

Banking RFP – Recommendations

Received RFP’s from eight (8) Financial Institutions:

Existing Service	<u>Financial Institutions that Submitted Bids</u>							
	<i>with services currently provided</i>							
	<i>Bank of America</i>	<i>Washington Trust</i>	<i>Webster</i>	<i>JP Morgan</i>	<i>Century Bank</i>	<i>Santander</i>	<i>TD Bank</i>	<i>Citizens</i>
LockBox			X					
General Fund	X							
Disbursement						X		
Transactions Services	X	X	X			X		X
Electronic Services	X	X	X			X		X
Technical Services	X	X	X			X		X

All eight bidders met the minimum requirements established by the State Investment Commission to be considered a provider of banking services for the State of RI.

Methodology:

- Bidders submitted proposed pricing for three key services individually, and also for all services bundled together.
- The three key services are
 - Lockbox Services
 - General Fund
 - Disbursement Account
- Pricing was based on average monthly historical transactional volumes, which were provided to the bidders.
- Washington Trust, Century Bank and TD Bank did not submit final individual pricing for General Fund and Disbursement services.

Scoring For Lockbox & General Fund

- For these two services, switching costs in terms of staff time and operational complexity are relatively high. For this reason, the scoring formula gives some advantage to the incumbent, but non-incumbents can still win if their pricing is substantially better than the incumbent pricing.
- Scoring for Lockbox is based 70% on pricing, 20% on incumbency and 10% on Rhode Island presence.
- Scoring for General Fund is based 60% on pricing, 30% on incumbency and 10% on Rhode Island presence.
- Pricing for Lockbox and General Fund is scored as follows:
Best Price Score + [(Price – Best Price) / (Highest Price – Best Price)/2] x Incumbent Score
 - The incumbent advantage is equal to the midpoint of the best and worst price for the service. Therefore, a non-incumbent can overcome an incumbent's advantage if the incumbent's cost exceeds a non-incumbent's proposed price by a value that exceeds the mid-point of the best and worst proposed prices, and the non-incumbent's combined score on pricing and RI presence (in excess of the incumbent's score on these measures) exceeds the incumbent's incumbency score.
- Incumbency = Full score weight granted to current service provider
- RI Presence = $10 * (\# \text{ of RI Employees} / \text{Highest } \# \text{ of RI Employees of any Bidder})$, as furnished in the RFP. (Highest number was 4,317).

Scoring for Disbursement

- The switching costs for this service are less substantial, so there is a smaller incumbency advantage.
- Scoring for Disbursement is based 80% on pricing, 10% on incumbency and 10% on Rhode Island presence.
- Pricing for Disbursement is scored in 5 point increments, as follows:
 - The top score is assigned to the lowest cost provider, the second lowest cost bidder receives 5 points fewer than the lowest cost bidder, the third lowest cost receives 10 points fewer than the lowest cost bidder, etc.
- Incumbency and RI presence are scored according to the same methodology as Lockbox and General Fund

Results

- Santander is recommended for Disbursement. Santander is the lowest cost bidder and the incumbent.
- Webster Bank is recommended for Lockbox and Bank of America is recommended for General Fund. They are the incumbents, and their pricing is at the low end of the range of proposals. While their pricing is not the lowest, the difference between their proposed pricing and the lowest priced bids is not enough to justify the switching costs.

Banking RFP Overview

Existing Service	Existing Provider	Current Cost	Revised Cost		Bidders' Proposed Costs (monthly)							
					Bank of America	Washington Trust	Webster	JP Morgan	Century Bank	Santander	TD Bank	Citizens
LockBox	Webster	\$4,867	\$4,841	COST	\$12,963	\$8,262	\$4,841	\$12,784	\$7,135	\$3,645	\$5,865	\$8,920
General Fund	Bank of America	\$2,245	\$4,733		\$4,733	N/A **	\$57,520	\$2,245	N/A **	\$1,083	N/A **	\$6,348
Disbursement	Santander	-\$44,777	-\$45,075 *		\$0	N/A **	\$0	\$0	N/A **	-\$45,075	N/A **	\$0
Transactions Services					\$34,926	\$91,060	\$32,832	\$20,188	\$46,204	\$16,419	\$46,094	\$20,176
Electronic Services					\$11,993	\$79,204	\$17,047	\$7,799	\$44,913	\$13,684	\$20,042	\$15,533
Technical Services					\$3,520	\$0	\$100	\$2,791	\$200	\$1,252	\$5,180	\$2,882
TOTAL COST					\$68,135	\$178,526	\$46,676	\$45,807	\$98,452	\$36,084	\$77,181	\$53,860

Lockbox Scoring	Bidders' Scores							
	Bank of America	Washington Trust	Webster	JP Morgan	Century Bank	Santander	TD Bank	Citizens
Price (70)	30	50	65	31	55	70	60	47
Incumbency (20)			20					
RI Presence (10)	4	1	0	0	0	2	0	10
Category Total	34	51	85	31	55	72	61	57
General Fund Scoring	Bank of America	Washington Trust	Webster	JP Morgan	Century Bank	Santander	TD Bank	Citizens
Price (60)	56		0	59		60		54
Incumbency (30)	30							
RI Presence (10)	4		0	0		2		10
Category Total	91	N/A	0	59	N/A	62	N/A	64
Disbursement Scoring	Bank of America	Washington Trust	Webster	JP Morgan	Century Bank	Santander	TD Bank	Citizens
Price (80)	68		68	68		80		68
Incumbency (10)						10		
RI Presence (10)	4		0	0		2		10
Category Total	72	N/A	68	68	N/A	92	N/A	78

Recommendations

Lockbox	Webster	
General Fund	Bank of America	***
Disbursement	Santander	

*Negative due to paying interest on excess balances at Santander
 **Denoted as Not Applicable due to proposals' omission of final pricing costs
 ***Recommended if agree to current pricing structure for General Fund