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# Banking Made Easy!

Presentation Prepared for the Puget Sound  
Finance Officers Association (PSFOA)  
November 13th, 2024

# Introductions & Agenda

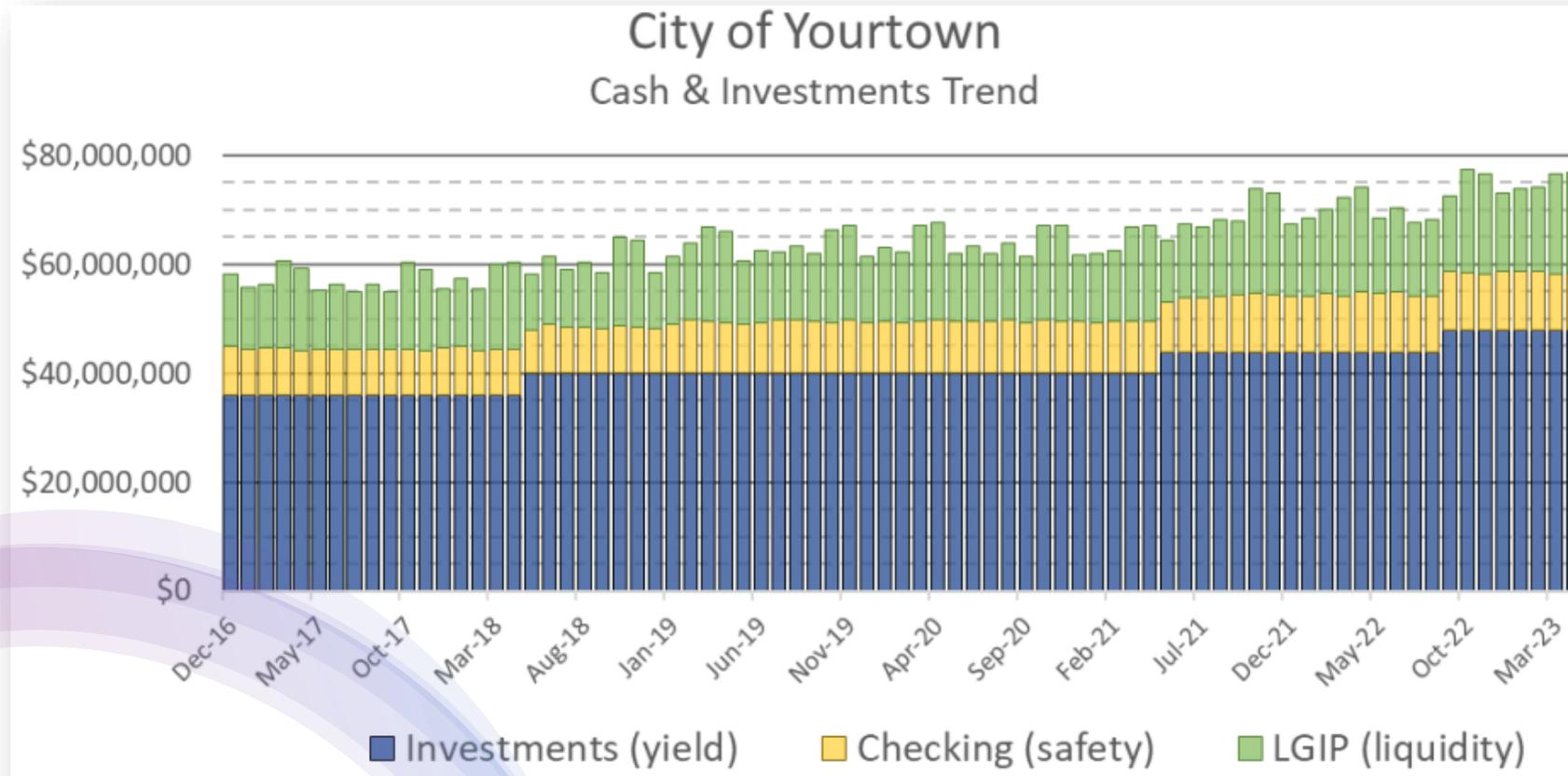
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- Objective
- Maximizing Operating Deposits
- Understanding Account Analysis
- Available Reconciliation Tools
- Payment Fraud Trends
- Payment Automation
- Interacting With Your Bank
- RFP & Banking Conversion Best Practices



# Maximizing Operating Deposits in a Changing Interest Rate Environment

Operating Deposits = Funds held in checking account(s) to ensure general fund expenses are covered (“Safety”)



## Things to Consider:

- is our pricing competitive (line-item pricing, ECR)?
- Are we using the right set of services?
- Are we benefiting from any surplus balances?
- Is there a benefit to keeping a portion of liquid reserves w/ bank(s) vs. LGIP?

