

February 12, 2025

STAFF SUMMARY

BANKING SERVICES RFP EVALUATION & RECOMMENDATION FOR:

Faribault Public Schools



Prepared by:

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BUILDING COMMUNITIES. IT'S WHAT WE DO.

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EXECUTIVE SUMMARY

The Faribault Public Schools engaged Ehlers to assist the District finance and administrative staff with a banking services Request for Proposal (RFP) evaluation. This undertaking was necessitated by the changes with their current banking relationship and their inability to provide banking services going forward. Of particular interest to the District in this exercise were the bank's dedication to the local community through philanthropic and volunteer efforts, ease of online banking, net financial benefit to the District, product offerings including ACH Positive Pay, and at a minimum one physical branch location within the City of Faribault.

The Faribault Public School banking services RFP intends to establish an initial three-year contact, with an option to renew for an additional three years. Service fees and interest rates may be renegotiated after the initial three-year contract. Faribault Public Schools maintains the right to terminate the contract for any reason with sixty days written notice.

Ehlers drafted the RFP in close consultation with District staff and distributed the RFP to potential respondents on December 9th, 2024. Subsequently, Ehlers hosted an online Q&A session on December 12th for participants to ask any clarifying questions related to the RFP. Ultimately, four District-approved financial institutions were invited to participate, all of which submitted qualified responses, which were due January 17th, 2025. Respondents were State Bank of Faribault, Reliance Bank, Premier Bank, and Community Resource Bank (as of the RFP submission timeline merging with 1st United Bank).

Ehlers evaluated all proposals against six agreed-upon categories of rating criteria, after which the bottom-line benefit was calculated and stack-ranked each respondent, awarding the highest point values to those with the strongest proposals and the lowest to those we assessed as having the weakest. The two highest scoring banks were invited to host an online banking demo to demonstrate their online banking capabilities, user interfaces, and answer remaining questions related to their RFP submission.

After completing the online demo and scoring matrix, Ehlers recommends the District update its banking relationship to **Reliance Bank** under their proposed terms.

INTRODUCTION

In December 2024 the Faribault Public Schools engaged Ehlers, to assist the District's finance and administrative staff with a Request for Proposal (RFP) for the express purpose of exploring a new banking relationship due to its current partner's inability to service the District depository needs in the future. The District's preferences for a new partnership included:

- Community and school involvement through financial and volunteer participation—philanthropic efforts.
- New or additional products or services that could enhance operational efficiencies
- Technologies that bolster asset and information security such as ACH Positive Pay
- Fee structures or earnings opportunities that best enhance the school district's finances thereby reducing the District's burden on taxpayers.

As part of the engagement, the District asked Ehlers to:

- Draft the Request for Proposal (RFP) in collaboration with District staff
- Develop along with scoring criteria & weighted point values
- Coordinate distribution of the RFP to potential respondents & serve as the primary point of contact
- Receive & evaluate each proposal on the District's behalf
- Select finalists for further evaluation & facilitate online banking demos
- Present our analysis & final recommendation to District staff for consideration

In early December 2024, Ehlers completed both the draft RFP and list of recommended respondents and provided to the District for review and comment. The District approved both documents and Ehlers subsequently distributed the RFP, referenced here as **Appendix A**, via email to the following banking entities:

LIST OF RESPONDING BANKS

Banking Organization	Response Status
Reliance Bank	Submitted qualified response per RFP requirements
Premier Bank	Submitted qualified response per RFP requirements
First State Bank of Faribault	Submitted qualified response per RFP requirements
Community Resource Bank (merged with 1 st United Bank)	Submitted qualified response per RFP requirements

Following distribution, Ehlers invited interested recipients to participate in a virtual Question and Answer session on December 12th that we facilitated on behalf of District staff. A total of 9 representatives from all the solicited banks attended this call. All questions were sufficiently answered during the session and therefore no addenda to the original RFP was issued.

