

**CITY OF JOPLIN
COUNCIL AGENDA ITEM**

ITEM

Council Bill 2021-508 – Approving an Agreement with Commerce Bank to provide banking and depository services for the City of Joplin

MEETING DATE

April 5, 2021

ORIGINATING DEPT

Finance

ATTACHMENTS

CB 2021-508 Ordinance; Exhibit “A” Agreement for Depository Services; Attachment “D” Depository Security Agreement; Commerce Bank Bid Response and Additional Response; City of Joplin Original RFP; RFP Analysis by the Finance Department

REVIEWED BY

Department Head: Leslie Haase; City Attorney: Peter Edwards; City Manager: Nick Edwards

SUMMARY

This Council Bill approves an agreement with Commerce Bank to provide banking and depository services for the City of Joplin commencing July 1, 2021 for a period of four years, with the option of an additional year upon mutual agreement of both parties.

BACKGROUND

The Home Rule Charter appoints the Director of Finance to serve as city treasurer. As treasurer, the Finance Director is directed to deposit the City’s funds in depositories as established by resolution of the City Council. The City Code sets forth certain requirements for banking institutions to be considered for the selection of the City’s banking and depository services including 1) the creditworthiness of the institution, and 2) the ability to provide pledged collateral at the rate of 106% of the market value of principal and accrued interest of all City funds deposited in excess of applicable FDIC insurance. The pledged collateral is required to be in compliance with the City’s investment policy as approved by the City Council.

The City’s current banking and depository services are with UMB Bank. This contract expires on June 30, 2021. Requests for Proposals were mailed to all financial institutions located within the city limits of Joplin on February 4, 2021. On March 4, 2021, the City received written proposals in response to this request from Commerce Bank, Guaranty Bank, Simmons Bank and UMB Bank.

After reviewing the responses, additional information was needed in order to fully evaluate the overall proposed services charges by each respondent. With the additional information, the bid responses were compiled into the attached bid tabulation. Input was sought from the City’s third-party investment advisor as to the long-term outlook for the National Effective Fed Funds Rate. Additionally, the bids were evaluated based on the current average daily balance of the general account, as well as on a lower balance as the City will likely invest idle funds over the coming years.

As a part of the RFP, the City requested a bid for interest to be paid on the City's temporary idle funds. Commerce Bank bid an Earnings Credit of .20% that can be used to offset an amount equal to the monthly service charge assessed. Additionally, interest will be paid on any balances above the amount required to offset the monthly service charge. The interest rate quoted on these balances by Commerce Bank is 50% of the National Effective Fed Funds rate plus .01%, which is .05% as of the analysis date. Each bid response was evaluated based on the best overall net benefit for the City utilizing the proposed service charges and interest earned.

While the bids were evaluated on the RFP responses, Commerce Bank increased the Earnings Credit offer from .20% to .30% with the additional information submitted. As such, the Agreement with Commerce Bank includes an Earnings Credit of .30%. Depending on the average balances being carried by the City, this will increase the amount of interest paid on temporary idle funds shown in the attached bid tabulation.

Based on the detailed analysis, it is recommended that Commerce Bank be awarded the bid for banking and depository services for a four-year period commencing July 1, 2021 with the option to extend the agreement for an additional year upon the mutual consent of both parties. Commerce Bank provided the best overall net benefit for these services.

FUNDING SOURCE

Not applicable for this item.

RECOMMENDATION

Staff recommends approval of this council bill on an emergency basis in order to begin the bank service transition for an actual implementation date of July 1, 2021.