



## Board Report

File #: 2023-0573, File Type: Contract

Agenda Number: 8.

### FINANCE, BUDGET AND AUDIT COMMITTEE OCTOBER 18, 2023

**SUBJECT: BANKING SERVICES**

**ACTION: APPROVE RECOMMENDATIONS**

#### **RECOMMENDATIONS**

AUTHORIZE:

- A. the Chief Executive Officer to execute a five-year, firm fixed unit rate Contract No. PS99982000 to Bank of America, N.A. for basic and specialized banking services, in an amount-not-to-exceed \$5,098,207 effective January 1, 2024, subject to resolution of protest(s), if any; and
- B. the payment of up to \$650,000 over the next five years for Federal Deposit Insurance Corporation (FDIC) for assessment fees as mandated by 12 C.F.R. § 327.9 to cover insurance premiums for Metro's deposits. These pass-through FDIC assessment fees shall be payable under Contract No. PS9982000, for a total contract price not-to-exceed \$5,748,207.

#### **ISSUE**

Metro's current banking services contract expires on December 31, 2023. Metro requires basic and specialized banking services such as demand deposit accounts, safekeeping services, daily balance reporting, check processing, wire transfers, Automated Clearinghouse (ACH) and Electronic Fund Transfer (EFT) payments, and specialized services, including vault currency counting and custody services to manage cash more efficiently and enhance the capabilities of Metro's internal financial information system.

#### **BACKGROUND**

Banking services are a critical component to effectively manage and control Metro's financial assets and transactions (e.g., vendor invoice payments, payroll, and revenue collection, among many) that support daily operations and projects. This contractor will provide seamless financial services. such as payment processing for payroll, ACH/EFT accounting payments, wire transfer processing, check printing, coin/currency services, and lockbox deposits.

Based on historical FY23 data, Metro forecasts processing a monthly average of \$590 million in incoming funding and an average of \$590 million in outgoing payments through the current banking

services portal this year.

## **DISCUSSION**

To ensure critical banking services are not interrupted, Metro must secure a 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: online access to monthly account statements, next-day positive pay verification, instant access to images and data from lockbox deposits; a streamlined paper disbursement function which allows direct download from Metro's Financial Information System; a late cutoff time for same-day/next-day check printing that satisfies Metro's regulatory requirements; an extensive branch network in Los Angeles County; and an experienced customer service team with government banking expertise.

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, is subject to change at any time, and is calculated by applying the rate to the account's average ledger balance. As of June 2023, the monthly rate is 1.66% and can be expected to increase by approximately 10% within the duration of the five-year contract to 1.8%. The estimated \$650,000 five-year total is based on the annual average fee of \$130,000 for the previous five-years.

## **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 \$470,000 for banking services and \$130,000 for the FDIC assessment fee have been included in the FY24 budget in cost center 5210, Treasury Department. The funds are divided among three projects: 31% to Project 100002, Task 30.02; 26% to Project 300076, Task 30.02; and 43% to Project 610340, Task 30.02. Since this is a multi-year contract, the Treasurer will be accountable for budgeting its costs in future years.

### **Impact to Budget**

The sources of funds are Proposition A, Proposition C, Measure R and Measure M. These funds are eligible for bus and rail operations.

## **EQUITY PLATFORM**

Although no SBE/DVBE goal was established, Bank of America was separately scored the highest by Metro's evaluation team. Metro's evaluation team also noted Bank of America's commitment to a five-year, national \$1.25 billion economic plan to advance racial equality and economic opportunity. This includes an equity investment commitment alongside partnerships with local Community Development Financial Institutions (CDFI) and Minority Depository Institute (MDI) organizations,

including Accion Opportunity Fund and Broadway Financial Corporation, to provide capital funding to local minority and women entrepreneurs serving low to moderate income (LMI) communities.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendations support the Metro Vision 2028 Strategic Plan Goal 5 as follows:

Goal 5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

Goal 5.2: Metro will exercise good public policy judgment and sound fiscal stewardship.

### **ALTERNATIVES CONSIDERED**

The Board of Directors may choose not to authorize the contract award, however, this alternative is not recommended as banking services are a critical component to effectively manage and control 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. PS99982000 with Bank of America for banking services, effective January 1, 2024.

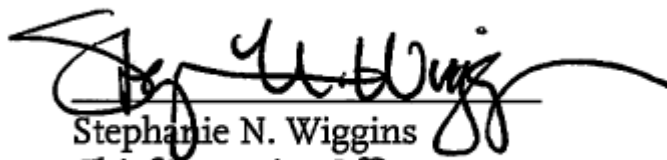
### **ATTACHMENTS**

Attachment A - Procurement Summary

Attachment B - DEOD Summary

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