

# KENTUCKY MUNICIPAL ENERGY AGENCY

## Banking and Credit Services Bid #2015-2

### Memorandum

To: Ronald W. Herd, Chairman

From: Terrance P. Naulty, II, Treasurer  
Jason Alban, Manager of Treasury, OMU

Date: January 20, 2016

Subject: Bid Recommendation: Banking and Credit Services – Bid #2015-2

Competitive Negotiated Bid with proposals from Banks having service areas covering three Kentucky cities: Louisville, Lexington and Owensboro.

Primary Banking and Credit Services requested for proposals. Services as broken out below in the recommendation.

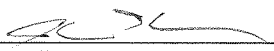
Please see attached Bid Tabulation Sheet – Bank Tabulation and Fee Schedules.

Initial evaluation for Primary Banking Services showed the most competitive bids from BB&T and U.S. Bank. Primary focus was given to Account Solutions/Fees and Investment Solutions/Rates. Then, a key Corporate Credit Card Service differentiator came down to BB&T's willingness to provide credit to KyMEA at the time of proposal. Checking analysis pricing offerings and earnings credits were evaluated with volume and average balance levels to conclude competitive pricing proposals from both banks, with advantage to BB&T based on 25% higher earnings credit and lower FDIC insurance rates on balances greater than \$250,000, as well as 50% off their standard pricing.


BB&T and U.S. Bank were called for final discussions primarily around Credit to gauge willingness and ability to work with KyMEA to provide credit cards and a line of credit and/or alternate solutions in the most advantageous timeframe. Account services are available to be set up in accordance with the needs of KyMEA. No investment account sweeps are being contemplated at this time, nor is a line of credit sweep, in the absence of a line.

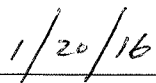
Therefore, pursuant to KRS 45A.370(1a), it is recommended to award the Banking and Credit Services, pricing and services as per the tabulation, proposal and discussions, to BB&T, who is evaluated to most adequately meet the needs of KyMEA, now and into the future:

- Primary Banking Services: BB&T - Option 1 Public Fund Account Analysis Account
- Corporate/Procurement Cards: BB&T - \$50,000 Approved with Deposit Portion Awarded
- Revolving Line of Credit: BB&T - Prospective Line of Credit and/or Credit Assurance Bond

  
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Jason Alban, Manager of Treasury, OMU

  
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Terrance P. Naulty, II, Treasurer

