WELLS FARGO

Selecting a Banking Partner – The RFP Process

June 2012

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Together we'll go far

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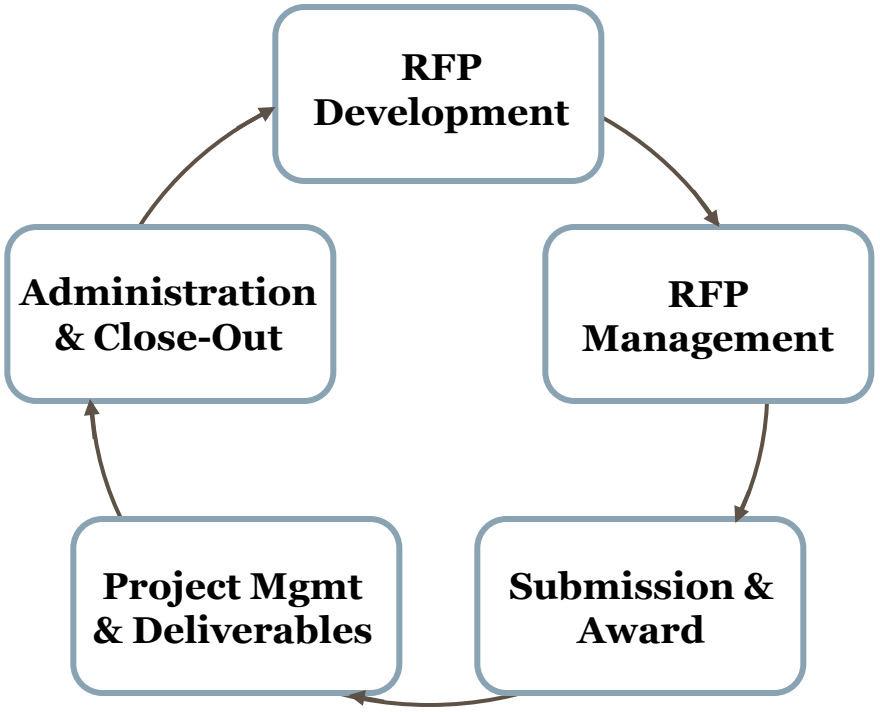

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Identifying Your Objectives and Needs

Identifying Your Objectives and Needs

Closely evaluate your needs and objectives

First Steps

- Where to Begin:
  - Start with what you have today
  - Evaluate your current situation
  - Outline your objectives
  - Set goals
- Helpful Tools:
  - Current reports
  - Analysis statements

Identifying Your Objectives and Needs

Plan for the future

Understand Your Specific Situation

- Are you facing growth or volume issues?
- Do you wish to move from a paper to electronic environment?
- Are you spending excessive staff time on research and reconciliation?
- Do you have limited reports and information?
- Does it take too long to collect funds?
- Are you vulnerable to fraud?
- Are you dissatisfied with your current provider?
- Do you feel your treasury fees are too high?
- Are you comfortable with the financial strength of your bank?
- How much involvement will there be from procurement?

Developing an RFP

The RFP process is time consuming and may take 3 to 6 months from start to finish

Roles and Responsibilities

You

- Identify objectives and needs
- Develop an RFP
- Issue RFP
- Evaluate responses
- Select winner

Responding Banks

- Develop an understanding of your needs
- Brainstorm solutions
- Seek clarification and validate solutions for effectiveness and efficiency
- Compose RFP response

Knowing Where You are Going is Half the Battle

Consider a strategy to easily acquire only the useful information you need

- What kind of questions should we ask?
- What kind of questions should we avoid?
- How detailed should we make the RFP?
- Do we fully understand the solutions that we are seeking?
- How much information are we prepared to read and evaluate?
- Caution: Too many requirements may inadvertently eliminate respondents
  - No fees for banking supplies
  - Interest rate requirements
- Avoid repetitive information and questions
- Make an electronic copy of the RFP available

Focus on the Services Most Important to Your Banking Needs

When searching for a banking partner, it is important to focus on the most relevant issues

- A good RFP addresses appropriate services that fit your objectives and needs and enables you to fairly evaluate potential banking partners and their capabilities

Services to Include

- Balance Reporting
- Account Reconciliation
- Lockbox
- Direct Deposit of Payroll
- ACH
- Ability to Incorporate New Services

Services Not to Include

- Loans
- Merchant Card Processing
- Corporate Card/Purchasing Card
- Armored Car Service
- ATM
- Investment Portfolio Management
- Trust Dept Services

