



Achieving Optimal Results from Banking and Depository RFPs

Toinette Miller
Director

PFM Group Consulting
LLC

750 N. St. Paul St.
Suite 750
Dallas, TX 75201

214-247-7083
www.pfm.com



Toinette Miller **Director, PFM Group Consulting**

A Director at PFM Group Consulting, Ms. Miller leads the Treasury Consulting practice which consults with government, higher ed, healthcare and not-for-profit entities on their banking and treasury operations. PFM's Treasury Consulting practice specializes in organizational assessments, banking RFP and vendor selection services, fee negotiation and banking implementation and transition services.

Ms. Miller began consulting after a 30-year career in the financial services industry, including Prudential Insurance & Financial Services, Bank of America and 20 years at J.P. Morgan Chase where she held a variety of roles in sales, relationship management, and implementation within commercial card, merchant services and treasury services, all within the government, higher ed, healthcare and not-for-profit space.

Early in her banking career, Toinette implemented and managed the very complex state of Texas commercial card program including direct management and support of over 1100 Texas agencies and municipalities. Through consulting with the Texas State Comptroller's office on fiscal and procurement policy, the program saw significant growth and expansion to state agencies, universities, cities, counties, school districts, special districts and not-for-profit entities within Texas and beyond. Growing from \$200K to nearly \$1B in annual charge volume, the program became a significant source of revenue for the state of Texas.

Toinette directs PFM's programming and educational content on banking and treasury topics, delivered through lectures and speaking engagements at GFOA and other industry conferences. A GFOA member, Toinette was recently appointed to serve as member of the TIM Committee. Toinette is also a member of Women in Public Finance and serves on her firm's Diversity, Equity and Inclusion steering committee. Toinette holds a B.S. in Business Administration and a B.S. in Criminal Justice from Arizona State University and an MBA from Western International University.



LEGISLATIVE

UPDATE



Legislative Updates

TENNESSEE

DEPOSITORIES OF MUNICIPAL FUNDS

TENN.CODE ANN. § 6-4-402 DEPOSITORIES OF MUNICIPAL FUNDS...EFFECTIVE 2019

Requires reevaluation of banking services at least once every four (4) years by analyzing proposals from at least two banks

What does this mean?

TN public entities, regardless of size or amount spent on banking fees, are required to reevaluate their depository contracts once every 4 years. Evaluation is defined as analyzing proposals from at least 2 banks, considering banks proposing the highest interest rate, potential service charges or other fees, factors effecting the safety and liquidity of municipal funds. The treasurer or an officer appointed by the treasurer shall prepare a written evaluation of the proposals...



Agenda

COMMON PROCUREMENT TOOLS

RFP BEST PRACTICES

BANKING TECHNOLOGY & SERVICES

MANAGING CASH BALANCES TO MINIMIZE
FEES



Common Procurement Tools

◆ RFQ = Request for Quote

- Typically used when you know exactly what product or service you want and you only need to know the price. Works well for commoditized goods.

◆ RFI = Request for Information

- Procurement tool used to research and collect written information about the capabilities and options in the market
- Information obtained often used to formulate requirements for an RFP

◆ RFP = Request for Proposal

- Typically used as a method when you provide your requirements and ask bidders to propose solutions
- Most common procurement tool for banking RFPs

