



## Request for City Council Committee Action from the Department of Finance & Property Services

**Date:** October 27, 2014

**To:** Honorable John Quincy, Chair, Ways & Means Committee

**Subject:** Recommend approval of and allow appropriate staff to enter into contract with Wells Fargo Bank for the provision of banking services.

**Previous Directives:** July 18<sup>th</sup>: Issuance of RFP for Banking Services

### Department Information

Prepared by: Bruce G. Plante III, Treasury Director, 673-3008

Approved by: Kevin Carpenter, City Finance Officer \_\_\_\_\_

Spencer Cronk, City Coordinator \_\_\_\_\_

Presenters in Committee: Bruce G. Plante III

### Financial Impact:

Based on assumed volumes and interest rates, and adjusted for incentives, the pricing proposed by the recommended Bank is approximately \$4,000 per month lower than the next lowest proposal and approximately \$6,000 per month lower than current pricing.

### Supporting Information:

In July 2014, the City of Minneapolis solicited proposals for banking services to serve the City with efficient and cost effective banking services. The City intended for its banking partner to provide state-of-the-art technology and security to assure that its current banking needs would be met and that it will be able to incorporate technological changes and improvements into its operations over the period of the contract. The contract is to be for a three-year period with the City's option to extend for two additional one year periods.

The City received three proposals for banking services in response to the Request for Proposal (RFP). The proposals were made by BMO-Harris, US Bank, and Wells Fargo. All the banks have the necessary facilities and services within the City boundaries and are solid financial institutions which can provide the basic services required. The banks are all highly credit rated and have been shown to have contributed to the health of the community through their 'satisfactory' and 'outstanding' Community Reinvestment Act ratings (CRA) and an evaluation of their Responsible Banking documents.

Since banks bundle services and price services differently, the evaluation of the proposals was made on several different levels to capture and evaluate those differences equitably.

(1) The services offered have been evaluated as to the level of service offered compared to the required specifics, the level of automation which can improve staff productivity, level of controls, and availability of customer service on an on-going basis.

The bank is also evaluated to determine its adaptability and capability to grow into new technologies as they become available. The evaluation also included a review of the institutions in terms of responsible banking actions.

(2) The cost of specific and overall services has been compared between all banks on an equal historical volume basis.

(3) The potential for earnings has been compared based on various account structures and based on historical data, rather than future projections.

(4) Securities owned by the City and managed by its multiple investment managers are currently held at US Bank. The separation of the banking function and the custodial function results in a continual movement of funds and securities. The purchase/sale/income processes create an expensive process because funds must travel between two institutions and be reconciled and audited twice. To rectify this situation, the RFP required the bank to be able to provide custodial/safekeeping services. Funds will move automatically from the designated accounts to the custodian as securities are bought sold and produce income.

(5) The proposals have been evaluated combining all these factors and netting earnings and costs to create a final assessment.

**Recommendation:**

**Based on the extensive analysis of all the proposals submitted to the City, it is recommended that the City award the banking services contract to Wells Fargo Bank.**

This recommendation includes the check printing services listed as optional in the RFP. This recommendation also transfers the custodial services from US Bank to Wells Fargo for reasons explained in section (4) above.

The City has decided not to award the Stored Value Card and the Smart Safe services at this time.

Merchant Services for credit card processing were not included in this RFP. An RFP will be issued later this year for Merchant Services.