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Title: Award a two-year contract with the option for two one-year extensions for banking services to Bank of America, N.A. (Bid File 9412)

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Attachments: 1. Discrimination Evaluation Attachment 1.pdf

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REPORT TO THE CITY COUNCIL

June 14, 2018

FROM: MICHAEL A. LIMA, Controller/Finance Director/(ex-officio)Treasurer
Finance Department

BY: CORRINA BARBARITE, Treasury Officer
Finance Department

SUBJECT

Award a two-year contract with the option for two one-year extensions for banking services to Bank of America, N.A. (Bid File 9412)

RECOMMENDATION

Staff recommends that City Council authorize the Controller or designee(s) to execute a two-year contract with the option for two one-year extensions to Bank of America, N.A to provide banking services to the City of Fresno as outlined in the Request for Proposal issued by the City (Bid File 9412).

EXECUTIVE SUMMARY

The City of Fresno (City) currently has an agreement with Bank of America for banking services. A Request for Proposal (RFP) was issued for banking services on August 3, 2017. Five banks

submitted proposals, which were opened on September 29, 2017. A Review Committee (Committee) was formed to evaluate the proposals and recommended the award of five year contract with two one-year extensions to Bank of America. Council rejected that recommendation on March 8, 2018. On March 22, 2018, Council approved a three-month extension of the current agreement. At the same time, Council provided direction to request from each respondent additional information regarding discrimination settlements, discrimination remediation efforts, and community reinvestment activity. The requested information was received on May 1, 2018. After the Committee reconvened to evaluate the additional information, it concluded that Bank of America produced the strongest response to the additional information request. Upon consideration of the additional information with the original submissions, the Committee recommended that a contract for banking services be awarded to Bank of America. In an effort to address both Council concerns and organizational efficiency, staff is recommending award of a two year contract with two one-year extensions. The pricing that Bank of America is offering for this recommended contract is the same as they proposed for the five year with two one-year extensions contract. Thus, approval of this recommendation is estimated to reduce the City's annual banking services expenses by \$72,000 (41%).

BACKGROUND

The City maintains approximately fifty bank accounts, each essential for a specific purpose, through which hundreds of millions of dollars flow every year. As a large government entity, the City has extensive and complex banking service requirements. The City requires banking services to process coin, currency, check, wire and Automated Clearing House (ACH) deposits. For disbursements, the City issues Payroll direct deposits, paycards, Accounts Payable ACH payments and checks, as well as debit wire transfers. In addition to normal daily banking services, the City looks to its banking services provider for expertise and assistance in reducing exposure to fraud, as well as suggesting services to enhance the City's customer service and streamline processes.

The City's contract for banking services was initially scheduled to expire on March 31, 2018. An RFP was issued for banking services on August 3, 2017. Nine RFP's were distributed to prospective proposers. Five banks submitted proposals, which were opened on September 29, 2017. The proposers were Bank of America, Bank of the West, JP Morgan Chase Bank, MUFG Union Bank, and Wells Fargo Bank.

A seven-person committee was formed to review the proposals including staff from the Finance Department, the Department of Public Utilities (DPU), and City of Clovis' Finance Department. Upon evaluating the responses in the context of the requirements detailed in the RFP (with particular emphasis placed on the services offered by each respondent), the Committee recommended that a five year with two one-year extensions contract be awarded to Bank of America.

The Council rejected the Committee's recommendation on March 8, 2018, and directed staff to enter into a nine-month transition agreement with Bank of America. Five days later, Bank of America notified City staff that they would only entertain a three-month transition agreement. On March 22, 2018, Council approved a three-month transition agreement. Council also directed that staff obtain additional information from the respondents regarding discrimination claim settlements, efforts made to remediate discrimination practices, and Community Reinvestment Activity (CRA) in Fresno.

On May 1, 2018, the City received the requested information from all the respondents except Bank of the West. The Committee reconvened to evaluate the responses. A summary of the discrimination claim settlement and efforts made to remediate discrimination practices responses can be found on Attachment 1. In short, the Committee believed that Bank of America's reply highlighting its efforts to address the cases that Council noted in the March 8th meeting was the strongest of the responses.

The Committee also believed that Bank of America had the best response to the question of how they had changed company practices in order to remediate discrimination issues and promote diversity. In the area of CRA, the Committee noted that the responses varied greatly between the respondents in terms of what they reported and the geographic area for which they reported their CRA efforts. Given this variation, the Committee focused on the number of branches in Fresno. This metric was chosen because the Committee believed that the number of branches is a strong indicator of the economic commitment that a bank has made to a community through the jobs and banking opportunities it provides. Of the respondents, Bank of America has the most branches within Fresno's city limits: 13, which provide 180 jobs to residents in Fresno and its environs.

After factoring this new information with the material that was previously provided in earlier phases of the RFP process, the Committee reaffirmed its recommendation that Bank of America be awarded a five year with two one-year extensions contract. The Committee also recognized that, given Council concerns, a contract of a shorter duration might be more acceptable to Council. Upon discussing the minimum term that would address Council concerns while still both maintaining all services being provided to the City and maximizing the potential cost savings, the Committee recommended that Bank of America be awarded a two year with two one-year extensions contract.

Bank of America has indicated that either contract option is acceptable to them. They have also indicated that they will offer the same pricing for both contract options. At the City's current activity levels, it is projected that the recommended contract will cost the City \$102,200 annually. For comparison purposes, the pricing under the City's current contract with Bank of America results in an annual cost of about \$175,000. Thus, this new contract is expected to reduce the expense for banking services by approximately \$72,000, or 41%, annually.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act Guidelines Section 15378, this item does not qualify as a "project" and is therefore exempt from the California Environmental Quality Act requirements.

LOCAL PREFERENCE

Local preference was not considered because all the proposers have at least one branch within the City of Fresno.

FISCAL IMPACT

The City currently pays approximately \$175,000 annually for banking services. This figure is net of the earnings credit. The pricing of the new Bank of America proposed Agreement will result in an annual cost of approximately \$102,200 net of the earnings credit, creating a projected annual savings of \$72,000, or 41%.

Attachments:

Discrimination Information Response Summary (Attachment 1)