



Request for Council Action

TO: Mayor and City Council
THROUGH: Finance Committee
Tim Murray, City Administrator
FROM: Karla McCall, Finance Director
MEETING DATE: October 23, 2018
SUBJECT: Approve Request for Proposals for Banking Services

Discussion:

Banking services have changed dramatically over the past five years, allowing many services to be performed electronically through advanced technology solutions. The banks located within Faribault have differing views about holding the City's cash and investments due to the economic recession and changes in regulations governing banking. This makes it difficult for local banks to be viable options for primary banking relationships with the City.

The Community Management Plan states that, "Every three years the City shall request proposals for checking account services from local financial institutions. The proposals shall be evaluated on the financial basis of safety and economic benefit to the City. The City's checking account shall then be established with the institution submitting the proposal that best meets the needs of the City of Faribault. (Res. 88-212)". This policy statement dates back to 1988 and should be updated to take into consideration the many changes in the banking industry since the late 80s.

The draft request for proposal (RFP) document that is attached was reviewed by the Finance Committee on October 16, 2018, and was recommended to be brought forward for approval and distribution. The format is similar to the standard proposal recommended by the Government Finance Officers Association and utilized by other cities. The City has been using Wells Fargo bank since January 2011 and has been pleased with the services provided. The final RFP will be sent to all the local banks and questions will

be directed to the Finance Department. The proposals will be evaluated and taken to the Finance Committee for recommendation to the City Council.

Recommendation:

The Finance Committee and Staff recommend using the attached Request for Proposals to evaluate and select the primary banking institution for the City of Faribault.

Attachments:

- Request for Proposal for Banking Services

CITY OF FARIBAULT



REQUEST FOR PROPOSALS – BANKING SERVICES

Introduction

A. Background

The City of Faribault (City) is currently seeking proposals from qualified banks (banks, trust companies or national banking associations) located and/or authorized to do business in the State of Minnesota, to provide banking. The City will only contract with firms that do not discriminate against employees or application for employment because of race, creed, color, national origin, sex age, disability, marital status, sexual orientation, citizenship status, or statute with regard to public assistance, under the Minnesota Human Rights Act, Minnesota Statutes Chapter 363.

The City encompasses an area of approximately 15.6 square miles and has a current population of 23,415. The City operates under a home rule charter adopted in 1975 and operates under a Council/Administrator form of government.

The City is governed by an elected body consisting of a Mayor and six Council members. The Mayor and Council members are elected at large. All serve four year staggered terms. Annual operating revenues and expenditures for the City approach \$33 million. The City currently maintains the following accounts and services with one financial institution:

- Primary Checking Account
- Secondary Checking Account (Used for Credit Card Settlements)

The City makes extensive use of banking services to concentrate, manage and disburse funds. The City intends to select one financial institution to provide those banking services. A description of the required services is included in "Section B."

B. Purpose and Scope

The City of Faribault is soliciting proposals for a primary banking relationship with an institution that operates a branch within the City of Faribault, Minnesota. The objective is to identify the banking institution that can offer the most comprehensive services at the most competitive rates. The institution must be able to offer the full range of banking services required by this Request for Proposal (RFP).

The following is a listing of mandatory services THE CITY requires of its financial institution:

- Checking accounts

- ACH debit/credit services
- Credit/Purchasing Card services
- Direct deposit for payroll
- Banking supplies
- Night depository services
- Overdraft protection
- ACH exception/return reporting
- On-line image retrieval of checks
- On-line stop payments
- On-line wire transfers
- Positive Pay on checking accounts
- ACH fraud detection
- Digitized storage of paid checks and statements
- Monthly account statements – issued on a calendar month basis
- Bill Pay/Ebox
- Appropriate deposit insurance according to FDIC/NCUA regulations for public unit
- Excellent customer service and response

The following is a listing of desirable or future services that may be requested:

- Remote deposit/check scanning capability/data equipment compatibility

Credit card merchant services is not included in this RFP.

