

ATTACHMENT A

A RESOLUTION AWARDING A CONTRACT FOR BANKING SERVICES
Resolution No. 119/2002-03

BE IT RESOLVED by the Board of Alderman that a contract is awarded for the following:

- (1) Award the contract to Bank of America for an estimated cost of \$17,127 for a period of three years.**

TO: Michael Brough, Town Manager

FROM: L. Bingham Roenigk, Assistant Town Manager
Judy Weller, Accounting Officer

DATE: March 11, 2003

RE: Banking Services – RFP Recommendation

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. One aim of the division is to update its work processes to take advantage of various technological advances in banking services that will improve the Town's cash management activities in numerous areas. The financial transactions affecting cash management are in the following areas: disbursements, revenue collections, and investments. Banking services are considered essential to developing a strong cash management program.

The Town, on December 20, 2002, solicited banking services proposals from all banks that have a branch in Carrboro. The Town is not required by law to request proposals but does so to ensure competitive financing and is required to do so according to the Town's Cash Management Plan. In this plan, the Town is encouraged to periodically accept proposals from financial institutions interested in banking services and the Board of Aldermen is responsible for selecting the financial institution as the official depository for the Town.

Current Banking Services

The town 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. Recently, the bank has been trying to discourage large customers from doing banking activities manually by charging less for on-line transactions. With on line 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.

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. This does not include charges for procurement cards or online banking services. Adding online services, positive pay, and continuing procurement card and payroll direct deposit services actually reduces costs and improves services. Securing a banking services contract has the added benefit of controlling price changes for a minimum of three years.

Recommendation

As required by NC General Statute 159-31 banking proposals were sent to the three qualified depository for public funds. A request for proposal for banking services was submitted to three banks, Centura, Central Carolina Bank (CCB), and Bank of America (bank currently used by Town); all three responded.

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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 plus cost of \$1,000.00 for new checks, deposit slips, etc.

Key factors in the evaluation of the proposals were the cost for service and fees that would be most beneficial to the Town. In addition, staff requested information on the banks' Community Reinvestment activities and rating.

In submitting the service proposal, the Town identified several specific services in addition to the current basic banking services including: Positive Pay and On Line Banking Services, which are enumerated in detail below.

Description of Cash Management Activities and Banking Services Sought

The major goal of a government's disbursement system should be to slow the payment of funds so that funds are available for investment for the maximum amount of time possible while ensuring that timely payments are made. Invoices should be paid on the due date if possible. Early payment results in loss of interest income. In addition, in this age of electronic banking, the Town needs to use disbursement methods that are effective at reducing opportunities for fraud to occur.

With collections, the Town strives to improve collections operations electronically, by accepting wire payments from other units of government or businesses for contractual agreements and eventually by accepting debit and credit cards from town customers and then expanding that capability on-line via the Town's website. Currently, the town does receive daily electronic deposits from Orange County on property tax revenue and various other recurring payments per interlocal agreements. At a later date, hopefully in time for the upcoming fiscal year, the Management Services Department will pursue expanded banking services that will enable citizens to pay for town services via credit or debit card.

Investment activities should be aimed at identifying beneficial investment opportunities and decisions. The Town's investments are prescribed by North Carolina General Statutes and are considered very low risk with the primary objective of safety and then liquidity. Currently, the Town invests idle cash with the NC Cash Management Trust, a trust that is offered exclusively to local government and public authorities of the state of North Carolina, and in the Town's money market accounts. Historically, where interest rates were higher, the Town would sometimes invest in a Certificate of Deposit (CD).

Disbursement Banking Services

Positive Pay

A new banking services feature for the Town will be positive pay. Positive Pay is a fraud deterrent service that enables the town to minimize potential fraud losses associated with checks issued by the town. The utilization of Positive Pay will allow the town to review suspect items prior to their being paid by the bank and return any checks found to be fraudulent.

On-Line Banking Services

The on-line banking services requested by the Town aim to maximize the interest earned on idle cash. The following are some of the on-line banking services features available through Bank of America via Internet access:

- Check account balances and activity
- Transfer funds electronically
- Place stop payments on checks
- Verify deposits, wire transfers and other credits
- Check inquiry – verify whether a check was cleared
- Request a copy of a check
- View statements

With on-line banking services, the Town would be able to minimize banking services costs, transfer funds immediately when needed, and to maximize interest earnings. As indicated above, some banking services cost more to do by phone than by computer.

Since on-line banking gives accounting staff the ability to view our accounts daily, funds can easily be transferred immediately from a low interest bearing account to a higher interest bearing thus earning more interest and ensuring effective cash management. Presently the Town receives its bank statements within 5-10 days after the end of the previous month. At that point, any excess funds in low interest bearing accounts would be transferred to higher interest bearing accounts. In the interim, these funds could have been earning higher interest had the Town had the benefit of on-line banking services. Debt payments or other recurring town payments, rather than being processed by check in advance of the due date, could be processed via electronic transfer at the time needed.

