

TO: FINANCE AND AUDIT COMMITTEE

REVIEWED: MARIO IGLESIAS
GENERAL MANAGER

FROM: LISA BOGNUDA
FINANCE DIRECTOR AND
JANA ETTEDDGUE
ADMINISTRATIVE SUPERVISOR

DATE: FEBRUARY 13, 2023

AGENDA ITEM

3

FEBRUARY 15, 2023

**CONSIDER OPENING A PUBLIC CHECKING ACCOUNT WITH
FIVE STAR BANK**

ITEM

Consider opening a public checking account with Five Star Bank

BACKGROUND

The District currently maintains a public checking account and money market at Mechanics Bank. The District also maintains several money market accounts at Five Star Bank (authorized by Resolution 2018-1476 – See Attachment A).

The District is charged an "Analysis Fee" on the public checking account. A monthly analysis fee is charged based on the type of services provided by the bank (i.e. amount of cash deposits, number of checks deposited, wires, ACH, positive pay, etc) which is offset by interest earned on the account during the month. An analysis fee is standard in the industry, however, the amount of earnings credit and fees varies by bank.

Currently, Mechanics Bank offers the District 0.5% earnings credit on the account and charges their set standard fees. The net analysis fee on the Mechanics Bank public checking account averages \$780 per month, equating to approximately \$9,400 expense per year. (see comparison below)

Five Star Bank provided Staff with a proposal (Attachment B) for operating and maintaining a public checking account. Five Star Bank prepared a pro forma analysis statement comparing their proposed fees to the fees currently charged by Mechanics Bank. Five Star Bank is offering the District 2.00% earning credit and lower fees that result in a net savings of approximately \$965 per month, equating to approximately \$11,580 per year. (see comparison below)

Below is a comparison of the Net Analysis Fee for a representative month of District business:

	(A)	(B)	(B) – (A)
	MECHANICS BANK	FIVE STAR BANK	
Total Fees for one month (1)	\$980	\$618	(\$362)
Earnings Credit for one month (2)	(\$201)	(\$804)	(\$603)
Net Analysis fee (savings) for one month	\$779	(\$186)	(\$965)
Net Analysis fee (savings) for 12 months (x 12)	\$9,348	(\$2,232)	(\$11,580)

- (1) Based on the number and type of daily transactions
- (2) Based on daily average balance on deposit

Five Star Bancorp (<https://investors.fivestarbancorp.com/>) was rated 5-Stars as of 8/29/22 by Baur Financial. Five Star Bank meets the requirements of 7(A)(3) of the District's Investment Policy and has provided the District with exemplary customer service since 2018. Staff is confident this service will continue.

Five Star Bank provides banking services to many local community services districts in our area as well as San Luis Obispo County.

If approved, the transition will take a couple of months. After the transition is complete, Staff would close the Mechanics Bank public checking account, but maintain the money market account (which is not subject to the analysis fee due to the account limitations).

FISCAL IMPACT

The District would save approximately \$11,580 per year.

STRATEGIC PLAN

Goal 4. FINANCE. Maintain conservative, long-term financial management to minimize rate impacts on customers while meeting program financial needs.

4.b. Ongoing Activities

- B.1 Evaluate, plan for and maintain finances that are adequate for all needs, stable, and reliable over the long-term.
- B.6 Maintain sound investment policy and investments.

Goal 6 – GOVERNANCE AND ADMINISTRATION – Conduct District activities in an efficient, equitable and cost-effective manner.

RECOMMENDATION

It is recommended the Committee review the proposal and direct Staff.

ATTACHMENTS

- A. Resolution 2018-1476, authorizing opening of an account with Five Star Bank
- B. Proposal from Five Star Bank with Pro Forma Analysis

FEBRUARY 15, 2023

ITEM 3

ATTACHMENT A

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2018-1476**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
NIPOMO COMMUNITY SERVICES DISTRICT
AUTHORIZING THE OPENING OF AN ACCOUNT
AT FIVE STAR BANK**

WHEREAS, the Nipomo Community Services District (herein "District") Board of Directors (herein "Board") is a local governmental agency formed and authorized to provide services within its jurisdiction, pursuant to Section 61000 et seq. of the California Government Code; and