Developing an RFP

Set Clear Expectations

Establish a schedule of events and timeline for the RFP

TIMELINE

Month One

- Develop RFP
- RFP release date

Month Two

- Pre-proposal conference (optional)
- Deadline for additional questions
- Issue answers for written questions
- RFP Due Date

Month Three

- Selection of finalists (optional)
- Oral presentations (optional)
- Award business

A word of caution

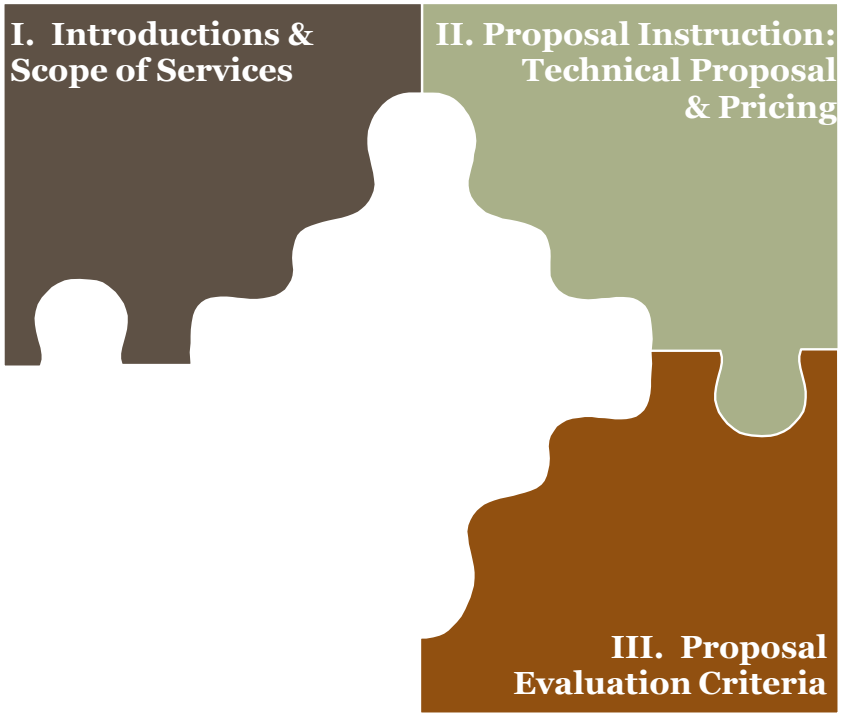
Ensure Your RFP Addresses Your Needs

- You may not be able to use another organization's RFP to produce your own
  - Other RFPs may not address your specific situation, needs or issues
  - Use other RFPs only as a guide
- The result should be an RFP that ensures you will select a solution that fully addresses your original objectives and needs

Components of an RFP

Understand How the Pieces Fit Together

Carefully consider each piece of the RFP to increase your ability to fairly evaluate and select the optimal banking partner



Step One

I. Introductions & Scope of Services

- Begin with clear proposal instructions to provide consistency in responses
  - Sets the stage for the RFP
  - Provides program overview
  - Outlines goals and objectives
    - What are you trying to accomplish with the RFP?
- Establish minimum qualifications:
  - Nearby branch location
  - Ability to collateralize deposits based on state law
- Specify delivery instructions:
  - To whom do we submit the bid?
  - Where is the bid to be delivered?
  - At what time is the bid due?
  - Number of copies?
  - Other special requirements?
- Provide bank account descriptions and schematic
- Set due dates
- Indicate contract term

EXAMPLE OF GOALS & OBJECTIVES

Introduction

The governing authority of _____requests proposals for banking services. General requirements and volume estimates are included in this RFP document and should be used as a basis for proposals. _____ prefers that respondents submit proposals that conform directly to the baseline service requirements; however, _____encourages responses that provide options for new or reduced cost alternatives.

_____ believes administrative efficiency is enhanced through awarding the majority of all its commercial banking business to one institution.

The overall system structure and service requirements are defined in the following pages. _____objectives are to ensure the highest degree of safety for its financial assets, while at the same time managing its banking relations in a cost efficient manner. _____ also seeks to offer improved service and convenience to its citizens, employees and suppliers.

EXAMPLE OF THE MINIMUM QUALIFICATIONS & RFP SUBMISSION INSTRUCTIONS

MINIMUM QUALIFICATIONS

To be considered for selection, proposing banks must meet the following qualifications:

A. Locations:

1.) Maintain a full service commercial branch within the boundaries of _____ and a depository location within the _____.

