



# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

# R-15

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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](http://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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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:**

  
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PATRICK H. WEST  
CITY MANAGER