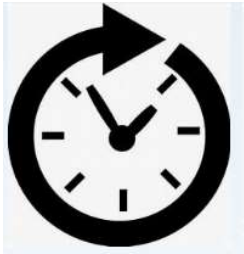


RFP Best Practices for Success



RFP: Best Practices for Success

DOs



Give yourself time



Research technologies



Organizational Assessment



New ideas

DON'Ts

Wash, rinse, repeat



Provide current pricing



Don't ask if; ask how



Separate bids

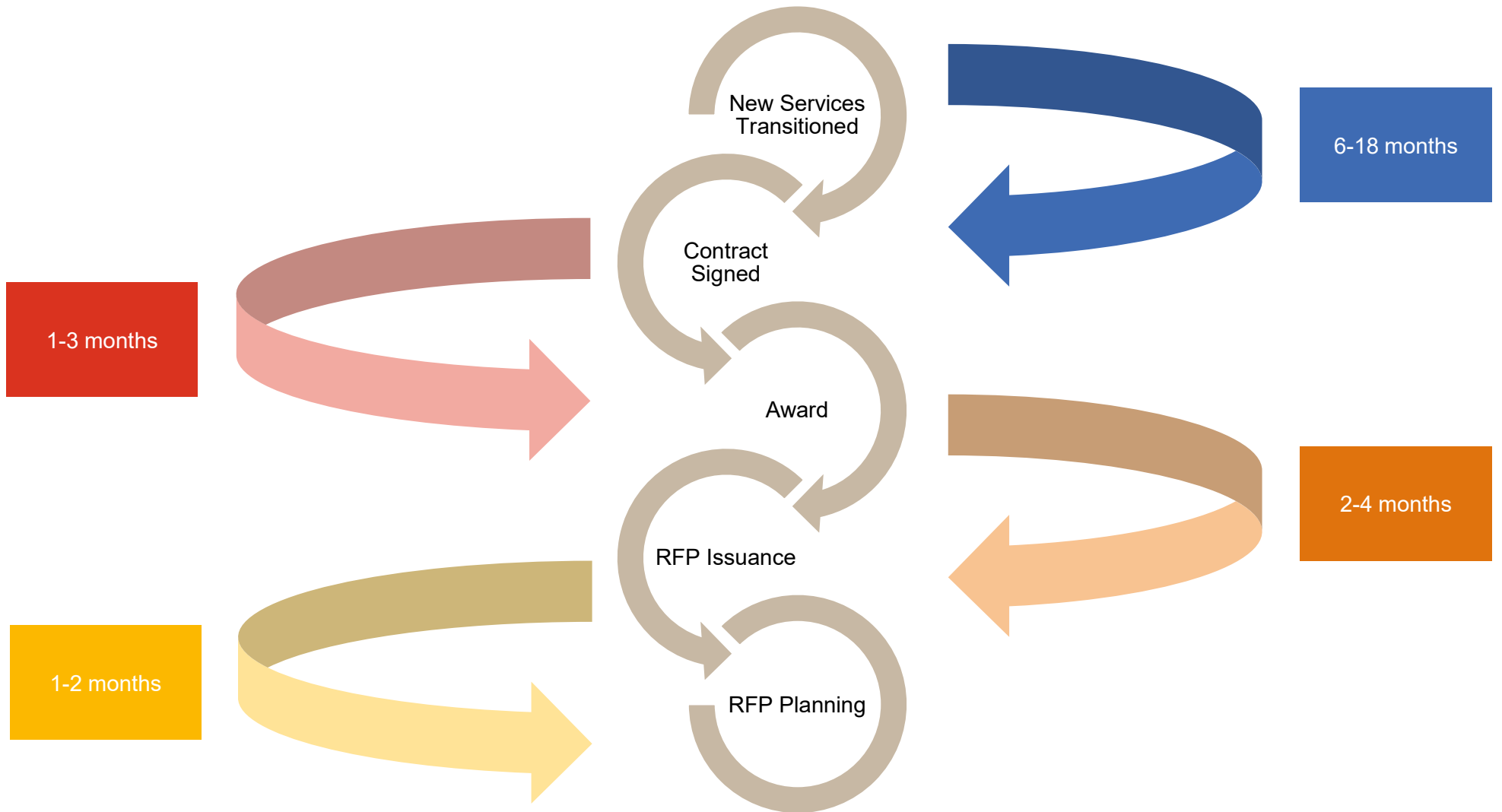




Timing of your RFP



Give yourself the gift of time!





When to Consider an RFP?

- ◆ Banking fees are high
- ◆ Sizeable investment balances at the bank
 - Compensating balances
 - Cash in custody accounts
 - Sweep investments
- ◆ Haven't re-bid banking services recently
- ◆ Manual and/or outdated processes
- ◆ Legislation requires it



What was talked about then, is not what's talked about now

2014

TOP TECH TRENDS FOR BANKS IN 2014

- CYBER SECURITY PREVAILS AS A TOP CONCERN**
 93% of banks and businesses across the globe are maintaining or hiking their cyber security investments to combat rising cyber attacks.
 DDoS ATTACK SIZES ARE INCREASING
 The average attack size now stands at 2.64 Gbps (vs the year-ago average of 78k from 2012)
- REGULATORY COMPLIANCE REMAINS A PRIORITY**
 87% of global financial services companies are having significant impacts of regulatory reforms.
 51% of companies enhanced their infrastructure to support heightened scrutiny.
- CLOUD ADOPTION WILL ACCELERATE**
 60% of banks worldwide will process the majority of their transactions in the cloud by 2016.
 71% of financial services firms say they will invest more in cloud computing.
- BIG DATA INITIATIVES GET BIGGER**
 71% of the financial services industry is already using big data and analytics.
 70% of the bankers surveyed feel they are not leveraging data to the best of their ability.
 88% believe that analytics will become more important in the next three years.
- TECHNOLOGY WILL DRIVE INDUSTRY INNOVATION**
 BANKS COULD SEE SIGNIFICANT SAVINGS IF THEY DID MORE TO LEVERAGE MOBILE BANKING
 Up to \$1.5 billion in industry cost savings could be realized by switching just one mobile banker's per-person deposit to mobile per month.

Are you prepared with the right IT solutions to meet the challenges of 2014? Contact a CDW Financial Services account manager for an assessment, call 888.706.4339 or visit cdw.com/banking for more information.

CONNECT WITH US
 @CDW.com/banking
 @CDW_Finance

CDW PEOPLE WHO GET IT

2018

TOP-10 COMMERCIAL BANKING TRENDS

Enhanced Operational Efficiency

- Blockchain**
Blockchain is transforming heavily paper-based trade finance processes at banks, and helping them to reduce a counterparty risk while avoiding the need for intermediaries.
- Automation**
By reducing human intervention in manually intensive processes, automation is being leveraged to improve speed and accuracy of core business functions.
- Hybrid Cloud**
Hybrid cloud offers a blended approach that can help banks with increased operational agility by innovation, revenue growth and ecosystem collaboration.

Embracing Openness to Overcome New Age Challenges

- Regulation Pushing Innovation**
New regulations aimed to increase competition and openness in the industry are pushing banks to innovate and improve their offerings.
- Banks Leveraging APIs**
Banks are piloting the use of APIs to streamline their business processes and improve the customer experience.
- Agile and Open Architecture**
Banks are developing agile open systems and architectures to support their business strategy and partnership opportunities with third parties.

Leveraging Technology for Evolved Lending

- Predictive Analytics**
Banks are leveraging big data and predictive analytics to accurately evaluate the creditworthiness of an institution to drive profitable loans, and to lower lending costs.
- AI-Powered Lending**
Machine learning and using data-driven online platforms to connect borrowers with lenders/operators, enabling automated and faster processing with calculated risk.

Capgemini
 Copyright © 2017 Capgemini. All rights reserved.

2019

Trends Impacting the Financial Services Industry

- Offer personalized experiences with Artificial Intelligence
- Seamless execution of transactions with voice-first applications
- Greater consumer satisfaction with instant payment gateways
- Maximise productivity with Robotic Process Automation (RPA)
- Open banking with third party API platforms
- Consumer focused hyper-customization with Wearable technology

2022

5 Banking Technology Trends in 2022

The period of 2020-2021 led to the inevitable adaptation of the banking industry to the challenges of the pandemic through the abandonment of traditional methods of work and the transition to a variety of online platforms.¹

¹ 5 Banking Technology Trends in 2022 (paycompliance.com)

2016

WHAT TECHNOLOGIES AND TRENDS WILL DEFINE BANKING IN 2016?

- EMV
- TRID
- BRANCH TRANSFORMATION
- CRM
- MOBILE BANKING

CSI
 © Copyright 2015, Computer Services, Inc.



Key Components of your RFP




At minimum, your proposal should include:

- ◆ Intent to bid
- ◆ General Information
- ◆ **Format in which you'd like the RFP submitted**
- ◆ Minimum Proposer Requirements
- ◆ Scope of Services; Questionnaire
- ◆ **Custom Cost Sheet, Price Sheet, ProForma**
- ◆ Term of the contract with renewal options
- ◆ RFP Schedule, Calendar of Events
- ◆ **Evaluation Criteria – Scoring Methodology**
- ◆ Special Contract Provisions
- ◆ Exhibits and Attachments



Evaluation Criteria

 Evaluation of Banking Services Proposals Bank _____ Evaluator _____		1: General Banking Services 2: Merchant Card Processing 3: Security Safekeeping and Custody 4: Lockbox Processing 5: Purchasing Card Program					Total
		1	2	3	4	5	
Operational Requirements		25					
	Understanding of the needs and operational requirements.		5	10	10	5	10
	Location (e.g. branches, operations center, account officers).		10	0	0	5	0
	Scope of services offered including degree of automation.		10	15	15	15	15
Firm Experience		15					
	Experience, resources, and qualifications of institution and assigned staff.		10	10	10	10	10
	Relevant experience managing similar account relationships with public institutions and agency clients.		5	5	5	5	5
Financial Strength		10					
	Financial strength of proposing institution.		5	5	5	5	5
	Adequacy of financial controls and protection against loss.		5	5	5	5	5
Scope of employee banking services offered		5	5	5	5	5	5
Transition		10					
	Quality and scope of conversion plan.		5	5	5	5	5
	The value of any new product or service suggestions or other new ideas and enhancements.		5	5	5	5	5
Compliance with the requirements of the RFP, completeness and quality of proposal.		10	10	10	10	10	10
	Total before fees	75	75	75	75	75	75
	Proposed fees and compensation	25	25	25	0	25	
	TOTAL SCORE	100	100	100	100	75	100



Custom Price Sheet, ProForma

- ◆ Standardize timeframe for costs, i.e. monthly, annual
- ◆ Standard names for services
- ◆ Provide volumes for consistency
- ◆ Consistency in expressions, rates, units
- ◆ Goal: to more easily make an apples-to-apples comparison

Pricing Response Form					
Bank Depository Services					
Service Description	Average		Total Average Monthly Volume	Proposed Unit Cost	Total Monthly Cost
	Monthly Volume Dept A	Monthly Volume Dept B			
DEPOSITORY SERVICES					
Account Maintenance	71	5	76		
Interest Bearing Account Maintenance	16	4	20		
Night Drop Deposit	1	3	4		
Bank by Mail Deposit	1		1		
Vault Deposit	77	415	492		
Check Deposit - Paper		15	15		
Debits Posted - Other	24	127	151		
Deposit Correction - Non-Cash - Image Cash Letter	1		1		
Checks Paid	2,482	1,730	4,212		
ZBA Master Account Maintenance	4	1	5		
ZBA Subsidiary Account Maintenance	33	11	44		
Returns - Email Images		197	197		
Electronic Return Item Notification		203	203		
Returns - Chargeback	13	110	123		
Returns - Reclear - per Item	4	93	97		
Returns - Reclear Services - Maintenance	57	20	77		
Returns - Alternate Account Per Month	60		60		
Return Item Other Special Instruction	1		1		
Returns - Alternate Account	8		8		
Returns - Additional Advice	1	70	71		
Checks Deposited - Foreign Item	1	2	3		
Checks Deposited - Branch	1		1		
Checks Deposited - Items Processed		32	32		
Checks Deposited - Vault	188	1	189		
Automated Stop Payment > 12 Months		17	17		
Automated Stop Payment <= 12 Months	71		71		
Ledger Overdraft Per Day	2		2		
Debits Posted - Electronic	160	163	323		
Credits Posted - Electronic	1,630	1,549	3,179		
Deposit Account Statements Over 1	92	20	112		
Manual Stop Payment - Online	1		1		
Image Cash Letter - per Deposit	119	364	483		
Image Deposited Items - Image Cash Letter	10,926	47,842	58,768		
Transmission Maintenance	1		1		
Online Account Transfer	32	34	66		
BRANCH/VAULT SERVICES					
Currency/Coin Deposited per \$100 - Night Drop		97	97		
Currency Supplied per \$100 - Non-Standard - Vault	1,650	1,645	3,295		
Deposit Correction - Cash	2	3	5		
Coin Supplied - per Roll - Vault	143	1,082	1,225		

Page 1



Pre-Proposal Conference



- ◆ Valuable for large or complex operations
- ◆ Talk about goals/challenges and intended operational changes
- ◆ Review RFP and solicit questions
- ◆ Ensure a fair competitive environment
- ◆ Use specific prepared questions to generate audience interaction
- ◆ Clarify procurement rules
- ◆ Understand who's interested



