



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.

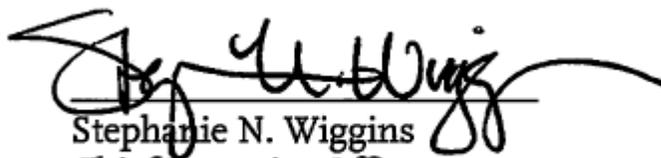
ATTACHMENTS

Attachment A - Procurement Summary

Attachment B - DEOD Summary

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Stephanie N. Wiggins
Chief Executive Officer

PROCUREMENT SUMMARY

BANKING SERVICES / PS99982000

1.	Contract Number: PS99982000	
2.	Recommended Vendor: Bank of America, N.A.	
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: February 14, 2023	
	B. Advertised/Publicized: February 14, 2023	
	C. Pre-Bid Conference: February 24, 2023	
	D. Proposals Due: March 21, 2023	
	E. Pre-Qualification Completed: July 19, 2023	
	F. Conflict of Interest Form Submitted to Ethics: March 21, 2023	
	G. Protest Period End Date: October 24, 2023	
5.	Solicitations Picked up/Downloaded: 14	Bids/Proposals Received: 4
6.	Contract Administrator: Manchi Yi	Telephone Number: (213) 418-3332
7.	Project Manager: Erica Gaskill	Telephone Number: (213) 922-4031

A. Procurement Background

This Board Action is to approve the award of Contract No. PS99982000 to provide banking services. Board approval of contract award is subject to resolution of all properly submitted protest(s), if any.

The Request for Proposal (RFP) No. PS99982 was issued as a competitive procurement in accordance with Metro's Acquisition Policy and the contract type is a firm fixed unit rate. The Diversity & Economic Opportunity Department did not recommend an SBE/DVBE participation goal for this procurement due to a lack of subcontracting opportunities.

No amendments were issued during the solicitation phase of this RFP.

A total of 14 firms downloaded the RFP and were included on the planholders list. A virtual pre-proposal conference was held on February 24, 2023, with eleven participants in attendance representing four firms. A worksite visit of Metro's cash counting facility was conducted on March 1, 2023, with three firms in attendance. Fifty-two questions were received, and responses were released prior to the proposal due date.

A total of four proposals were received by the due date of March 21, 2023, and are listed below in alphabetical order:

1. Bank of America, N.A.
2. JPMorgan Chase Bank, N.A.
3. U.S. Bank National Association
4. Wells Fargo Bank, N.A.

B. Evaluation of Proposals

A Proposal Evaluation Team (PET) consisting of staff from Metro's Treasury and Accounting departments was convened and conducted a comprehensive technical evaluation of the proposals received.

Evaluations were conducted from March 24, 2023, through April 11, 2023.

The proposals were first evaluated based on the following evaluation criteria:

Evaluation of Minimum Requirements: This is a pass/fail criteria. To be responsive to the RFP minimum requirements, proposers must meet the following:

1. Must be able to create, print, and mail checks on the same day (subject to established deadlines);
2. Controlled disbursement final clearing information must be available by 7:00 a.m. PST;
3. Must offer Positive Pay, "Payee" Positive Pay, and Teller Positive Pay;
4. Electronic statements must be available by the fifth (5th) day following month end; and
5. Must offer Remote Deposit.

Two of the four proposals were deemed non-responsive to the RFP requirements. U.S. Bank National Association failed to meet the first minimum qualification requirement, while Wells Fargo Bank, N.A. indicated it will not be proposing on Custody Services; which is one of the major tasks required in the scope of services. Therefore, both firms were excluded from further consideration.

The PET continued to evaluate the remaining two proposals based on the following weighted evaluation criteria:

- | | |
|---|-----|
| • Understanding of the Workplan Approach | 45% |
| • Prime Contractor's Skill and Experience | 10% |
| • Qualifications and Experience of Proposed Personnel | 10% |
| • Management Plan | 10% |
| • Small Business and Community Support | 5% |
| • Cost Proposal | 20% |

The evaluation criteria is appropriate and consistent with criteria developed for other similar banking services procurements. Several factors were considered when

developing these weights, giving the greatest importance to understanding of the workplan approach. The PET evaluated the proposals based on the pre-established evaluation criteria.

At the conclusion of the evaluation process, the PET determined Bank of America, N.A. to be the highest ranked firm.

Qualifications Summary of Firms within the Competitive Range:

Bank of America, N.A.

Bank of America, N.A. (B of A), the incumbent contractor, has been providing banking services to Metro for over 20 years. It provides a full range of banking, investing, asset management and other financial and risk management products and services. Since 1910, B of A has served a number of federal, state and local government clients.

B of A, 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.

JPMorgan Chase Bank, N.A.

JPMorgan Chase Bank, N.A. (Chase), headquartered in New York City was built on the foundation of more than 1,200 predecessor institutions that merged to form today’s company. Its earliest predecessor institution was founded in 1799. Chase provides investment banking, financial services for consumers, small businesses, commercial banking, financial transaction processing, and private equity. It serves a number of prominent corporate institutional and government clients.

The following is a summary of the PET scores:

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	Bank of America, N.A.				
3	Understanding of the Workplan Approach	95.00	45%	42.75	

4	Prime Contractor's Skill and Experience	96.60	10%	9.66	
5	Qualifications and Experience of Proposed Personnel	95.00	10%	9.50	
6	Management Plan	93.30	10%	9.33	
7	Small Business and Community Support	95.00	5%	4.75	
8	Cost Proposal	67.80	20%	13.56	
9	Total		100%	89.55	1
10	JPMorgan Chase Bank, N.A.				
11	Understanding of the Workplan Approach	86.87	45%	39.09	
12	Prime Contractor's Skill and Experience	71.70	10%	7.17	
13	Qualifications and Experience of Proposed Personnel	91.70	10%	9.17	
14	Management Plan	85.70	10%	8.57	
15	Small Business and Community Support	90.00	5%	4.50	
16	Cost Proposal	100.00	20%	20.00	
17	Total		100%	88.50	2

C. Price Analysis

The recommended price has been determined to be fair and reasonable based on technical analysis, price analysis using industry unit rates and historical data, and fact finding.

	Proposer Name	Proposal Amount	Metro ICE	Recommended Amount
1.	Bank of America, N.A.	\$5,098,207	\$4,860,000	\$5,098,207
2.	JPMorgan Chase Bank, N.A.	\$3,455,372		

The variance between the independent cost estimate (ICE) and the recommended amount is due to increased costs to process farebox currency and coin. Bank of America's price will be reduced depending on the earnings credit rate in place during each fiscal year and Metro anticipates a substantial reduction in overall contract costs of up to 40-50% as a result.

D. Background on Recommended Contractor

Bank of America, N.A. (B of A) headquartered in Charlotte, North Carolina, has supported the needs of federal, state, and local government clients since 1910. Its public sector clientele in California includes County of Los Angeles, Bay Area Rapid Transit, Local Initiative Health Authority for Los Angeles County, and Los Angeles County Employees Retirement Association.

B of A's public sector banking center located in Los Angeles has provided banking services to Metro for over two decades and performance has been satisfactory.

DEOD SUMMARY

BANKING SERVICES / PS99982000

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) did not establish a Small Business Enterprise (SBE) / Disabled Veteran Business Enterprise (DVBE) goal for this solicitation due to lack of subcontracting opportunities. It is expected that Bank of America will perform the services of this contract with their own workforce.

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. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.