# Understanding Account Analysis: **Line-Item Fees**

- Do I understand each billing element?
- Are we using all services we're being billed for?
- Are we reviewing analysis activity on a regular basis / do we have online access to monthly statements?
- Is our contract pricing being honored?
- Is our pricing competitive?



## Service Activity Detail - Summary

Service	Volume	Avg Unit Price*	Total Charge	Colle
<b>Depository Services</b>				
Account Maintenance	5			
Paper Credits	77			
Electronic Credits	316			
Paper Debits	642			
Electronic Debits	43			
Reject Checks Paid	5			
Deposited Item	661			
Returned Deposited Items	6			
Returned Item Special Instruc	2			
Redeposited Returned Item	1			
Returned Item Image Viewed	2			
Deposit Coverage	8,754			
Subtotal: Depository Services			<u>1,000.00*</u>	
<b>E-Lockbox</b>				
E-LOCKBOX Maintenance	1			
ELBX Electronic Pymt RB Item	2,064			
Suppl Remittance Info	1			
ELBX Data Trans Out /billerID	21			
Subtotal: E-Lockbox			<u>500.00*</u>	
Earnings Credit Based Service Charges			1,500.00*	
<b>Total Service Charges</b>			<u><b>1,500.00*</b></u>	

# Understanding Account Analysis: **Monthly Summary**

- Is our earnings credit rate (ECR) competitive?
- Do we typically operate in a surplus or a deficit?
- What is our billing settlement frequency (monthly, quarterly, semi-annual, annual)?

*\*Numbers are not a reflection of actual pricing or rates and are provided for example purposes only*

Key Bank Account Analysis QRG:  
[https://www.key.com/content/dam/kco/documents/businesses\\_institutions/Account\\_Analysis\\_Statement\\_Guide\\_0917.pdf](https://www.key.com/content/dam/kco/documents/businesses_institutions/Account_Analysis_Statement_Guide_0917.pdf)

CLIENT ANALYSIS STATEMENT		<b>WELLS FARGO</b>
RELATIONSHIP SUMMARY		MAY 2024
ANALYSIS SUMMARY		
Average Positive Collected Balance.....	\$	838,738.62
Investable Balance Available for Services.....	=	838,738.62
Earnings Allowance.....	\$	1,000.00*
Net Earnings Allowance.....	=	1,000.00*
Current Month Analyzed Charges.....	-	750.00*
Current Month Position.....	=	250.00*
Total Amount Due.....	\$	0.00

 KeyBank National Association Account Analysis, OH-01-51-2005 4810 Tiedeman Road Brooklyn, OH 44144-2338		<b>Account Analysis Statement</b> November 2023
<b>Balance Summary</b>		
Average Ledger Balance		\$341,924.78
LESS: Average Float		(\$36,143.38)
Average Collected Balance		\$305,781.40
Average Negative Collected Balance		(\$451.62)
Average Positive Collected Balance		\$306,233.02
Balance Available to Support Services		\$306,233.02
LESS: Balance Needed To Support Services		(\$9,094,564.13)
Balance Deficiency/Surplus for Eligible Services		(\$8,788,331.11)
<b>Service Charge Summary</b>		
Service Charges Eligible for Earnings Credit		\$1,091.35
LESS: Earnings Credit Allowance		(\$36.72)
Subtotal		\$1,054.63
Direct Service Charges		\$2.77
Service Charges Due		\$1,057.40

# Understanding Account Analysis: Annual Trends

- How do our balances fluctuate over the course of a year?
- How do our monthly fees fluctuate over the course of a year? Any significant changes?
- Would we benefit from annual settlement?
- Do we have surplus balances that are not currently generating a net benefit?



