



# **Banking on Experience: Takeaways from Recent Banking RFPs and Client Insights**

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# What are some reasons why I should go out for an RFP?

**R** *request*  
**F** *or*  
**P** *roposal*

A hand holding a black marker is positioned in the lower center of the slide, pointing towards the word 'or' in the 'Request for Proposal' graphic. The graphic itself consists of the letters 'R', 'F', and 'P' in a bold, red, sans-serif font, each enclosed in a red circle. To the right of each letter is the corresponding part of the words 'request', 'or', and 'roposal' in a grey, italicized, sans-serif font.

- Poor existing service.
- Rates are slow to be adjusted or bank is difficult to negotiate rate adjustments in line with the marketplace.
- Local presence is not there anymore.
- Show taxpayers that the entity is fulfilling their fiduciary responsibility to get the most value out of their tax dollars.

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- Potentially lock in an agreement for a set amount of time.
- Some pricing on high use services, like ACH or checks, is higher than competitors but bank won't negotiate.
- Technology or products offered are not robust enough to meet the needs of the municipality, meaning our needs as a client have changed and our bank can't keep up.

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- State law requires it.
- It has been 3/5/7/10 years since the last RFP.
- A GFOA best practice is to re-bid financial services on a regular interval.

# Something to think about...

- When was the last time I completed a banking RFP?
- When was the last time I spoke to my bank about pricing?
- Is my bank charging me direct or indirect fees?

