

CITY OF LONG BEACH

R-12

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802 • (562) 570-6845 • Fax (562) 570-5836

July 12, 2011

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute all necessary agreements with Union Bank for general banking services for a period of three years, with the option to renew for seven additional one-year periods. (Citywide)

DISCUSSION

On May 10, 2011, staff recommended Wells Fargo Bank, N.A., for general banking services to City Council (Exhibit 1).

At that point in time, Wells Fargo Bank, N.A. emerged as providing the lowest cost to the City with an estimated annual savings of \$50,000. After deliberation, City Council directed staff to issue an Addendum to the Request for Proposals (RFP) to the three finalist banks that asked specifically for the banks to:

1. Provide at least \$50,000 annual savings from the estimated \$350,000 annual fees, and no increases in costs from the respondent's best and final proposal in fees, minimum compensating balance requirements, or other City subsidy.
2. No decreases in proposed service levels from the respondent's best and final proposal.
3. Provide additional banking services of, at minimum, a full-service ATM in each of two areas, North and West Long Beach, and further ask that the banking institutions be creative in their offers of banking services that might include up to full-service branches.
4. No relocation of a current banking service from another part of the City, or removing a banking service from another part of the City in place of the two new locations.

A summary of responses to the RFP Addendum is set forth in the attached Exhibit 2. Of the responses to the RFP Addendum received, only Union Bank's response fulfilled all the RFP and RFP Addendum requirements. Therefore, staff is recommending Union Bank to be awarded the banking services contract.

HONORABLE MAYOR AND CITY COUNCIL

July 12, 2011

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Wells Fargo Bank, N.A., was initially ranked the highest in the initial RFP responses based on operational requirements, experience, financial strength, service innovation, and technical strength and compatibility. Union Bank, however, is now recommended by staff, in accordance with City Council's additional directions.

This item was reviewed by Deputy City Attorney Amy R. Burton on June 9, 2011 and Budget Management Officer Victoria Bell on June 17, 2011.

TIMING CONSIDERATIONS

City Council action is requested on July 12, 2011, in order to allow the City to immediately take advantage of the savings offered by Union Bank and to allow Union Bank to start implementing plans for the new banking locations. It is estimated that the new locations will be open within six months upon agreement of locations.

FISCAL IMPACT

The estimated cost of the banking agreement fees is \$266,000 per year, for an annual savings in banking fees of approximately \$84,000 over the current contract. Banking costs are primarily the result of banking transactions and will fluctuate with the volume of banking activity in a given year. These costs are partially offset with banking credits earned in a compensating balance account. Additionally, Union Bank will credit the City \$15,000 toward banking fees as a retention incentive.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



DAVID S. NAKAMOTO
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

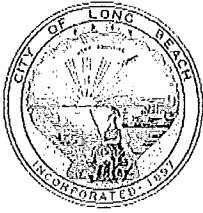
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Attachments: Exhibit 1 - May 10, 2011 City Council Letter
Exhibit 2 - Summary of RFP Responses to Addendum

APPROVED:



PATRICK H. WEST
CITY MANAGER



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-15

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802 • (562) 570-6845 • Fax (562) 570-5836

May 10, 2011

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute all necessary agreements with Wells Fargo Bank, N.A., for General Banking Services for a period of three years, with the option to renew for seven additional one-year periods. (Citywide)

DISCUSSION

The City utilizes the full breadth of commercial banking and cash management services in its daily operations. An average monthly service level includes deposits of over 90,000 checks and over \$2 million in currency and coins, disbursements of over 9,000 checks, over 20,000 electronic transfers, armored car transport at 13 locations, fraud protection services, and daily and monthly reporting.

Since 2002, the City has conducted all primary commercial banking functions through Union Bank. The final optional contract extension of the Union Bank agreement will end in September 2012. The City initiated a new RFP for banking services to ensure a sufficient transition period, if necessary.

The RFP sought banks to perform the range of commercial banking transactions for the City, at the most competitive rates, and with security and stability of City assets as its foremost concern. In addition, the City sought banks willing to reach out to the local community, particularly underserved areas of the City, to increase access to retail services.

In June 2010, the RFP for Banking Services was advertised on the City's website, notifying 184 potential bidders, which included 22 banks/credit unions with offices in Long Beach. Of those potential bidders, 25 downloaded the RFP via our electronic bid system. The RFP document was made available through the Purchasing Division and the Division's website at www.longbeach.gov/purchasing. An RFP announcement was also included in the Purchasing Division's weekly update on Open Bid Opportunities, which was sent to 30 local, minority and women's business groups. No Minority-owned Business Enterprises (MBEs), Woman-owned Business Enterprises (WBEs), or Small Business Enterprises (SBEs) responded to the RFP. Eight responses were received and seven respondents have offices located in Long Beach.

