



Hernando County

Proposal to Provide
Treasury Consulting Services

August 1, 2023

PFM Group
Consulting LLC

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pfm

Advice for people transforming their world

Expertise + Insight = Ingenuity

We are avid problem-solvers, using our collective expertise to deliver the best solutions. We mine the experience of our colleagues, combining wisdom and agile thinking to develop answers and execute strategies for our clients.

Hernando County

Treasury Consulting Services

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August 1, 2023

Joshua Stringfellow
Director of Financial Services
Hernando County
15470 Flight Path Drive
Brooksville, FL 34604

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Dear Joshua,

PFM Group Consulting LLC ("PFM") is pleased to submit this proposal to provide treasury consulting services to Hernando County (the "County"). PFM has broad experience working with municipalities across the country and can bring a unique perspective to this project. We have the technical resources and experience to help you to assess the County's current banking fees and to competitively procure those services at the most advantageous price.

We can provide a unique local, as well as national, perspective of trends in the banking industry that will benefit the County through this engagement. PFM's treasury consulting team has worked on many engagements of similar size and complexity; a full list of clients we have worked with over the last five years, as well a case study, is included in the attached proposal.

We are enthusiastic about this opportunity to work with the County and look forward to discussing this proposal with you in greater detail. If you have any questions, please feel free to call me at (717) 213-3853 or email me at ponzold@pfm.com.

Sincerely,

PFM Group Consulting LLC

Danton Ponzol, CTP
Director



I. Firm Profile

PFM Group Consulting LLC is part of the PFM group of affiliated companies. PFM began with the firm's financial advisory business in 1975¹ through former affiliate, Public Financial Management, Inc.

PFM has more than 300 employees across its affiliates, located in offices throughout the United States.

PFM focuses primarily on the following core services:

- Financial Advisory
- Management and Budget Consulting
- Financial Planning powered by *Synario*TM
- Alternative Finance
- Specialized Services

In each practice area of the firm's business, PFM strives to be a trusted advisor to its clients. The firm, through its affiliates, has specialized teams focused on state and local governments; higher education; healthcare; transportation; K-12 schools; public power; environmental utilities; special district management; state revolving funds; sports, leisure & cultural facilities; housing authorities; and corporations.

PFM stands ready to work with our clients and assist them in taking on their greatest challenges and make the most of these opportunities. We offer tailored creative consultation that empowers, mobilizes, and educates – which, we believe, in turn, fosters sustainable outcomes.

More information about PFM can be found at www.pfm.com.

Treasury Management Consulting

Treasury management consulting is provided by a dedicated team as part of PFM's specialized consulting services to support organizations seeking to evaluate current processes, implement best practices across the treasury function, and competitively procure banking services. We have provided these consulting services since 1989.² PFM is not affiliated with any bank or trust company; we are independent and give independent advice.

¹ PFM, as referenced in this Overview, is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. Consulting services are provided through PFM Group Consulting LLC. Financial advisory services are provided by PFM Financial Advisors LLC, a registered municipal advisor with the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) under the Dodd-Frank Act of 2010. Swap advisory services are provided by PFM Swap Advisors LLC which is registered as a municipal advisor with both the MSRB and SEC, and as a commodity trading advisor with the Commodity Futures Trading Commission. Additional applicable regulatory information is available upon request.

² Through December 6, 2021, treasury consulting services were effectuated through former affiliate PFM Asset Management LLC.



II. Treasury Consulting Services

PFM has helped numerous clients structure banking services to meet their needs, evaluate the services offered by competing banks, and re-bid banking services. For each client, we undergo a comprehensive and detailed assessment of current banking arrangements; we evaluate the organization's needs, analyze existing banking relationships, review how bank services fit into the treasury operation, and make specific recommendations to improve the entire flow of funds. We believe that this thorough analysis has consistently allowed us to help our clients improve efficiency, take advantage of new technology, strengthen controls, and reduce banking costs.

The analysis process varies for each client based on the scope of the banking relationship, number of stakeholders involved, problems identified, and the client's timeframe. Based on our understanding of the County's current needs, we are proposing the following scope of services.

