



Legislation Details (With Text)

File #: 2022-0616

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On agenda: 6/21/2022 **Final action:**

Title: Approve four-year renewal agreement with Truist Bank for comprehensive banking services through May 31, 2026

Sponsors:

Code sections:

Attachments: 1. FOR COUNCIL - First Amendment to Agreement for Banking Services - Truist Bank (FIN-200254), 2. FOR COUNCIL - Amended Treasury Management Agreement (Authorized Signatures), 3. Contract Pricing Sheet, 4. City of Ocala Pricing Sheet Glossary 2022

Date	Ver.	Action By	Action	Result
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Submitted By: Emory Roberts

Presentation By: Emory Roberts

Department: Finance

STAFF RECOMMENDATION (Motion Ready):

Approve four-year renewal agreement with Truist Bank for comprehensive banking services through May 31, 2026

OCALA'S RELEVANT STRATEGIC GOALS:

Operational Excellence, Fiscally Sustainable

PROOF OF PUBLICATION:

N/A

BACKGROUND:

The City receives comprehensive banking services from Truist (formerly SunTrust) Bank, a qualified public depository (QPD) institution, meeting the criteria set forth in Florida Statutes, Chapter 280. The City's banking services objectives are to secure the most efficient and effective banking services while maintaining sufficient liquidity and protection of all City funds. Truist has satisfactorily provided services to the City for over 20 years.

The City issued an Invitation to Negotiate (ITN)# FIN/200254 seeking proposals from qualified public depository (QPD) institutions for a turn-key and innovative, full-service banking services solution to award a 5-

year contract. Truist was the highest ranked of four respondents by the evaluation committee.

On September 14, 2021, City Council awarded Truist the banking services contract through June 1, 2022, pending completion of the Truist merger during February 2022. The City planned to enter a 4-year contract after the merger with acceptable competitive interest rates.

City management requested a pricing and product review from Truist. Truist responded with increases to both the Earnings Credit Rate (ECR), which is applied to the compensating balance and Managed Interest Rate (MIR) for excess funds. Management rejected the initial offer from Truist for the MIR and subsequently received an increased offer that was a hybrid variable percentage of the Federal Funds Target Rate (FFTR). For comparison, the City Contracting Officer requested updated interest quotes from the second and third ranked banks from the ITN. The banks provided updated ECR and MIR interest proposals including MIR hybrid variable rates. Truist updated their proposed rates as well.

Description	Truist	JP Morgan	TD Bank
Compensating Balance Required	\$ 6,160,000	\$ 5,217,500	\$ 5,558,015
<i>ECR Float with FFTR</i>	<i>Does not Float</i>	<i>FFTR less 0.40%</i>	<i>Equals FFTR</i>
<i>Earnings Credit Rate</i>	0.50%	0.60%	1.00%
<i>MIR Float with FFR</i>	<i>.60% of FFTR</i>	<i>FFTR less 0.50%</i>	<i>FFTR less 0.10%</i>
<i>Managed Interest Rate (MIR)</i>	0.60%	0.50%	0.90%
<i>Excess Funds Monthly Interest</i>	\$ 4,505	\$ 4,154	\$ 7,217
<i>Excess Funds 1-Year Interest</i>	\$ 54,057	\$ 49,851	\$ 86,608
Total Available Balances	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
Annual Fee Allowance (ECR)	\$ 30,800	\$ 69,132	\$ 56,646

To maximize interest earnings, the City will continue to monitor and invest excess funds with our current local government investment pool options when advantageous to the City. The investment pools historically provide higher returns with same or next day liquidity for our funds.

FINDINGS AND CONCLUSIONS:

Truist has proposed competitive interest increases to both the Earnings Credit Rate (ECR), which is applied to the compensating balance, and the Managed Interest Rate (MIR) for excess funds.

- ECR - a fixed rate increase from 30 to 50 (0.50%) basis points on the minimum balance required to offset all fees. As a result, the required compensating balance will decrease significantly and increase the amount of excess funds available to earn interest. The compensating balance requirement fluctuates based on ECR, average positive available balance and volume of services.
- MIR - an increase from 10 to 60 (0.60%) basis points; the new rate will be a hybrid rate that is 60% of the Federal Funds Target Rate (FFTR). The City would automatically receive increases to the excess balance MIR for any FFTR increases during the life of the contract effective the following month.

Any banking change for the City would require four months or more transition with an estimated total of 1,000

employee hours primarily from personnel in Finance and Information Technology. The estimated cost for the employees (with benefits) is over \$45,000.

The new renewal agreement, Treasury Management Master Agreement, Contract Pricing Sheet, and Pricing Sheet Glossary are attached.

FISCAL IMPACT:

Fees for banking services will be deducted from ECR interest earnings based on the compensating balance calculation. The City is not expected to pay any type of fees since the ECR interest earnings will be greater than any fees incurred. Estimated banking interest revenue is more than \$50,000 annually to over \$200,000 for the four-year term depending on our cash investment management and the timing of expected Federal Funds Target Rate increases.

PROCUREMENT REVIEW:

This Amendment is in compliance with the City's procurement policy.

LEGAL REVIEW:

This Amendment will be reviewed and approved for form and legality by the City Attorney, Robert W. Batsel, Jr.

ALTERNATIVE:

- Amend
- Table
- Deny