



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Julia Cooper

SUBJECT: SEE BELOW

DATE: June 2, 2008

Approved

Christine F. Shippie

Date

6-5-08

COUNCIL DISTRICT: Citywide

SUBJECT: APPROVAL OF THE SEVENTH AMENDMENT TO THE GENERAL BANKING SERVICES AGREEMENT WITH UNION BANK OF CALIFORNIA.

RECOMMENDATION

Approval of the Seventh Amendment to the General Banking Services Agreement with Union Bank of California ("UBOC") to extend the term of the agreement for nine months from July 1, 2008 through March 31, 2009, to amend the termination provision to allow either party to terminate the agreement upon 30 days' written notice to the other, and to increase the agreements total maximum compensation for the extended term in an amount not to exceed \$787,500.

OUTCOME

Approval of the Seventh Amendment to the General Banking Services Agreement with UBOC will provide staff time to evaluate the current banking services Request for Proposal ("RFP") submissions, negotiate a new agreement, and, in the event new bank/banks are chosen, allow sufficient time to transition to new bank/banks.

BACKGROUND

In early 1999, the City initiated an 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 conducted; ultimately leading to the selection of UBOC for the City's banking needs. The 1999 RFP did not include banking services for the Redevelopment Agency, which currently banks with Bank of America.

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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. In June 2005, the City Council approved the extension of the term of the agreement for one additional year in an amount not to exceed \$750,000. In June 2006, Council approved the extension of the term of the agreement for one additional year in an amount not to exceed \$820,000. In May 2007, Council approved an increase of total compensation for FY 2006-07 by \$100,000 to an amount not to exceed \$920,000. In June 2007, Council approved the extension of the term of agreement for one additional year in an amount of \$820,000 and Managers Budget Addendum #36 to increase the appropriation \$230,000 for a total appropriation not to exceed \$1,050,000.

The Seventh Amendment to the General Banking Services Agreement with Union Bank of California (UBOC) will be for a nine month term from July 1, 2008 through March 31, 2009. The agreement will amend the termination provision from 90 days to 30 days and have a maximum compensation not to exceed \$787,500.

ANALYSIS

Extension and Amendment of Banking Services Agreement

Staff has completed the Financial Services RFP 07-08-18A and posted it accordingly. The RFP consists of four service area requests; General Banking Services, Lockbox Services, Merchant Card Processing Services, and Security Custody Services. The service areas were bundled into a single RFP to allow respondents the opportunity to bid on all four service areas increasing the potential for cost savings to the City. The RFP was constructed in a way that respondents not only had to meet current service requirements but also provide proactive solutions for future service needs. The term of the agreement is for three years with three two year options to renew the agreement at the sole discretion of the City, for a total of nine years. The RFP subjected respondents to minimum qualifications that ensure experience with a public entity similar in size and scope to the City. Additionally, staff will continue to explore ways to reduce the City's overall banking services costs including the exploration of charging a convenience fee for credit card usage.

Until the RFP process is completed, the City will continue to use Union Bank as its general banking services provider.

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

- Allow staff time to evaluate proposals and presentations from respondents to the RFP for general banking services, lockbox services, merchant card processing services, and security custody services.
- Allow time for contract negotiations and, in the event that a new bank/banks are chosen as a result of the RFP process, preparation and transition to the new bank/banks.
- Allow for termination of the agreement with 30 days rather than 90 days notice to better accommodate the transition to a new banking services agreement.

ALTERNATIVES

Not applicable.

PUBLIC OUTREACH/INTEREST

Not Applicable.

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memorandum will be posted on the City's Internet website for the June 24, 2008 Council agenda.

COORDINATION

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

COST SUMMARY/IMPLICATIONS

Costs for banking services are funded from the pooled investment interest income. The fiscal year 2008-09 Proposed Operating Budget includes a budget of \$1,050,000 for banking services. Staff will continue to closely monitor all charges for banking services during the course of the fiscal year.

BUDGET REFERENCE

Fund #	Appn. #	Appn. Name	RC #	Total Appn.	Amt. For Contract	2008-2009 Proposed Operating Budget (Page)	Last Budget Action (Date, Ord. No.)
001	2987	Banking Services		\$1,050,000*	\$787,500 (9mo)	IX-17	N/A

* This is subject to City Council approval. Adoption of the Proposed Operating Budget is scheduled for June 24th, 2008

CEQA

Not a project.


JULIA H. COOPER
Deputy Director, Finance

For questions, please contact Julia H. Cooper, Deputy Director of Finance at (408) 535-7011.