B. Collateralization:

In accordance with legal requirements established by the State of Georgia (ref. Code 458-12, 45-8-13, 50-17-59, Atty. Gen. Op 62 -24, 74-118, 79-12) the Bank will provided for collateralization of all uninsured deposits.

_____ will accept alternative arrangements for holding collateral and will allow existing tri-party arrangements to provide for collateral for banking services. Any Federal Reserve Bank may hold collateral in the name of _____.

Please submit as an addendum, your standard Public Funds Collateral Security Agreement for review.

RFP SUBMISSION INSTRUCTIONS

Proposal Submission: Technical proposal and Pricing proposal must be delivered directly to the Purchasing Department no later than April 24, 2012 by 11:00 a.m.. Late submissions after the deadline or proposals delivered via fax will not be accepted. Technical and Pricing Proposals must be bound and submitted in separate sealed envelopes. A total of six (6) identical proposals must be submitted and labeled as follows:

Name
Address
Proposal Number

EXAMPLE OF ACCOUNT DESCRIPTION

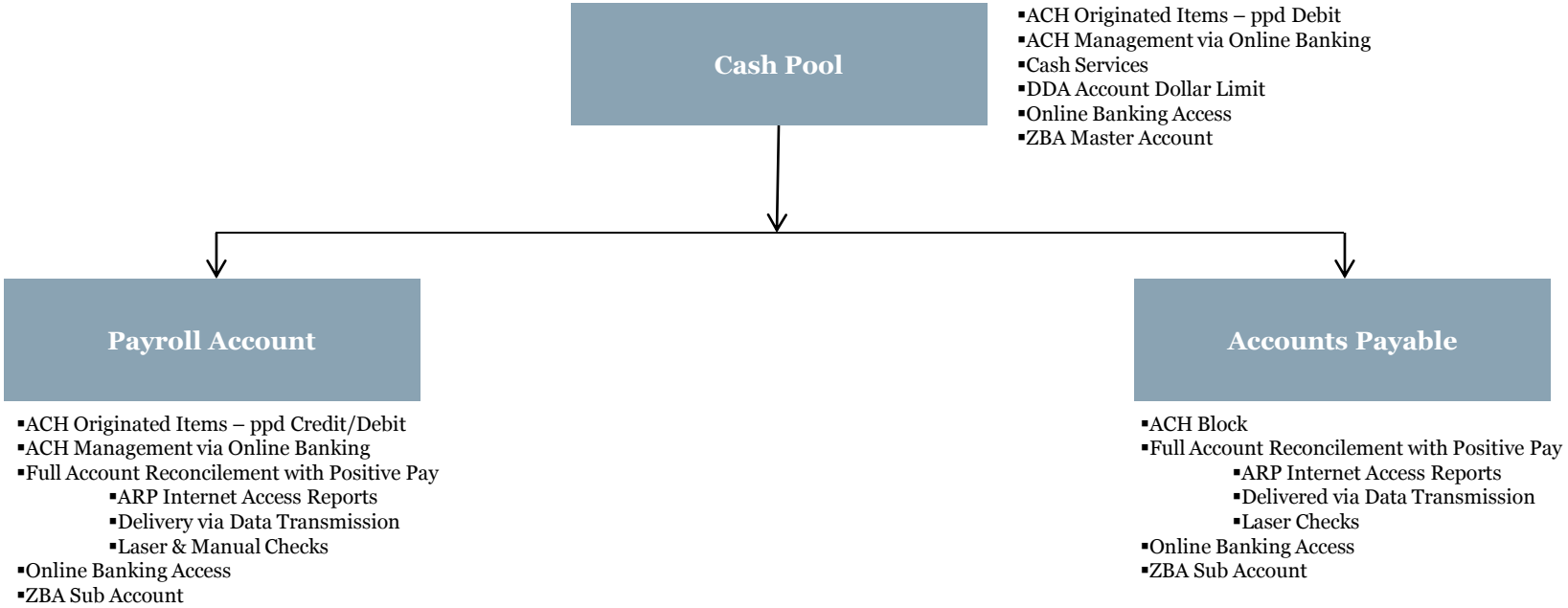
ACCOUNT DESCRIPTION

Please see account structure attached as EXHIBIT __.
Our _____ maintains 3 general business demand accounts:

Cash Pool Account
Payroll Account
Accounts Payable Account

Our Cash Pool account is used for all deposits, disbursement, money transfer, credit card and wire processing activities. The Payroll and Accounts Payable accounts are for disbursement activity only and are zero balance accounts funded by the Cash Pool Account.

