

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No.	5b
Date of Meeting	February 24, 2009

DATE: February 6, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Craig J. Kerr, Treasury Manager

SUBJECT: New bid for Banking Services

ACTION REQUESTED: Authorize the Chief Executive Officer to Bid and Execute a Contract for Banking Services for Five (5) Years with the Right to Extend for Two (2) Additional One (1) Year Periods at an Estimated Cost of \$8,800,000.

BACKGROUND

In 2002, when the Port became its own Treasurer, staff bid for Banking Services for Five (5) years with the right to extend for two (2) additional one (1) year periods. The contract with Bank of America expires on July 31, 2009. Banks have a significant cost to implement a new customer on the electronic platform and provide better pricing to customers with longer duration contracts. The Request for Proposal for banking services will provide a competitive selection process for all qualified banks. The selection will be based on a combination of fees and service capability and will be made by a selection team comprised of representatives from Accounting Services, all Finance departments and Information and Communications Technology.

BREAKDOWN OF BANKING FEES

The majority of Port banking fees result from accepting credit cards. Airport Parking accounts for 78% of all Port credit card receipts. Credit cards provide four (4) advantages over alternative payment modes. Those advantages are: immediate receipt of funds, no credit analysis efforts, no collection effort and a higher degree of security over cash and checks. Set out below is a breakdown of Port banking fees for 2008:

Credit Card Fees	\$1,184,825	87%
All Other Banking Fees*	170,047	13%
<i>(* Includes Supplies and 1 time Website credit card acceptance fees)</i>		
Total Banking Fees	\$1,354,872	

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer
February 6, 2009
Page 2 of 3

IMPLEMENTATION

The successful bidder will need to implement and test all aspects of the electronic internet banking solution to ensure every function of receiving and disbursing Port money is fully operational before implementation takes place. These changes affect staff in the following Port departments: Accounting and Financial Reporting, Finance & Budget, Information and Communications Technology, all Seaport Marinas, all Airport Parking Operations, Aviation ID Access, Bell Harbor Conference Center, World Trade Center Restaurant, World Trade Center Tenants and the Port's Lockbox provider; as a result, many hours of staff time will be required. Some examples of banking functions that are costly to implement for both the Port and the bank are as follows:

Receive Electronic Money – The Federal Government, State of Washington and various large customers pay the Port with electronic money (i.e. wires and ACH Credits). As a result of new bank account numbers and ABA numbers Port staff must write letters to all electronic payers and notify them of the new numbers and the effective date of the conversion. In the case of the Federal Government we must also fill out new forms as well as coordinate receiving money incorrectly sent to the old bank after the conversion date.

Direct Deposit of Payroll – Staff must change all of the affected bank numbers in the payroll system and accounting system plus reformat Payroll files to insure the Direct Deposit of Payroll can be accepted by the Bank for distribution to all employees selecting direct deposit in the correct amounts to the right financial institutions.

Fraud Control (Positive Pay) – For every Accounts Payable and Payroll check written we send an electronic file to the bank with the checking account number, dollar amount, date of payment and payee the bank stores in their system. As Port payroll and accounts payable checks are presented for clearing the bank matches each Port check presented against each Port check issued and notifies the Port electronically of checks that do not match requiring staff to inform the bank to pay or not pay the unmatched checks. Port staff must change the bank account numbers and ABA numbers in the Payroll and Accounts Payable system as well as program the format to fit the bank's system in order to accomplish this function.

IRS Tax and Social Security Deposits – Staff must coordinate with the IRS through the appropriate Federal Reserve Bank, change bank account numbers and ABA numbers so these moneys can be deducted from the Port's bank account by the IRS on paydays. One complicating factor with this task is that the IRS only converts on the first payday after being notified of the new bank account and ABA number instead of converting on an effective date for everything else (e.g. every payday after the 1st day of a particular month).

Therefore, we are estimating over a two and one half (2 ½) to three (3) month conversion schedule with the cost of staff time for the conversion between \$45,000 and \$60,000. In addition, the implementation costs for a bank are reflected in its fee proposal; the longer contract allows a bank to recover these costs at a lower fee over a longer period of time.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

February 6, 2009

Page 3 of 3

This conversion cost will apply to any successful bidder including the Port's current provider due to their conversion to a new electronic format.

SOURCE OF FUNDS

All banking services are budgeted annually with basic banking services budgeted in the non-operations budget and credit card fees budgeted by the affected operating departments.

REQUESTED ACTION

Authorize the Chief Executive Officer to bid and execute a Contract for Banking Services for Five (5) Years with the Right to Extend for Two (2) Additional One (1) Year Periods at an Estimated Cost of \$8,800,000.