



Office of the City Manager

CONSENT CALENDAR
May 7, 2013

To: Honorable Mayor and Members of the City Council
From:  Christine Daniel, City Manager
Submitted by: Robert Hicks, Director, Finance
Subject: Contract: Wells Fargo Bank for Banking Services

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a four-year contract with Wells Fargo Bank to provide a comprehensive range of banking services to the City for the period of June 1, 2013 through May 31, 2017, in an amount not to exceed \$4,142,000, with an option for two 3-year extensions for a total of ten (10) years contract amount not to exceed \$10,356,000.

FISCAL IMPACTS OF RECOMMENDATION

Over a four-year period, this service agreement will include both direct costs and all pass-through fees (costs) the City will incur. Direct costs are costs the City actually incurs when the bank is performing its banking scope of services; pass-through fees or costs are indirect costs the City incurs through a third party but which the bank pays on the City's behalf. Examples of indirect or pass-through costs are credit card fees paid to VISA and MASTERCARD as determined by them and armored car service fees.

The initial 4-years not to exceed amount consists of general banking fees of \$630,000 for the day-to-day banking operations, merchant service fees of \$178,000, for credit card processing services through the bank, armored car service fees of \$580,000 for coin-processing and transporting deposits to the bank cash vault, and merchant credit card fees of \$2,754,000 consisting of credit card interchange and assessment fees collected by VISA and MasterCard, but passing through the bank.

Over the last three fiscal years, the volume of credit card payments went up from \$17 million to \$20 million and is projected to be about \$20.6 million in FY 2013. Credit card fees for the same period went from 2.4% of card payments in FY 2010 to 2.7% of card payments in FY 2012, and are projected to increase to almost 3% in FY 2013.

Credit card fees cost the City \$423,000 in FY 2010, \$470,000 in FY 2011, \$564,800 in FY 2012, and are projected to exceed \$600,000 in FY 2013. These expenditures were directly budgeted with the exception of funds from Health, Housing and Community Services, Marina Operations, Playground Camp Fund, Rent Board and Off Street Parking Fund, which fees were covered by their operating budgets. Since payment

card acceptance is a fast growing payment segment for the City's revenue, Finance and the Budget Office will be working closely with departments to monitor the costs so departments can make adjustments, if necessary. The day-to-day banking services, including the indirect costs for armored car services also went up as a result of additional services and a surcharge applied to armored car services due to high gasoline prices. Day-to-day banking services went from \$219,500 in FY 2010 to \$246,000 in FY 2012, and the expenditures were appropriated for in the Finance budget: 010-3102-410-3032, 010-3103-410-3032 except for the \$40,000 from Public Works Parking Meter fund budget: 840-3401-410-3032.

The not to exceed amount of \$4,142,000 will be paid out of the General Fund and funds that incur credit card fees. Currently, these funds are: the General Fund, Off-Street Parking Fund, Parking Meter Fund, Refuse Fund, Marina Operations Fund, the Permit Service Center Fund, and Health, Housing and Community Services, Library, Playground Camp Special Revenue Funds, and the Rent Board. If the City exercises the option to extend for two additional three-year periods, additional costs could accrue in an amount not to exceed \$6,214,000, for a total amount over the ten-year period not to exceed \$10,356,000. Refer to Attachments 2 and 3 for additional details.

CURRENT SITUATION AND ITS EFFECTS:

The City of Berkeley has had a contract with Wells Fargo Bank since November, 2004 to provide Citywide-banking services. On July 25, 2012 the City released a new Request for Proposals (Specification No. 12-10654-C) for banking services and extended the current banking services contract through May 31, 2013. The scope of services in the RFP was segmented into sections so as to encourage all financial institutions to bid on the sections they could perform. In order to have a good response, the City requested and received the list of all financial institutions that have a presence in Berkeley, from both Federal and State regulators. The RFP was then mailed to all the financial institutions (banks, credit unions and CDFIs) that have a presence in Berkeley. The City advertised the RFP on the City website, and posted an announcement in front of Council Chambers.

The financial institutions (Banks, Credit Unions and CDFIs) had a total of ten weeks to submit their proposals. The City also conducted a non-mandatory pre-bidders conference meeting with potential vendors. Included in the RFP scoring criteria was Section Q, (Community Investment and Social Responsibility). This section was developed in concert with the Human Welfare and Community Action Commission and it emphasizes that potential proposers should show the commitment they have or have had to the Berkeley community. The RFP was due back from vendors on September 25, 2012. Due to the high number of questions asked and interest expressed by potential vendors, the City extended the submission deadline to October 4, 2012.

The City received four responses to the RFP. The proposers were Bank of the West, US Bank, Union Bank and Wells Fargo Bank. A selection panel, that consisted of City staff from Finance, City Auditor's Payroll Unit, Public Works and an external candidate, reviewed and scored the four proposals.

BACKGROUND

On July 25, 2012, the City issued an RFP (Specification number 12-10654-C) for banking services to financial institutions, credit unions and FDICs that had a presence in Berkeley; it posted the RFP on the City's Website, and in the advertising case in front of Council Chambers. The RFP required that the selected contractor provide a complete range of banking services, including various technical solutions to improve the City's banking, cash management, and customer service capabilities, especially in the areas of account reconciliation, disbursement processing, direct deposit, positive pay, lockbox remittance processing, fraud prevention, automated banking and reporting, corporate credit card services and merchant (credit card) services. In addition, the RFP required that the selected contractor have a strong commitment to customer service and reinvestments in the local Berkeley community.

Selection criteria also included the ability of the institution to collateralize (protect) public deposits, have a strong financial position, offer enhanced services, introduce emerging technology, have established offices in the City of Berkeley for the City's day-to-day operations, service the Berkeley community, have experience with other public sector clients, offer the services at a reasonable cost and with commitment to Community investment, re-investment and be socially responsible to the local Berkeley community.

A non-mandatory pre-bidders conference was held on August 14, 2012, and attended by potential bidders. In order to encourage as many institutions to submit their proposals, the City of Berkeley did not mandate that proposers provide a proposal for all of the services in the scope. Instead, the City encouraged proposers to submit their proposal for any banking services they could provide. Four proposals were received and the proposers were Bank of the West, US Bank, Union Bank and Wells Fargo Bank. The selection panel reviewed and analyzed the submitted vendor proposals.

The team evaluated proposals based on the criteria listed in the RFP: Minimum qualifications, ability to collateralize public deposits, bank's technical expertise, capability to offer new technical solutions including emerging technologies, products and services that meet the City's banking needs and requirements; experience, customer service, commitment to "Responsible Banking" through re-investment in the Berkeley community including social responsibility, and cost. The team analyzed services and products, costs, checked references, and discussed the relative merits of each proposal. Two finalists were selected to make an oral presentation of the services they offer. The team analyzed the products and services of the two finalists such as repurchase agreements after the Fed Wire closes, payroll direct deposit settlement, product delivery, protection of public funds, ability to provide enhanced services, emerging technologies, cost and the community investment and social responsibility. Based on extensive analysis, panel discussion, and the oral presentations, the panel determined that Wells Fargo Bank proposed the best value to the City and, therefore, staff recommends that Wells Fargo Bank be awarded the City's banking services contract.

RATIONALE FOR RECOMMENDATION

Wells Fargo Bank offers the best value for the City in terms of its capabilities, its operational extensiveness, ability to collateralize City funds for safety, (has the highest credit ratings by Fitch, Moody's, and Standard and Poor's), technological innovation and its extensive community investments and social responsibility. Wells Fargo Bank demonstrated the most comprehensive range of financial services for a single financial institution. It also has the highest number of branches within Berkeley. Wells Fargo Bank has a much higher number and value in home loans, small business loans and reinvestment activity, loans and cash grants to non-profit organizations within Berkeley.

ALTERNATIVE ACTIONS CONSIDERED

No other alternatives were considered.

CONTACT PERSON

Robert Hicks, Director, Finance Department, 510-981-7300

Attachments:

- 1: Resolution
- 2: Wells Fargo Banking Service Projected Contract Costs
- 3: Ten (10) Year Wells Fargo Bank Projected Fees by Budget Code

RESOLUTION NO. ##,###-N.S.

