



Legislation Details (With Text)

File #:	21-493	Version:	1	Name:	Discussion on Commercial Banking Services
Type:	Staff Report	Status:		Status:	Agenda Ready
		In control:		In control:	Finance Committee
On agenda:	9/7/2021	Final action:		Final action:	
Enactment date:		Enactment #:		Enactment #:	
Title:	Staff Report for Discussion on Commercial Banking Services				
Sponsors:	Susan Hsieh Finance Director				
Indexes:					
Code sections:					
Attachments:					

Date	Ver.	Action By	Action	Result
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Staff Report for Discussion on Commercial Banking Services

SUMMARY AND RECOMMENDATION

Staff recommends that the Committee provide feedback regarding the RFP (request for proposal) process and the criteria for commercial banking services.

BACKGROUND

On December 14, 2018, the City issued an RFP for commercial banking services. The City received three proposals from Bank of the West/BNP Paribas (BNP), JP Morgan Chase (JPM) and Wells Fargo (WF). The proposals were based on criteria recommended by staff and approved by the Finance Committee. The Finance Committee met on April 2, 2019 and May 7, 2019 to discuss the RFP results. After Committee discussion and hearing from the public, it was determined that it would be in the best interest to change banking to Bank of the West. There were also discussions about reopening the RFP. At the time, the City decided not to proceed with Bank of the West because their online treasury management system was not able to provide the comprehensive services required by the City. Switching banking services would negatively impact the City’s treasury operations. The Finance Department also had staff turnover around the same time.

The proposals submitted by the three financial institutions have expired. Staff recommends reopening the RFP for commercial banking services.

DISCUSSION

Overview

The City currently uses Wells Fargo for general banking services including depository and cash management services. Wells Fargo was selected in 2008 through a competitive RFP process. Core services include the following:

- Depository services
- Check payments
- Positive pay
- Electronic fund transfers (direct deposits, wire transfers, Automated Clearing House transactions, etc.)

These services are an integral part of the City's cash management function. The annual bank fees paid to Wells Fargo are approximately \$21,000. For city credit card transactions, merchant services are provided by FirstData through partnership with Wells Fargo. The annual processing fees are approximately \$73,000.

Besides Wells Fargo, the City also utilizes other financial institutions for other banking related services as described below. Some services are arranged through the City's contractors.

The City uses Brinks for armored car services including cash pickups from several city locations. Brinks was selected in 2011 through an RFP process. The annual service fees are approximately \$14,000.

Purchasing Card services is currently provided by U.S. Bank through a State of California Master Services Agreement (the CAL-Card Program). Fuel Card services are provided by Chevron for certain departments. Annual purchase amounts are approximately \$1,000,000 and \$3,000.

The City utilizes FIS for merchant services through partnership with HdL for business license payments. The City utilizes Worldpay for merchant services related to golf course operations; the services are arranged through the City's management company AGC. The City also pays credit card fees for the use of the ACTIVENet system for recreation class registration.

MUFG Union Bank provides custodian services (e.g., safeguarding investments). U.S. Bank provides trustee services to the City (e.g., payment distributions to bond holders). Please note that recently U.S. Bank purchased Union Bank's custodian services client portfolio.

The RFP intends to cover general banking services, merchant/credit card services for direct city transactions, armored car services, and purchasing card services. It does not cover credit card transactions processed through the City's contractors, institutional custody services, and corporate trust services.

Staff will reach out to qualified financial institutions for proposals. Staff learned from the prior RFP process that certain banks such as community banks may not be able to provide all the services/products required by the City. Also, some banks no longer serve the public sector due to low profit margins.

Proposed RFP Criteria

The Government Finance Officers Association (GFOA) recommends the following evaluation criteria for banking RFPs. Staff is planning to incorporate the criteria into the City's RFP taking into consideration other criteria that may be recommended by the Committee. Branch location in San Leandro will also be considered as part of the evaluation process.

- **Product and service breadth, depth and quality** - the service provider's ability to provide solutions that meet the government's specific needs.
- **Quality of servicing staff** - the individual experience, skills, and qualifications of the staff members who will provide services on the account, if selected, and their ability to meet the government's needs.
- **Financial strength** - the service provider's profitability, operating history, and net capital (which should be of sufficient size to satisfy service requirements).
- **Service capacity** - the provider's ability to process sufficient transaction volumes and dollars of throughput.
- **Regulatory standing** - the provider's status with the applicable regulatory agency.
- **Reputation and social responsibility** - the experience peer governments have had with the provider and the provider's demonstration of being a good citizen that is fair and honest in its dealings.
- **Cost** - the overall cost or rate included in the proposal, which can include consideration of potential future price escalations.

Next Steps

If the Committee is interested in reopening the RFP, staff will begin drafting an RFP and present to the Committee for review at a future meeting. Changing banking services is a major undertaking that involves a transition process to update procedures, system setups, transactions, conduct staff training, and notification of other funding and investment agencies.

PREPARED BY

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