



Request for City Council Committee Action From the Finance Department

Date: March 28, 2005
To: Ways and Means Committee
Referral to: City Council

Subject: Recommend Approval of Wells Fargo Bank, Northern Trust and Link2Gov for Treasury, Trust/Custody, and Credit Card Payment Processing Services Respectively. Authorize Staff to Enter into Contracts with Providers.

Previous Directives

November 15, 2004, Ways and Means approved issuance of RFP for Banking and Custodial Services

Prepared or Submitted by: Michael Nguyen, Director, Treasury Division

Approved by: Patrick Born, City Finance Officer _____

John Moir, City Coordinator _____

Presenters in Committee (name, title)

Financial Impact (Check those that apply)

No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)

Action requires an appropriation increase to the Capital Budget

Action requires an appropriation increase to the Operating Budget

Action provides increased revenue for appropriation increase

Action requires use of contingency or reserves

Other financial impact (Explain):

Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (use any categories that apply)

Neighborhood Notification

City Goals

Comprehensive Plan

Zoning Code

Other

Not applicable

Background/Supporting Information Attached

On November 15, 2004, the Ways and Means Committee authorized City staff to issue an RFP for banking, trust/custody and credit card payment processing services. The following is a summary of the RFP process, selection criteria, and staff recommendations.

The RFP issued by the Finance Department contained three (3) specific service requests:

1. Treasury Services;
2. Trust and Custody Services; and,
3. Credit Card Payment Processing Services

The City received a total of eight (8) RFP responses with vendors expressing varying degrees of interest in the services requested. In forming the selection committee to shortlist, interview and ultimately recommend the finalists, Finance solicited participation from departments which have a direct business concern with the vendor(s) selected. Representatives from BIS, CPED, Finance, Library and Public Works comprised the selection committee.

The selection committee used the following criteria in its evaluation of the proposals:

1. Experience and qualifications;
2. Proposed service and implementation;
3. Financial safety and soundness of the vendor;
4. Community involvement and lending;
5. Cost of services; and
6. Overall impression

Treasury Services

The City received a total of three (3) proposals, two of which were short listed for further consideration - Wells Fargo Bank and U.S. Bank. Of the two providers, both are highly qualified to provide treasury services to the City and both offered a competitive fee schedule relative to one another. The City currently spends \$250,000 annually in treasury services and with either the U.S. Bank or Wells Fargo Bank fee proposal, the City would realize approximately \$130,000 in annual cost savings. Both providers have an "outstanding" Community Reinvestment Rating; however the committee sensed a higher level of community involvement on the part of Wells Fargo Bank. Given the competitiveness of these proposals, the committee recommends that Finance retain the services of Wells Fargo Bank.

Trust and Custody Services

The City received a total of four (4) proposals, three of which were short listed for further consideration – Northern Trust, U.S. Bank and Wells Fargo Bank. All three (3) providers are well qualified to provide trust and custody services to the City. The difference between the three (3) providers can be distinguished by costs, securities lending revenue, and reporting capabilities. While the proposals submitted by U.S. Bank and Wells Fargo Bank are comparable in cost and securities lending revenue,

Northern Trust, while being the highest of the three in cost, edged out U.S. Bank and Wells Fargo Bank with its estimate of securities lending revenue.

The City currently spends approximately \$30,000 in annual trust and custody fees with offsetting revenues of \$100,000 thereby netting \$70,000 in annual revenue. Both U.S. Bank and Wells Fargo Bank's proposed fee and revenue schedules are comparable to what is currently in place. Northern Trust however proposes to offset its annual custody cost of \$60,000 with \$280,000 in estimated securities lending revenue thereby netting \$220,000 in revenue to the City. While the committee believes that the revenue estimate submitted by Northern Trust may be aggressive, nevertheless it is a significant difference compared to U.S. Bank and Wells Fargo Bank's estimates. In addition, Northern Trust's investment in technology is apparent in its performance reporting system thereby giving Northern Trust an edge in reporting capabilities. Given the revenue difference and reporting attributes, the committee recommends contracting with Northern Trust for trust and custody services for the City's operating investments. Trust services for the City's VEBA/HRA benefit program will continue to remain with Wells Fargo Bank.

Credit Card Payment Processing Services

The City received a total of six (6) proposals, two of which were short listed for further consideration – Link2Gov and Wells Fargo Bank. The major driver in determining the two finalists were the vendors' technical compatibility in integrating with the City's proposed e-Pay infrastructure currently underdevelopment. Link2Gov is an independent third party payment processor while Wells Fargo Bank presents itself as a system integrator capable of working with any 3rd party provider as the settlement bank. While the City was impressed with the software and services provided by Link2Gov, the City had concerns about the financial viability of the company. Furthermore, the City's Public Work parking enterprise operation continues to be challenged by finding a vendor that can integrate with its current payment equipment manufacturer. Based on the concerns discussed, it is the committee's recommendation that the Finance Department contract with both Link2Gov and Wells Fargo Bank simultaneously; specifically, Link2Gov for the payment processing services and Wells Fargo Bank for settlement processing.