C. Current Services

The following section provides an overview of current services. Please refer to the City of Faribault Statistics and Bank Fees Illustration sections beginning on page 12 for more detailed information on average volumes and balances.

Checking Accounts

The City of Faribault utilizes two checking accounts: 1) the primary checking account receives regular deposits of cash, checks, wires, ACH, and credit card payment settlements from various sources including tax revenue, state and federal grants, utility service payment and cash received from other services. This account is also used for disbursements via check, and ACH for vendor payments and payroll direct deposit. 2) a secondary checking account for ACH utility customer payments made from on-line credit card payments is also maintained.

City of Faribault – Request for Proposal, Banking Services

ACH Credit Services

The City of Faribault processes a direct ACH credit batch monthly for the receipt of customer payments. The City currently uses the primary bank to process ACH transactions and a daily direct ACH credit batch for customer payments through the on-line utility billing payment system. The City utilizes two, 3rd party, vendors to process on-line utility payments and credit card payment received at the Community Center and Aquatic Center.

ACH Debit Services

The City of Faribault processes a direct ACH debit batch weekly for payments to vendors enrolled in the direct deposit option.

Credit/Purchasing Card Services

The City provides credit cards for approximately 12 employees to be used for travel, on-line purchases and other incidental expenditures. Typical total monthly purchasing volume is \$6,000-\$8,000.

Remote Deposit/Check Scanning Capability/Data Equipment Compatibility

The City is in the process of considering remote deposit using check scanning equipment. It would be desirable for the banking institution to have remote deposit compatibility.

Direct Deposit for Payroll

All employees are required to have direct deposit. There are currently approximately 240 employees paid through bi-weekly payrolls. The summer months are typically higher averaging around 310 employees. Paydays are typically on Fridays, unless a holiday occurs (payday is then the previous working day).

Banking Supplies

Current practice is to purchase deposit slips from the bank. If coin rolling is required, the bank must also provide the rolling papers.

Night Depository Services

Daily deposits include cash and checks. The City of Faribault uses night depository services during the summer when its Aquatic Center is open. The City of Faribault utilizes locked zipper bags for these Aquatic Center deposits.

City of Faribault – Request for Proposal, Banking Services

Overdraft Protection

The City of Faribault currently maintains all operating funds within the general checking account, so overdraft protection is not an issue. If a separate savings or similar account is used to maximize interest earnings, the City is interested to hear what overdraft protection is available to avoid charges if a transfer is inadvertently missed.

ACH Exception / Return Reporting

The City of Faribault receives information on ACH returns via email. It is important to receive adequate information from the institution so the customer payment can be easily identified and issues resolved.

Online Image Retrieval of A/P Checks

This service is used occasionally and mainly for individual requests or circumstances.

Online Stop Payments

This service is rarely used. The City of Faribault uses this service to stop payment primarily on lost checks.

Online Wire Transfers

This service is used one to two times per month. Dual authorization is used for wire transfer approvals.

Positive Pay on Checking Accounts

This service only applies to the primary checking account. The City of Faribault utilizes payee positive pay so checks presented for payment must match the check number, dollar amount, and vendor. Vendor checks are typically issued every two weeks in conjunction with City Council meetings and a small number of checks are issued on all other weeks.

ACH Fraud Detection

Certain vendors draw funds from the City's primary checking account and are verified through this service.

Monthly Account Statements

Paperless statements are preferred, with online access for various users. Calendar month statements are required to align with the City of Faribault's fiscal periods.

Short-Term and/or Long-Term Investment Opportunities

City of Faribault – Request for Proposal, Banking Services

Due to low interest rates on savings accounts, The City currently maintains operating cash in the primary checking account. The City is interested in other investment options available that would maximize return on available funds.

Excellent Customer Service and Response

The City of Faribault’s current institution provides excellent service, so the standard has been set high.

D. Proximity

Your institution must operate a branch within the City of Faribault, Minnesota that will be able to offer the full range of banking services required by the RFP.