Question & Answer

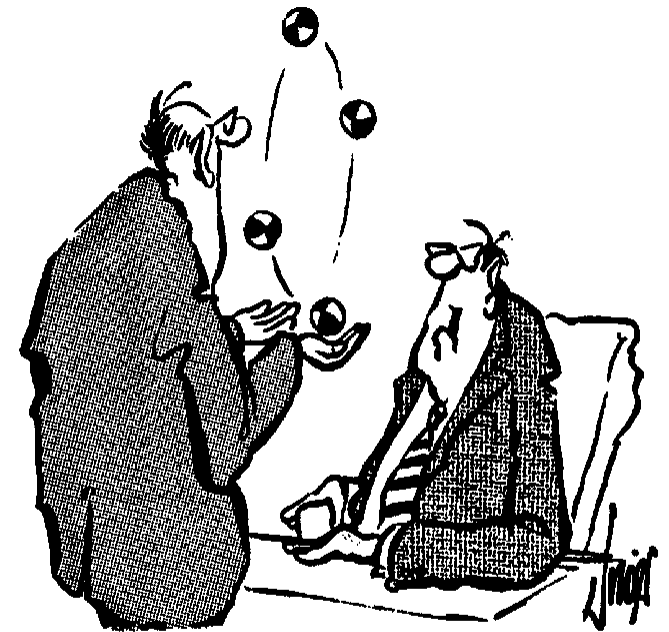
- ◆ Require questions in writing
- ◆ Set submission deadline 7-10 days after release of RFP
- ◆ Provide written answers to all respondents
- ◆ RFP due date at least 2 weeks after Q&A





Finalist Interviews

- ◆ Request key staff
- ◆ Define presentation content; provide agenda
- ◆ Opportunity to ask pointed questions
- ◆ Understand fee proposal
- ◆ Allow enough time



"You seem to have the qualifications we're looking for"



Educate yourself on Banking Technology & Services



Outsourced Check Printing



- ◆ Bank receives check issue file; then prints and mails checks on your behalf
- ◆ Includes positive pay and account reconciliation services
- ◆ Advantages
 - Lower cost for supplies
 - Postage savings on bulk mailing
 - Focus on core competencies
 - Augments business resiliency



Mobile Banking



- ◆ New mobile features and applications have provided access to essential banking functions such as:
 - Balance reporting
 - Check deposit
 - Initiation of a repetitive wire
 - Secondary approval of wire transfers
 - Decisioning of Positive Pay items
 - Resetting of a user's password
 - "Soft" token for MFA



Tokenized Payments/Zelle



- **Business-to-person (B2P)** electronic payment using payee's email or cell phone number
- Consumers who register with Zelle network can receive electronic payments
- Benefits
 - **Reduce need to store bank account data**
 - Less expensive to issue vs. check
 - Faster payments to payee



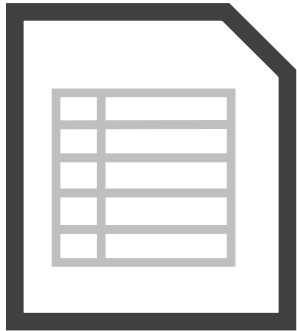
Same Day ACH



- Same Day ACH transactions are available now
 - Settle in batches throughout the day
 - Funds available to their depositors by 3:00 PM (PT)
 - Your own deadlines determined by your bank
- Recent Change
 - **March 2022: Transaction limit raised to \$1,000,000**
- Beware Accidental Use
 - Educate staff on appropriate use cases
 - Understand opt-in and opt-out status



Integrated Payables



- Single file to communicate all payment types to banking partner including:
 - Check
 - ACH
 - Wire
 - Virtual Card
 - Zelle
- May feature "smart routing" of transactions
- Options for who maintains beneficiary account data



ATM Deposit Card for Commercial Deposits



- Banks offer commercial ATM cards to enable bank deposits on your own schedule
 - Avoid lines in the branch
- Cards offer the ability to deposit but not withdraw
- Automated and immediate deposit verification
- Typically cheaper than branch deposits or night drop



Instant Payments



- ◆ Real Time Payments/RTP (The Clearing House)
 - Immediate and irrevocable funds availability, 24/7
 - “Push” payments only; messaging functionality enables requests for payment & response
- ◆ FedNow (Federal Reserve)
 - Intended to expand instant payments beyond largest banks
 - Scheduled for debut in 2023



Electronic Bill Payment & Presentment



- Service that banks use to electronically or digitally present your bill, i.e. tax bill, utility bill, insurance bill, to facilitate a faster and/or electronic payment of that bill.
 - Improves collection and billing efficiency
 - Automates the Accounts Receivables process
 - Typically offers multiple choices for convenient ways to pay:
 - ACH, eCheck, Tokenized Payments (Zelle, Venmo, etc.)
 - Credit Card, IVR (phone), Kiosk.
- May feature secure email delivery, stored payment data and autopay
- Some EBBP solutions offer a convenience fee model as allowed by association rules and state, federal legislation.



