



Banking Services
State and Local Government Finance Division

October 2016
Melinda Canady

 North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Banking Services

Credit to
Michelle Price
Controller
Town of Cary

2

 North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Types of Services

- Account setup & maintenance
- Deposits & Disbursements
- Wires, ACH's, EFT's, drafts & transfers
- Safekeeping
- Lockbox
- P-Card
- Credit cards/Merchant services
- On-Line services
- Monthly statements & payment of fees



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

What do I need?

- What do you have?
 - Monthly statement
- Ask your stakeholders
 - Other departments
 - Component units
 - Council, Boards & commissions
- Ask your vendors
- Cheat!!
 - Talk to other gov'ts
 - Ask around on the list serve



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Types of Accounts

- Main account used for disbursements & deposits (could have more than 1)
- Zero-Balance
- Interest bearing
- Endowments
- Escrow for developers
- Bond proceeds
- Special non-interest bearing accounts
- Employee accounts
- Separate operational accounts
- CD's
- Trustee accts



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

FUNDS COMING IN

- Can your software and/or business processes accommodate?
- Check processing
 - Check conversion to ACH?
- Direct drafts from customers
- Wires & EFT's from customers
- On-line payments
- Credit cards & Debit cards
- Lockbox – Ebox
- Investment maturities



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Deposit Issues

- When & what
 - Daily, weekly
 - % checks, cash, etc.
- Timeliness
 - immediate credit for maturing investments
 - When is the latest I can deposit?
- Returned items
 - daily reports
 - redeposit policy
- Check, coin, cash, electronic
 - Special coin services (counting, sorting)
 - Acceptance of electronic transmissions
- Courier\Armored Car
 - Cash or checks
 - can you handle internally
 - safety/security
- Remote Safe



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Lockbox

- Wholesale
 - low transaction volume
 - large dollar amount per transaction
 - ex: Landfill collections
 - manual process
- Retail
 - high transaction volume
 - small dollar amount per transaction
 - ex: water bills, tax payments
 - electronic



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Lockbox Issues

- Need to do cost benefit analysis
- Reduce deposit lag time
- May help avoid adding additional personnel
- Location of lockbox
 - Board concerns
 - Public perception
- Partner with another government



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

E-Box and Receivables manager

- Your customers pay their bills with online banking services.
- Online bill service providers send payments electronically to units bank
- Bank applies an optional multistep validation process to payments received, as appropriate. The process identifies, filters, and repairs invalid payments or other exceptions.
- The bank consolidates your receivables data from multiple sources into a single file, and then translates it into your specific format.



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

E-Box (cont.)

- You receive a customized remittance file with correct account numbers and settlement. You apply credits to your customers' accounts.
- The bank processes a consolidated automated clearing house (ACH) credit to your deposit account.
- Coordination with your software regarding accounts
- May save HOURS daily & weekly
- You can have even if you don't have lockbox..... may be worth it!



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Credit Cards

- Don't have to go with your main bank
- State contract
 - SunTrust (I heard state is going out for bid on this contract)
- Good uses
 - Web
 - mail-in registration
 - deposits over phone
- Use as outsourcing delinquent collections
- Get Debit compatible swipe machines
 - lower bank fees
- Third party credit card vendor can absorb the discount.



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Merchant Fees

- Accounting for Merchant fees - put 100% in your revenue and charge the discount rate to expense
- Convenience fees or not??
 - Used to be related to mode... not type
 - Now VISA/MasterCard allows for gov't
- Build merchant fees into your service/program fees
- Watch out for software partnerships
 - May not be able to go under state contract
- Be prepared – fees can grow



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Check Conversion

- Converts checks to ACH
 - Cancels customer's ck
- Presents first (ACH is deducted before checks when banks settle at night)- helps reduce bad checks
- Need equipment and software
 - Bank or other software partnerships
 - Lease to have flexibility to update
- May or may not be cost beneficial



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

FUNDS GOING OUT

- In-house checks/manual paper checks
- Disbursement outsourcing
- Payables
- Invoice Mgr – Invoice Automation
- EFT to vendors (usually through main software)
- Same day ACH – credit only - \$25,000 limit – additional cost
- Direct drafts by vendors or ACH pushes
 - Pcard payment
 - Utilities
- Wires (most expensive)
- Book transfers?? (really cheap)
- P-card charges
- Petty cash



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Disbursement Tools & Issues

- | | |
|--|--|
| <ul style="list-style-type: none"> • Zero balance accounts • Positive pay • Fingerprinting • Controlled disbursement • Check supplies <ul style="list-style-type: none"> ○ copies? ○ Statements • P-Cards | <ul style="list-style-type: none"> • Cleared checks <ul style="list-style-type: none"> ○ images on CD ○ paper storage ○ on-line inquiry ○ Records management issues • Should we outsource? • What type of electronic payment to use? |
|--|--|



