



Board Report

File #: 2017-0068, File Type: Contract

Agenda Number: 9

FINANCE, BUDGET AND AUDIT COMMITTEE MAY 17, 2017

SUBJECT: BANKING SERVICES

ACTION: AWARD CONTRACT

RECOMMENDATION

AUTHORIZE:

- A. the Chief Executive Officer to execute a five-year, fixed unit rate Contract No. PS27736000 to **Bank of America for basic and specialized banking services**, in an amount-not-to-exceed \$2,328,909, effective July 1, 2017, subject to resolution of protest(s), if any; and
- B. the payment of up to \$320,000 over the next five years for **Federal Deposit Insurance Corporation (FDIC) assessment fees as mandated by 12 C.F.R. § 327.9 to cover insurance premiums for Metro's deposits**. This is an estimate based on historical experience. If FDIC increases the rate and the actual amount exceeds the estimate, staff will seek approval for a Contract modification.

The combined total cost of the Contract is a not-to-exceed \$2,648,909 over its entire life-cycle.

ISSUE

Metro requires basic banking services such as demand deposit accounts, safekeeping services, daily balance reporting, check processing, and electronic fund transfers (EFT), and specialized services including vault currency counting and custody services.

DISCUSSION

The current banking services contract expires on June 30, 2017. To ensure critical banking services are not interrupted, Metro must secure a successor service provider to meet its basic and specialized banking needs. The recommended firm, Bank of America, ranked highest in the areas most critical to Metro's needs including: instant access to images and data from lockbox deposits; a streamlined check printing system which allows direct download from Metro's Financial Information System; auto-stale dating of checks; a late cutoff time for same-day/next-day check printing that satisfies Metro's regulatory requirements for workers compensation payments; an extensive branch network in Los

Angeles County; and an experienced customer service team with government banking expertise.

Furthermore, Bank of America was separately scored the highest for their Small Business and Community Reinvestment Activities. Although no SBE/DVBE goal was established, Metro's DEOD noted that Bank of America had provided more small business loans within Los Angeles County in the past year, and is committed to participating in Metro's "How to Do Business" workshops. Overall, Bank of America was the highest rated proposer.

Aside from normal bank service charges, Metro must pay mandatory FDIC assessment fees that are collected by the bank as required by 12 C.F.R. § 327.9. The assessment fees provide deposit insurance protection for depositors of insured banks. The rate is set by the FDIC and is subject to change at any time. This rate increased significantly during the financial crisis in 2009, going from a monthly rate of 0.23% in September 2008 to 3.30% in March 2009. The rate declined to 1.09% in October 2011 and remained flat until September 2016 when the rate increased to 1.46% where it stands today. The assessment fee is calculated by applying the rate to the account's average ledger balance. The estimated \$320,000 five year total is based on the annual average fee of \$64,000 for the period of March 2013 to February 2017.

DETERMINATION OF SAFETY IMPACT

The approval of the recommendation above will have no negative impact on the safety of Metro employees or passengers.

FINANCIAL IMPACT

The funding of \$466,000 for banking services and \$64,000 for the FDIC assessment fee has been included in the FY18 budget in cost center 5210, Treasury Department. The funds are divided among three projects: 4% to Project 100002, Task 30.02; 43% to Project 300076, Task 30.02; and 53% to Project 610340, Task 30.02. Since this is a multi-year contract, the cost center manager and Assistant Treasurer will be accountable for budgeting its costs in future years.

Impact to Budget

The sources of funds are Proposition A, Proposition C, and TDA Administration funds and Enterprise funds. The Prop A/C, TDA Admin funds are not eligible for bus or rail operations. The Enterprise funds are eligible for bus and rail operations.

ALTERNATIVES CONSIDERED

The Board of Directors may choose not to authorize the contract award; however, this alternative is not recommended because banking services are a critical component of the effective management and control of Metro's financial assets and transactions (e.g., vendor invoice payments, payroll, and revenue collection, among many) that support daily operations and projects.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS27736000 to Bank of America for basic and specialized banking services, effective July 1, 2017.

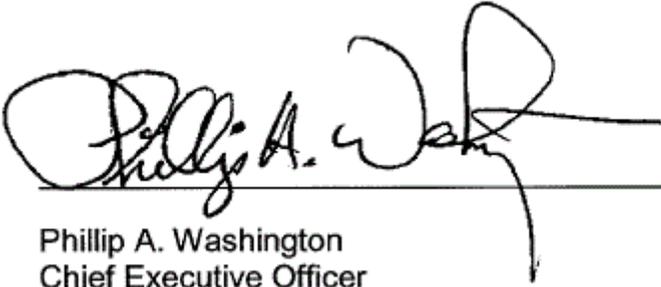
ATTACHMENTS

Attachment A - Procurement Summary

Attachment B - DEOD Summary

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