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Title: Approve a 90 day extension to the Government Banking Services Agreement with Bank of America, N.A.

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REPORT TO THE CITY COUNCIL

March 22, 2018

FROM: MICHAEL LIMA, Finance Director
Finance Department

SUBJECT

Approve a 90 day extension to the Government Banking Services Agreement with Bank of America, N.A.

RECOMMENDATION

Staff recommends that City Council authorize the Controller or designee(s) to execute a 90-day Government Banking Services Agreement with Bank of America, N.A.

EXECUTIVE SUMMARY

The City of Fresno (City) currently has an agreement with Bank of America for banking services, which is scheduled to expire on March 31, 2018. On March 8, 2018, staff brought to Council a recommendation to award a five-year (with two 1-year extensions) to Bank of America. The recommendation was the result of a Request for Proposal (RFP) process that began in August 2017. Council rejected staff's recommendation and authorized staff to enter into a nine-month agreement with Bank of America as a bridge agreement while another banking services RFP process is conducted. Bank of America has indicated they would be willing to sign only a 90-day agreement.

Without some agreement by March 31, the City of Fresno would not be able to process payments (other than those issued before March 31) to vendors or employees, nor be able to receive monies from customers or other governmental entities.

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.

The City's current contract for banking services expires on March 31, 2018. An RFP was issued for banking services on August 3, 2017. Five banks submitted proposals, which were opened on September 29, 2017. A seven-person committee was formed to review the responses. The committee evaluated the responses based on the services and the pricing offered. Based on the review of the services, the committee narrowed down the selections to Bank of America and Wells Fargo. The committee then negotiated with both finalists on the prices they offered. Based on the combination of services and prices offered, the committee determined that Bank of America had the most effective and efficient mix of services and price.

On March 8, 2018, staff brought the committee's determination to Council, along with a recommendation to award a five year (with two 1-year extensions) to Bank of America. Council rejected staff's recommendation on the grounds that Bank of America had engaged in discriminatory lending practices, as evidenced by settlements that Bank of America had paid for discrimination claims. When reminded that the current banking services agreement would expire on March 31st, Council directed staff to enter into a nine-month banking services agreement with Bank of America as a bridge agreement while staff found another bank to provide banking services.

On March 13, 2018, Bank of America staff notified City staff that they were not interested in entering into a nine-month agreement with the City. They would agree to enter into a 90-day extension to the current agreement, at which point they would evaluate whether to enter into further agreements with the City.

As it is impossible to conduct another banking services procurement process within 90 days, staff recommends that Council authorize staff to enter into a 90-day extension with Bank of America for banking services. If this extension is not authorized, the City will be unable to receive cash, check, or credit/debit card payments from customers and other governmental entities. Additionally, the City will be unable to issue any payments to vendors or employees, including paychecks. However, Bank of America is required to keep enough funds in the City's account to cover any uncashed payments which were issued before March 31 even if the current agreement expires.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act Guidelines Section 15378 this item does not qualify as a "project" as defined by the California Environmental Quality Act.

LOCAL PREFERENCE

Local preference was not implemented because this is an amendment to an existing agreement.

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 90-day contract with Bank of America would remain the same as the City is currently paying.