

**ITEM #74**

**ADDITIONAL MATERIAL**

**Regular Meeting  
SEPTEMBER 13, 2018**

**SUBMITTED AT THE REQUEST OF  
FINANCE AND ADMINISTRATIVE  
SERVICES DEPARTMENT**



**FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT**

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**MEMORANDUM**

Date: September 10, 2018  
To: Mayor and Board of County Commissioners  
Thru: Bertha Henry, County Administrator  
From: George Tablack, CPA, Chief Financial Officer   
Subject: September 13, 2018 Commission Meeting - Agenda Item No. 74, Wells Fargo

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A summary of current business relationships with Wells Fargo is attached for your information.

GT/frj  
attachment

c: Monica Cepero, Deputy County Administrator  
Andrew Meyers, County Attorney  
Robert Melton, County Auditor  
Kevin B. Kelleher, Deputy CFO, Finance and Administrative Services Department  
Stephen Farmer, Finance Manager, Finance and Administrative Services Department  
Thomas Kennedy, Director | Records, Taxes, and Treasury Division

## **SUMMARY OF CURRENT BUSINESS RELATIONSHIPS WITH WELLS FARGO BANK**

The County has relationships with various entities of Wells Fargo Bank (“WF”) for a variety of services. These services can be summarized into the following three categories:

1) **Investment Broker-Dealer** – In this role, WF is among a group of 15 firms that purchase investment securities at the County’s direction. Of the approximately \$2.6 billion in the County’s current investment portfolio, 5% (\$128.3 million) was purchased through WF using a competitive bidding process. As with all broker/dealers, WF compensation is imbedded in the bid-ask spread for each security purchased.

a) *Current Agreement* – None required.

b) *Process to disengage* – Provide notice to WF. No additional cost.

c) *Transition time* – Minimal. Existing group of broker-dealers is sufficient to manage additional volume

2) **Airport Bond Trustee** – WF acts as trustee for all outstanding Airport debt since October 2004. There are 17 accounts (including seven bond series and construction funds) that WF serves as trustee. As trustee, WF ensures that bond interest payments and principal repayments are made as scheduled and protects the interests of the bondholders if the County defaults. A bond trustee is hired by a bond issuer and oversees the implementation of a trust indenture, which is a contract between a bond issuer and a bondholder. In this role, WF also invests Aviation bond proceeds at the direction of County staff. WF receives compensation in the form of annual fees per bond series and the imbedded spread for investment of bond proceeds.

a) *Current Agreement* – WF is engaged through the Trust Indenture for each of the outstanding Airport bonds.

b) *Process to disengage* – As the trustee, WF can only be removed by the County with the consent of the trustee (WF) or by a vote of 20 percent of the bondholders. The County would not be able to unilaterally remove them.

c) *Transition time* – Several months. Bond Counsel would need to be engaged to draft the required notifications to bondholders. An emergency solicitation would be needed for the replacement institution. All 17 accounts would need time to be transitioned to new institution.

3) **Master Banking** –This relationship incorporates all aspects of banking needs for the County, including cash disbursement, collection and security of funds. The following are the major components of this Master Banking Agreement:

- Operating Bank Services
  - 18 bank accounts
  - Disbursement
    - Payroll
    - Vendor payments
  - Grant fund deposits
  - Tax collection

- Lockbox
    - Tax collections – Specialized lockbox for collection of taxes, open six months per year
    - Water/Wastewater (“WWS”) – Standard lockbox for monthly water remittances
  - Safekeeping – Six custody accounts (each tied to a specific bank account)
  - Purchasing card - Purchasing cards are provided to employees to purchase small dollar items and to travel. The Purchasing Card Program provides for a rebate of card usage, which for FY17 was \$448,376 based on a purchase volume of \$26 million at 173 basis points. Currently, approximately 1,000 cards are outstanding.
- a) *Current Agreement* – The Master Banking Agreement with WF has an effective date of July 1, 2014 with a three-year fixed term and two one-year renewals. The last renewal was exercised providing for a final expiration of June 2019.
- b) *Process to disengage* – The Agreement contains a Termination for Convenience clause (Section 8.1), which provides for notification of a minimum of 30 days. A transition period agreement would also have to be negotiated with WF during the disentanglement process. An emergency procurement would be required to obtain a new bank for all these critical banking services.

Implementation process would include the following actions with approximate duration for each action (which some may not be able to be done concurrently):

- i) Open new bank accounts (duration: 45 days); includes documentation, obtaining deposit supplies, check testing.
- ii) Property Tax Lockbox – New account set-up for Property Tax Collections (70 days outside of tax season). Implementation should begin after tax season ending March 31, 2019 to avoid disruption in collecting tax payments.
- iii) Retail Lockbox – New account set-up for WWS customer payments (70 days).
- iv) Electronic Banking setup (30 days)/Training (30 days). Employee access to online banking, which is specific to each employee based on agency and need.
- v) Purchasing Card (six to seven months).
- vi) Electronic Bill Pay from Customers for Property Tax Collections and WWS monthly collections (90 days) – Coordinated through banks to allow customers to pay bill electronically via Bill Pay option at their banks.
- vii) Thirty (30) Transmission files (nine months to one year) including:
  - (1) Direct Deposit – bi-weekly payroll
  - (2) Lockbox – Property Tax Collections – including payment and check image files (172,000 payments/per)
  - (3) Lockbox - WWS
  - (4) Positive Pay Files (five accounts)
  - (5) Controlled Disbursement Files (two accounts)

- (6) Electronic Checks – Parks/Records, Taxes & Treasury (“RTT”)/WWS/Waste and Recycling Services (“WRS”)
  - (7) Month-end reconciliation files
  - (8) Lockbox check image files
  - viii) Electronic Bill Pay thru customer banks (17,000 payments/year for RTT; 86,000/year for WWS)
  - ix) Branch Tax Payments – Acceptance of tax payments at the branch level will be entirely dependent on the ability and availability of the new institution to accept payments from the approximately 13,400 taxpayers that made payments at WF.
- c) *Transition time* – Customers and vendors of the County must be provided with new payment instructions. With a large entity such as Broward County, it is likely for a full transition to take anywhere from 12 to 18 months. In addition to the estimates for transition mentioned for each service above, adoption time for specific services is as follows:
- i) Runout of existing Lockbox (nine months to one year)
  - ii) Electronic Payments (two to three months) – Ten bank accounts receive electronic payments from customers. Each customer would need to be notified of the change.
- 4) Other Consideration:
- Solicitation for new Master Banking Agreement* - As the Master Banking Agreement was nearing final expiration, FASD is planning to bring a Request for Proposal (RFP) to the Board for approval before the end of the calendar year. While all services currently fall under one agreement, the new procurement would break out services into four different procurement requests to allow for increased competition and a wider variety of responding firms. The four procurements would be as follows:
- i) Operating Bank
  - ii) Lockbox
  - iii) Purchasing Card
  - iv) Safekeeping Services