WHEREAS, on June 13, 2018, the Board of Directors approved the opening of an account at Five Star Bank with funds held in savings accounts at Rabobank;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of the Nipomo Community Services District, as follows:

1. The Nipomo Community Services District Board of Directors authorizes the following:
 - a) Creation of an account at Five Star Bank;
 - b) The transfer of funds from savings accounts at Rabobank to Five Star Bank;
 - c) The General Manager is authorized to execute the Contract for Deposit of Monies.
2. The following persons and their successors are authorized to sign on the account:

Ed Eby, President	Dan A. Gaddis, Vice President
Bob Blair, Director	Craig Armstrong, Director
Dan Woodson, Director	Mario Iglesias, General Manager
Lisa Bognuda, Finance Director	

Upon motion by Director Armstrong, seconded by Director Gaddis, and on the following roll call vote, to wit:

AYES: Director Armstrong, Gaddis, Woodson, Blair and Eby
NOES: None
ABSTAIN: None

the foregoing resolution is hereby passed and adopted this 13^h day of June, 2018.



ED EBY
President of the Board

ATTEST:

APPROVED AS TO FORM AND LEGAL EFFECT:



MARIO IGLESIAS
General Manager and
Secretary to the Board



WHITNEY G. McDONALD
District Legal Counsel

FEBRUARY 15, 2023

ITEM 3

ATTACHMENT B



February 3, 2023

Mr. Mario Iglesias, General Manager
Nipomo CSD
P.O. Box 326
148 South Wilson Street
Nipomo, CA 93444-0326

Dear Mr. Iglesias,

I hope this finds you well! Thank you for the opportunity to present this proposal to the Nipomo CSD.

We believe that you deserve nothing less than outstanding customer service, reliability, competitive pricing, efficient means of managing your accounts electronically and direct access to a team of qualified banking professionals. We are keenly knowledgeable with special districts and municipalities, the statutes that pertain to public funds and who also have the experience of having managed at a public entity. We have the experience, expertise and hands on approach that sets us apart. And we are the only bank in California to provide scholarships to districts like yours for the CSDA General Manager Summit each year.

We believe Five Star Bank is the perfect partner for the Nipomo CSD. You've already experienced our customer service with the seven accounts you currently have with us. As a sign of our continued partnership, Five Star Bank is offering the District:

- **Analyzed checking accounts with a 2.00% Earning Credit Rate** - We are offering as many checking accounts as you need all with an Earnings Credit Rate of 2.00%. This rate will offset all fees you would normally incur. When compared to the November statement from Mechanics Bank, instead of paying \$899.57 in fees (or \$778.99 using their new ECR of 0.50%), your banking would have had **NO FEES at Five Star Bank**. Please see the proforma comparison sent in the email.

This Earnings Credit Rate is valid through December 31, 2025 and will be reviewed at that time.

These accounts will include the following:

- **checking accounts with ability to write checks**
- **online banking with online transfer capability between accounts**
- **ACH capability (requires credit approval)**
- **Wire Transfer capability**
- **Remote Deposit Capture w/free scanner provided**
- **Mobile Deposit**
- **Bill Pay**

- Five Star Bank will also provide your initial order of checks at no charge.

Five Star Bank also can provide all the financing to meet the District's needs including refinancing existing loans, new equipment & vehicles, buildings, infrastructure, lines of credit as well as pension obligation bonds. We also can offer rewards credit cards for purchasing and merchant services to accept payments by credit card in person, online or by phone.

This opportunity to expand our partnership with you is very important to our Bank and, as always, we will take every measure possible to ensure your success. I can assure you that I will personally oversee the entire transition, we will provide your staff with all the necessary training they need and provide you with designated backup personnel as well. We will be your partner every step of the way, from pre-conversion through conversion and implementation.

Please let me know if we can discuss the opportunity in greater detail and plan the next steps to move forward. Thank you once again for considering this proposal. We look forward to the chance to grow our relationship and partnership with the Nipomo CSD!

