



CITY OF KIRKLAND
Department of Finance & Administration
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To: Kurt Triplett, City Manager
From: Michael Olson, Director of Finance and Administration
Date: September 25, 2015
Subject: BANKING SERVICES AGREEMENT

Recommendation

Approve the attached resolution designating US Bank as the City's Official Depository and authorizing the City Manager to execute a contract for banking services. Authority will be granted through the approval of the consent calendar.

Fiscal Impact

Banking service fees are paid from earnings credits on funds deposited with the bank.

Background

The City currently contracts with Bank of America for banking services under a contract that began July 2011 and ends on December 31, 2015. The current contract allows for a two year extension, however to extend the contract Bank of America stated that the earnings credit rate, which covers the banking fees, would be reduced by 50 percent. This would require Kirkland to double the deposits at the bank to cover the fees.

Additionally, the City's fiscal policies require that a competitive process for banking services be conducted periodically. A Request for Proposal (RFP) was published on June 29, 2015 and sent to all the commercial banks in Kirkland. The following banks submitted proposals for banking services on August 12, 2015: Banner Bank, Opus Bank, US Bank and Wells Fargo.

Bank of America chose not to respond to the banking services portion of the RFP. They stated that they have changed their profitability model and would have needed to triple Kirkland's fees for the contract to be profitable for the bank. We have learned that Bank of America is having similar conversations with many other cities.

Heartland submitted an RFP for only the merchant services portion of the RFP and Bank of America submitted an RFP for only the merchant services and purchasing card program for Kirkland.

An evaluation committee consisting of Michael Olson, Director of Finance and Administration, Teresa Levine, Accounting Manager, Kim Auman, Nancy Otterholt and Carol Wade, Accounting staff and Karen Mast, IT Applications Division Manager conducted a review of the proposals that were submitted.

The criteria used in evaluating the proposals were laid out in the RFP as follows:

1. Responsiveness of Proposal to Requirements
2. Ability to Perform Required Services
3. Fees
4. References
5. Community Presence
6. Interviews

The most important factors in selecting a bank for the City's financial services, in addition to the fees charged, are the treasury and merchant services. Treasury services include online banking, direct deposit for payroll, ACH debits for utility payments, payment concentration services for bank online utility payments, fraud prevention systems and daily balance reporting and reconciliation. Merchant services include all the activity related to accounts established for receiving credit card payments from customers.

Three firms who were most responsive to the RFP criteria, Banner Bank, US Bank and Wells Fargo, were interviewed by the evaluation committee. The interviews were conducted with representatives from each bank to answer questions, review new technologies available, to affirm their commitment of excellent customer service and to allow City staff the opportunity to meet their service team.

US Bank's proposal presents the lowest cost to the City both in banking services and merchant services. In addition, the evaluation committee believes that US Bank presents a service team that meets the City's needs in treasury services, merchant services and general banking.

RESOLUTION R-5152

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND DESIGNATING U.S. BANK AS THE OFFICIAL BANKING INSTITUTION FOR THE CITY OF KIRKLAND FOR A FOUR-YEAR PERIOD COMMENCING JANUARY 1, 2016, AND APPROVING AN AGREEMENT WITH U.S. BANK FOR THE FURNISHING OF COMMERCIAL BANKING SERVICES.

1 WHEREAS, Section 35A.40.030 Revised Code of Washington
2 provides in part:

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4 The legislative body of a code city, at the end of each fiscal
5 year, or a such other times the legislative body may direct,
6 shall designate one or more financial institutions which are
7 qualified public depositories as set forth by the public
8 deposit protection commission as depository or depositories
9 of moneys required to be kept by the code city treasurer or
10 other officer performing duties commonly performed by the
11 treasurer of a code city . . .; and

12
13 WHEREAS, the City of Kirkland called for bid proposals for the
14 furnishing of a demand deposit account and other commercial banking
15 services required by the City, all in accordance with the call for proposals
16 and the specifications published on June 29, 2015; and

17
18 WHEREAS, proposals were received and opened on August 12,
19 2015; and

20
21 WHEREAS, the proposal submitted by U.S. Bank was judged to
22 be the best qualified to meet the City's banking needs.

23
24 NOW, THEREFORE, be it resolved by the City Council of the City
25 of Kirkland as follows:

26
27 Section 1. The Kirkland City Council designates U.S. Bank, to be
28 the official banking institution for the City of Kirkland for a period of four
29 years commencing January 1, 2016, with two 2-year renewal options at
30 the discretion of the City.

31
32 Section 2. The City Manager is authorized to sign on behalf of
33 the City of Kirkland an agreement for commercial banking services
34 between the City of Kirkland and U.S. Bank.

35
36 Passed by majority vote of the Kirkland City Council in open
37 meeting this ____ day of _____, 2015.

38
39 Signed in authentication thereof this ____ day of _____,
40 2015.

MAYOR

Attest:

City Clerk