



***April 25, 2018***

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

*Handwritten signature: J. Bennett Ruiz for*

**Subject:** Agreement for Commercial Banking Services

***Overview***

The Orange County Transportation Authority uses banking services for the deposit, disbursement, and safekeeping of public funds. On January 22, 2018, a request for proposals for commercial banking services was issued. Offers were received and evaluated in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. The evaluation process has been completed, and recommendations are presented for the Board of Directors' approval.

***Recommendations***

- A. Approve the selection of Bank of the West as the firm to provide commercial banking services.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-2159 between the Orange County Transportation Authority and Bank of the West, in the amount of \$277,000, for a five-year initial term effective September 1, 2018 through August 31, 2023, with one, three-year option term, to provide commercial banking services.

***Discussion***

The Orange County Transportation Authority (OCTA) utilizes a financial institution for daily commercial banking services. The commercial banking services include a master custodial account for the deposit of the 91 Express Lanes cash receipts, credit sales of bus passes, farebox collection deposits, direct deposit of employee payroll checks, payments to vendors, and investment activities.

Prudent procurement practices require the reevaluation of banking services on a periodic basis. In addition, changes in technology, fraud prevention tools, treasury management practices, and banking services present an opportunity to reevaluate banking needs and costs. Reviewing and selecting banking services on a periodic basis also allows OCTA to achieve its objective of having appropriate and cost-effective banking services, including investment options, while protecting its funds and reducing risks.

***Procurement Approach***

This procurement was handled in accordance with OCTA's Board of Directors (Board)-approved procedures for professional and technical services. In addition to cost, many other factors are considered in an award for professional and technical services. Award is recommended to the firm offering the most comprehensive overall proposal considering such factors as staffing and project organization, prior experience with similar banking services, approach to the requirement, as well as fair and reasonable fees.

On January 22, 2018, Request for Proposals (RFP) 7-2159 was issued electronically on CAMM NET. The project was advertised in a newspaper of general circulation on January 22 and 29, 2018. A pre-proposal conference was held on January 29, 2018, with nine attendees representing six firms. Four addenda were issued to make available a copy of the pre-proposal conference registration sheet and presentations, and respond to questions related to the RFP.

On February 20, 2018, three proposals were received. An evaluation committee consisting of OCTA staff from Contracts Administration and Materials Management, Financial Planning and Analysis, Accounting and Financial Reporting, and Treasury/Toll Roads departments, as well as a representative from the Los Angeles – San Diego – San Luis Obispo Rail Corridor met to review all proposals received.

The proposals were evaluated based on the following evaluation criteria and weightings:

- |                                     |            |
|-------------------------------------|------------|
| • Qualifications of the Firm        | 25 percent |
| • Staffing and Project Organization | 20 percent |
| • Banking Services                  | 30 percent |
| • Banking Fees                      | 25 percent |

Several factors were considered in developing the evaluation criteria weightings. Banking services was considered of highest importance as the bank

needs to be able to provide the specific types of services to meet OCTA's banking needs.

Qualifications of the firm was assigned a 25 percent weighting as the bank's prior experience performing commercial banking confirms the bank will be able to hold, deposit, pay, and transfer funds for OCTA's various accounts. Bank fees was also assigned a 25 percent weighting to ensure OCTA receives competitive fees for the services provided. Staffing and project organization was assigned a 20 percent weighting as the firms need to clearly identify which staff from the bank will have access to OCTA funds.

On February 28, 2018, the evaluation committee reviewed all proposals received based on the evaluation criteria and short-listed the two most qualified firms listed below in alphabetical order:

Firm and Location

Bank of the West (BOTW)  
Newport Beach, California

Wells Fargo, N.A. (WF)  
Los Angeles, California

On March 8, 2018, the evaluation committee conducted interviews with the two short-listed firms. The interviews consisted of a presentation to demonstrate the firms' understanding of OCTA's requirements. The firms' project managers and key team members had an opportunity to present each team's qualifications and respond to the evaluation committee's questions. Questions were asked relative to the proposed relationship manager's experience in commercial banking, innovative technology offered that may improve OCTA's banking operations, fraud prevention tools, and investment tools. Finally, each team was asked specific clarification questions related to their proposal.

At the conclusion of the interviews, the two firms were requested to submit a best and final offer (BAFO) to provide more competitive banking fees. The two firms were also requested to clarify and provide additional information related to overnight investment options. Both firms provided a response to the clarification request and updated their bank fees.

After considering the responses to the questions asked during the interviews and the information provided in the BAFO, the evaluation committee reviewed the preliminary ranking for both firms. As a result, the ranking of the firms remained unchanged.

