



Legislation Details (With Text)

File #:	22-0673	Version:	1	Name:	FM - Agrmnt for banking/cash management services w/Union Bank N.A.
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File created:	5/24/2022	In control:		City Council	
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Title:	Recommendation to authorize City Manager, or designee, to execute all documents necessary to amend Contract No. 32497 (Agreement) with Union Bank N.A., a national banking association, of San Diego, CA, to place a limit on general indemnity obligations. (Citywide)				
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Date	Ver.	Action By	Action	Result
6/21/2022	1	City Council	approve recommendation	Pass

Recommendation to authorize City Manager, or designee, to execute all documents necessary to amend Contract No. 32497 (Agreement) with Union Bank N.A., a national banking association, of San Diego, CA, to place a limit on general indemnity obligations. (Citywide)

The City of Long Beach (City) contracts with Union Bank N.A. (Union Bank) for integrated citywide banking, cash management depository, and disbursement services across all City accounts. The service integration enhances the monitoring and control over all monetary instruments and services including electronic funds transfer (EFT), checks, coin and currency, and on-site ATM operations at three City-designated locations.

On July 12, 2011, the City Council awarded a contract to Union Bank to provide banking services for a three-year term, with seven one-year options to renew, at a rate not to exceed \$275,000 annually. Following the City's emergency declaration of the COVID-19 pandemic, on August 11, 2020, the City Council approved three additional one-year optional renewals, which extended the term of the contract to August 31, 2024.

Due to an impending corporate acquisition by US Bank, Union Bank has proposed a change to Section 19 of the Agreement which, effective August 31, 2022, would limit Union Bank's general indemnity obligations to \$500,000. The existing general indemnity provision already excludes coverage related to electronic banking transactions, wire transfers, and certain standard banking services. Such transactions always have been, remain subject to, and are governed by the California Commercial Code, not by the indemnity provision in the City's contract. According to the California Commercial Code, except for limited exceptions, the duty of Union Bank to unconditionally defend, indemnify and hold harmless the City against liability arising from such transactions shall apply. Union Bank remains responsible for any losses

arising from or in connection with the bank's own misconduct, oversight, or negligence. Therefore, the current indemnity provision is already limited in its potential application. Financial Management staff consulted with Human Resources Risk Management and City Attorney teams who evaluated the proposed change and are supportive of the indemnity limit at \$500,000 for the reasons stated above.

Under the proposed contract amendment, there will be no change to the contracted rates charged to the City. Union Bank has been a critical subject matter expert on banking security and best practices for MUNIS payments and receipts and the related banking control processes. Union Bank has provided a stable and secure banking platform for testing, implementation, and customized interfaces tailored to the current MUNIS processing format. Union Bank will continue to support the City for all critical testing and implementation in future phases of the LB COAST project.

This matter was reviewed by Principal Deputy City Attorney Richard Anthony, Business Services Bureau Manager Tara Mortensen, and Revenue Management Officer Geraldine Alejo on June 1, 2022.

City Council action to amend Contract No. 32497 is requested on June 21, 2022, to ensure there is no interruption to the City's banking operations.

This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no fiscal or local job impact associated with this recommendation.

Approve recommendation.

KEVIN RIPER
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

THOMAS B. MODICA
CITY MANAGER