

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: City Banking Services
DATE: November 16, 2004

Needs: For the City Council to consider continuing its banking services relationship with Heritage Oaks Bank.

Facts:

1. While not required, it has been the practice of Administrative Services to price the City's banking services every five years via formal RFP.
2. RFPs were distributed to eight banks with branch operations located in Paso Robles.
3. Three responses were received, Citibank, Heritage Oaks Bank and Wells Fargo Bank.
4. Results of the RFP were tabulated (copy enclosed) and were presented to the Council's ad hoc banking services committee, Councilmen Gary Nemth and Jim Heggarty.
5. Wells Fargo Bank's proposal was about \$1,500 less costly than the proposal submitted the City's current bank, Heritage Oaks Bank on an annual cost basis.
6. It was the ad hoc committee's recommendation that if it cost to make the switch from Heritage Oaks Bank to Wells Fargo Bank exceeded the \$1,500, the City should remain with Heritage Oaks Bank.

Analysis & Conclusion:

As noted above, the proposal submitted by Wells Fargo Bank is approximately \$1,500 annually or \$125 per month less costly than the proposal submitted by Heritage Oaks Bank for the first year.

However, it is conservatively estimated that the City would incur \$1,400 in direct costs plus an additional \$2,700 in staff time for a total of \$4,100 to undertake the change. Thus, the recommendation to remain with Heritage Oaks Bank.

The City has enjoyed an excellent relationship with Heritage Oaks Bank since engaging their services ten years ago. In fact, Heritage Oaks Bank has extended courtesies and

assistance that go far beyond simply providing banking services. For example, they have extended wire deadlines, cleared checks even when funds weren't available and modified their merchant teller operations to accommodate the City's needs. These aren't the type of courtesies that one would expect from a major bank which may be entrenched in "one process fits all".

Fiscal
Impact:

Staying with Heritage Oaks Bank would cost an additional \$1,500 annually or a total of \$7,500 over the next five years (subject to negotiations at mid-term for a fee adjustment). As noted above, the value of "cost avoidance" from not making a change would conservatively save \$4,100 reducing the net cost to remain with Heritage Oaks Bank to \$3,400 over five years or less than \$700 annually.

Options:

- a. **(1)** Continue the City's banking services relationship with Heritage Oaks Bank for an additional five years beginning January 1, 2005; **and**
 - (2)** Dissolve the ad hoc banking services committee as their work is complete.
- b. Amend, modify, or reject the above option.

Banking RFP FY 2004

Item	Heritage Oaks Bank				Wells Fargo Bank			
	Estimated Monthly Unit Volume	Total Monthly Fee	Estimated Total Annual Cost	Per Unit Cost	Estimated Monthly Unit Volume	Total Monthly Fee	Estimated Total Annual Cost	Per Unit Cost
Depository Services								
Monthly Maintenance Fee	1	15.00	180.00	15.00	1	16.00	192.00	12.00
ZBA Monthly Maintenance Fee	1	40.00	480.00	16.00	1	16.00	192.00	20.00
Checks Deposited - On You	805	80.50	988.00	0.08	805	64.40	772.80	0.06
Checks Deposited - In State	3,113	311.30	3,735.60	0.08	3,113	249.04	2,988.48	0.06
Checks Deposited - Out of State	1,168	116.80	1,401.60	0.08	1,168	93.44	1,121.28	0.105
Per Deposit	36	45.00	540.00	0.60	36	21.60	259.20	1.15
Currency/Coin Deposited - Per \$100	\$54,351.21	54.35	652.21	0.10	\$54,351.21	54.35	652.21	0.16
Deposit Correction - Per Item				3.00				5.00
Deposited Item Recleared - Per Item	6	0.60	7.20	5.00	6	30.00	360.00	1.25
Deposited Item Returned - Per Item	20	200.00	2,400.00	5.00	20	100.00	1,200.00	2.50
Paper Disbursement Services								
Checks Paid	711	85.32	1,023.84	0.08	711	56.88	682.56	0.08
12 Month Stop Payment - Per Item	1	12.50	150.00	15.00	1	15.00	180.00	6.00
General ACH Services								
Consumer Debits - Monthly Maintenance				.01/tran				25.00
EFTPS Federal Tax Payment by Phone	n/a			0.01	na/			2.50
Consumer Debits				0.01				0.06
Consumer Credits	58	11.60	139.20	0.01	58	0.58	6.96	0.06
Consumer Debits - Returns				2.00				2.50
Consumer Credits - Returns				2.00				2.50
Direct Deposit of Payroll - Per Transmission				5.00				5.00
Direct Deposit of Payroll - Per Item	542.00	108.40	1,300.80	0.01	542.00	5.42	65.04	0.06
Direct Deposit of Payroll - Returns				2.00				2.50
Wire & Other Funds Transfer Services								
Outgoing Wire - Per Item	7	87.50	1,050.00	25.00	7	175.00	2,100.00	6.50
Incoming Wire - Per Item	8	80.00	960.00	10.00	8	80.00	960.00	6.00

