Board of Directors Meeting – Banking Services Contract
April 24, 2019
Cara Fitzpatrick
Director, Financial Services
The Need for a Competitive RFP…

- TriMet’s current banking relationship has been in place for approximately 10 years
- Prudent procurement practices recommend reevaluation of banking services
- To achieve cost-effective banking services, stay current with changes in technology and treasury services
TriMet’s Banking Services Represent...

- Collections (Depository Services, Lockbox)
- Disbursements (Positive Pay, Electronic Funds Transfer – wires, ACH)
- Electronic Banking & Reporting (Internet banking services, account reconciliation, security fraud filters)
Overview of RFP for Banking Services…

• RFP posted on December 14, 2018
• Pre-bid meeting held on January 4, 2019
• Proposals due on January 14, 2019
• Four Proposals Submitted By:
  • Wells Fargo, JP Morgan Chase, MUFG, US Bank
• Eval Committee Selected Wells Fargo
Contract Award to Wells Fargo…

- Most favorable pricing & fees schedule
- Improved Earnings Credit Rate (lower fees)
- Retention incentive of $30,000
- Met TriMet’s treasury services & banking business needs
- Relationship Manager & team commitment to provide excellent service to TriMet
Summary of Contract with Wells Fargo

<table>
<thead>
<tr>
<th>Contract Term</th>
<th>Contract Fees</th>
<th>Total Savings</th>
<th>Other Advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 year contract</td>
<td>$87,238 per year or $436,191 for 5 years</td>
<td>Overall banking fees reduced by approx. 25%</td>
<td>Core team at Wells Fargo dedicated to serve TriMet</td>
</tr>
<tr>
<td>Optional additional</td>
<td>$872,382 for 10 years</td>
<td>Retention Credit of $30K and overall better pricing</td>
<td>More favorable contract terms</td>
</tr>
<tr>
<td>one-year terms</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Questions?
Board of Directors Meeting – Merchant Services Contract
April 24, 2019

Rhyan Schaub
Director, Fare Revenue & Administrative Services
What is Merchant Bankcard Services?

Merchant Bankcard Services (or Merchant Services) refers to processing services that allow a Merchant (TriMet) to accept bankcards (debit and credit cards).
Who are the players?
## What are the costs involved?

<table>
<thead>
<tr>
<th>Fee Type</th>
<th>Collected By</th>
<th>Ultimately Paid To</th>
<th>% of total fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pass Thru Fees (Interchange &amp; Assessments)</td>
<td>Acquirer (provider of merchant bankcard services)</td>
<td>Card Associations &amp; Issuing Banks</td>
<td>85%</td>
</tr>
<tr>
<td>Processing Fees</td>
<td>Acquirer</td>
<td>Acquirer</td>
<td>15%</td>
</tr>
</tbody>
</table>
Pass Thru Fees

- These fees are the same for every merchant.
- They are non-negotiable and are set by the card associations.
- They are charged for each transaction, and vary based on its characteristics such as:
  - the type of merchant
  - how the transaction is processed
  - type of card presented
- The card associations can change these fees at any time.
Processing Fees

- Negotiable
- Charged per transaction
- Vary based on services rendered
  - Gateways, tokenization, refunds, etc.
Background

- TriMet first began processing bankcards at TVMs in the 90’s.
- We have not changed Acquirers since at least this time.
- Why?
Benefits of Competitive Process

<table>
<thead>
<tr>
<th>Merchant Services</th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Wells Fargo</td>
<td>JP Morgan</td>
</tr>
<tr>
<td>Total Transaction Fees</td>
<td>$0.035</td>
<td>$0.015</td>
</tr>
<tr>
<td>Open Payment Transaction Fees</td>
<td>$0.0085</td>
<td>$0.030</td>
</tr>
<tr>
<td>Hop Transaction (Not Open Payment) Fees</td>
<td>$0.07</td>
<td>$0.030</td>
</tr>
</tbody>
</table>
## Benefits of Competitive Process

