

BOARD OF ALDERMEN

ITEM NO. E(1)

AGENDA ITEM ABSTRACT MEETING DATE: September 7, 2010

TITLE: Request for Board Approval of a Banking Services Contract

DEPARTMENT: Management Services	PUBLIC HEARING: YES ____ NO <u>x</u>
ATTACHMENTS: A. Resolution B. August 24 th Agenda Item and Accompanying Attachments	FOR INFORMATION CONTACT: Arche L. McAdoo, Finance Director 918-7439 Nancy Emslie, Accounting Officer 918-7306

PURPOSE: The purpose of this agenda item is to approve a bank as the official depository for the Town and to authorize the Town Manager to execute all related contracts regarding banking services desired by the Town. This is a carryover matter from the August 24, 2010 Board meeting to give staff an opportunity to investigate the possibility of awarding a contract to Harrington Bank to become effective after satisfactory resolution of pending issues with the Office of Thrift Supervision (OTS). This would require continuation of the current contract with Bank of America beyond the current contract expiration date of September 30, 2010.

INFORMATION: This matter was considered by the Board on August 24, 2010 (see attached agenda abstract with accompanying information). After failure of a motion to award the banking services contract to Harrington Bank, Town staff was directed to explore the possibility of awarding the contract to Harrington with an effective date after satisfactory resolution of the pending OTS issues. This would require that the Town continue its banking services contract with Bank of America which is currently scheduled to expire on September 30, 2010. This contract had been extended for six months in March 2010 and to extend it again would need to be discussed with Bank of America. Staff has had this discussion and Bank of America is willing to extend the contract through December 31, 2010; and, thereafter they would provide services on a month-to-month basis if needed by the Town. Should this end up on a month-to-month basis, there is no guarantee that the cost of these services would continue at the established contract price.

Discussions on August 25 with Harrington Bank officials seemed to indicate they could not give any assurances as to when they would have final resolution with OTS. They obviously are anxious to complete the process. While it is possible to award the banking services contract to Harrington to be effective at some yet-to-be determined future date contingent upon their satisfactory resolution of the issues with OTS, a better approach might be to establish a deadline for Harrington to accomplish this process. If Harrington does not resolve these issues by the established deadline, then the Board could automatically award the contract to BB & T (assuming they are still interested and will maintain the terms quoted in the RFP response) without further action. Since Bank of America has agreed to extend its contract through December 31, 2010, it seems that would be a reasonable deadline. Even then, it will likely take a couple of months to transition to a new bank. This approach would allow the Town and the banks to move forward with a degree of certainty that does not currently exist. Obviously, if Board members remain concerned about Harrington Bank's lack of experience as a local government official

depository, the number of new employees in Management Services, etc., this approach does not resolve those concerns.

STAFF RECOMMENDATION: The Board is requested to consider the information above, along with information previously provided, and to direct staff to execute all contracts and agreements required for banking services with the designated bank.