

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
5	04/11/11	Open	Action	03/14/11

Subject: Authorize Solicitation of Proposals for Banking, Line of Credit, and Investment Services

ISSUE

Whether or not to authorize Solicitation of Proposals for Banking, Line of Credit, and Investment Services.

RECOMMENDED ACTION

Adopt Resolution No. 11-04___, Authorizing Solicitation of Proposals for Banking, Line of Credit and Investment Services.

FISCAL IMPACT

Banking Services Cost Estimate:

Budgeted:	Yes	This FY:	\$	85,000
Budget Source:	Operating	Next FY:	\$	87,000
Funding Source:	Operating	Annualized:	\$	89,000
Cost Cntr/GL Acct(s) or Capital Project #:	690071	Total Amount:	\$	445,000
Total Budget:	\$ 85,000			

Line of Credit Cost Estimate:

Budgeted:	Yes	This FY:	\$	195,000
Budget Source:	Operating	Next FY:	\$	
Funding Source:	Operating	Annualized:	\$	
Cost Cntr/GL Acct(s) or Capital Project #:	690071 & 690072	Total Amount:	\$	
Total Budget:	\$ 195,000			

Note: The line of credit must be renewed annually; therefore the estimated yearly fee is based solely on FY2012 expenses.

DISCUSSION

RT contracted with Wells Fargo Bank on August 1, 2003, for comprehensive banking, surplus investment, custodial banking services, and securities brokerage services for a term of five years. On June 23, 2008, the Board approved a contract amendment to extend the contract for one year; this contract expired on July 31, 2009. On July 27, 2009, the Board approved resolution 09-07-0109, which allowed RT to enter into a two-year contract with Wells Fargo Bank for the following

Approved:

Presented:

Final 4/5/11
General Manager/CEO

Director, Finance and Treasury

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commercial services: processing and monitoring daily deposits, wires, automated clearing house transactions (ACH), fraud services, reconciliation reporting, investment, custodial, and general account services. The decision to extend the contract rather than solicit competitive proposals was based on Wells Fargo's ability to reduce its fees by 10% and to continue RT's line of credit during the economic downturn.

In addition to using Wells Fargo Bank for banking and investment services, staff has annually received Board approval for the issuance of a note for a Line of Credit (LOC) note with Wells Fargo Bank for operating and capital cash flow purposes. This practice began in FY 2004 as part of RT's cash management program. RT's cash flow for both operating and capital expenses is dependent, in large part, on timely payments from the State and reimbursement of expenses from the Federal Transit Administration (FTA). The LOC serves as RT's "working capital" throughout the year because the timing of RT's cash receipts does not always coincide with required cash disbursements. Reserving an appropriate working capital balance, whether through reserves or a line of credit, resolves cash flow timing issues. In addition, sound fiscal policy dictates a contingency plan to meet short-term liquidity obligations. RT relies upon the LOC to ensure payment obligations are met regardless of cash flow timing issues.

Although Wells Fargo has provided a satisfactory high level of service since 2003, it is a Government Finance Officers Association (GFOA) best practice to periodically evaluate banking services activities. As such, many governmental agencies periodically (every 5 years) review the banking services by going through an RFP process to ensure that the governmental agency is meeting its objectives of appropriate and cost-effective banking services while protecting its funds and reducing risk.

Staff has prepared an RFP to solicit and select a provider for banking and investment services, as well as a line of credit in the amount of \$25 million. Proposers will be required to include a transition plan in their proposals to ensure a smooth transition from the existing provider if a different provider is selected. The primary purpose of the RFP is to ensure that pricing and banking services received by RT are fiscally and technically competitive. In addition, given ongoing changes occurring within the banking industry and evolving technologies, RT seeks to create efficiencies, make process improvements, and take advantage of new applicable technologies. RT will select the bank that demonstrates the best qualifications; provides documented financial stability; and provides the most compatible suite of services at the most reasonable cost in accordance with Federal and State laws, regulations, and guidelines. Staff intends to solicit for a 5-year term contract for banking services with a separate one year, annually-renewable contract for the LOC. The submitted proposals will be scored based on predefined criteria and subsequent interviews conducted by an internal RT team led by the Director, Finance and Treasury. In accordance with the Board-adopted Small and Local Business Preference Program, this procurement will include a 10% point preference for small business and a 10% point preference for local business.

RESOLUTION NO. 11-04-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

April 11, 2011

**AUTHORIZING SOLICITATION OF PROPOSALS FOR BANKING , LINE OF CREDIT
AND INVESTMENT SERVICES**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE
SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Request for Proposals for Banking, Line of Credit and Investment
Services is hereby approved and authorized for release; and

THAT, the Request for Proposals be advertised pursuant to the provisions of the RT
Procurement Ordinance.

DON NOTTOLI, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary