

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL WORKSHOP
OCTOBER 14, 2008 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Addendum to Banking Services Agreement	<input checked="" type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Motion <input type="checkbox"/> Discussion Only	Judy Buttny Finance Director

SYNOPSIS

A resolution has been prepared to authorize the execution of an addendum to the Village's banking services agreement with U.S. Bank. Approval of the resolution will extend the Village's contract with U.S. Bank for one (1) year. U.S. Bank is proposing no increase in fees.

STRATEGIC PLAN ALIGNMENT

The Five Year Plan and Goals for 2007-2012 identifies *Exceptional Municipal Organization*. A supporting objective is *Financially Sound and Sustainable Village Government*.

FISCAL IMPACT

The proposed FY09 budget includes \$14,000 in the General Fund for banking fees, \$14,200 in the Water Fund for lockbox fees, and \$13,000 for custodial fees in the Police and Fire Pension Funds. A portion of the above fees are offset by earnings credit on compensating balances.

RECOMMENDATION

Approval on the October 21, 2008 consent agenda.

BACKGROUND

This item was removed from the October 7, 2008 consent agenda and scheduled for consideration during the October 14, 2008 Workshop. Staff is discussing potential changes to the contract with U.S. Bank and will have additional information at the time of the October 14, 2007 Workshop.

In 2005, staff issued a Request for Proposal (RFP) and sent it to 14 banking institutions. Six banking institutions responded.

In On December 6, 2005, the Village Council approved a three-year agreement with two (2) one-year options to extend for banking services with U.S. Bank. A one-year extension to the contract has been proposed per the Village's agreement with U.S. Bank. U.S. Bank will not increase its fees during the one-year extension.

Pursuant to the Village Council's Purchasing Policy, contract extensions may be granted for previously approved contracts if the contract price does not increase by more than two percent over the originally approved contract.

U.S. Bank is proposing a change to the earnings credit on compensating balances. The Village is currently receiving the Federal Funds Rate on bank balances. The proposed rate is the Federal Funds Rate less 10 basis points. Because this is not a fee, it is consistent with the Village's Purchasing Policy.

ATTACHMENTS

Resolution
Addendum
2005 Manager's Memo

RESOLUTION NO. _____

A RESOLUTION AUTHORIZING EXECUTION OF AN ADDENDUM TO A BANKING SERVICES AGREEMENT BETWEEN THE VILLAGE OF DOWNERS GROVE AND US BANK

BE IT RESOLVED by the Village Council of the Village of Downers Grove, DuPage County, Illinois, as follows:

1. That the form and substance of a certain Agreement (the “Agreement”), between the Village of Downers Grove (the “Village”) and US Bank (“US Bank”), for banking services, as set forth in the form of the Agreement submitted to this meeting with the recommendation of the Village Manager, is hereby approved.

2. That the Village Manager and Village Clerk are hereby respectively authorized and directed for and on behalf of the Village to execute, attest, seal and deliver the Agreement, substantially in the form approved in the foregoing paragraph of this Resolution, together with such changes as the Manager shall deem necessary.

3. That the proper officials, agents and employees of the Village are hereby authorized and directed to take such further action as they may deem necessary or appropriate to perform all obligations and commitments of the Village in accordance with the provisions of the Agreement.

4. That all resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby repealed.

5. That this Resolution shall be in full force and effect from and after its passage as provided by law.

Mayor

Passed:

Attest: _____
Village Clerk

**ADDENDUM TO AN AGREEMENT FOR BANKING SERVICES
BETWEEN THE VILLAGE OF DOWNERS GROVE
AND US BANK**

THIS ADDENDUM dated this ____ day of _____, 2008, by and between the Village of Downers Grove, an Illinois municipal corporation (hereinafter referred to as the **Village**), and US Bank (hereinafter referred to as **US Bank**), in consideration of the following mutual covenants, terms and agreements, hereby agree to amend the Agreement for Banking Services between the Village of Downers Grove and US Bank (**Agreement**), whose effective date was January 1, 2006, as follows:

1. That the term of the Agreement shall be extended for one additional year to expire on December 31, 2009.
2. That Exhibit D shall be amended to replace the term "Target Federal Fund" with the term "Target Federal Fund minus ten basis points".
3. All terms and conditions of the January 1, 2006 Agreement and any other addendums thereto shall apply equally to this Addendum Agreement.
4. Per the original Banking Services Agreement, there remains (1), one-year option to extend this contract.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed as of the day and year first specified above.

