



City of San Antonio

Agenda Memorandum

File Number: 17-3552

Agenda Item Number: 23.

Agenda Date: 6/15/2017

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Authorizing the Execution of Contracts for Depository, and Lockbox Services

SUMMARY:

This Ordinance authorizes the City Manager or her designee to execute a contract with Frost Bank to provide depository banking and lockbox services and related financial services to the City of San Antonio for a period of three (3) years, commencing on July 1, 2017, and ending on June 30, 2020, with an option to renew for one (1) additional two (2) year period; and authorizes other matters incident and related thereto.

BACKGROUND INFORMATION:

State statute and the City Charter govern the City's banking policies. The City's Chief Financial Officer is responsible for implementing these policies under the direction of the City Manager. Accordingly, City funds must be maintained in accounts at qualified financial institutions approved by the City Council.

On February 6, 2017, a Request for Proposals ("RFP") was released soliciting proposals from qualified firms to provide depository banking and lockbox services to the City.

Depository banking services include collecting and disbursing the City's funds, providing timely and reader-friendly reports, implementing security measures to protect and assist the City with its fiduciary responsibilities with respect to financial assets, providing online cash management techniques, as well as other financial services including, but not limited to, custodial, safekeeping, trust, escrow, and commercial services.

Lockbox services include collecting, processing, and depositing the City's receivables directly through a designated post office box. All items collected during the business day are deposited on a same-day basis, with same-day reporting available through electronic transmission.

A total of three (3) firms responded to the RFP and are listed below:

<u>Firm</u>	<u>Services Proposed</u>
The Frost Bank.	Depository Banking and Lockbox Services
JPMorgan Chase Bank, N.A	Depository Banking and Lockbox Services
Wells Fargo Bank	Depository Banking and Lockbox Services

The Selection Committee was comprised of the following, Chief Financial Officer, Deputy Chief Financial Officer; Interim Chief Technology Officer/ Director, Assistant Director of Finance, Financial Management Administrator, CPS Energy representative, and advisory members that included City staff, and the City's Investment Advisor.

The Evaluation Criteria included, experience, background, and qualifications; proposed plan; pricing; Local Preference Program; and Veteran Owned Small Business Preference Program.

The City's goal setting committee recommended that no Affirmative Procurement Initiative ("API") be applied due to the limited availability of Small Business Economic Development Advocacy ("SBEDA") firms registered for banking services, and therefore determined that SBEDA points would not be applicable to the evaluation criteria or considered in the evaluation process.

Oral interviews for each firm were conducted on May 19, 2017 and the Selection Committee met and scored on May 24, 2017. Scoring was based on the evaluation criteria and considered the oral interviews as well as the written proposals.

The Selection Committee recommends Frost Bank to provide depository banking services for a period of three (3) years, commencing on July 1, 2017 through June 30, 2020, with an option to renew for one (1) additional two (2) year period. Such renewal will be subject to review and evaluation of Frost Bank performance and contingent upon City Council approval to exercise the renewal option. While no transition is required, the City will request Frost Bank to assign a team to work with designated City team members to review all existing bank accounts, security measures, and related banking services as if the City were changing depository banks. This exercise will benefit the City by allowing for a comprehensive review of all banking services and new technology.

The Selection Committee recommends Frost Bank to provide lockbox services for a period of three (3) years, commencing on July 1, 2017 through June 30, 2020, with an option to renew for one (1) additional two (2) year period. Such renewal will be subject to review and evaluation of Frost Bank performance and contingent upon City Council approval to exercise the renewal option.

ISSUE:

The proposed selections are consistent with State law; the City's banking policies and previous actions to contract such services.

ALTERNATIVES:

The existing depository/lockbox contract is set to expire on June 30, 2017 with no additional renewal terms. Per Chapter 105 of Local Government Code, a municipality can only have a depository contract for five (5) years and thus this contract had to be rebid prior to the expiration of the current contract.

FISCAL IMPACT:

The proposal submitted by Frost Bank to provide the required depository banking services is estimated to have an average annual cost of \$271,642. Frost Bank's proposal included incentives such as three (3) months of waived fees as well as certain waived fees for the term of the contract. Actual annual costs are dependent upon actual transaction volume, which is to be paid through interest earned on a compensating balance.

The proposal submitted by Frost Bank to provide the required lockbox services is estimated to have an annual cost of \$34,813. Actual annual costs are dependent upon actual transaction volume, which is to be paid through interest earned on a compensating balance held at Frost Bank.

RECOMMENDATION:

Staff recommends approval of this Ordinance authorizing the execution of a contract with Frost Bank to provide depository banking and lockbox services and related financial services for a period of three (3) years, commencing on July 1, 2017, and ending on June 30, 2020, with an option to renew for one (1) additional two (2) year period.