<table>
<thead>
<tr>
<th></th>
<th>Current WF</th>
<th>New, Tiered WF</th>
<th>JP Morgan</th>
<th>Wells Fargo</th>
<th>Worldpay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y1</td>
<td>1.00</td>
<td>$313,701</td>
<td>$172,463</td>
<td>$142,837</td>
<td>$142,597</td>
</tr>
<tr>
<td>Y2</td>
<td>1.25</td>
<td>$392,127</td>
<td>$215,185</td>
<td>$178,546</td>
<td>$178,246</td>
</tr>
<tr>
<td>Y3</td>
<td>1.07</td>
<td>$419,576</td>
<td>$230,021</td>
<td>$191,044</td>
<td>$190,723</td>
</tr>
<tr>
<td>Y4</td>
<td>1.07</td>
<td>$448,946</td>
<td>$245,871</td>
<td>$204,417</td>
<td>$204,074</td>
</tr>
<tr>
<td>Y5</td>
<td>1.25</td>
<td>$561,183</td>
<td>$306,442</td>
<td>$255,522</td>
<td>$255,092</td>
</tr>
<tr>
<td>Y6</td>
<td>1.10</td>
<td>$617,301</td>
<td>$336,727</td>
<td>$281,074</td>
<td>$280,602</td>
</tr>
<tr>
<td>Y7</td>
<td>1.07</td>
<td>$660,512</td>
<td>$360,046</td>
<td>$300,749</td>
<td>$300,244</td>
</tr>
<tr>
<td>Y8</td>
<td>1.07</td>
<td>$706,748</td>
<td>$384,998</td>
<td>$321,801</td>
<td>$321,261</td>
</tr>
<tr>
<td>Y9</td>
<td>1.07</td>
<td>$756,220</td>
<td>$411,697</td>
<td>$344,327</td>
<td>$343,749</td>
</tr>
<tr>
<td>Y10</td>
<td>1.07</td>
<td>$809,155</td>
<td>$440,264</td>
<td>$368,430</td>
<td>$367,811</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,685,468</strong></td>
<td><strong>$3,103,714</strong></td>
<td><strong>$2,588,748</strong></td>
<td><strong>$3,125,685</strong></td>
<td><strong>$2,584,398</strong></td>
</tr>
<tr>
<td><strong>One-Time Incentives</strong></td>
<td>$0</td>
<td>-$35,000</td>
<td>-$7,500</td>
<td>-$35,000</td>
<td>$0</td>
</tr>
<tr>
<td><strong>One-Time Costs</strong></td>
<td>$0</td>
<td>0</td>
<td>$1,800,000</td>
<td>$0</td>
<td>$1,800,000</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>$5,685,468</strong></td>
<td><strong>$3,068,714</strong></td>
<td><strong>$4,381,248</strong></td>
<td><strong>$3,090,685</strong></td>
<td><strong>$4,384,398</strong></td>
</tr>
<tr>
<td>Savings over current contract</td>
<td>$2,616,755</td>
<td>$1,304,220</td>
<td>$2,594,784</td>
<td>$1,301,070</td>
<td></td>
</tr>
</tbody>
</table>
## Benefits of Competitive Process

<table>
<thead>
<tr>
<th></th>
<th>Current Annual Fees</th>
<th>Estimated Future Annual Fees</th>
<th>Estimated Savings over 10 years</th>
<th>One time negotiated retention bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$313,701</td>
<td>$172,463</td>
<td>$2,616,755</td>
<td>$35,000</td>
</tr>
</tbody>
</table>
Next Steps

• Resolution at April board meeting
• 5 year contract with 5 one year extension options*
• Then another competitive process.
Questions?
Board of Directors Meeting –
Bank Line of Credit (LOC)
April 24, 2019

Cara Fitzpatrick
Director, Financial Services
Why do we need a LOC?

- To offset funding shortfalls due to uncertainty in the current Federal environment (i.e. Federal Shutdown)
- To bridge financial gaps due to the timing of receipt of seasonable revenues
  - HB2017 or Payroll Tax Revenues
- A LOC is included as a key aspect of overall liquidity
Bank LOC Amount & Usage

• Revolving $60 million – based on history, experience and evaluation of our cash flow needs

• Difficult to predict utilization…it depends

• In place to provide a readily available backstop for fluctuations in our cash position
Overview of RFP for LOC

• RFP posted on February 8, 2019
• Proposals due and received on February 22, 2019
• Six Proposals Submitted:
  • Bank of America, Bank of the West, Citibank, Wells Fargo, JP Morgan Chase, US Bank
• Evaluation Committee selected Bank of the West after Best And Final Offer process
Contract Award to Bank of the West…

• Most favorable pricing & terms

• Low fees on unused line of credit

• Additional incentives and fee reductions if TriMet holds a deposit balance with Bank of the West

• Reasonable attorney/bank counsel costs
## Contract Summary with Bank of the West

<table>
<thead>
<tr>
<th>Contract</th>
<th>Term</th>
<th>LOC Rates</th>
<th>Other Advantages</th>
</tr>
</thead>
</table>
| 3 year contract for $60 million line of credit | Minimum draws of $1.0 million  
In $200,000 increments  
TriMet’s audited financials due within 6 months of year-end | LIBOR/SOFR + 0.30%  
Most favorable rates & fees on used and unused draws on the line | Experienced in municipal market  
Met TriMet’s request with the Best And Final Offer |
Questions?