TASK 1: PRICING NEGOTIATION WITH THE COUNTY'S BANKING PARTNER

PFM will coordinate and assist with pricing negotiations with the County's current banking partner. PFM will work with the bank to 1) correct any variance found between contractual pricing and the County's actual pricing, 2) ensure the County's fees are competitive based on our database of bank pricing, and 3) bring earnings credit rates and/or interest rates the County is receiving in line with market rates.

TASK 2: RFP FOR BANKING SERVICES

The County may engage PFM further to support a competitive RFP process for banking services. PFM has helped numerous clients develop comprehensive banking RFPs and support the evaluation and procurement of services offered by competing banks. PFM will prepare an RFP that incorporates the needed services and desired objectives. The RFP will be designed to obtain sufficient information while still providing bidders the flexibility to suggest new ideas and creative solutions.

Step 1: Develop RFP for Banking Services

PFM will develop specific questions to address key issues raised by County decision makers, individual departments, IT, and/or accounting. The RFP will address these requirements and confirm that the bank is able to comply and has relevant experience complying with these requirements for other clients.



Before proposals are received, we generally recommend a question-and-answer period. PFM will incorporate specific information into the initial RFP document to address the most frequently asked questions from the vendors. However, there are always a fairly large number of questions submitted.

PFM will consolidate all of the questions received and will prepare an initial draft of the responses. We will then forward the document to the County for review and assistance with questions we were unable able to answer.

Step 2: Evaluation of Proposals/Selection of Qualified Firms

PFM will read and thoroughly evaluate the proposals received so we have a complete understanding of the proposing firms’ capabilities and cost structure.

Our assessment criteria include the proposer’s financial condition, technical capabilities, staff experience, internal controls, reporting capabilities, level of automation, accounting system capabilities, disaster recovery plans, and proposed fees.

As part of our proposal review, we will assist with compiling detailed evaluation materials for the County. These materials will include:

- 1) **Service Levels Matrix:** The service levels matrix extracts responses from key questions from the RFP and lists the banks’ answers side-by-side. We have designed the service levels matrix to allow our clients to easily compare answers provided by the banks. We highlight answers that stand out as positive or negative and identify gaps in the banks’ proposals. In the past, our clients have used the service levels matrix as an aid while they read the proposals on their own. A portion of a sample service levels matrix is shown below:

Question		Bank 1	Bank 2	Bank 3	Bank 4	Bank 5
Deposit Processing						
1.a	Number of bank branches within 10 miles	3	15	4	2	5
1.b	Yes/No: Direct or indirect discounted armored car services	Unresponsive	No	Yes	Yes	Yes
1.d	Ledger cutoff time for deposits	6 pm PST	5pm PST	Imaged - 8pm Check-Only - 6:30pm	Unresponsive	Cash Only - 7:30pm Check Only - 7:30pm Mixed - 6pm
1.e	Yes/No: Deposit bags provided by bank; Fee for deposit bags?	No; Yes	No; Yes	Yes; Yes	Yes; Yes	Yes; Yes



1.f	Yes/No: Accept loose or rolled coin	Yes	Yes	Yes	Yes	Yes
1.g	Willingness to cash any check from another bank	Unresponsive	Yes	Yes, up to \$100	No	Yes, if payee is a Bank customer
Remote Deposit Capture						
3.c	Yes/No: Use Intelligent Character Recognition	Yes	Yes	Yes	Yes	Yes
3.d	Limit on number of checks contained in a single deposit	up to 500 items at one time	up to 999 items; recommends 30-50 checks	up to 200 checks	Yes; up to 300 checks	no more than 1,000 items
3.e	Yes/No: Provide RDC machines to the City at no cost?	Yes; limit 2	Yes; limit 1	Yes; limit 2	Yes; limit 4	No, but will cover 50% of cost of one scanner

2) **Quantitative Analysis:** We also prepare our detailed quantitative analysis of each firm’s cost proposal on an “apples to apples” basis. The analysis will include both direct and indirect costs.

