

CITY OF PALMER
ACTION MEMORANDUM NO. 12-071

Subject: Authorize the City Manager to Negotiate and Execute a Three-Year Contract with First National Bank Alaska to Provide Banking Services

Agenda of: October 23, 2012

Council Action: Authorized _____

Approved for presentation by:

City Manager *J Douglas B. Griffin*
City Attorney _____
City Clerk *JR*

Certification of Funds:

Total amount of funds listed in legislation:	\$	<u>Variable dependant on fees and balance</u>
This legislation (√):		
<input type="checkbox"/>	Has no fiscal impact	
Creates:		
<input checked="" type="checkbox"/>	A negative fiscal impact in the amount of:	\$ _____
<input type="checkbox"/>	A positive fiscal impact in the amount of:	\$ _____
<input checked="" type="checkbox"/>	Funds are budgeted from this (these) line item(s):	
	➤ 01-01-10-6029	\$ _____
	➤	\$ _____
	➤	\$ _____
<input type="checkbox"/>	Funds are not budgeted. Budget modification is required. Affected line item(s):	
	➤	\$ _____
	Unrestricted/undesignated fund balance (after budget modification)	\$ _____
	Director of Finance signature certifying funds:	<u><i>[Signature]</i></u>

Attachment(s):

- Addendum 1
- Banking Service RFP 12-01F

Summary statement: Pursuant to Section 3.21.170 of the City Code, a Request for Proposals for banking services was issued on August 26, 2012. The proposal required banking institutions to provide working bank depository and related banking services.

The City received three responses by the admission deadline of September 20, 2012 at 2 P.M. The respondents were First National Bank Alaska (current banking service provider), Key Bank Alaska and Wells Fargo Bank. The City's current banking services contract expires on October 31, 2012.

The evaluation committee consisted of the City's Controller and the Accounting Technician I from the Finance Department; and the City Manager. The evaluation was based on the ability to provide the type and quality of services requested in the proposal, prior experience serving local governments, cost of banking services, and required compensating balance, investment earning rate and the closing time of transactions. Also, per Palmer Municipal Code 3.34, the City requires collateralization by a third party custodian evidenced by safekeeping receipts and statements.

All three banking institutions are authorized to do business in Alaska. Each banking institution had locations with in the City of Palmer and accepted deposits on a daily basis. They also all had prior experience serving local governments and provided third party collateralization.

The determining factors came down to the cost of banking services and the required compensating balance. A proposal quotation form was provided in the RFP of current monthly banking transactions with each banking institution providing monthly cost with corresponding compensating balance requirements. The total monthly cost and the total compensating balance per banking institution are shown below.

<u>Banking Institution</u>	<u>Monthly Banking Services</u>	<u>Compensating Balance</u>
First National Bank Alaska	\$484.64	\$1,589,477
Key Bank Alaska	\$576.79	\$2,339,198
Wells Fargo Bank	\$542.18	\$2,133,723

The City of Palmer had an average balance of \$1,761,472 a month for the first six months of 2012. This balance varies during the summer construction season and with the delay of grant reimbursements. In the best interest of the City, the evaluation committee recommends authorizing the City Manager to renew the banking services contract with First National Bank Alaska for another three (3) years, based on the cost of banking services and the compensating balance required to offset the cost.

Administration recommendation: Approve action memorandum 12-071.

Addendum No. 1
To
City of Palmer
Banking Services
12-01F

RFP 12-01F is hereby amended as follows:

II. Bid Due Date

Three copies of each bid are to be received by the City of Palmer Clerk no later than 2:00 P.M., September 20, 2012 at City of Palmer City Hall, 231 W. Evergreen Ave., Palmer, AK 99645.

City Of Palmer

REQUEST FOR PROPOSAL

FOR

**Banking Services
12-01F**

November, 2012

**CITY OF PALMER
231 W. EVERGREEN AVENUE
PALMER, AK 99645**

Request for proposal issued 08/26/2012

Due Date for proposal 09/13/2012 @ 2:00 P.M.

I. Introduction

The City of Palmer has a banking services agreement that expires on October 31, 2012. We are requesting bids from banking institutions to provide a working bank depository and related banking services for the City of Palmer for a period of 36 months, commencing November 1, 2012. There may be an option for a mutual extension of the agreement. The City of Palmer and the successful bidder will enter into a banking services contract. The successful bidder will be held to the terms of the written contract for a three year period. Changes will require mutual consent in writing.

II. Bid Due Date

Three copies of each bid are to be received by the City of Palmer Clerk no later than 2:00 P.M., September 13, 2012, at City of Palmer City Hall, 231 W. Evergreen Ave., Palmer, AK 99645. The bids should be sent to the attention of Gina Davis, Controller. The bids will be reviewed by the Evaluation Committee. The recommendation of the Committee will be presented to the City of Palmer Council for final action.

Bids shall be clearly marked “Banking Services Bid.”

III. Acceptance/Rejection

The City of Palmer reserves the right to accept or reject any or all bids.

IV. Questions Concerning the Bid

Any questions concerning the bid or the specifications should be directed to the following person:

Gina Davis
Controller
231 W. Evergreen Ave.
Palmer, AK 99645
(907) 761-1314
gdavis@palmerak.org

V. Minimum Bank Qualifications

The minimum requirements in order for the bank to be considered include the following:

- A. The banking corporation must be authorized to do business in Alaska.
- B. The bank must have an institution in the City of Palmer to accept deposits on a daily basis.
- C. The bank must comply with all federal, state, and local laws.
- D. The bank must provide collateral on all deposits.
- E. The bank must provide online banking services.

VI. Evaluation Committee

- A. The Evaluation Committee, consisting of the Controller, City Manager and one other representative shall evaluate all proposals and recommend to the Palmer City Council the bidder who provides the highest quality of service at the best cost.
- B. The Evaluation Committee shall evaluate all written proposals, and shall interview bidder(s) if deemed necessary. The City of Palmer will select the bidder who provides the highest quality service at the best cost. The City of Palmer shall be the sole judge of its own best interests and its decision shall be final.
- C. The evaluation will be based on the following considerations, but not limited to:
 - 1. Ability to provide the type and quality of services requested in the proposal.
 - 2. Prior experience serving local governments.
 - 3. Cost of banking services.
 - 4. Required compensating balance.
 - 5. Investment earning rate.
 - 6. Transaction closing time.

XII. Conflict of Interest

The award hereunder is subjected to the provision of State Statutes and City Ordinances. The Bidder, by affixing his/her signature to the Proposal Form, declares that the proposal is made without any previous understanding, agreement, or connections with any City official or persons, firms, or corporations making a proposal on the same items and without any outside control, collusion, or fraud. By signing the Proposal, the Bidder further declares that no City Council Member, other City officer, or City employee directly or indirectly owns more than ten (10) percent or \$5,000 of the total assets or stock of the Bidder entity, nor will directly or indirectly benefit from this contract.

IIIX. Bidder's Responsibility

Each Bidder is required to carefully examine the Proposal specifications and to completely familiarize him or herself with all of the terms and conditions that are contained within this document prior to submitting a proposal. Ignorance on the part of the Bidder will in no way relieve him or her of any of the obligations and responsibilities, which are a part of this Proposal.

IX. Public Records Law

In compliance with the Alaska Public Records law, all proposal documents or other material submitted by the Bidder in response to this request shall, upon proposal opening, be available for public inspection.

X. Addenda

Addenda issued by the City prior to the proposal opening shall be binding as if written into the Scope of Services. Bidder will acknowledge receipt of the same.

XI. Description of Current System

The City currently has one deposit account into which all City funds are deposited. Funds are transferred from the deposit account to a separate checking account to pay City obligations. Funds in excess of the compensating balance are transferred from the deposit account to a savings account. The City had an average balance of \$1,761,472 a month with our current banking institution through the first six months of 2012. There is no guarantee the City will maintain a specific minimum balance in its bank accounts.

