LEE COLLEGE

BANK PROPOSAL ANALYSIS

Lee College issued a request for proposal (RFP) for banking services in March 2025 in accordance with state statutes. The College received only one response, that from its incumbent bank, JPMorgan.

The services proposed mirror those currently used by the College but there is a notable difference that can be used to the College's advantage. The RFP requested if the bank would (a) agree to payment for services on a fee or a compensating balance basis and (b) provide a sweep account structure. The College currently pays on a compensating balance basis and does not utilize a sweep account structure.

JPMorgan has agreed to either a fee or compensating balance payment methodology. A compensating balance method requires the College to maintain a target (peg) balance in the bank to generate earnings sufficient to pay for the banking services. This target amount earns at an ECR (Earnings Credit Rate) which is materially below market rates. JPMorgan is offering a current ECR of 2.30%. Interest bearing accounts above the peg amount (the remaining balances) in this structure are currently yielding 2.2%. By leaving the funds in the bank the College is also subject to a *balance based fee* in this scenario. That fee alone costs the College approximately $165 each month (approximately $2,000 a year).

If the College were to instead utilize a sweep structure as proposed by JPMorgan all funds would be swept to a AAA-rated money market *fund* each day removing any balance based fee. In addition, the interest rate on the money market fund is currently 4.25%. Fees would remain the same but are debited against the designated account after College review and approval monthly.

By switching to a fee basis and a sweep structure the College earns additional interest estimated at $33,824 at today's rates from savings on the balance based fee and additional direct earnings. (Rates will change during the contract period but should remain relative to each other throughout.)

JPMorgan has also offered a number of retention incentives:

- A one year lock on prices with four mutually agreed upon contract extensions
- Waived set-up fees for new services totaling $7,000 to be applied to check printing services ($5,000), ACH direct send services ($1,000) and Host-to-Host reporting ($1,000)
- Waiver of $400 for supplies such as deposit bags and deposit slips
- Remote deposit scanner credit of $600

The bank has essentially proposed the same fees applicable under the current contract. There are only four minor individual fee categories in which the fees have changed increasing the monthly fees by approximately $308. (However, on a fee basis without the balance based fee the difference is reduced to $142.)

- Online audit confirmations have increased from a $0 fee to a $35 fee.
- Image storage per item has increased from a $0.02 fee to a $0.25 fee. Monthly impact +$119.
- ACH debit originated online has increased from a $0 fee to a $0.10 fee. Monthly impact +$0.22
- ACH credit originated online has increased from a $0 fee to a $0.1 fee. Monthly impact +$180

Recommendation

This is a very favorable proposal by JPMorgan without any significant increase in fees and it is recommended that it be accepted and the contract awarded. It is further recommended that the College adopt the beneficial alternatives presented by the proposal.

- The College should adopt a sweep account structure using the Government Money Market Fund offered.
- The College should change the payment methodology under the new contract to a payment by fee.
- The College should investigate the option of check writing by the bank and utilize the $5,000 set-up for the service.
- The College should take advantage of a new remote deposit scanner with the $600 credit offered.

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