We believe that this can be one of the most challenging parts of the proposal evaluation process for our clients. Pricing schedules from different banks can look quite different because banks take very different approaches to pricing. For instance, some banks bundle services together while others have a long list of charges. PFM’s process compiles line-item pricing in a pricing matrix. A portion of a sample pricing matrix is shown below:³

	CURRENT COST			BANK 1		BANK 2	
	Volume Levels	Unit Cost	Monthly Price	Unit Cost	Monthly Price	Unit Cost	Monthly Price
GENERAL ACCOUNT SERVICES							
ACCOUNT MAINTENANCE	6	\$ 35.00	\$ 210.00	\$ 20.00	\$ 120.00	\$ 10.00	\$ 60.00
ZBA MASTER ACCOUNT	1	\$ 50.00	\$ 50.00	\$ 30.00	\$ 30.00	\$ 35.00	\$ 35.00
ZBA SUBSIDIARY ACCOUNT	1	\$ 25.00	\$ 25.00	\$ 20.00	\$ 20.00	\$ 25.00	\$ 25.00
DEBITS POSTED	32	\$ 0.40	\$ 12.80	\$ 0.40	\$ 12.80	\$ 0.15	\$ 4.80
CREDITS POSTED	128	\$ 0.40	\$ 51.20	\$ 0.40	\$ 51.20	\$ 0.15	\$ 19.20
DIRECT DDA STATEMENT PER ACCOUNT	6	\$ 20.00	\$ 120.00	\$ -	\$ -	\$ -	\$ -
CHECKS PAID - REPORT	3	\$ 10.00	\$ 30.00	\$ 10.00	\$ 30.00	\$ -	\$ -
FACSIMILE TRANSMISSION	1	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ -	\$ -
GCS TRANSACTION HISTORY	1	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ -	\$ -
PHOTOCOPIES	2	\$ 10.00	\$ 20.00	\$ 10.00	\$ 20.00	\$ 20.00	\$ 40.00

PFM’s quantitative analysis will compare the direct fees on specific services as well as indirect costs such as the impact of below market earnings credit rates or investment rates.

³ Data provided for illustrative purposes only.



- 3) **Score Sheets:** After reading and analyzing each proposal, PFM will score the banks on qualitative and quantitative criteria, assessing which institution we believe will best meet the County's operational, service, and technology needs.

We will present our evaluation to the County and will help identify those firms that best meet the selection criteria and represent the best candidates to be invited in for the next phase of the RFP process – the finalist interviews.

Step 3: Interview Selected Proposing Institutions

We believe that the finalist presentation is one of the most important parts of the selection process. Although the proposing firm may have a lot to offer, we feel that much of the success or failure of a banking relationship is the result of the experience and commitment of the selected firm(s)' assigned account officer(s).

The objective of the interview will be to evaluate the technical competence of bank personnel and obtain answers or clarification on questions from the RFP. The interview also provides an opportunity to discuss and/or negotiate fees. Vendor visits and product demonstrations may also be included in this phase of the selection process.

During the interview phase, as an independent consultant, PFM can provide the County with information on the advantages and disadvantages of various services and the feedback of similar clients. Since we are actively reviewing and interviewing banks and bank representatives from across the country, we are continually tracking changes in the industry and product offerings.

Step 4: Recommendations

After the finalist interviews, we will discuss the presentations with the County, provide recommendations, and determine if additional information is needed before awarding the contract. If additional information is needed, PFM will work with the banks to get clarification on outstanding items. We will also update our quantitative analysis to reflect any financial changes made as part of the finalist interviews.

Step 5: Contract/Agreement Negotiations

Once the County has selected the bank with which it would like to work, we will assist in negotiating any revisions to the proposed fee schedule or other aspects of the bank's proposal. Our experience has shown that it is often possible to obtain fee concessions from the banks on certain aspects of the



work. The quantitative analysis performed in Step 2 and PFM's database of bank pricing are valuable tools in this process.

Step 6: Contract Review

Although many banks would like their customers to think that the contract for banking services is "standard", this is rarely the case. Bank contracts are often written by bank attorneys for the benefit of the bank. PFM will serve as a technical resource to the County's lawyers in making those changes to the "standard" contract needed to confirm that the agreed upon terms and pricing are fully documented.

TASK 3: BANKING SERVICES IMPLEMENTATION

PFM can provide independent advice on the best strategy for transition and implementation services. We understand that the implementation of a new service or service provider requires careful and constant monitoring during the initial phases. PFM does not ordinarily lead the implementation process; we have found that the new banking partner is usually best suited to lead the implementation because they know their systems best. PFM's involvement is generally as a technical advisor to the implementation. We act as an extension of our client's staff to ensure that the process runs smoothly.