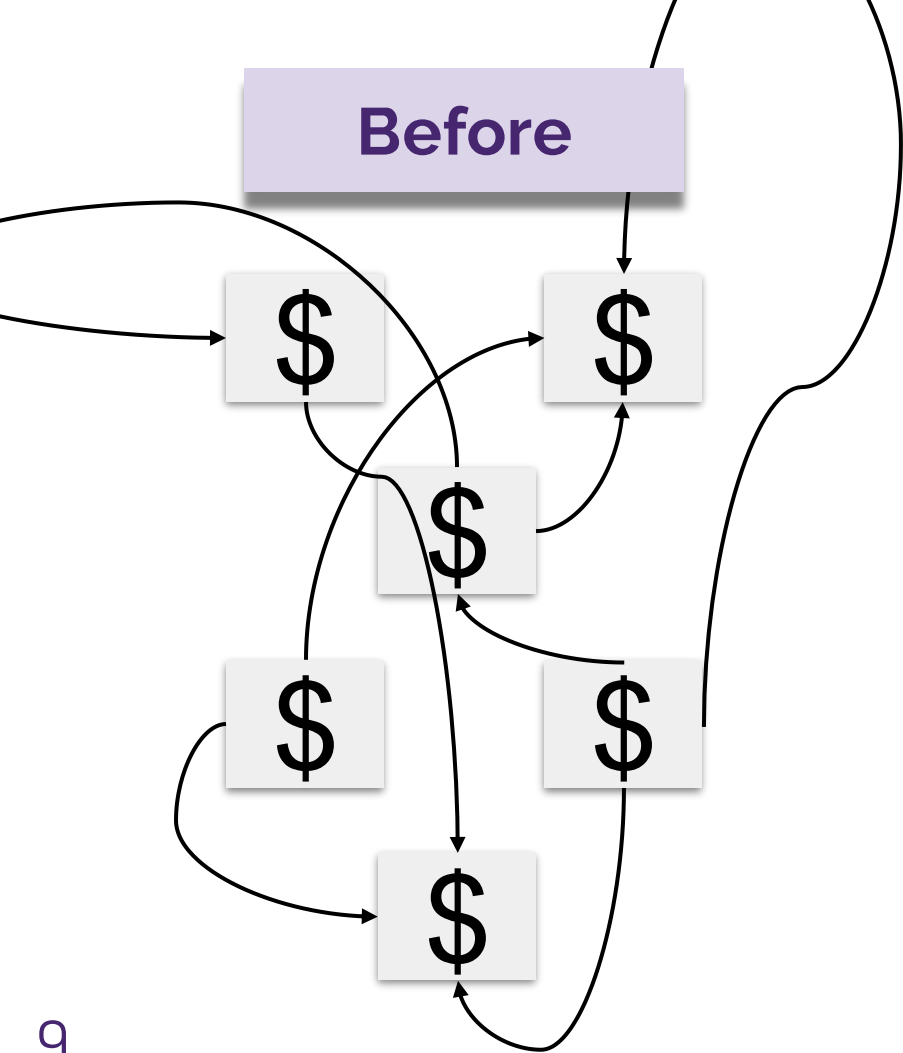
# Prior to a Banking RFP

1. Review account analysis statements for costs and volumes
2. Review bank account structure for efficiency and cost.
3. Look at business processes for both efficiency and internal controls and risks.
  - Focus on key processes such as revenue collection, disbursements and payroll

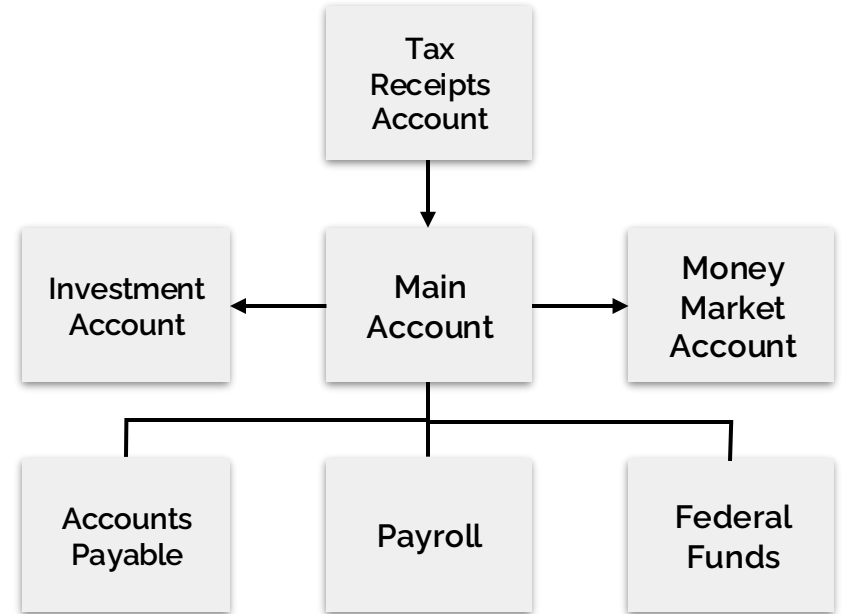
## Prior to a Banking RFP

4. Monitor banking arrangements and products.
5. Analyze financial markets and the marketplace to understand benchmarks
6. Give consideration to business continuity planning
7. Meet with procurement team to understand their requirements.
8. Give yourself plenty of time!

## Before



## After



# Business Continuity Planning

- ❑ Consider incorporating “BCP” into your RFP requirements and questions.
- ❑ Covid showed we could perform many treasury functions remotely and we made the choice to work remotely or at least minimize staff in office working. What services do we need to develop contingencies for?
- ❑ How does our treasury business continuity plan synch up with other financial functions in our government? Are there questions in the RFP we should be asking?
- ❑ Do we have duplicative systems/processes in the event an issue with one of our financial institutions arises? (Could we execute vendor payments or payroll from a secondary bank?)

