



Legislation Text

File #: 2020-0302, **Version:** 0

Title/Name/Summary

BMO Harris Bank - Banking Services Renewal - Approval

History

The Village has used BMO Harris Bank ("BMO") as its banking services provider since late 2014. The Village takes advantage of the full suite of depository and treasury management services that BMO offers and also utilizes BMO for its short term borrowing needs thru the establishment of lines of credit and subsequent term loans. BMO has also committed to funding an operating line of credit for the Village due to COVID-19, should the need arise. In addition, custody services for the Village's long-term investment portfolio are provided by the bank.

The Village's current treasury management contract with BMO expires at the end of May 2020. At this time, staff is recommending that the Village renew its contract with BMO for an additional three years. BMO currently has multiple locations within Orland Park and can provide all services that the Village utilizes. A devoted relationship team that specializes in governmental entities has been assigned to the Village and they are very responsive to the Village's banking needs and consistently provide excellent customer service. BMO consistently updates its depository and treasury management products allowing the Village to implement new products and services as they become available in the banking industry.

BMO has kept its service fees constant for the full term of the original five (5) year contract, with the exception of federally mandated fee increases. The proposal for the additional three (3) year term includes a 5% fee increase the first year, no increase in year two and an increase no greater the CPI for year three. The Village currently utilizes the earnings credit option as opposed to paying assessed service fees in full and earning interest on the full available balance. The earnings credit rate option allows the Village to earn interest on available deposits and utilize these earnings to offset service charges. The proposed earnings credit rate is .40%; this rate is 2x the standard offered to most BMO municipal customers. Any amounts on deposit over and above the balance needed to offset services charges earn interest at a rate of .20%. This will allow the Village to minimize the amount required for compensating balances, freeing up excess funds for further investment.

Financial Impact

Actual fees assessed depends on transaction activity. The estimated monthly increase in fees amounts to \$803, which will be offset by interest earned based on the earnings credit rate if account balances are sufficient.

Recommended Action/Motion

I move to approve an extension of the BMO Harris Bank contract to provide banking services for a period of three (3) years, beginning May 1, 2020 and ending April 30, 2023.