvement
Phase III				
Elliot Dinkin Lead Consultant	Obtaining quotes for annuity purchases and presenting results (B)	30	\$450	\$13,500
Bob Crnjarich, EA, FCA, MAAA Senior Actuary	Obtaining quotes for annuity purchases and presenting results (B)	55	\$250	\$13,750
	Total Phase III- Fees	85		\$27,250
	Estimated out-of-pocket expenses for this Phase (incidentals for travel and related) (C)			\$2,000
	Total Phase III – Fees and Expenses			\$29,250
Total Fees	Phases I, II and III			\$84,500

- (A) Our billing rates are all in costs for the personnel for the engagement and are set based upon a combination of our fully-loaded salaries and related direct and in-direct expenses for each employee.
- (B) We can be paid for our services either via commissions (added to the annuity costs) or straight fee payment; if commissions are to be used, they will be set at a rate to generate an equivalent fee basis, tied to an agreed upon project fee. This can be discussed as part of the negotiation process.
- (C) Out-of-pocket expenses are for automobile travel between Pittsburgh and Ann Arbor and related expenses; please note, as we have other clients in the Detroit area, we will attempt to be as efficient as possible in consolidating meetings, in order to share costs.

April 10, 2019

Original

Pension Annuity Cost Proposal
to Provide Expertise and Consulting

City of Ann Arbor

Employees' Retirement System

#19-09

CONTACT

Nick Meggos
FCA, EA
(618) 307-9090
nick.meggos@nyhart.com

ADDRESS

Nyhart
101 W. Vandalia Street
Suite 240
Edwardsville, IL 62025

PHONE

General (317) 845-3500
Toll-Free (800) 428-7106
Fax (317) 845-3654

D. Fee Proposal

Hourly Rates

Classification	Title	Rate
Nick Meggos	Relationship Manager / Consulting Actuary	\$400
Danielle Winegardner	Consulting Actuary	\$300
Scott Gavin	Consulting Actuary	\$300
Actuarial Analyst	Actuarial Analyst	\$200

Fees

The following table determines the fees associated with the proposed work plan.

Task	Average Hourly Rate	Hours	Total
Kick-off call to review data request, timetable, confirm objectives, etc.	\$ 350	5	\$ 1,750
Data collection, matching current actuarial results, assessing assumptions and actuarial methods	\$ 240	30	\$ 7,200
Stochastic asset projections to identify and assess largest risk to the Plan	\$ 275	40	\$ 11,000
Preparing report to document analysis completed thus far and in-person meeting to review the results. We anticipate it will take a 2-hour meeting to review the results.	\$ 300	20	\$ 6,000
Pension plan de-risking: identify and assess de-risking strategies. This assessment will include cost implications and different approaches than can be taken within ERISA and Michigan. For example, one de-risking strategy can be to offer lump sums to terminated vested participants. The cost or benefit of such a strategy is dependent on the assumptions used to determine the lump sum. We will include this type of analysis so the plan sponsor can determine how each approach will impact the plan and plan participants. The de-risking strategies that will be reviewed include: <ul style="list-style-type: none"> • Lump sum offerings • Annuity purchase • Plan design • Funding policy 	\$ 275	50	\$ 13,750

Task	Average Hourly Rate	Hours	Total
Preparing report to document analysis completed thus far and in-person meeting to review the results. We anticipate it will take a 2-hour meeting to review the results.	\$ 300	25	\$ 7,500
Based on input from the City, Nyhart will update the first two reports and consolidate into one report for the working sessions with the City Council. Nyhart will present this consolidated report in-person at the working session.	\$ 350	20	\$ 7,000
After the working session, we will update the report as necessary to present the final report to the City Council	\$ 350	10	\$ 3,500
Total	\$ 289	200	\$ 57,700

Note the fees listed above are for the review and assessment of different de-risking strategies the plan may select. If you would like Nyhart's assistance in implementing such strategies, other fees would apply.

North Fifth Avenue Reconstruction Project - Change Order Final City/DDA Split

Item Number	Description	Unit	Unit Price	Allocation		Change Order Quantity					Change Order Amount		
				DDA	City	Final	Original	Change	DDA	City	Total	DDA	City
101	General Conditions, Max \$200,000	LS	\$ 200,000.00	50%	50%	1	1	0	0	0	\$0.00	\$0.00	\$0.00
102	Audiovisual Tape Coverage	LS	\$ 950.00	50%	50%	1	1	0	0	0	\$0.00	\$0.00	\$0.00
104	Certified Payroll Compliance and Reporting	LS	\$ 2,000.00	50%	50%	1	1	0	0	0	\$0.00	\$0.00	\$0.00
120	Project Supervision, Max \$100,000	LS	\$ 100,000.00	50%	50%	1	1	0	0	0	\$0.00	\$0.00	\$0.00
135	Tree Removal (8" and Larger)	Ea	\$ 490.00	100%	0%	28	25	3	3	0	\$1,470.00	\$1,470.00	\$0.00
140	Exploratory Excavation (0-10' deep)	Lft	\$ 80.00	0%	100%	188	400	-212	0	-212	-\$16,960.00	\$0.00	-\$16,960.00
203	Minor Traf Devices	LS	\$ 45,000.00	0%	100%	1	1	0	0	0	\$0.00	\$0.00	\$0.00
204	Non-hazardous Contaminated Material Handling and Disposal	Cyd	\$ 30.00	0%	100%	0	550	-550	0	-550	-\$16,500.00	\$0.00	-\$16,500.00
205	Machine Grading, Modified,	Sta	\$ 16,200.00	40%	60%	30.28	27	3.28	1.312	1.968	\$53,136.00	\$21,254.40	\$31,881.60
207	Plaza Amenities, Rem and Salvage	LS	\$ 2,500.00	100%	0%	1	1	0	0	0	\$0.00	\$0.00	\$0.00
208	Geotextile	Syd	\$ 4.00	0%	100%	1119.3	450	669.3	0	669.3	\$2,677.20	\$0.00	\$2,677.20
209	Geogrid	Syd	\$ 9.50	0%	100%	261.9	200	61.9	0	61.9	\$588.05	\$0.00	\$588.05
210	Stone Reservoir	Cyd	\$ 72.00	0%	100%	351.96	250	101.96	0	101.96	\$7,341.12	\$0.00	\$7,341.12
215	Infiltration Inlet	Ea	\$ 4,000.00	0%	100%	4	4	0	0	0	\$0.00	\$0.00	\$0.00
220	HMA Base Course	Ton	\$ 122.00	0%	100%	763.27	530	233.27	0	233.27	\$28,458.94	\$0.00	\$28,458.94
221	HMA Leveling	Ton	\$ 122.00	0%	100%	505.71	360	145.71	0	145.71	\$17,776.62	\$0.00	\$17,776.62
222	HMA Wearing	Ton	\$ 122.00	0%	100%	659.82	315	344.82	0	344.82	\$42,068.04	\$0.00	\$42,068.04
223	Temporary Pavement/Pedestrian Access	Syd	\$ 15.00	50%	50%	2071.2	1200	871.2	435.6	435.6	\$13,068.00	\$6,534.00	\$6,534.00
224	Hand Patching	Ton	\$ 185.00	0%	100%	132.876	100	32.876	0	32.876	\$6,082.06	\$0.00	\$6,082.06
226	Recessing Pavt Mrkg, Transv	Sft	\$ 2.95	0%	100%	2525	2110	415	0	415	\$1,224.25	\$0.00	\$1,224.25
227	Remove Concrete Sidewalk and Driveways - Any Thickness	Syd	\$ 15.50	100%	0%	2638.19	2529	109.19	109.19	0	\$1,692.45	\$1,692.45	\$0.00
228	Road Pavement, Rem	Syd	\$ 11.40	0%	100%	5661.63	4347	1314.63	0	1314.63	\$14,986.78	\$0.00	\$14,986.78
229-1	Brick Pavers, Rem, Sort and Salvage, Roadway	Syd	\$ 34.00	0%	100%	1601.85	2168	-566.15	0	-566.15	-\$19,249.10	\$0.00	-\$19,249.10
229-2	Brick Pavers, Rem, Sort and Salvage, Sidewalk	Syd	\$ 32.00	100%	0%	513.44	343	170.44	170.44	0	\$5,454.08	\$5,454.08	\$0.00
230	Remove Concrete Curb or Curb & Gutter - Any Type	Lft	\$ 7.00	0%	100%	2289.5	2160	129.5	0	129.5	\$906.50	\$0.00	\$906.50
231	Concrete Curb, 6 inch Straight	Lft	\$ 24.50	0%	100%	326	795	-469	0	-469	-\$11,490.50	\$0.00	-\$11,490.50
232	Concrete Planter Curb	Lft	\$ 20.00	100%	0%	610	409	201	201	0	\$4,020.00	\$4,020.00	\$0.00
233	Salvage and Reset Stone Curb	Lft	\$ 34.00	0%	100%	105	60	45	0	45	\$1,530.00	\$0.00	\$1,530.00
234	Concrete Curb & Gutter - Any Type	Lft	\$ 22.00	0%	100%	3109	2162	947	0	947	\$20,834.00	\$0.00	\$20,834.00
235	8 inch Concrete Ramp	Sft	\$ 7.00	0%	100%	2706	2716	-10	0	-10	-\$70.00	\$0.00	-\$70.00
236	6-Inch Concrete Sidewalk	Sft	\$ 6.00	100%	0%	25861.45	20224	5637.45	5637.45	0	\$33,824.70	\$33,824.70	\$0.00
237	8-Inch Concrete Drive Approach (TYPE L or M)	Sft	\$ 6.80	0%	100%	10745.15	5595	5150.15	0	5150.15	\$35,021.02	\$0.00	\$35,021.02
238-1	Concrete Pavement Base, 8 inch (under pavers)	Sft	\$ 5.50	0%	100%	17965	14851	3114	0	3114	\$17,127.00	\$0.00	\$17,127.00
239	Concrete Crosswalk, 12 inch	Sft	\$ 7.00	0%	100%	3439	3764	-325	0	-325	-\$2,275.00	\$0.00	-\$2,275.00
240	Detectable Warning Surface	Sft	\$ 14.50	0%	100%	416	322	94	0	94	\$1,363.00	\$0.00	\$1,363.00
241-1	Brick Pavers, New	Sft	\$ 21.50	100%	0%	13726	11881	1845	1845	0	\$39,667.50	\$39,667.50	\$0.00
242	Brick, Install Salvaged Brick	Sft	\$ 3.00	100%	0%	4287.5	2970	1317.5	1317.5	0	\$3,952.50	\$3,952.50	\$0.00
245	Concrete Seat Wall	Lft	\$ 381.00	100%	0%	209.04	179	30.04	30.04	0	\$11,445.24	\$11,445.24	\$0.00
246	Concrete Unit Retaining Wall, Rem, Salvage, and Re-install	Lft	\$ 130.00	100%	0%	31	30	1	1	0	\$130.00	\$130.00	\$0.00
249	Hydrant Assembly Abandonment	Ea	\$ 2,220.00	0%	100%	2	3	-1	0	-1	-\$2,220.00	\$0.00	-\$2,220.00
250	Drain Pipe, 6 Inch	Lft	\$ 59.00	100%	0%	211	60	151	151	0	\$8,909.00	\$8,909.00	\$0.00
251	Landscape Inlet	Ea	\$ 846.00	100%	0%	6	2	4	4	0	\$3,384.00	\$3,384.00	\$0.00
252	Sewer Bulkhead, 4-inch Through 18-inch diameter	Ea	\$ 294.00	0%	100%	0	4	-4	0	-4	-\$1,176.00	\$0.00	-\$1,176.00
255	Temporary 6 Inch Water Main Line Stop	Ea	\$ 8,900.00	0%	100%	5	2	3	0	3	\$26,700.00	\$0.00	\$26,700.00
256	Temporary 8 Inch Water Main Line Stop	Ea	\$ 9,100.00	0%	100%	2	2	0	0	0	\$0.00	\$0.00	\$0.00