VILLAGE OF DOWNERS GROVE

US BANK

BY: _____

BY: _____

ATTEST: _____

ATTEST: _____

DATE: _____

DATE: _____

- Ability to provide a drive-thru location or cost effective alternative: Each bidder had a drive-thru or soon to be completed drive-thru within the Village limits.
- Completeness of the proposal: All RFP's had all the information required by the Village to fairly evaluate each RFP. The responses received were complete, although some respondents elected to not bid on portions of the services being sought. Where that occurred, the omission has been noted.

BID TABULATION

The table below compares all bidders for the three-year agreement:

Bidder	Depository Services	Lockbox Services	Police Pension	Fire Pension
U.S. Bank	67,093	36,064	24,469	10,735
Community Bank of Downers Grove	75,310	49,164	48,938	35,785
Bank One	76,776	36,064	21,600 ^	12,000 ^
Downers Grove National Bank	113,371	78,634	28,547	12,525
Midwest Bank	102,935 *	No bid	No bid	No bid
Hinsbrook Bank	58,918 *	No bid	No bid	No bid

* Bids didn't include credit card processing.

^ Bank One can not offer consolidated reporting for their safekeeping.

BID EVALUATION SUMMARY

For the core banking services, Staff recommends contracting with U.S. Bank, which submitted the lowest overall bid. Staff contacted the references listed and all three gave U.S. Bank a positive recommendation. The Village has experience working with U.S. Bank since May 2002, as they are the custodial bank for Illinois Funds, the State managed investment pool. Finance Department staff also will benefit from US Bank's technology, especially Internet banking, to assist with the daily cash management, such as viewing cleared check and ACH payments.

For lockbox service, which is necessary only for accepting water bill payments, staff also recommends U.S. Bank. Though not originally the low bidder, US Bank was able to match to low bid for lockbox services. There are other benefits as well, in that the use of one bank for both core and lockbox processing provides for more efficient accounting and avoids the delay and cost of electronically transmitting funds between banks. U.S. Bank's lockbox is located in Milwaukee, WI but with 9 daily pick-ups at the Post Office, U.S. Bank has assured the Village that there will not be a delay in processing as compared with our current lockbox processor, which is located in Carol Stream. The Finance Committee did discuss this matter and expressed acceptance for this recommendation provided that language could be inserted into the agreement allowing for the Village to withdraw from the lockbox services portion should actual experience with the service indicate a slowdown in the processing of receipts. These terms have been negotiated into the agreement to the Village's satisfaction.

Staff also recommends US Bank for pension safekeeping services. The cost for all services provided by U.S. Bank comes to \$138,361 over a three-year period. On an annual basis, the cost of \$46,120 is lower than the cost for the same banking services in the prior year, \$57,762. As a result of the RFP process, the Village is expecting to realize annual savings of \$11,632 beginning in 2006.

ATTACHMENTS:

- Addendum to RFP matching low-bid pricing for lockbox services
- Proposal/Contract Form
- Request for Proposal Certification
- Banking Services Bank Agreements
- U.S. Bank Consolidated Treasury Management Service Agreement
- Treasury Management Services Terms & Conditions
- Addendum to Treasury Management Services Terms & Conditions
- Supplement re: Electronic Deposit Services
- Custody Agreement

STAFF RECOMMENDATION:

Staff recommends the Village Council approve a 3-year agreement on November 15, 2005 with a planned effective date of January 1, 2006 with 2 optional one-year extensions with U.S. Bank for depository and banking services, lockbox services, and safekeeping services.

REQUESTED COURSE OF ACTION:

That this item be placed on the Village Council's active agenda for November 15, 2005