



Council Agenda Report

From: Mike Compton, City Treasurer
Deanne Purcell, Interim Director of Administrative Services

Subject: Commercial Banking Services

Date: March 7, 2017

Facts

1. While not a formal policy, it has been the practice of the City to distribute 'Request for Proposals' (RFP) for commercial banking services every five (5) years. The last RFP was distributed in 2011.
2. RFPs were distributed to all banks within the City having a full service branch.
3. There are seven (7) full service banks identified as follows:
 - Bank of America
 - Chase Bank
 - Founder's Bank
 - Heritage Oaks Bank
 - Pacific Western Bank
 - Rabo Bank
 - Wells Fargo
4. Credit unions and banks without full service branches were excluded.
5. The City received four (4) responses to the banking RFP:
 - Chase Bank
 - Heritage Oaks Bank
 - Pacific Western Bank
 - Wells Fargo Bank
6. Heritage Oaks Bank provided both the lowest gross and net cost to provide the desired banking services.

Options

1. Take no action;
2. Adopt the attached Resolution awarding the bid for commercial banking services to Heritage Oaks Bank;
3. Amend the foregoing option;
4. Refer back to staff for further analysis.

Analysis and Conclusions

The City's current banking services arrangement with Heritage Oaks Bank is based upon a "cost analysis" wherein each City banking transaction has a cost associated with it. This cost is offset by an "earnings credit rate" (ECR) based upon cash balances kept in the account. This is a common banking industry practice for cities. However, the City has the option to leave sufficient funds in its checking account to offset said fees. Given that the ECR provided by banks is so much lower than the yield on the City's investment portfolio, the City better served by paying the banking services fee.

For preparation of the RFP, data from the City's quarterly analysis statements from December 2015, March 2016, June 2016 and September 2016 was averaged in order to provide potential bidders data on which to bid. Their bid pricing was then applied towards the December 31, 2016 quarterly analysis data. The cost results including the application of the ECR are as follows:

| | <u>Servicing Costs</u> | <u>Earnings Credit</u> | <u>Net City Cost</u> |
|----------------------|------------------------|------------------------|----------------------|
| Chase Bank | \$ 1,626.08 | (100.75) | \$ 1,525.33 |
| Heritage Oaks Bank | \$ 697.13 | (1,464.18) | \$ (767.05) |
| Pacific Western Bank | \$ 1,802.00 | (732.09) | \$ 1,069.90 |
| Wells Fargo Bank | \$ 2,317.78 | (813.43) | \$ 1,504.35 |

It should be noted when the City's ECR exceeds the cost of services, the City does not receive the credit. All the banks except Heritage Oaks Bank proposed an ECR of .25% while Heritage Oaks Bank quoted a rate of .50%.

Based upon the RFP responses and staff's analysis, it appears that all of the proposers could adequately provide the banking services desired by the City. Thus, the final recommendation is based heavily upon the cost of desired banking services. Given the cost factors identified above, it is recommended that the City Council approve a five (5) year agreement with Heritage Oaks Bank with option for two (2) additional years at the option of the City.

Fiscal Impact

Heritage Oaks Bank gross cost (servicing costs) based upon the application of the quoted fees towards the December 2016 actual transaction activity is less than the next lowest cost by over 100%. Staff is using gross cost (servicing costs) because it is a rare occurrence when net cost is positive to the City. Due medical reasons, the City Treasurer was not available during most of December to manage the City's cash flow. Thus, more cash than normal was resided in the City's regular checking account.

Recommendation

That the City Council adopt the attached Resolution approving a five (5) year agreement with Heritage Oaks Bank with the option for two (2) additional one (1) extensions at the discretion of the City Treasurer or Director of Administrative Services.

It is further recommend that the City Treasurer or Interim Director of Administrative Services be authorized to execute said agreement subject to review by the City Attorney.

