



Request for City Council Committee Action from the Department of Finance

Date: September 29, 2009

To: Honorable Paul Ostrow, Chair, Ways & Means/Budget Committee

Referral to: City Council

Subject: Recommend approval of and allow appropriate staff to enter into contracts with the following service providers:

- 1) Wells Fargo Bank for the City's General Cash Management Services and for Retail Lockbox Services
- 2) US Bank for the City's Trust/Custodial Services and Merchant Services
- 3) Dunbar for the City's On Street Meter Coin Processing Services

Previous Directives: May 4, 2009 Ways and Means approved issuance of an RFP for all Banking and Trust/Custodial Services

Department Information

Prepared by: LeaAnn Stagg, Director of Treasury

Approved by: Patrick Born, City Finance Officer _____

Steven Bosacker, City Coordinator _____

Presenters in Committee: LeaAnn Stagg, Director of Treasury

Financial Impact:

- No financial impact

Community Impact

- N/A

Supporting Information:

On May 4, 2009, the Ways and Means Committee authorized City staff to issue an RFP for the City's banking and custodial services. The following is a summary of the RFP process, selection criteria, and staff recommendations.

The RFP issued by the Finance Department contained five (5) specific service requests:

- Cash Management/Depository Services
- Retail Lockbox (check processing)
- On Street Meter Coin Processing Services
- Trust/Custodial Services
- Merchant Services (credit card settlement)

Proposers were able to bid for all services or for individual services with the exception that the City required that providers choosing to apply for the City's general cash management services also submit a solution for the City's retail lockbox and meter coin processing services. While requiring a bundled proposal for these three services, the City reserved its right to unbundle the cash management, the retail lockbox and the meter coin processing services if it determined it would be in the best interest of the City to do so.

The City received a total of twenty two (22) RFP responses from ten (10) different vendors for the various service requests.

The City formed a Steering Committee as well as subcommittees for each of the five service areas. The subcommittees were made up of staff representatives that had a direct business concern with the service areas. Subcommittee members came from not only Finance but also BIS, CPED, Public Works (Parking), Regulatory Services and MPHA. After evaluating its respective service areas, each subcommittee made its recommendation to the Steering Committee. The Steering Committee was made up of Finance staff, CPED staff and a Treasury staff member from Hennepin County.

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

- A thorough understanding of the operational requirements of the City reflected in a proposal of service that not only meets the department's current objectives but also enhances the utilization of technology.
- The financial strength and capacity of the organization.
- Experience of the organization and staff in successfully managing similar relationships in the public sector.
- The resources and qualifications of the organization and the staff assigned to the City.
- Organization's commitment to community involvement in the City of Minneapolis.
- Adequacy of the risk management program at the organization.
- Quality and scope of the conversion plan including an appropriate involvement of the organization's staff.
- Total costs.
- Quality, thoroughness and clarity of the proposal.

Banking Services Fees

The City's banking services fees are commission based.

Recommendations:

Cash Management / Depository Services

The City received a total of three (3) proposals. All proposers had an “outstanding” overall Community Reinvestment Act (CRA) rating. The City staff expressed a high degree of satisfaction with the current cash management services of Wells Fargo. Wells Fargo came in with the lowest fee proposal.

The City currently spends approximately \$120,000 annually in cash management/depository services. Wells Fargo’s proposal came in at a slightly lower amount.

The Banking Services Steering Committee recommends that Finance retain the services of Wells Fargo Bank for cash management/depository services.

Retail Lockbox Services

The City received a total of three (3) proposals. All three providers received an “outstanding” overall CRA rating. All three providers offered a competitive fee proposal. A high degree of satisfaction was expressed by City staff with respect to the current retail lockbox services of Wells Fargo.

The City currently spends about \$ 150,000 annually for retail lockbox services with Wells Fargo. Wells Fargo’s proposal for lockbox services came in at about the same amount.

The Banking Services Steering Committee recommends that Finance retain the services of Wells Fargo Bank for retail lockbox services.

On Street Meter Coin Processing Services

The City received a total of six (6) proposals. All of the proposers were qualified to provide coin processing services.

Dunbar offered the lowest fee proposal. The City currently spends about \$ 84,000 annually for meter coin processing. Dunbar’s proposal will result in about \$20,000 savings to the City for coin processing. In addition, given Dunbar’s location in NE Minneapolis, the City has the ability to realize a reduction in meter coin canister transport costs.

The Banking Services Steering Committee recommends that Finance contract with Dunbar for on street meter coin processing services.

Trust/Custody Services

The City received a total of three (3) proposals. All three proposers have an “outstanding” overall CRA rating. US Bank offered the lowest fee proposal. In addition, US Bank had not experienced any losses in its securities lending collateral pool. Treasury staff expressed a high degree of satisfaction with respect to the current trust/custody services of US Bank.

The City currently spends about \$ 31,000 annually for trust/custody services and US Bank’s proposal came in at about the same level.

The Banking Services Steering Committee recommends that Finance retain the services of US Bank for trust/custody services* at the City.

*Trust services for the City's VEBA/HRA benefit program will continue to remain with Wells Fargo Bank.

Merchant Services

The City received a total of seven (7) proposals for merchant services. Three (3) of the proposers have an "outstanding" overall CRA Rating. All proposers came in with competitive fee schedules. However, US Bank came in with the lowest fee proposal.

Under the current contract, the City spends approximately \$300,000 annually in merchant services credit card fees alone. The merchant fees are in addition to the interchange fees charged by the credit card companies. US Bank's proposal for merchant services came in between \$ 38,000 - \$63,000 which represents a significant savings to the City.

The Banking Services Steering Committee recommends that Finance contract with US Bank for merchant services.

Summary

Savings resulting from the Banking Services RFP will be used to offset future increases in credit card fees as the City's credit card payments increase.