
RFP Process for Banking Services

P R E S E N T E D B Y

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Agenda

- Definition of a Request for Proposal (RFP)
- How is an RFP Used
- Critical Issues
- RFP Process Steps
- Banking Services to Consider
- Paying for Banking Fees
- Questions & Answers



What is a Request for Proposal (RFP)?

- Request for Proposal - formal request
 - Needs Determined
 - Costing for Services
- Request for Qualifications – informal request
 - Looking at Providers
 - Information Only
- Request for Information – informal request
 - Gathering of Ideas
 - Looking for Suggestions



What is a Request for Proposal (cont.)?

- Designed to obtain competitive pricing
- Designed for fair comparison
- Designed to assist in negotiation with vendors
- Obtains quantitative and qualitative information
- Good for specific definable services
 - Banking Services
 - Safekeeping Services
 - Trustee Services
 - Investment Services



Critical RFP Issues to address

- What do we do today and what are our needs, today and in the future?
- Who are the stakeholders in the process?
- What is our timeline?
- What is our universe of providers?
- What is our response criteria?



What do we do today and what are our needs today and in the future?

- What do we do Today - Information Gathering
 - Account Analysis – current services
 - Current System and Procedures
- What are our Needs – Today and in the Future?
 - Problem Areas
 - Reporting and Audit Requirements
 - Goals
 - determine targeted needs
 - eliminate weaknesses
- Create a list of requirements in services



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Who are the Stakeholders in the Process?

- Government Entity - County
- Finance Staff
- Building Personnel
- IT Personnel
- Community



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What is our Timeline?

- Manage and Monitor the RFP process
 - Target Completion Date
 - Include each Phase
 - Deadlines for Deliverables
- Back into Process
- Adjust Deadlines as Needed



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What is our Universe of Providers?

- Geographic Factors
- Entity's Policy
- Political Considerations
- Provider Capabilities



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What is our Response Criteria?

- Establish Clear and Measurable Criteria Relevant to Your Entity
 - Bank Criteria
 - Local vs. Out-of-Area
 - Quality Service
 - Innovative Services
 - Competitive Pricing
 - Reference Criteria



RFP Process Steps

- Write and Issue the RFP
- Evaluate the responses
- Award the contract
- Implement the services



Writing and Issuing the RFP

- Be Informative
 - Provide Detailed Information
 - State Objectives, Selection Criteria and Timeline
- Be Interactive
 - Schedule a Pre-bidder's Conference,
 - Allow for Questions Submission
- Be Specific
 - AFP Questionnaire, References and Pricing
- Adhere to Bidding Requirements



Writing and Issuing the RFP (cont.)

- Common Requested Information
 - Resumes of Key Relationship Personnel
 - Community Involvement
 - Credit Rating
 - Ownership
 - Organization Structure
 - References and Experience



RFP Process Steps

- Write the RFP and issue
- Evaluate the responses
- Award the contract
- Implement the services



Evaluating the Proposals

- Design Comparative Evaluation Matrix

	Bank A	Bank B	Bank C	Bank D
Branch Location	>1 mile	1-2 miles	5 miles	< 1 miles
Public Funds Specialist	yes	no	no	yes
Total Fees Balances	\$1,040 975,000	\$1,290 \$1,129,500	\$950 Not provided	\$1,150 \$1,325,00
Earnings Credit Rate	T-Bill	T-Bill	T-Bill minus 25 bp	T-Bill minus 15 bp
Fitch Ratings	B	A-/B	C	B-
Understands Needs	A-	B+	B	A
Quality of RFP	A-	B	A	B-



Evaluating the Proposals (Cont.)

- Evaluation Tools:
 - Evaluation Matrix
 - Bank Summary
 - Pricing Analysis
 - Fees vs. Balances
- Select Finalists
 - Schedule Presentation
 - Entity to provide Agenda
 - Check References



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Awarding the Contract

- Unbiased Decision
 - Data and process driven decision
 - Data Collection
 - Deadlines
 - Evaluation Criteria
- Present findings to your Board with Recommendations
- Formal Commissioners' Court Approval



RFP Process Steps

- Write the RFP and issue
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Implementing the Services

- Important Steps to ensure Success
 - Agree on Timeline
 - Review and Acceptance of Services and Contract Negotiations
 - Dedicated Team
 - Your Entity – County Associates
 - Support from Management
 - Bank
- Go-live



Banking Services to Consider

- Positive Pay and Full Account Reconciliation
- Zero Balance Accounts
- Automated Overnight Investment Sweep Account
- Controlled Disbursement
- Remote Capture - Check Truncation
- Check Images on CD ROM
- Merchant Services Credit Card Processing
- Purchasing Cards



Banking Services to Consider (Cont.)

- Payment for services
- Back-up and disaster recovery information
- Daylight overdrafts
- Check to ACH conversion
- Online receipt of payments—ACH and/or Credit Card
- Stop payment procedures
- Stale date check procedures
- Internet Banking



Paying for Banking Services Compensating Balances vs. Fees



Paying for Bank Services - Options

- Compensating Balances
- Direct Fee Payment
- Combination of Balances and Fees (Blended)



Compensating Balances

- Compensating balances – why is this option popular?
 - “That’s the way we’ve always done it”
 - “I don’t pay the banks anything”
 - No budgeting impact



Direct Fees

- Need to evaluate if direct investment of balances exceeds bank earnings credit rate
- Required bank reserves (10%) become earning assets
- Lower balances mean lower FDIC assessment
- Lower balances mean reduced state collateral requirements
- Bank charges line item expense



Potential Problems by Selecting Direct Fee Payment

- Requires appropriation to pay fees on designated date
- Requires active investing
- Requires additional monitoring of collected balances



Decision Factors: Fees vs. Balances

- Time/resources
- Active investor
- Cash flow monitoring
- Cost/yield of cash management techniques available



Compensating Balances: Terms

- Earning Credit Rate:
 - Rate provided by your bank – used in computation of compensating balance
- Multiplier:
 - Balance required to support \$1.00 of Service
- Reserve Requirement
 - Bank's current Federal Reserve Requirement (percentage) as applied to the positive collective balance maintained in the demand deposit account



Compensating Balance Formula

- Compensating Balance Formula:
 - monthly service charge /
(1.00 - reserve requirement) / Monthly ECR
- Example:
 - Monthly service charge = \$4,116
 - Earnings credit rate: 1.15% divided by 12.167 months = .00259
 - Reserve requirement: 10%



Compensating Balance (CB) Example

- $CB = \frac{\$4,116}{(1.00 - .10) \cdot .00259} = \$1,765,766$
- Multiplier
 - $(365/31)/3.15\%$
 - For every \$1.00 of service fee you need \$373.78 in balances



Questions

Thank you!

