



To: Finance and Administration Committee

From: Timothy Sexton, Director of Finance

Date: March 20, 2023

Subject: Banking Services Contract Extension

In December 2010, the Village Board approved the Finance and Administration Committee's recommendation to award the banking services contract to Wheaton Bank & Trust Company (Wintrust) and the contract was renewed in 2016 with no increase in fees. Wheaton Bank extended our contract again in 2020 with no increase in fees during that time. In addition, Wheaton Bank implemented an updated account structure that minimized idle account balances and maximized interest earnings. This was done while providing collateral for the Village for any account balances in excess of FDIC insurance limits (a separate bank holds this collateral in a trust account).

Wheaton Bank quoted 30% less than the next competitive bank for the 2010 RFP. Services provided by the Village's previous provider MB Bank in 2010 totaled \$47,499.00. Actual expenses for general banking and lockbox services based on current volume from October 2018 to September 2019 were \$37,664.62. Likewise, our fees in 2022 were \$37,939. These fees were offset completely by the Earnings Credit Allowance (ECA). The ECA, used to offset bank fees, has been the IL Funds rate minus 10 bps since 2016. As part of the renewal, this rate would be improved to equal the IL Funds rate (4.481% in February 2023).

In addition, Wheaton Bank has offered to extend our contract for another three years through April 30, 2026 with the changes as noted below.

- Increase branch deposits from \$0.50 to \$1.60
- Increase Deposit Admin to reflect the updated charge from the FDIC to 13% from 11%
- Increase account maintenance from \$12 to \$15

Additionally, correct the fee on the two accounts with Payee Positive Pay that have been receiving the standard check PP fees:

- Increase items presented from \$0.05 to \$0.12
- Increase monthly maintenance from \$16.67 to \$40

The total increase for February would have been \$246.62 or just over 9%. It should be noted that these are the first changes proposed since Wheaton Bank was selected in 2010. Staff reviewed a recently completed RFP by Hoffman Estates and the fees listed in the responses are similar to these fee changes. Under this RFP, Wintrust had the lowest expenses as well as the highest interest rates and was selected by Hoffman Estates.

Staff has been very satisfied with the level of service we have received over the past 13 years. Wheaton Bank & Trust (Wintrust) has provided high quality service, strong security against fraud, created efficiencies, and takes advantage of new applicable technologies. We receive responsive service from Wheaton Bank personnel and support/technology that is provided by Wintrust, which is a large banking institution.

Shopping for a bank involves issuing an RFP and several months of review to make a recommendation. If a new bank is chosen, there will be several more months of integration with systems, agencies, staff, residents and businesses. We have become very integrated between the bank and our financial software system, utility billing, payroll, automated vendor payments, and third-party contracts. The estimated cost to switch to another bank would be somewhere in the range of \$8,000 to \$15,000 for software programming changes, plus significant staff time. Staff does not believe there is value in making a switch and incurring these additional costs.

Staff is requesting the Finance and Administration Committee's recommendation for a three-year extension, through April 30, 2026, with our current banking provider, Wheaton Bank & Trust Company. If approved, this recommendation will be presented to the Village Board of Trustees for their consideration.