RFP EVALUATION & FINALIST SELECTION METHODOLOGY

To ensure objective evaluation of respondent proposals, Ehlers applied a scoring matrix system using the following categories, criteria, and point values:

Category	Criteria (what we look for)	Maximum Point Value
Net Financial Benefit Charges	<ul style="list-style-type: none">Monthly cost of services & interest rate on deposits	25
Community Engagement	<ul style="list-style-type: none">Bank's involvement with the Faribault School and surrounding local community	25
Comprehensive Services	<ul style="list-style-type: none">Do they offer all services required	25
Financial Strength & Stability	<ul style="list-style-type: none">Ratings by third parties, diversification	15
Public Sector Experience	<ul style="list-style-type: none">Providing of references in Public Sector	10

After the January 17th, 2025, proposal submission deadline Ehlers evaluated each of the four qualified respondents' proposals against the above criteria and catalogued respective strengths and weaknesses. The evaluating team also considered monthly bottom-line economic benefits (calculating the net benefit of fees vs. earnings credits, interest earnings, etc.) when scoring each response. From there, we stack-ranked each respondent, awarding the highest point values to the strongest proposals and the lowest to those we believed to be the weakest.

Once all proposals were scored, two finalists were determined and contacted for a demonstration of their online banking interface and capability.

RFP RESPONSE EVALUATIONS: Reliance Bank

Reliance Bank is a community bank in Faribault opening its doors in August of 2007. It is on the modest side in terms of deposits at \$256 million as of the end of 2024 and has a single branch location at 2300 30th St NW in Faribault. According to their website they are “staffed with nine experienced bank employees, Reliance set off on a mission to become the best community bank. After its first full year of operation, Reliance Bank was given the coveted Faribault Area Chamber of Commerce ‘New Business Spotlight’ award.”

Category	Strengths	Weaknesses	Points Assigned
Net Financial Benefit	Free sweep feature, auto sweep into an interest-earning account tied to Fed Funds Target Rate minus 50 basis points.		21
Community Engagement	Annual District Scholarships. Local brick-and-mortar headquarter location. Interchange on debit card		25
Comprehensive Services	School District-branded debit cards. Fiserv bank, same platform as CCF. Same scanner utilization.		21
Financial Strength/Stability	Reliance Bank has \$284.04 million in assets with \$27.78 million in equity, resulting in a capitalization level of 9.78%, which is above average. Q3.24		13
Public Sector Experience		No specific public sector references provided	5
TOTAL POINTS AWARDED			85

RFP RESPONSE EVALUATIONS: State Bank of Faribault

State Bank of Faribault is a historic bank located in the City of Faribault. Located at 428 Central Ave N in Faribault they also have an additional Faribault West location, added in the early 1990s. It is on the modest side in terms of asset size at \$300 million. According to their website “the State Bank of Faribault continues to be a strong, stable and independent locally-owned bank. We have taken an active leadership and supportive role in hundreds of community service projects. We are growing and are prepared to remain an active leader in our community for years to come.”

Category	Strengths	Weaknesses	Points Assigned
Net Financial Benefit	Free scanner included. 3.5% interest rate before assessed fees.		20
Community Engagement	Annual District Scholarships. Local brick-and-mortar branch location.		25
Comprehensive Services	ACH Positive Pay, Night Depository (after hours)	District’s current banking relationship utilizes Fiserv, SBF utilizes Jack Henry.	19
Financial Strength/Stability	Multiple Brick-and-mortar locations including two in Faribault proper.	State Bank of Faribault has \$306.32 million in assets with \$19.92 million in equity, resulting in a capitalization level of 6.50%, which is below average. Q3.24	11
Public Sector Experience		No specific public sector references provided “due to privacy laws and regulations”.	5
TOTAL POINTS AWARDED			80

RFP RESPONSE EVALUATIONS: Premier Bank

Premier Bank of Minnesota, established in 1974 as Maplewood State Bank has grown to become one of the larger Minnesota-based banks. The bank rebranded in 1988 as Premier Bank to reflect the growth and expanded offerings. Today, Premier Bank of Minnesota has combined assets exceeding \$1.6 billion and \$146 million in capital operating from 20 locations across the state. Faribault location at 417 4th St NW. According to their website “Banking is a relationship business, with great people embarking on great initiatives. Premier Banks is privileged to facilitate and fund solutions to tough problems. Our team never loses sight of the fact that our clients make these community efforts possible.”