North Fifth Avenue Reconstruction Project - Change Order Final City/DDA Split

Item Number	Description	Unit	Unit Price	Allocation		Change Order Quantity					Change Order Amount		
				DDA	City	Final	Original	Change	DDA	City	Total	DDA	City
257	Temporary 12 Inch Water Main Line Stop	Ea	\$ 11,000.00	0%	100%	0	2	-2	0	-2	-\$22,000.00	\$0.00	-\$22,000.00
260	Sand Subbase Course, Class II - C.I.P.	Cyd	\$ 89.00	50%	50%	1388.02	350	1038.02	519.01	519.01	\$92,383.78	\$46,191.89	\$46,191.89
261	Planting Soil	Cyd	\$ 50.50	100%	0%	224.25	150	74.25	74.25	0	\$3,749.63	\$3,749.63	\$0.00
262	Composite Planting Mix	Cyd	\$ 49.50	100%	0%	170.65	20	150.65	150.65	0	\$7,457.18	\$7,457.18	\$0.00
263	Riprap, Fieldstone	Cyd	\$ 1,100.00	100%	0%	0.61	2	-1.39	-1.39	0	-\$1,529.00	-\$1,529.00	\$0.00
264	Landscape Maintenance	Month	\$ 950.00	100%	0%	14	14	0	0	0	\$0.00	\$0.00	\$0.00
266	Tree Grate, 3 ft. X 5 ft.	Ea	\$ 3,500.00	100%	0%	4	4	0	0	0	\$0.00	\$0.00	\$0.00
267	Tree Grate, 3 ft. X 10 ft.	Ea	\$ 4,600.00	100%	0%	38	32	6	6	0	\$27,600.00	\$27,600.00	\$0.00
270	No Parking Sign	Ea	\$ 100.00	0%	100%	10	20	-10	0	-10	-\$1,000.00	\$0.00	-\$1,000.00
271	Sign, Portable Changeable Message	Ea	\$ 3,122.00	0%	100%	2	1	1	0	1	\$3,122.00	\$0.00	\$3,122.00
272	Channelizing Device, 42 Inch	Ea	\$ 18.00	0%	100%	250	80	170	0	170	\$3,060.00	\$0.00	\$3,060.00
273	Barricade Type III - Lighted	Ea	\$ 100.35	0%	100%	33	40	-7	0	-7	-\$702.45	\$0.00	-\$702.45
275	Temporary Sign - Type B	Ea	\$ 58.00	0%	100%	191	80	111	0	111	\$6,438.00	\$0.00	\$6,438.00
276	Temporary Sign - Type A	Ea	\$ 58.00	0%	100%	57	10	47	0	47	\$2,726.00	\$0.00	\$2,726.00
278	Lighted Arrow, Type C, Furnish & Operate	Ea	\$ 669.00	0%	100%	2	2	0	0	0	\$0.00	\$0.00	\$0.00
279	Temporary Pedestrian Type II Barricade	Ea	\$ 122.65	0%	100%	40	20	20	0	20	\$2,453.00	\$0.00	\$2,453.00
280	Temporary Pedestrian Type II Channelizer	Ea	\$ 20.45	0%	100%	912	1200	-288	0	-288	-\$5,889.60	\$0.00	-\$5,889.60
281	Urban Bench	Ea	\$ 2,210.00	100%	0%	8	8	0	0	0	\$0.00	\$0.00	\$0.00
282-1	Urban Table and Benches, Standard	Ea	\$ 4,730.00	100%	0%	6	6	0	0	0	\$0.00	\$0.00	\$0.00
282-1	Urban Table and Benches, ADA	Ea	\$ 4,615.00	100%	0%	3	3	0	0	0	\$0.00	\$0.00	\$0.00
283	Bike Hoops, Surface Mount	Ea	\$ 350.00	100%	0%	6	6	0	0	0	\$0.00	\$0.00	\$0.00
284	Reinstall Plaza Amenities	LS	\$ 4,000.00	100%	0%	1	1	0	0	0	\$0.00	\$0.00	\$0.00
285	Remove Parking Meter	Ea	\$ 115.00	100%	0%	25	25	0	0	0	\$0.00	\$0.00	\$0.00
286	Install Parking Meter	Ea	\$ 170.00	100%	0%	30	24	6	6	0	\$1,020.00	\$1,020.00	\$0.00
287	2" Schedule 80 PVC Electrical Conduit	Lft	\$ 5.75	100%	0%	3284	1296	1988	1988	0	\$11,431.00	\$11,431.00	\$0.00
288	3" Schedule 80 PVC Electrical Conduit	Lft	\$ 7.00	69%	31%	8773	6631	2142	1477.854019	664.145981	\$14,994.00	\$10,344.98	\$4,649.02
289	4" Schedule 80 PVC Electrical Conduit	Lft	\$ 9.00	100%	0%	1280	648	632	632	0	\$5,688.00	\$5,688.00	\$0.00
290	Street Light, Rem	Ea	\$ 75.00	100%	0%	28	28	0	0	0	\$0.00	\$0.00	\$0.00
291	Special Trench Detail	Lft	\$ 95.00	100%	0%	0	215	-215	-215	0	-\$20,425.00	-\$20,425.00	\$0.00
292	Luminaire Installation	Ea	\$ 425.00	100%	0%	52	51	1	1	0	\$425.00	\$425.00	\$0.00
293	Pole Installation	Ea	\$ 425.00	100%	0%	42	39	3	3	0	\$1,275.00	\$1,275.00	\$0.00
295	Special Plaza Lighting	LS	\$ 71,568.10	100%	0%	1	1	0	0	0	\$0.00	\$0.00	\$0.00
296.10	Electrical Wiring - 10 Gauge	Lft	\$ 3.10	100%	0%	22104	4800	17304	17304	0	\$53,642.40	\$53,642.40	\$0.00
296.8	Electrical Wiring - 8 Gauge	Lft	\$ 3.65	100%	0%	9750	4000	5750	5750	0	\$20,987.50	\$20,987.50	\$0.00
297	Handhole Assembly, 12 inch x 18 inch	Ea	\$ 450.00	100%	0%	37	46	-9	-9	0	-\$4,050.00	-\$4,050.00	\$0.00
298	Handhole Assembly, 17 inch x 30 inch	Ea	\$ 575.00	29%	71%	28	14	14	4	10	\$8,050.00	\$2,300.00	\$5,750.00
305	SDR 35 PVC Pipe, 8 inch, Tr Det VII	Lft	\$ 131.00	0%	100%	70	18	52	0	52	\$6,812.00	\$0.00	\$6,812.00
305	SDR 35 PVC Sanitary Service Pipe, (4-8 inch, Tr Det I)	Lft	\$ 125.00	0%	100%	203.25	160	43.25	0	43.25	\$5,406.25	\$0.00	\$5,406.25
320	RCP, 12 inch, CI E, Tr Det I	Lft	\$ 70.00	0%	100%	836	505	331	0	331	\$23,170.00	\$0.00	\$23,170.00
321	RCP, 15 inch, CI E, Tr Det I	Lft	\$ 70.00	0%	100%	242	240	2	0	2	\$140.00	\$0.00	\$140.00
322	12 inch Infiltration Pipe	Lft	\$ 44.00	0%	100%	123	145	-22	0	-22	-\$968.00	\$0.00	-\$968.00
360	Type 1 Manholes	Ea	\$ 3,000.00	0%	100%	4	2	2	0	2	\$6,000.00	\$0.00	\$6,000.00
367	Single Inlet, 4 ft. dia.	Ea	\$ 2,200.00	0%	100%	14	14	0	0	0	\$0.00	\$0.00	\$0.00
368	Single Inlet, 5 ft. dia.	Ea	\$ 3,440.00	0%	100%	0	1	-1	0	-1	-\$3,440.00	\$0.00	-\$3,440.00
369	Single Inlet, 6 ft. dia.	Ea	\$ 3,750.00	0%	100%	1	1	0	0	0	\$0.00	\$0.00	\$0.00

North Fifth Avenue Reconstruction Project - Change Order Final City/DDA Split

Item Number	Description	Unit	Unit Price	Allocation		Change Order Quantity					Change Order Amount		
				DDA	City	Final	Original	Change	DDA	City	Total	DDA	City
385	Sewer Pipe Abandonment	Lft	\$ 35.00	0%	100%	805	730	75	0	75	\$2,625.00	\$0.00	\$2,625.00
386	Sewer Structure Abandonment	Ea	\$ 945.00	0%	100%	17	10	7	0	7	\$6,615.00	\$0.00	\$6,615.00
392	Pipe Undercut & Refill	Cyd	\$ 110.00	0%	100%	17.74	70	-52.26	0	-52.26	-\$5,748.60	\$0.00	-\$5,748.60
481	Water Main Pipe Abandonment	Lft	\$ 9.60	0%	100%	1716.5	1970	-253.5	0	-253.5	-\$2,433.60	\$0.00	-\$2,433.60
482	Gate Valve-in-Box, Remove or Abandon	Ea	\$ 860.00	0%	100%	5	3	2	0	2	\$1,720.00	\$0.00	\$1,720.00
483	Gate Valve-in-Well, Remove or Abandon	Ea	\$ 1,700.00	0%	100%	3	3	0	0	0	\$0.00	\$0.00	\$0.00
510	Cold Milling Bituminous Pavement	Syd	\$ 13.00	0%	100%	2751	450	2301	0	2301	\$29,913.00	\$0.00	\$29,913.00
516	6" Wrapped Edge Drain	Lft	\$ 20.00	0%	100%	1238	2100	-862	0	-862	-\$17,240.00	\$0.00	-\$17,240.00
522	Subgrade Undercutting, Type II	Cyd	\$ 61.00	0%	100%	893.77	200	693.77	0	693.77	\$42,319.97	\$0.00	\$42,319.97
527	Aggregate Base Course - 21AA - C.I.P.	Syd	\$ 18.50	0%	100%	8473.94	6000	2473.94	0	2473.94	\$45,767.89	\$0.00	\$45,767.89
563	Structure Covers	lbs	\$ 2.00	0%	100%	4490	1600	2890	0	2890	\$5,780.00	\$0.00	\$5,780.00
564	Reconstruct Structure	Ea	\$ 730.00	0%	100%	1.5	2	-0.5	0	-0.5	-\$365.00	\$0.00	-\$365.00
566	Adjust Structure Cover	Ea	\$ 750.00	0%	100%	22	16	6	0	6	\$4,500.00	\$0.00	\$4,500.00
567	Adjust Monument Box or Gate Valve Box	Ea	\$ 710.00	0%	100%	23	4	19	0	19	\$13,490.00	\$0.00	\$13,490.00
582	Temporary Pavement Marking (Type R)-In Place	Lft	\$ 3.00	0%	100%	1480	500	980	0	980	\$2,940.00	\$0.00	\$2,940.00
630-1	Street Light Foundation, Type 1	Ea	\$ 1,100.00	100%	0%	42	39	3	3	0	\$3,300.00	\$3,300.00	\$0.00
630-2	Street Light Foundation, Type 2	Ea	\$ 1,150.00	100%	0%	10	10	0	0	0	\$0.00	\$0.00	\$0.00
702	Inlet Filter	Ea	\$ 150.00	50%	50%	19	40	-21	-10.5	-10.5	-\$3,150.00	-\$1,575.00	-\$1,575.00
703	Silt Fence	Lft	\$ 5.00	50%	50%	556	1200	-644	-322	-322	-\$3,220.00	-\$1,610.00	-\$1,610.00
810	Acer Griseum	Ea	\$ 565.00	100%	0%	10	10	0	0	0	\$0.00	\$0.00	\$0.00
811	Amelanchier Canadensis 'Autumn Brilliance'	Ea	\$ 335.00	100%	0%	7	5	2	2	0	\$670.00	\$670.00	\$0.00
812	Cercis canadensis	Ea	\$ 345.00	100%	0%	8	3	5	5	0	\$1,725.00	\$1,725.00	\$0.00
813	Celtis Occidentalis	Ea	\$ 380.00	100%	0%	8	2	6	6	0	\$2,280.00	\$2,280.00	\$0.00
814	Quercus Macrocarpa	Ea	\$ 485.00	100%	0%	2	2	0	0	0	\$0.00	\$0.00	\$0.00
815	Syringa reticula 'Ivory Silk'	Ea	\$ 455.00	100%	0%	10	10	0	0	0	\$0.00	\$0.00	\$0.00
816	Ulmus Japonica 'Discovery'	Ea	\$ 500.00	100%	0%	14	14	0	0	0	\$0.00	\$0.00	\$0.00
817	Ulmus x. 'Prospector'	Ea	\$ 475.50	100%	0%	8	8	0	0	0	\$0.00	\$0.00	\$0.00
818	Arctostaphylos uva-ursi	Ea	\$ 15.00	100%	0%	61	61	0	0	0	\$0.00	\$0.00	\$0.00
819	Hemerocallis 'Stella d'Oro'	Ea	\$ 11.00	100%	0%	167	169	-2	-2	0	-\$22.00	-\$22.00	\$0.00
820	Iris siberica 'Baby Sister'	Ea	\$ 12.00	100%	0%	159	73	86	86	0	\$1,032.00	\$1,032.00	\$0.00
821	Liriope Muscari 'Variegata'	Ea	\$ 3.50	100%	0%	362	416	-54	-54	0	-\$189.00	-\$189.00	\$0.00
822	Narciuss x' Dutch Master'	Ea	\$ 1.50	100%	0%	455	455	0	0	0	\$0.00	\$0.00	\$0.00
823	Sesleria Autumnalis	Ea	\$ 12.00	100%	0%	326	304	22	22	0	\$264.00	\$264.00	\$0.00
824	Carex Vulpinoidea	Ea	\$ 12.00	100%	0%	15	49	-34	-34	0	-\$408.00	-\$408.00	\$0.00
825	Panicum Virgatum 'Shenandoah'	Ea	\$ 12.00	100%	0%	271	175	96	96	0	\$1,152.00	\$1,152.00	\$0.00
826	Pachysandra Terminalis	Ea	\$ 51.50	100%	0%	93	213	-120	-120	0	-\$6,180.00	-\$6,180.00	\$0.00
827	Calamagrostis X 'Karl Foerster'	Ea	\$ 12.00	100%	0%	0	6	-6	-6	0	-\$72.00	-\$72.00	\$0.00
901	Class 50 DIP w/Polyethylene Wrap, 12 inch, Tr Det I	Lft	\$ 168.00	0%	100%	1526.5	1560	-33.5	0	-33.5	-\$5,628.00	\$0.00	-\$5,628.00
902	Class 50 DIP w/Polyethylene Wrap, 8 inch, Tr Det I	Lft	\$ 418.00	0%	100%	22	50	-28	0	-28	-\$11,704.00	\$0.00	-\$11,704.00
903	Class 50 DIP w/Polyethylene Wrap, 6 inch, Tr Det I	Lft	\$ 312.00	0%	100%	119.75	115	4.75	0	4.75	\$1,482.00	\$0.00	\$1,482.00
904	Bends and Reducers, 12 inch	Ea	\$ 1,100.00	0%	100%	28	40	-12	0	-12	-\$13,200.00	\$0.00	-\$13,200.00
905	Bends and Reducers, 8 inch	Ea	\$ 1,900.00	0%	100%	6	10	-4	0	-4	-\$7,600.00	\$0.00	-\$7,600.00
906	Bends and Reducers, 6 inch	Ea	\$ 1,810.00	0%	100%	15	10	5	0	5	\$9,050.00	\$0.00	\$9,050.00
907	Tees & Crosses	Ea	\$ 1,350.00	0%	100%	14	13	1	0	1	\$1,350.00	\$0.00	\$1,350.00
908	Gate Valve-in-Well, 12 inch	Ea	\$ 6,500.00	0%	100%	3	11	-8	0	-8	-\$52,000.00	\$0.00	-\$52,000.00