E. Proposal Format

The proposal must be completed in its entirety. Any relevant supplemental information should be included as attachments. If an institution cannot meet a service requirement, the institution should enter “No Proposal” for the specific requirement.

F. Contact

Proposals must be clearly marked “Banking Services – City of Faribault” or similar. Electronic proposals are acceptable and encouraged. Paper proposals should be mailed to the address shown below. Acknowledgement of proposal receipt will be provided.

Karla McCall, Finance Director
City of Faribault
208 1st Avenue NW Faribault, MN 55021
kmccall@ci.faribault.mn.us
507-333-0345

Questions pertaining to the specific requirements and content of this RFP should be in written form and directed to Karla McCall. Refer to Timeline below for deadline dates.

G. Timeline (Subject to Change)

October 24, 2018	RFP distributed to institutions
November 12, 2018, 5:00 pm CST	Proposals due from institutions
Scheduled as Needed	Oral presentation, if necessary
November 20, 2018	Review by Finance Committee
November 27, 2018	Council approves institution

The conversion date will be determined as mutually agreed upon.**

**If applicable. Not necessary if no change in banking relationship.

Response to Request for Proposal for Banking Services

Please address the following items within the RFP response.

A. Safety and Soundness

Provide the following financial information:

- Audited Financial Statements for the most recent fiscal year (copy or internet link)
- Your institution's ratings from one of the following rating agencies: Moody's, Standard & Poor's and Fitch
- FDIC Composite rating
- A statement regarding any recent or foreseen merger or acquisition
- Full collateralization, in excess of balances insured by the FDIC, as per the City's investment policy and State requirements.

B. Institution Personnel & Contacts

Provide a primary relationship manager who will serve as a central point of contact who understands the needs of the City of Faribault and can offer recommendations for service improvement.

Provide the names of individuals, with phone numbers and e-mail addresses, who would be the City's contacts for the proposed services and their areas of responsibility including their specific experience relative to the request for proposal requirements.

Provide the address of the office location that will service the account.

C. Customer Service

Describe your institution's customer service philosophy and organizational structure and provide meaningful examples to illustrate.

D. Disaster Recovery

Describe the procedures established for disaster recovery in the event of a systems failure or other disaster at the institution's primary processing site.

E. References

Provide names, titles, phone numbers and email of Two (2) Public Sector references of customers who have used services similar to those included in this request, preferably within our industry or with comparable volumes.

F. Implementation

1. Provide a detailed description of the implementation process, including testing, and a sample implementation schedule.
2. Will an implementation manager/team be assigned?
3. What is the average lead-time required for implementation, including but not limited to the following services?
 - a. Account Opening
 - b. Deposit Ticket Orders and Endorsement Stamps
 - c. Information Reporting
 - d. Other
4. Describe support provided during implementation, including training, technical assistance, user manuals and on-site visits.

G. Bank Compensation

1. Does the institution accept compensation in fees, balances, or a combination of the two?
2. What is the due date for bank fees and what is the process for paying those fees?
3. Describe the method used to calculate the earnings credit rate (ECR).
4. What has the institution's ECR been for the last six months?
5. How often are bank fees and earnings credit rates adjusted?
6. How long will you guarantee quoted rates and fees?
7. Is there a reserve requirement deduction? What is the calculation for a reserve requirement?
8. How does the institution charge for non-sufficient fund checks deposited?
9. How does the institution charge for stop payment requests?
10. How do you determine and calculate availability of deposited items?

11. Provide a fee schedule that outlines the fees associated with all services requested.

H. Online Internet Services

1. Provide a detailed overview of your internet business portal services and capabilities.
2. Provide a fee schedule that outlines the fees associated with this service.

I. Depository Services

1. Describe the institution's branch, night drop, vault (via armored courier) service options.
2. What is the cut-off time to ensure same day ledger credit?
3. Do you accept loose and/or rolled coin for deposit at branch and night drop locations?
4. Provide an availability schedule for all deposit service options.
5. Does the customer order deposit tickets and other supplies through the institution or directly from a vendor?
How are the charges handled?
6. What types of deposit bags do you allow/require?
7. Does the institution identify and adjust all discrepancies? Describe the documentation provided for deposit discrepancies.
8. Describe security at the cash vault center. What fraud prevention procedures are in place?
9. Provide a fee schedule that outlines the fees associated with this service.

J. Return Item Processing

1. Can return items be automatically redeposited? If so, how many times?
2. Provide the institution's standard return item and re-clear processing instructions.
3. Provide a fee schedule that outlines the fees associated with this service.

K. Stop Payment Services

1. Provide stop payment services.

L. Remote Deposit Services

1. Provide a brief description and general workflow of your remote deposit service capabilities.
2. Provide a fee schedule that outlines the fees associated with this service.

M. Positive Pay Services

1. Provide a brief description of the service, including data transmission methods and time windows.
2. What is the cut-off time for making decisions on exceptions?
3. How does the City notify the institution of voided and stop payment checks?
4. Does your institution have payee verification?
5. How does the institution handle exception ("paid not issued") items?
6. Provide a fee schedule that outlines the fees associated with this service.

N. ACH Processing

1. Describe which ACH origination methods are available (e.g. direct transmission, on-line, or other).
2. What are the hours of operation of your ACH processing unit?
3. Provide a schedule of days the institution's processing centers will be closed.
4. Explain the cut-off times, relative to Settlement Date, for customer initiation of ACH entries. Please specify cut-off time differences between credits and debits (if applicable).
5. Describe your ACH fraud prevention services.
6. Describe the procedures used to verify accurate and secure receipt of transmissions.
7. Can the institution automatically redeposit items returned for insufficient or uncollected funds?
8. How does the institution handle file, batch, and item reversals and deletions?
9. Provide a fee schedule that outlines the fees associated with this service.

O. Bill Pay (Ebox)

City of Faribault – Request for Proposal, Banking Services

1. Is the institution able to accept ACH batches received through our customers' bill pay services at their own banks? These batches should include the capability of import of an Excel file into the City of Faribault's software system (Springbrook) for integrations.

P. Wire Transfers

1. Briefly describe all domestic wire transfer initiation products currently supported by the bank.
2. For each method listed above, describe the process of initiation, approval and release.
3. Does your institution have the capability to require different levels of requestor/approval for wires and/or ACH payments?
4. Does your institution have the ability to create and store recurring/repetitive wire instructions/templates?
5. Does your institution have the ability to create and store future-dated wire instructions?
6. What are the cutoff times for initiating domestic wire transfers to ensure same day settlement?
7. Provide a fee schedule that outlines the fees associated with this service.

Q. Credit/Purchasing Card Services

1. Describe your purchasing card services.
2. Describe your online management processes: new card issuance, deletion, replacing, modifying, etc.
3. Describe card control and usage restriction options.
4. Describe interface options with internal financial systems, specify interface requirements.
5. Describe notifications, e.g. email when a decline occurs for any user.
6. Describe your fraud protection policy and procedures.
7. Provide a fee schedule that outlines the fees associated with this service.

R. Direct Deposit for Payroll

1. Describe the requirements, deadlines and process for ACH transactions.

2. When will the funds be drawn from the City's account?
3. When will the funds be available in participating institutions?
4. Describe the testing process for ACH transactions.
5. Provide a fee schedule that outlines the fees associated with this service.

S. Errors and Adjustments

1. Describe your adjustment process for resolving deposit discrepancies.
2. At what dollar amount do you write off discrepancies?
3. Do you adjust the deposit amount or process an adjusting debit or credit?
4. Provide a fee schedule that outlines the fees associated with this service.

T. Investments

1. What investment options does your institution offer?
2. Does the institution provide sweep vehicles for the investment of excess balances? If so, describe the functionality of the sweep.
3. How is the investment account linked to the operation (checking) account?
4. Is the investment account accessible on-line?

U. Security/Protection Measures

1. What security features are in place to minimize the risk of unauthorized transactions?
2. Provide a fee schedule that outlines the fees associated with this service.