# RFP Timeline Example

Sample Schedule of Events		
Date	Time	Description
XXXX	N/A	RFP issued.
3 - 5 business days after issuance	1:00 P.M.	Email RFP Contact Person to express interest in responding.
7 - 10 days after issuance	1:00 P.M.	Mandatory prebid web conference call.
3 weeks after issuance	1:00 P.M.	Phase 1 questions submitted. Answers provided within 3 - 5 days after this deadline.
5 - 6 weeks after issuance	1:00 P.M.	Phase 1 responses submitted through the online portal.
8 weeks after issuance	1:00 P.M.	Phase 2 finalists will be notified and interviews will be scheduled.
9 weeks	N/A	Additional information, if any, provided to Phase 2 Proposer(s).
9 weeks	1:00 P.M.	Proposer(s) submit questions to RFP Contacts, if any, for Phase 2. Answers provided continually through the end of day XXXXXX. *
10 weeks	1:00 P.M.	Presentations due.
11 weeks	TBD	Virtual or onsite presentations/interviews conducted.
13 weeks	TBD	Preliminary finalist notified.
14 weeks	N/A	Final negotiations, if applicable, and agreement completion.
16 weeks	TBD	All Proposer(s) notified of results.
17 weeks	N/A	Transition begins, if necessary, and completed within 270 days.

# Case Study

The County wanted confirm it's current banking partner was offering rates and services that were competitive in the marketplace, and harnessing all available treasury services technology and yet looking to incorporate services their current bank did not provide if available at a reasonable price.

- ❑ The County wanted to be sure they were receiving the best ECR in the marketplace.
- ❑ Wanted to ensure their rates on cash at the bank were competitive.

## The Results

**The client decided to stay with current bank with no fees and an indexed interest rate on cash that resulted in increased value of nearly \$1 Million annually.**

# Value Calculation

	Bank #1	Renegotiated Arrangement	Bank #3	Bank #4	Bank #5	Bank #6	Current Arrangement
<b>Total Line Item Fees</b>	\$0	\$0	\$52,137	\$30,703	\$37,142	\$0	\$48,692
<b>DDA Rate</b>	5.10%	5.00%	3.92%	3.50%	5.05%	1.25%	2.27%
<b>eECR</b>	N/A	N/A	4.02%	0%	0.43%	N/A	0.24%
<b>Historical Average Balance</b>	\$19,000,000	\$19,000,000	\$19,000,000	\$19,000,000	\$19,000,000	\$19,000,000	\$19,000,000
<b>RR</b>	N/A	N/A	0%	0%	10%	N/A	0%
<b>Historical Balance Adjusted for RR</b>	N/A	N/A	\$19,000,000	\$19,000,000	\$17,100,000	N/A	\$19,000,000
<b>ECR Allowance</b>	N/A	N/A	\$763,800	\$0	\$73,530	N/A	\$45,600
<b>Required Balance to Pay Zero Fees</b>	\$0	\$0	\$1,296,948	\$0	\$8,637,674	\$0	\$20,288,333
<b>Peg Balance Amount</b>	N/A	N/A	\$2,000,000	N/A	N/A	\$4,000,000	N/A
<b>Excess / Deficit Balance</b>	\$19,000,000	\$19,000,000	\$17,000,000	\$19,000,000	\$8,462,326	\$15,000,000	-\$1,288,333
<b>Net Value / Hard Fees</b>	\$969,000	\$950,000	\$666,400	\$665,000	\$427,347	\$187,500	-\$29,245
<b>Balance Notes</b>	All Balances	All Balances	Peg Balances	All Balances	Excess Balances	Excess Balances	

# Takeaways

## RFP Takeaways

- ❑ Recently been seeing a decline in Earnings Credit Rates with a lot of banks also passing on their “balanced based charges”. With this, line-item fees are also slightly higher.
  - ❑ This means you need to keep more cash on deposit to offset any bank fees.
- ❑ Many banks are offering competitive overnight sweep arrangements for idle cash which are being chosen more often than a more traditional “interest on cash” structure.

# Takeaways

## RFP Takeaways (continued)

- ❑ Service capability, technology, and customer service are becoming a lot more weighted than just Net Value.
- ❑ While entities are hesitant to go through a transition to a new bank, they are open more than ever to a transition if service and technology is lacking at their current provider.



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