



# RFP 2019-062 Banking Services

Evaluation Review

Finance & Budget Committee

July 9, 2019

## \*Categories of Banking Services

- General Banking Services
  - Securities Custody
  - Interest Earnings
- Merchant Card
- Lockbox Services for Water Utilities
- Purchasing Card & E-Payables
- Trust Services for Bond Issues

\*Potential for split award of services



# FY2019 Banking Expenses

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total	
ANALYSIS SRV FEE	8,329.43	7,707.41	7,397.01	8,783.97	7,616.96	8,033.91	8,483.59	7,530.61	6,954.22	7,194.82	7,130.90	7,134.25	92,297.08	100.00%
GENERAL FUND-100 76 706 016 7207	3,450.95	3,548.18	3,502.09	3,453.84	3,295.60	3,213.75	4,562.37	3,735.16	3,402.33	3,409.38	3,442.83	3,457.31	42,473.79	46.02%
WATER FUND-500 83 730 016 7207	4,856.48	4,136.23	3,864.92	5,301.13	4,289.36	4,786.16	3,901.22	3,765.45	3,531.89	3,766.44	3,667.07	3,642.94	49,509.29	53.64%
PARKS-200 84 100 001 7207	22.00	23.00	30.00	29.00	32.00	34.00	20.00	30.00	20.00	19.00	21.00	34.00	314.00	0.34%
														100.00%
CC BANK FEES	48,103.41	47,282.91	44,924.26	38,758.30	36,598.02	37,450.83	38,714.87	38,077.26	35,045.51	40,022.78	35,880.81	39,476.85	480,335.81	100.00%
GENERAL FUND	7,445.39	3,848.13	3,674.61	2,493.86	2,479.65	6,917.23	7,083.06	4,266.13	5,394.15	4,906.15	4,200.79	4,676.61	57,385.76	
TREASURY-100 76 706 016 7285	6,879.66	3,184.74	3,071.41	1,958.89	1,996.29	6,350.85	6,500.04	3,737.20	4,698.31	4,236.41	3,221.01	3,955.06	49,789.87	10.37%
POLICE-100 73 703 001 7285	274.87	333.82	284.22	240.94	232.33	265.72	230.62	271.76	423.47	351.00	377.24	358.64	3,644.63	0.76%
EMS-100 76 722 018 7285	280.86	319.57	308.98	284.03	241.03	290.66	342.40	247.17	272.37	318.74	602.54	362.91	3,871.26	0.81%
DEV CTR-100 92 925 001 7285	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00					80.00	0.02%
WATER-500 83 730 016 7285	29,777.76	33,306.48	35,953.67	32,650.64	31,115.46	27,945.73	26,419.11	27,847.81	25,136.43	29,271.81	25,770.76	27,560.53	352,756.19	73.44%
PARKS	10,880.26	10,128.30	5,295.98	3,613.80	3,002.91	2,587.87	5,212.70	5,963.32	4,514.93	5,844.82	5,909.26	7,239.71	70,193.86	14.61%
P&R-200 84 100 001 7285	357.37	116.22	58.68	251.68	90.82	122.54	176.31	49.44	32.15	130.11	259.06	296.25	1,940.63	
GC-201 84 200 032 7285	456.61	439.35	462.46	312.91	418.78	271.73	294.93	463.92	256.38	550.71	548.98	413.62	4,890.38	
LPCC-202 84 200 034 7285	1,780.24	1,829.17	1,615.90	1,280.11	1,344.09	1,474.00	1,641.06	2,441.14	1,894.17	1,926.33	1,930.04	1,870.48	21,026.73	
SW-203 84 200 046 7285	3,451.35	3,070.49	1,572.32	372.44	72.88	66.85	99.59	61.47	54.46	85.58	162.89	475.28	9,545.60	
CEM-204 84 100 021 7285	271.46	83.60	172.23	112.88	126.99	114.11	62.99	354.37	130.17	232.73	457.48	272.74	2,391.75	
LVCC-205 84 200 034 7285					7.00	7.00	2,098.78	1,763.46	1,072.33	938.31	584.86	802.67	7,274.41	
REC CTR-530 84 200 037 7285	4,563.23	4,589.47	1,414.39	1,283.78	942.35	531.64	839.04	829.52	1,075.27	1,981.05	1,965.95	3,086.30	23,101.99	
LMN-530 84 200 081 7285												22.37	22.37	

- Four banks attended pre-bid conference
- Received responses from those four local banks
- Evaluation Committee determined that all four responding banks were well-qualified to provide services
- All four responding banks participated in panel interviews and provided software demonstrations to Evaluation Committee



## Incentives Offered by Responding Banks

- Three of four banks offered discount or incentive package
- Bank 2 incentive was unconditional linked to banking services (approximately \$6,700, first 2 months of fees)
- Bank 3 incentive was offered as part of an all-or-none package (\$25,000 over first four years)
- Bank 4 incentive was offered as proportional according to services awarded (\$35,000 during first year)

## Evaluation Method

- Prices were quoted per service unit
- Actual volumes were used from Calendar Year 2018 to calculate annual costs
- Banking service costs compared both with and without incentives
- Need to consider complete package as well as separate services