V. Competitive Position and Future Commitment

1. What differentiates your service from other providers?
2. How do you plan to keep your products current and competitive?

W. Miscellaneous Services

1. List in your proposal any other services provided by your institution that would be beneficial to the City of Faribault.
2. List and discuss any:
 - special conditions
 - other fees not provided in previous sections
 - online training and resources
 - deviations from the requested scope
 - other services not provided in previous sections

Evaluation of Proposals

A. Acceptance / Rejection

The City of Faribault reserves the right at its sole discretion to accept or reject any or all proposals in part or in total, as deemed to be in the best interest of the City, and to waive all minor irregularities in the proposal process. The City may also request additional information or clarification from proposing institutions if deemed necessary.

The issuance of this RFP does not obligate the City to purchase services. The final selection, if any, will be that proposal which in the opinion of the City best meets the requirements set forth in this RFP, and is in the best interest of the City.

B. Evaluation Criteria

The contract awarded will be based upon many factors including, but not limited to: service, cost, location, financial strength, technology and innovation. No single factor will determine the final decision. THE CITY will review all proposals according to the following criteria (in no particular order):

- Understanding the needs and operation requirements of the City
- Responsiveness to the RFP's specifications and requirements
- The sufficiency of the financial resources and ability of the institution to perform the required and desired services
- Bank and branch locations for General Banking Services
- Responses of client references
- The reputation, financial stability and longevity of the institution
- The quality, availability, and adaptability of the services to the particular needs required
- Cost of the services provided

City of Faribault – Request for Proposal, Banking Services

- The value of any new product or service suggestions or other new ideas and enhancements
- The institution’s fee structure

Please note: Costs and fees of banking services, although a significant factor, may not be the deciding factor. Cost will be particularly important when all other evaluation criteria are relatively equal.

C. Awarding of Banking Services

The City Council will award the Banking Services upon the review and recommendation of the Finance Committee at the Council meeting on November 27, 2018 beginning at 6:00 pm.

City of Faribault Statistics

GENERAL OPERATING FUND:	
Average cash deposited per month	\$60,667
Average # of payroll direct deposits per month	902
Average # of AP checks per month	356
Average # of out-going wires per month	1
Average # of all transactions per month	7500
Average daily balance	\$3,491,887
Average # of customer checks deposited per month	1600
Average # of check batches for deposit per month	21

CREDIT CARD SETTLEMENT ACCOUNT:	
Average # of all transactions per month	47
Average daily balance	\$56,000

Bank Fees Illustration – please complete.

Note: Average Monthly Volume/\$ reflects a typical month of the City activity. This schedule may be completed and submitted on an Excel spreadsheet.

Fee Description	Average Monthly Volume/\$	Fee Rate	Extended Cost
PRIMARY CHECKING ACCOUNT			
ACH CEO FRAUD FILTER REVIEW - ITEM	1		
ACH CEO FRAUD FILTER REVIEW MO BASE	1		
ACH CEO RETURN SUBSCRIPTION-ACCOUNT	4.33		
ACH CEO RETURN SUBSCRIPTION-ITEM	4.58		
ACH CEO SUBSCRIPTION - ACCOUNT	2		
ACH CEO SUBSCRIPTION - ITEM			
ACH CUSTOMER REPORTS			
ACH DELETE - ITEM			
ACH DELETE/REVERSE - BATCH/FILE			
ACH EXCEPTION PROCESS-DUPLICAT FILE	.08		
ACH PAYMENTS ONLINE BATCH RELEASE	8.83		
ACH RECEIVED ADDENDA	62.92		
ACH MONTHLY BASE	3.00		
ACH NOC – INFO REPORTING ADVICE	.58		
ACH TWO DAY ITEM	366.75		
ACH ONE DAY ITEM	1746.08		
ACH SAME DAY	98.67		
ACH RECEIVED ITEM	106.00		
ACH RETURN ADMIN –ELECTRONIC	1.25		
ACH RETURN ITEM – DISHONORED			
ACH RETURN ITEM-ELECTRONIC	.92		
ACH RETURN UNAUTHORIZED –ELECTRONIC	.08		
ACH RETURN UNAUTHORIZED QUALITY FEE	.08		
ACH REVERSAL – ITEM			
ACH TRANSMISSION CHARGE			
ADMIN RETURN ITEM – CHARGEBACK	.17		
ADMIN RETURN ITEM-REPAIRED ACH ITEM	.08		
ARP AGED ISSUE RECORDS ON FILE-ITEM	917.83		
BANK CONFIRMATION AUDIT REQUEST			
BRANCH/STORE/NIGHT DROP DEPOSIT	29.83		
CASH DEPOSITED IN BRANCH/STORE	48719.33		
CASH ORDER FEE IN A BRANCH	85.00		
CEO BASIC BANKING – MONTHLY BASE	1.00		
CEO BASIC BANKING ADDL ACCT-MO BASE	3.25		