AUTHORIZING EXECUTION OF A FOUR-YEAR CONTRACT WITH WELLS FARGO BANK TO PROVIDE COMPREHENSIVE BANKING SERVICES FOR THE PERIOD OF JUNE 1, 2013 TO MAY 31, 2017 FOR AN AMOUNT NOT TO EXCEED \$4,142,000, WITH AN OPTION FOR TWO 3-YEAR EXTENSIONS THROUGH MAY 31, 2023 FOR A TOTAL TEN (10) YEAR CONTRACT AMOUNT NOT TO EXCEED \$10,356,000

WHEREAS, on July 25, 2012 the City issued an RFP (Specification number 12-10654-C) for banking services to financial institutions, credit unions, FDICs that had a presence in Berkeley; it posted the RFP on the City's Website, and in the advertising case in front of Council Chambers; and

WHEREAS, the RFP required that the selected contractor would provide a complete range of banking services, including various technical solutions to improve the City's banking, cash management, and customer service capabilities, especially in the areas of account reconciliation, disbursement processing, direct deposit, positive pay, lockbox remittance processing, fraud prevention, automated banking and reporting, corporate credit card services and merchant (credit card) services; and

WHEREAS, the RFP also required that the selected contractor have a strong commitment to customer service and reinvestments in the Berkeley community; and

WHEREAS, four proposals were received by the October 4, 2012 deadline; and

WHEREAS, the selection team analyzed services and products, costs, checked references, and discussed the relative merits of each proposal. Two banks were selected as finalists and were invited for an oral presentation; and

WHEREAS, the team analyzed the products and services of the two finalists such as repurchase agreements after the Fed Wire closes, payroll direct deposit settlement, product delivery, protection of public funds, ability to provide enhanced services, emerging technologies, cost and the community investment and social responsibility; and

WHEREAS, based on additional extensive analysis, panel discussion, and the oral presentations, panel determined that Wells Fargo Bank will provide the best value to the City and therefore recommends that Wells Fargo Bank be awarded the City's banking services contract.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute a four-year contract with Wells Fargo Bank to provide banking services for the City for the period of June 1, 2013 through May 31, 2017, for an amount not to exceed \$4,142,000, with an option for two 3-year extensions for a total of ten (10) years contract amount not to exceed \$10,356,000.

Wells Fargo Banking Service Projected Contract Costs

	4 Years -- June 1, 2013 thru May 31, 2017	6 Years -- June 1, 2017 thru May 31, 2023	10 Years Total
DIRECT COSTS:			
General Banking: Day-to-Day Banking Operations	630,000	945,000	1,575,000
Merchant Service Fees (Credit Card)	178,000	267,000	445,000
TOTAL Direct Costs	808,000	1,212,000	2,020,000
INDIRECT COSTS:			
Armored Car Service Fees	580,000	870,000	1,450,000
Interchange and Assessment Fees Collected By Visa and MasterCard	2,754,000	4,132,000	6,886,000
TOTAL Indirect Costs	3,334,000	5,002,000	8,336,000
TOTAL Banking Services Projected Contract Costs	4,142,000	6,214,000	10,356,000

**Ten (10) Year Wells Fargo Bank Projected Fees
By Budget Code**

ATTACHMENT 3

Budget Code	General Banking: Day-To-Day Banking Operations	Merchant Service Fees (Credit Card)	Total Direct Costs	Armored Car Service Fees	Interchange And Assessment Fees Collected By Visa and MasterCard	Total Indirect Costs	Total Projected Fees
010-3102-410-3032	\$1,575,000		\$ 1,575,000	\$ 402,000		\$ 402,000	\$ 1,977,000
010-9701-410-3051		180,200	180,200		2,791,500	2,791,500	2,971,700
055-4540-440-3051		850	850		12,600	12,600	13,450
301-920x-450-3051		2,800	2,800		43,300	43,300	46,100
330-5998-450-3051		4,200	4,200		64,200	64,200	68,400
330-5801-450-3051		14,900	14,900		230,300	230,300	245,200
440-8901-463-3051		9,200	9,200		141,600	141,600	150,800
820-5607-432-3051		47,100	47,100	70,000	730,000	800,000	847,100
825-5903-450-3051		3,850	3,850		60,000	60,000	63,850
833-8302-463-3051		61,300	61,300		949,500	949,500	1,010,800
835-494x-410-3051		52,800	52,800	190,000	819,400	1,009,400	1,062,200
840-4940-431-3051		67,800	67,800	788,000	1,043,600	1,831,600	1,899,400
Total Ten Years	\$1,575,000	\$ 445,000	\$ 2,020,000	\$ 1,450,000	\$ 6,886,000	\$ 8,336,000	\$ 10,356,000