Direct Deposit

Another banking service that further reduces opportunities for fraudulent checks is the provision of direct deposit as an alternative to payroll checks. Payroll checks are the highest candidates for fraud; direct deposit almost eliminates check fraud losses. The town currently requires employees to use direct deposit and expects to continue that service with the new contract.

Procurement Cards

The Town's use of procurement cards is now organization-wide. Currently, we pay Bank of America \$35 annually per cardholder to use the procurement card and a \$25 monthly fee for online information. With 20 cardholders, the annual procurement card fee is \$1,000 per year.

Community Reinvestment Act – Bank Ratings and Activities

In preparing the banking services request-for-proposal, the Board of Aldermen requested that town staff ascertain information from interested banks on their past and current efforts associated with the Community Reinvestment Act (CRA). In addition, banks were asked to provide their CRA rating.

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All of the banks responded about their CRA ratings and activities. The ratings stated by the banks are listed below:

Bank	CRA Rating
Bank of America	Outstanding
CCB	Satisfactory Overall
Centura	Satisfactory

Bank of America, as our recommended banker, holds an "Outstanding" CRA rating. In addition its main focus on community development is to make affordable housing and mortgages available in places such as Carrboro. Bank of America is partnered with the Chapel Hill-Carrboro Schools system to help recruit teachers to the school system with its attractive mortgage programs. It also grants funds to nonprofit organizations for early childhood development, financial literacy and professional development for teachers. Responses from each bank on their CRA ratings and activities are attached.

Summary

As mentioned earlier, staff recommends that the Board approve continuing banking services and relations with Bank of America. The total cost for banking services including start up cost and procurement card averaged annually as follows: Bank of America \$5,709.00, CCB \$6,210 and Centura \$6,213.00. Centura offered fairly comprehensive banking services but did not offer procurement card services. The annual banking services costs for Centura are higher because the town would have to continue with Bank of America for procurement card services.

While it is possible to continue the procurement card services with Bank of America and go with Centura for the other services, it is recommended that both procurement card and banking services reside with the same bank due to the cost savings as revealed in the banking services analyses. By keeping banking services tied with the procurement card program, the Town is also able to achieve a lower cost per cardholder (\$35 to \$25) with Bank of America.

Sufficient funds are available within the budget to purchase the comprehensive banking services recommended. At a later date, the Management Services Department will pursue an analysis and a request to the Board to implement a credit and debit card program through which citizens can purchase town services.

Describe the bank's past efforts and current initiatives related to Community Reinvestment programs in other communities and its plan to provide these type of services in Carrboro. State the bank's CRA ratings. Please see the attached "RBC Centura Mission Statement" to evidence RBC Centura's commitment to meet its responsibilities under the Community Reinvestment Act. Also attached is our CRA Notice. Our CRA rating is currently "satisfactory". Several initiatives which we are proud of include:

- 1) In 1997, we started the Community Centered Banking Program statewide. It is a comprehensive outreach initiative providing greater access to the Bank and financial literacy workshops to the "unbanked" and "underbanked". The program partners with local churches and non-profit organizations to deliver the program to all people.
- 2) For many years, the Bank has provided Affordable Housing Programs as a solution to home ownership for low and moderate income individuals and families. The Program provides numerous mortgage loan options including loans sponsored by the NC Housing Finance Agency, FHA, VA, and the Rural Development Agency.
- 3) RBC Centura is currently helping to subsidize the lease for Carrboro's El Centro Latino Community Center with a \$1000 monthly payment for 36 months.(Total: \$36,000)
- 4) RBC Centura donated \$500 toward the new "Carrboro Clock" at the Century Center. In 2002, we also donated \$1,000 to Carrboro-based non-profit, Volunteers For Youth, Inc. and \$450 to the local Salvation Army's Adopt-a-child program. In 1999, Centura Bank donated \$5,000 to Habitat for Humanity of Orange County. Finally, RBC Centura's parent company, RBC Financial Group donated \$1 Million to the United Way September 11th Fund on behalf of its employees.
- 5) Other organizations the Bank encourages its employees to get involved include Communities in Schools, United Way, American Red Cross, March of Dimes, American Heart Association, and the Food Bank of NC.

A. . In 1998, Bank of America made a commitment to make \$350 billion in loans and investments for community development over the next ten years. This commitment sets minimum goals in the areas of economic development (\$25 billion), small business (\$180 billion), affordable housing (\$115 billion) and consumer lending (\$30 billion). In the past year, the bank has put even more resources to work in neighborhoods across North Carolina and is on track to fulfill its 10 year commitment ahead of schedule.

The major focus of this community development commitment is to make affordable housing and affordable mortgages more available in North Carolina and places like Carrboro, NC. Our nationally recognized Neighborhood Advantage program offers two innovative home loans – Neighborhood Advantage Zero Down and Neighborhood Advantage Credit Flex – that require little or no down payment and feature flexible underwriting guidelines for borrowers with income of 80% or less of an area's median income. The Teacher Zero Down and Teacher Flex mortgage loans help teachers overcome the high cost of home ownership. Bank of America has partnered with the Chapel Hill Carrboro Schools system to help recruit teachers to the school system with this attractive mortgage program. Bank of America Mortgage also offers other affordable loan products, FHA/VA loans, and down payment assistance and financing programs offered by state and local agencies.

