



Commission Staff Report - *Draft*

September 20, 2017

COMMISSION MEETING DATE: September 29, 2017

SUBJECT: Agreement for Banking Services between U.S. Bank N.A. and NCPA

AGENDA CATEGORY: Consent

FROM:	Monty Hanks Assistant General Manager/CFO	METHOD OF SELECTION:	N/A
Division:	Administrative Services		
Department:	Accounting & Finance		

IMPACTED MEMBERS:					
All Members	<input checked="" type="checkbox"/>	City of Lodi	<input type="checkbox"/>	City of Shasta Lake	<input type="checkbox"/>
Alameda Municipal Power	<input type="checkbox"/>	City of Lompoc	<input type="checkbox"/>	City of Ukiah	<input type="checkbox"/>
Bay Area Rapid Transit	<input type="checkbox"/>	City of Palo Alto	<input type="checkbox"/>	Plumas-Sierra REC	<input type="checkbox"/>
City of Biggs	<input type="checkbox"/>	City of Redding	<input type="checkbox"/>	Port of Oakland	<input type="checkbox"/>
City of Gridley	<input type="checkbox"/>	City of Roseville	<input type="checkbox"/>	Truckee Donner PUD	<input type="checkbox"/>
City of Healdsburg	<input type="checkbox"/>	City of Santa Clara	<input type="checkbox"/>	Other	<input type="checkbox"/>
<i>If other, please specify</i>					
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RECOMMENDATION:

It is recommended the Commission approve Resolution 17-XX authorizing the General Manager or his designee to enter into an Agreement for Banking Services with U.S. Bank, N.A. for a three-year term with an option of two, one-year renewals. The agreement includes fixed pricing for the term (up to five years).

BACKGROUND:

U.S. Bank, N.A. has been providing banking services to the Agency for the last several years pursuant to the Master Services Agreement (Governmental Entities) and Deposit Account Agreement between the parties and staff has been very pleased with its services. Upon a review with the bank's Relationship Manager and the Agency's CFO and Treasurer-Controller, it came to the Agency's attention that a specific contract setting forth the pricing structure for depository services, wire transfers, ACH and related banking services did not exist. In that discussion, the bank reviewed the current pricing structure and agreed to decrease the per item pricing of several services and increase the Earnings Credit Rate (ECR) from 0.22% to 0.60% for compensated balances in exchange for agreeing to a three-year term. The proposed fee structure was reviewed with a member agency that uses U.S. Bank for their banking services and the proposed fees and ECR credit are in-line with their pricing with minor differences.

One of the bank's main expenses consists of a Deposit Coverage charge that is based on the Agency's average collected balance for the month. This charge is essentially a variable rate charge; the more money an Agency holds as a collected balance, the higher the fee. The objective of minimizing this expense is finding the right amount to keep on hand at all times- commonly referred to as a 'PEG' balance- to offset all monthly fees. Furthermore, any amount in excess of a PEG balance is automatically swept into a money market account (nightly) earning interest and avoiding the Deposit Coverage charge. Historically, the Agency has not set a PEG balance since the ECR rate was so low. Large balances were needed to offset fees and in addition, any credit in excess of the monthly fees was essentially lost (not realized). The following table illustrates this analysis.

Current Pricing

June Statement			
Collected Balance			34,432,793 (A)
Earnings Credit @ 0.22%		(A) * 0.22% / 12	6,226 (B)
Service Charge		SEE BELOW	5,331 (C)
Lost Interest		(B) - (C)	\$ 895
Service Charge	Volume	Avg Unit Price	Total Charge
Deposit Coverage	34,549	0.12131	4,191
All other Services	varies	varies	1,140
Total Service Charge			5,331

As mentioned earlier, the bank has agreed to move the ECR rate from 0.22% to a minimum amount of 0.60%. With this new rate increase and several other pricing adjustments, the Agency can set a PEG balance closer to \$2.5 - \$3 million and still offset all fees. The following table details this analysis.