Month	Average Ledger Balance	Average Positive Collected Balance	Investable Balance	Excess/ (Deficit) Balance *
June	3,925,941	3,894,091	3,894,091	-\$1,000,000.00
July	6,964,482	6,938,204	6,938,204	\$2,000,000.00
August	4,829,848	4,819,179	4,819,179	\$100,000.00
September	3,844,687	3,834,209	3,834,209	-\$1,000,000.00
October	4,253,883	4,246,193	4,246,193	-\$500,000.00
November	4,870,118	4,831,267	4,831,267	\$100,000.00
December	4,220,893	4,196,471	4,196,471	-\$500,000.00
January	5,774,986	5,764,585	5,764,585	\$1,000,000.00
February	5,783,699	5,773,515	5,773,515	\$1,000,000.00
March	4,470,796	4,464,363	4,464,363	\$200,000.00
April	4,509,423	4,505,054	4,505,054	\$200,000.00
May	4,370,126	4,355,020	4,355,020	\$150,000.00
Average	4,818,240	4,801,846	4,801,846	<b>\$145,833.33</b>

\*Numbers do not reflect actual pricing and are provided as an example only

# Understanding Account Analysis: Surplus Balance Options

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- **Earn Interest**

- Hybrid ECR / APY Accounts
- Sweep to interest bearing account type over peg balance
- Manual transfers to interest bearing account

- **Bank-Adjacent Vendor Payments**

- Armored courier depository services
- ERP licensing fees
- Checks, deposits slips, other bank supplies
- Merchant processing fees
- 3rd party lockbox fees



# Bank Offered Reconciliation Tools & File Delivery Methods

## • Report Options

- BAI2
- Paid Check File
- eLockbox & Traditional Lockbox Posting Files
- Consolidated AR Posting Files
- Custom Options Based on Need

## • File Delivery

- Manual Export / Import
- Email
- Secure File Transfer Protocol (SFTPs)
- APIs

```
BAI2-20190822-095520.txt - Notepad
File Edit Format View Help
01,101000019,101000019,190822,0955,01357200,,,2/
02,101000019,101000019,1,190819,0000,USD,2/
03,000999999999,USD,,,/
16,469,5893304,9214008465300,0,PAYMENT KEYBANK RE CAP TRACE NO: 041002222222
16,575,177744,308043834,0,/
16,475,175000,540494758,55081,CHECK IMAGE PRESENTED
16,475,34006,540483516,55070,CHECK IMAGE PRESENTED
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16,275,181636,S,181636,000,000,309023221,0,/
16,174,1280409,S,000,1280409,000,560789411,1,REMOTE DEPOSIT
16,174,3678900,S,000,3678900,000,560790800,1,REMOTE DEPOSIT
16,174,4422386,S,000,4422386,000,560789888,1,REMOTE DEPOSIT
16,275,14135572,S,14135572,000,000,307333777,0,/
49,30054563,16/
98,30054563,1,28/
99,30054563,1,30/
```



# The drive for payables automation is increasing

**56%** of survey respondents reported spending over 10 hours a week processing invoices and supplier payments\*

**Manual work and data entry** contribute to accounts payables delays and impact relationships with vendors and suppliers.

What opportunities are you missing?