Attachments

1. Resolution No. 17-XXX
2. Cost Results Summary
3. Detailed Cost Analysis

RESOLUTION NO. 17-XXX

A RESOLUTION OF THE CITY OF EL PASO DE ROBLES
AWARDING CITY BANKING SERVICES TO
HERITAGE OAKS BANK

WHEREAS, City policy is to distribute a Request for Proposal for commercial banking services every five years; the last Request for Proposal was distributed in 2011; and

WHEREAS, requests for proposals (RFPs) were distributed to all banks with full service branch operations in Paso Robles; and

WHEREAS, the City received four responses that were evaluated based upon their ability to provide the desired service and the cost those services to be provided; and

WHEREAS, the proposal response received from Heritage Oaks Bank provided the lowest cost to the City for the desired banking services.

THEREFORE BE IT HEREBY RESOLVED by the City Council of the City of El Paso de Robles that the City's banking services be awarded to Heritage Oaks Bank.

BE IT FURTHER RESOLVED by the City Council of the Council of the City of El Paso de Robles that the City Treasurer and/or City Manager is authorized to execute a banking services agreement with Heritage Oaks Bank subject to approval by City Attorney.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 7th day of March 2017 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Steven W. Martin, Mayor

ATTEST:

Kristen L. Buxkemper, Deputy City Clerk

COST RESULTS SUMMARY

| <u>DECEMBER 2016</u> | <u>Heritage Oaks Bank</u> | <u>Chase Bank</u> | <u>Wells Fargo</u> | <u>Pacific Western</u> |
|--------------------------------------|----------------------------------|--------------------------|---------------------------|-------------------------------|
| Average Daily Ledger Balance | \$ 1,354,306.41 | \$ 1,354,306.41 | \$ 1,354,306.41 | \$ 1,354,306.41 |
| Less: Average Daily Float | (63,422.77) | (63,422.77) | (63,422.77) | (63,422.77) |
| Adjusted Average Collected Bal | 1,290,883.64 | 1,290,883.64 | 1,290,883.64 | 1,290,883.64 |
| Less: Legal Reserve (10%) | (129,088.36) | (129,088.36) | - | (129,088.36) |
| Average Available Balance | 1,161,795.28 | 1,161,795.28 | 1,290,883.64 | 1,161,795.28 |
| Divided by # of days in year | 3,183.00 | 3,183.00 | 3,536.67 | 3,183.00 |
| Times # Days in cycle | 292,836.07 | 292,836.07 | 325,373.41 | 292,836.07 |
| Less balance required to offset fees | | 7,907,116.67 | | |
| Net available balance | | (7,614,280.60) | | |
| Balance Earnings Allowance | 1,464.18 | 100.75 | 813.43 | 732.09 |
| Less: Services Cost Provided | (697.13) | (1,626.08) | (2,317.78) | (1,802.00) |
| Amount Charged by Bank | | | | |
| Positive/(Negative) | \$ 767.05 | \$ (1,525.33) | \$ (1,504.35) | \$ (1,069.90) |

| | <u>Servicing Costs</u> | <u>Earnings Credit</u> | <u>Net City Cost</u> |
|----------------------|-------------------------------|-------------------------------|-----------------------------|
| Chase Bank | \$ 1,626.08 | (100.75) | \$ 1,525.33 |
| Heritage Oaks Bank | \$ 697.13 | (1,464.18) | \$ (767.05) |
| Pacific Western Bank | \$ 1,802.00 | (732.09) | \$ 1,069.90 |
| Wells Fargo Bank | \$ 2,317.78 | (813.43) | \$ 1,504.35 |