Proposed Pricing and Adjustments

Proposed Pricing			
Collected Balance (PEG)			2,500,000 (A)
Earnings Credit @ 0.60%	(A) * 0.60% / 12		1,250 (B)
Service Charge	SEE BELOW		1,150 (C)
Lost Interest	(B) - (C)	\$	100
Service Charge	Volume	Avg Unit Price	Total Charge
Deposit Coverage	2,500	0.12131	303
All other Services*	varies	varies	847
	Total Service Charge		1,150
*per item adjustments from US Bank			

With the proposed adjustments from the bank, balances in excess of the PEG are still needed to cover daily operational cash flow needs. However, these balances can now move into a nightly money market 'Sweep' account and earn interest at 0.60% and are available the next day for any operational needs. All the daily activity (debits and credits) are netted and any amounts in excess of the PEG balance are then swept back into the money market. This process is automatic and happens daily by the bank. Staff is estimating that holding a daily average balance of \$20 million (in excess of the PEG balance) will generate approximately \$10,000 per month or \$120,000 per year in new interest earnings.

New Interest Income

SWEEP			
Average balance in excess of PEG			20,000,000 (A)
Monthly Interest Earnings @ 0.60%	(A) * 0.60% / 12	\$	10,000 (B)
Per Year (new interest income)	(B) * 12 months	\$	120,000

Prior to the expiration of the three-year agreement, staff will request direction from the Finance Committee (and subsequent Commission approval) about renewing the contract for another year or issue an RFP for banking services.

The updated pricing sheet is included as Exhibit A to the attached proposed Agreement.

FISCAL IMPACT:

The three-year term will include a fixed pricing structure and most of the savings (or new interest income) will be due to an increase in the ECR, the setting of a PEG balance, a decrease in pricing of various expense items, and the creation of a money market 'Sweep' account. The result of these actions is estimated to add at least \$10,000 per month or \$120,000 per year in new interest income and still offset the U.S. Bank banking fees.

ENVIRONMENTAL ANALYSIS:

This activity would not result in a direct or reasonably foreseeable indirect change in the physical environment and is therefore not a "project" for purposes of Section 21065 the California Environmental Quality Act. No environmental review is necessary.

COMMITTEE REVIEW:

Pending committee review.

Respectfully submitted,

RANDY S. HOWARD
General Manager

Attachments: (2)

- Resolution
- Agreement for Bank Services

RESOLUTION 17-XX

RESOLUTION OF THE NORTHERN CALIFORNIA POWER AGENCY AUTHORIZING THE GENERAL MANAGER OR HIS DESIGNEE TO ENTER INTO AN AGREEMENT FOR BANKING SERVICES WITH U.S. BANK, N.A. FOR A THREE-YEAR TERM WITH AN OPTION OF TWO, ONE-YEAR RENEWALS

(reference Staff Report #xxx:17)

WHEREAS, U.S. Bank, N.A. (Bank) has been providing banking services to the Agency pursuant to the Master Services Agreement (Governmental Entities) and Deposit Account Agreement between the parties; and

WHEREAS, Agency desires to enter into a specific Agreement for Banking Services to confirm the pricing structure for depository services, wire transfers, ACH and related banking services; and

WHEREAS, Bank reviewed the current pricing structure and agreed to decrease the per item pricing of several services and increase the Earnings Credit Rate (ECR) for compensated balances; and

WHEREAS, the proposed Agreement for Banking Services includes a three year term with an option of two, one-year renewals and fixed pricing for up to five years; and

WHEREAS, as a result of the savings (new interest income) from the increase in the ECR, decrease in other expense items, and changes in handling of the accounts including creation of a money market "Sweep" account, staff estimates at least \$10,000 per month or \$120,000 per year in new interest income will be realized; and

WHEREAS, this activity would not result in a direct or reasonably foreseeable indirect change in the physical environment and is therefore not a "project" for purposes of Section 21065 the California Environmental Quality Act. No environmental review is necessary;

NOW, THEREFORE BE IT RESOLVED, that the Commission of the Northern California Power Agency authorizes the General Manager or his designee to enter into the Agreement for Banking Services with U.S. Bank, N.A. for a three-year term with an option of two, one-year renewals, with any non-substantive changes as approved by the NCPA General Counsel.