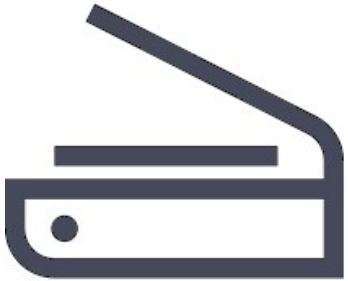
Account Validation Services



- Banks offer access to databases to validate account status ***and ownership*** in real-time
 - Database will return Y/N response
 - Validation can protect against fraudulent debits and payments
 - Useful for suspicious ad hoc requests and as part of standard A/P and payroll process
- **Can be useful to comply with NACHA rule on WEB Debit validation**



Remote Check Scanning/Virtual Lockbox



- High-volume scanners in your office which commonly replace physical deposit of checks
 - Reduced reliance on transport
 - Faster collection
- Virtual or remote lockbox option where the scanned check goes through your lockbox workflow
- **Many banks offer mobile deposit option**
 - May be cost-effective option for low-volume outlets



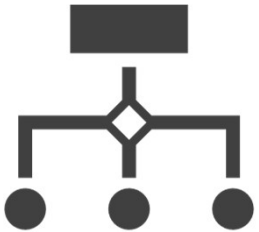
Remote Cash Safe



- On-site vault that accepts bills for deposit
 - Substitute multiple trips to the branch with reduced armored car pickups
 - Direct communication with your bank for same day credit
 - Counterfeit detection
- Cost is roughly equivalent to daily pickup cost
- Stringent requirements around vault placement
- Armored car/cash services vendor typically a 3rd party arrangement.



Virtual & Sub-Accounts



- ◆ Some banks offer enhanced capabilities for helping with reconciliation that include:
 - Subaccounts within a DDA that segregate transactions within reporting
 - Virtual accounts: unique payment instructions generated for different payers/purposes
 - » Allow for payment via ACH and Wire
- ◆ Can be useful for quickly identifying incoming EFT



Managing Cash Balances



How Do Banks Invoice Fees - Account Analysis Statements

The image displays a collage of various financial statements from a bank, illustrating different ways to present account analysis data. The documents include:

- ANALYSIS STATEMENT:** Shows account details for FDIC, including prepaid, ending, annual settlement, and settlement dates. Includes a QR code and MICR line.
- INVESTMENT SUMMARY:** A table with columns for 'INVESTMENT LEADER BALANCE', 'INVESTMENT COLLECTED BAL', and 'LESS RESERVE REQUIREMENT', showing a final 'AVAILABLE INVESTMENT BALANCE'.
- BALANCE SUMMARY:** A table with columns for 'AVG POSITIVE LEADER BALANCE', 'AVG LEADER BALANCE', and 'AVG NEGATIVE COLL BALANCE', showing a 'DEFICIT COLLECTED BALANCE'.
- EARNINGS CREDIT SUMMARY:** A table with columns for 'AVAIL BAL FOR EARNINGS CREDIT', 'EARNINGS ON AVAILABLE BALANCE', and 'PERIOD TO DATE DEFICIT', showing a 'CURRENT PERIOD SERVICE CHARGE'.
- STATEMENT:** A large table with columns for 'SERVICE CHARGE' and 'BALANCE REQUIRED', listing numerous transactions.
- SUMMARY ANALYSIS AND COST CENTER NUMBER:** A table with columns for 'SERVICE CHARGE' and 'BALANCE REQUIRED', providing a consolidated view of charges.
- BALANCE REQUIRED:** A table with columns for 'BALANCE REQUIRED' and 'DATE', showing a list of charges and their due dates.

The documents are overlaid and partially obscured by each other, showing how different views of the same data can be presented.