The Bank of America Foundation is one of the country's most generous foundations. We have adopted new guidelines that will focus resources in the coming years on a banner issue: helping children succeed. To support this goal, we grant funds to nonprofit organizations for early childhood development, financial literacy, and professional development for teachers. Our secondary focus is helping our communities succeed. To support this goal, we grant funds to nonprofit organizations for affordable housing and workforce development. The Bank of America Foundation grants funds each year to our local United Way partners to help bring about a better quality of life for families and individuals in need. Additionally, associates contribute to the United Way by giving to our annual United Way campaign and by volunteering their time and talent. Our Foundation dollars and/or volunteers have supported such local entities as the Chapel Hill Carrboro Public School Foundation, the MLK University/Community Planning Corporation scholarship fund for Chapel Hill High School students, the PTA Thrift Shop and the Chapel Hill Museum.

The bank's *Volunteer Time for Schools* program gives every full-time associate the opportunity to spend up to two hours a week of paid time volunteering in a public or private school. With the National Council on Economic Education (NCEE), Bank of America has launched an innovative financial education curriculum called Financial Fitness for Life (FFFL). FFFL is designed to help students from kindergarten through high school become skilled consumers, savers and investors. Associates who volunteer at schools can obtain FFFL CD-ROMs to use in conjunction with their volunteer work.

In 1999, Bank of America announced a fifty million-dollar grant to expand and enhance Success By 6 through the United Way System. Success By 6 is a national United Way program that helps prepare children for school. In 2001, the bank provided \$240,000 in support of local Success By 6 initiatives in the Triangle. One of the uses of the recent grant was to support a bilingual outreach worker for the Chapel Hill-Carrboro Head Start program.

At Bank of America, we believe that as a corporate citizen, our relationship with our communities is reciprocal. That is, giving back to the individuals and entities that contributed to our success is paramount. Because of this commitment to the communities in which we do business, Bank of America's Charter CRA rating is currently an "Outstanding." There are many more initiatives and programs to help our communities. You can find even more information at WWW.BankofAmerica.com.

"The very reason Bank of America exists in the first place, or any bank exists, is to help make communities stronger." Kenneth D. Lewis,
Chairman and CEO Bank of America.

Describe the bank's past efforts and current initiatives related to Community Reinvestment programs in other communities and its plan to provide these types of services in Carrboro. State the bank's CRA ratings.

CCB is proud of its commitment to the community. CCB received an overall "Satisfactory" rating on its last CRA exam in January of 2000. CCB received a "High Satisfactory" on the lending and investment tests and an "Outstanding" on the service test. The following examples are just a few highlights of what CCB contributes to the Orange County community.

In the last 12 months, CCB has provided over \$3,500,000 in financing to CRA activities in Orange County and has made investments into funds that will benefit the entire state, including Orange County, of \$10,000,000. Additionally, CCB has contributed over \$11,000 in investments/donations to non-profit CRA related agencies in Orange County. Some of these include Residential Services - \$4,000; YMCA Chapel Hill/Carrboro - \$5,000; Orange Congregations Mission - \$2,500 and \$942,000 benefiting the entire Triangle region.

CCB is pleased to offer its Community Housing Affordable Mortgage Product (CHAMP) throughout North Carolina in order to provide flexible financing to low and moderate income communities. CCB also offers two NC Housing Finance Agency (NCHFA) bond programs to fund low interest rate loans for first time homebuyers.

CCB staff members throughout Orange County and Carrboro are also very active in the local community. Their participation includes community boards, teaching homebuyer education classes, and participating in small business seminars. For example, Margi Rice, First VP & Commercial Officer, serves on the board of the Orange Community Housing Corporation, which provides home ownership and rental opportunities to low and moderate income families. Additionally, Margi is on the board of the Orange County Small Business Loan Program.

Richard (Rick) Chambless, Retail Group Manager for Orange County, serves on the Board of Directors for Habitat for Humanity of Orange County. Melissa Shepherd, Mortgage Officer, has taught first-time homebuyer programs in Orange County. Finally, Robert (Bob) Ward, Commercial Officer at our University Square Office, also serves as Chairman of the Community Relation Committee for the Chapel Hill/Carrboro Chamber of commerce.

Through the CCB Foundation, many organizations have benefited from grants to assist with community development activities, homebuyer education, and creation of loan funds for economic development. Some of the organizations benefiting have been Downtown Housing Improvement Corporation (DHIC) in Raleigh, Durham Affordable Housing Coalition, ReBuild Durham, North Carolina Low Income Housing Coalition, and several others.

Each of these efforts exemplifies the commitment CCB has to CRA activities and the communities we serve. All of these efforts and programs are available to the Town of Carrboro and to its citizens.