



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Julia H. Cooper

**SUBJECT:** SEE BELOW

**DATE:** August 10, 2009

Approved

Date

8/17/09

**COUNCIL DISTRICT:** Citywide

**SUBJECT: APPROVAL OF AMENDMENTS TO BANKING SERVICE AGREEMENTS WITH UNION BANK OF CALIFORNIA AND WELLS FARGO BANK**

## RECOMMENDATION

- (a) Adoption of a resolution authorizing the City Manager and the City Manager's authorized designees ("City Manager") to negotiate and execute the Tenth Amendment to the General Banking Services Agreement with Union Bank of California ("UBOC") to increase the maximum annual compensation by \$148,500 from \$30,000, to an amount not to exceed \$178,500 to provide final banking and transition services from July 1, 2009 through June 30, 2010.
- (b) Adoption of a resolution authorizing the City Manager and the City Manager's authorized designees ("City Manager") to negotiate and execute an amendment to each of the agreements with Wells Fargo Bank for General Banking Services, Merchant Card Processing Services, and Lockbox Services to decrease the maximum annual compensation by \$148,500 from \$864,000, to an amount not to exceed \$715,500 for the initial term through June 30, 2010, and to increase the maximum annual compensation to an amount not to exceed \$864,000 in the event funds remain in the Banking Services appropriation following the termination of the agreement with UBOC, and to make other technical changes thereto.

## OUTCOME

Adoption of the resolutions authorizing the City Manager to negotiate and execute the Tenth Amendment to the General Banking Services Agreement with UBOC and the amendments to the General Banking Services, Merchant Card Processing Services and Lockbox Service agreements with Wells Fargo Bank will provide the requisite funding for all of the agreements with both banks during the transition period from UBOC to Wells Fargo Bank with no net dollar effect on the Banking Services appropriation.

## **BACKGROUND**

In May 2009, the City Council approved staff's recommendation to enter into a contract with Wells Fargo Bank to provide the City's banking and financial services including General Banking Services, Merchant Card Processing Services and Lockbox Services for an initial term commencing with the execution of the agreements by the parties through June 30, 2012; and Securities Custody Services for an initial term of July 1, 2009 to June 30, 2012, with a total maximum annual compensation for the four agreements for the period through June 30, 2010 not to exceed \$864,000 and, thereafter, subject to annual appropriation of funds for the second and third year of the initial term. In addition, the City Council approved staff's recommendation to extend the term of the contract with UBOC for the period of July 1, 2009 to June 30, 2010 in an amount not to exceed \$30,000.

Staff initially provided City Council with an estimated implementation timeline that anticipated the General Banking and Lockbox Services transition on July 31, 2009 and the Merchant Card Processing Services transition on July 1, 2009. Due to the extensive business process review and contractual negotiations staff currently estimates formal conversion dates of September 1, 2009 for General Banking and Lockbox Services and August 20, 2009 for Merchant Card Processing.

Although Finance Staff was given authority by the City Council in May 2009 to process administratively amendments to the Wells Fargo Banking Services agreements provided the maximum annual compensation does not exceed the maximum amount appropriated for banking services, Staff is bringing forward the amendments to the Wells Fargo Banking Services agreements along with the proposed amendment to the UBOC banking services agreement at the same time in order to highlight and clarify the no net dollar impact on the Banking Services Appropriation will occur.

## **ANALYSIS**

Staff recommends that the General Banking Services, Merchant Card Processing Services, and Lockbox Services agreements with Wells Fargo Bank be amended in order to reduce the maximum annual compensation payable under each of these agreements as follows:

- (i) General Banking Services will be decreased by \$39,600 to an amount not to exceed \$188,400;
- (ii) Merchant Card Processing Services will be decreased by \$91,200 to an amount not to exceed \$455,800; and
- (iii) Lockbox Services will be decreased by \$17,700, to an amount not to exceed \$53,300.

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These amendments will provide for the increased funding in order to continue UBOC banking services. These actions will have no net dollar effect on the Banking Services Appropriation. The reallocation of funding is strictly to continue paying for budgeted banking services currently provided by UBOC while leaving sufficient funding to pay for anticipated banking services provided by Wells Fargo Bank.

In the event, after the termination of the agreement with UBOC, funds remain in the Banking Services appropriation, it may be necessary for City staff to amend the agreements with Wells Fargo Bank further to increase the compensation.

Finally, as part of the amendments to the banking agreements the Assistant Director of Finance will be authorized to take certain action in connection with the banking agreements currently reserved for the Director of Finance and Deputy Director of Finance – Treasury.

#### **ALTERNATIVES**

Not Applicable

#### **EVAUATION AND FOLLOW-UP**

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)**

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This memorandum will be posted on the City's Internet website for the September 1, 2009 Council agenda.

**COORDINATION**

This staff report has been prepared by the Finance Department in coordination with the City Attorney's Office.

**COST SUMMARY/IMPLICATIONS**

FY 2009-10 Operating Budget includes a budget appropriation of \$900,000 for banking services. These funds cover the ongoing costs of the new agreement with Wells Fargo Bank, one-time costs associated with the transition of the banking services, which includes staff time, technology enhancements and equipment purchases, and the one-year agreement with Union Bank of California to cover the services associated with maintaining an account to process payment of checks issued, but not yet presented at the time of the conversion from UBOC to Wells Fargo. Staff will continue to closely monitor all charges for banking services during the transition and throughout the course of the fiscal year.

**BUDGET REFERENCE**

Fund #	Appn. #	Appn. Name	Total Appn.	2009-2010 Proposed Operating Budget (Page)	Last Budget Action (Date, Ord. No.)
001	2987	Banking Services	\$900,000	IX-23	6/23/09, Ord. No. 28593

**CEQA**

Not a project

  
JULIA H. COOPER  
Assistant Director, Finance

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