PASSED, ADOPTED and APPROVED this ____ day of _____, 2017 by the following vote on roll call:

	<u>Vote</u>	<u>Abstained</u>	<u>Absent</u>
Alameda	_____	_____	_____
BART	_____	_____	_____
Biggs	_____	_____	_____
Gridley	_____	_____	_____
Healdsburg	_____	_____	_____
Lodi	_____	_____	_____
Lompoc	_____	_____	_____
Palo Alto	_____	_____	_____
Port of Oakland	_____	_____	_____
Redding	_____	_____	_____
Roseville	_____	_____	_____
Santa Clara	_____	_____	_____
Shasta Lake	_____	_____	_____
Truckee Donner	_____	_____	_____

Ukiah
Plumas-Sierra

BOB LINGL
CHAIR

ATTEST:

CARY A. PADGETT
ASSISTANT SECRETARY

**AGREEMENT FOR BANK SERVICES BETWEEN
U.S. BANK, N.A. AND NORTHERN CALIFORNIA POWER AGENCY**

This Agreement is made this day of _____, by and between Northern California Power Agency ("NCPA"), a public agency organized as a California joint powers authority, and U.S. Bank National Association ("BANK").

WITNESSETH:

WHEREAS, NCPA has a need for banking services which BANK is willing to provide; and

WHEREAS, NCPA proposes from time to time to deposit in BANK monies in the custody of the Treasurer in an aggregate amount on deposit at any one time not to exceed the total of the shareholders equity and surplus of BANK; and

WHEREAS, said monies shall be deposited subject to this Agreement, and Title 5, Division 2, Part 1, Chapter 4, Article 2 (commencing with Paragraph 53630) of the Government Code of the State of California; and

WHEREAS, the provisions of Government Code Paragraph 53649 allow the General Manager, on behalf of NCPA, to enter into a contract with BANK setting forth the conditions upon which said monies are deposited; and

WHEREAS, in the judgment of NCPA and Treasurer, this Agreement is in the public interest; and

WHEREAS, BANK is ready, willing and able to perform the services required by this Agreement;

NOW, THEREFORE, the parties agree as follows:

1. **Term.** The term of this contract will be three (3) years for a period commencing on _____ and ending on _____ with an option to renew annually thereafter. With a projected contract term of three (3) years, BANK will provide fixed pricing for this term and for two

additional one (1) year extensions. In the event NCPA desires to exercise an option to renew beyond three (3) years, NCPA will provide such notice to BANK within sixty (60) days of contract expiration. Should NCPA desire to continue services with BANK after five (5) years, the BANK shall not increase the price more than 10% for year six (6). BANK reserves the right to review pricing for year six (6) and thereafter. BANK will provide pricing within thirty (30) days of such request.

2. **Description of Services.** NCPA requires and BANK shall provide the following services:

- A. BANK will permit deposits to be withdrawn by NCPA in accordance with applicable Federal and State statutes, rules and regulations. The earnings credited to NCPA's accounts will be applied towards the services performed by BANK for NCPA. In the event a shortfall occurs, the amount will be automatically debited at the time of monthly settlement.
- B. In the event NCPA determines the need for additional accounts or services by BANK during the term of this contract period including any extensions, NCPA will so direct BANK to establish accounts. BANK will provide pricing for additional services to NCPA within thirty (30) days of said request.
- C. BANK shall perform the services in the manner and according to the standards observed by a competent provider of banking services. BANK represents that it is licensed, qualified and experienced to provide banking services to NCPA.

3. **Payment.**

- A. The fees and charges to be paid by NCPA pursuant to the terms of this Agreement shall not exceed those set forth in Exhibit "A," which is attached hereto and incorporated herein by this reference. Fees are to be fixed for the initial three (3) year term and two (2) one year extensions of the initial term of this Agreement.