EXAMPLE OF ACCOUNT STRUCTURE



Online Services include: Prior Day reporting, Current day reporting, Stop Payments, Global Wire Transfers, Image Search (paid, returned & deposited items), Proactive Notification to alert customer

EXAMPLE OF A TIMETABLE

Timetable

▪ Distribution of RFP	April 3, 2012
▪ Pre-Bid Conference	April 10, 2012, at 11:00 a.m.
▪ Last day for questions	April 12, 2012
▪ Responses Distributed	April 20, 2012
▪ Proposal Submission	May 4, 2012, at 11:00 a.m.
▪ Technical Proposal Review	May 25, 2012
▪ Pricing Proposal Review	May 25, 2012
▪ Oral Presentation	Week of May 28, 2012
▪ Notification to Bidders	Week of June 4, 2012
▪ Implementation Begins	July 1, 2012

Contract Term Considerations

- What is a reasonable contract length?
  - One year?
  - Five years?
- Consider the contract term in light of these factors:
  - Time and cost to issue RFP
  - Time and cost to review proposals
  - Cost of moving the banking relationship
  - Human resource constraints
- Bank service agreement vs. contract

Step Two

II. Proposal Instruction: Technical Proposal

- The **technical proposal** is an exhaustive list of questions and answers
- The format should be:
  - Easy for banks to prepare and respond to
  - Simple for you to evaluate
- Group questions by major topic, if possible
- Q&A should identify all requirements in a single place:
  - General expectations or requirements
  - Specific requirements “must-haves”

EXAMPLE OF "EASY" FORMAT FOR TECHNICAL PROPOSAL

NOTE: Please follow these instructions carefully when responding to this Request for Proposal for Banking Services:

Title Page/Cover: It should include the name of the proposing bank, its principal business address where the relationship will be managed and the local branch(es) address that can meet our daily banking needs.

Tab I– Table of Contents:

Tab II – Transmittal Letter: The letter should address the bank's willingness and commitment, if selected to provide the services, and why the Bank believes it should be selected. The letter should be signed by the Relationship Manager assigned to our accounts.

Tab III – Bank and Staff Profile: Respond to the following sections:

Overview: Provide a corporate overview of your bank including commitment to _____ and community involvement. Also identify the number of branches within our _____ limits, and the nearest full service branch that can assist us with our immediate banking needs.

Experience: Describe the Bank's experience in providing services to the public sector. Include exclusive resources dedicated for the public sector. Provide three references most comparable to our size and financial needs that we may contact. Include a brief description of the services provided, how long such services have been provided and a contact person and telephone number for each client described.

Relationship Management: Describe the relationship team that will be assigned to service our relationship. Describe individual roles, responsibility and briefly detailing credential and related banking experience.

Customer Service. Describe the customer service process at your bank. Discuss the role of 1-800 numbers in the servicing of our accounts.

Compliance and Exceptions: Include statement to confirm your bank's compliance to our minimum qualifications. Also list any exceptions to required services.

Tab IV – Deposit Processing: Describe how the bank would accommodate the volume associated with our accounts.

Also include information on the bank's processing of returned items in this section.

Tab V– Account Reconcilement: The bank must provide monthly account reconcilement reports

Step Two Cont.

II. Proposal Instruction: Pricing Proposal

- The **pricing proposal** should be developed based on analysis statements, services used/requested and volume of activity
- The proposal should require a specific format for:
  - Required services
  - Optional services
  - Other recommended services
- Provide average collected monthly and average ledger monthly balances for all accounts for the prior 12 months
- Questions to consider:
  - How will we address different pricing structures? (monthly fee vs. usage fee, etc.)
  - How will we account for extra costs?
  - How can we ensure that we provide accurate data?
- Other considerations:
  - Use product descriptions and not proprietary product names
  - Ask respondents to include all pricing elements that are necessary to implement the solution
- Be sure that what you are asking for in the Technical & Pricing Proposals is consistent with the information you provided in the Introduction & Scope of Services section