# The cost of inaction

65% of companies

experienced actual or attempted payments fraud in 2022\*

Know the threat landscape and strengthen your defenses against fraud

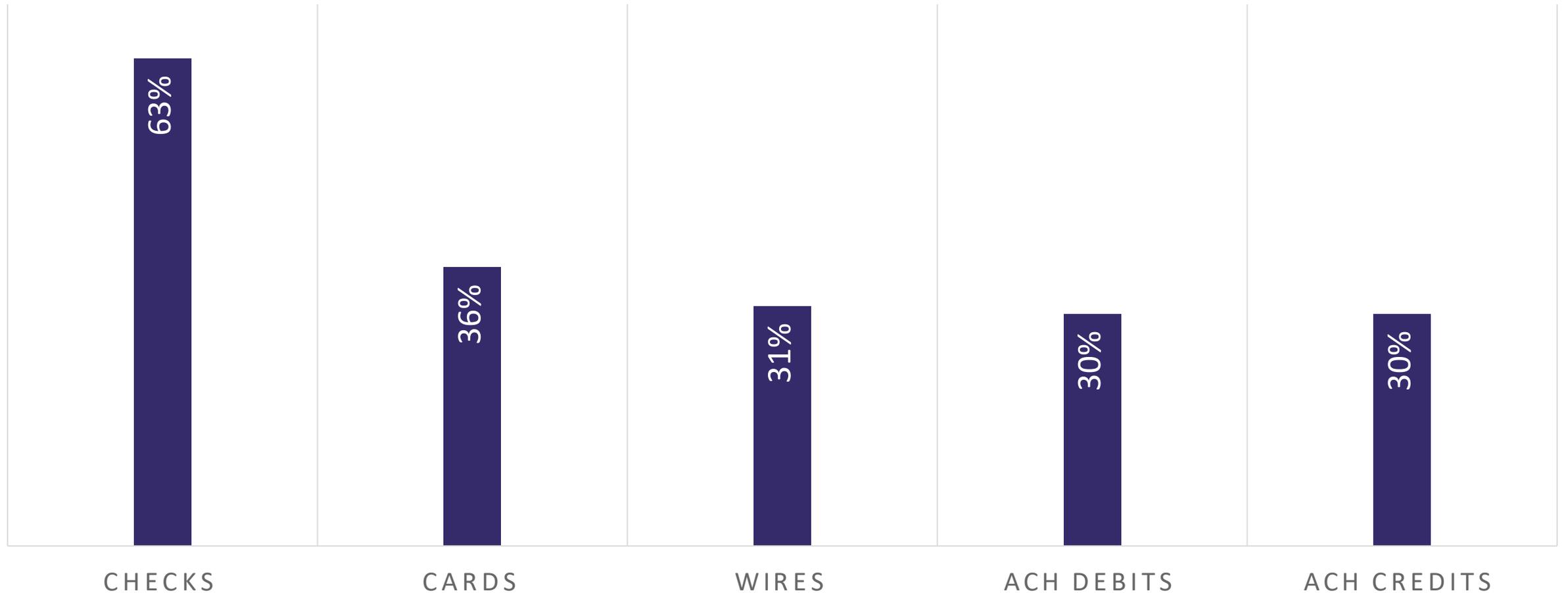
What proactive measures are you taking?

\* Association for Financial Professionals, 2023 AFP® Payments Fraud and Control Survey, [afponline.org/paymentsfraud](https://afponline.org/paymentsfraud).



# Are your payments a target for fraud?

Percent of organizations that experienced fraud in 2022 by payment type



Phishing

Business email  
compromise

Types of  
Fraud

Ransomware

Account takeover

# A vision for disbursements

Driving for adoption of electronic payments

Further automate payables

- Send a single file for virtual card, ACH, wire, and check
- Your bank may be able to print and mail your checks for you

Offer options for supplier payments

- Offer both pull and push options
- On-demand payments
- Maximize use of payment types/channels/rails
- Our supplier onboarding team manages the process

Explore emerging payment solutions

- Reduce customer refund costs with electronic B2P payments

# Progressing toward an ideal AP state

Become a strategic partner to treasury finance and procurement

## Goals

- Pay the right suppliers with the right payment type at the right time
- Eliminate paper transactions using payment channels such as cards, ACH, or wire transfers

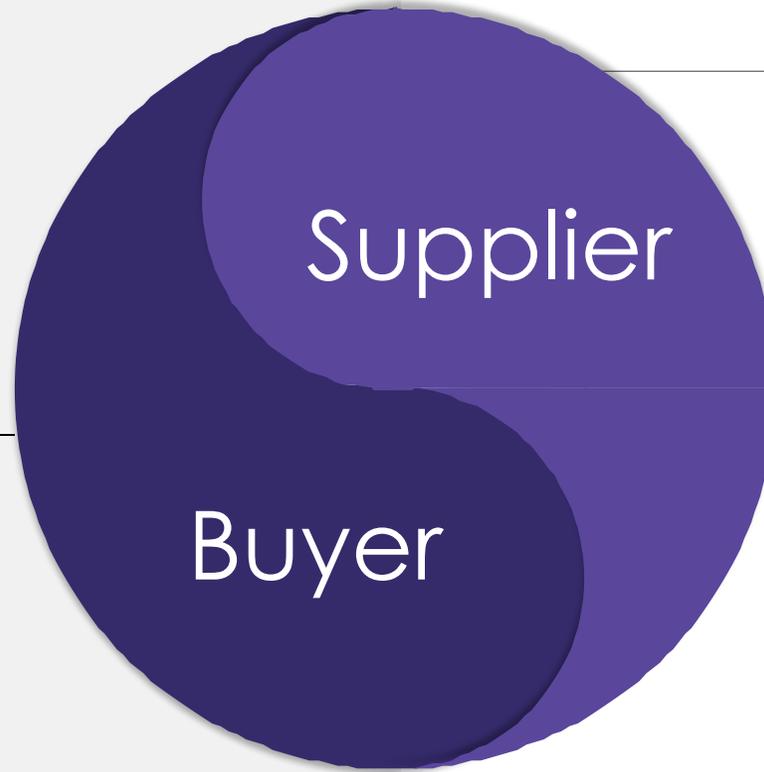
## Data mining

- Vendor data analysis shows you which suppliers already accept commercial card payments, average transaction size, and annual spend
- Move suppliers to ACH payments if commercial card is not a fit