North Fifth Avenue Reconstruction Project - Change Order Final City/DDA Split

Item Number	Description	Unit	Unit Price	Allocation		Change Order Quantity					Change Order Amount		
				DDA	City	Final	Original	Change	DDA	City	Total	DDA	City
910	Fire Hydrant Assembly	Ea	\$ 5,420.00	0%	100%	3	4	-1	0	-1	-\$5,420.00	\$0.00	-\$5,420.00
915	Excavate and Backfill Water Service Trench Tap and Lead	Lft	\$ 205.00	0%	100%	223.5	140	83.5	0	83.5	\$17,117.50	\$0.00	\$17,117.50
920	Pavt Mrkg, Wet Retrflc Polyurea, 4 inch, White	LFt	\$ 0.85	0%	100%	1761	1000	761	0	761	\$646.85	\$0.00	\$646.85
921	Pavt Mrkg, Wet Retrflc Polyurea, 6 inch, White	LFt	\$ 0.95	0%	100%	1410	810	600	0	600	\$570.00	\$0.00	\$570.00
922	Pavt Mrkg, Wet Retrflc Polyurea, 4 inch, Yellow	LFt	\$ 0.85	0%	100%	1970	300	1670	0	1670	\$1,419.50	\$0.00	\$1,419.50
923	Pavt Mrkg, Wet Retrflc Thermopl, 12 inch, Crosswalk	LFt	\$ 5.50	0%	100%	1850	1850	0	0	0	\$0.00	\$0.00	\$0.00
924	Pavt Mrkg, Wet Retrflc Thermopl, 12 inch, Cross Hatching, White	Lft	\$ 5.50	0%	100%	40	40	0	0	0	\$0.00	\$0.00	\$0.00
925	Pavt Mrkg, Wet Retrflc Thermopl, 24 inch, Stop Bar	LFt	\$ 12.50	0%	100%	300	210	90	0	90	\$1,125.00	\$0.00	\$1,125.00
926	Pavt Mrkg, Wet Retrflc Thermopl, Symbol	LFt	\$ 220.00	0%	100%	12	5	7	0	7	\$1,540.00	\$0.00	\$1,540.00
927	Pavt Mtkg, Type R, 4 inch, Black	LFt	\$ 1.95	0%	100%	226	200	26	0	26	\$50.70	\$0.00	\$50.70
238-2	Concrete Pavement Base, 6 inch (under sidewalk pavers)	Sft	\$ 5.30	100%	0%	2179		2179	2179	0	\$11,548.70	\$11,548.70	\$0.00
241-2	Brick Pavers, New (sidewalk)	Sft	\$ 21.50	100%	0%	2286.6		2286.6	2286.6	0	\$49,161.90	\$49,161.90	\$0.00
8257050	_ Handhole Assembly, 30 inch x 48 inch	Ea	\$ 1,538.25	100%	0%	3		3	3	0	\$4,614.75	\$4,614.75	\$0.00
8257050	_ Handhole Assembly, 24 inch x 36 inch	Ea	\$ 1,006.13	100%	0%	7		7	7	0	\$7,042.91	\$7,042.91	\$0.00
8230054	Gate Valve and Box, 12 inch	Ea	\$ 4,100.00	0%	100%	11		11	0	11	\$45,100.00	\$0.00	\$45,100.00
8230050	Gate Valve and Box, 4 inch	Ea	\$ 2,750.00	0%	100%	4		4	0	4	\$11,000.00	\$0.00	\$11,000.00
8237001	_ Class 50 DIP w/Polyethylene Wrap, 4 inch, Tr Det I	Ft	\$ 310.00	0%	100%	68		68	0	68	\$21,080.00	\$0.00	\$21,080.00
4027001	_ Storm Sewer Repair, 12" to 15"	Ft	\$ 175.00	0%	100%	99		99	0	99	\$17,325.00	\$0.00	\$17,325.00
8237051	_ Field Lok Restrained Joints	LS	\$ 4,250.00	0%	100%	1		1	0	1	\$4,250.00	\$0.00	\$4,250.00
8157051	_ Addl labor for sidewalk on Detroit at Farmers Mkt	LS	\$ 4,820.00	100%	0%	1		1	1	0	\$4,820.00	\$4,820.00	\$0.00
8127051	_ Additional operation of detour signing	LS	\$ 748.00	0%	100%	1		1	0	1	\$748.00	\$0.00	\$748.00
8127050	_ Addl Cost for Pedestrian Channelizer	Ea	\$ 102.25	50%	50%	180		180	90	90	\$18,405.00	\$9,202.50	\$9,202.50
8237050	_ Bends and Reducers, 4 inch	Ea	\$ 1,700.00	0%	100%	8		8	0	8	\$13,600.00	\$0.00	\$13,600.00
4030200	Dr Structure, 24 inch dia	Ea	\$ 2,100.00	0%	100%	3		3	0	3	\$6,300.00	\$0.00	\$6,300.00
4027001	_ 12" Storm Sewer in Kingsley	Ft	\$ 90.00	0%	100%	319		319	0	319	\$28,710.00	\$0.00	\$28,710.00
4057051	_ Drainage Structure Material Cost & Disposal	LS	\$ 3,000.00	0%	100%	1		1	0	1	\$3,000.00	\$0.00	\$3,000.00
_1010	Relocate/Lower Water Services - Kingsley Storm Sewer	LS	\$ 1,485.23	0%	100%	1		1	0	1	\$1,485.23	\$0.00	\$1,485.23
_1020	Night Work Kingsley Detroit Water Connections	LS	\$ 9,800.00	0%	100%	1		1	0	1	\$9,800.00	\$0.00	\$9,800.00
_2010	General Conditions - Bulletin 5	LS	\$ 11,875.00	100%	0%	1		1	1	0	\$11,875.00	\$11,875.00	\$0.00
_2020	Remove Fence	Ft	\$ 15.00	100%	0%	187		187	187	0	\$2,805.00	\$2,805.00	\$0.00
_2030	Remove and Salvage Basketball Pole Assemblies	Ea	\$ 1,200.00	100%	0%	2		2	2	0	\$2,400.00	\$2,400.00	\$0.00
_2040	Riprap, Fieldstone Used in CHS plaza	Cyd	\$ 225.00	100%	0%	11		11	11	0	\$2,475.00	\$2,475.00	\$0.00
_2050	Install Salvaged Basketball Pole Assemblies	Ea	\$ 2,101.05	100%	0%	2		2	2	0	\$4,202.10	\$4,202.10	\$0.00
_2060	Topsoil, Seed, and Mulch Turf Areas	Syd	\$ 5.50	100%	0%	3227.1		3227.1	3227.1	0	\$17,749.05	\$17,749.05	\$0.00
_2035	Machine Grading, Community HS Plaza	LS	\$ 56,252.35	100%	0%	1		1	1	0	\$56,252.35	\$56,252.35	\$0.00
_2100	Construct Temporary Road	LS	\$ 4,065.00	0%	100%	1		1	0	1	\$4,065.00	\$0.00	\$4,065.00
_2110	Televise Sewer Lead	Ea	\$ 160.00	0%	100%	13		13	0	13	\$2,080.00	\$0.00	\$2,080.00
_2120	New Block Material for Retaining Wall	LS	\$ 1,511.90	100%	0%	1		1	1	0	\$1,511.90	\$1,511.90	\$0.00
_2130	Demo and Temp Access Lily's Garden	LS	\$ 1,904.78	100%	0%	1		1	1	0	\$1,904.78	\$1,904.78	\$0.00
_2140	Exc and Prep Additional Planter Area Lily's Garden	LS	\$ 1,052.89	100%	0%	1		1	1	0	\$1,052.89	\$1,052.89	\$0.00
_2150	Remove Additional Tree - CHS Lot	LS	\$ 2,062.97	100%	0%	1		1	1	0	\$2,062.97	\$2,062.97	\$0.00
_2160	Cement - PNC Mix	CYD	\$ 15.75	0%	100%	573.79		573.79	0	573.79	\$9,037.19	\$0.00	\$9,037.19
_2170	Sanitary Lead	LS	\$ 7,325.17	0%	100%	1		1	0	1	\$7,325.17	\$0.00	\$7,325.17
_2180	Regrade Sidewalk	LS	\$ 2,438.26	0%	100%	1		1	0	1	\$2,438.26	\$0.00	\$2,438.26
_2190	Temporary Pavement Markings	LS	\$ 4,456.24	0%	100%	1		1	0	1	\$4,456.24	\$0.00	\$4,456.24

North Fifth Avenue Reconstruction Project - Change Order Final City/DDA Split

Item Number	Description	Unit	Unit Price	Allocation		Change Order Quantity					Change Order Amount		
				DDA	City	Final	Original	Change	DDA	City	Total	DDA	City
_2200	CHS Sign Post Install	Ea	\$ 440.00	100%	0%	1		1	1	0	\$440.00	\$440.00	\$0.00
_3010	Furnish CHS Plantings	LS	\$ 7,670.25	100%	0%	1		1	1	0	\$7,670.25	\$7,670.25	\$0.00
_3020	Landscape Repair	LS	\$ 770.00	0%	100%	1		1	0	1	\$770.00	\$0.00	\$770.00
_3030	Furnish and Place Raingarden Mulch	CYD	\$ 58.00	100%	0%	16		16	16	0	\$928.00	\$928.00	\$0.00
_3040	Recessing Pavement Markings, Longitudinal	Ft	\$ 2.00	0%	100%	4400		4400	0	4400	\$8,800.00	\$0.00	\$8,800.00
_3050	Contingency to complete project	Dlr	\$ 1.00			36918.03		36918.03	2066.52	34851.51	\$36,918.03	\$2,066.52	\$34,851.51
CHANGE ORDER 1 & 2											\$1,096,000.00	\$510,000.00	\$586,000.00

M E M O R A N D U M

To: Mayor Taylor and Members of City Council
From: Betsy Blake, Senior Assistant City Attorney and Tom Crawford, CFO
Date: June 27, 2019
Subject: 1:316 Amendments – Best Source/Sole Source Determination

I N T R O D U C T I O N

On June 17, an amendment to Chapter 14 of City Code passed first reading, which (as amended by City Council that night) requires City Council to determine when competitive bidding is not practical for purchases of supplies, services, and equipment, regardless of price. For purchases of \$25,000 or less, this would create a dramatic change in purchasing. For FY19, there were 150 purchases under the \$25,000 threshold that were not subject to competitive bidding because the Service Area Administrator determined that the vendor was either a best or sole source. A spreadsheet describing such purchases is attached.¹

The amendment to 1:316 that passed first reading would require City Staff to process (and City Council to review) resolutions for each best/sole source purchase that is under the \$25,000 threshold (150 in the case of FY19) to determine whether competitive bidding is practical. The vast majority of these purchases fall into two categories: 1) specialized repair services or supplies for equipment to maintain city vehicles or facilities such as city parks and the water treatment plant; and 2) annual software subscriptions for proprietary software that we have acquired and use to administer city operations. Requiring these purchases to be subject to City Council approval could delay repairs to fleet vehicles, including public safety vehicles, by weeks and could cause interruptions in software services.

The Mayor requested that staff propose a clarifying amendment to the ordinance that passed first reading to make clear that, for purchases under the \$25,000 threshold, City Staff could continue to make the determination of whether competitive bidding is practical. If the clarifying amendment passes, City Council would retain authority to waive competitive bidding for purchases over \$25,000.² For purchases of \$25,000 or less, the City Administrator would be empowered to waive competitive bidding requirements where he determined that competitive bidding was either impractical or of no advantage to the City.

¹ The spreadsheet does not address purchases under \$3,000, which are generally excepted from the competitive bidding requirement per APP 204.

² The discussion in this memo concerning procurement addresses most purchases. There are exceptions and nuances that are not discussed relating to public improvements, certain materials, and construction projects.

OVERVIEW - PROCUREMENT AND PURCHASES OF \$25,000 OR LESS

City Council approval is not generally required for contracts and purchases of \$25,000 or less. Service Area Administrators generally approve such purchases, and the City Attorney and City Administrator review and approve any related contracts. This has been a longstanding City practice.

Procurement of goods and services under this \$25,000 threshold generally follows the procedures outlined in the City's Purchasing Guide Matrix (attached) in accordance with City ordinances and APPs ("administrative policies and procedures"). As noted in the matrix, City staff must obtain three quotes for purchases under the \$25,000 threshold to satisfy the competitive bidding requirement. If the Service Area Administrator determines that the vendor is the sole or best source for the good or service in question, a best source/sole source justification form (attached) is submitted to the Purchasing Agent for review prior to opening a purchase order. Best source/sole source purchases approved by the Service Area Administrator and the Purchasing Agent are not subject to competitive bidding.

The City Code allows this method of best source and sole source purchasing for most goods and services. Code Section [1:313](#) addresses procurement of "supplies, materials and equipment" that cost \$25,000 or less. It provides that such purchases "**may** be made in the open market but such purchases **shall, where practicable**, be based on at least 3 competitive bids and shall be awarded to the lowest responsible bidder." (Emphasis added). Professional services that cost \$25,000 or less are subject to the same standard per section [1:316\(3\)](#), except that the City may award professional services contract based on quality rather than the lowest bid. City Staff has traditionally determined whether competitive bidding for purchases under the \$25,000 threshold are "practical" per APP 204.

1:316 AMENDMENTS

City Staff proposed the original amendment to 1:316 to allow the City Administrator to waive the competitive bidding requirement for any purchase where competitive bidding was not otherwise required by law, if the Administrator determined that such bidding was not practical or of no advantage to the City (i.e., for best source and sole source purchases). Staff's proposed amendment would not have removed City Council's ability to disapprove contracts for purchases over \$25,000, if the City Council disagreed with the City Administrator's best source/sole source determination. For purchases under the \$25,000 threshold, Staff's proposed amendment clarified existing procedure – specifically that the City Administrator would make determinations of when competitive bidding is "practical" (per Section 1:313 and 1:316(3)).³

³ Service Units sign off on the best source/sole source justification form but the City Administrator's approval of the Agreement is considered approval of that determination.

At first reading, City Council rejected Staff's proposed amendment to 1:316(4) and voted for it to read instead as follows:

Procurement of supplies, services, or equipment where competitive bidding is not required by law or City Charter and either clearly is not practical or no advantage would result to the city by requiring competitive bidding, the Council, upon the written recommendation of the City Administrator, may authorize the execution of a contract without competitive bidding. Where a contract is let without competitive bidding the proposed contract shall be approved by the City Attorney as to form and content, unless prepared by him by direction of the Council, and submitted to the Council.

Such amendment is ambiguous - it could be read to require that the City Council determine whether competitive bidding is not practical or of no advantage for ***all purchases*** of supplies, equipment, and professional services, including those under the \$25,000 threshold.

The Mayor requested that City Staff draft an amendment to 1:316 to clarify this point. This clarifying amendment (which adds 1:316(5) and is attached hereto) maintains the City Council's changes to 1:316(4) and clarifies that the City Administrator makes best source/sole source procurement decisions for purchases under the \$25,000 threshold. This amendment will be up for a first reading at the upcoming Council meeting.

IMPACT ON CITY OPERATIONS

Staff uses best/sole source purchasing for approximately 2% to 4% of its purchases. Best/sole source purchasing is typically used when there is only a single vendor or a single distributor in the area for a product; when there is an active product warranty in place that could be voided if another contractor is used; or, in the case of professional services, when the work is needed in a short timeframe or the service provider has unique expertise. In FY2019, 97% of the purchase order dollars went through a competitive process, leaving approximately 3% (\$2.1 million) approved as sole/best source.