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Disbursement Outsourcing

- The bank processes disbursements
 - Separate software may be needed
 - Banks generally partner with someone
- Bank writes & mails checks
- Bank processes ACH's & wires
- Business processes may need to change!
 - remittance advices / EDI
 - check stub info
 - pre-plan with good communication to vendors



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

E-Payables

- Paying vendors with a merchant/credit card “account”, except there is no card
- Vendors have an account that they can control
 - Vendors sign in and draw down funds
- Does not have to be with “main bank”
 - Go with PCard bank in order to maximize rebate
- Bank does all of the contact & setup work
- Why is this good for them?
 - It may help them in processing electronic payments through their system
 - Gets them out of potential 1099 issues



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Does E-Payables make sense?

- Why would Vendors chose over ACH?
 - It may help them in processing electronic payments through their system (we struggle with this)
 - Gets them out of potential 1099 issues (bank is responsible)
 - Merchant fees are just a part of doing business
- Is it worth the implementation time & cost?
 - No cost...just a small amount of IT time
 - Bank does all of the vendor contacts
 - Since there is little investment, if vendors drop out, you don't really lose. It is likely that they would switch over to another form of electronic payment.
- Eventually this may go away...catch it while you can!



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

P-Cards

- Don't have to use main bank
- State contract is Bank of America
- Experience in local government
- Flexibility in authority levels
- Fees
 - joint bidding
 - try to get \$0/card
- Electronic download to general ledger
- Automated distribution system
- On-line access
 - all kinds of reports
 - authority/limit
 - exceptions
- References
- Integration w/system



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

FRAUD CONTROL

- POSITIVE PAY WORKS!
 - Check number & payment amount match
 - Vendor match
 - Direct draft ranges...DON'T FORGET ACH
- Check paper and ink is still important, just don't overdo on bells & whistles
- Bank should handle investigations once detected
- Need good internal control policies
 - Especially for areas like Pcards
 - Be mindful of security of cks, acct #'s, etc
- Security of sensitive information issues



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Reconciliations

- FULL
 - Positive pay
- Partial
 - disbursement side
 - paid listing
- Determine how to transmit & share info with your bank
- RECONCILE ON A TIMELY BASIS!



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Safekeeping

- Main bank vs. third party
- Establish deadlines
- Market values
- On-line services
- How are fees charged?
 - per transaction
 - based on market value
 - discounts
- Location



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

On-Line Services

- Effects ALL services
- Wires/ACH's
- Reports
 - check/ACH returns
 - intra-day balances
 - previous day balances
 - positive pay
- Safekeeping
- Lockbox
- Other services
 - check inquiry
 - stop payment
 - acct transfers
- Business continuity
 - Can do from home
 - Phone Apps
 - Make sure you have a backup plan



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Statements & Fees

- Monthly analysis
 - Banking services
 - Merchant services
- Check your prices!
 - Watch out for FDIC insurance....most banks are passing this on now
- How to Pay?
 - Actual dollars (drafted out each month)
 - Compensating balance
 - Earnings credits (basis points)



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

How to pay for fees?

- MY OPINION...
 - This is a real expense that should show up as an expense, regardless of how the fees are paid
- Earnings Credit/Compensating Balance
 - Banks may not be able to offer you more interest, but they have more flexibility with the earnings credit
 - Record earnings credit as interest....you are making an investment decision!
 - Really helps offset the FDIC hit



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

How to Account for Merchant Fees?

- Make your revenue whole
 - Don't want it to look like your collections are down
- Record the "discount" as an expense
 - That is what it truly is!
 - No different than check processing fees
- Where do you charge?
 - Finance vs allocating out to function based on revenue type



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

OTHER SERVICES

- Mortgage programs (for employees or community)
- Employee programs/benefits
- Trustee services
- Investment management and broker services
- Installment purchases
- Underwriter
- Financial advisor



