

Lockbox



Town of Bethlehem

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What is a Lockbox

- Cash flow improvement technique, in which:
 - Bethlehem resident payments are delivered to a special post office box
 - Payments are no longer sent to our business address
- Allows us to manage our cash flow more efficiently at no cost to the Town.



How does it work?



Payments mailed directly to PO Box at Key Bank



Mail Sorting



Imaging Capture



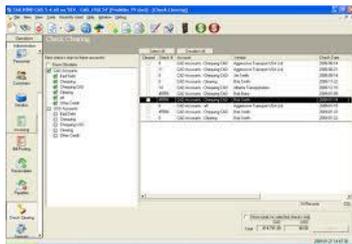
Negotiability Review



Check Processing



Data Entry



Check Image Clearing

Image & Information Delivery



Benefits of Lockbox

- NO COST TO THE TOWN
- Checks deposited faster
- Quicker access to our funds
- Improved research capabilities
- Efficient and effective use of staffing
- Reduce funding cost
- Increased security
- No Commitment



Cost to Town?

- Paid for by service credits earned beyond interest received
 - Service credits are generated from money earned by the bank by lending the Town's money
 - Today's interest rates on money market accounts range from 0.05% to 0.50%
- Town loses these credits if we don't take advantage of bank services
- In 2011, the Town did not utilize \$32K in credits
- J.P. Morgan Chase has advised that if this service is being offered at no cost, we should "jump on it"



Cost to Town?

	Items	Fee Amount	Annual Cost
Lockbox base fee	12	\$ 125.00	\$ 1,500.00
Lockbox items	27,000	0.42	11,340.00
LBX Image Ck Scan	27,000	0.04	1,080.00
LBX Image Document Scan	27,000	0.10	2,700.00
LBX Remit per Keystrokes	12,000	0.02	180.00
LBX Deposit item Clearing	27,000	0.08	2,160.00
KTT LBX Image Base Fee	12	100.00	1,200.00
Lockbox Data Transmission	260	15.00	3,900.00
LBX Priority Mail Delivery	260	1.50	390.00

- Town earned interest totaling \$52,862 in 2011 across all banks
- Anticipated value received from the lockbox is \$24,450
- Effectively increases the benefit by ~ 46%

Annual cost absorbed by Compensating Balances

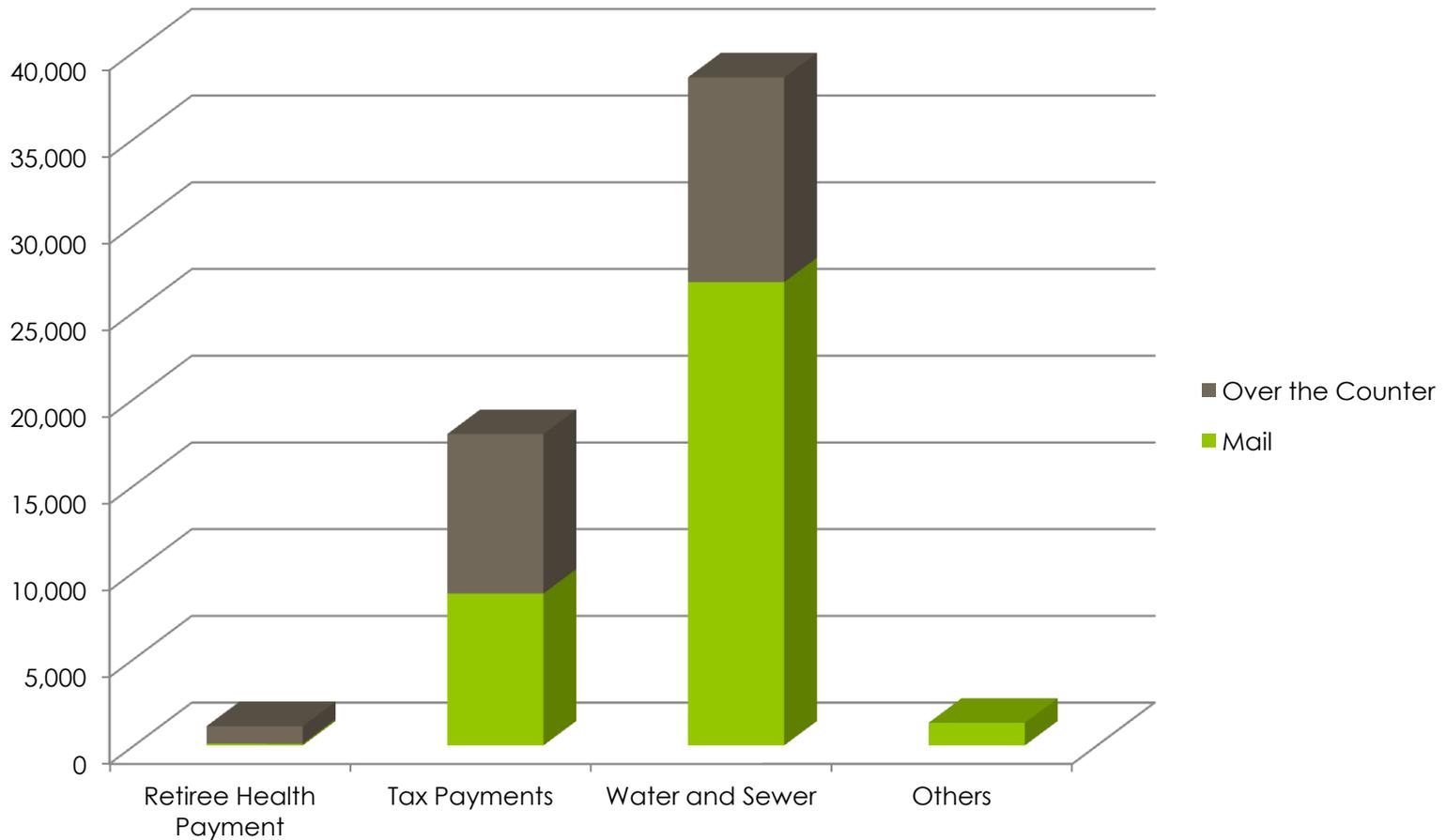
~~\$ 24,450.00~~

Current situation at Tax Receiver Department

- There are three full time employees working primarily to staff the collection window and process receipts
- In 2011, the staff processed ~59,000 payments
 - Water and sewer collections represented approx. 65% of the payments
- The department processed an average of 3,210 water and sewer payments each month
 - Nearly 70% of these collections were received via mail ~ 27,000 payments (45.8% of total payments)

Collection Volume

2011



Other experiences:

City of Albany

- Service collected: Property Taxes
 - # Payments: 30,000 per year
 - Service provider: Key Bank
 - Opinion about the service:
 - The lockbox was able to process and deposit \$12M more in January 2011 than the manual process in January 2010
 - “Everything Key Bank offered was done.”
 - “The decision to go to a lockbox is a ‘no-brainer’”
 - Contact: Chris Quirk, Assistant Treasurer

Other experiences:

Rensselaer County

- Service collected: Sewer Payments
 - # Payments: 16,000 per year
 - Service provider: Key Bank
 - Opinion about the service:
 - “Great service and really fast.”
 - “In more than 7 years with the service, I have no complaints.”
 - Contact: Donna Hurteau, Principal Account Clerk