Based on the evaluation of the written proposals, the firms' qualifications, proposed banking fees, information obtained from the interviews, and the BAFO, the evaluation committee recommends BOTW for consideration of the award. The following is a brief summary of the proposal evaluation results.

#### Qualifications of the Firm

Both short-listed firms are established full-service financial institutions with extensive experience in providing commercial banking services, investment, and asset management to various public agencies nationwide.

BOTW was founded in 1874 and has provided commercial banking services to OCTA since 1983. BOTW also provides commercial banking for the County of Los Angeles, County of San Joaquin, and the State of California. As of January 1, 2018, BOTW has over \$3.4 billion in public funds collateralized in accordance with applicable laws and government codes. Lastly, BOTW has a government banking division that supports over 4,200 public accounts, 1,500 in California.

WF was founded in 1852 and has teams dedicated to government clients. WF currently provides commercial banking services to the City of Anaheim and San Bernardino County. As of January 1, 2018, WF has over \$4.5 billion in public funds collateralized in accordance with applicable laws and government codes. WF also has a Government and Institutional Banking group that supports 5,500 public-sector clients, 500 in California.

#### Staffing and Project Organization

Both firms proposed project teams with extensive commercial banking experience, and knowledge of the banking industry and the government sector.

BOTW proposed the same project team that is currently assigned to continue managing OCTA accounts. The proposed relationship manager is the manager of the Government Banking Division for BOTW. All key personnel for BOTW have over 20 years of experience in the banking industry.

The majority of the proposed key personnel from WF have over 20 years banking experience and are well qualified to provide the required services. The proposed relationship manager and the treasury management consultant for WF are part of the government and institutional banking group, and specialize in public agencies.

### Banking Services

Both firms provided a comprehensive approach to addressing all the elements of the scope of work, which reflects their clear understanding of OCTA's banking service requirements. Both firms offered similar innovative tools to enhance the banking services offered to OCTA, which can potentially improve OCTA's oversight of banking transactions. In addition, both firms offered enhanced fraud prevention tools such as Positive Pay, which is a web-based security tool that prevents unauthorized automatic clearinghouse transactions to protect OCTA's funds.

BOTW offers an earnings credit of one percent for cash not invested. An earnings credit is a tool that is used by banks to reduce the fees paid by bank customers. These credits are earned on cash that is left in the bank account not invested. In addition to the one percent earnings credit, BOTW also offers a one percent return through a Repurchase Agreement Sweep, which is an overnight investment option which may offset the bank fees for the agreement. Other investment options offered include the Dreyfus Government Money Market Sweep with a 1.3 percent, seven-day yield, as well as various treasury, short term, and money market investments.

WF offers an earnings credit of one percent for cash not invested. WF offers a .6 percent return through a Repurchase Agreement Sweep. Other investment options include the Government Money Market Fund with a 1.3 percent, seven-day yield and the Treasury Plus Money Market Fund. WF also included in their proposal the implementation process, including discovery, planning, execution, testing, and monitoring phases to transition all OCTA accounts.

The return rate on the Repurchase Agreement Sweep proposed by BOTW is higher than the return rate offered by WF. The money earned from the repurchase agreement sweep is recorded in the general fund and may be used to pay for transactions charged to the general fund. The higher percentage return offered by BOTW on the repurchase agreement sweep will increase cash and revenue available in the general fund.

### Bank Fees

Bank fees were based on a formula that assigns the highest score to the lowest total average estimated monthly fee, and scores the other proposals' total average estimated monthly fee based on their relation to the lowest total

estimated monthly fee. Both firms included a discount to their bank fees. BOTW's total estimated monthly amount was the lowest among all proposing firms.

#### **Procurement Summary**

Based on the evaluation of the written proposals, the firms' qualifications, the information obtained from the interviews, and BAFO, the evaluation committee recommends the selection of BOTW as the top-ranked firm to provide commercial banking services. BOTW demonstrated strong relevant experience and competitive pricing and submitted a thorough and comprehensive proposal that was responsive to all requirements of the RFP.

#### **Fiscal Impact**

Commercial banking services were included in the Orange County Transportation Authority's Fiscal Year 2018-19 Budget, Finance and Administration, Accounting and Financial Reporting Department, Account 1240-7629/A0001-1GJ.

#### ***Summary***

Based on the information provided, staff recommends the Board authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-2159 with Bank of the West, in the amount of \$277,000, for a five-year initial term effective September 11, 2018 through August 31, 2023, with one, three-year option term, to provide commercial banking services.

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***Attachments***

- A. Review of Proposals, RFP 7-2159 Commercial Banking Services
- B. Proposal Evaluation Criteria Matrix (Short-Listed Firms), RFP 7-2159 Commercial Banking Services
- C. Contract History for the Past Two Years, RFP 7-2159 Commercial Banking Services

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