

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

99-337

SYNOPSIS -

AGENDA:

JULY 26, 1999

SUBJECT:

SELECTION OF
BANKERS TRUST
FOR BANKING AND
CUSTODIAL
SERVICES

Two separate evaluation committees have completed their analysis, interviews, requests for additional information, reference checks, and point-scoring for the proposals received in response to the City's request for banking and custodial services. Bankers Trust Company (665 Locust, J. Michael Earley, President and CEO) received the highest combined point total from the two evaluation committees, and is recommended as the City's new provider of banking and custodial services.

FISCAL IMPACT -

Sixty-six thousand dollars (\$66,000) annually.

TYPE:

**RESOLUTION
ORDINANCE
RECEIVE/FILE**

RECOMMENDATION -

Approval of Bankers Trust as the City's provider of banking and custodial services, and direction to staff to negotiate contract with Bankers Trust.

SUBMITTED BY:

KEVIN RIPER
TREASURER

BACKGROUND -

On April 5, 1999, the City Council approved a Request for Proposals (RFP) seeking one bank to provide banking and custodial services for the City. (Norwest is the City's bank currently.) All 16 banks known to have at least one office within the City limits received the RFP in early April. Eight banks attended the mandatory pre-proposal conference on April 21. Three weeks later, the following banks submitted proposals:

Bankers Trust

Brenton Bank

Firststar

Norwest Bank

As outlined in the RFP, two evaluation committees reviewed and scored different parts of the banks' proposals. One evaluation committee was responsible for the community investment component of each bank's response. The three members of the public whom the Mayor appointed to conduct this review are: Dave Carlson of Citizens for Community Improvement (CCI); Pam Carmichael of HOME, Inc.; and Michael Wolnerman of Coldwell Banker. The second evaluation committee, reviewing the other criteria (services, stability, technology, pricing, and conversion costs), includes: Kevin Riper and Annette Graeve of the Finance Department, and Don McLaughlin of the Park and Recreation Department.

These two evaluation committees met jointly to discuss process and timelines, and-after reading and reviewing the four voluminous proposals-reconvened in early June to compare evaluation results and decide which banks to interview together. Of the four proposals received, Brenton Bank ranked fourth in each evaluation committee's scoring, which left Bankers Trust, Firststar, and Norwest as the three banks to be interviewed in the final round.

On three consecutive days beginning Tuesday, June 29, 1999, the six members of the two evaluation committees interviewed each of the three finalist banks for two hours, at the banks' headquarters. Each bank was given 30 minutes for a formal presentation. The remaining 90 minutes were devoted to questions from the two evaluation committees, in proportion to the criteria weights in the RFP. Thus, 30 minutes were allotted to the community investment selection committee, and 60 minutes to the City staff selection committee.

Each evaluation committee asked the same eight questions of the banks. (Four of the community investment questions were later committed to writing, with written responses from each bank received at the end of the following week.) The consistency of questioning brought into clear focus for each evaluation committee the different answers and approaches by each bank. In addition, during the interviews each committee had time to ask a handful of clarifying or follow-up questions specific to each bank.

After the interviews, City staff conducted 21 reference checks

on the three banks. The reference checks included Norwest-even though the City has been a Norwest customer for more than two decades-to guard against the possibility of "familiarity bias."

For the RFP criteria under their purview, members of the City staff selection committee crafted several analytical devices. For the highest point category, availability and quality of services, Attachment 1 was the primary tool. This 11-page comparison of each bank's services reveals that service levels are relatively close across banks-with a slight edge to Bankers Trust for presentation times and availability of funds, and to Norwest for credit cards and procurement cards. The on-site interviews and subsequent reference checks thus account for the differences in scoring for this category (Bankers Trust-30 points, the maximum; Norwest-27; Firststar-23). The customer references for Bankers Trust are stronger and more glowing than members of the evaluation committee have heard for this or any other financial service.