City of Faribault – Request for Proposal, Banking Services

Fee Description	Average Monthly Volume/\$	Fee Rate	Extended Cost
CEO REGISTER INPUT – ITEM	305.17		
CEO EVENT MESSAGING SERVICE – EMAIL	23.92		
CEO BASIC BANKING - TRANSFER	1.17		
CEO RETURN ITEM RETRIEVAL - IMAGE	1.33		
CEO RETURN ITEM SERVICE MONTHLY BASE	1.00		
CEO SEARCH	6.58		
CEO E-BOX REPORT - ITEM	686.25		
CEO E-BOX RPT SUBSCRIPTION MONTHLY BASE	1.00		
E-BOX MONTHLY MAINT (W/CROSS REF)	1.00		
COMMERCIAL CARD CCER MONTHLY BASE	1.00		
COMMERCIAL CARD USER FEE	.50		
COMMERCIAL CARD ISSUANCE	1.25		
COMMERCIAL CARD PROGRAM MAINT FEE A	1.00		
COMMERCIAL CARD SET UP	.08		
COMMERCIAL CARD TRANSACTION	44.11		
CURRENCY FURNISHED BY BRANCH OCCASIONS			
DDA CHECKS PAID	294.17		
DEBITS POSTED	32.67		
DEPOSITED CHECK	1244.67		
DEPOSITED CHECKS - ON US	711.83		
ELECTRONIC CREDITS POSTED	76.08		
ONLINE IMAGE VIEW < 90 DAYS - ITEM	.83		
ONLINE IMAGE VIEW > 90 DAYS - ITEM	1.00		
PER CHANG ORDER FEE IN BRANCH/STORE	.50		
POSITIVE PAY EXCEPTION – CEO IMAGE	.25		
POSITIVE PAY ONLY - ITEM	304.50		
POSITIVE PAY ONLY MONTHLY BASE	1.00		
POSITIVE PAY EXCEPTION - ITEMS	1.50		
RETURN ITEM CONVERTED CHK CHGBK IRD	.83		
RETURN ITEM CONVERTED CHK REDEPOSIT	1.17		
RETURN ITEM REDEPOSITED	.75		
ROLLED COIN ORDERED IN BRANCH/STORE	1.00		
SMART DECISION ACH TRANSIT	1172.08		
SMART DECISION MONTHLY BASE	1.00		
STOP PAYMENT - ONLINE	.33		
WIRE MAIL CONFIRMATION	.67		
WIRE IN DOMESTIC	.67		
WIRE-OUTGOING DOMESTIC-CEO	.67		
ZERO BALANCE MASTER ACCOUNT MAINT			

City of Faribault – Request for Proposal, Banking Services

Fee Description	Average Monthly Volume/\$	Fee Rate	Extended Cost
CREDIT CARD SETTLEMENT ACCOUNT			
DEBITS POSTED	7.00		
ONLINE TRANSFERS BETWEEN ACCOUNTS	1.00		
ELECTRONIC CREDITS POSTED	51.00		