Management Committee

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Meeting date: December 13, 2006
Council date: January 17, 2007

ADVISORY INFORMATION

Date:	December 13, 2006
Subject:	2007 Annual Affirmation of Transaction-Based Financial Contracts
District(s), Member(s):	All
Policy/Legal Reference:	
Staff Prepared/Presented:	Allen Hoppe, Principal Financial Analyst
	Mary Bogie, Controller
Division/Department:	Fiscal Services/Treasury

Proposed Action/Motion

That the Metropolitan Council affirm its use of the transaction-based financial vendors for 2007 as described below and that the Council authorize the Regional Administrator to amend the terms of these contracts as follows:

1. Extend the expiration date of the general banking services contract with US Bank to December 31, 2008; and,
2. Extend the expiration date of the credit card processing contract with Metavante to January 27, 2008.
3. Remove the contractual dollar value limit for contracts that are based on negotiated fixed rates for transaction services. As transaction volumes increase, the value of the contract also increases.

Background

The Council has a number of financial processing needs which are served by contracts whose dollar impact varies with changes in transaction volumes. These vendors provide services that are charged at agreed-upon rates; however, due to ever-changing service levels, the total cost and/or revenue cannot be easily predicted. Establishing fixed rates "per transaction" rather than a fixed dollar value for the contract, assures continuous services throughout the contract term.

In the future, staff is recommending an annual affirmation process to provide an opportunity for Council members to review these contracts. This process does not remove the need for periodic competitive quotes or documented sole source contracts as addressed in the Council's procurement policies and procedures.

Service / Vendor.

1. Banking / US Bank. US Bank provides the Council with general banking services including check clearing, positive pay, stop payments, coin and currency, direct (electronic) deposit, lockbox collections, deposit processing, reporting, reconciliations, check images, wire transfers, ACH, etc.

Over the next 2-year period the Council will likely spend up to $350,000 for services. While the general banking services contract has not been competitively bid for some time, Council staff periodically receive information from other banks which demonstrates that we currently receive very competitive rates.

2. <u>Custodian and Securities Lending / Wells Fargo and US Bank</u>. An RFP was completed in 2006 and both Wells Fargo and US Bank were selected to provide various combinations of these services. Securities lending generates revenue which more than offsets custody costs. Net revenues may be as high as $275,000 over the next five years.

3. <u>Credit Card Processsing / Metavante</u>. Before Light Rail began operations the Council processed a limited number of credit card transactions at the Transit Stores. In conjunction with the significant growth in LRT ridership (and revenue) we have experienced a tremendous increase in credit card usage—our 2006 card volume is likely to hit 400,000 – 500,000 transactions. Metavante provides the Council with credit card processing services interfacing directly with the operating system supporting our ticket vending machines (Cubic). Based on the extended rollout of that system, Council staff recommends extending the term of the Metavante contract to January 27, 2008 and removing the contract value limit (currently $249,000) to allow the contract value to grow with transaction volumes. Processing fees are transaction-based and negotiated at a fixed rate in the contract. This contract will be competitively bid in the next year.

4. <u>Purchasing Card / Bank of America</u>. In the interest of reducing Council processing costs for small-dollar purchases, a purchasing card program was established in 2005. If the transaction and dollar volume are large, Bank of America will pay the Council through its rebate program. During 2007 we could receive as much as $10,000 from this program.