



Banking –Political Subdivisions

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As one looks out across the prairie on a cool fall morning, in the distance the sun appears over the horizon outlining the silhouette of a school house peering out of the mist of the fields. To think, that school has educated multiple generations and has forever defined its community. The local school is but one of the key service providers in the community, educating its youth. The others being local government and the local bank.

One can trace back over time and see the rich history of political subdivisions and local banks working closely to support the overall growth of the community. The local bank has and continues to be an integral part of every community providing for the financial services of its customers' saving and borrowing needs. In order to sustain the viability of a community, a bank provides the financial support to assist in new construction and refurbishing intra-structure and modernization needs of public entities and its loyal customers. In addition, proven leaders of local banks take an active role in promoting and supporting the community and its variety of programs. This is done through their involvement and willingness to share time, talent and treasuries in sustaining the "home town" feeling which is so vital in ones' acceptance of wanting to live and raise their families in the community.

Over time, as communities and banks have expanded and contracted, the lines of what is considered local have become blurred; specifically when looking at banking. Furthermore, most communities have multiple banking options, but not all options can be defined as local. Political subdivisions, when making banking decisions, are faced with a number of factors; first and foremost the health and welfare of their banking partners. Once credit standards have been established, other factors such as degree of local involvement, services, pricing and technology need to be established.

What constitutes the degree of local involvement? Items such as:

- Physical presence in the community
- Local decision making (know the community)
- Market knowledge (market experts) – Understanding client's needs and regulations
- Funds from the political subdivision are invested back into the communities they serve
- High touch service and no "1-800" call centers
- Flexibility to customize the services used
- Ongoing community support:
 - Board and/or foundation participation
 - Monetary donations
 - Money management programs for staff of political subdivisions
 - Bank-at-work / bank-at-school programs



It is important as a banker that you actively display your participation and support for the community. This support needs to be conveyed to the local political subdivisions in order to be a factor / consideration when establishing banking partners. The political subdivision should solicit the local bank to help define potential services required. Once parameters have been established, a Request for Proposal ("RFP") can be created to assist the local entity in defining its banking needs and what services it expects to receive through its partnership with the bank. Through the RFP due diligence and vetting process, both parties, the local entity and the bank, will have a thorough understanding of the respective roles that are desired in creating a productive, meaningful relationship. Final selection will have support from the governing board or commission in addition to the Finance Manager / Chief Executive Officer of the entity.

It is important for the bank to establish a relationship with the Finance Manager / Chief Executive Officer through community involvement so that they can become an advocate and voice for the bank in the selection process. Having worked with them on projects and activities that grow and strengthen the community through their involvement, everyone wants to work with someone they know and trust.

Once the local bank to provide the services to the local entity is selected, it is imperative that a professional working relationship is developed with officials from the local entity who will have daily interaction with employees of the financial institution. A "meet and greet" meeting at the bank should be scheduled at the beginning of the relationship. It is suggested that this be repeated every so often to define and update needs of the customer along with new products and services being offered by the bank. Above all, you want to over-communicate your commitment to the relationship and that the bank will do everything within its power to maintain a relationship that is beneficial to both parties.

Additional Thoughts

The political subdivision needs to reflect:

- A true "partnership," in which financial support of the entity is included when looking at the pricing / rates provided;
- an understanding as to how collateral requirements can affect the rate / pricing offered; and,
- an understanding of how changes in the industry affect how we are able to do business (banks are for-profit companies and large amounts of collateralized balances may not be viewed as attractively as in the past).

Various unknown aspects of the broad landscape as to how financial institutions are regulated are oftentimes a mystery to its local governmental entities. It becomes the responsibility of the bank officials to keep the local governmental entity officials up-to-date on regulations that impact its relationship. As such, a quarterly meeting at the financial institution or local governmental offices is not only a productive method of sharing information, but it also acts as a vehicle to let the customer know that you value their business, you respect the role the entity plays in the fabric of the community and you begin to develop not just a bank-customer relationship, but one that will be sustainable through periods of crisis.



Think back to the many positive relationships that you have established in the past --- a true respect for the other person's point of view, a willingness to be a good listener, a problem-solver when called upon to resolve a dispute, one whose opinion is valued and heeded as spoken from past experiences and an individual who loves their profession to not only grow the bank in a prosperous way, but one who is recognized as always wanting to act in the best interests of the customers in everything they stand for and profess to believe.

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- (1) Aimee Briles, *Vice President*, Wintrust Government Funds. Personal Interview.
 - (2) Donald E. Weber, Ed.D., *Senior Vice President, Corporate Relations*, PMA Financial Network, Inc. Personal Interview.

The thoughts and opinions gleaned from the personal interviews with Ms. Briles and Dr. Weber can be found throughout this article.

About D. James Lutter

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