- B. BANK shall submit to a NCPA designee, a monthly analysis of account activity and charges. The analysis shall be submitted within fifteen (15) working days of the month following the period covered by the analysis.
- C. Payment of fees and charges shall be made to BANK through earnings of NCPA in the Checking Accounts outlined in Paragraph 2(A).
- 4. **Independent Contractor.** BANK is an independent contractor and under no circumstances shall BANK be considered an agent or employee of NCPA. Neither BANK nor its employees shall be entitled to any benefits payable to employees of NCPA.
- 5. **Compliance with Laws.**
 - A. BANK shall observe and comply with all Federal, State of California, and local laws, rules, and regulations which pertain to this Agreement, and are applicable to BANK.
 - B. This Agreement shall be construed in accordance with and governed by the Laws of the State of California. Any action arising out of this Agreement shall be filed in the County of Sacramento, California, regardless of where else venue may lie.
 - C. In any action arising out of this Agreement, the prevailing party shall be entitled to its reasonable attorney's fees.
- 6. **Conflict of Interest.** BANK shall not employ any NCPA official in the work performed pursuant to this Agreement. No officer or employee of NCPA shall have any financial interest in this Agreement that would violate California Government Code Sections 1090 *et seq.*
- 7. **Validity.** This Agreement is severable. The validity in whole or in part of any provision of this Agreement shall not be void or affect the validity of any other provision.
- 8. **Waiver.** No waiver of a breach of any provision of this Agreement by either party shall constitute a waiver of any other breach of said provision or any other provision of this Agreement. Failure of either

party to enforce at any time, or from time to time, any provision of this Agreement shall not be construed as a waiver thereof. The remedies herein reserved shall be cumulative and additional to any other remedies in law or equity.

9. **Captions and Paragraph Headings.** Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.
10. **Notice.** Any notices herein provided to be given, or which may be given by either party to the other, shall be deemed to have been fully given when made in writing and deposited in the United States mail, first class postage prepaid and addressed as follows:

NCPA

Monty Hanks
Assistant General Manager/CFO
Administrative Services Division
Northern California Power Agency
651 Commerce Drive
Roseville, CA 95678

BANK

Charline M. Botelho
VP, Relationship Manager
U.S. Bank, N.A.
Government Banking Division
621 Capitol Mall, Suite 800
Sacramento, CA 95814

With copy to:

Jane E. Luckhardt, General Counsel
Northern California Power Agency
651 Commerce Drive
Roseville, CA 95678

The address to which notices shall or may be mailed by either party may be changed by written notice by such party to the other party. Nothing shall preclude the giving of notices by personal service.

11. **Termination.**

- A. This Agreement may be terminated by NCPA at any time before its expiration with General Manager approval with a 60 day notice to US Bank.
- B. Termination for cause will be due to non-performance by BANK. If BANK is not performing to the requirements of this contract, NCPA will give written notice of non-performance to BANK. BANK will have ninety (90) days to correct non-performance. If BANK fails to correct area(s) of non-performance, NCPA may then terminate this contract for cause. Termination of the Agreement for cause by NCPA shall be effected by written notice to BANK at least sixty (60) days prior to termination. The termination notice shall specify the date upon which such termination becomes effective.
- C. In the event of termination, BANK shall process all payments to NCPA that have been received by BANK prior to the effective date of termination or such other date upon which the parties may mutually agree.

12. Integration. This Agreement and the BANK's Master Services Agreement, Services Terms and Conditions, and Deposit Account Agreement (as the same may be amended from time to time), constitute the complete and exclusive statement of understanding between the parties, which supersedes all previous Agreements, written or oral, and all other previous communication between the parties relating to the subject matter of this Agreement.

IN WITNESS WHEREOF, the undersigned have affixed their signatures in execution hereof, on this _____, and BANK has caused this Agreement to be executed.

(Signature page follows)

NORTHERN CALIFORNIA POWER AGENCY

BY: _____

Randy S. Howard, General Manager

Approved as to form:

Jane E. Luckhardt, General Counsel

U.S. BANK NATIONAL ASSOCIATION

BY: _____

Charline Botelho, VP

EXHIBIT A



Northern California Power Agency

Pricing Effective 7/1/2017

ECR Rate

ECR Floor of 60 bps. Rate to fluctuate once U.S Bank ECR exceeds floor rate.