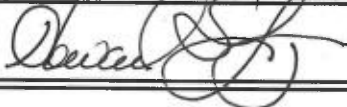
Staff recommends adopting the clarifying amendment to remove potential ambiguity in the City Code and ensure efficient and prudent use of City assets when procuring small dollar items. The clarifying amendment is consistent with prior City practice.

Date	PO#	Department	Level 1	Level 2	Level 3	Level 4	Amount	Vendor#	Vendor	Item	Description	Attachment	Purchasing Notes
452	7/2/2018	2019-9	Fleet & Facilities			Mari Praszcan	\$5,500.00	2428	Brown's Trailers	VEHICLES, INCLUDING AUTOMOBILES, TRUCKS, TRAILERS, VANS, MOT 99894	BNM LAWN PRO TRAILER	Sole Source	
453	7/5/2018	2019-23	Water Treatment	Lynne Chalmowitz	Brian Steglitz		\$21,500.00	10650	IDEXX Distribution	LABORATORY SUPPLIES: ASBESTOS SQUARES, CORKS, FILES, GLASS C-17554	PROCESS LAB - MEDIA AND SUPPLIES	Sole Source	
454	7/5/2018	2019-13	Engineering	Kelly Stark	Nicholas Hutchinson		\$3,600.00	10104	Equipment Watch	INTERNET DATABASE SUBSCRIPTIONS 95635	RENTAL RATE BLUE BOOK THRU 07/02/19 - DIGITAL	Sole Source	
455	7/9/2018	2019-38	Parks & Rec	Shari Norris		Colin Smith	\$6,500.00	15540	Cross Renovations	PROFESSIONAL SERVICES (NOT OTHERWISE CLASSIFIED) 96268	BRYAN COMA CTR ANNEX/TEEN CTR - REMOVE & REPLACE SHINGLE ROOF	Sole Source	
456	7/9/2018	2019-30	HR	Heather Koch	Robyn Wilkerson		\$5,990.00	14938	ApplicantPro	*AP Invoice	ANNUAL COST FOR APPLICANTPRO SERVICE	Sole Source	
457	7/10/2018	2019-36	Parks & Rec	Shari Norris	Joshua Landefeld	Colin Smith	\$5,155.00	15607	Aquatic Source	CHLORINE AND PEROXYGEN BLEACHES, ETC. 50525	VETERANS MEMORIAL PARK - CHLORINE TABLETS FOR POOL & FREIGHT	Best Source	
458	7/17/2018	2019-79	Fleet & Facilities	Becky Arnold	Matthew Kuhlman		\$6,904.76	12267	Siemens Industry	ELEVATOR INSTALLATION, MAINTENANCE AND REPAIR 91913	ELEVATOR MODERNIZATION	Best Source	
459	7/17/2018	2019-80	Fleet & Facilities	Becky Arnold	Matthew Kuhlman		\$7,065.00	8932	AIS Construction Equipment	AUTOMOBILE, TRUCK AND BUS PARTS AND EQUIPMENT 99809	#4774- UPDATE TO ACCOMMODATE USE OF NEW V-PLow	Sole Source	
460	7/18/2018	2019-51	Parks & Rec	Shari Norris	Scott Spooner	Colin Smith	\$24,000.00	12354	Spartan Distributors	PROFESSIONAL SERVICES (NOT OTHERWISE CLASSIFIED) 96268	PARKS - PARTS AND SERVICE ON TORO BRAND EQUIPMENT	Sole Source	
461	7/25/2018	2019-107	Fleet & Facilities			Mari Praszcan	\$3,075.00	13887	Eagle Security	ACCESS CONTROL SYSTEMS AND SECURITY SYSTEMS 89022	CITY HALL REAR ELEVATOR MODERNIZATION	Best Source	
462	7/25/2018	2019-93	Public Works	Gara Arheit	Paul Matthews	Kathryn deCosta	\$24,500.00	9478	Cadillac Asphalt	PATCHING MIX, ASPHALT CONCRETE 74565	PATCHING MIX, ASPHALT CONCRETE 1100T	Best Source	
463	7/26/2018	2019-115	Fire	Lynnda Rathburn		Mike Kennedy	\$3,314.86	14106	Phoenix Safety	*AP Invoice	FIRE HELMETS	Best Source	
464	7/27/2018	2019-136	Fleet & Facilities	Becky Arnold	Matthew Kuhlman		\$16,000.00	12354	Spartan Distributors	AUTOMOBILE, TRUCK AND BUS PARTS AND EQUIPMENT 99809	FY 19 EZGO & TORO PARTS	Sole Source	
465	7/27/2018	2019-137	Fleet & Facilities	Becky Arnold	Matthew Kuhlman		\$15,500.00	12787	Variety Ford	AUTOMOBILE, TRUCK AND BUS PARTS AND EQUIPMENT 99809	FY 19 MOTORCRAFT PARTS	Sole Source	
466	7/27/2018	2019-138	Fleet & Facilities	Becky Arnold	Matthew Kuhlman		\$24,990.00	12674	Truck & Trailer Specialties	AUTOMOBILE, TRUCK AND BUS PARTS AND EQUIPMENT 99809	FY 19 MONROE SNOW EQUIPMENT	Sole Source	
467	7/27/2018	2019-139	Fleet & Facilities	Becky Arnold	Matthew Kuhlman		\$24,500.00	10762	Jack Devery Supplies	AUTOMOBILE, TRUCK AND BUS PARTS AND EQUIPMENT 99809	FY 19 VACTOR PARTS	Sole Source	
468	7/27/2018	2019-140	Fleet & Facilities	Becky Arnold	Matthew Kuhlman		\$12,000.00	12990	Wolverine Freightliner	AUTOMOBILE, TRUCK AND BUS PARTS AND EQUIPMENT 99809	FY 19 FREIGHTLINER & WESTERN STAR PARTS	Sole Source	
469	7/31/2018	2019-108	PS Admin	Lynne Chalmowitz	Mari Praszcan		\$6,060.00	11158	Maniaver Software	APPLICATIONS SOFTWARE FOR MICROCOMPUTER SYSTEMS, BUSINESS, M 92007	FLEET REPLACEMENT CUSTOMIZATION	Sole Source	
470	8/2/2018	2019-147	Systems Planning			Mari Praszcan	\$10,000.00	15705	3D Technologies	INTEGRATED SOFTWARE 20853	FLOW METER/RAIN GAUGE DATA INTEGRATION	Sole Source	
471	8/3/2018	2019-161	Fleet & Facilities	Becky Arnold	Matthew Kuhlman		\$10,000.00	9296	Best Equipment	AUTOMOBILE, TRUCK AND BUS PARTS AND EQUIPMENT 99809	FY 19 - PARTS, ELGIN, TRACKLESS, HELL	Sole Source	
472	8/3/2018	2019-162	Fleet & Facilities	Becky Arnold	Matthew Kuhlman		\$15,000.00	10715	Instatee Truck Source	AUTOMOBILE, TRUCK AND BUS PARTS AND EQUIPMENT 99809	FY 19 - PARTS, MACK	Sole Source	
473	8/3/2018	2019-163	Fleet & Facilities	Becky Arnold	Matthew Kuhlman		\$10,000.00	8794	Cummings Bridgeway	AUTOMOBILE, TRUCK AND BUS PARTS AND EQUIPMENT 99809	FY 19 - PARTS, CUMMINS	Sole Source	
474	8/13/2018	2019-165	File	Lynnda Rathburn	Kim Buselmeier	Mike Kennedy	\$3,670.00	10132	Extend Bed Company	EXTENSIBLE STORAGE TRAY FOR BC VEHICLE PER QUOTE 13729		Sole Source	
475	8/13/2018	2019-159	Transportation	Kelly Stark	Nicholas Hutchinson	Mari Praszcan	\$4,068.70	14906	Trafficware	INTEGRATED SOFTWARE 20853	Various Items	Sole Source	
476	8/14/2018	2019-174	Transportation	Lisa Cecil	Nicholas Hutchinson	Mari Praszcan	\$695,599.91	9523	Carrier & Gable	TRAFFIC SIGNALS AND CONTROL EQUIPMENT 99892	SIGNAL INVENTORY	Sole Source	Council Approved (18-1122, 8/9/18 and 19-0988, 6/3/19)
477	8/16/2018	2019-180	Engineering	Kelly Stark	Nicholas Hutchinson		\$6,580.00	14937	Peters Studio	ARTS SERVICES (CULTURAL, DESIGN, VISUAL, ETC.) 96207	STADIUM BRIDGES ART REPLACEMENT PANEL	Sole Source	
478	8/17/2018	2019-184	Water Treatment			Lynne Chalmowitz	\$24,500.00	8654	CH2M Hill Engineers	ENGINEERING CONSULTING 91842	INTERIM UV/DISINFECTION AT WTP DESIGN	Sole Source	
479	8/20/2018	2019-186	IT	Jan Grimes	Tom Shevchuk	Tom Crawford	\$3,500.00	15603	Fire Defense Equipment	*AP Invoice	Repair services to fire suppression in data center	Best Source	
480	8/21/2018	2019-189	Parks & Rec	Kim Hoenerhoff	Scott Spooner		\$3,656.00	10882	Ken Cook's Pmfg & Hrs.	*AP Invoice	ISLAND PARK BATHROOM SEWAGE PUMP REPLACEMENT	Best Source	
481	8/27/2018	2019-204	Police	Kim Buselmeier	Jason Forsberg		\$19,080.00	11008	Laser Technology	*AP Invoice	RADARS	Best Source	
482	8/28/2018	2019-211	City Admin	Sara Higgins			\$6,500.00	14023	Novak Consulting Group	*AP Invoice	Facilities Services - Annual Council Planning Session	Best Source	
483	9/5/2018	2019-217	Public Works	LaTwana Fuller	Molly Maciejowski	Kathryn deCosta	\$3,475.00	10377	Gotts Transit Mix	CONCRETE 91430	CONCRETE FOR STATE STREET	Best Source	
484	9/5/2018	2019-218	Public Works	LaTwana Fuller	Paul Matthews	Kathryn deCosta	\$3,380.00	15216	Eganic Inc	INSTALLATION AND REMOVAL SERVICES (NOT OTHERWISE CLASSIFIED) 96246	MICROTAB HF INSTALLATION 1 TAB TREATS 150 LF OF SANITARY LINE	Sole Source	
485	9/6/2018	2019-230	Parks & Rec	Kim Hoenerhoff	Scott Spooner	Colin Smith	\$10,950.72	12688	Residex/Turfgrass	*AP Invoice	ATHLETIC FIELD FERTILIZING	Best Source	
486	9/8/2018	2019-234	Fleet & Facilities	Becky Arnold	Matthew Kuhlman		\$9,039.79	9438	Buck & Knobby Equipment	AUTOMOBILE, TRUCK AND BUS PARTS AND EQUIPMENT 99809	#2851-ENGINE OVERHEATING REPAIR	Best Source	
487	9/7/2018	2019-215	15th District Court	Jaime Smith			\$12,000.00	13824	The Dispute Resolution Center	ARBITRATION, MEDIATION, AND ALTERNATIVE DISPUTE RESOLUTION S 98106	SMALL CLAIMS MEDIATION	Best Source	
488	9/10/2018	2019-248	HR	Kimberly Barry	Robyn Wilkerson		\$26,000.00	12702	Ultimate Software Group	*AP Invoice	2018 1095C Forms ACA	Best Source	
489	9/11/2018	2019-214	15th District Court	Jaime Smith			\$24,000.00	12747	University Translators	TRANSLATION SERVICES 98175	TRANSLATION SERVICES	Best Source	
490	9/17/2018	2019-261	Police	Keri Hirschman	Jason Forsberg		\$15,000.00	14237	Superior Lawn Care	*AP Invoice	FY19 COMPLIANCE WORK	Best Source	
491	9/24/2018	2019-273	Police	Keri Hirschman	Jason Forsberg		\$15,000.00	13650	Nel Transcripts	*AP Invoice	FY19 TRANSCRIPTION SERVICES	Best Source	
492	9/26/2018	2019-256	File	Lynnda Rathburn	Kim Buselmeier	Mike Kennedy	\$3,352.00	15272	Advanced Surveillance Group	*AP Invoice	NEW FIREFIGHTER BACKGROUND CHECKS	Best Source	
493	9/26/2018	2019-180	Engineering	Kelly Stark	Nicholas Hutchinson		\$8,320.00	14937	Peters Studio	ARTS SERVICES (CULTURAL, DESIGN, VISUAL, ETC.) 96207	Various Items	Sole Source	
494	9/28/2018	2019-200	Fleet & Facilities	Becky Arnold	Matthew Kuhlman		\$11,800.37	11702	Oscar W. Larson	FUEL SYSTEM MAINTENANCE AND REPAIR 92844	FY 2019 - FUEL SYSTEM PREVENTIVE MAINTENANCE & REPAIRS	Best Source	
495	9/28/2018	2019-287	WWTP	Antoinette Wilcox	Earl Kenzie		\$4,375.25	15725	KSB Dublic	PUMPS AND PUMP ACCESSORIES MAINTENANCE AND REPAIR 93692	Sewatrec F 50-216/G H Pump Only	Sole Source	
496	10/1/2018	2019-291	Water Treatment	Ed Ader		Brian Steglitz	\$4,988.00	9359	Boilers, Controls & Equipment	HEATING EQUIPMENT MAINTENANCE AND REPAIR, STEAM 94162	BOILER MAINTENANCE AND REPAIRS (INCLUDING TESTING SERV)	Best Source	
497	10/1/2018	2019-292	WWTP	Antoinette Wilcox	Keith Sanders		\$4,983.29	14781	Michigan Air Solutions	AIR DRYERS, DEHYDRATORS, AND PREHEATERS 82005	Various Items	Best Source	
498	10/3/2018	2019-294	Police	Keri Hirschman	Jason Forsberg		\$4,761.80	12544	Axon Enterprises	*AP Invoice	TASER CARTRIDGES/BATTERIES	Best Source	
499	10/8/2018	2019-283	IT	David Harris	Tom Shevchuk	Tom Crawford	\$3,500.00	13175	Micro Technology Services	NETWORKING SERVICES (INCLUDING INSTALLATION, SECURITY, AND M 92037	LYNX MIGRATION	Sole Source	
500	10/12/2018	2019-319	IT	David Harris	Tom Shevchuk	Tom Crawford	\$11,596.00	9006	Amerinet of Michigan	NETWORK COMPONENTS: ADAPTER CARDS, BRIDGES, CONNECTORS, ETC 92949	WWTP X450G2 SWITCHES	Best Source	
501	10/15/2018	2019-321	Fleet & Facilities	Becky Arnold	Matthew Kuhlman		\$10,000.00	9243	Bandit Industries	AUTOMOBILE, TRUCK AND BUS PARTS AND EQUIPMENT 99809	Various Items	Sole Source	
502	10/16/2018	2019-325	CTN	Kim Hoenerhoff			\$3,550.00	13241	AVI Systems	*AP Invoice	EDISHARE SERVICE AGREEMENT	Best Source	
503	10/16/2018	2019-302	IT	Kim Buselmeier			\$53,784.00	13266	CalAmp Wireless Network	*AP Invoice	AVL MAINTENANCE & SUPPORT FOR FY19	Sole Source	Council Approved (18-1490, 10/1/19)
504	10/17/2018	2019-298	Police	Keri Hirschman	Jason Forsberg		\$3,475.00	11869	On Duty Gear	*AP Invoice	NEW HIRE BODY ARMOR	Best Source	
505	10/18/2018	2019-330	Fleet & Facilities	Becky Arnold	Matthew Kuhlman		\$8,965.00	15020	Thermabolics	HVAC SYSTEMS MAINTENANCE AND REPAIR, POWER PLANT 94155	HAC COMPRESSOR ON MCQUAY ROOFTOP HVAC UNIT	Sole Source	
506	10/19/2018	2019-332	PS Admin			Mari Praszcan	\$3,600.00	14222	DiClemente Siegel Design	PROFESSIONAL SERVICES (NOT OTHERWISE CLASSIFIED) 96258	415 W. WASHINGTON - CHIMNEY ASSESSMENT	Best Source	
507	10/24/2018	2019-329	City Admin	Doug Forsyth			\$7,000.00	12359	Sears Fire & Safety	FIRE EXTINGUISHER MAINTENANCE (INCLUDING RECHARGING) AND REP 93634	FIRE EXTINGUISHER RECHARGE AND INSPECTION	Best Source	
508	10/26/2018	2019-340	Water Treatment	Ed Ader		Brian Steglitz	\$7,764.00	12267	Siemens Industry	HEATING, VENTILATING AND AIR CONDITIONING (HVAC) 91492	HVAC AUTOMATION AND SOFTWARE	Sole Source	
509	10/26/2018	2019-344	Water Treatment	Ed Ader		Sarah Page	\$3,759.43	11367	Michigan CAT	REPAIR EQUIPMENT, ELECTRONIC, CLEANING, DESOLDERING, SOLDERI 28760	GENERATOR REPAIR WTP	Sole Source	
510	10/29/2018	2019-346	Parks & Rec	Kim Hoenerhoff	Scott Spooner		\$4,228.77	10579	Hopo Electric	*AP Invoice	FULLER POOL PUMP MOTOR REPLACEMENT	Best Source	
511	10/31/2018	2019-349	Parks & Rec	Kim Hoenerhoff		Colin Smith	\$20,000.00	12289	Sinclair Recreation	*AP Invoice	REPAIR PARTS FOR GAME TIME PLAY STRUCTURES	Sole Source	
512	11/1/2018	2019-350	Fleet & Facilities	Becky Arnold	Matthew Kuhlman		\$3,261.28	8932	AIS Construction Equipment	AUTOMOBILE, TRUCK AND BUS PARTS AND EQUIPMENT 99809	#7626 - REAR MAIN SEAL REPAIR & MAINTENANCE	Best Source	
513	11/1/2018	2019-353	Police	Keri Hirschman	Jason Forsberg		\$3,381.90	12485	Superior Uniform Sales	*AP Invoice	CSO - UNIFORMS	Best Source	
514	11/5/2018	2019-337	Police	Brand Hartwick	Jason Forsberg		\$4,435.00	14535	Crash Data Group	*AP Invoice	EDR RETRIEVAL HARDWARE KIT	Sole Source	
515	11/6/2018	2019-357	File	Lynnda Rathburn	Kim Buselmeier	Mike Kennedy	\$7,575.00	12108	R&R Fire Truck Rental	*AP Invoice	PURCHASE AND INSTALL EMS CABINET LADDER 1.5	Sole Source	
516	11/29/2018	2019-407	HR	Kimberly Barry	Robyn Wilkerson		\$7,000.00	12728	U of M Visiting Care	*AP Invoice	2018 Flu Shot Clinic	Best Source	
517	11/29/2018	2019-408	PS Admin			Mari Praszcan	\$3,480.31	10887	Kentwood Office	FURNITURE, OFFICE (CUSTOM MADE) 42848	POLICE COMMISSION OFFICE	Best Source	
518	11/30/2018	2019-405	File	Lynnda Rathburn	Kim Buselmeier	Mike Kennedy	\$13,120.00	12916	West Shore Services	*AP Invoice	SIREN MAINTENANCE FY19	Best Source	
519	12/3/2018	2019-417	Engineering	Kelly Stark	Nicholas Hutchinson		\$10,565.35	9946	DJ Z Michigan	STRUCTURAL ENGINEERING 92588	HURON PKWY BRIDGE LOAD RATING	Best Source	
520	12/3/2018	2019-414	HR	Heather Koch	Robyn Wilkerson		\$8,105.50	12606	Thomas International USA	*AP Invoice	THOMAS PROFILE LINT RE-ORDER	Best Source	
521	12/3/2018	2019-411	WWTP	Antoinette Wilcox	Earl Kenzie		\$8,820.00	15789	Pumps & Systems	MOTOR CONTROLLERS, CONTACTORS, PUSH BUTTON STATIONS, RELAYS, 28564	buying 4 new controllers for metering pumps	Sole Source	
522	12/3/2018	2019-412	WWTP	Antoinette Wilcox	Earl Kenzie		\$6,227.00	11273	Merrick Industries	GASKETS AND GASKET MATERIAL 06054	Various Items	Sole Source	
523	12/4/2018	2019-343	Clerks	Dena Waddell	Jackie Beaudry		\$3,106.74	11890	Printing Systems	*AP Invoice	Secrecy Sleeves (HART)	Best Source	
524	12/4/2018	2019-418	Police	Keri Hirschman	Jason Forsberg		\$5,972.14	15168	Ziebler GTP	*AP Invoice	UM FOOTBALL BOXED MEALS	Best Source	
525	12/7/2018	2019-342	Clerks	Dena Waddell	Jackie Beaudry		\$3,688.60	10066	Election Source	*AP Invoice	Election Equipment BA-57 50 @ 72.00	Best Source	
526	12/7/2018	2019-427	Water Treatment	Ed Ader		Brian Steglitz	\$11,150.00	9369	Boone & Darr	OZONE AND OXYGEN GENERATING EQUIPMENT AND PARTS 89049	REPLACE ROTAMETERS AND CONTROL VALVE BODY IN OZONE BUILDING	Best Source	
527	12/11/2018	2019-429	Fleet & Facilities			Mari Praszcan	\$15,200.00	11841	PM Environmental	PROFESSIONAL SERVICES (NOT OTHERWISE CLASSIFIED) 96258			