  
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Date

  
\_\_\_\_\_  
Date

**Recommended for Approval:**

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Ronald W. Herd, Chairman

\_\_\_\_\_  
Date

Primary Services:	BB&T	CHASE	US BANK	PNC NO BID	REPUBLIC NO BID	FIFTH- THIRD NO BID
Ratings	Moody's: A1 S&P: A Fitch: A+	Moody's: Aa3 S&P: A+ Fitch: AA-	Moody's: A1 S&P: AA- Fitch: AA			
Term	5 Year Contract	3 Year Contract	5 Year Contract			
Earnings Credit/Interest	Option 1: ECR 0.50% Option 2: Interest 20 bp fixed	Earnings Credit Allowance 0.10% (Pro Forma)	Fed Funds Target Rate flat with a floor of 0.40%. The EC is reduced by the amount of interest (0.03% subject to change based on market conditions) paid during the period, with remainder used to offset service charges incurred.  EC can be carried forward thru Y.E.			
Collateralization	The Bank does not charge a fee to cover the cost of the additional collateral.	National Collateral Management Group (NCMG) employs a Bank developed Corporate Collateral Management System (Coast), which provides daily monitoring of deposit balances and security value. Federal Reserve Bank (FRB) primary custodian for joint-custody security accounts ("collateral account")	Provide KYMEA collateral in the form of an irrevocable Letter of Credit from the Federal Home Loan Bank of Cincinnati, Ohio, specifically in the name of KYMEA for security of its deposits as is in the accordance with KRS statutes and state law regulations.			
Demand Deposit Accounts	<ul style="list-style-type: none"><li>● <b>Option 1:</b> Public Fund Account Analysis Account (Bank considers more advantageous)</li><li>● <b>Option 2:</b> Public Special Money Rate Checking Account</li></ul>	<ul style="list-style-type: none"><li>● Offers Chase Platinum Business Checking Account - Designed for businesses with over \$100k in combined deposit and investment balances, and simple cash management needs.</li></ul>	With Controlled Disbursement, offers 2 accounts: 1. Funding Account 2. Disbursement Account  ●Proposing Municipal Investor Checking Account (MIC) that provides for both Interest on 100% of KYMEA's collected balances and also EC on 100% of the balances.			
Account Analysis	<p><b>Option 1:</b> Based on a balance of \$500k estimated \$232.48 (50% discount on each service) and EC (0.50%) of \$205.48, for a net service charge estimated at \$27.00. Includes FDIC insurance fee.</p> <p><b>Option 2:</b> Based on a balance of \$500k less Reserve amount of \$50k estimated \$199.15 (50% discount on each service). Net Service Charge estimated at \$125.18. All collected funds less the 10% Federal Reserve requirement will automatically earn interest at a fixed rate of 20 basis points.</p> <p>Not currently offering a sweep option, as BB&amp;T doesn't feel this is the most advantageous option for KYMEA at this early stage. BB&amp;T would be more than happy to address this option as KYMEA's balances begin to grow and as interest rates begin to rise to higher levels than they are currently.</p> <p>*The bank agrees to a term of 5 yrs, however, the bank also reserves the right to review and adjust pricing resulting from regulatory changes prior to any cancellation or renewal.</p> <p>Additional Services to consider: Onsite Remote Deposit BB&amp;T service</p>	<ul style="list-style-type: none"><li>●\$95 Service fee waived when you have an average daily balance of \$100+.</li><li>●Investment Sweep is not being offered.</li><li>●Pro Forma not in sync w/ Platinum Business Checking</li><li>●Offers Chase Quick Deposit (CQD) with self-enrollment</li></ul>	<p>Alternatives:</p> <ul style="list-style-type: none"><li>- Government Obligation Money Market Mutual Fund Sweep Account</li><li>- U.S. Bank National Association Open Commercial Paper Sweep</li><li>- Insured Cash Sweep</li></ul> <p>Overnight Sweep Investment Rate: 0.03%</p> <p>Overnight Sweep Alternate (define) - Overnight Commercial Paper Sweep: 0.10%</p>			

