




Banking Services
State and Local Government Finance Division

September 30, 2014
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 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

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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?
 - 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



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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
 - 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



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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



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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
 - electronic



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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.



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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 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.



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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



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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



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



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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



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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”
 - 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



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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!



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P-Cards

- | | |
|--|---|
| <ul style="list-style-type: none"> • Don't have to use main bank • State contract is <u>Bank of America</u> • Experience in local government • Flexibility in authority levels • Fees <ul style="list-style-type: none"> ○ joint bidding ○ try to get \$0/card | <ul style="list-style-type: none"> • Electronic download to general ledger • Automated distribution system • On-line access <ul style="list-style-type: none"> ○ all kinds of reports ○ authority/limit ○ exceptions • References • Integration w/system |
|--|---|



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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



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Reconciliations

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



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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



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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



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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)



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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!
 - Really helps offset the FDIC hit



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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



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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



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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 displays the Yahoo Finance page for Wells Fargo & Company (WFC). The main header shows the stock price at 53.20, up 0.16 (0.30%) from the previous close. Key statistics include a 52-week range of 40.07 to 53.80, a volume of 3,038,508, and a market cap of 277.73B. The page also features a line chart for the stock price, a 'Beat the market' button, and a 'Headlines' section with 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 includes the North Carolina Department of State Treasurer logo and the slogan 'Learn. Invest. Grow. Prosper.'

Yahoo – Wells Fargo Headline News

The screenshot shows the Yahoo Finance website for Wells Fargo & Company (WFC). The main headline is "Wells Fargo & Company (WFC) - NYSE: WFC" with a price of 53.17, up 0.19 (0.36%) from the previous close. The page includes a navigation menu at the top, a search bar, and various financial data sections. The "Headlines" section lists several news items from Monday, September 22, 2014, and Sunday, September 21, 2014. A "Yahoo! Weather" widget is visible on the right side of the page.

Wells Fargo & Company (WFC) - NYSE: WFC
 53.17 + 0.19(0.36%) 11:16AM EDT - NYSE Real Time Price

Headlines

Monday, September 22, 2014

- Early Glance: Banks companies AP (Thu 11:05AM EDT)
- Wells Fargo Commercial Banking Taps Kim Abello to Head ESOP Unit *Business Wire (Mon 9:20AM EDT)*
- Wells Fargo Names Monica Cole Division Manager in Southern Region. *Business Wire (Mon 8:17AM EDT)*

Sunday, September 21, 2014

- Treasury Auctions Set for the Week of Sept 22 at New York Times (Sun, Sep 21)

Friday, September 19, 2014

- Final Glance: Banks companies AP (Fri, Sep 19)
- Today's Market Thoms, Roses, and All Time Highs - Yahoo Finance Blog (Fri, Sep 19)
- [Idea] Argentine Power Utilities acquires Park Water from Carlyle for \$327 Million at TheStreet (Fri, Sep 19)
- Midday Glance: Banks companies AP (Fri, Sep 19)
- Why Bank of America, JPMorgan, Wells Fargo Are Finally Waking Up w/ TheStreet (Fri, Sep 19)
- Retail, Home & Consumer Data Signal Good News for Home Furnishing. *Zacks (Fri, Sep 19)*
- Apple's iPhone 6 models draw long lines. *CNBC (Fri, Sep 19)*

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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

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**



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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



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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



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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



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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



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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!!



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Thank You!

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

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