Category	Strengths	Weaknesses	Points Assigned
Net Financial Benefit	Sweep rate of Prime minus 3.85%	Low .01% ECR	17
Community Engagement	Annual \$1k District Scholarship. Local brick-and-mortar branch location.		20
Comprehensive Services	Offering IntraFi ICS Deposit Placement for fully insured deposits.	Debit card offered but does not have interchange program	17
Financial Strength/Stability	Premier Bank (MN) has \$673.7 million in assets with \$72.89 million in equity, resulting in a capitalization level of 10.82%, which is above average. Q3.24		14
Public Sector Experience	Public Sector and non-profit academic entities provided in RFP response.		10
TOTAL POINTS AWARDED			78

RFP RESPONSE EVALUATIONS: Community Resource Bank

Community Resource Bank of Northfield, originally Northfield National Bank and Trust Company established in 1878, is at the time of this RFP Evaluation merging with 1st United Bank of Faribault as of January 15th, 2025 to be completed in April 2025. The merged bank will have four listed locations: Northfield, Roseville, Cannon Falls, and now Faribault. According to their website “as a pillar in the local community, providing banking, lending and investment services, our team continues to be a financial resource to families and businesses. With decades of trusted experience, our team is committed to your financial needs.”

Category	Strengths	Weaknesses	Points Assigned
Net Financial Benefit	No per-item fees on ACH Services.		21
Community Engagement	Local brick-and-mortar branch location.	Unknown future community involvement	17
Comprehensive Services		ACH Positive Pay is not currently offered.	14
Financial Strength/Stability	Community Resource Bank has \$379.77 million in assets with \$44.8 million in equity, resulting in a capitalization level of 11.80%, which is excellent. Q3.24	1 st United Bank of Faribault is merging with Community Resource Bank announced January 15, 2025	14
Public Sector Experience	Multiple Public Sector references listed.		10
TOTAL POINTS AWARDED			76

FINALIST SELECTION & EVALUATION

As mentioned in the RFP evaluation methodology section, we stack-ranked each respondent’s proposal and assigned point values as follows:

Financial Institution	25 Points Net Financial Benefit	25 Points Community Engagement	25 Points Comprehensive Services	15 Points Financial Strength/Stability	10 Points Public Sector Experience	100 points Total Points
Reliance Bank	21	25	21	13	5	85
State Bank of Faribault	20	25	19	11	5	80
Premier Bank	17	20	17	14	10	78
Community Resource Bank	21	17	14	14	10	76

This approach resulted in the elimination of Community Resource Bank, largely due to the current lack of ACH Positive Pay, incomplete fee schedules subject to change, and the mid-merger status with the local Faribault bank 1st United. Although mergers are a frequent occurrence in the banking industry, early stages may result in integration challenges and potential costs and/or inconveniences to customers. Premier Bank scored high with its offering of IntraFi’s ICS Deposit Placement program which would be beneficial to the District in insuring deposits above the \$250,000 FDIC coverage. ICS disperses deposits to a collection of banks ensuring compliance with MN State Statute 118A.03 Collateral requirements. The two finalists (Reliance Bank and State Bank of Faribault) both committed on February 10th meeting to collateralizing the District’s bank deposits up to \$5,000,000 at 110% which lessened the impact of the IntraFi ICS product. We ultimately eliminated Premier Bank due to their overall economic benefit to the District and the finalist banks’ superior community involvement.

FINALIST BANKING PRIMARY CONTACTS DURING RFP PROCESS

State Bank of Faribault

Primary Contact:

Chad Koepke, Chief Financial Officer

507-332-4602

chadk@tsbf.com

Reliance Bank

Primary Contact:

Lisa Flintrop, Treasury Management Officer

507-409-1324

lisaf@reliancebankmn.com

FINAL RECOMMENDATION

The two finalists based on the predetermined scoring matrix were Reliance Bank and State Bank of Faribault. After determining the two finalists based on the evaluation methodology, Ehlers hosted a demonstration of each finalist's online banking capabilities and user interface. In these meetings on Monday, February 10th, we confirmed with both State Bank of Faribault and Reliance Bank of their commitment to collateralize 110% of deposits as required under Minnesota State Statute 118A.03.

In reviewing the two finalists, the State Bank of Faribault provided a thorough and thoughtful response with clarity on savings rates and fee schedule. Reliance Bank's response also matched this completeness and clarity. Both scored highly in bottom-line economic benefit, valued community leadership, local partnership, satisfaction with products and services, and responsive professional team.

Furthermore, both banking platforms would be useful to the District. However, with the familiarity of Reliance's Fiserv fintech back-end system, we believe Reliance Bank would provide the best continuity and easiest transition from an operational standpoint from their outgoing banking relationship. State Bank of Faribault utilizes a different fintech back-end system Jack Henry which would be a change from their current bank's fintech vendor.

After completing these steps outlined, including a scoring matrix and online demo, Ehlers recommends the District update its banking relationship to **Reliance Bank** under their proposed terms.