Primary Services:	BB&T	CHASE	US BANK	PNC NO BID	REPUBLIC NO BID	FIFTH- THIRD NO BID																																																																																																																																				
Systems	Banking: Cash Manager Online (CMOL) Credit Cards (No Cost): BB&T Credit Card Connection and Visa Reports	Banking: ACCESS Online Credit Cards (No Cost): MasterCard smartdata.gen2 (Smartdata)	Banking: SinglePoint Credit Cards (No Cost): Access Online																																																																																																																																							
Procurement Card	BB&T Commercial Card Statement Billing Period 30 Payment Days from Statement Date: 25  Ann Vol Req to Activate Rebate = \$1M; then 1% back to first dollar  Optional Add On: Scan Receipt Imaging  * BB&T approves a monthly dollar credit line which can be \$50k. Under the \$50k line, KYMEA would issue individual cardholder limits which draw from the \$50k company line  **"To show our true commitment to earning your business, BB&T is pleased to offer KYMEA a \$50,000 credit card with the awarding of the deposit portion of the RFP to BB&T."  VISA (Bus or Corp) Supplier Matching Service - N/C  Annual Fee/Per Card Fee - N/C Replacement Card Plastic - N/C	Offers U.S. One Card: Annual Total Charge Volume: \$1,000,000 Statement Billing Period 30 Payment Days from Statement Date: 25 Cards:10 Contract Initial Term: 3 yrs w/1 yr auto renewal \$75 Per enrolled Cardholder/yr. \$35 of rewards fee is for the admin of the Corp Rewards Program, and the remaining \$40 goes into a redemption pool. If the cost of rewards redemption exceeds the amount in the redemption pool (the "Excess Redemption Expenses"), then the Excess Redemption Expenses will be deducted from any Gross Rebate paid to your organization.  MasterCard  Corporate/Individual Limits <table><tr><th colspan="6">U.S. One Card Program</th></tr><tr><th>Annual Total Charge Volume</th><th>Volume Rebate Rate @ 7/7</th><th>Volume Rebate Rate @ 141/7</th><th>Volume Rebate Rate @ 30/7</th><th>Volume Rebate Rate @ 30/14</th><th>Volume Rebate Rate @ 30/25</th></tr><tr><td>less than \$500,000</td><td>0.19%</td><td>0.18%</td><td>0.17%</td><td>0.16%</td><td>0.15%</td></tr><tr><td>\$500,000</td><td>0.24%</td><td>0.23%</td><td>0.22%</td><td>0.21%</td><td>0.20%</td></tr><tr><td>\$1,000,000</td><td>0.99%</td><td>0.98%</td><td>0.94%</td><td>0.90%</td><td>0.85%</td></tr><tr><td>\$2,000,000</td><td>1.05%</td><td>1.04%</td><td>1.00%</td><td>0.96%</td><td>0.91%</td></tr><tr><td>\$3,000,000</td><td>1.11%</td><td>1.10%</td><td>1.06%</td><td>1.02%</td><td>0.97%</td></tr><tr><td>\$4,000,000</td><td>1.13%</td><td>1.12%</td><td>1.08%</td><td>1.04%</td><td>0.99%</td></tr><tr><td>\$5,000,000</td><td>1.15%</td><td>1.14%</td><td>1.10%</td><td>1.06%</td><td>1.01%</td></tr><tr><td>\$6,000,000</td><td>1.16%</td><td>1.15%</td><td>1.11%</td><td>1.07%</td><td>1.02%</td></tr><tr><td>\$7,000,000</td><td>1.17%</td><td>1.16%</td><td>1.12%</td><td>1.08%</td><td>1.03%</td></tr><tr><td>\$8,000,000</td><td>1.18%</td><td>1.17%</td><td>1.13%</td><td>1.09%</td><td>1.04%</td></tr><tr><td>\$9,000,000</td><td>1.19%</td><td>1.18%</td><td>1.14%</td><td>1.10%</td><td>1.05%</td></tr><tr><td>\$10,000,000</td><td>1.20%</td><td>1.19%</td><td>1.15%</td><td>1.11%</td><td>1.06%</td></tr><tr><td>\$11,000,000</td><td>1.20%</td><td>1.19%</td><td>1.15%</td><td>1.11%</td><td>1.06%</td></tr><tr><td>\$12,000,000</td><td>1.20%</td><td>1.19%</td><td>1.15%</td><td>1.11%</td><td>