

To: Administration & Finance Committee

Date: 03/17/2023

From: Amber Johnson, Chief Financial Officer

Reviewed by: *WC.*

SUBJECT: Change in Financial Institutions

Background:

The Authority's primary day-to-day bank accounts have been held with Union Bank since 2015. Staff recently received notification that Union Bank has been acquired by US Bank, and that all accounts will be transitioned to US Bank beginning in May of this year. Since the administrative work required to facilitate a change of this nature is substantively similar to changing banks, staff decided to take this opportunity to explore options with alternate banking institutions. Legal counsel has advised that transitioning from one bank to another can be made under the General Manager's authority, since the cost to provide banking services is well within his scope.

Analysis:

Staff met with Union Bank to learn more about the transition to US Bank, and what the fee structure and bank interface would look like under the new ownership. Based on recommendations from peers, staff also met with Bank of the West and Wells Fargo for cost proposals and banking demonstrations. During this process, staff learned that Bank of the West has been acquired by Bank of Montreal.

All three institutions have the capability to meet the Authority's primary banking needs, which are: cash vaulting services, wire transfer and ACH payment origination, remote deposit capture, and an internet banking portal with instant access to transactions and cash balances. In addition to these core banking needs, staff assessed each institution's fees, the user-friendliness of the internet banking portal, and the ability of the bank to provide excellent and timely customer service.

Each bank proposed very similar fees, offset by an earnings credit rate. The earnings credit rate varied between the three, with Wells Fargo offering the highest rate. However, once the earnings rate exceeds the fees charged, there is no benefit to the Authority because excess earnings are not transferred to the bank customer. Using the Authority's December 2022 bank transactions (and after normalizing the proposals to compare the same services) the monthly fees quoted were as follows:

Institution	Fee Estimate (monthly)	Earnings Credit		Net Fees Charged
		Rate	Amount	
US Bank	\$1,273	0.40%	\$433	\$840
Wells Fargo	\$1,180	1.65%	\$1,728	\$0
Bank of Montreal	\$1,002	1.50%	\$1,467	\$0

During the demonstrations, staff had the opportunity to view and interact with each bank's internet banking portal. Out of the three, the Bank of Montreal system was the most user-friendly and easy to navigate.

Staff was also very impressed with the customer service offered by Bank of Montreal during the proposal process, and the way their team anticipated the Authority's needs and offered proactive solutions. Although this bank is undergoing a transition from a San Francisco-based institution (Bank of the West) to an international institution (Bank of Montreal), the core Bank of the West team has been retained and is still able to provide a dedicated local customer service team to assist the Authority when needed.

After meeting with all three institutions, Bank of Montreal stood out from the rest as the most able to meet the Authority's banking needs at a reasonable cost. Staff is prepared to move forward with the transition to Bank of Montreal under the General Manager's authority.

Financial Implications:

Changing the financial institution from Union Bank to the Bank of Montreal will have a positive net impact to the Authority's finances, since bank fees will be completely offset by earnings credits.

Recommendation:

Information only.

Action Requested:

Information only.

Attachments:

None.