



M E M O R A N D U M
Finance Department

DATE: April 11, 2006

TO: City Council

FROM: Dave Warren
Director of Finance

SUBJECT: PAYROLL ELECTRONIC FUND TRANSFER (EFT) SERVICES

RECOMMENDATION:

Adopt a Resolution authorizing the City Manager to enter into agreements with Western Sierra Bank to provide payroll EFT banking services to the City.

BACKGROUND:

Currently, the City does not have a payroll electronic fund transfer (EFT) service available to its employees. For several years, City management desired to offer this service to employees as an additional convenience and a proactive way of reducing the workload for Finance Department staff. However, the cost of providing this service was not always affordable and only a few local banks had the technology available. Due to the popularity of EFT or direct deposit paychecks, the cost of providing this service to employees has dropped dramatically, and most banks provide this service to its customers. Tonight, staff is recommending a contract with Western Sierra Bank to provide these services to City employees.

ANALYSIS:

The City currently does its payroll banking with Western Sierra Bank. For several years, the City has offered limited manual direct deposit services to its employees. Currently, twenty-eight employees participate in the manual direct deposit program. Direct deposits have been limited to four local banks who accept checks as a form of direct deposit. Each pay period, Finance staff hand-carries these checks to the participating banks for deposit. On average, staff spends one and one half hours preparing and delivering these checks to the banking institutions. This time could be saved and used for other duties if EFT services are implemented. Also, the number of lost or destroyed checks will be reduced by utilizing this paperless service thereby by reducing the workload in issuing stop payments and reissuing paychecks.

If the contract with Western Sierra Bank is approved tonight, staff will circulate a memo to all regular City employees offering this new service. We anticipate the new service will take approximately two pay periods (one month) to implement once we receive the employee's

application. During the first pay period, the Finance Department and Western Sierra Bank will process a “pre-note” or test transaction to make sure the new EFT is working properly. If the “pre-note” is successful, the second pay period will be a live direct deposit. As in the past, employees will continue to receive a paper paycheck if they choose not to participate in the new direct deposit program.

FISCAL IMPACT:

The ongoing cost for the EFT service is \$5.00 per pay period plus \$0.08 per paycheck. A \$10.00 monthly service fee will also be charged to the City. Western Sierra Bank has waived the \$150.00 one-time setup fee that includes training for Finance staff. The City currently has twenty-eight employees participating in the manual direct deposit program. With twenty-eight employees participating in the EFT payroll program, the ongoing cost to the City for the remainder of the fiscal year would be as follows:

5 Pay Periods x \$5.00=	\$ 25.00
28 Employees x \$0.08 x 5 pay periods=	11.20
3 months x \$10.00=	<u>30.00</u>
Total	<u>\$ 66.20</u>

If all ninety-five regular City employees participate in the program, the annual cost would be as follows:

26 Pay periods x \$5.00=	\$130.00
95 Employees x \$0.08 x 26 pay periods=	197.60
12 Months x \$10.00=	<u>120.00</u>
Total	<u>\$447.60</u>

The cost of offering the program can be absorbed in the Finance Department’s operating budget. Tonight, we respectfully request the Council to authorize the contract with Western Sierra Bank.

Dave Warren
Director of Finance

Reviewed and Approved:

John Driscoll
City Manager/City Attorney