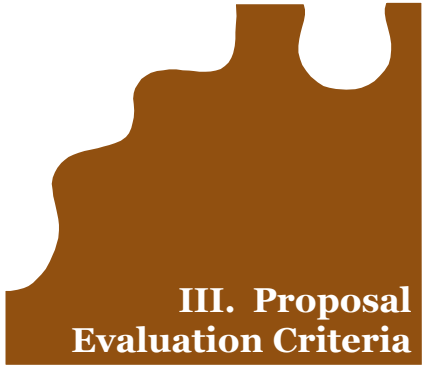
EXAMPLE OF PRICING SHEET

SERVICES REQUESTED AND VOLUME ESTIMATES

PART IV-NET COST OF SERVICES

	SERVICE TYPE	EXPLANATION/RFP SOURCE REFERENCE	ESTIMATED ANNUAL VOLUME	R.F.P. CHARGE PER ITEM	ANNUAL R.F.P. CHARGES
ACCOUNTS:					
1	DemDepAccts-Non-Master (19)	# of ACCOUNTS	228		0
2	DemDepAccts-Master (2)	# of ACCOUNTS	24		0
3	ContDisbAccts/ZeroBalance Accts (2)	# of ACCOUNTS	24		0
4	ZeroBalance Accts (10)	# of ACCOUNTS	120		0
DEPOSIT ACTIVITIES:					
	AT BRANCHES				
5	Deposits	COUNT	2,700		0
6	Deposited Items Unencoded	# OF CHECKS	21,500		0
7	Disposable Night Bags	COUNT	2,200		0
8	Rolled Coins Requested	# OF ROLLS	200		0
9	Strapped Currency Requested	# OF STRAPS	12		0
10	Cash Deposited	$ VALUE/ $100	$ 23,000		0
11	Deposit Corrections	COUNT	40		0
	AT MONEYCENTER/VAULT				
12	Deposits	COUNT	11,100		0
13	Deposited Items Unencoded	# OF CHECKS	215,000		0
14	Disposable deposit bags	COUNT	5,300		0
15	Cash Deposited	$ VALUE/ $100	55,000		0
16	Deposit Corrections	COUNT	50		0
17	Redeposited Items	COUNT	2,700		0
18	Redeposited Items Charged Back	COUNT	2,100		0
19	Deposit Recon	DEPOSIT COUNT	11,100		0
ACH ACTIVITIES:					
20	ACH Misc. Items Paid/Charged to accounts	COUNT	2,700		0
21	ACH Files Processed-Water	COUNT	250		0
22	ACH Originated Items-Ppd Debit (Water)	COUNT	72,000		0
23	ACH Originated Items-Ppd Credit (Water)	COUNT	250		0
24	ACH Files Processed-Payroll	COUNT	26		0
25	ACH Originated Items-Ppd Credit (Payroll)	COUNT	163,000		0
26	ACH Files Processed-Accounts Payable	COUNT	40		0
27	ACH Originated Items-CTX Debit (Accts Pay)	COUNT	40		0
28	ACH Originated Items-CTX Credit (Accts Pay)	COUNT	100		0
29	ACH Returns	COUNT	850		0
30	ACH Reversal Requests	COUNT	40		0
CHECKING/ACCOUNT RECONCILEMENT ACTIVITIES:					
31	Full Recon-Checking Accounts	COUNT	73,000		0
32	Checking Accounts w/ PosiPay Feature (2)	# OF ACCOUNTS	24		0
33	Checks Issued-Payroll	COUNT	13,000		0
34	Checks Issued-Accounts Payable	COUNT	60,000		0
35	PosiPay Files Transmitted to Bank-Payroll	COUNT	26		0
36	PosiPay Files Transmitted to Bank-Accts Payable	COUNT	52		0
37	Cleared Checks File Transmitted by Bank to Cty	COUNT	12		0
38	Stop Pays-Initiated Through Workstation	COUNT	200		0
39	PosiPay Exception Imaging	COUNT	400		0
40	CD Images of Cancelled Checks	COUNT	73,000		0
TRANSFER/WIRE ACTIVITIES:					
41	Domestic Wires (County to another bank)	COUNT	500		0
42	Book Transfers (County to same bank)	COUNT	250		0
43	Account Transfers (County to Coounty)	COUNT	1,000		0
FEDERAL AND STATE TAX PAYMENTS:					
44	Federal	EACH PAYROLL	26		0
45	State	EACH PAYROLL	26		0
TREASURY WORKSTATION:					
46	All Access	ESTIMATED USERS ASSIGNED	3 USERS		0
47	Restricted Features Access	ESTIMATED USERS ASSIGNED	6 USERS		0
SECURITY CUSTODIAL SERVICES:					
48	SECURITIES HELD	ESTIMATED COUNT	40		0
49	SECURITIES PURCHASED	ESTIMATED COUNT	40		0
50	COUPONS	ESTIMATED COUNT	80		0
FDIC COVERAGE:					
51	CHARGES	EST. AVG LEDGER BALANCES	$10,000,000		
OTHER CHARGES/EXCEPTIONS:					
52					
53	**TOTAL PROPOSED BANKING SERVICES CHARGES (SUM 1-52)**				$ -
INTEREST CREDIT					
54	ON BALANCES (SHOW AS NEGATIVE ITEM)	EST. AVG COLLECTED BALANCES	$10,000,000		
55	**TOTAL NET COST OF SERVICE - PRE MERCHANT SERVICES**				$ -
MERCHANT CARD SERVICES:					
56	Water System	EST. $s CHARGED/EST.AVG.CHG.	$3,000,000/ $85		0
57	Golf Course	EST. $s CHARGED/EST.AVG.CHG.	$1,800,000/ $60		0
58	Business License	EST. $s CHARGED/EST.AVG.CHG.	$ 212,500/ $125		0
59	County Community Transit	EST. $s CHARGED/EST.AVG.CHG.	$ 350,000/ $50		0
60	Parks/Recreation	EST. $s CHARGED/EST.AVG.CHG.	$ 800,000/ $90		0
61	Senior Services	EST. $s CHARGED/EST.AVG.CHG.	$ 200,000/ $75		0
62	**TOTAL NET COST OF SERVICE**				$ -

