



CITY OF SACRAMENTO

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OFFICE OF THE TREASURER

800 - 10TH STREET SACRAMENTO, CA 95814
SUITE 1 TELEPHONE (916) 449-5318

THOMAS P. FRIERY
TREASURER

DONALD E. SPERLING
ASST. TREASURER

October 21, 1985

Budget & Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Award of City's Banking Services to Security Pacific National
Bank (SPNB)

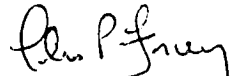
SUMMARY

Attached herewith is an informational report to the full Council regarding
award of City's banking services to SPNB.

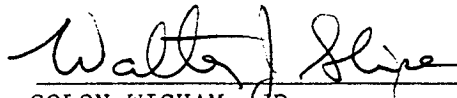
RECOMMENDATION

It is recommended that the Budget and Finance Committee forward the
attached informational report to the full Council.

Respectfully submitted,


THOMAS P. FRIERY
City Treasurer

TRANSMITTAL TO COMMITTEE:


FOR SOLON WISHAM, JR.
Assistant City Manager



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SUBJECT: Award of City's Banking Services to Security Pacific National
Bank (SPNB)

SUMMARY

Due to the reduction of services offered by our current bank, Wells Fargo, the City Treasurer provided an informational report on June 25, 1985 to the Budget and Finance Committee as well as to the City Council regarding developing an RFP to select an alternative bank to provide the City's banking services.

On September 16, 1985, the Treasury staff reviewed the banking system's responses to the RFP and determined that SPNB could provide these services at approximately \$156 thousand less per year than our current bank and \$229 thousand per year less than the next closest bidder. SPNB's contract holds all fees and costs for 2 years.

In compliance with the authority of the Treasurer, SPNB was awarded the banking services contract subject to completing contracts and an orderly transition to our new bank. It is anticipated this new banking arrangement will be fully operational by early January, 1986, although we may transfer the Master Trust and Investment Safekeeping services as soon as the next 30 days.

This matter is an informational report to the City Council. No action is required.

BACKGROUND

In a report dated June 13, 1985, Council was apprised that Wells Fargo Bank would no longer be able to perform all the banking services required by the City. As a result, Council was advised that the City Treasurer would develop a competitive bid and, in compliance with State statutes, select the bank of deposit to perform City banking services.

Between April and July, Treasury staff met with representatives of all City departments requiring banking services. From these meetings a draft RFP was developed for banking services. On July 12, representatives of various banking institutions attended a pre-bid meeting at City Hall with representatives of all City departments requiring banking services. At this meeting the draft RFP was reviewed for content and the banking representatives were able to resolve any questions they had relating to the RFP.

Following this meeting the draft RFP was revised to final form. On August 5, 1985 the RFP was mailed to the 38 banking institutions in the Sacramento area.

Of the 38 banking institutions invited to bid, 3 banking institutions, SPNB, First Interstate Bank and Crocker National Bank responded. The primary reason that the other banks did not respond was that they were unable to perform all the banking services required by the City. The main services that could not be performed were lock box for the City revenue collections, master trust for the Retirement System investments, safekeeping for the City's investments, and collection and processing of coins for the City's parking meters.

In evaluating the three bids, which are explained in greater detail in the financial section, SPNB's bid was \$229 thousand per year lower than the next bidder. With a two year contract the savings to the City will be substantial.

However, as a result of the substantial savings, the City Treasurer requested representatives of SPNB to attend a meeting with the Treasury department staff who developed the RFP and evaluated the bid. The purpose of the meeting was to confirm Treasury staff's analysis of the bid and to assure the services offered were adequate and met the City's banking service needs.

The result of this meeting was that Treasury staff had evaluated the bid correctly and that staff determined the banking services to be performed were equal to or better than existing banking services. Following this meeting the City Treasurer conditionally awarded the banking services to SPNB subject to completion of the contracts and paper work involved. Representatives of SPNB will address the Budget and Finance Committee regarding their commitment to serve the City.

FINANCIAL

Payment for banking services can be accomplished in two ways. Payment can be in "hard dollars", "soft dollars" or a combination of both. Very briefly, "hard dollars" represent a cash payment to the banking institution for services performed. "Soft dollars" represent maintenance of a dollar amount of deposit (compensating balance) in a checking account with the bank that when a pre-determined interest earning factor is applied, the bank will earn sufficient monies on this deposit to pay for the banking services performed.

Historically, the City of Sacramento has used "soft dollars" (compensating balances) to pay for City required banking services and hard dollars for the Master Trust Services performed for the Sacramento City Employees Retirement System (SCERS) investments.

Specialized banking services for the City can be broken into three (3) main categories--Demand Account, Safekeeping, and Master Trust. Very briefly:

- Demand Account services are those involving the collection, deposit and disbursement of monies--Lock box, coin collection, currency deliveries, account reconciliation.
- Safekeeping services are those provided by the bank for the City's investment program. Such service requires collection and deposit of income and payment to and from the brokerage network for investment settlement and safekeeping of these securities.
- Master Trust services are those provided by the bank for the Retirement System's investment program. The various investment managers for SCERS coordinate all activity through the Master Trust Department within the bank. Statement of securities purchased and held, reports, market valuation of investments, etc. results in this service being far more sophisticated and complex than "safekeeping" for the City's investments. Therefore, this service is substantially more costly than safekeeping services provided for the City investment program.

The RFP provided to the banking system listed all services to be performed for the City and SCERS. The detailed analysis of the banking systems' responses and the City banking services required are contained as Attachment 2 of this report. However, to show the results of the bid, the following table is offered:

City of Sacramento
 Summary of Banking Service
Proposals - Annual Cost

	(1) <u>Wells Fargo</u>	<u>SPNB</u>	<u>Crocker</u>	<u>First Interstate</u>
Demand Account	\$357,180.96	\$250,094.40	\$330,072.00	\$457,623.36
Safekeeping Svcs.	14,904.00	24,960.00	45,336.00	19,440.00
Master Trust Svcs.	<u>135,868.00</u>	<u>76,783.00</u>	<u>205,040.00</u>	<u>204,445.00</u>
Total Annual Cost	<u>\$507,952.96</u>	<u>\$351,837.40</u>	<u>\$580,448.00</u>	<u>\$681,508.36</u>

(1) Wells Fargo was the City's bank for over 25 years. Wells Fargo has withdrawn from providing a number of services required by the City but their fees are listed to provide an indication of current costs.

From the summary table it is clear that SPNB's is \$156,115.56 less than our current banking services cost. Further, the bid is \$228,610.60 less than the next lowest bidder.

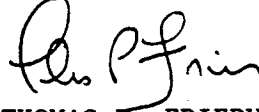
Further, it is pointed out that the bid of SPNB is for 5 years and includes no cost increases for two years and limited to a 10% maximum annual increase in years 3 through 5. The contract may be terminated on 90 days' written notice if the service is unsatisfactory.

The City Treasurer has awarded the City banking services contract to SPNB.

RECOMMENDATION

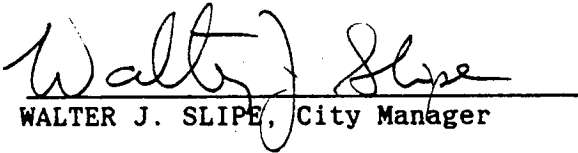
This report is for City Council information only.

Respectfully submitted,



THOMAS P. FRIERY
City Treasurer

FOR CITY COUNCIL INFORMATION:



WALTER J. SLIPE, City Manager

November 6, 1985
All Districts