



COUNCIL AGENDA: 06-21-05
ITEM: 2.12

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: SEE BELOW

DATE: 06-08-05

Approved

Ray Whier

Date

6/8/05

SUBJECT: APPROVAL OF A THIRD AMENDMENT TO THE AGREEMENT FOR GENERAL BANKING SERVICES WITH UNION BANK OF CALIFORNIA, N.A

RECOMMENDATION

Approval of the Third Amendment to the General Banking Services Agreement with Union Bank of California (UBOC), to extend the term of the agreement for one year from July 1, 2005 through June 30, 2006, in an amount not to exceed \$750,000 for the one year extension.

BACKGROUND

In early 1999, the City initiated a request for proposal (RFP) process for city-wide general banking services. Responses to the RFP were evaluated based on content of the reply, the array of services proposed and total cost. Interviews with the most responsive banks were performed, ultimately leading to the selection of UBOC for the City's banking needs. The Redevelopment Agency's banking services were not included in this RFP.

In March 2000, the City Council approved staff's recommendation to enter into a contract with UBOC to provide the City's banking services for a period of three years with two one-year options to extend the contract. In May 2004, the City executed the second and final Exercise of Option to Extend the Agreement for the term of one year from July 1, 2004 through June 30, 2005, with a maximum annual compensation of \$750,000. The City uses UBOC for city-wide banking related activities with the objective of facilitating the delivery of City banking services to internal and external customers, utilizing banking related technology tools needed to support their service delivery, and seeking opportunities to further streamline processes.

ANALYSIS

Staff is currently in the process of preparing an RFP to enter into a general banking services agreement for both the City of San Jose and the Redevelopment Agency (RDA). Until the RFP process is completed, the RDA will continue to use Bank of America as its banking services provider. The expected timeline to complete the development of the RFP is July 2005.

Staff's recommendation to extend the general banking services contract with UBOC will:

- 1) Provide staff with adequate time necessary to thoroughly complete, issue and evaluate the RFP for general banking services due to be completed by October 2005.
- 2) Assure all facets of new and emerging banking technology are considered through the RFP process as part of the desirable qualifications of the new bank. (A recent example of this is demonstrated by Citywide departments' ability to receive online banking statements through UBOC rather than waiting for paper statements).
- 3) Allow time for contract negotiations and, in the event that a new bank is chosen as a result of the RFP process, preparation to transition to the new bank.

OUTCOMES

Approval of the Third Amendment to the agreement for general banking services with UBOC will provide staff sufficient time to issue a new banking RFP, evaluate the proposals, negotiate a new agreement, and in the event a new bank is chosen, seamlessly transition to a new bank.

PUBLIC OUTREACH

Not applicable.

COORDINATION

This report was coordinated with the City Manager's Budget Office and the City Attorney's Office.

COST IMPLICATIONS

Costs for banking services are funded from the pooled investment interest income. The amount of funding for fiscal year 2005-2006 is included in the 2005-2006 Operating Budget.

BUDGET REFERENCE

2005-2006:
Fund: 001
Appropriation: 2987
Amount: \$700,000

HONORABLE MAYOR AND CITY COUNCIL

June 8, 2005

Subject: Third Amendment to the Agreement of Banking Services

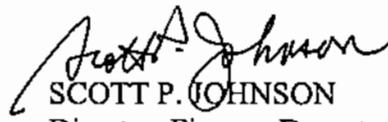
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Budget Document: 2005-2006 Proposed Operating Budget, Page ix-13*

* A budget adjustment to increase the 2005-2006 allocation to \$750,000 is being recommended in the Rebudget/Clean-up Manager's Budget Addendum (MBA) that would be incorporated into the 2005-2006 Adopted Budget.

CEQA

Not a project.


SCOTT P. JOHNSON
Director, Finance Department