



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: March 2, 2009

Approved

Christine F. Shippin

Date

3/5/09

COUNCIL DISTRICT: Citywide

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

RECOMMENDATION

Approval of the Eighth Amendment to the General Banking Services Agreement with Union Bank of California ("UBOC") to extend the term of the agreement for three months from April 1, 2009 through June 30, 2009 and to increase the Agreement's total maximum compensation by \$262,500 for the extended term in an amount not to exceed \$1,050,000.

OUTCOME

Approval of the Eighth Amendment to the General Banking Services Agreement with UBOC will provide staff time to finalize the negotiations with Wells Fargo Bank to enter into new agreements to provide a variety of banking services and bring forward a transition plan along with approval of the agreements.

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.

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) was for a nine month term from July 1, 2008 through March 31, 2009. The agreement amended the termination provision from 90 days to 30 days and provided for maximum compensation not to exceed \$787,500.

All of these extensions while outside of the original maximum term of the agreement were approved by the City Council. These extensions relied on the original competitive process as the basis for the extension. The Request for Proposal process for banking services has been delayed over the last several years due to other competing Council priorities, staffing turn-over and the resulting vacancies. As discussed below, the negotiations are nearing completion with the selected bank which has taken longer than anticipated for the reasons noted below.

ANALYSIS

Staff has completed the Financial Services RFP 07-08-18A, proposals have been received and evaluated, protest period completed and negotiations are currently underway with the recommended service provider, Wells Fargo Bank. Staff had anticipated contract negotiations would be complete prior to the expiration of the contract extensions approved in June 2008. The negotiation process has taken more time than previously anticipated due to the technical nature of the services to be provided, disruption in the banking industry, and the complexity of the agreements for the services to be provided.

It is currently anticipated that approval of Wells Fargo Bank to provide General Banking Services, Lockbox Services, Merchant Card Processing Services, and Security Custody Services for the City for an initial term of three years with three two year options to renew will be brought forward for Council approval in April. In addition, the Council action in April will include a transition plan from Union Bank of California to Wells Fargo Bank along with an assessment and recommendation on the "overlap" period for both banks and associated costs. It is expected that another amendment to the agreement with UBOC will be necessary at that time.

Staff's recommendation to extend and amend the general banking services contract with UBOC will allow time to finalize the contract negotiations with Wells Fargo Bank as the City's new

March 2, 2009

Subject: Amendment to Agreement with Union Bank for General Banking Services

Page 3

general banking service provider and finalize a transition plan between UBOC and Wells Fargo Bank. Staff has assembled a Steering Committee with representatives from City Departments with extensive utilization of banking services. In addition, staff is currently working with representatives from the Wells Fargo implementation team to identify existing banking services and opportunities for new banking services to develop a comprehensive implementation work plan.

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 March 24, 2009 Council agenda.

COORDINATION

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

COST SUMMARY/IMPLICATIONS

The fiscal year 2008-09 Adopted Operating Budget includes a budget of \$1,050,000 for banking services. This amendment will increase compensation to the total budgeted amount of \$1,050,000. Staff will continue to closely monitor all charges for banking services during the balance of the fiscal year to realize any possible savings.

HONORABLE MAYOR AND CITY COUNCIL

March 2, 2009

Subject: Amendment to Agreement with Union Bank for General Banking Services

Page 4

BUDGET REFERENCE

Fund Number	Appn. Number	Appn. Name	RC #	Total Appn.	Amt. For Contract	2008-2009 Adopted Operating Budget (Page)	Last Budget Action (Date, Ord. No.)
001	2987	Banking Services	009278	\$1,050,000	\$1,050,000	IX-18	6/24/2008

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.