Recommendation: Reliance Bank



**Faribault Public Schools
Request for Proposal**

Banking Services

December 9, 2024

**Contact Person:
Ryan Miles, Senior Investment Advisor
Ehlers Investments
investmentservices@ehlers-inc.com**

Proposals due: January 17th, 2025 at 5pm

GENERAL INFORMATION

The Faribault Public Schools is reviewing banking services and seeks proposals from financial institutions who maintain an office within a reasonable distance from the District offices, located at 710 17th St SW, Faribault, MN 55021. We encourage providers to submit the most comprehensive proposal possible offering the highest quality of service and support, coupled with the best pricing. The Faribault Public Schools is interested in taking advantage of technological advances to improve banking service, cash management, and customer service, while conserving employee resources devoted to banking.

Responders are encouraged to be innovative and educational in their proposals. While the submitted proposals must be consistent with the requirements of this RFP, please include any additional information and products that would be beneficial.

The Faribault Public Schools intends to establish an initial 3-year contact, with an option to renew for an additional 3 years. Service fees and interest rates may be renegotiated after the initial three-year contract. The Faribault Public Schools must maintain the right to terminate the contract for any reason with sixty (60) days written notice.

Ehlers Investment Partners will be assisting the Faribault Public Schools in evaluating the RFP responses. Requests for additional information and questions should be directed to investmentservices@ehlers-inc.com. RFP responses should be returned to:

Ehlers Investment Partners
Attn: Ryan Miles
investmentservices@ehlers-inc.com

TIMELINE

Distribution of RFP	Dec 9 th , 2024
Q&A with District Staff	Dec 12 th , 10am (Teams Invite to follow)
Proposals due	January 17 th , 5pm
Interviews (at our option)	Week of January 27 th , 2025
Board Approval	Feb 18 th , 2025
Begin Implementation	End of Feb/Early March 2025
Implementation complete	May 2025

We will make every effort to administer the proposal process in accordance with the terms and dates discussed in the RFP. However, we reserve the right to modify the proposal process and dates as appropriate for the Faribault Public Schools.

MINIMUM REQUIRED BANKING QUALIFICATIONS

To qualify as a provider and to maintain the depository agreement in good standing, the depository bank must:

1. Be a qualified public depository as prescribed by Minnesota Statute. Institutions must meet or exceed the requirements outlined therein.
2. Be a full-service financial institution capable of providing at a minimum the required banking and investment services identified in this Request for Proposal.
3. Be insured by the Federal Deposit Insurance Corporation (FDIC).
4. Agree to assign experienced and dedicated staff that is committed to and capable of serving the District's accounts.
5. Exceed all minimum regulatory capital requirements to be "well capitalized".
6. Fully collateralize all District deposits exceeding FDIC limits. Collateral should be in the form of a perfected security interest in pledged securities evidenced by completion of a Security Agreement and a tri-party agreement with a third-party custodian, meeting the District's investment policy requirements. The provider, through the third-party custodian, will be responsible for providing evidence of collateralization monthly and/or at the request of the Treasurer. A Letter of Credit is also an acceptable means of securing the deposits.

ACCOUNT DESCRIPTION

The Faribault Public Schools maintains one main operating checking account with a total average ledger balance of \$1,300,000 but would like the bank to offer collateral coverage of up to \$5,000,000 at any given time. The District is interested in any account options such as earnings credit rate, interest bearing or sweep that you might recommend.

The Faribault Public Schools does not guarantee the activity levels as indicated in this proposal will continue at the same level during the contract period. Where activity levels are given, the banking institution, by its proposal, guarantees the unit price over the contract term.

REQUIRED SERVICES AND FORMAT OF PROPOSAL

Please submit an electronic copy of the proposal. For the Faribault Public Schools to adequately compare and evaluate proposals objectively, all proposals must be submitted in accordance with this format:

Section 1 – Financial Institution and Staff Profile:

- a) **Experience:** Describe your institution's overall experience, as well as experience in providing services to the public sector. Provide three references most comparable to our size and financial needs that we may contact. With the references, please include a brief description of the services provided and contact information for each client described. If your financial institution is rated by Moody's and Standard and Poor's, or another third-party rating service, please provide the rating.
- b) **Relationship Manager:** Describe the relationship team that will be assigned to service our relationship. Describe individual roles, their responsibilities and briefly detail credentials and related banking experience.