# Banking Service Fees

Banking Services Fees				Bank 1	Bank 2	Bank 3	Bank 4
Incentives*					\$6,700.00	\$25,000.00	\$35,000.00
Costs with incentives included			Year 1	\$36,838.83	\$33,292.11	\$48,096.69	\$0.00
			Year 2	\$36,838.83	\$39,992.11	\$48,096.69	\$30,318.83
			Year 3	\$36,838.83	\$39,992.11	\$48,096.69	\$30,318.83
			Year 4	\$36,838.83	\$39,992.11	\$48,096.69	\$30,318.83
			Year 5	\$36,838.83	\$39,992.11	\$54,346.69	\$30,318.83
Total of 5 years service fees including incentives				\$184,194.15	\$193,260.55	\$246,733.45	\$121,275.32
			Year 1	\$36,838.83	\$33,292.11	\$54,346.69	\$30,577.49
			Year 2	\$36,838.83	\$39,992.11	\$54,346.69	\$30,318.83
			Year 3	\$36,838.83	\$39,992.11	\$54,346.69	\$30,318.83
			Year 4	\$36,838.83	\$39,992.11	\$54,346.69	\$30,318.83
			Year 5	\$36,838.83	\$39,992.11	\$54,346.69	\$30,318.83
Total of 5 years service fees without package incentives				\$184,194.15	\$193,260.55	\$271,733.45	\$151,852.81
*Incentives							
Bank 1 offered no incentive							
Bank 2 offered to waive the first 2 months of Banking and Treasury Services fees (excluding Lockbox) to offset conversion costs.							
Bank 3 offered a \$25,000 bonus for first 4 years if awarded Banking Services, Merchant Services, Purchasing Card, E-Payables, and Lockbox							
Bank 4 offered a \$35,000 incentive applied against first year fees; proportional for any services awarded.							



# Merchant Card Options

Merchant Card Fees				
	Item Count	\$ volume	Estimated Interchange Fees	Actual 2018 Total Fees
Sales 2018	205,811	\$19,495,490	\$463,993	\$521,950
		Bank Fee	Estimated Interchange Fees	Total Estimated Fees
Bank 3				
.5% + .05 + .03		\$113,942	\$463,993	\$577,935
Bank 4		\$24,697	\$463,993	\$488,690
.12 per transaction				
Bank 2				
to be determined		2.2% to 7.44%		
Bank 1				
to be determined				
Savings		\$89,245		
Convenience Fee/Service Charge Pass Thru			Estimated Fees Passed to Customers	
Bank 3	To be determined		\$467,892	
Bank 4	2.25% on all		\$438,649	
Bank 2	To be determined			
Bank 1	To be determined			





# Interest Earnings Offset Variable Rates

				Bank 1	Bank 2	Bank 3	Bank 4
Estimated Interest Earnings							
Annually				\$199,562.33	\$198,528.33	\$232,438.23	\$191,290.31
For 5 Years				\$997,811.65	\$992,641.65	\$1,162,191.15	\$956,451.55
Net Interest Earnings for 1 Year							
Combination of Banking Service Costs and Interest Earnings with Incentives				\$162,723.50	\$165,236.22	<del>\$184,341.54</del>	\$191,290.31
Combination of Banking Service Costs and Interest Earnings, no Incentives				\$162,723.50	\$165,236.22	\$178,091.54	\$160,712.82
Net Interest Earnings for 5 Years							
Combination of Banking Service Costs and Interest Earnings with Incentives				\$813,617.50	\$799,381.10	<del>\$915,457.70</del>	\$835,176.23
Combination of Banking Service Costs and Interest Earnings, no Incentives				\$813,617.50	\$799,381.10	\$890,457.70	\$804,598.74



# Purchasing Card Rebate Schedules

	Bank 2			Bank 3			Bank 4	
Rebates								
Range		1%			1%-1.28%			1%-2.215%
\$1,200,000	1%	\$12,000		1.00%	\$12,000.00		1.050%	\$12,600.00
				1.05%	\$12,600.00		1.275%	\$15,300.000
\$2,000,000	1%	\$20,000		1.12%	\$22,400.00		1.370%	\$27,400.00
				1.17%	\$23,400.00		1.595%	\$31,900.000
\$3,000,000	1%	\$30,000		1.12%	\$33,600.00		1.470%	\$44,100.00
				1.17%	\$35,100.00		1.695%	\$50,850.000
\$4,000,000	1%	\$40,000		1.18%	\$47,200.00		1.500%	\$60,000.00
				1.23%	\$49,200.00		1.725%	\$69,000.00
Included:	All charges			All charges			Average transaction size must be at least \$125	



History of Paying Agent Fees	
FY2017	\$6,504
FY2018	\$10,006
FY2019	\$7,597

## RFP Award Recommended by Evaluation Committee

- Award of General Banking Services to Bank 4
- Award of Merchant Card Services to Bank 4
- Award of Purchasing Card & E-Payables to Bank 4
- Award of Trust Services to Bank 3
- Evaluation of Lockbox services in-house

## Financial Impact of Award by Banking Services Category

- General Banking Services-savings of \$12,156/yr
  - Securities Custody-additional cost of \$1,200/yr
  - Interest Earnings-max reduction of earnings \$41,148/yr
- Merchant Card-savings of minimum of \$89,245/yr
- Lockbox-Water Utilities-savings of at least \$14,609/yr
- Purchasing Card, E-Payables-Additional rebate of \$3,300/yr
- Trust Services for Bond Issues-no anticipated impact
- Incentive available for \$30,000 for first year
- Minimum first year savings of \$106,962



## Potential Efficiency Improvements (available with any bank)

- Merchant Card service fee pass thru
- Lockbox in house
- Purchasing card receipt imaging, earlier \$ update
- Remote deposit