Account Analysis Statements



- “Invoice” for banking services
 - Different than your monthly statement showing transaction activity
- Information included
 - Service descriptions, per item fee, volume used
 - Balance and compensation details
- Often available electronically
 - PDF
 - XLS/CSV
 - EDI 822
 - Interactive online modules



Sample Analysis Statement – Closer Look

<u>Service Description</u>	<u>Unit Price</u>	<u>Volume</u>	<u>Service Charges</u>
RECOUPMENT MONTHLY IB	0.12750	1,500.13	191.27
RECOUPMENT MONTHLY	0.12750	28,371.73	3,617.40
BALANCE & COMPENSATION INFORMATION			3,808.67
CONT DISB CREDITS POSTED	0.35000	36.00	12.60
DESKTOP DEPOSIT-DEPOSIT CREDITED	0.35000	75.00	26.25
ACCOUNT MAINTENANCE W/ CHK RETURN	4.80000	5.00	24.00
ZERO BALANCE MASTER ACCOUNT MAINT	9.45000	1.00	9.45
ACCT MAINTENANCE	4.80000	4.00	19.20
ACCT MAINTENANCE CHEXSTOR-PLUS	4.80000	1.00	4.80
ZERO BALANCE MONTHLY BASE	6.75000	7.00	47.25
DEBITS POSTED	0.04000	765.00	30.60
GENERAL ACCOUNT SERVICES			174.15

For illustrative purposes only



Earnings Credit Rates / Compensating Balances



- ◆ Earnings Credit Rates (ECRs) are credits offered by a bank to offset service charges.
 - Credits available for paying bank fees
 - Unused credits expire eventually
- ◆ Historically, the rate paid was often pegged to the U.S. Treasury bill rate.
- ◆ Transition to bank-managed rates.
 - ***Rate may not move with market rates***



Sample Analysis Statement

EARNINGS CREDIT SUMMARY

AVAIL BAL FOR EARNINGS CREDIT	\$	25,000,000.00
EARNINGS ON AVAILABLE BALANCES		18,047.95
LESS TOTAL SERVICES CHARGES		20,130.49
		<hr/>
DEFICIT		2,082.54
		<hr/>
		<hr/>

$$\frac{\$18,047.95}{\$25,000,000} \times \frac{365}{31} = 0.85\%$$

For illustrative purposes only



What To Consider in Your Compensating Balances

- 1. *Deposit-based fees***
- 2. *Reserve Requirement***
- 3. *Expiration date of credits***




What To Consider in Your Compensating Balances

1. *Deposit-based fees (f/k/a "FDIC" Fees)*

- Many banks will assess a fee based on the value of deposits
- Fees are not standard across banks
- Amount of fees can equal or exceed the earnings credit paid
- Banks may consider waiving this for "premium" relationships



FDIC Announcement

 Federal Deposit Insurance Corporation 550 17th Street NW, Washington, D.C. 20429-9990	Financial Institution Letter FIL-33-2012 July 9, 2012
Caution Regarding Passing Deposit Insurance Assessment Fees on to Customers	

"...the FDIC discourages institutions from specifically designating that a customer fee is for deposit insurance or from stating or implying that the FDIC is charging such a fee."



What Terms to Look for?

- ✓ Balance Based Charges
- ✓ Deposit Administration Fee
- ✓ Deposit Bank Assessment
- ✓ Deposit Coverage
- ✓ Recoupment Monthly

“

**Recoupment
Monthly**



Sample Analysis Statement

FDIC-like charges are typically included in line-item portion of monthly analysis statement

<u>Service Description</u>	<u>Unit Price</u>	<u>Volume</u>	<u>Service Charges</u>
RECOUPMENT MONTHLY IB	0.12750	1,500.13	191.27
RECOUPMENT MONTHLY	0.12750	28,371.73	3,617.40
BALANCE & COMPENSATION INFORMATION			3,808.67
CONT DISB CREDITS POSTED	0.35000	36.00	12.60
DESKTOP DEPOSIT-DEPOSIT CREDITED	0.35000	75.00	26.25
ACCOUNT MAINTENANCE W/ CHK RETURN	4.80000	5.00	24.00
ZERO BALANCE MASTER ACCOUNT MAINT	9.45000	1.00	9.45
ACCT MAINTENANCE	4.80000	4.00	19.20
ACCT MAINTENANCE CHEXSTOR-PLUS	4.80000	1.00	4.80
ZERO BALANCE MONTHLY BASE	6.75000	7.00	47.25
DEBITS POSTED	0.04000	765.00	30.60
GENERAL ACCOUNT SERVICES			174.15