Attachment 2 shows the underlying analysis of bank stability, according to five evaluative criteria recommended by the Government Finance Officers Association. Attachment 3 shows the item-by-item pricing from each bank, with a monthly dollar cost and resulting point allocations (25 maximum) at the bottom. The City staff evaluation committee arrived at point totals for technology (5 maximum) and costs of conversion/implementation (10 maximum) through a combination of analysis of the different banks' written proposals-including \$1,500 conversion credits offered by both Bankers Trust and Firststar-and the reference checks, placing a particular emphasis on other customers' experiences in converting from one bank to another.

In all cases, the three evaluation committee members' individual scores were added together, and divided by three, to reach a category total for each bank.

Meanwhile, in parallel, the community investment evaluation committee conducted its own analysis of the banks' proposals and responses to questions. The report from that committee is reprinted verbatim below.

***CITY OF DES MOINES BANKING REVIEW
COMMITTEE
CRA REVIEW SUBCOMMITTEE REPORT***

Process:

The subcommittee reviewed the CRA [Community Reinvestment Act] criteria outlined in the Request for Proposal. It determined areas of consideration for each criterion and weighting scores for each criterion. The criteria included: marketing and types of credit offered; community development, discrimination and other illegal practices, geographic distribution of opening and closing offices, and determination of credit needs. Citizens for Community Improvement provided to the subcommittee a review of the HMDA [Home Mortgage Disclosure Act] data for each bank, as well as each bank providing its own assessment. Subcommittee members individually reviewed and scored each bank's CRA portion of their proposal, HMDA data, and affordable housing information. Each subcommittee members' scores were added together to determine an average score prior to the interviews. For the interviews a standard set of questions was asked of all banks in addition to questions about individual proposals. Following the interviews, the committee met again to prepare final scores.

Criteria:

The subcommittee focused particular attention on the following two criteria:

- *Marketing and types of credit offered: We used this category to include the measure of total loans made in the City of Des Moines and percentage of actual loans made in low/mod census tracts, since there is no regulatory category which specifies actual "performance" in making loans. Since the basic intent of the Community Reinvestment Act was to combat "redlining," and insure equal availability of loans to low-mod areas previously excluded, we can reasonably conclude that compliance in this regard is a major factor. We also looked at the variety of products offered, how the bank developed its CRA plans and responded to community needs.*
- *Community development: In addition to making loans to individuals in low-mod census tracts, we gave consideration to each bank's participation in programs which are used to enhance City neighborhoods in other ways than through direct lending. This would include working with civic groups and nonprofit organizations*

whose purpose it is to provide housing for various target groups, or to upgrade our older neighborhoods.

Scoring:

Based on the above criteria, the banks received the following scores:

- *25 points to Bankers Trust-ranked first in lending rate, three specialized loan programs within the bank; four programs in conjunction with nonprofits; full-time CRA officer and dedicated originator; extensive outreach; and a high level of involvement within the community particularly with housing oriented groups and neighborhoods.*
- *12 points to Firststar-ranked second in lending rate; two specialized loan programs within the bank; three programs in conjunction with nonprofits; regional CRA officer and dedicated originator; general outreach; and average involvement within the community.*
- *10 points to Norwest-ranked third in lending rate; two specialized loan programs within the bank; two programs in conjunction with nonprofits; dedicated originator; general outreach; and average involvement within the community.*

The final points were thus allocated as follows:

<u>RFP Category (maximum points)</u>	<u>Bankers Trust</u>	<u>Firststar</u>	<u>Norwest</u>
Availability and quality of services (30)	30	23	27
Bank stability (5)	5	4	4
Technology (5)	4	5	5
Pricing (25)	19	20	25
Costs of conversion/implementation (10)	<u>7</u>	<u>6</u>	<u>10</u>
Subtotal	65	58	71
Community investment (25)	<u>25</u>	<u>12</u>	<u>10</u>

Total	90	70	81
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Attachments

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