532	1/3/2019	2019-465	Water Treatment	Ed Ader	Brian Steeltz		\$4,190.00	12112	RTD Manufacturing	*AP Invoice	FILTER PRESS HOUSING REPAIR	Best Source	
533	1/7/2019	2019-432	Public Works	Jennifer Linder	Molly Maciejewski	Ed Ader	\$3,748.00	11354	Michigan Pipe & Valve	CONCRETE 91430	6'X4'X2" DOUBLE BASE CONCRETE	Best Source	
534	1/7/2019	2019-467	HR	Corey Farris	Robyn Wilkerson		\$4,917.50	12702	Ultimate Software Group	*AP Invoice	AUTOMATE STEP INCREASE	Best Source	
535	1/7/2019	2019-470	City Admin	Emily Teth			\$6,497.50	14960	Building Mfgs	MAPPING SERVICES (INCLUDING CARTOGRAPHY AND SURVEYING SERVICE 962622	WWTP EAP EVAC MAPS	Best Source	
536	1/8/2019	2019-473	Fleet & Facilities	Becky Arnold	Matthew Kulhanek		\$3,846.10	11367	Michican CAT	TRUCK AND VAN MAINTENANCE AND REPAIR (NOT OTHERWISE CLASSIFIED) 92984	#1888-DIAGNOSIS AND REPAIR TRANSMISSION	Sole Source	
537	1/16/2019	2019-484	WWTP	Antoinette Wilcox	Keith Sanders		\$3,524.00	12518	Systems Specialties	ACTUATORS AND CONTROLS (FOR ROBOTICS, SERVO SYSTEMS, ETC.) 22004	repairs to actuators	Sole Source	
538	1/24/2019	2019-493	Public Works	Jennifer Linder	Paul Matthews	Ed Ader	\$6,881.00	8957	Fleet Building Service	INSPECTION AND CERTIFICATION SERVICES 96145	BACKFLOW REPAIR/REPLACEMENT AT CARWASH & WHEELER OPERATIONS BLDG	Best Source	
539	1/25/2019	2019-498	Systems Planning	Mari Praschan			\$5,625.00	12567	Various	TRACK EQUIPMENT (INCLUDING PEDOMETERS) 80581		Best Source	
540	1/29/2019	2019-499	Public Works	Jennifer Linder	Molly Maciejewski	Kathryn daCosta	\$24,985.00	15842	Davey Resource Group	URBAN PLANNING CONSULTING 91892	Urban Forestry and Natural Resources Planning Coordinator	Best Source	
541	2/1/2019	2019-505	Parks & Rec	Kim Hoenerhoff	Scott Spooner	Colin Smith	\$6,250.00	11353	Michigan Widlowner Farm	*AP Invoice	NAP MONARCH HABITAT ENHANCEMENT	Sole Source	
542	2/7/2019	2019-492	Fleet & Facilities	Becky Arnold	Matthew Kulhanek		\$6,478.32	14220	Tenax Utilities	AUTOMOBILE, TRUCK AND BUS PARTS AND EQUIPMENT 99809	FORESTRY - BUCKET TRUCK MODIFICATION	Best Source	
543	2/7/2019	2019-513	File	Lynda Rathburn	Kim Buselmeier	Mike Kennedy	\$17,000.00	15846	Williams Associates Architects	*AP Invoice	ARCHITECTURAL DESIGN SERVICES STATION 1	Best Source	
544	3/14/2019	2019-524	File	Lynda Rathburn	Kim Buselmeier	Mike Kennedy	\$6,250.00	15861	Praxtorian Group	*AP Invoice	ONLINE FIRE TRAINING PLATFORM	Best Source	
545	2/15/2019	2019-508	Parks & Rec	Kim Hoenerhoff		Colin Smith	\$24,000.00	11701	Quiburn Industries	*AP Invoice	Various Items	Best Source	
546	2/20/2019	2019-529	Fleet & Facilities	Becky Arnold	Matthew Kulhanek		\$3,829.08	14376	Sharnock Floor Coatings Serv	FLOORING MAINTENANCE AND REPAIR TO INCLUDE REFINISHING AND S.91025	ROPPE-RAISED TREADS & INSTALLATION	Best Source	
547	2/22/2019	2019-537	Water Treatment	Lynne Chaimowitz	Brian Steeltz		\$10,000.00	15867	Hughes & Stewart Inc.	COMMUNICATIONS: PUBLIC RELATIONS CONSULTING 91826	WATER QUALITY COMMUNICATIONS	Sole Source	
548	2/22/2019	2019-543	Parks & Rec	Kim Hoenerhoff	Joshua Landefeld	Colin Smith	\$17,000.00	12623	Tileset	*AP Invoice	Various Items	Sole Source	
549	2/25/2019	2019-548	Fleet & Facilities	Becky Arnold	Matthew Kulhanek		\$11,800.00	9426	Brown's Trailers	VEHICLES, INCLUDING AUTOMOBILES, TRUCKS, TRAILERS, VANS, NOT 92984	(2) BNM UTILITY TRAILERS (REPLACES #6478 & #6479)	Sole Source	
550	2/26/2019	2019-561	WWTP	Antoinette Wilcox	Earl Kenzie		\$4,115.45	9649	Cloveade Equipment	LIFTS AND HOISTS, MAINTENANCE AND REPAIR 92347	Various Items	Best Source	
551	2/27/2019	2019-544	Parks & Rec	Kim Hoenerhoff			\$9,000.00	14695	Wilson Sporting Goods Co	*AP Invoice	Various Items	Sole Source	
552	2/28/2019	2019-541	Parks & Rec	Kim Hoenerhoff		Colin Smith	\$20,000.00	10413	Great Lakes Turf	*AP Invoice	Various Items	Best Source	
553	3/5/2019	2019-565	Police	Keri Hirschman	Jason Forsberg		\$5,000.00	14880	Ann Arbor Arms	*AP Invoice	INDOOR RANGE FEE FOR TRAINING	Sole Source	
554	3/6/2019	2019-583	WWTP	LaTwana Fuller	Keith Sanders		\$5,680.00	10884	Kennedy Industries	VALVES, BRASS AND COPPER 67069	VALVES-DEZURIL BONNET ASSEMBLY," PEC, LESS BODY	Sole Source	
555	3/8/2019	2019-542	Parks & Rec	Kim Hoenerhoff		Colin Smith	\$8,000.00	14968	Galloway Golf	*AP Invoice	Various Items	Sole Source	
556	3/11/2019	2019-595	Transportation	Lisa Cecil	Raymond Hess	Mari Praschan	\$6,300.00	15575	Cinemassive Displays	VIDEO AND AUDIO SYSTEMS, ACCESSORIES AND PARTS CLOSED CIRCUIT 8094	CINEMASSIVE ALPHA FX 4K-D INPUT BOARD FOR VIDEO WALL	Sole Source	
557	3/12/2019	2019-589	Fleet & Facilities	Becky Arnold	Matthew Kulhanek		\$24,285.00	11279	Metro Controls	HVAC SYSTEMS MAINTENANCE AND REPAIR, POWER PLANT 94155	AUTOMATED LOGIC BUILDING CONTROL MANAGEMENT SYSTEM (BCMS)	Sole Source	
558	3/15/2019	2019-606	Water Treatment	Ed Ader	Brian Steeltz		\$6,550.00	12728	Universal Filtration	PUMPS AND PUMP ACCESSORIES MAINTENANCE AND REPAIR 93662	FILTER PRESS WILLET PUMP # 3 REVISION	Best Source	
559	3/15/2019	2019-593	Public Works	Cara Arheit	Molly Maciejewski	Ed Ader	\$18,098.92	13927	SH Controls	METER READING DEVICES 89046	Various Items	Sole Source	
560	3/19/2019	2019-611	File	Lynda Rathburn	Kim Buselmeier	Mike Kennedy	\$6,981.85	12108	R&R Fire Truck Rental	*AP Invoice	REPAIRS TO LADDER 5 STRUCK BY AA SOLID WASTE VEHICLE	Sole Source	
561	3/21/2019	2019-615	Treasury	Penny Carmack	Mike Pettigrew		\$8,000.00	12988	Towers Watson Delaware	*AP Invoice	AUTO LIABILITY ANALYSIS	Best Source	
562	3/21/2019	2019-620	Communications	Kim Hoenerhoff	Lisa Woodrash		\$11,148.00	9496	Cambell, Inc.	*AP Invoice	REPLACEMENT AC UNIT (ICTN IT ROOM)	Best Source	
563	3/27/2019	2019-631	PS Admin		Mari Praschan		\$10,500.00	15379	OnSolve, LLC	COMMUNICATIONS SYSTEMS, INTEGRATED (INCLUDES TELEPHONE, CLOC, 72515	Various Items	Best Source	
564	3/27/2019	2019-633	WWTP	Antoinette Wilcox	Earl Kenzie		\$9,295.00	15862	Diversified Fall Protection	INSTALLATION AND REMOVAL SERVICES (NOT OTHERWISE CLASSIFIED) 96246	Ladder Installation (Proposal #8907)	Best Source	
565	3/28/2019	2019-637	Public Works	Jennifer Linder	Paul Matthews	Ed Ader	\$20,995.00	10884	Kennedy Industries	VALVES, PRESSURE REDUCING 81578	MODEL 106-PO SINGLE CHAMBER PRESSURE REDUCING VALVES	Sole Source	
566	3/29/2019	2019-639	Public Works	Jennifer Linder	Paul Matthews	Ed Ader	\$23,865.00	10090	Elster Amco Water	METERS, WATER 89044	EVOKO ELECTROMAGNETIC METERS AND BATTERY REPLACEMENTS	Sole Source	
567	4/8/2019	2019-632	Police	Keri Hirschman	Jason Forsberg		\$4,552.00	14677	Divers Incorporated	*AP Invoice	REPLACEMENT DIVE GEAR FOR OYC KANDT	Best Source	
568	4/17/2019	2019-613	IT	Jan Grimes	Tom Shevchuk	Tom Crawford	\$24,500.00	9546	CDW Government	*AP Invoice	Professional Services for Microsoft Exchange Online	Best Source	
569	4/17/2019	2019-669	Public Works	Cara Arheit	Molly Maciejewski	Kathryn daCosta	\$4,145.00	15927	Versallit Midwest	BLADES: DOZER, GRADER, SCRAPER, SNOW PLOW, ETC. 78006	RE STOCKING FEE FOR 2 ICS-1325 UNITS AND FREIGHT	Sole Source	
570	4/17/2019	2019-685	WWTP	Cara Arheit	Keith Sanders		\$6,556.58	12133	Safety Services Inc	CLARIFIERS AND SETTLERS (SEPARATORS) 89013	FALL PROTECTION EQUIPMENT	Best Source	
571	4/18/2019	2019-666	Parks & Rec	Korinne Palmer	Joshua Landefeld	Colin Smith	\$50,032.56	9946	DIZ Michian	*AP Invoice	PROFESSIONAL DESIGN ENGINEERING SERVICES-REPAIRS TO PARK BRIDGES	Best Source	Council Approved (19-0368, 3/18/19)
572	4/29/2019	2019-688	Public Works	Cara Arheit	Paul Matthews	Kathryn daCosta	\$3,685.00	9296	Bell Equipment	ROOT CUTTING EQUIPMENT FOR SEWER LINES 89057	KEG NOZZLES MIN CHAIN CUTTER	Sole Source	
573	5/3/2019	2019-708	Engineering	Kelly Stark	Nicholas Hutchinson		\$5,000.00	12566	Ulliance	HUMAN RESOURCES DEVELOPMENT SERVICES 96228	PROFESSIONAL DEVELOPMENT COACHING	Best Source	
574	5/7/2019	2019-718	WWTP	LaTwana Fuller	Earl Kenzie		\$3,888.00	12518	Systems Specialties	ACTUATORS AND CONTROLS (FOR ROBOTICS, SERVO SYSTEMS, ETC.) 22004	REPAIR TO ACTUATOR	Sole Source	
575	5/8/2019	2019-707	Water Treatment	Ed Ader	Brian Steeltz		\$4,823.00	10446	Hatch Company	MISCELLANEOUS TESTING AND CALIBRATION SERVICES 99255	PARTICLE COUNTER CALIBRATION AND SERVICE	Sole Source	
576	5/8/2019	2019-716	File	Lynda Rathburn	Kim Buselmeier	Mike Kennedy	\$3,345.00	12926	West Shore Fire	*AP Invoice	ON SITE SCOTT AIR PAK AND RIT PAK TESTING	Best Source	
577	5/9/2019	2019-733	Police	Keri Hirschman	Jason Forsberg		\$4,000.00	15652	D & D Bicycle Service	*AP Invoice	BICYCLE SUPPLIES - HELMETS	Best Source	
578	5/10/2019	2019-693	Public Works	Talressa Carr	Molly Maciejewski	Ed Ader	\$4,580.00	13831	Southeastern Equipment Co	SPRAYER GUNS, NOZZLES, FITTINGS, REELS, ETC. 81095	Various Items	Sole Source	
579	5/10/2019	2019-727	WWTP	LaTwana Fuller	Earl Kenzie		\$11,916.65	8853	De-Cal	PROFESSIONAL SERVICES (NOT OTHERWISE CLASSIFIED) 96258	LV GATES S-15-1 INSPECTION AND BRACKET REPLACEMENT	Best Source	
580	5/13/2019	2019-738	Water Treatment	Ed Ader	Brian Steeltz		\$7,380.00	12112	RTD Manufacturing	*AP Invoice	EAST HIGH SERVICE PUMP PARTS REPAIR	Best Source	
581	5/15/2019	2019-709	Engineering	Kelly Stark	Nicholas Hutchinson		\$23,808.00	10019	EJ USA	CASTINGS, FERROUS AND NON-FERROUS ALLOY 40034	Various Items	Sole Source	
582	5/20/2019	2019-747	City Admin	Sara Higgins			\$3,850.00	15929	Porter	*AP Invoice	Independent Investigation	Best Source	
583	5/22/2019	2019-753	WWTP	LaTwana Fuller	Earl Kenzie		\$7,302.00	12106	Royal Arc Welding	CRANE MAINTENANCE AND REPAIR, MARINE 99336	CRANE REPAIRS	Best Source	
584	5/23/2019	2019-745	Assessor	Kim Hoenerhoff		Tom Crawford	\$21,000.00	15935	Heinowski Appraisal and Consulting	*AP Invoice	APPRAISAL SERVICES - 413 E HURON STREET	Sole Source	
585	5/23/2019	2019-754	Water Treatment	Ed Ader	Brian Steeltz		\$12,980.00	14143	Shaw Electric Company	WIRING AND OTHER ELECTRICAL MAINTENANCE AND REPAIR SERVICES 91082	ARGO DAM GATE 3 ELECTRICAL REPAIRS	Best Source	
586	5/23/2019	2019-755	Water Treatment	Ed Ader	Brian Steeltz		\$15,805.00	10508	Heco, Inc	MOTOR REWINDING AND REPAIRING, ELECTRIC 92961	BARTON PUMP STATION MOTOR 1 REPAIR	Best Source	
587	5/24/2019	2019-758	Parks & Rec	Korinne Palmer	Scott Spooner		\$4,470.45	9289	Belter USA Group	*AP Invoice	CLEANUP OF 5 ENCAMPMENTS WITHIN THE CITY OF ANN ARBOR PARKS	Best Source	
588	5/24/2019	2019-757	Public Works	Talressa Carr	Paul Matthews	Ed Ader	\$12,500.00	10762	Jack DeWay Soudes	SEWER PIPE CLEANING MACHINES, POWER DRIVEN AND PARTS 67061	SANITARY VACTOR RENTAL	Sole Source	
589	6/3/2019	2019-768	Transportation	Kelly Stark	Nicholas Hutchinson	Mari Praschan	\$8,500.00	15575	Cinemassive Displays	SUPPORT SERVICES, COMPUTER 92047	Guardian Care (customer support) for the Video Display Wall	Sole Source	
590	6/4/2019	2019-777	Engineering	Kelly Stark	Nicholas Hutchinson		\$10,000.00	10921	Fanson Inc.	CONSTRUCTION, STREET (MAJOR AND RESIDENTIAL) INCLUDES RECONS 91350	SCIO CHURCH'S SEVENTH INTERSECTION	Sole Source	
591	6/6/2019	2019-779	Public Works	Talressa Carr	Paul Matthews	Ed Ader	\$7,866.00	9988	Duobon-Cooper Assoc	ENGINES AND MOTORS, INDUSTRIAL, MAINTENANCE AND REPAIR 92041	Various Items	Sole Source	
592	6/11/2019	2019-789	Systems Planning	Mari Praschan			\$12,500.00	15562	Tetraiah Media	ADVERTISING CONSULTING 91807	Various Items	Best Source	
593	6/14/2019	2019-795	WWTP	Antoinette Wilcox	Earl Kenzie		\$12,940.00	10984	Kennedy Industries	PUMPS AND PUMP ACCESSORIES MAINTENANCE AND REPAIR 93662	Various Items	Best Source	
594	6/14/2019	2019-796	WWTP	Antoinette Wilcox	Earl Kenzie		\$14,693.32	13769	Andrits Separation	SHEAVES/BELT SPROCKETS (V-BELT, POLY CHAIN, HTD, TIMING SPRD) 69173	Various Items	Sole Source	
595	6/14/2019	2019-781	Parks & Rec	Korinne Palmer	Scott Spooner	Colin Smith	\$5,995.00	11467	Most Dependable Fountains	*AP Invoice	ARGO DRINKING FOUNTAIN W/ HAND WASHING STATION	Best Source	
596	6/14/2019	2019-793	WWTP	Antoinette Wilcox	Earl Kenzie		\$3,347.00	14052	Fiberec Environmental	WASTEWATER TREATMENT PLANT, OPERATIONS, TESTING, AND MAINTEN 98985	Various Items	Best Source	
597	6/17/2019	2019-803	Fleet & Facilities	Becky Arnold	Matthew Kulhanek		\$4,500.00	15958	Compressor Industries	HVAC SYSTEMS MAINTENANCE AND REPAIR, POWER PLANT 94155	COMPRESSOR REBUILD	Best Source	
598	6/17/2019	2019-797	Police	Keri Hirschman	Jason Forsberg		\$8,196.31	15238	Graduate Ann Arbor	*AP Invoice	FY19 PROMOTIONAL PROCESS	Best Source	
599	6/17/2019	2019-807	Police	Keri Hirschman	Jason Forsberg		\$3,475.00	11689	On Duty Gear	*AP Invoice	NEW HIRE BODY ARMOR	Best Source	
600	6/19/2019	2019-811	IT	David Harris	Tom Shevchuk	Tom Crawford	\$5,490.00	13109	Merit Networks	INFORMATION HIGHWAY ELECTRONIC SERVICES (INTERNET, WORLD WID) 81551	MERIT ATTACHMENT RENEWAL	Best Source	
							\$ Sum of Best/Sole Sources for FY19	\$2,191,741.26					
							\$ Sum of Total Purchase Order (PO) Value for FY19	\$76,425,249.12					
							% of PO value that used Best/Sole Source for FY19	2.87%					
							# of PO's based on Best/Sole Sources for FY19	149					
							# of PO's issued for FY19	748					
							% of PO's that used Best/Sole Source for FY19	19.92%					