PFM's services would be customized to address the specific needs of the County. This work can include:

- Develop a project plan and implementation timeline in consultation with service providers;
- Participate in transition meetings (by phone or in person) to assist with an orderly transition of services to new banks and to help prioritize tasks;
- Monitor and report to the County on the project plan and implementation timeline;
- Provide support related to problem resolution and technical explanations of products and services, as needed;
- Verify the accuracy of billing and assist with resolution of any pricing discrepancies; and
- Provide other related services as requested by the County.



III. Success Stories

In addition to improving internal operations, PFM’s bank RFP process has consistently allowed our clients to achieve fee savings. The organizations listed below represent clients PFM has worked with during the past 5 years to renegotiate pricing or re-bid banking services through a competitive RFP process.⁴ Over the last 5 years, our clients have achieved average fee savings of 39% through competitive procurements for general banking services. Half have maintained banking relationships with their incumbent bank and half selected a different banking services provider.

CLIENT	STATE
Municipalities / Utilities	
Arlington County Treasurer’s Office	Virginia
City and County of Denver	Colorado
City and County of San Francisco	California
City of Beverly Hills	California
City of Carlsbad	California
City of Charlottesville	Virginia
City of Mesa	Arizona
City of Milpitas	California
City of New Haven	Connecticut
City of Newport Beach	California
City of Norfolk	Virginia
City of Norfolk Employee Retirement System	Virginia
City of Oakland Park	Florida
City of Reno	Nevada
City of Riverside	California
City of Santa Clara	California
City of Santa Rosa	California
City of Scottsdale	Arizona
City of Shaker Heights	Ohio
City of Tustin	California
City of West Sacramento	California

⁴This list was compiled as of December 31, 2022, and includes all treasury consulting engagements led by the treasury consulting team over the last five years. Savings are based on general banking and cash management services and do not include other services such as merchant card processing or enhanced rebated schedules for purchasing cards. Savings represent past experiences and competitive conditions at the time of the engagements. Similar results may not be duplicated for all clients. Inclusion on this list does not necessarily represent endorsement of PFM services.



Clark County	Washington
DC Water and Sewer Authority	District of Columbia
Fairfax County Water Authority	Virginia
Gainesville Regional Utilities	Florida
Grant County Public Utilities District	Washington
Henrico County	Virginia
Inland Empire Utilities Agency	California
Kenton County Airport Board	Kentucky
Leon County	Florida
Lexington-Fayette Urban County Government	Kentucky
New Castle County	Delaware
Pennsylvania Local Government Investment Trust	Pennsylvania
Prince William County	Virginia
Prince William County Service Authority	Virginia
Santa Clara Valley Transportation Authority	California
School Board of Broward County	Florida
Spirit Airlines	Florida
State of Delaware	Delaware
State of New Mexico	New Mexico
Tempe Union High School District	Arizona
Healthcare and Higher Education	
Baptist Healthcare System	Kentucky
Barnard College	New York
Berkshire Health Systems	Massachusetts
Chesapeake Regional Healthcare	Virginia
Concord Hospital	New Hampshire
Emerson College	Massachusetts
EvergreenHealth	Washington
Furman University	South Carolina
Hackensack Meridian Health, Inc.	New Jersey
Harrington Healthcare System	Massachusetts
Hunterdon Health System	New Jersey
James Madison University	Virginia
Memorial Health System	Illinois
Michigan State University	Michigan
New Jersey Institute of Technology	New Jersey
Ohio University	Ohio
Redlands Community Hospital	California
Roger Williams University	Rhode Island
Rush University Medical Center	Illinois
Stevens Institute of Technology	New Jersey



Temple University	Pennsylvania
Temple University Health System	Pennsylvania
University of Arizona	Arizona
University of Arkansas	Arkansas
University of Massachusetts System	Massachusetts
University of Memphis	Tennessee
University of Minnesota	Minnesota
University of Pennsylvania	Pennsylvania
University of Virginia	Virginia
Valley Medical Center	Washington
Virginia Commonwealth University	Virginia
Wesleyan University	Connecticut
Western Michigan University	Michigan

These results are achieved by:

- 1) Structuring the RFP in a way to retain flexibility to pick and choose the most competitive proposal for each service.
- 2) Recognition by the banks that an independent third-party consultant is involved in the process.
- 3) Our ability to negotiate on the client’s behalf to improve the pricing.

