



**To:** Trustee Zachary Wilson, Chairperson  
Finance Committee

**From:** Timothy Sexton, Director of Finance

**Date:** January 15, 2011

**Subject:** **Recommendation Regarding Banking Services**

### **INTRODUCTION**

On December 10, 2010, proposals were received in response to our Request for Proposals (RFP) for Banking Services for the Village of Lombard dated October 29, 2010. This is the first time since 2000 that the Village has sought competitive proposals for banking services. Staff was preparing an RFP late in 2008, when the banking crisis occurred due to the collapse of Lehman Brothers. The Finance Committee at that time, voted to approve extending our existing contract for an additional 2 years. The RFP was designed to provide for an analysis of the proposal of each bank so that a side by side comparison of costs could be made. The RFP was prepared to provide:

- An understanding of the Village's current banking relationship and account structures.
- Upfront information regarding the needs and expectations that the Village has in regards to its future banking relationships.
- Competition among service providers.
- Full disclosure of fees, procedures and contractual requirements so that there are no unexpected surprises in the future.

The Village sought proposals for a three-year contract with the option to renew for an additional three years. The services for which proposals were requested are as follows:

### **Required Services**

- **General Banking Services:** Depository and disbursement accounts and additional services such as on-line computer access of account information, electronic funds transfers, business continuity/security, remote deposit, and research services.
- **Lockbox Services:** The lockbox system reduces mail and internal processing time delays thereby converting receipts into usable and available funds more quickly. The cost of such services is generally offset by increased interest income and improved worker productivity and customer service.

## Optional Services

- **Custodial Services:** These are services related to safekeeping of Village investments and the processing costs incurred by the bank for these and related services.
- **Merchant Card Services:** Provides over-the counter transactions through terminals including debit cards and online payment services. Staff recommends that the contract for banking services not include this service at this time.
- **Purchasing/Procurement Card:** Issued to employees who are expected to follow Village policies and procedures related to P-Card use, including reviewing and approving transactions. The Village can implement a variety of controls for each P-Card; for example, a single-purchase dollar limit, a monthly limit, and merchant category code (MCC) restrictions. Staff recommends that the contract for banking services not include this service at this time.

The RFP was sent out to seven banks:

- |                               |                |
|-------------------------------|----------------|
| • Amalgamated Bank of Chicago | Chicago, IL    |
| • Charter One Bank            | Lombard, IL    |
| • Cole Taylor Bank            | Lombard, IL    |
| • Glen Ellyn Bank & Trust     | Glen Ellyn, IL |
| • JP Morgan Chase Bank        | Chicago, IL    |
| • MB Financial Bank           | Chicago, IL    |
| • West Suburban Bank          | Lombard, IL    |

A pre-proposal conference was held on November 16, 2010, to respond to any questions raised by the potential vendors. All seven banks sent representatives to this meeting. Cole Taylor Bank did not submit a proposal.

The RFP asked the banks to submit fee proposals on a price per unit (i.e. transaction) basis with a monthly charge based on the Village's current account/depository fees. This structure includes the use of six zero balance accounts for the accounts payable, payroll, water and sewer, insurance, lockbox, and electronic deposit accounts and one concentration account from which funds sweep to cover checks presented. At the close of business each day, any funds remaining in the concentration account sweep to an investment account to earn interest at all times. In addition, the banks were asked to list any additional charges for other services included in their proposal. After receiving the banks' responses to the RFP, staff reviewed the information for completeness and accuracy and prepared a cost analysis.

## RECOMMENDATION

### General Banking, Custodial, and Lockbox Services

After reviewing the information submitted by the banks, staff recommends award of a contract to Glen Ellyn Bank & Trust for General Banking, Custodial, and Lockbox services. Glen Ellyn Bank & Trust has an excellent reputation among municipal clients and employees with multiple years of banking and public sector experience dedicated to serving the banking needs of Government

clients. This includes Illinois School Districts, Park Districts, libraries and local municipalities, as well as non-profit organizations. All references checked have been favorable.

Glen Ellyn Bank & Trust is one of the 15 bank groups owned by Wintrust Financial Corporation. Wintrust Financial Corporation is a financial services holding company with approximately \$14 billion in assets and over 80 locations in the Chicagoland area. Established in 1996 as a publicly traded company, Wintrust is now the second largest Illinois-based bank group in the Chicago area and expects to add new banks and branches in high opportunity markets.

Glen Ellyn has submitted a proposal with an account structure that complies with the requirements of the RFP and has agreed to 110% collateralization of our funds in accordance with our financial policy.

Attachment A compares the proposed fees for the three banks that provided pricing for general banking, lockbox, and custody services. Staff estimates that Glen Ellyn's annual rate for general banking and lockbox services is \$33,951, based on current activity. Fiscal Year 2010 actual expenses for general banking and lockbox services were \$47,499.

Glen Ellyn is able to provide custodial services to accommodate the delivery, storage, payments and pledged collateral of investment securities. Glen Ellyn's proposal for custodial services is 3 basis points (.03%) on the total market value of the account.

In comparing the proposed monthly fees, the RFP also requested a projected interest earnings allowance using a sweep account that earns interest on overnight repurchase agreements. Glen Ellyn has proposed an Earnings Credit Rate with a floor of .45%. We are currently receiving a rate of .40% from our current provider.

The total annual cost for general banking, lockbox, and custody services with Glen Ellyn is approximately \$38,596. This is \$11,895 less than fiscal year 2010 banking service fees, \$9,872 less than MB Bank's estimated proposal, and \$29,936 less than Charter One's estimated proposal.

### **SUMMARY**

Staff will be in attendance at the meeting on Monday to review this recommendation with the Committee. The Banking Services RFP and the responses to the RFP are available in my office for review. Due to their size, I have not included this information herein.

I am requesting at this time that the Finance Committee concur in our recommendation to award a contract to Glen Ellyn Bank & Trust, beginning May 1, 2011, to provide banking services for the Village of Lombard for the next three years, with an option for three additional years at the Village's request. Upon committee approval, this recommendation will be presented to the Village Board for their consideration and approval at the meeting on February 3, 2011.

- c. David A. Hulseberg, Village Manager  
Jamie Cunningham, Assistant Finance Director  
Anne Fairbairn, Accounting Supervisor  
Sharon Myers, Customer Service Supervisor  
Brian Koehler, Accountant