For illustrative purposes only



What To Consider in Your Compensating Balances

2. *Reserve Requirement*

- When in effect, the bank will reduce the balance you can earn a credit on by 10%
- Less common than Balance-Based Fee
- **Fed waived 10% reserve requirement in March 2020; however, not all banks followed suit**



Bank Charges Can Significantly Reduce the Benefit of the ECR

<i>No Reserve Requirement or FDIC</i>			<i>Reserve Requirement and FDIC Assessed</i>		
Earnings Credit on Compensating Balance			Earnings Credit on Compensating Balance		
Total Collected Balance		\$25,000,000	Total Collected Balance		\$25,000,000
Less Reserve Requirement	0%	\$0	Less Reserve Requirement	10%	\$2,500,000
Available Balance		\$25,000,000	Available Balance		\$22,500,000
Earnings Credit	0.25%	\$5,308	Earnings Credit	0.25%	\$4,777
	$\$25,000,000 * 0.25 * 31/365$			$\$22,500,000 * 0.25 * 31/365$	
Less FDIC Assessment	0%	\$0	Less FDIC Assessment	0.10%	\$2,123
	$\$0 / (\$25,000,000 * (31/365))$			$\$2,123 / (\$25,000,000 * (31/365))$	
Net Earnings Credit	0.25% on Collected Balance	\$5,308	Net Earnings Credit	0.125% on Collected Balance	\$2,654

For illustrative purposes only



What To Consider in Your Compensating Balances

3. *Earnings Credit Expiration Date*

- Many banks do not allow unused credits to be applied to future charges
- Some banks will allow credits to roll over quarterly, semi-annual, or annually
- Credits that expire unused are not paid out as interest
- Lost credits will erode the value of the ECR



Sample Analysis Statement

EARNINGS CREDIT SUMMARY

AVAIL BAL FOR EARNINGS CREDIT	\$	25,000,000.00
EARNINGS ON AVAILABLE BALANCES		18,047.95
LESS TOTAL SERVICES CHARGES		20,130.49



$$\frac{\$18,047.95}{\$25,000,000} \times \frac{365}{31}$$

$$= 0.85\%$$

DEFICIT	2,082.54
---------	----------

PERIOD TO DATE EXCESS	59,477.53
-----------------------	-----------

For illustrative purposes only



Balance Compensation Evolves



- Many banks offer alternatives that include hard dollar interest
- Each bank may offer a slightly different structure:
 - Interest on "excess" balances
 - Interest on balances above a "peg" amount
 - Interest on all DDA balances
- Like with compensating balances, rates are often bank-managed
 - ***Often subject to the same reserve requirement and deposit-based fees as traditional compensating balances***

Thank you for your participation!

treasuryconsulting@pfm.com



pfm



Disclosures

ABOUT PFM

PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. This material is for general informational purposes only and is not intended to provide specific advice or a specific recommendation. This content is being provided by PFM for educational and informational purposes only, and may be construed as advertising under applicable U.S. or state laws.

Financial advisory services are provided by PFM Financial Advisors LLC, a registered municipal advisor with the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) under the Dodd-Frank Act of 2010. Swap advisory services are provided by PFM Swap Advisors LLC which is registered as a municipal advisor with both the MSRB and SEC under the Dodd-Frank Act of 2010, and as a commodity trading advisor with the Commodity Futures Trading Commission. Additional applicable regulatory information is available upon request.

Consulting services are provided through PFM Group Consulting LLC. PFM's financial modeling platform for strategic forecasting is provided through PFM Solutions LLC. A web-based platform for municipal bond information is provided through Munitite LLC. For more information regarding PFM's services or entities and for important disclosure information, please visit www.pfm.com.



Additional Disclosure Statement

This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM cannot guarantee its accuracy, completeness or suitability. To the extent permitted by applicable law, no member of PFM, or any officer, employee or associate accepts any liability whatsoever for any direct or consequential loss arising from any use of this presentation or its contents, including for negligence. This material is not intended for distribution to, or use by, any person in a jurisdiction where delivery would be contrary to applicable law or regulation, or it is subject to any contractual restriction. No further distribution is permissible without prior written consent.

The views expressed within this material constitute the perspective and judgment of PFM at the time of distribution and are subject to change. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.