Administrative Policies and Procedures

Policy Title: Purchase of Goods and Services	Policy Number: 204
Effective: 3/17	
Supersedes: APR #208, dated 9/92, revised APP#208, dated 2/08, revised APP#204 dated 4/13, 12/13, 10/16	
Approval: 	Page 1 of 12

1. Purpose

To define the general process and procedures by which the City purchases materials, supplies, equipment, and contractual services in accordance with the applicable statutes, City Charter and City Code. Procurement of goods and services through federally funded contracts must conform to APP 207, where APP 207 and APP 204 conflict, APP 207 controls.

2. Policy

The City of Ann Arbor is committed to securing the best products, repairs and services available for the purposes intended in the most efficient and economical manner.

3. Definitions

3.1 Contractor means any person having a contract with the City.

3.2 Invitation to Bid (ITB) - a formal request to prospective vendors soliciting price quotations or bids; contains, or incorporates by reference, the specifications or scope of work and all contractual terms and conditions.

3.3 Procurement - buying, purchasing, renting, leasing, or otherwise acquiring any supplies, services, or construction. It also includes all functions that pertain to the obtaining of any supply, service, or construction, including description of requirements, selection, and solicitation of sources, preparation, and award of contracts, and all phases of contract administration.

3.4 Professional Services - services rendered by members of a recognized profession which involve extended analysis, exercise of discretion, and independent judgment in their performance, and an advanced, specialized type of knowledge, expertise or training customarily acquired either by a prolonged course of study or equivalent experience in the field, and for these reasons are unique

and not subject to price competition in the usual sense. Examples of “professional services” typically acquired by the City include appraisal, architectural and engineering services, software development/design, legal services and medical service.

3.5 Qualified bidder - a person who has the capability in all respects to perform fully the contract requirements and who fits the criteria identified in the invitation for bids.

3.6 Quote - an informal solicitation or request for information, where oral or written quotes are obtained from vendors, without formal advertising or receipt of “sealed” bids. Used only where Ordinance does not require formal “sealed” bids, such as small emergency purchases, but price competition is desired.

3.7 Request for Information (RFI) - a request to potential bidders for information concerning an item or service that will assist the responsible Service Area of the City in the development of specifications.

3.8 Request for Qualification (RFQ) - a solicitation or request for information, where written qualifications are obtained from vendors.

3.9 Request for Proposal (RFP) - means a bid solicitation method used for requirements exceeding authorized limits when it is expected that negotiations with one or more bidders may be required with respect to any aspect of the requirements, or other factors will be considered in the selection of the contractor/consultant in addition to price.

3.10 Responsive bidder - a person who has submitted a bid, which conforms in all respects to the requirements set forth in the invitation for bids.

3.11 Services - the furnishing of labor, time, or effort by a contractor not required to deliver a specific end product, other than reports which are merely incidental to required performance. This term includes consultant services other than architectural, engineering, land surveying, construction management, and related services.