DETAILED COST ANALYSIS

| DESCRIPTION | Four Quarter Data | | Pacific Western Bank | | | | Chase Bank | | | | Wells Fargo Bank | | | | Heritage Oaks Bank | | | |
|--|--------------------|-------------------|---|----------------------|-------------------------|-----------------------|---|-------------------------------------|-------------------------|-----------------------|-------------------------------------|----------------------|-------------------------|-----------------------|---|----------------------|-------------------------|-----------------------|
| | Four Quarter Total | Average Per Month | Monthly Fee | Estimated Annual Fee | Estimated Quarterly Fee | Estimated Monthly Fee | Monthly Fee | Estimated Annual Fee | Estimated Quarterly Fee | Estimated Monthly Fee | Item Fee | Estimated Annual Fee | Estimated Quarterly Fee | Estimated Monthly Fee | Item Fee | Estimated Annual Fee | Estimated Quarterly Fee | Estimated Monthly Fee |
| | | | | | | | | | | | | | | | | | | |
| Deposit Services: | | | | | | | | | | | | | | | | | | |
| Deposit Account Maintenance Fee | 24 | 2 | \$ 44.00 | \$ 528.00 | \$ 132.00 | \$ 44.00 | \$ 15.00 | \$ 360.00 | \$ 90.00 | \$ 30.00 | \$ 20.00 | \$ 480.00 | \$ 120.00 | \$ 40.00 | \$ 18.00 | \$ 432.00 | \$ 108.00 | \$ 36.00 |
| Sweep Account Maintenance Fee | | | | | | | | | | | | | | | | | | |
| Checks Deposited - On You | 697 | 58 | \$ 0.15 | \$ 104.52 | \$ 26.13 | \$ 8.71 | \$ 0.15 | \$ 169.20 | \$ 42.30 | \$ 14.10 | \$ 0.08 | \$ 55.76 | \$ 13.94 | \$ 4.65 | \$ 0.15 | \$ 104.55 | \$ 26.14 | \$ 8.71 |
| Checks Deposited - Local | | | | | | | | | | | | | | | | | | |
| Checks Deposited - Regional | | | | | | | | | | | | | | | | | | |
| Checks Deposited - Out of Area | | | | | | | | | | | | | | | | | | |
| Checks Deposited - Non charge | | | | | | | | | | | | | | | | | | |
| Night Drop - Disposable Bags | 12 | 1 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deposit Correction | | | | | | | | | | | | | | | | | | |
| Deposit Item Returned | 61 | 5 | \$ 8.00 | \$ 480.00 | \$ 120.00 | \$ 40.00 | \$ 10.00 | \$ 610.00 | \$ 152.50 | \$ 50.83 | \$ 12.00 | \$ 732.00 | \$ 183.00 | \$ 61.00 | \$ 5.00 | \$ 305.00 | \$ 76.25 | \$ 25.42 |
| Deposit Item Re-Cleared | | | | | | | | | | | | | | | | | | |
| Cash Deposited - Per \$1,000 | 654,675 | 54,556 | \$ 0.0015 | \$ 990.00 | \$ 247.50 | \$ 82.50 | \$ 0.0020 | \$ 1,336.68 | \$ 334.17 | \$ 111.39 | \$ 0.0080 | \$ 5,237.40 | \$ 1,309.35 | \$ 436.45 | \$ 0.001 | \$ 777.60 | \$ 194.40 | \$ 64.80 |
| Branch Deposits | 503 | 42 | \$ 1.30 | \$ 655.20 | \$ 163.80 | \$ 54.60 | \$ 1.50 | \$ 756.00 | \$ 189.00 | \$ 63.00 | \$ 1.00 | \$ 503.00 | \$ 125.75 | \$ 41.92 | \$ 0.2290 | \$ 115.20 | \$ 28.80 | \$ 9.60 |