## Solutions for success

- Design, execute, and manage supplier analysis and onboarding
- Reduce payment processing costs, capture early payment discounts, and improve working capital management and card revenue share

# Virtual card potential benefits



- Additional float between cycle and payment
- Online visibility
- Revenue share earning potential
- Extended Days Payable Outstanding (DPO)

- Guaranteed payment
- Electronic remittance
- Increased business
- Reduced Days Sales Outstanding (DSO)

# Virtually secure

65% of organizations were targets of payments fraud in 2022.\*

Of the organizations targeted for fraud, 63% involved checks, while only 9% involved virtual cards\*

How are you protecting your business?

\*Association for Financial Professionals, 2023 AFP® Payments Fraud and Control Survey, <https://www.afponline.org/paymentfraud>.



# Virtual card cost savings

The average organization with 575 monthly virtual card transactions saves between **\$1,725 and \$14,375** each month in transaction-related costs

**\$38**



Average cost per check

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\$25 savings per transaction if migrated to virtual card

**\$27**



Average cost per wire

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\$14 savings per transaction if migrated to virtual card

**\$13**



Average cost per virtual card transaction

# Interacting With Your Operating Bank

- **Know Your Relationship Team:**
  - Banker
  - Treasury Management Consultant
  - Day-to-Day Support
- **Prioritize Annual Relationship Reviews:** it's OK to request a meeting if your banker doesn't initiate
- **Don't Hold Your Tongue:** Communicate any challenges promptly to ensure resolution
- **Utilize Self Service Tools:** ask your banker for an overview of all administrative functions that can be accomplished without bank intervention
- **Attend Annual Conferences:** Representatives on behalf of each of your banks are present at WPTA and WFOA, and some attend national GFOA and GIOA



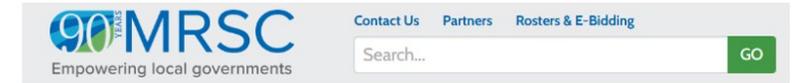
# RFP & Banking Conversion Prep

## RFP

- Meet with prospective banking partners pre-issuance
- Determine potential benefit of issuance
- Identify existing challenges and inefficient processes
- Request a detailed overview of how banks will manage the conversion process, as well as any related cost
- Ensure clear and complete pricing bid sheet descriptors
- Utilize MRSC, GFOA and industry colleague samples as jumping off point

## Conversion

- Set realistic target date for go live
- Utilize bank led implementation plan and regular conversion check-in calls
- Save historical transaction data
- Make note of outstanding checks and develop related plan
- Eliminate services tied to former operating accounts as the functions are transitioned to new bank to reduce or eliminate fees prior to account closure



## Banking Services

This page provides an overview of banking requirements for local governments in Washington State, along with sample RFPs/agreements and links to best practices and list of authorized depositories.

### Examples of Contracts and Solicitations

To make certain that they are getting the services at a good price, local agencies should periodically seek out requests for proposals (RFPs). Below are a few selected examples.

#### Cities

- [Kirkland Banking Services RFP \(2015\)](#) – Includes sample contract.
- [Liberty Lake Banking Services RFP \(2013\)](#) – Includes sample contract.
- [Maple Valley Banking Services RFP \(2013\)](#) – Includes sample contract.
- [Poulsbo Banking Services RFP \(2017\)](#) – Includes sample professional services agreement.
- [Seattle Bank Depository Services RFP \(2012\)](#)
- [Stanwood Banking Services RFP \(2017\)](#) – Includes sample contract.
- [Washougal Banking Services RFP \(2016\)](#)



MEMBERSHIP & EDUCATION

BEST PRACTICES & RESOURCES

TREASURY AND INVESTMENT MANAGEMENT

## Banking RFP Checklist

DOWNLOAD

<https://www.gfoa.org/materials/banking-rfp-checklist>

<https://mrsc.org/explore-topics/finance/accounting/banking-services>

# Questions?



Thank you!