The following case study demonstrate how PFM’s process can add real value:

LEON COUNTY, FLORIDA



PFM’s treasury consulting group worked with the Leon County Clerk of the Circuit Comptroller and the Leon County Board of County Commissioners (collectively, the “County”) to evaluate and rebid its banking relationships as well as consider new technology and services that could potentially be leveraged. PFM worked with the County to prepare a customized RFP for Comprehensive Banking Services. The RFP was structured using a “best of breed” approach, allowing proposing firms to bid on one or both of the services included in the RFP. These services included (1) General Banking Services and (2) Institutional Custody Services.

Through the RFP process, the County received proposals from nine different firms. As a result of the solicitation, the County chose to remain with the incumbent providers for both General Banking Services and Institutional Custody Services. Through the solicitation, the County’s incumbent General Banking Services provider proposed an updated account structure, in which the County is expected to achieve greater operational efficiencies, cost savings, and can leverage the latest technologies and services.



IV. Benefits of PFM's Banking Services Review & Rebidding Services

Organizations that have engaged PFM to provide treasury consulting services have realized a variety of benefits. The value added often differs from client to client because of their objectives and the situation of the treasury operation at the start of the project. However, regardless of the starting point, clients have consistently found that PFM's comprehensive process of reviewing and rebidding banking services has helped them to improve their treasury operation. The following is a list of potential opportunities for treasury enhancements by engaging PFM's treasury consulting team:

- Substantial fee savings;
- Improved earnings on cash balances;
- Identification of inefficiencies, costly processes, and possible control problems in the treasury operation;
- Documentation of current processes (especially valuable when there has been recent staff turnover);
- Implementation of collection, cash handling, and disbursement best practices;
- Evaluation of new banking technologies with the help of an independent (non-bank) advisor;
- Faster deposit of funds to reduce deposit float and increase earnings;
- Implementation of an integrated payables platform with expense reporting capabilities; value added from higher rebate, better controls, enhanced reporting, accounting system integration, and faster reconciliation;
- Improved reporting and integration with General Ledger systems;
- Conversion of paper checks to electronic payments; value added from lower costs, better controls, elimination of escheating requirements, and simplified account reconciliation;
- Better control and management of cash with the use of a treasury workstation;
- Improved efficiencies, which allow Treasury to do more and provide a higher degree of service to the organization and its constituents (students, patients, taxpayers, customers) without the need to add staff; and
- Faster implementation of new bank services and technologies.



V. Fee Proposal

PFM is available to assist the County with the Tasks described in this proposal. The scope of work will be completed using virtual meetings. PFM may conduct on-site meetings with the County based upon mutual agreement. The table below outlines the engagement fee by task.

Service Description	Engagement Fee
Task 1: Pricing Negotiation with County's Banking Partner	\$10,000
Task 2: RFP for Banking Services Step 1: Develop RFP for Banking Services Step 2: Evaluation of Proposals/Selection of Qualified Firms Step 3: Interview Selected Proposing Institutions Step 4: Recommendations Step 5: Contract Agreement/Negotiations Step 6: Contract Review	\$34,000
Optional On-Site Meetings The fees listed above assume the individual task will be completed using virtual meetings. PFM may conduct on-site meetings with the County based upon mutual agreement	+\$3,000 per on-site meeting

We would also ask to be reimbursed for expenses related to travel, meals, and lodging if travel is undertaken for on-site meetings. Appropriate documentation and third-party receipts will be provided with each invoice.

Should the County be interested in engaging PFM to assist with Task 3: Banking Services Implementation, we would perform those services on an hourly basis.

Hourly Rate Table

Level / Position	Hourly Rate
Managing Director	\$425
Director	\$375
Senior Managing Consultant	\$325
Senior Analyst	\$275
Analyst	\$225
Associate Staff	\$185