3.12 Sole Source - the only known vendor possessing the unique and singularly available capability based on technical qualifications, time constraints, or personnel expertise, to meet the requirements of the service unit’s need.

3.13 Statement of Qualifications – identifies a prospective bidder’s experience, financial capacity, key personnel, current profile of the vendor’s activity, and other information pertinent to a particular project. This is often used in artist selection process.

3.14 Vendor - any person or entity that offers goods for purchase or services for hire.

4. Policy Implementation

4.1 Purchase of Goods and Services - No commitment of City funds shall be given for any purchase of materials or services exceeding \$3,000 until a purchase order has been issued in accordance with this policy. A purchase order may be used as the contract document for expenditures relating to supplies, materials, equipment, services, or similar items. A confirming purchase order also must be completed when another form of contract document is executed (i.e., professional services, construction or similar work). Depending on the amount and scope of the purchase, approval of the purchase and authorization to issue the purchase order may require administrative or Council actions. Purchase Orders are not required for a limited number of exceptions. See list in Section 4.4 below. If your purchase is funded by a Federal grant, please refer to APP# 207 for additional requirements.

4.1.1 Purchases Requiring Non-discrimination/Living Wage Compliance - All purchases of goods and services must comply with the requirements of the Non-discrimination and Living Wage Ordinances and APP #206 (e.g., LWO applies to contracts in excess of \$10,000; NDO applies to contracts \$25,000 and above).

4.1.2 Purchases Requiring City Council Approval - The City Charter requires City Council approval when supplies, materials, equipment, construction projects, or contract services purchased from a single vendor exceed \$25,000 per purchase per project. Emergency purchases of goods and services necessary to alleviate the emergency are exempt from this requirement if approved by the City Administrator in writing and reported to the City Council in accordance with the emergency procedures outlined in Section 4.3. Service Areas are expected to make accurate estimates of needs and quantities to be purchased. If a service area issues a purchase order to a single vendor distributed to several different accounts for the same project or purchase, the total of those accounts cannot exceed \$25,000 without being approved by the City Council.

4.1.2.1 Cumulative Purchases Exceeding \$25,000 – City Council approval applies to single purchases that exceed the specified limit (over \$25,000). Cumulative purchases that are individually (and competitively) bid and awarded to a vendor throughout the fiscal year shall not require City Council approval, if the cumulative total of those purchases exceeds \$25,000.

4.1.3 Purchases; Form of Contract - In general, if the purchase is \$25,000 or less, and the standard terms and conditions on the back of the purchase order are representative of the scope of services, a purchase order may be used as the sole contract document. If the purchase is in excess of \$25,000, or the scope of the service being

provided is complex, non-routine, or multi-divisional, a Purchase Order may not be used as the form of contract. See Section 5.1.3 for further details.

4.2 Quotes, Request for Proposals, or an Invitation to Bid – Except as provided below or where written bids are required by law, Charter or City ordinance or administrative policy, a minimum of three (3) competitive quotes are required for purchases exceeding \$3,000 and shall be awarded to the lowest responsive and qualified bidder. When it is deemed infeasible to obtain the minimum three competitive quotes, written documentation/explanation must be submitted by the requesting service unit to the Procurement Unit along with the purchase order request in order to obtain a waiver of the requirement. Purchase orders that are not accompanied with either a competitive quote or documentation/explanation for waiving the requirement for competitive quotes will not be processed. The following table illustrates when a service unit should use a quote, invitation to bid document, or request for proposal, in preparation of the purchase order:

<u>Type of Document Needed</u>	<u>Goods/Services</u>
Quote (i.e., documented by fax, e-mail, etc.)	Over \$3,000-\$25,000.00
Invitation to Bid (ITB)(Sealed) (i.e., The service unit has delineated specifications) (NOTE: A sealed bid process may be used for any amount to obtain the best cost through competitive bidding).	Can use for any amount
Request for Proposal (RFP) (i.e., The service unit does not have certain specifications but has a desired outcome).	Can use for any amount
Request for Qualifications (RFQ)/Statement of Qualifications (SOQ): Used to determine qualifications of proposed contractor.	Can use for any amount
Request for Information (RFI): Used to determine information to develop an RFP or sealed bid.	Can use for any amount

All Invitations to Bid, Request for Proposals, Request for Qualifications, and Request for Information must be issued by the Procurement Unit. If your purchase is funded by a Federal grant, please refer to APP# 207 for additional requirements.

4.3 Emergency Purchases - Exceptions to the above may be made only for emergency purchases. Emergency purchases must be made in the form and manner specified by City Code 1:317, which states:

1:317 Emergency purchases and contract.

(1) In case of an emergency, any service area administrator, with the approval of the City Administrator, may purchase directly any supplies, materials, or equipment, the immediate procurement of which is necessary to the continuation of the work of his/her service area. Such purchases, and the emergency causing them, shall be reported in detail to the Purchasing Agent within a week from the time when made and such reports shall be preserved by the Purchasing Agent for a period of two (2) years.

(2) In case of an emergency, the City Administrator, without first having obtained Council approval, may when necessary to alleviate the emergency, contract for professional services where the limits of City Code section 1:321 are exceeded or for construction services. In these cases, the contract must be approved as to form and content by the City Attorney. The City Administrator shall report in detail to Council both the contract entered into under this provision and the emergency requiring entry into the contract within two weeks after entry into the contract.

4.4 Exceptions

4.4.1 No bidding or solicitation is required for the following:

- Purchases Authorized by City Council on written recommendation of City Administrator (Ann Arbor City Code Section 1:316(4) See also APP 204 Sec 4.5 below)
- Professional Services Agreements (Ann Arbor City Code Section 1:316(3))
- Cooperative Purchasing Participation (Ann Arbor City Code Section 1:316(2))
- Software Maintenance Agreements on existing implemented software
- Conference and Training Expenses
- Dues, licenses, professional memberships and accreditation services
- Insurance Coverage and Third Party Administrator/Brokerage Services procured through a brokered process

4.4.2 No bidding, solicitation or the issuance of a purchase order is required for the following:

- Purchases of \$3,000 or less (See Section 5.1.3.1.1 Limit Exception for Vendors)
- Government Units and Public Entities (e.g. public schools, universities and taxing authorities) [a PO may be requested at the discretion of City Finance]
- Utilities (Gas, Water, Electricity, Telephone, etc.: inclusive of,

- pager/cellular telephone and/or related services)
- Debt Service Payments
- Refunds
- Interdepartmental Transfers of Goods or Services
- Postage
- Subscriptions and Publications (incl. newspapers)
- Rent for Leased Office Space (excluding storage and provided Finance has lease on file)
- Withholding Taxes
- Property Taxes

4.5 Sole Source or Best Source – Procurement of supplies or equipment where competitive bidding is not required by law or City Charter or otherwise is either clearly not practical or no advantage would result to the City by requiring competitive bidding may be sole or best sourced. (i.e., the specified item cannot be obtained from any other source or is not feasible to be obtained from another source (due to previous set-up work with vendor, familiarity with City's system, confidentiality concerns, or similar circumstances).

4.5.1 Subject to the approval of the contract form by the City Attorney, procurement of professional services may be sole or best sourced where deemed appropriate (e.g., quality or subject matter-based selection).

4.5.2 A service unit must submit written documentation that demonstrates the necessity of the purchase, and that the purchase may only be made from a sole source or otherwise document that it is not to the City's advantage to bid the purchase.

4.5.2.1 For purchases over \$25,000 the above documentation must be part of the City Administrator's written recommendation to City Council requesting Council authorization for the purchase (Ann Arbor City Code Section 1:316(4)). A copy of the resolution approving the sole or best source purchase must be attached to the purchase order for it to be processed by the Procurement Unit.

4.5.2.2 For purchases \$25,000 or less, the required documentation must be submitted to the Purchasing Manager for the purchase order to be processed.

4.5.2.3 If your purchase is funded by a Federal grant, please refer to APP# 207 for additional requirements. Service Units should also review the terms and conditions of the funding grant which may have project specific sole sourcing documentation requirements.

4.6 Conflict of Interest - The Procurement Unit is committed to providing an ethical, transparent and equitable purchasing process. It is the responsibility of all City employees involved in the procurement process to ensure that the City does not knowingly enter into any purchase commitment that results in a potential conflict of interest situation. All employees engaged in purchasing and related activities shall be thoughtful of their actions, decisions and relationships in order to avoid not only actual but also the appearance of unethical practices and prohibited conflicts of interest situations. Employees with questions about a particular situation should contact the City Attorney's Office before procurement interactions occur with a potential vendor.

4.6.1 Conflicts of Interest, Non-federally Funded Contracts No employee, officer or agent of the City shall participate in the selection of, or in the award or administration of a contract if a conflict of interest, real or apparent, would be involved. A City employee who willfully violates any of the provisions of this policy may be subject to appropriate discipline.

4.6.1.1 It is a prohibited conflict of interest for an employee to purchase or lease real property from the City or have any interest in or obligation to a company that purchases or leases real property from the City.

4.6.1.2 It is a prohibited conflict of interest for an employee to sell or lease real property to the City or have any interest in or obligation to a company that sells or leases real property to the City.

4.6.1.3 It is a prohibited conflict of interest for any officer, employee or agent of the City to solicit or accept gratuities, favors or anything of monetary value from contractors, potential contractors, or parties to contracts with the City in connection with any City solicitation for goods or as administrator of any contract for goods or services.

4.6.1.4 It is a prohibited conflict of interest for any employee to participate directly or indirectly in the purchasing process for City goods or services when the employee is contemporaneously employed or has begun the application process to be employed at the time of bid by a bidder, or subsequently at the time of award to a vendor or contractor.

4.6.1.4.1 Such a conflict would arise when: (i) the employee, officer or agent, (ii) any member of his/her immediate family, (iii) his/her partner, or (iv) an organization that employs, or has begun the employment process to employ, any of the foregoing, has a financial, or other interest in the bidder or the vendor or contract awarded the contract for goods or services.

4.6.1.5 It may be a breach of ethical behavior for any employee to participate directly or indirectly in the purchasing process for City goods or services if a City employee's partner or immediate family member has an ownership interest in or receives financial gain from a procurement transaction.

4.6.2 Conflicts of Interest; Federally-Funded Contracts - No employee, officer or agent of the City shall participate in the selection of, or in the award or administration of, a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved. A City employee who willfully violates any of the provisions of this policy may be subject to appropriate discipline.

4.6.2.1 Such a conflict would arise when: (i) the employee, officer or agent, (ii) any member of his/ her immediate family, (iii) his/her partner, or (iv) an organization that employs, or has begun the employment process to employ, any of the foregoing, has a financial or other interest in the firm selected for award of the contract. Provided, that if the direct benefit to any of the foregoing is de minimus amount (based on the applicable federal regulation), the conflict may be waived.

4.6.2.2 It is a prohibited conflict of interest for any officer, employee or agent of the City will solicit or accept gratuities, favors or anything of monetary value from contractors, potential contractors, or parties to contracts with the City in connection with any City solicitation for goods or as administrator of any contract for goods or services.

4.6.3 Conflicts of Interest; Vendors - Before any vendor may be awarded a contract for goods or services, the prospective vendor will be required to complete a Conflict of Interest Disclosure form. The contract may not be awarded to the selected vendor unless and until the Procurement Unit has received and reviewed the Disclosure form and determined no Conflict is disclosed or if a Conflict has been disclosed referred it to the City Administrator or his/her designee, who must approve the purchase. A copy of the Conflict of Interest Disclosure Form must be included in all bids and solicitations (see also Section 5.1.2.1 below).

4.6.3.1 For all purchases of \$25,000 or less: Where a conflict of interest is disclosed, documentation must be provided that demonstrates the vendor offers competitive pricing. Please note: this includes ALL purchases (over \$3,000). The City Administrator must approve the purchase with the proposed vendor.

4.6.3.2 For purchases in excess of \$25,000: Where a conflict of interest is disclosed, the information provided to Council in the approval resolution must include any conflicts of interest and the

recommendation of the City Administrator or his/her designee concerning the conflict and proposed purchase.

4.6.3.3. Conflict of Interest Disclosure Forms must be completed by all vendors or contractors annually during the life of an awarded contract. For purposes of this provision the annual term of the disclosure runs from date of the vendor's signature on the disclosure form submitted with the selected bid or solicitation.

4.6.4 Reporting - In the event you suspect a conflict of interest or fraud situation that has not been handled in accordance with Section 4.6.3., please contact the Internal Auditor via email: internalauditor@a2gov.org or the EthicsLine at 877-741-4058. The EthicsLine service is a 3rd party anonymous hotline that employees can use to report suspected fraudulent activity.

5. Procedures

5.1. Components to execute a purchase order are as follows:

5.1.1 Quotation Sheet - A quotation form shall be prepared, completed by the solicited vendors and submitted with all purchase orders for purchases in excess of \$3,000 and equal to or less than \$25,000.00, if written bids were not required by law, Charter, City ordinance or administrative policy. All information shown on the quotation form shall be filled in, including but not limited to: service unit, name and signature of the person soliciting quotes, date of quotes, item(s) requested, vendors contracted, delivery date, terms, discount, delivery location, etc.

5.1.1.1 All Quote solicitations shall be electronic (e.g., by fax or email) on an approved Purchasing Quote form and shall include (a) PO terms and conditions and (b) Vendor Conflict of Interest Disclosure form, which must be completed and returned by the selected Vendor.

5.1.2 Request for Proposals or Invitations to Bid - For purchases in excess of \$25,000, the service unit shall prepare, when required by law, Charter, City ordinance or administrative policy, either a request for proposal or invitation to bid in conformance with the Procurement Unit specifications.

5.1.2.1 All ITB and RFP documents shall have a Vendor Conflict of Interest Disclosure form included as part of the ITB/RFP posting to the public. Failure to submit a completed Vendor Conflict of Interest Disclosure form with the ITB/RFP after being requested to do so shall be grounds for automatic disqualification for award of the ITB/RFP.

5.1.3 Contract Requirements - The form of any contract must be approved by the City Attorney. Purchase Order Standard terms and conditions have

been reviewed and preapproved and may not be modified without City Attorney approval (i.e. additional terms may not be inserted/attached or existing terms modified or deleted). All other types of contracts must be reviewed and approved before work can begin. The responsible service unit shall have the City Attorney review and approve the form of contract and the terms thereof.

5.1.3.1 For services of \$25,000 or Less – The service unit must obtain necessary approvals following the City Administrator's procedures.

