

Memorandum



Date October 31, 2014

To Honorable Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair), Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

Subject Depository Services Contract

On November 3, 2014, the Budget, Finance and Audit Committee will be briefed on the Depository Services Contract. The briefing will be presented by Corrine Steeger, Assistant Director and Treasury Manager in the City Controller's Office.

Please let me know if you need additional information.


Joanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Forest E. Turner, Chief Wellness Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

Depository Services Contract



Budget, Finance and Audit Committee

November 3, 2014

Purpose

- Provide information on depository services contract selection process.
 - Background
 - Request for application schedule and requirements
 - Application results
 - Recommendation

Background

- State law governs selection process
 - Defines the process as a Request for Applications
 - Identifies eligible applicants as banks doing business within the State of Texas
 - Authorizes a five-year contract
 - Lists conditions depository must satisfy, including providing and maintaining collateral for deposits

Schedule

| | |
|-------------|--|
| June 2 | Briefed Budget, Finance & Audit Committee on the depository contract selection process |
| June 19 | Request for Applications released |
| June 27 | Pre-application meeting |
| July 30 | Applications received |
| November 3 | Budget, Finance & Audit Committee briefing |
| November 12 | City Council action |

Request for Applications

- Required depository services
 - RFA included over 400 separate service fees
 - General banking services
 - Information reporting system capabilities
 - Disbursements
 - Deposits
 - Securities safekeeping
 - Wholesale lockbox
 - Merchant services
 - Credit card processing
- Additional services
 - Retail lockbox services for receipts collected by Dallas Water Utilities

Request for Applications

- Basis of award
- Lowest cost of services consistent with City specifications
 - Processing requirements
 - Technology compatibility requirements
- Commitment to Community Reinvestment Act rating

Pre-Application Meeting

- Pre-application meeting held to answer questions and provide clarification regarding the RFA
- The following banks were represented:

| | |
|-----------------|------------------|
| Bank of America | Capital One Bank |
| Wells Fargo | JPMorgan Chase |
| BBVA – Compass | Comerica Bank |
- 6 addendum items to the RFA were posted in response to 129 questions from banks.

Applications Received July 30, 2014

| Bank | Bank of America | Wells Fargo | JP Morgan Chase | Capital One |
|--------------------------------------|-----------------|-------------|-----------------|-------------|
| Depository Services | ✓ | ✓ | ✓ | ✓ |
| Additional Services – Retail Lockbox | ✓ | ✓ | ✓ | ✓ |

APPLICATION RESULTS

REQUIRED SERVICES

Application Results

| Required Depository Services | | | | |
|--|-----------------|-----------------|-------------|-------------|
| | Bank of America | JP Morgan Chase | Wells Fargo | Capital One |
| Responsive | ✓ | ✓ | ✓ | * |
| <p>*Capital One's application was non-responsive based on their proposed use of an out-of-state bank as the controlled disbursement point. The RFA included the state law requirement that the controlled disbursement point must be located in Texas.</p> | | | | |

Application Results

| Estimated Cost of Required Depository Services | | | |
|--|--------------------|--------------------|--------------------|
| Period | Bank of America | JP Morgan Chase | Wells Fargo |
| Year 1 | \$563,133 | \$605,708 | \$622,921 |
| Year 2 | 563,133 | 605,708 | 622,921 |
| Year 3 | 563,133 | 605,708 | 622,921 |
| Year 4 | 563,133 | 605,708 | 622,921 |
| Year 5 | 563,133 | 605,708 | 622,921 |
| Total Contract | \$2,815,666 | \$3,028,538 | \$3,114,605 |

Application Results

| Additional Services – Retail Lockbox | | | | |
|---|------------------------|-----------------|-------------|-------------|
| | Bank of America | JP Morgan Chase | Wells Fargo | Capital One |
| Responsive | ✓ | ✓ | ✓ | ✓ |

Application Results

| Estimated Cost for Retail Lockbox Services | | | | |
|--|------------------|------------------|------------------|--------------------|
| Period | Bank of America | JP Morgan Chase | Wells Fargo | Capital One |
| Year 1 | \$170,877 | \$186,868 | \$193,074 | \$551,381 |
| Year 2 | \$170,877 | \$186,868 | \$193,074 | \$551,381 |
| Year 3 | \$170,877 | \$186,868 | \$193,074 | \$551,381 |
| Year 4 | \$170,877 | \$186,868 | \$193,074 | \$551,381 |
| Year 5 | \$170,877 | \$186,868 | \$193,074 | \$551,381 |
| Total Contract | \$854,385 | \$934,340 | \$965,370 | \$2,756,905 |

Application Results

| First-Year Offers | | | |
|--------------------------|---|------------------------|--------------------------|
| | Bank of America | JP Morgan Chase | Wells Fargo |
| Offer | Fees waived for three months (estimated value of \$180,000) | \$150,000 credit | None |
| Reduced First-Year Fees | \$554,010 | \$642,576 | \$815,995 (no reduction) |

Application Results

| Estimated Total Contract Cost (Required Depository Services + Retail Lockbox Services) | | | |
|--|--------------------|--------------------|--------------------|
| Period | Bank of America | JP Morgan Chase | Wells Fargo |
| Year 1 | \$734,010 | \$792,576 | \$815,995 |
| Less: First Year Offers | (180,000) | (150,000) | |
| Year 1 Net | 554,010 | 642,576 | 815,995 |
| Year 2 | 734,010 | 792,576 | 815,995 |
| Year 3 | 734,010 | 792,576 | 815,995 |
| Year 4 | 734,010 | 792,576 | 815,995 |
| Year 5 | 734,010 | 792,576 | 815,995 |
| Total | \$3,490,051 | \$3,812,878 | \$4,079,975 |

APPLICATION RESULTS

EARNINGS CREDIT RATE

Application Results

| Earnings Credit Rate (ECR) | | | |
|-----------------------------------|---|---|--|
| | Bank of America | JP Morgan Chase | Wells Fargo |
| ECR | Premium Earnings Credit Rate (subject to change, 0.40% as of July 30, 2014) | Premium Earnings Credit Rate (subject to change, 0.50% as of July 30, 2014) | Premium Earnings Credit Rate (0.40% guaranteed minimum for the term of the contract) |

RECOMMENDATION

Recommendation

- Award a 5-year contract for depository and lockbox services to Bank of America
 - Community Reinvestment Act rating of “Outstanding”
- Extend merchant services as currently provided by Bank of America for 9 months
 - Solicit proposals for separate merchant services contract
 - Visa and MasterCard are pushing the speedy adoption of microchips into U.S. credit and debit cards due to high profile data breaches
 - “Chip and pin” cards require new payment terminals

Merchant Services

| Credit Card Transaction Activity | | |
|---|--------------|---------------|
| | 2008 | 2013 |
| Volume | \$75,140,642 | \$153,125,642 |
| Transactions | 521,427 | 829,162 |

Recommendation

- Authorize the award of a 5-year depository and lockbox services contract to Bank of America on the November 12th Council Agenda
 - Including a 9-month extension of the existing merchant services as currently provided by Bank of America