

City Council Report

Date: December 8, 2014
To: City Council
Through: Michael Kennington, Chief Financial Officer
From: Irma Ashworth, Financial Services Director
Edward Quedens, MPA, C.P.M., CPPO, Business Services Director
Subject: Three-Year Term Contract with Two, One-Year Renewals for Financial Services Department (Citywide) for Comprehensive Banking Services (Citywide)



Strategic Initiatives:

Purpose and Recommendation

Council is requested to approve the Term Contract for Banking Services as recommended. A committee representing Financial Services and Business Services evaluated the responses.

The evaluation committee recommends awarding the contracts to the highest scored proposals from the following vendors (cost based on expected activity):

General Banking – JP Morgan Chase - \$87,000 annually
Merchant Card Processing – US Bank (Elavon) - \$53,000 annually
Institutional Custody – Wells Fargo - \$13,000 annually
Total - \$153,000 annually

Background / Discussion

The City of Mesa makes extensive use of banking services to collect, disburse and manage its cash and investments. The comprehensive banking services include general banking services, merchant card processing and institutional custody. General banking services includes cash services, deposit services, disbursement services, electronic transfer of funds and general reporting. JP Morgan Chase is the incumbent for general banking services. Merchant card services represent the City's ability to process credit card transactions. Bank of America is the incumbent for merchant card services. Institutional custody services represent the safekeeping of the assets/securities in the City's investment portfolio. JP Morgan Chase is the incumbent for institutional custody services.

Because the City believes that prudent business and procurement practices require the reevaluation of banking services on a periodic basis, a Request for Proposal (RFP) was released in order to have one or more qualified financial institution provide the City with comprehensive banking services. The RFP asked that the proposal(s) be divided into service groups in order to gain the most flexibility and best pricing. Banks were allowed to propose on one or more of the service groups that the City was considering.

The City received responses from five banks bidding on all of the banking services. They were Bank of America, JP Morgan Chase, National Bank of Arizona, US Bank and Wells Fargo.

PFM Asset Management LLC (PFM) was engaged by the City to assist in the development of the RFP and to review the proposals. In addition to PFM, a local banker, James Christensen, was asked to join the panel. Staff from both Financial Services and Business Services made up the rest of the panel.

For General Banking Services, the highest scored proposal, JP Morgan Chase, is being recommended for this award. The savings for the general banking services are estimated to be **\$41,000 annually** based on expected volume. For Merchant Card Processing, the highest scored proposal, Elavon-US Bank, is being recommended for this award. The savings for merchant card processing are estimated to be **\$215,000 annually** based on expected volume. For Institutional Custody Services, the highest scored proposal, Wells Fargo, is being recommended for this award. The savings for custodial services are estimated to be **\$67,000 annually** based on expected volume. The total savings for all three services is expected to be approximately **\$323,000 annually**.

Procurement Card services were also included in the RFP but the evaluation results indicated that the City's existing contract with Bank of America is most advantageous. The City of Chandler, as the lead for this cooperative contract, is renewing this contract at their December Council meeting. Staff will be bringing a renewal recommendation to Council for this service in January.

Alternatives

Council may choose not to award the contract for the three banking services at which time the City would need to renew existing contracts at the current rates.

Fiscal Impact

GENERAL BANKING AND CUSTODIAL SERVICES: The total estimated amount of \$100,000 is available in Financial Services Department's operating budget.

MERCHANT SERVICES: The total estimated amount of \$53,000 (plus pass through 3rd party charges for Visa, Mastercard, American Express and Discover) is available in the operating budget for each department that accepts credit cards.

Coordinated With

Financial Services and Purchasing

PURCHASING INFORMATION

Action: Initial Award

Procurement Type: Request for Proposals

Solicitation Number: 2014064

Vendors Registered on Bid List: 114 (14 Mesa)

Advertising: Arizona Republic, Bid Net, Record Reporter, Purchasing Website

Downloads: 57

Protests Received: None

Initial Contract Term: Three years

Possible Renewals: Two, One-year renewals subject to future Council consideration

Pricing Available to Other Cooperative Agencies: Yes

Proposals Received:

Bank of America National Association N. A. - Phoenix, AZ

Bank of America Merchant Services, LLC - Atlanta, GA

J.P. Morgan Chase Bank N.A. - Columbus, OH

National Bank of Arizona - Phoenix, AZ

U.S. Bancorp dba U.S. Bank N.A. - Minneapolis, MN

Wells Fargo Bank, N.A. - San Francisco, CA

Proposal Scoring Results:

GENERAL BANKING SERVICES	Total Possible	Bank of America	JP Morgan Chase	National Bank of Arizona	US Bank	Wells Fargo
Total Score	100	78.1	90.7	41.7	80.5	73.5

MERCHANT CARD PROCESSING	Total Possible	Bank of America	JP Morgan Chase	National Bank of Arizona	US Bank	Wells Fargo
Total Score	100	56.6	78.5	72	85.9	85.2

INSTITUTIONAL CUSTODY	Total Possible	Bank of America	JP Morgan Chase	National Bank of Arizona	US Bank	Wells Fargo
Total Score	100	64.7	47.5	72.7	81.7	84.3

AWARD RECOMMENDATION

JP Morgan Chase

Columbus, OH

General Banking Services

General Banking Services includes cash services, deposit services, disbursement services, electronic transfer of funds and general reporting.

Annual Contract Amount: \$87,000

US Bank – Elavon

Minneapolis, MN – Atlanta, GA

Merchant Card Processing

Merchant Card Services represents the City's ability to process credit card transactions.

Annual Contract Amount: \$53,000

Does not include pass through 3rd party charges for Visa, Mastercard, American Express and Discover

Wells Fargo

San Francisco, CA

Institutional Custodial Services

Institutional Custody Services represents the safekeeping of the assets/securities in the City's investment portfolio.

Annual Contract Amount: \$13,000