Step Three



- How do you plan to evaluate the proposals?
- Identify what is most important:
  - Innovative products and services?
  - Experience of personnel?
  - Customer service?
  - Cost of services?
  - Interest rate/earnings credit rate?
  - Safety/Soundness?
- Publish evaluation factors in the RFP
- The key is to link evaluation factors to what is most important to you

EXAMPLE OF EVALUATION CRITERIA

_____ will rely on submitted proposals to evaluate prices, quality and range of service offerings. Unit costs, an institution's financial information, references of other government clients, branch locations, the nature of services, and current and past performance are some of the factors that will be evaluated during the process.

Proposals will be evaluated based on their relative responsiveness to the criteria and weighted as indicated below:

EVALUATION CRITERIA	POINTS
1. Innovative Products and Service:	2.5
2. Response Completeness:	2.5
3. Customer Service:	2.5
4. Exposure, Experience, Specialization of Financial Institution:	5
5. Relationships; Current and Past Performance with Henry County:	5
6. Exposure, Experience, Specialization of Assigned Personnel:	7.5
7. Contingency and Disaster Recovery:	7.5
9. References:	7.5
10. Implementation and Timeline:	10
11. Presentation:	10
12. Competitive Pricing & Costs to Change Financial Institutions:	50
TOTAL:	**110**

The proposals will be evaluated in order to select the firm or teams which rate highest according to the criteria detailed above. _____ reserves the right to request interviews/demonstrations (item #11 above). If this right is exercised a maximum of 10 points may be assigned based on the interview results.

RFP Evaluation

Make the Best Decision for Your Institution

Thorough evaluation of all components in an RFP response will yield the optimal banking partner

The Evaluation Process

- Evaluate technical and cost proposals separately
- Use scoring forms to assign points
- Seek the best value, not the best price

Objectively Evaluating RFP Responses

- Use evaluation forms to score respondents on each element of the response
- Look at the technical proposal first, select finalists/hold presentations:
  - Then, look at pricing for award

    OR
  - Finalist presentations based on best combined technical responses
- Questions - Does the respondent:
  - Meet my evaluation criteria?
  - Show demonstrated experience?
  - Suggest innovative solutions?
- Request oral presentations from finalists

Banks Welcome the Opportunity to Present Solutions in Person

Oral presentations provide a better understanding of the solutions offered and better equip you to make the right choice

- An oral presentation provides the opportunity to discuss the services offered and to demonstrate electronic solutions
- For an effective evaluation, you should:
  - Select only finalists for oral presentations
  - Set a time limit for each finalist's presentation
  - Ask hard questions

The Optimal Banking Partner Will Deliver the Right Solutions

Select a bank based on value, capabilities and commitment to customer service

- Reaffirm your decision with positive answers to these questions:
  - Can this bank meet all of our current and future needs?
  - Does this bank offer the best value for the products and services provided?
  - Does this bank have the resources to provide innovative solutions?
  - Will this bank provide the best customer service to support our needs?
- Notify all respondents of the RFP outcome
  - Provide evaluation results including pricing, interest rate, and any other factors that influenced your decision

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