

Banking Services Credit to Michelle Price Controller Town of Cary North Carolina Department of State Treasurer State and Local Government Finance

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



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What do I need?

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



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



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FUNDS COMING IN

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



Deposit Issues

- · When & what
 - o Daily, weekly
 - o % checks, cash, etc.
- Timeliness
 - immediate credit for maturing investments
 - When is the latest I can deposit?
- · Returned items
 - o daily reports
 - o redeposit policy

- · Check, coin, cash, electronic
 - Special coin services (counting, sorting)
 - Acceptance of electronic transmissions
- Courier\Armored Car
 - o Cash or checks
 - o can you handle internally
 - o safety/security



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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
 - o electronic



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



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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.



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!



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Credit Cards

- Don't have to go with your main bank
- State contract
 - SunTrust (I heard state is going our for bid on this contract)
- Good uses
 - o Web
 - o mail-in registration
 - o 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.



Merchant Fees

- Accounting for Merchant fees put 100% in your revenue and charge the discount rate to expense
- · Convenience fees or not??
 - o 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
 - o May not be able to go under state contract
- Be prepared fees can grow



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Check Conversion

- Converts checks to ACH
 - o 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



FUNDS GOING OUT

- In-house checks/manual paper checks
- · Disbursement outsourcing
- EPayables
- EFT to vendors (usually through main software)
- · Direct drafts by vendors or ACH pushes
 - Pcard payment
 - Utilities
- Wires (most expensive)
- Book transfers?? (really cheap)
- P-card charges
- Petty cash



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Disbursement Tools & Issues

- Zero balance accounts
- Positive pay
- Fingerprinting
- Controlled disbursement
- Check supplies
 - o copies?
 - Statements
- P-Cards

- · Cleared checks
 - o images on CD
 - paper storage
 - o on-line inquiry
 - Records management issues
- Should we outsource?
- What type of electronic payment to use?



Disbursement Outsourcing

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



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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"
 - o 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
 - o Gets them out of potential 1099 issues



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)
 - o Gets them out of potential 1099 issues (bank is responsible)
 - o Merchant fees are just a part of doing business
- Is it worth the implementation time & cost?
 - o No cost....just a small amount of IT time
 - o 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!



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P-Cards

- Don't have to use main bank
- State contract is <u>Bank of America</u>
- Experience in local government
- Flexibility in authority levels
- Fees
 - o joint bidding
 - o try to get \$0/card

- Electronic download to general ledger
- Automated distribution system
- · On-line access
 - o all kinds of reports
 - o authority/limit
 - o exceptions
- References
- Integration w/system



FRAUD CONTROL

- POSITIVE PAY WORKS!
 - o Check number & payment amount match
 - o Vendor match
 - o 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
 - o Especially for areas like Pcards
 - o Be mindful of security of cks, acct #'s, etc
- Security of sensitive information issues



Reconciliations

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



Safekeeping

- Main bank vs. third party
- Establish deadlines
- Market values
- On-line services

- How are fees charged?
 - o per transaction
 - based on market value
 - o discounts
- Location



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On-Line Services

- · Effects ALL services
- Wires/ACH's
- Reports
 - o check/ACH returns
 - intra-day balances
 - o previous day balances
 - o positive pay
- Safekeeping

- Lockbox
- · Other services
 - check inquiry
 - stop payment
 - o acct transfers
- · Business continuity
 - o Can do from home
 - o Phone Apps
 - Make sure you have a backup plan



Statements & Fees

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



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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!
 - o Really helps offset the FDIC hit



How to Account for Merchant Fees?

- Make your revenue whole
 - o Don't want it to look like your collections are down
- Record the "discount" as an expense
 - o 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



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OTHER SERVICES

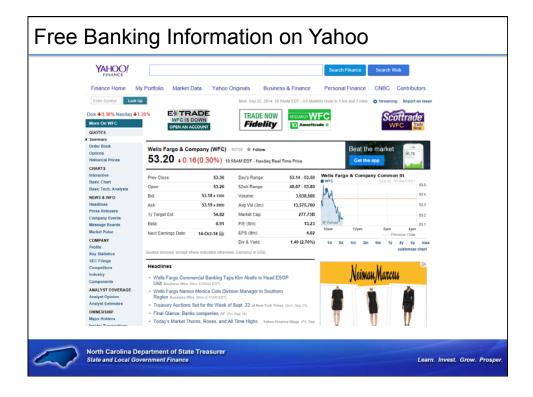
- Mortgage programs (for employees or community)
- Employee programs/benefits
- · Trustee services
- · Investment management and broker services
- · Installment purchases
- Underwriter
- · Financial advisor

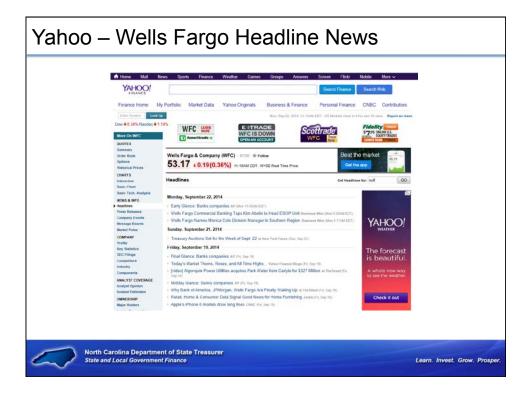


Bank Evaluations

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







Keep in Touch

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



Request for Proposals

- PLAGARIZE!!
 - o 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



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Request for Proposals (cont.)

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



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
 - o big picture is better for them
- · Learn about different services



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Joint RFP Process

- · Establish goals
- · Develop a timeline with deadlines
 - $\circ \ \text{go backwards}$
 - o commit to meetings, conference calls, e-mails
- Commit to a joint decision
- · Establish RFP format
- Assign pieces to each unit



Joint RFP Process

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



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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!!