Deposits are made on a daily basis, five days a week. Deposits are made by 3:00 p.m. each business day. The volume of monies deposited is heaviest in July when the majority of the first-half taxes are received and the majority of state revenues are received. Disbursement checks are generated via payroll and accounts payable. The

average number of general account checks issued per month is 200. The average number of payroll account checks issued per month is 30, as the majority of employees (approximately 70) have their payroll deposited via ACH.

The City of Palmer requires wire transfers occasionally as well as stop payments. In addition, the City utilizes online banking services to view balances, make transfers, and view images of paid checks. The City also maintains credit cards through our current bank.

XII. The following items should be addressed in narrative form in the bid:

- A. When is your daily business transaction deadline?
- B. Describe how you would maximize investment earnings for the City of Palmer? You may recommend a different account structure if relevant. Use a separate sheet if necessary.
- C. What is your interest rate as of September 1, 2012 on the type of savings account that you would recommend the City of Palmer have if your bank were the successful bidder?
- D. A brief statement addressing your previous municipal or government experience.
- E. A general narrative of how your institution is equipped to provide the services required by the City of Palmer.
- F. Your institution's view on collateralization. For example: The City of Palmer will require a collateral pledge (in addition to FDIC insurance) of at least \$1,000,000 to cover possible maximum balances in our deposit account. Is this a problem for you?
- G. Within how many working days will the bank statements be received after the last day of the month?
- H. Does your bank provide online banking services? If so, please describe the type of reporting and transactions available online. Also, what training is available for your on-line services?
- I. Does your bank provide credit cards? If so, please indicate your interest rate and what benefit(s) your credit cards would provide to the City.
- J. Please describe the financial strength of your bank. Please indicate your capital ratios, asset quality, earnings, liquidity, and sensitivity to market risk. Also, include information on your rating information from a recognized bank

rating agency (e.g. Veribanc, Highline, etc.).

- K. Please indicate who would be your account representative for the City of Palmer and the back-up staff person including bios and experience with local government.
- L. Please describe the bank's dispute resolution and customer service/feedback process?
- M. What would be the transition plan approach and timeline defining implementation periods and defined responsibilities if your bank is the successful bidder?

XIII. The following items should be attached to the bid:

- A. A sample format or actual monthly "Account Analysis Statement" for the accounts.
- B. A copy of your two most recent annual financial statements including an audit opinion, balance sheet and income statement.
- C. References including at least two comparable public entities.
- D. Historical rate attachment that gives the average of interest bearing options for the past 12 months (interest bearing accounts, money market accounts, and sweep rates).
- E. The completed Proposal Quotation Form.

PROPOSAL QUOTATION FORM
FOR BANKING SERVICES

	ESTIMATED MONTHLY <u>VOLUME</u>	UNIT <u>COST</u>	MONTHLY <u>COST</u>	<u>COMPENSATING BAL. REQUIRED</u>
B. <u>REQUIRED SERVICES</u>				
	<u>City</u>			
Account Maintenance (# Accounts)	3	_____	_____	_____
Checks Paid	230	_____	_____	_____
On Us Items Deposited	290	_____	_____	_____
Debits Posted	269	_____	_____	_____
Credits Posted	61	_____	_____	_____
Return Items	1	_____	_____	_____
Transit Items Deposited	1,235	_____	_____	_____
Cash Deposited	423.68	_____	_____	_____
FDIC Insurance Premium	15,091	_____	_____	_____
Stop Payment Fee	1	_____	_____	_____
ACH addendas	7	_____	_____	_____
EDI Monthly Payment	1	_____	_____	_____
ACH Maintenance	174	_____	_____	_____
Check Image Statement	2	_____	_____	_____
Safekeeping Fee	1	_____	_____	_____
 <u>OTHER CHARGES (Describe)</u>				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
TOTALS – REQUIRED SERVICES		_____	_____	_____

NOTE: The City of Palmer does not guarantee any specific quantity of services or supplies will be utilized. The services listed above are illustrative of the current bank charges. Your bank may have different items or methods to charge fees. Please bid according to your current fee structure. The fees listed should remain the same throughout the term of the banking services contract unless changes are mutually agreed to by the City of Palmer and the bank.