Service Charge Fee Detail

<u>AFP</u>	<u>Service</u>		<u>Unit Price</u>
Depository Services			
010000	Account Maintenance	\$	2.50
010101	Paper Credits	\$	1.00
010101	Electronic Credits	\$	0.05
010100	Paper Debits	\$	0.05
010100	Electronic Debits	\$	0.05
010102	Combined Transactions/Items	\$	0.00
150101	Reject Checks Paid	\$	0.00
150101	For First 50 Per Acct	\$	0.00
150101	For Over 50 Per Acct	\$	0.40
100224	Deposited Item	\$	0.17
100400	Returned Deposited Items	\$	3.00
100405	Returned Item Special Instruc	\$	0.00
100405	For First 1	\$	3.00
100405	For Over 1	\$	5.00
000230	Deposit Coverage	\$	0.14575
151380	Statement with Checks	\$	5.00
150240	Check Filter Monthly Maint	\$	5.00
150420	Manual Stop Payment-24 Months	\$	12.50
151380	Statement - Number of Items	\$	0.00
151380	For First 100 Per Acct	\$	0.00
151380	For Over 100 Per Acct	\$	0.04
Account Reconciliation Services			
150030	SP Positive Pay Only Maint	\$	3.50
200208	SP Issue Mnt Upload - per File	\$	0.00
200208	For First 5 Per Acct	\$	5.00
200208	For Over 5 Per Acct	\$	0.00
200208	SPE File Upload	\$	0.00
200208	For First 1	\$	6.00
200208	For Next 3	\$	0.00
200208	For Over 4	\$	2.00
150030	SPE PPay w/ Issue Mo Maint	\$	3.50
150120	SPE PPay Only-per Item	\$	0.04
SinglePoint			
400272	SP Current Day Detail-Acct	\$	0.00
400272	For First 1	\$	5.00
400272	For Over 1	\$	0.00
400272	SPE CDay Det & Sum Mo Maint	\$	0.00
400272	For First 10	\$	5.00
400272	For Over 10	\$	5.00
400273	SP Current Day Summary-Acct	\$	0.00

400273	For First 1	\$	40.00
400273	For Over 1	\$	25.00
400272	SP Current Day per Item Det	\$	0.05
400272	SP Current Day per Item Sum	\$	0.05
400272	SP Previous Day Detail-Acct	\$	0.00
400272	For First 1	\$	5.00
400272	For Over 1	\$	0.00
400272	SPE Pday Det & Sum Mo Maint	\$	0.00
400272	For First 1	\$	5.00
400272	For Next 2	\$	0.00
400272	For Next 7	\$	5.00
400272	For Over 10	\$	75.00
400272	SP Previous Day per Item Det	\$	0.04
400272	SP Previous Day per Item Sum	\$	0.04
409999	Account Analysis Report PDF	\$	0.00
409999	For First 1	\$	5.00
409999	For Over 1	\$	0.00
010307	Monthly DDA Statement TXT	\$	2.50
409999	Monthly DDA Statement PDF	\$	2.50
250720	ACH Return and NOC Report		
250720	For First 1	\$	9.00
250720	For Over 1	\$	2.00
250720	ACH Return and NOC Report	\$	0.00
401020	SP Token Monthly Maintenance	\$	1.00
401020	SPE Token Mo Maintenance	\$	1.50
409999	SP Book Transfer Mo Maint	\$	0.00
409999	For First 1	\$	3.50
409999	For Over 1	\$	0.00
409999	SP Book Transfer-per Transfer	\$	0.35
409999	SPE Acct Analysis PDF	\$	0.00
409999	For First 1	\$	5.00
409999	For Over 1	\$	0.00
150410	SP Stop Payments Mo Maint	\$	0.00
150410	For First 1	\$	3.50
150410	For Over 1	\$	0.00
150410	SP Stop Payments-per Stop	\$	0.00
150410	For First 10 Per Acct	\$	7.50
150410	For Over 10 Per Acct	\$	0.00
250000	SP ACH Origination Mo Maint	\$	0.00
250000	For First 1	\$	3.50
250000	For Over 1	\$	0.00
250000	SP ACH Origination Rec Email	\$	0.10
250000	SPE ACH Mo Maintenance	\$	0.00
250000	For First 1	\$	5.00
250000	For Over 1	\$	0.00
250000	SPE ACH Mo Maintenance	\$	0.00
250000	For First 1	\$	0.00
250000	For Over 1	\$	0.00
350000	SPE Wires Mo Maintenance	\$	0.00
350000	For First 1	\$	5.00
350000	For Over 1	\$	0.00
350000	SP Wires Monthly Maintenance	\$	0.00
350000	For First 1	\$	3.50
350000	For Over 1	\$	0.00
150030	SP Positive Pay Monthly Maint	\$	0.00

