

BOARD OF ALDERMEN

ITEM NO. C(11)

AGENDA ITEM ABSTRACT

MEETING DATE: November 17, 2009

TITLE: Request for Board Review of Banking Services RFP

DEPARTMENT: Management Services	PUBLIC HEARING: YES ____ NO <u>x</u>
ATTACHMENTS: A. Resolution B. Memo on Banking Services C. Banking RFP	FOR INFORMATION CONTACT: L. Bingham Roenigk, Management Services Nancy Emslie, Management Services

PURPOSE:

The banking services contract with Bank of America expires in February 2010. Staff has prepared a Request-For-Proposal (RFP) to solicit banking services. Staff has prepared the RFP with an understanding of the Board's interest in placing an emphasis on doing business locally. Staff requests approval of the RFP prior to sending it out to banks that serve Orange County residents.

INFORMATION:

While the Town is not required to bid banking services, it is recommended by the Local Government Commission (LGC) because it ensures that the Town banking needs can be awarded to the financial institution(s) that demonstrate they can handle the Town's business in the most cost-effective manner. The LGC recommends a formal bidding process consistent with the process proposed by staff. Upon completion of the bidding process, staff will request board approval for the winning bank bid in January, 2010.

Over the past year, the Board has sent a clear message to staff to consider working with local businesses to provide goods and services when practical. Staff, in considering all of its banking service needs, is reviewing ways in which it can place more business with local banks. Banking services, based on the Town's operational activity, is comprised of several different components: core banking services to enable day-to-day operations and financial transactions; debt financing; and investments. Each of these activities has specific laws and objectives to meet.

In pursuing core banking services, town staff is trying to maintain the current level of automated banking services and take advantage of any new technology to conduct financial transactions with the ultimate goal of maximizing reserves available to invest. The attached memo describes some of the banking services currently used by the Town. The winning bid must be a public depository and be able to conduct the volume of transactions managed by the Town in the current automated manner at minimum.

As the Board is aware, the Town also seeks competitive bids on debt financing to ensure the best interest rate. This process is a cost-effective way of minimizing the town's annual debt service costs. This past year, town staff solicited all known banks in Orange County for bids and received bids from local banks not previously solicited.

Investment of idle cash represents an opportunity to increase investment income and promote local banking relationships independent of the bank that may be selected for the core banking services. Staff is currently researching investment opportunities for the Town that meets state statutes and allow for the Town to have adequate cash flow for operational purposes. The ultimate goals, though of investments, is first safety, then liquidity, and then yield (income). At this time, staff is working on cash flow models to develop an understanding of when idle cash is available and how much to invest at any given time. A model that has been used by other NC local governments is one in which the Town considers committing a certain dollar amount to be invested in certificates of deposits (CDs) in local community banks. One specific criterion, a certain asset threshold, would exist to target smaller banks. There are other existing criteria that would apply to follow state statutes or to provide legal and administrative ease or protection in investments such as:

- Bank must be a public depository;
- Require all accounts to be collateralized using the Pooling Method on funds over \$100,000 in accordance with North Carolina Statutes;
- Meet standard minimum of 6% in capital adequacy ratio (a measure of fiscal health that looks at [capital + reserves set aside for loan losses]/ divided by [assets]); and
- Have a maximum asset threshold

Staff will come back to the Board for approval of the banking services contract in January. We will then follow up with the Board on other investment opportunities referenced above, and an update of the Town's cash management policy which dates back to the 1980's.

FISCAL IMPACT:

It is not known whether the cost of banking services will be affected. Staff is requesting information on banking services not currently provided such as remote deposits to see if efficiencies can be gained in daily deposit practices. Staff anticipates some transition costs if a change is made from the current service provider. Sufficient funds exist in the Management Services budget to address banking services.

STAFF RECOMMENDATION:

Accept the RFP for banking services enabling staff to move forward with the bidding process.