| Paper Disbursement Services: | | | | | | | | | | | | | | | | | | |
| Checks Paid | 5,398 | 450 | \$ 0.18 | \$ 972.00 | \$ 243.00 | \$ 81.00 | \$ 0.20 | \$ 1,080.00 | \$ 270.00 | \$ 90.00 | \$ 0.20 | \$ 1,079.60 | \$ 269.90 | \$ 89.97 | \$ 0.15 | \$ 810.00 | \$ 202.50 | \$ 67.50 |
| Stop Payment (annual average/online) | | | | | | | | | | | | | | | | | | |
| Stop Payment On Line | | | | | | | | | | | | | | | | | | |
| Overdraft/NSF Charge | 4 | 0 | \$ 32.00 | | | | \$ - | \$ - | \$ - | \$ - | \$ 35.00 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Over Counter Debit | 1,014 | 85 | \$ 0.15 | \$ 183.60 | \$ 45.90 | \$ 15.30 | \$ 0.20 | \$ 204.00 | \$ 51.00 | \$ 17.00 | \$ 7.50 | \$ 7,605.00 | \$ 1,901.25 | \$ 633.75 | \$ 0.15 | \$ 153.00 | \$ 38.25 | \$ 12.75 |
| CCX Captured Item | 47,881 | 3,990 | \$ 0.18 | \$ 8,618.58 | \$ 2,154.65 | \$ 718.22 | \$ 0.15 | \$ 7,182.00 | \$ 1,795.50 | \$ 598.50 | \$ 0.08 | \$ 3,830.48 | \$ 957.62 | \$ 319.21 | \$ 0.01 | \$ 478.80 | \$ 119.70 | \$ 39.90 |
| CCX Deposit | 253 | 21 | \$ 0.01 | \$ 45.36 | \$ 11.34 | \$ 3.78 | \$ 0.80 | \$ 201.60 | \$ 50.40 | \$ 16.80 | \$ 0.75 | \$ 189.75 | \$ 47.44 | \$ 15.81 | \$ 0.01 | \$ 2.52 | \$ 0.63 | \$ 0.21 |
| General ACH Services: | | | | | | | | | | | | | | | | | | |
| Origination Monthly Fee | | | | | | | | | | | | | | | | | | |
| Consumer Debits - ACH Received | | | | | | | | | | | | | | | | | | |
| EFTPS Federal Tax Payments | 1 | 0 | | \$ - | \$ - | \$ - | | \$ - | \$ - | \$ - | | \$ - | \$ - | \$ - | | \$ - | \$ - | \$ - |
| Consumer Debits | 1,963 | 164 | \$ 0.12 | \$ 492.00 | \$ 123.00 | \$ 41.00 | \$ 0.10 | \$ 192.00 | \$ 48.00 | \$ 16.00 | \$ 0.155 | \$ 304.27 | \$ 76.07 | \$ 25.36 | \$ 0.12 | \$ 236.16 | \$ 59.04 | \$ 19.68 |
| Consumer Credits | 1,815 | 151 | \$ 0.12 | \$ 453.00 | \$ 113.25 | \$ 37.75 | \$ 0.13 | \$ 235.56 | \$ 58.89 | \$ 19.63 | \$ 0.20 | \$ 363.00 | \$ 90.75 | \$ 30.25 | \$ 0.12 | \$ 217.44 | \$ 54.36 | \$ 18.12 |
| Consumer Debits - Returned | | | \$ 0.05 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Consumer Credits - Returned | | | \$ 0.05 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| ACH - Notice of Change | 62 | 5 | \$ 0.05 | \$ - | \$ - | \$ - | \$ 3.00 | \$ 186.00 | \$ 46.50 | \$ 15.50 | \$ 6.00 | \$ 372.00 | \$ 93.00 | \$ 31.00 | \$ 0.05 | \$ 3.00 | \$ 0.75 | \$ 0.25 |
| Direct Deposit - Payroll Per Transmission | | | | | | | | | | | | | | | | | | |
| Direct Deposit Payroll - Per Item | 18,033 | 1,503 | \$ 0.05 | \$ 901.65 | \$ 225.41 | \$ 75.14 | \$ 0.13 | \$ 2,344.68 | \$ 586.17 | \$ 195.39 | \$ 0.155 | \$ 2,795.12 | \$ 698.78 | \$ 232.93 | \$ 0.05 | \$ 901.80 | \$ 225.45 | \$ 75.15 |
| Direct Deposit Payroll - Returns | | | | | | | | | | | | | | | | | | |
