

## BOARD OF ALDERMEN

ITEM NO. E(1)

### AGENDA ITEM ABSTRACT

MEETING DATE: March 11, 2003

**TITLE:** Award of Contract for Banking Services

<b>DEPARTMENT:</b> Management Services	<b>PUBLIC HEARING:</b> YES ____ NO <u>X</u>
<b>ATTACHMENTS</b> A. Resolution B. Memo – RFP Recommendation	<b>FOR INFORMATION CONTACT:</b> Bing Roenigk, Assistant Town Manager, 918-7300 Judy Weller, Accounting Officer, 918-7302

#### **PURPOSE:**

Seeking to improve cash management activities in numerous areas, staff solicited banking services proposals on December 20, 2002. As required in the Town's Cash Management Plan, the Mayor and Board of Aldermen is responsible for selecting the financial institution as the official depository for the Town. Staff recommends that the Board award the contract for the Town's banking services to Bank of America, commencing on April 1, 2003 for a period of three years with the option of extending the contract for two additional years.

#### **INFORMATION:**

The Accounting division, as part of its work plan, identified a need to improve the cash management activities of the Town with the ultimate goal of maximizing the Town's return on idle cash. Banking services are considered essential to developing a strong cash management program.

The town currently holds its accounts with Bank of America and is operating without a contractual arrangement. Without a contract in place, fees are subject to increases at any time. In submitting the service proposal, the Town identified several specific services in addition to the current basic banking services including Positive Pay and Online Banking Services, which are enumerated Attachment B.

Savings will be realized primarily from online banking. Recently, the bank has been trying to discourage large customers from doing banking activities manually by charging less for on-line transactions. With online banking services the Town would be able to minimize banking services cost and maximize interest earnings. For instance, the cost for a stop payment on check online is \$12.00 versus \$25.00 verbally. Manual wire transfers \$50.00 versus \$8.00 on line.

The Town has chosen Bank of America to provide the Town's banking services for three years commencing on April 1, 2003. Bank of America provided the minimum level of services requested by the Town at the lowest overall price for all of the services.

A comparison of services and pricing offered is listed below:

Service	Bank of America	CCB	Centura
Banking services – annual cost	\$5,184.00	\$5,376.00	\$5,880.00
Procurement card program	\$ 525.00	\$0*	DID NOT BID
Total annual cost - recurring	\$5,709.00	\$5,376.00	\$5,880.00
Startup costs*	0.00	\$3,500.00	\$1,000.00

\*Estimated cost to initiate procurement card program (\$2500 with CCB) plus \$1,000 cost for new checks, deposit slips, etc. that needs to be considered if Town switches to a new bank.

Key factors in the evaluation of the proposals were services offered and the associated service charges. In addition, staff requested information on the banks' Community Reinvestment activities and rating. This information is provided for all banks in Attachment B.

#### **FISCAL IMPACT:**

An account analysis of FY01-02 banking charges reveals that the banking services cost \$5,493.80. FY02-03 charges through June 30, 2003 are estimated to be at \$5,498.36 excluding the cost of procurement cards, which is an additional \$1,000 annually. Adding online services, positive pay, and continuing procurement card and payroll direct deposit services actually reduces the cost of banking services costs as seen in the analysis above. In addition, securing a banking services contract will have the added benefit of controlling price changes for a minimum of three years.

#### **ACTION REQUESTED**

Staff requests that the Mayor and Board of Aldermen approve a contract with Bank of America for three years at an approximate cost of \$17,127 based on current banking activity. The contract shall be used to control prices of services subject to specifications, requirements and conditions stated within the request-for-proposal. In addition, contract will include language that the three-year contract period may be extended for up to two additional years at the sole discretion of the town at the prices proposed by and negotiated with Bank of America.