An evaluation committee was formed to review the responses to the RFP. The evaluation committee consisted of representatives from the departments of the City Auditor, Harbor, Community Development, Technology Services, Financial Management, and an external consultant.

Responses to the RFP were first evaluated based on a number of specific criteria, summarized in six broad categories: (1) operational requirements, (2) institutional experience, (3) financial strength and stability, (4) fee structure, (5) transition plan and compliance with the RFP, and, (6) community-based products and services. Based on these criteria, the top four leading institutions were invited for an in-person presentation and interview. The banks were asked to present their community-based initiatives, plans to add branches in Long Beach, online capabilities, and answer questions from the evaluation team. After evaluating all areas, the committee felt Wells Fargo best understood the needs of a large governmental client, had sufficient experienced staff to support City needs, had superior online systems, was financially sound, and could be a complete business partner to the City in many of the City's financial needs.

The top three candidates were further engaged in negotiations to re-evaluate their fee structures and provide their best offer for services, including increased access to services in underserved areas of the City. After exhaustive negotiations, any additional branches or ATMs provided by the banks would reduce the proposed savings in this recommendation and may create additional contract costs.

Wells Fargo Bank, N.A. emerged as providing the lowest cost to the City with an estimated annual savings of \$50,000. As a result of the comprehensive evaluation process, staff recommends engaging Wells Fargo Bank, N.A. for general banking services for a period of three years, with the option to renew the contract for an additional seven one-year periods.

This item was reviewed by Deputy City Attorney Amy R. Burton on April 28, 2011 and Budget Management Officer Victoria Bell on January 27, 2011.

TIMING CONSIDERATIONS

City Council action is requested on May 10, 2011, in order to provide the necessary time for transitioning all banking systems to Wells Fargo Bank, N.A. It is estimated that the process will take six months. The transition process will formally commence upon authorization of this agreement.

FISCAL IMPACT

The estimated cost of the banking agreement fees is \$300,000 per year for an annual savings in banking fees of approximately \$50,000 over the expiring relationship. Banking costs are primarily the result of banking transactions and will fluctuate with the volume of banking activity in a given year. These costs are partially offset with banking credits earned in a compensating balance account. The one-time transition costs are primarily replacement supplies such as check stock, deposit tickets, currency bags, etc.,

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May 10, 2011
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which the City currently incurs with Union Bank. Additionally, Wells Fargo Bank, N.A., will credit the City \$25,000 to help offset costs and staff time during the transition period.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



DAVID S. NAKAMOTO
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

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APPROVED:



PATRICK H. WEST
CITY MANAGER

	Bank of America	Union Bank	Wells Fargo Bank
1. Provide at least \$50,000 annual savings from the estimated \$350,000 annual fees and no increases in costs from the respondent's best and final proposal in fees, minimum compensating balance requirements, or other City subsidy.	Bank of America lowered their fees somewhat, but not enough to provide the requested \$50,000 savings and required the City to implement their ePayables (electronic credit card bill payment) product in order to receive the two ATMs.	Union Bank lowered their fees now providing an estimated \$84,000 annual savings.	Wells Fargo did not change their fee structure from the prior bid response, which provided \$50,000 in annual savings.
2. No decreases in proposed service levels from the respondent's best and final proposal.	The bank adhered to this request.	The bank adhered to this request.	The bank adhered to this request.
3. Provide additional banking services of, at minimum, a full-service ATM in each of two areas, North and West Long Beach, and further ask that the banking institutions be creative in their offers of banking services that might include up to full service branches.	Bank of America offered one full-function, free-standing ATM in the west police substation (District 7) and one full-function, free-standing ATM in one of the City's office location (District 9), contingent upon the City agreeing to implement the bank's electronic credit card bill payment solution, ePayables.	Union Bank will be contractually committed to providing additional banking services, at a minimum consisting of a full-service ATM in each of two areas, North and West Long Beach. These additional Banking Service commitments are for a minimum of three (3) ATM installations to be completed within six (6) months of an agreed upon site by Bank and City. There are no performance penalties or rebates associated with delivery of additional banking services commitments such as ATMs and other creative offers up to, and including, a full-service branch. Union Bank's branch expansion into the 7th or 9th districts is dependent upon a mutually agreeable location and level of participation from the City and/or Redevelopment Agency. Public financial support is fundamental to Union Bank building a branch.	Wells Fargo Bank is currently in negotiations to install a full-service ATM at the Big Saver located at 1500 West Willow Street at no cost to the City. They will consider additional opportunities to further expand their services; however, the decision will be based on having a mutually beneficial opportunity and will be separate from the banking services contract.
4. No relocation of a current banking service from another part of the City, or removing a banking service from another part of the city in place of the two new locations.	The bank agreed adhered to this request.	The bank agreed adhered to this request.	The bank agreed adhered to this request.