1.06%</td></tr><tr><td>\$13,000,000</td><td>1.21%</td><td>1.20%</td><td>1.16%</td><td>1.12%</td><td>1.07%</td></tr><tr><td>\$14,000,000</td><td>1.21%</td><td>1.20%</td><td>1.16%</td><td>1.12%</td><td>1.07%</td></tr><tr><td>\$15,000,000</td><td>1.21%</td><td>1.20%</td><td>1.16%</td><td>1.12%</td><td>1.07%</td></tr><tr><td>\$20,000,000</td><td>1.22%</td><td>1.21%</td><td>1.17%</td><td>1.13%</td><td>1.08%</td></tr><tr><td>\$25,000,000</td><td>1.23%</td><td>1.22%</td><td>1.18%</td><td>1.14%</td><td>1.09%</td></tr><tr><td>\$30,000,000+</td><td>1.24%</td><td>1.23%</td><td>1.19%</td><td>1.15%</td><td>1.10%</td></tr></table> * Should the Organization achieve the minimum annual Total Charge Volume required to earn an annual Volume Incentive as stated above, J.P. Morgan will pay the Organization a rebate based on annual Large Ticket Transaction Volume associated with all programs. The rebate will be calculated as 0.30% ("Large Ticket Rebate Rate") multiplied by the annual Large Ticket Transaction Volume associated with all programs.	U.S. One Card Program						Annual Total Charge Volume	Volume Rebate Rate @ 7/7	Volume Rebate Rate @ 141/7	Volume Rebate Rate @ 30/7	Volume Rebate Rate @ 30/14	Volume Rebate Rate @ 30/25	less than \$500,000	0.19%	0.18%	0.17%	0.16%	0.15%	\$500,000	0.24%	0.23%	0.22%	0.21%	0.20%	\$1,000,000	0.99%	0.98%	0.94%	0.90%	0.85%	\$2,000,000	1.05%	1.04%	1.00%	0.96%	0.91%	\$3,000,000	1.11%	1.10%	1.06%	1.02%	0.97%	\$4,000,000	1.13%	1.12%	1.08%	1.04%	0.99%	\$5,000,000	1.15%	1.14%	1.10%	1.06%	1.01%	\$6,000,000	1.16%	1.15%	1.11%	1.07%	1.02%	\$7,000,000	1.17%	1.16%	1.12%	1.08%	1.03%	\$8,000,000	1.18%	1.17%	1.13%	1.09%	1.04%	\$9,000,000	1.19%	1.18%	1.14%	1.10%	1.05%	\$10,000,000	1.20%	1.19%	1.15%	1.11%	1.06%	\$11,000,000	1.20%	1.19%	1.15%	1.11%	1.06%	\$12,000,000	1.20%	1.19%	1.15%	1.11%	1.06%	\$13,000,000	1.21%	1.20%	1.16%	1.12%	1.07%	\$14,000,000	1.21%	1.20%	1.16%	1.12%	1.07%	\$15,000,000	1.21%	1.20%	1.16%	1.12%	1.07%	\$20,000,000	1.22%	1.21%	1.17%	1.13%	1.08%	\$25,000,000	1.23%	1.22%	1.18%	1.14%	1.09%	\$30,000,000+	1.24%	1.23%	1.19%	1.15%	1.10%	Offers U.S. Bank One Card Includes a late fee of 1.0% will be assessed if the full balance is not paid by the due date. A late fee of 2.5% of the total past due amount is charged assessed each subsequent cycle thereafter until the past due amount is paid. Does not charge interest.  Application with Financials  VISA/MasterCard  Corporate/Individual Limits			
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Revolving Line of Credit	Underwrites commercial lines of credit to a minimum of 2 yrs historical information. The bank requires financial support of an entity with established historical financial performance to adequately support the proposed debt. (other obligors) Alternative: the bank will consider a loan solely in the name of KYMEA if the loan is secured by properly margined liquid collateral to the bank, for example Depository Accounts or Publicly Traded Marketable Securities.	Subject to separate credit review and approval by Chase, and will also be contingent on Chase performing due diligence in connection with such request in accordance with its standard policies and procedures. Financial reporting will be required for credit review. Rates/terms/covenants and conditions will be provided at the time of the request.	Not submitting a proposal in the Line of Credit at this time.																																																																																																																																							



