

**TOWN OF PRESCOTT VALLEY
REQUEST FOR COUNCIL ACTION
Date: October 14, 2010**

SUBJECT: Banking Services Proposals

SUBMITTING DEPARTMENT: Management Services

PREPARED BY: Jim Clemens, Finance Manager, for
William Kauppi, Management Services Director

AGENDA LOCATION: Comments/Communications , Consent , Work/Study ,
New Business , Public Hearing , Second Reading

ATTACHMENTS: Pricing summary sheet for Wells Fargo, JP Morgan Chase, Bank of America and State Contract.

SUMMARY BACKGROUND: From time to time, the Town solicits Request for Proposals (RFPs) from various banks to provide banking services to the Town. The last RFP for banking services was issued five years ago, in compliance with past Town practice and the Town Financial Policy. This practice enables the Town to evaluate banking services being provided and make certain we are paying competitive fees for these services. The Town is not obligated to change banks if it appears the fees are competitive. This practice is similar to what is done with other Town professional services, such as auditing. In accordance with the prior RFP, the Town also has the option to extend its current agreement for two additional one-year periods.

Staff sent a Banking Services RFP to seven banks and received three proposals back (from JP Morgan Chase, Bank of America and Wells Fargo). Each of the responsive proposals included a pricing sheet and pricing summaries have been prepared for comparison.

State Contract	\$1,214.31/month
Bank of America	\$1,225.36/month
Wells Fargo	\$1,315.22/month
JP Morgan Chase	\$1,549.28/month

Note: Monthly costs are not fixed; pricing will vary based on fluctuating activity.

Each of the three banks offers earnings credits that vary from ½% to 1%. An earnings credit is a credit to reduce monthly fees and is based on the overnight checking account balance. An earnings credit for overnight balances is a normal standard in the banking industry and the monthly fee calculation above does not take that into consideration, nor was it used by staff in determining the selection. Under our current economic conditions, the rates are extremely low and earnings do not offset the monthly costs.

Staff met with Council at the September 2, 2010 Work Study to go over each of the proposals. Staff also discussed a pricing schedule they received from the State, whose contract is currently with Bank of America. Based on staff's analysis, it appears that the State contract's monthly fees are slightly less than what is being proposed by Bank of America. However, the State contract will be up for renegotiation in one year, so the price differential, in staff's opinion, is not enough of a savings to recommend going with the State's proposal. Additionally, staff could not determine whether the State's figures used the same parameters as the other proposals, since they did not submit one.

OPTIONS ANALYSIS: Council may approve the proposal recommended by staff, reject the recommendation, select another proposal or request that more proposals be obtained.

ACTION OPTION: Motion to authorize the Mayor (or, in his absence, the Vice Mayor) to accept Bank of America's banking services proposal and sign the necessary agreements, available at a later date, for a five-year agreement ending in Fiscal Year 2014-15 (with the optional extension of two one-year periods); **OR** Motion not to accept the proposal. **VOTE.**

RECOMMENDATION: Staff recommends approval of Bank of America to provide banking services to the Town.

FISCAL ANALYSIS: Banking services have been budgeted for in this year's General Fund budget in the Management Services Department.

REVIEWED BY:

Management Services Director _____ Town Clerk _____

Town Attorney _____

Town Manager _____

COUNCIL ACTION:

Approved Denied Tabled/Deferred Assigned to _____