Banking RFP FY 2004

Item	Heritage Oaks Bank			Wells Fargo Bank		
	Estimated Monthly Unit Volume	Per Unit Cost	Total Monthly Fee	Estimated Monthly Unit Volume	Per Unit Cost	Total Monthly Fee
Transfer Between City Accounts - Per Item		5.00			5.50	
Payroll Tax Processing						
Charge per Transmission	3.00	n/a			2.50	
On-Line Corporate Cash Mgt Services						
Monthly Maintenance Fee	No Charge	10.00	10.00	No Charge	No Charge	
Imaged Item (CD rom) setup for hardware	No Charge			No Charge		
Monthly cost of CD rom	50.00	1	50.00	600.00	1	39.75
Check Copies - Per Item	0.10				3.50	35.00
Set-Up Fees/Other	No Charge				See below	
Corporate Credit Card Services						
Annual Fee - Per Card	0				10.00	44.00
Current Monthly % Rate	9.29%				prime + 4.8% (avg)	
Late Fee	See Below				See Below	
Merchant Bankcard						
Other Not Addressed in Tab N						
Safe Deposit Box	See below	1	95.00	1	0	110.00
Service Enhancements/Other						

Late Fee \$15 for balances < \$100
 \$25 for balances \$101-<\$1000
 \$35 for balances > \$1000

Safe Deposit Box 2" x 5" \$40/year
 5" x 10" \$65/year
 10" x 10" \$95/year

Late Fee \$29 on balances < \$500
 \$35 on balances > \$500

Safe Deposit Box 10" x 10" \$110/yr

Late Fee \$75

TOTAL ALL 15,681.45 12,439.53 10,916.26

**Banking RFP 2004
Transition Costs**

	<u>Annual Supply</u>
Check Stock, Deposit Slips, Endorsement Stamps, Reprogram Credit Card Machines	1,000.00
Wells Fargo Bank conversion allowance	(1,000.00)
RX Laser printer chips	350.00
Harris Computer Systems form activation charge	275.00
Harris Computer Systems programming charges @ \$200/hr estimate 4 hours	800.00
Total Supply/Costs	<u><u>1,425.00</u></u>

Staff Time:	Hours	Hrly Rate	Total Staff Time
Jody Dauth			
Order Supplies	2.00	23.83	47.66
Select transmission method and create test files for account reconciliation	4.00	23.83	95.32
Account set-up and reclear instruction set-up forms for account reconciliation	2.00	23.83	47.66
CD Rom imaging, set-up forms	1.00	23.83	23.83
Set up forms: account, operator, functions for internet services	4.00	23.83	95.32
Set-up forms and transmission specifications for Direct Deposit of Payroll	4.00	23.83	95.32
Test Direct Deposit file with CSTART	4.00	23.83	95.32
Martha Cowan			
Set-up forms and transmission specifications for Direct Deposit of Payroll	4.00	15.91	63.64
Create test Direct Deposit file	4.00	15.91	63.64
Test Direct Deposit file with CSTART	4.00	15.91	63.64
Cheri Adams			
Complete letters to provide account info to vendors/remitters	3.00	20.31	60.93
Ken Ellstrom			
Install Software for CD Rom imaging	1.00	27.53	27.53
Jennifer Sorenson			
Meet with Bank Representatives	2.00	41.04	82.08
Identify training requirements	1.00	41.04	41.04
Discuss services/functions requirements information reporting	1.00	41.04	41.04
Discuss stops, inquires, wires, ACH, Pos Pay	1.00	41.04	41.04
Complete set-up forms for on-line wires	2.00	41.04	82.08
Notify LAIF of new banking information	0.50	41.04	20.52
Establish wire templates (LAIF)	0.50	41.04	20.52
Set-up forms for Merchant Card services	1.00	41.04	41.04
Answer Questions and Direct City staff during the transition (3 hrs/week 11 wks)	33.00	41.04	1,354.32
Mike Compton			
Meet with Bank Representatives	1.00	53.46	53.46
Sign legal agreements	1.00	53.46	53.46
Sign signature cards	1.00	53.46	53.46
Total Staff Time			<u><u>2,663.87</u></u>