| Wire & Other Funds Transfer Services: | | | | | | | | | | | | | | | | | | |
| Outgoing Wire - Out Going | 102 | 9 | \$ 10.00 | \$ 1,020.00 | \$ 255.00 | \$ 90.00 | \$ 7.00 | \$ 714.00 | \$ 178.50 | \$ 63.00 | \$ 13.00 | \$ 1,326.00 | \$ 331.50 | \$ 110.50 | \$ 25.00 | \$ 2,550.00 | \$ 637.50 | \$ 212.50 |
| Incoming Wire - Incoming | 96 | 8 | \$ 10.00 | \$ 960.00 | \$ 240.00 | \$ 80.00 | \$ 8.00 | \$ 768.00 | \$ 192.00 | \$ 64.00 | \$ 15.00 | \$ 1,440.00 | \$ 360.00 | \$ 120.00 | \$ 10.00 | \$ 960.00 | \$ 240.00 | \$ 80.00 |
| Transfer Between City Accounts | | | | | | | | | | | | | | | | | | |
| Additional Services: | | | | | | | | | | | | | | | | | | |
| Miscellaneous | | | \$ - | \$ 1,260.00 | \$ 315.00 | \$ 105.00 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Overhead Assessment | 4 | 0 | \$ 50.00 | \$ 600.00 | \$ 150.00 | \$ 50.00 | \$ - | \$ - | \$ - | \$ 55.14 | \$ - | \$ - | \$ - | \$ - | \$ 0.006 | \$ 102.44 | \$ 25.61 | \$ 8.54 |
| ACH Origination - Monthly Fee | 12 | 1 | \$ 35.00 | \$ 420.00 | \$ 105.00 | \$ 35.00 | \$ 20.00 | \$ 240.00 | \$ 60.00 | \$ 20.00 | \$ 125.00 | \$ 1,500.00 | \$ 375.00 | \$ 125.00 | \$ 18.00 | \$ 216.00 | \$ 54.00 | \$ 18.00 |
| On line Services - Monthly Service Fee | | | | | | | | | | | | | | | | | | |
| Access Fee - Monthly Service | | | | | | | | | | | | | | | | | | |
| Access Fee - Accounts Reported | | | | | | | | | | | | | | | | | | |
| Access Fee - Transactions Reported | | | | | | | | | | | | | | | | | | |
| Notice of Email Change | | | | | | | | | | | | | | | | | | |
| Courier - 5 Days Week | 12 | 1 | \$ 200.00 | \$ 2,400.00 | \$ 600.00 | \$ - | \$ 200.00 | \$ 2,400.00 | \$ 600.00 | \$ - | \$ 200.00 | \$ 2,400.00 | \$ 600.00 | \$ - | \$ 108.00 | \$ 1,296.00 | \$ 324.00 | \$ - |
| Total Monthly Fees | | | | | | 1,802.00 | | | | 1,626.08 | | | | 2,317.78 | | | | 697.13 |
| Fee Changes: | | | | | | | | | | | | | | | | | | |
| Earnings Credit | | | | | | | 1% | Changes at any time based on market | | 0.25% | Changes at any time based on market | | 0.25% | | Fixed for 3 yrs. Then negotiated | | | 0.25% |
| | | | | | | | | | | | | | | | < \$99,999.99 | | | 0.40% |
| | | | | | | | | | | | | | | | < \$249,999.99 | | | 0.50% |
| | | | | | | | | | | | | | | | > \$249,999.99 | | | 0.50% |
| Average Daily Ledger Balance | 6,193,634.59 | 516,136.22 | Average daily ledger balance less 10% reserve | | | | Average daily ledger balance less 10% reserve | | | | Does NOT deduct a reserve amount | | | | Average daily ledger balance less average daily float and 10% reserve | | | |
| Less: Average Daily Float | 375,670.83 | 31,305.90 | | | | | | | | | | | | | | | | |
| Adjusted Average Collected Balance | 5,817,963.76 | 484,830.31 | | | | | | | | | | | | | | | | |