

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

<p>AGENDA TITLE: Authorize the City Manager to Execute a Contract with U.S. Bank for the City's Banking Services</p> <p>DEPARTMENT: Administrative Services</p> <p>PRESENTED BY: Robert Hartwig, Administrative Services Director</p>
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PROBLEM/ISSUE STATEMENT:

In February, 2012, Administrative Services issued a Request for Proposal (RFP) seeking banking services for the City for a four year period. After an extensive review process, U.S. Bank was selected. Staff is requesting Council to authorize the City Manager to execute a contract with U.S. Bank for \$58,175 to provide banking services.

FINANCIAL IMPACT:

The 2012 budget does not include funding for the banking services however there is savings available in the Administrative Services budget to cover the anticipated 2012 cost of approximately \$4,000. Future budgets will include the banking services contract cost and anticipated interest earnings. The current banking contract provided for banking services to be paid through a compensating balance held in the City's bank account.

RECOMMENDATION

Staff recommends that Council authorize the City Manager to execute a contract with the U.S. Bank for banking services.

Approved By: City Manager *JU* City Attorney *IS*

INTRODUCTION

In February, 2012, Administrative Services issued a Request for Proposal (RFP) seeking banking services for the City for a four year period. After an extensive review process, U.S. Bank was selected. Staff is requesting that Council authorize the City Manager to execute a contract with U.S. Bank.

BACKGROUND

Resolution No. 8 was adopted by Council on May 31, 1995 which named Seafirst Bank as the City's official bank. Seafirst Bank merged with BankAmerica Corporation in 1998. Since then Bank of America has been providing banking services to the City. Staff issued an RFP earlier this year to review pricing, improvements to existing services as well as suggested new services to achieve cost savings or efficiencies.

Currently the City is using the compensating balance method to cover the cost of banking services. Under this method, interest earnings on the City's available balances are retained by the bank to cover the costs of services used. Staff intends to move to a direct method where the City would pay fees on a monthly basis, but also receive interest earnings from our available balance. This would help staff to better monitor and control both its service fees and interest earnings

The contract cost for the four year period is \$58,175 or \$14,544 annually. This cost is based on the City's estimated use of services and the bank's proposed pricing. The actual contract cost may differ slightly if the City's usage of bank services changes. The contract also includes an earnings credit with a rate of 0.40% or 100% of Federal Funds rate whichever is greater. Based on the average balance in 2011, the City could expect to collect approximately \$5,600 in interest earnings each year. This would leave a net cost of \$8,944. The City could reduce the net cost by increasing its interest earnings by having a higher available balance or if interest rates climb which is anticipated in the later years of the contract. The City is also reviewing the courier service used for daily deposit which has an annual cost of approximately \$10,000. The new banking services contract provides more cost efficient methods for the deposits and staff is pursuing less expensive options for courier services. Any savings in the courier costs will help to offset the cost of banking services.

RECOMMENDATION

Staff recommends that Council authorize the City Manager to execute a contract with the U.S. Bank for banking services.