5.1.3.1.1 For services \$3,000 or less: Service Units may process services for routine repairs or general services as an Accounts Payable Invoice in the financial system. If a contract document is required by the Vendor or by law or regulation, the Service Area Administrator may execute it after approval as to form by the City Attorney.

5.1.3.1.2 For services over \$3,000 - \$25,000: Service Units may process services for routine repairs or general services on a Purchase Order, in lieu of a separate contract document unless another contract document is required by law, City Charter or City Code. After service area approval, the Purchase Order will route to the Procurement Unit for processing. (NOTE: The purchase order uses standard contract language on the back of the purchase order.

However, the scope of services must be clearly defined in the text of the purchase order, including the ITB/RFP number if applicable, or attached document clearly referenced in the text of the Purchase Order.)

5.1.3.1.3 For services where a specific deliverable(s) is required, professional services or there is some other specific legal requirement which calls for a separate signed and executed contract, the service area shall follow the provisions of Section 5.1.3.

5.1.3.2 For services over \$25,000 - The service unit must obtain City Council approval following the City Administrator's procedures for City Council action. After approval, attach a copy of the contract signed by the service provider, the City Council resolution approving the purchase of services, and any required insurance and bond documents to the contract routing slip and forward to the following for signature: applicable service area administrator, City Attorney, City Administrator, Mayor and City Clerk, or their authorized representatives. Execute a purchase order in accordance with the contract terms. When a purchase order is used in connection with an

executed contract, the service unit MUST identify on the face of the purchase order that the purchase order is confirming and not a substitute for the contract's terms and conditions. The steps outlined above may be done concurrently.

5.1.4 City Council Approval - City Council approval is required when the cost of supplies, materials, equipment, construction projects or contract services purchased from a single vendor are in excess of \$25,000 per purchase per project. Obtain City Council approval following the City Administrator's procedures for submission of items for City Council action. State the date of City Council approval and the City Council resolution number on any purchase order submitted to the Procurement Unit. A copy of the adopted Council Resolution must be furnished to the Procurement Unit along with the purchase order.

5.1.5 Non-discrimination/Living Wage Compliance - Contractors providing goods and/or services to the City must comply with the requirements of the City's Non-discrimination and Living Wage Ordinances. Copies of Non-discrimination and Living Wage Declaration Forms must be included with all ITB/RFPs. See APP #206 for additional requirements.

5.1.6 Prevailing Wage Compliance - All solicitations for projects that include federal, state, and/or local government funds with a contract value in excess of \$10,000 for the construction, alteration, or repair of public buildings/facilities or public works shall include the requirement to pay the greater of local prevailing wages or living wages to the covered trades involved who are directly involved in construction activities. Solicitation documents will provide a plain and obvious reference or link to the appropriate resource with the applicable rates and will specify the appropriate wage rate classification(s) (i.e. heavy, highway, building, or residential). If multiple classifications pertain to a contract, the City will specify which rate will be applied. City project and contracting staff will include and highlight the requirement to pay the appropriate wage during all pre-bid/pre-solicitation meetings.

On contracts where prevailing wage rates apply, contractors will provide payroll records compliant with applicable laws and sufficient to demonstrate contractor compliance with prevailing wage requirements. City staff will review the payroll documents and will conduct required and appropriate wage rate interviews. In cases where there is no requirement to comply with federal or state law, the City will require contractors to provide payroll records for the prime contractor and all "first-tier" subcontractors.

5.2 Purchase Order Approval Process

5.2.1 Each service area will route purchase orders for approval according to their own workflow rules established and approved by their Service Area Administrator.

5.2.2 Once final service area approval is given, the Procurement Unit receives the purchase order for processing, including verification of Non-discrimination/Living Wage Compliance, executed vendor conflict of interest disclosure form and its authorization, and Council approval if applicable. Unless the purchase order is marked as confirming the terms of a contract, the purchase order shall then be mailed to the vendor.

5.3 Changes to Purchase Orders - The total increase due to change orders to existing purchase orders shall not exceed \$25,000, if the original amount was less than \$25,000, or if the original amount of the purchase order was in excess of \$25,000, the City Council approved amount with contingency, if applicable. When the cumulative total cost of any purchase of goods or services which, due to change orders or other contract modifications from a contractor/vendor, surpasses \$25,000 (plus any approved contingency if applicable), City Council approval is required. This requirement shall apply to the total dollar amount of the contract and not to the amount of the change or modification to the purchase order. It shall be a violation of this policy to divide a purchase over several purchase orders to a single vendor to avoid City Council approval.

5.4 Completion Dates - When contracting for the purchase of goods/service by an outside contractor or vendor, always include a completion period or date for delivery of service. If a completion period is needed, a beginning or ending date must be specified. This completion period or date must be part of any written contract, or if a purchase order is being used, the completion period or date must appear on the purchase order.

5.5 Tolerance - When a vendor invoice exceeds the purchase order by less than 10% of the purchase order amount, the vendor invoice can be paid and the purchase order can be closed with no further change orders. However, if the purchase order (including tolerance) exceeds the limit approved by Council, the service unit must seek approval from Council for the additional amount.



SOLE SOURCE / BEST SOURCE JUSTIFICATION

To be completed by Unit or Area and forwarded to
Procurement Unit of Financial Services

Vendor/Amount \$ _____

Unit or Area _____ Date _____

- Sole Source – A single vendor is uniquely qualified to meet the City's procurement objective.

Provide an explanation of the "need" that has to be fulfilled, focusing on the requirements (not a description of the product or service, which satisfies that need). Why is this vendor the only one that can fulfill the need identified?
Describe the unique aspects of their product or service or attach letter from vendor:

Check appropriate reason below:

- This is a product manufactured by a single vendor.
- This product or service is sold only through this single distributor.
- This service is unique to a single organization.
- An unusual or compelling urgency exists (explain below).

What activities have already occurred prior to submitting this request? Discuss what other products and services in the market were reviewed and why they didn't fulfill the need. Have you already evaluated products or services available on the market and then made a determination that this product or service is the only one that meets your need? Has the vendor already done any work related to this project or purchase?

Best Source – Does the need meet one of the following “best source” definitions instead of the sole source definition referenced above (explain below):

- The product or service must match or be compatible with current equipment or services; or
- It would not be economically feasible for another vendor to provide the product or service needed; or
- A single vendor is uniquely qualified to fulfill the City's need; or
- An unusual or compelling urgency exists.

REQUESTED BY:

Signature _____

Date _____

(Typed Name) _____

APPROVALS:

Unit Manager _____

Date _____

Service Area Admin. _____

Date _____

City of Ann Arbor Purchasing Guide

Colin Spencer, Purchasing Manager, 734-794-6500, cspencer@a2gov.org

	Commodity Type	Required Method of Procurement			Required Forms			Council Resolution	Comments	
		P-Card	Three Quotes*	Formal Solicitation (ITB, RFP) or Existing Use*	Conflict of Interest (CI)	Living Wage (LW)	Non-Discrimination (ND)			
Value of Single Purchase/PO	\$0-\$3k	Goods and/or Simple Services	Recommended						Users are encouraged to find best value. Retain receipts and Sales Tax should NOT be charged to P-Card.	
	\$3k - \$10k	Goods and/or Services		Required		Required			Three quotes may be <u>Verbal</u> , document verbal quotes on City Quote Form	
	\$10,000 - \$25,000	Goods		Required		Required			Three quotes must be <u>Written</u> , documented by Vendor and/or City Quote Form	
		Services		Required		Required	Required		Three quotes must be <u>Written</u> , documented by Vendor and/or City Quote Form	
		Goods and Services		Required		Required	Required		Three quotes must be <u>Written</u> , documented by Vendor and/or City Quote Form	
	\$25,000 and Above	Goods			Required	Required		Required	Required	City issued Formal Solicitation (ITB/RFP) or Competitive Existing Use (Piggyback) Required
		Services			Required	Required	Required	Required	Required	City issued Formal Solicitation (ITB/RFP) or Competitive Existing Use (Piggyback) Required
		Goods and Services			Required	Required	Required	Required	Required	City issued Formal Solicitation (ITB/RFP) or Competitive Existing Use (Piggyback) Required

*Sole Source or Best Source Form may be used at any value but Required Forms and Council Resolution will apply.

4/2017

Exemptions may apply. Please contact Purchasing for guidance on construction/public improvements, use of federal funds and with any questions.

AN ORDINANCE TO AMEND SECTIONS 1:311, 1:316, 1:317, 1:319, AND 1:324 IN CHAPTER 14 (PURCHASING, CONTRACTING AND SELLING PROCEDURE) OF TITLE I OF THE CODE OF THE CITY OF ANN ARBOR.

The City of Ann Arbor Ordains:

Section 1. That Section 1:311 of Chapter 14 of Title I of the Code of the City of Ann Arbor be amended to read as follows:

1:311. - Procurement/purchasing; purchasing agent.

Procurement/purchasing, accounting services unit primary function is to assist the various services areas/units in securing the best products, repairs and services available for the purposes intended in the most efficient and economical manner possible and to ensure all acquisitions of products, repairs and services are made in conformance with City Charter and Code requirements and established operational procedures.

The City Administrator shall adopt necessary operational procedures for the procurement of goods and services. No contract for the purchase of services, goods or construction shall be entered into, with the exception of emergency purchases, unless: (1) the service area administrator approves the contract as to substance and certifies that there is a sufficient unencumbered balance in the budget or appropriation against which the charge for the purchase is to be made; and (2) unless the City Attorney's office has approved the contract, bond and insurance, as applicable, as to form. No service area, officer or employee of the city shall be empowered to execute any purchase order, change order, agreement or contract except as authorized by this chapter. Failure to comply with this chapter shall render a contract voidable.

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The Administrator shall designate a purchasing agent for the city. The Purchasing Agent shall serve as the principal public purchasing official for the city. He/she shall be responsible for the procurement of goods and service, and construction as well as disposing of city assets in accordance with this chapter.

Section 2. That Section 1:316 of Chapter 14 of Title I of the Code of the City of Ann Arbor be amended to read as follows:

1:316. - Exception to competitive bidding.

Competitive bidding shall not be required in the following situations:

(1) The city may redeploy or direct transfer goods or equipment between service areas/units.

(2) The city may join in cooperative purchasing arrangements with the State of Michigan and/or other government units or public agencies. The city may accept extended government pricing with appropriate documentation, if it is determined by the City Administrator or City Council to be cost-effective and in the city's best interest. In addition the city may participate in cooperative (i.e. joint) bidding in which 2 or more public agencies agree on specification and contract terms for a given item and combine their requirements for this item in a single ITB when cost-effective and in the city's best interest. Subsequent to the award of a cooperative bid, each public agency will issue and administer its own purchase order or contract.

(3) Procurement of professional services shall follow the monetary criteria established

above; however, services may be procured through a request for proposals or quality-based selection, as deemed practical and reasonable subject to approval of the contract by the City Attorney. Award shall be made of the professional services provider determined to be best qualified based on the evaluation factors set forth in the selection process and negotiation of a fair and reasonable compensation.

(4) Procurement of supplies, [services](#), or equipment where competitive bidding is not required by law or City Charter and either clearly is not practical or no advantage would result to the city by requiring competitive bidding, the Council, upon the written recommendation of the City Administrator, may authorize the execution of a contract without competitive bidding. Where a contract is let without competitive bidding the proposed contract shall be approved by the City Attorney as to form and content, unless prepared by him by direction of the Council, and submitted to the Council.

[\(5\) Notwithstanding anything in Section 1:316\(4\), and except to the extent limited by law, the City Administrator shall have the authority to waive the requirement for competitive bidding for any purchase where: 1\) the total obligation of the purchase is \\$25,000 or less; and 2\) the City Administrator determines that competitive bidding is not practical or of no advantage to the City.](#)

Section 3. That Section 1:317 of Chapter 14 of Title I of the Code of the City of Ann Arbor be amended to read as follows:

1:317. - Emergency purchases and contracts.

(1) In case of emergency, any service area administrator, with the approval of the City Administrator, may purchase directly any supplies, materials or equipment, the immediate procurement of which is necessary to the continuation of the work of his/her service area. Such purchases and the emergency causing them shall be reported in detail to the Purchasing Agent within a week from the time when made and such reports shall be preserved by the Purchasing Agent for a period of 2 years. [If the limits of City Code section 1:313 are exceeded for such purchase, the City Administrator shall, within two weeks of the purchase, report to Council the emergency requiring the purchase and the details of the purchase.](#)

(2) In case of emergency, the City Administrator without first having obtained Council approval may, when necessary to alleviate the emergency, contract for professional services where the limits of City Code section 1:~~313~~ are exceeded or for construction services. In these cases, the contract must be approved as to form [by the City Attorney](#) and content by the City Administrator, ~~who~~ shall report in detail to Council both the contract entered into under this provision and the emergency requiring entry into the contract within 2 weeks after entry into the contract.

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Section 4. That Section 1:319 of Chapter 14 of Title I of the Code of the City of Ann Arbor be amended to read as follows:

1:319. - Sale of surplus property.

Whenever any city property, real or personal, is no longer needed for corporate or public purposes, the same may be offered for sale.

(1) Personal property, including salvage, surplus material or obsolete equipment, excluding firearms and weapons, identified by the Service Area Administrator as no longer need for public purposes may be disposed of by the Purchasing Agent in accordance with the provisions of this section. The value of the surplus personal property shall be determined according to applicable industry standards. If the value is less than \$500.00, the Purchasing Agent may dispose of the property in a manner which is determined to be in the best interest of the city. If the value does not exceed \$25,000.00, the property may be sold by auction, trade-in, or for cash by the purchasing agent upon approval of the City Administrator or designee after receiving quotations or competitive bids therefor for the best price obtainable. Personal property with a value in excess of \$25,000.00 may be sold by auction, trade-in or after advertising and receiving competitive bids, as provided in section 1:313 and after approval of the sale has been given by the Council.

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(2) Real property may be disposed of when no longer needed for public purposes in accordance with applicable state law, City Charter and ordinance requirements.

Section 5. That Section 1:324 of Chapter 14 of Title I of the Code of the City of Ann Arbor be amended to read as follows:

1:324. - Bid protests.

All protests must be in writing and filed with the Purchasing Agent within 5 business days of the award action. The vendor must clearly state the reasons for the protest. If a vendor contacts a city service area/unit and indicates a desire to protest an award, the service area/unit shall refer the vendor to the Purchasing Agent. The Purchasing Agent will provide the vendor with the appropriate instructions for filing the protest. The protest shall be reviewed by the City Administrator or designee whose decision shall be final.

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Section 6: This Ordinance shall take effect ten days after passage and publication.