



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

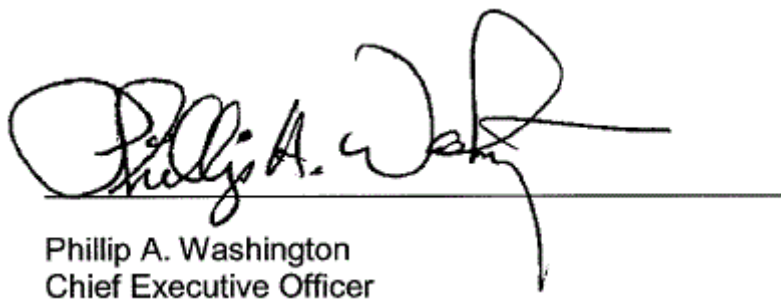
Attachment B - DEOD Summary

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Phillip A. Washington
Chief Executive Officer

PROCUREMENT SUMMARY

BANKING SERVICES / PS27736000

1.	Contract Number: PS27736000	
2.	Recommended Vendor: Bank of America	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: October 26, 2016	
	B. Advertised/Publicized: October 26, 2016	
	C. Pre-Proposal Conference: November 7, 2016	
	D. Proposals Due: December 2, 2016	
	E. Pre-Qualification Completed: January 19, 2017	
	F. Conflict of Interest Form Submitted to Ethics: December 5, 2016	
	G. Protest Period End Date: May 22, 2017	
5.	Solicitations Picked up/Downloaded: 10	Bids/Proposals Received: 2
6.	Contract Administrator: Gregory Baker	Telephone Number: (213) 922-7577
7.	Project Manager: Jin Yan	Telephone Number: (213) 922-2127

A. Procurement Background

This Board Action is to approve Contract No. PS27736000 issued in support of basic and specialized banking services including daily balance reporting, payment processing, automated wire transfer, Automated Clearinghouse (ACH) and Electronic Fund Transfer (EFT) payments, coin and currency deposits, lockbox services, stop payments, remote deposit, and account reconciliation. Board approval of contract awards are subject to resolution of any properly submitted protest.

Request for Proposal (RFP) No. PS27736 was issued in accordance with Metro's Acquisition Policy and the contract type is a firm fixed unit rate. The RFP was issued with a 0% SBE goal due to lack of subcontracting opportunities.

Two amendments were issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on November 10, 2016, clarified how proposers are required to submit the hard copies and electronic copies of the proposal, revised the proposal due date to December 2, 2016, deleted and replaced the Submittal Requirements to remove Merchant Card Services requirement and provided the Pre-Proposal Conference documentation;
- Amendment No. 2, issued on November 16, 2016, amended the Statement of Work under "Section B. Lockbox Services, Subsection 2 to correct the referenced Exhibit to Exhibit C – Price Schedule."

A pre-proposal conference was held on November 7, 2016, attended by 16 participants representing six banks, followed by a site walk of Metro's cash counting facility, where six pre-registered participants representing three banks attended. There were 50 questions asked and responses were released prior to the proposal due date.

A total of two proposals were received on December 2, 2016.

B. Evaluation of Proposals

A Proposal Evaluation Team (PET) consisting of staff from Metro's Treasury, Accounting and Diversity and Economic Opportunity Departments was convened and conducted a comprehensive evaluation of the proposals received. The two proposals received are listed below in alphabetic order:

1. Bank of America (BoA)
2. Wells Fargo

The proposals were evaluated based on the following evaluation criteria and weights:

- | | |
|---|------------|
| • Workplan Approach | 50 percent |
| • Experience and Capabilities of the Firms on the Contractor's Team | 10 percent |
| • Qualifications and Experience of Proposed Personnel | 10 percent |
| • Small Business and Community Reinvestment Activities | 10 percent |
| • Cost Proposal | 20 percent |

Several factors were considered when developing these weights, giving the greatest importance to Workplan Approach.

The PET completed their independent evaluation of the technical proposals on December 15, 2016, and it was determined that Bank of America (BoA) was the highest ranked firm to render the required services.

Qualifications Summary of Firms within the Competitive Range:

BoA

BoA is the incumbent and has provided Metro with banking services over the last ten years. BoA demonstrated broad experience within the transportation industry and dealing with public agencies. They clearly demonstrated their workplan approach in providing the requested banking services to Metro and presented a strong team that has over 100 years of combined experience. Additionally, BoA provided an extensive list of new programs and innovative approaches that can benefit Los

Angeles County residents and small businesses that included empowering entrepreneurs and women entrepreneurs.

Wells Fargo

Wells Fargo’s proposed team has sufficient experience in dealing with banking services for public agencies; however, they did not provide a well presented workplan approach, especially in areas around cut-off times for Lockbox and Depository Services, where a delay of one business day might occur before posting to Metro’s accounts.

A summary of the PET scores is provided below:

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	BoA				
3	Workplan Approach	96.66	50.00%	48.33	
4	Experience and Capabilities of the Firm's on the Contractor's Team	94.20	10.00%	9.42	
5	Qualifications and Experience of Proposed Personnel	97.70	10.00%	9.77	
6	Small Business and Community Reinvestment Activities	76.50	10.00%	7.65	
7	Cost Proposal	72.70	20.00%	14.54	
8	Total		100.00%	89.71	1
9	Wells Fargo				
10	Workplan Approach	78.66	50.00%	39.33	
11	Experience and Capabilities of the Firm's on the Contractor's Team	75.70	10.00%	7.57	
12	Qualifications and Experience of Proposed Personnel	86.60	10.00%	8.66	
13	Small Business and Community Reinvestment Activities	69.90	10.00%	6.99	
14	Cost Proposal	100	20.00%	20.00	
15	Total		100.00%	82.55	2

C. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based upon technical analysis, price analysis, fact finding, and negotiations.

Metro staff successfully negotiated a cost savings of \$1,560,570.

	Proposer Name	Proposal Amount	Metro ICE	Negotiated NTE amount
1.	Bank of America	\$3,889,479	\$2,500,000	\$2,328,909
2.	Wells Fargo	\$2,828,438	\$2,500,000	

D. Background on Recommended Contractor

The recommended firm, BoA, located in Newport Beach, California, has been serving California for over 110 years. In 1982, the bank formed their Public Sector Banking group to address specific needs of federal, state and local government clients. The bank's team has a combined total of 100+ years of treasury management experience, most of which has been with high-profile public sector clients. BoA is the incumbent on Metro's current banking services contract.

DEOD SUMMARY

BANKING SERVICES / PS277736000

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) did not recommend a Small Business Enterprise (SBE) or Disabled Veterans Business Enterprise (DVBE) participation for this procurement based on a lack of subcontracting opportunities. However, in conjunction with the Treasury Department, DEOD developed evaluation criteria in the Request for Proposal to evaluate each Proposer's small business and community reinvestment activities and willingness to participate in Metro's small business "How to Do Business" workshops to provide information on small business lending.

As part of its proposal, Bank of America, committed to participate in Metro's small business workshop by providing a speaker to provide information on financial services and resources on financing to cash management. Upon Board approval of the subject award, DEOD will meet with Bank of America representatives to discuss its participation in the small business outreach workshop calendar.

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this Contract.

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this Contract.

D. All Subcontractors Included with Recommended Contractor's Proposal

No Subcontractors were included in Bank of America's proposal.

E. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract.