

**RESOLUTION NO. 18-06  
OF THE  
NORTHERN INYO HEALTHCARE DISTRICT  
BOARD OF DIRECTORS**

WHEREAS, the Northern Inyo Healthcare District has conducted a Request for Proposal in compliance with its policy for general banking services; and

WHEREAS, the proposals from the respondents have been analyzed using the Districts banking activity for the first quarter of 2018 as a basis for analysis; and

WHEREAS, the Board has discussed the historical costs information and the merits of each of the respondents proposals;


NOW, THEREFORE, BE IT RESOLVED by this Board of Directors of Northern Inyo Healthcare District, meeting in regular session this 14<sup>th</sup> day of November, 2018 that based upon the discussions and agreement of a majority of the Board, Eastern Sierra Community Bank has been designated as the primary provider of banking services for Northern Inyo Healthcare District.

BE IT FURTHER RESOLVED that Management is instructed to transfer funds and/or execute any and all agreements necessary to make the primary banking relationship functional for the District.

BE IT FURTHER RESOLVED that this Resolution be made a part of the minutes of this meeting.

  
\_\_\_\_\_  
President

Attest:

  
\_\_\_\_\_  
Secretary



**NORTHERN  
INYO HOSPITAL**  
Northern Inyo Healthcare District

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November 1, 2018

Memo To: Governing Board of Northern Inyo Healthcare District  
From: John Tremble, Chief Financial Officer  
Subject: RFP Responses for Primary Banking Services

It was identified in 2017 that the bank transaction fees that Northern Inyo Healthcare District was incurring were quite substantial. During 2018, a number of actions were taken with Board permission to close and consolidate accounts and to otherwise improve efficiencies in order to reduce monthly bank transaction costs. In mid-September, all of the financial institutions in Bishop were sent a letter and asked to contact myself in order to receive information from which a bid could be developed to become NIHDs primary banking services provider.

Four financial institutions responded. One was a letter of declination due to the size of our account and another withdrew due to the services the District needed being beyond their ability to provide. This left the District with two competitors; Union Bank and Eastern Sierra Community Bank. Both banks were provided the exact same data which was based on NIHD's transaction volumes from June 1, 2018 to September, 30, 2018. During this period of time, the District had an average ledger balance of \$6,035,000. The Accounting department has found an average ledger balance of \$3,000,000 to \$5,000,000 minimizes the quantity of transfers to and from LAIF (California State Controller's Fund) in the normal course of business. The biweekly payroll for NIHD requires \$1,400,000 to be available to pay employees, taxes and benefits.

During this time, conversations were held with the Treasurer of Inyo County to compare their costs today (they pay substantially less than NIHD does) and to discuss what their future plans may be. They too are concerned with their costs and looking at alternatives.

Union Bank has been the primary provider of general financial products to the District for over a decade. Annual fees were steady from 2010 to 2014 varying from \$27,000 to \$34,000 for a calendar year. Starting in 2015 the fees jumped substantially to \$56,000, then to \$63,000 and jumped again to \$72,000 in 2017. The above fees do not include the transaction costs NIHD incurs for the payment of services where patients use Visa, MasterCard, American Express or Discover to pay their bills. After actions taken in 2018, net fees for the latest quarter dropped to \$4,752 a month, \$57,024 annualized.

## **Proposals Received:**

The Union Bank proposal is one which continues the current rate structure for fees but reduces most fees substantially and changes the per item fee to \$0.00 on a number of services. If the new fee structure was in place for the first quarter of 2019; bank fees would have been \$8,552.94 instead of the \$14,770.37 we were actually charged, a (42.1%) reduction. More substantially, Union Bank is proposing raising the Net Earnings Allowance from .04% on 90% of the average collected balance to .75% on 90% of the average collected balance. This would mean the \$511.90 in Net Earnings Allowance for the first quarter of 2019 would have been \$10,095.03. In this case the Net Earnings Allowance of \$10,095.03 would have eliminated the \$8,552.94 in fees charged. On an annualized basis if we maintain an average collected balance of \$5,100,000 our new projected annual fees of \$34,212 would be covered by Net Earning Allowance credits. Overall, the net change in expenditures is projected to be \$57,024 less than current state/contract.

The Eastern Sierra Community Bank proposal is structured similarly to that of Union Bank. Eastern Sierra Community Bank is proposing banking fees which would approximate \$5,700 for the first quarter of 2019 activity, which would be covered with a compensating balance of approximately \$3,040,000, given the quoted Earnings Credit Rate, resulting in no monthly service charges. All remaining balances would be invested in a sweep account with a monthly adjusted yield of LAIF less a quoted spread. If we maintain an average collected balance of \$5,100,000; we would earn interest of approximately \$27,048 for a fiscal year, assuming rates remain flat, as this is an adjustable rate. The Overall net change in expenditures is projected to be \$81,950 less than our current state/contract.

In summary both offers put NIHD's banking services cost in a place competitive with the best results reported by the CFOS who attended the September, CCAHN (California Critical Access Hospital Network) meeting. There were a couple of the hospitals who reported they had arrangements that allowed them to have no fees if they met certain conditions.

Northern Inyo Healthcare District has a need for general checking and deposit features, cash change features, remote image deposit functionality, credit card purchase capability, cashed check image features, ACH web capabilities, Wire web capabilities, Branch deposit availability, intra-bank transfer capability and purchase card rebate income. It is believed that both Banks meet all these requirements and the California collateralization requirements we have as a government unit.

I look forward to discussing these two very positive proposals at the November Regular Board Meeting. The accounting staff will be preparing a table of tasks required to switch primary banking providers and estimated associated costs from the one-time set-up for your reference at the Board meeting.