Sincerely,

Jerry Legg



Jerry Legg, CTP
SVP/Government Banking Manager

t: [916-640-1512](tel:916-640-1512) | m: [916-471-9977](tel:916-471-9977)

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a: 2240 Douglas Blvd., Suite 100
Roseville, CA 95661





Five Star Bank
Pro Forma Analysis Statements

Customer: **Nipomo CSD**

Period: **November 2022**

Average daily ledger balance	\$ 574,965
Less average daily float	28,442
Average daily collected balance	546,524
Less legal reserve requirement (10%)	57,497
Balance to support services	<u>\$ 489,027</u>
Number of accounts	<u>1</u>

Mechanics Bank

EARNINGS CREDIT:

Current period earnings credit	Days	Rate		
	30	0.50%	\$	200.97

SERVICE CHARGE DETAIL:

	No.	Rate		
Account Maintenance	1	\$ 20.00		20.00
Deposit Coverage (per \$1,000)	575	\$ 0.12		69.00
On-Us checks deposited		\$ 0.20		-
Transit check deposited				-
Return deposited items	1	\$ 12.00		12.00
ACH filter monthly		\$ 1.00		-
Checks paid	107	\$ 0.20		21.40
Electronic debits		\$ 0.32		-
Branch Deposit - Processing Fee	19	\$ 1.25		23.75
Paper Credits		\$ 0.75		-
Deposited Item	1,563	\$ 0.12		187.56
Electronic credits	141	\$ 0.20		28.20
Stop payment		\$ 20.00		-
Cash Deposited - per \$100	1	\$ 53.50		53.50
ACH Received Item		\$ 0.10		-
ACH Return Item/ Admin	2	\$ 4.00		8.00
ACH Received Addenda Item		\$ 0.04		-
ACH Per Item	1,277	\$ 0.15		191.55
Pday Det & Sum Mo. Maint.		\$ 15.95		-
ACH File Uploads	10	\$ 5.00		50.00
OLB Prem Plus Monthly Fee	1	\$ 100.00		100.00
Outgoing Wire Transfer	8	\$ 15.00		120.00
Incoming Wire Fee	2	\$ 10.00		20.00
Ext. Messaging Month Maint.		\$ 20.00		-
CEO Image View		\$ 2.50		-
Positive Pay Monthly Fee	1	\$ 75.00		75.00
POS Pay With No Issue Record		\$ 0.50		-
POS Pay Verification Call- Deposited		\$ 15.00		-
Cash Handling Fees		0		-
Misc U.S. Bank Fees		4		-
Paper Analysis Statement		\$ 5.00		-
CEO Check Issues		\$ 0.30		-
Debits Posted		\$ 0.20		-

(Total Fees) **(979.96)**
Earnings Credit **\$ 200.97**
(Fees debited) or net positive position \$ (778.99)

Five Star Bank

Earnings credit	Days	Rate		
	30	2.00%	\$	803.88

	No.	Rate		
1 Account Maintenance	1	\$ 15.00		15.00
2 Deposit Coverage (per \$1,000)	575,000	\$ 0.00010		57.50
5 On-Us checks deposited		\$ 0.15		-
6 Transit check deposited		\$ 0.15		-
51 Return deposited items	1	\$ 10.00		10.00
71 ACH filter monthly		\$ 10.00		-
101 Checks paid	107	\$ 0.18		19.26
102 ACH debits	1,277	\$ 0.15		191.55
103 Deposits	19	\$ 1.25		23.75
203 RDC deposit		\$ 1.00		-
303 Mobile deposit		\$ -		-
104 ACH credits	141	\$ 0.15		21.15
11 Stop payment		\$ 20.00		-
108 Cash deposited		\$ 0.00012		-
109 Cash paid out		\$ -		-
110 Incoming wire fee	2	\$ 15.00		30.00
111 Outgoing wire fee	8	\$ 25.00		200.00
112 Outgoing international wire fee		\$ 30.00		-
113 Official checks		\$ 5.00		-
116 Bill pay		\$ 5.00		-
117 Online banking	1	\$ 25.00		25.00
130 RDC monthly fee		\$ 25.00		-
129 ACH per batch originated		\$ 2.50		-
134 Postive pay	1	\$ 25.00		25.00
234 ACH pos pay		\$ 15.00		-
105 Armored car		\$ -		-
118 Mission courier		\$ -		-
119 FSB Courier		\$ -		-
150 Lock box		\$ -		-
151 Integrated Payables		\$ -		-

(Total Fees) **(618.21)**
Earnings Credit **\$ 803.88**
(Fees debited) or net positive position \$ 185.67

Savings 964.66