

M Management Committee

Business Item
Item: SW 2007-387

Meeting date: December 12, 2007

ADVISORY INFORMATION

Date:	November 13, 2007
Subject:	2008 Annual Affirmation of Transaction-Based Financial Contracts
District(s), Member(s):	All
Policy/Legal Reference:	
Staff Prepared/Presented:	Allen Hoppe, Treasury Manager Mary Bogie, Controller
Division/Department:	Fiscal Services, Treasury

Proposed Action

That the Metropolitan Council affirm its use of transaction-based financial vendors for 2008 as described below and that the Council authorize the Regional Administrator to amend the terms of these contracts as follows:

1. General Banking. Last year the Management Committee set the expiration date of the general banking services contract with US Bank to December 31, 2008. No change is requested.
2. Extend the expiration date of the credit card processing contract with Metavante for a period not to exceed the date of April 30, 2008.

(Note, not part of motion: An RFP for credit card processing was issued in October, 2007, proposals were received in November. Contract negotiations are expected to occur in December. The current contract ends on January 28 and, depending on the outcome of the bid process, implementation time may be necessary.)

3. Removed the contractual dollar value limit for contracts that are based on negotiated fixed rates for transaction services, e.g., banking and credit card processing. As transaction volumes increase, the cost of the contract increases proportionately.

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.

Rationale

In 2006 the Management Committee established this affirmation process to provide an opportunity for Council members to review these types of contracts.

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. Council staff periodically receives information from other banks/services which demonstrates that we currently pay very competitive rates to US Bank.

Council Treasury staff will be issuing a Request for Proposals (RFP) in 2008. If the RFP process results in a change to our primary bank, then a 3-6 month extension with US Bank contract may be needed to allow for roll-off of outstanding checks—this decision would likely be made after Labor Day, 2008.

2. Custodian and Securities Lending / Wells Fargo and US Bank. An RFP was completed in 2006 and both Wells Fargo and US Bank were selected to provide various combinations of these services. Wells Fargo is currently the primary provider of custody 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. Due to problems in the national credit and bond markets in September and October we received \$63,000 in lending revenue for the two months combined!
3. Credit Card Processing / Metavante. 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 2007 card volume will hit 500,000 transactions, 2011 may hit \$1 million. Metavante provides the Council with credit card processing services interfacing directly with the operating system supporting our ticket vending machines (Cubic). Processing fees are transaction-based and negotiated at a fixed rate in the contract.
4. Purchasing Card / Bank of America (BofA). In the interest of reducing Council processing costs for small-dollar purchases, a purchasing card program was established in 2005. We do not pay Bank of America for this service--and, if the transaction and dollar volumes are large, BofA will pay the Council through a rebate program. The Council is continuing to grow the P-card program.

Funding

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.

Known Support / Opposition

Reviewed and approved by the Investment Review Committee on November 13, 2007