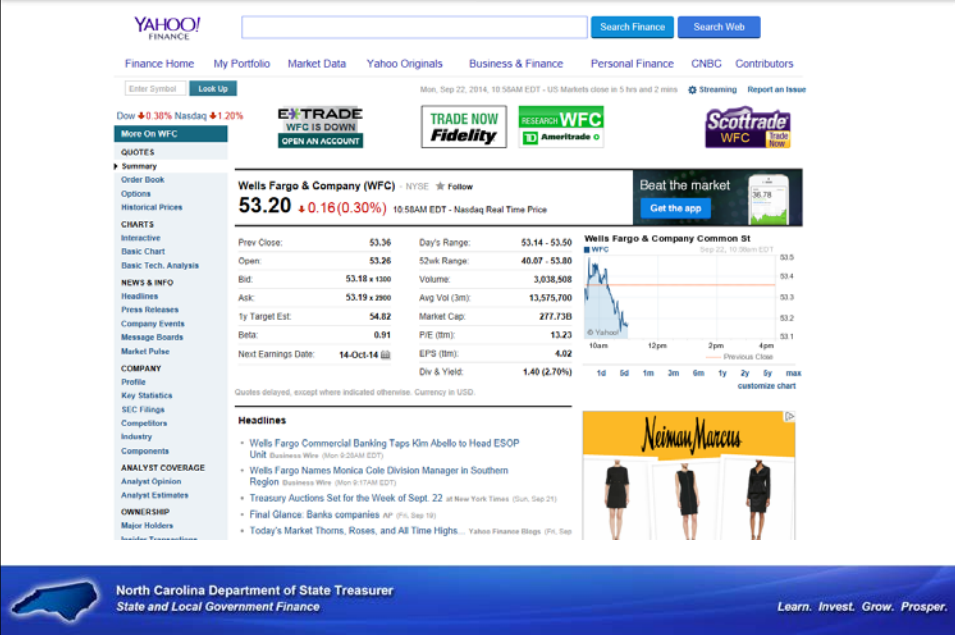
North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Bank Evaluations

- Be mindful in current market
- Check out financial info
 - Bloomberg (expensive)
 - Yahoo (FREE!) <http://finance.yahoo.com/>
- Look at recent headlines/opinions
 - Upgrades or downgrades?
 - Loss announcements
- LGC list
- Quick ratio/current ratio

Free Banking Information on Yahoo



The screenshot shows the Yahoo Finance page for Wells Fargo & Company (WFC). The main header displays the stock price at 53.20, up 0.16 (0.30%) from the previous close. A line chart shows the stock price movement over the day, with a peak at 53.50 and a low at 53.14. The page includes a sidebar with navigation options like 'Summary', 'Charts', and 'Company'. A 'Headlines' section lists recent news items, such as 'Wells Fargo Commercial Banking Taps Kim Abello to Head ESOP Unit' and 'Wells Fargo Names Monica Cole Division Manager in Southern Region'. The footer of the screenshot contains the same North Carolina Department of State Treasurer branding as the first slide.

Yahoo – Wells Fargo Headline News

The screenshot shows the Yahoo Finance website for Wells Fargo & Company (WFC). The stock price is \$53.17, up 0.19 (0.36%) from the previous close. The page features a navigation menu at the top, a search bar, and various market data widgets. The main content area displays headlines for Monday, September 22, 2014, and Friday, September 19, 2014. A sidebar on the left provides quick links to various financial tools and data. The footer includes the North Carolina Department of State Treasurer logo and the slogan "Learn. Invest. Grow. Prosper."

Keep in Touch

- Schedule periodic meetings/calls with your bank reps
 - Quarterly or semi-annually
- Know how to do things “manually”
 - Business continuity
 - Know who to call, telephone services, etc.
- Investigate new services
 - Constant new changes

North Carolina Department of State Treasurer
State and Local Government Finance
Learn. Invest. Grow. Prosper.

Request for Proposals

- **PLAGARIZE!!**
 - Look in list serve archives or put in new request
- Team up with other jurisdictions in your area
- Review your current bank services
- List your needs & wants
- Think about efficiency improvements
- State your requirements clearly
- Assign a contact person



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Request for Proposals (cont.)

- Hold a pre-bid conference
 - point out significant items
 - talk about terms & conditions
- Standard cost form
 - mandatory
 - make them conform to your terms
 - electronic
- Negotiation is OK
 - do it jointly too!
- Cost is not everything
 - references & your experience
 - customer service record



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Why a Joint RFP?

- Works well if you have jurisdictions with similar goals & operations
- Enjoy good pricing due to combined volumes
 - banks more eager to cut fees to get the “joint” business
- We serve the same citizens
 - big picture is better for them
- Learn about different services



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Joint RFP Process

- Establish goals
- Develop a timeline with deadlines
 - go backwards
 - commit to meetings, conference calls, e-mails
- Commit to a joint decision
- Establish RFP format
- Assign pieces to each unit



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Joint RFP Process

- Understand ALL operations
 - odd services
- Draft review
- Understand terms & conditions and the mandatory requirements
 - be prepared to reject bids
- Stay in close contact with other units



North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.


Why it hasn't happened recently?

- Avoidance due to the pain associated with changing banks!
- Software changes/implementations – everyone's timing is different
- Wake County went through an RFP process and the “winner” must offer same pricing as the county
 - Benefits all of us cities without having to go through RFP process!!



North Carolina Department of State Treasurer
State and Local Government Finance


Learn. Invest. Grow. Prosper.



Thank You!

Together we can build and maintain a fiscally strong and prosperous North Carolina.

www.NCTreasurer.com

 North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.