



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: March 8, 2010

Approved

Date

3/16/10

COUNCIL DISTRICT: Citywide

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

RECOMMENDATION

Adoption of a resolution authorizing the City Manager and the City Manager's authorized designees ("City Manager") to negotiate and execute (i) the Eleventh Amendment to the General Banking Services Agreement with Union Bank of California ("UBOC") to increase the maximum annual compensation by \$141,500 from \$178,500, to an amount not to exceed \$320,000 to provide final banking and transition services from July 1, 2009 through June 30, 2010; (ii) the Second Amendment to the Agreements with Wells Fargo Bank for General Banking Services and Merchant Card Processing Services to decrease the maximum annual compensation by \$141,500 from \$715,500, to an amount not to exceed \$574,000 for the initial term through June 30, 2010, with no change in the total appropriation for banking services as approved by the City Council on June 23, 2009.

OUTCOME

Adoption of the resolution authorizing the City Manager to negotiate and execute the Eleventh Amendment to the General Banking Services Agreement with UBOC and the Second Amendment to the General Banking Services and Merchant Card Processing Services agreements with Wells Fargo Bank will provide the necessary funding for the agreements with both banks during the transition period from UBOC to Wells Fargo Bank with no increase in the Banking Services appropriation.

BACKGROUND

In May 2009, the City Council approved staff's recommendation to enter into Agreements with Wells Fargo Bank to provide the City's banking and financial services including General

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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 delays transitioning some banking operations to the Wells Fargo Bank, staff currently estimates completion of the conversion to be on or before June 2010.

Finance Staff was delegated authority by the City Council in May 2009 to administratively process amendments to the Wells Fargo Banking Services Agreements provided the maximum annual compensation did not exceed the maximum amount appropriated for banking services. This delegation did not contemplate amending the UBOC and Wells Fargo Agreements to allow a transfer of funds to reflect the actual work effort the amendments to the Wells Fargo Banking Services Agreements and the amendment to the UBOC banking services Agreement require Council approval.

ANALYSIS

Staff recommends that the General Banking Services and Merchant Card Processing 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 \$35,700 to an amount not to exceed \$152,700;
- (ii) Merchant Card Processing Services will be decreased by \$105,800 to an amount not to exceed \$350,000; and
- (iii) No change is recommended to the Agreements for Lockbox Services or Custodial Services and their budgeted amounts remain and will not exceed \$53,300 and \$18,000 respectively.

The proposed amendments will provide for the increased funding to UBOC in order to continue the transition banking services. These actions will have no net dollar effect on the Banking

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Services Appropriation. The reallocation of funding is necessary to accommodate the longer period of time UBOC has been providing banking services given the timeline to implement the banking transition. The reduction in the funding available for Wells Fargo Bank will not impact their services in the current fiscal year. The reduction in compensation is the result of the delay in implementing the transition to Wells Fargo Bank.

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)**

This memorandum will be posted on the City's Internet website for the March 30, 2010 Council agenda.

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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 final year of services with Union Bank of California to cover the costs 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


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