Primary Services:	BB&T		CHASE	US BANK	
	Proposed Fee to be Charged (per Item)	Monthly Option #1 Only		Proposed Fee to be Charged (per Item)	Total Monthly Fee
<b>Demand Deposit Accounts</b>					
Account Maintenance - DDA	\$10.00	\$10.00	\$22.00	\$8.00	\$8.00
Account Maintenance - CDA	\$55.00		CDA not offered	n/a	n/a
Account Maintenance - ZBA				\$25.00	\$25.00
Account Statements	\$0.00	\$0.00	n/a	\$2.50	\$0.00
ACH Addenda Received/Originated (CD Items)	\$0.125	\$1.25	Rec \$2.00 page/ Orig \$0.003	\$0.02	\$0.02
ACH Originating Credits	\$0.07	\$3.50	> 100 - \$25.00	\$0.04	\$0.04
ACH Originating Debits	\$0.07	\$3.50	> 100 - \$25.00	\$0.04	\$0.04
ACH Credits	\$0.375		\$0.25	\$0.04	\$0.04
ACH Debits	\$0.10		\$0.25	\$0.04	\$0.04
ACH Returns/NOC	\$3.00/\$1.50		Ret - \$5.00/NOC - \$3.00	\$2.00	\$2.00
ACH Software and Tech Support	\$22.50	\$22.50	\$40.00 per account	\$10.00 mo fee	\$10.00 mo fee
Check Imaging (per account)	\$12.50	\$12.50	\$12.00	\$25.00	\$25.00
Check Imaging (per item)	\$0.025	\$0.25	\$0.045	\$0.03	\$0.03
Checks Paid/Debits Posted	\$0.10	\$1.00	\$0.25	\$0.09	\$0.09
Controlled Disbursement Items	\$0.105		CDA not offered	n/a	n/a
Banking Software or web-based interface and Technical Support	\$40.00/acct (CD & PD)	\$40.00	\$75.00 per client	\$0.00	\$0.00
Deposit Tickets/Credits Posted	\$0.375	\$8.25	Dep ticket \$1.50/ Cr \$0.80	\$0.20	\$0.20
FDIC Insurance	0.006665%	\$33.33	0.1300%	\$0.05 (per \$100 of collected bal)	\$125.00
Items deposited	\$0.07	\$7.00	On Us - \$0.20/ Transit - \$0.25	\$0.08	\$0.08
Online Account Access/Reporting	Incl in Software		\$35.00 per account	\$14.95 (up to 3 accts)	\$14.95 (up to 3 accts)
Overdrafts	\$18.00		\$34.00	\$15.00	\$15.00
ACH Origination Software or web-based interface and Technical Support				\$10.00	\$10.00
Researching of Items	\$12.50/hr		\$0.00		
Returned Items/chargebacks	\$6.00		\$10.00	\$3.00 Mo Fee	\$3.00 Mo Fee
Stop Payment Requests/Online	\$10.00 for 6 M		\$25.00	\$8.00	\$8.00
Sweep Processing (per account)				\$0.00	\$0.00
Sweep Processing (Investment)	n/a	Not currently proposing this option	n/a		
Sweep Processing (Line of Credit)	n/a	Not currently proposing this option	\$250.00		
Wire Transfers - Incoming	\$7.00 Domestic	\$7.00	\$15.00	\$7.00	\$7.00
Wire Transfers - Outgoing (Non-Rpt)	\$6.00 Domestic	\$6.00	\$10.00	\$7.00	\$7.00
Wire Transfer Software or web-based interface and Tech Support	\$5.00	\$5.00	n/a	\$10 Mo Fee	\$10 Mo Fee
ACH Originated Files	\$6.00	\$6.00			
Banking Software ID	\$5.00	\$5.00			
Check Imaging Disk	\$7.50	\$7.50			
Banking Software - PD Items	\$0.10	\$10.00			
Banking Software Image Retrieved/Image	\$1.00				
Stop Pay Monthly Maint. Per Acct	\$5.00	\$5.00			
Pos Pay M Maint	\$25.00	\$25.00			
Pos Pay Items	\$0.04	\$0.40			
ACH Pos Pay M Maint	\$12.50	\$12.50			
ACH Authorized Pay (Filter)	\$2.50				
ZBA Master	\$22.50				
ZBA Sub per Acct - M Maint	\$12.50				
Short-Term Investments				Overnight Sweep Investment: 0.03% (Spread Fed Funds)/NA (Spread-Libor) Overnight Sweep Alternative (Overnight Commercial Paper Sweep): 0.10% (Spread-Fed Funds)/NA (Spread-Libor)	