- c) Compliance and Exceptions: Include a statement to confirm your institution's compliance to our minimum qualifications. If you cannot meet a requirement, or recommend a different service than requested, please list any exceptions.
- d) Please describe your investment and level of community involvement with Faribault Public Schools and the community.

Section 2 - Deposit Processing:

List the nearest branch location to the Faribault Public Schools offices located at 710 17th St SW, Faribault, MN 55021. Include hours of operation and deposit cut-off times. Describe your recommended deposit method (merchant window, night drop, remote electronic deposit, drop box, armored car pick-up, virtual vault, etc.)

Currently, the Faribault Public Schools makes 3-5 deposits per week at the local branch.

Remote Deposit: The District currently utilizes remote check deposit for approx. 250-350 checks per month. Please describe your service and be sure to include all charges including one-time set-up fees and software charges. Be sure to include any charge for the scanners.

Section 3 - Positive Pay:

Describe the financial institution's ability to provide Positive Pay, including the method and format of issue file input and report/file output. Do you offer Payee Validation? Describe the financial institution's check truncation services, on-line image access capabilities and any estimated costs if used. Please include the length of time the images are available on-line.

Section 4 - ACH Services:

The Faribault Public Schools uses a NAHCA formatted file to process Direct Deposit of Payroll with approx. 120-150 ACHs total per month. Please describe you ACH and ACH fraud service offerings.

Section 5 - Information Reporting:

Describe the electronic communication system, including previous day balance and transaction information. The Faribault Public Schools intends to use the internet to interact with the bank wherever possible, sending wire transfers, accessing copies of deposited checks and cancelled checks, and downloading transactions.

Section 6 - Collected Balances:

Describe your vehicle recommendation for paying for bank service charges and/or interest earning balances. At a minimum, include earnings credit rates, interest bearing checking, sweep, and money market/savings. Include the historical average monthly rates for the past 6 months for each of the options.

Section 7 - Pricing Matrix:

Provide the pricing for services proposed. This is an average monthly service level. Include the method by which fees are collected, and if you propose an earnings credit rate (ECR).

EXHIBITS TO BE INCLUDED IN PROPOSAL

Exhibit A – Contract Samples: Include contracts or agreement samples for the banking services that are specific to the services represented in the RFP.

Exhibit B – Account Analysis – Provide a sample of your account analysis statement.

Exhibit C – Conversion Plan: Describe the overall plan to coordinate and ensure a smooth transition from the current provider. The institution must also provide training to our personnel for the operation and use of the services and automated systems for all areas of service.

Exhibit D – Service Enhancements: Based upon information presented in our RFP and your bank’s knowledge of the public sector, describe any enhancements that we should consider to improve operational or cash management efficiencies. Describe any other information not previously mentioned that the bank believes should be given consideration.

EVALUATION OF PROPOSALS

The contract awarded will be based upon many factors including, but not limited to, service, cost, financial strength, technology, and innovation. No single factor will determine the final decision to award. Evaluation criteria will include the following:

- Strength, Stability, and Local Impact of Bank:
 - The bank’s financial standing among its peers and the associated credit quality ratings. Level of activity within the local community and specifically Faribault Public Schools.
- Comprehensiveness of Service Provided:
 - Overall capabilities of the bank to meet the service levels described in this RFP.
- Assigned Relationship Manager/Team:
 - The credentials and experience of the person(s) assigned to our relationship.
- Charges for Services:
 - The amount of proposed charges and interest rates on balances, or the compensating balance required and the services it will cover.
- Service Enhancements:
 - The bank’s efforts to understand our banking needs and goals, and the creativity the bank shows in introducing new technologies and efficiencies to improve our current practices and procedures.
- Public Sector Experience and Resources:
 - The bank’s experience in providing service to the public sector, as well as dedicated resources and personnel.
- Other Factors/References:
 - Any other factors (including references) that would be in the District’s best interest to consider which were not specifically described above.

FINAL COMMENTS

The Faribault Public Schools reserves the right to reject any and all proposals, cancel all or part of this RFP, waive any minor irregularities, and request additional information from proposing financial institutions.

We may request interviews of our top-rated respondents. The intent for interviews is to clarify our understanding of the pricing schedule and confirm the perceived benefits of these proposals.

We sincerely appreciate the efforts all the financial institutions and their respective staffs have put forth in responding to the Banking Services Request for Proposal. Thank you for considering partnering with the Faribault Public Schools.