200201	SP Issue Maint Mo Maintenance	\$	0.00
200201	For First 1	\$	3.50
200201	For Over 1	\$	0.00
400000	Invest Reporting Mo Maint	\$	2.50
400000	Invest Trade Portal Mo Maint	\$	0.00
400000	For First 1	\$	5.00
400000	For Over 1	\$	0.00
400000	SPE Ext Messaging Mo Maint	\$	0.00
400000	For First 1	\$	5.00
400000	For Over 1	\$	0.00
400000	SP External Message Mo Maint	\$	0.00
400000	For First 1	\$	2.00
400000	For Over 1	\$	0.00
400000	SP External User Message Sent	\$	0.00
400000	SP External User Task Sent	\$	0.00
Wire Transfers			
350000	Wire Monthly Maint Voice-Pin	\$	0.00
350300	Incoming Fedwire	\$	4.00
350712	Incoming Intl Wire	\$	13.00
350123	Internal Wire Credit	\$	5.00
350124	Internal Wire Debit	\$	5.00
350200	Voice Fedwire Repetitive	\$	14.00
350202	Voice Fedwire Non-Repetitive	\$	20.00
350700	Voice Intl USD Repetitive	\$	25.00
350202	Bank Assist Wire Surcharge - D	\$	35.00
350300	Incoming Fedwire Ctp	\$	4.00
350520	Drawdown Request Inbound	\$	7.00
350100	SP Fedwire Repetitive	\$	4.00
350104	SP Fedwire Non-Repetitive	\$	4.00
350104	SPE Fedwire Non-Repetitive	\$	6.00
350700	SPE Intl USD Non-Repetitive	\$	10.00
350120	SPE Internal	\$	5.00
350412	Wire Advice Mail	\$	3.50
350402	Wire Advice Fax	\$	2.50
ACH Services			
250000	ACH Monthly Maintenance	\$	25.00
250120	ACH Originated Addenda Item	\$	0.03
250501	ACH Process Run	\$	5.00
250102	ACH Orig Transit Item	\$	0.00
250102	If 1 - 10000 Per Acct	\$	0.08
250102	If Over 10000 Per Acct	\$	0.08
250102	Same Day ACH Orig Transit Item	\$	0.50
250102	ACH Originated On-US Item	\$	0.00
250102	If 1 - 10000 Per Acct	\$	0.08
250102	If Over 10000 Per Acct	\$	0.08
250000	ACH File Confirmation Email	\$	1.00
250202	ACH Received Item	\$	0.10
251050	ACH Filter Mthly Maint	\$	8.00
250300	Unauth ACH Return - per Item	\$	6.00
250302	ACH Return-per Item	\$	2.00
251070	ACH Notification of Change	\$	3.50
250000	SDA Special Processing	\$	150.00
250102	SP ACH On-US Item	\$	0.05

250102	SP E ACH-per Item	\$	0.17
250102	SPT E SDA TRAN ITEM	\$	1.00
250102	SP ACH Transit Item	\$	0.05
250505	SP ACH Process Run	\$	3.00
251000	UPIC Monthly Maintenance	\$	4.00
300010	ACH Remittance Monthly Maint	\$	0.00
300010	For First 1	\$	20.00
300010	For Over 1	\$	30.00
300221	ACH Remittance Rpt-per Fax	\$	0.75
Branch Coin/Currency Services			
10001Z	Cash Deposited-per \$100	\$	0.12
100000	Branch Deposit Processing Fee	\$	1.25
109999	Night Dep Processing-per Dep	\$	0.00
Electronic Deposit Services			
101300	Monthly Maint - per Acct	\$	0.00
101300	For First 1 Per Acct	\$	25.00
101300	For Next 2 Per Acct	\$	25.00
101300	For Over 3 Per Acct	\$	75.00
101300	Monthly Maint - per Wrkstn		
101300	For First 1 Per Acct	\$	0.00
101300	For Over 1 Per Acct	\$	35.00
101310	Image Check Item	\$	0.00
101310	For First 100	\$	0.08
101310	For Next 200	\$	0.25
101310	For Over 300	\$	1.00
International Banking			
10022Z	Un-Encode CAD/USD Item	\$	2.00
Commercial Sweep			
450020	Commercial Sweep	\$	85.00