



Office of the City Manager

CONSENT CALENDAR
July 14, 2020

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Henry Oyekanmi, Director, Finance
Subject: Contract No. 9367 Amendment: Banking Services with Wells Fargo Bank

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to continue the work of unbundling the banking services with Wells Fargo and exercise the final three-year option period to extend Contract No. 9367 with Wells Fargo through May 31, 2023, in the amount of \$3,107,500 for a total of ten (10) year contract amount not to exceed \$10,356,000. This is to ensure business continuity and allow adequate time to continue pursuing the effort to determine alternative banking and related services solutions.

CURRENT SITUATION AND ITS EFFECTS

On April 25, 2017 the City Council approved a one-year extension of the Wells Fargo contract number 9367 for banking and related services. Contained in the [Information Report 4/25/17 Banking Services](#) submitted to City Council was a solicitation schedule proposed by staff to address the unbundling of services currently provided by Wells Fargo. The intent was to identify service elements that could be carved-out of the scope, bid out, and quickly transitioned to an alternate financial institution without disrupting the general financial services on which the City relies for its day-to-day financial operations.

As the work of unbundling has progressed, it has become apparent that there are a number of complex issues to be addressed, and the original timeline is not feasible.

In the summer of 2017, and upon direction from City Council, Finance department staff began working with the Mayor's Responsible Banking Task Force to begin planning for the Procurement Credit Card (P-Card), Armored Courier Service, Merchant Services and General Banking requests for proposals (RFP), and to develop submission requirements and selection criteria against which to assess RFP respondents' history of ethical (or unethical) business practices and social responsibility.

Procurement Credit Card/P-Card

Banking Task Force members were provided copies of RFPs for P-Card Services issued by the State of California and Alameda County. The contracts resulting from these RFPs contain cooperative purchasing provisions that would allow the City of Berkeley to "piggyback" to receive services and negotiated prices, terms and conditions without

conducting its own RFP. The Banking Task Force determined that neither the state nor county's RFPs included the specific criteria that council included in its May 2017 resolution and that the social responsibility claims of the company awarded the contracts – US Bank in both cases – could not be verified. It was further determined that the RFP for Armored Courier Services would be issued with the newly developed social responsibility language, submission requirements and selection criteria prior to the RFP for P-Card Services.

The RFP for P-Card services was initially supposed to be released in April 2018 with the social responsibility language, submission requirements and selection criteria developed by the Banking Task Force. Prior to releasing this RFP, the efforts to implement the new financial system ramped up. Phase 1 of this implementation was 'requisition-to-pay', with P-cards being slotted for phase 2. Numerous issues arose with the transition to the new ERP system which impacted the project timeline. The schedule is now revised to: phase 2 - payroll in July 2020, phase 3 - ARGB in July 2021, and phase 4 - P-card in January 2022.

Armored Courier Services

RFP No. 17-11144-C for Armored Courier Services was released to the public on October 23, 2017. Six companies serving the California market were identified and notified of the RFP, but only one company responded. The one response was vetted and evaluated by Staff, with participation of Banking Task Force members, and found lacking in specificity, especially in the area of social responsibility where the company ignored nearly all pertinent questions on the topic.

Staff spent several weeks canvassing non-respondents to determine why they did not participate in the City's RFP process. Feedback included: inability to meet City's service schedule at a competitive price; inability to make same day deposits; and notice did not reach the right person. Staff, with support of Banking Task Force members, decided to reject the one offer received and reissue the RFP for Armored Courier Service in April 2018. The reissued RFP yielded one respondent (Dunbar) who was awarded the contract but was subsequently bought out by Brinks, who was the prior incumbent service provider.

Merchant Services

The City is in the process of finalizing the schedule for phase 3 – ARGB implementation of the ERP system. Implementation is scheduled for July 2021. Once the implementation is completed, the City will commence with an RFP for Merchant services.

General Banking

The City Council previously authorized the implementation of a new Enterprise Resource Planning System ("ERP") system so as to improve business processes, gain efficiencies, simplify, and standardize use of City systems with a comprehensive ERP. The core financial components are projected to be fully functional in Fiscal Year 2022. Core

financial components should be substantially complete prior to the migration of banking services from Wells Fargo to another financial institution since data migration will be required based on the results of the solicitation process. A solicitation process in collaboration with the Banking Task Force is scheduled to begin on or about July 1, 2021. This would allow for sourcing, selection and implementation by the end of calendar year 2022, and outgoing transition requirements (for example, accounts must remain open for 9 to 12 months to allow for all transactions to terminate with the originating bank) through May 31, 2023. Resolution No. 66,106 dated May 7, 2013 authorized the City Manager to enter into a contract (#9367) with Wells Fargo Bank for banking and related services for a period of four (4) years for a not to exceed amount of \$4,142,000 with the option to extend the term for two additional three (3)-year periods, and to expend funds up to the not-to-exceed amount of \$10,356,000 for the entire ten (10) years. This is to exercise the final option of a three-year period of extension in the amount of \$3,107,500.

POSSIBLE FUTURE ACTION

Community Banks/Credit Unions

In furtherance of carving out segments of the City's banking services with Wells Fargo, the City is completing the process of investing in all credit unions located in the City of Berkeley. There are five (5) Credit Unions located in the City of Berkeley. The City is in the process of contacting each of them to conduct an initial assessment of their products that will allow the City to invest in their investment instruments. Prior to COVID-19, the City staff met with First United Credit Union, and staff will resume the meetings with the rest of the credit unions in Berkeley after shelter-in-place is lifted. This effort is to assist the local businesses that are serving the local community, which is one of the goals of the Mayor's Banking Task Force. The City will be investing the maximum FDIC allowable insured amount of \$250,000 in each credit union.

ENVIRONMENTAL SUSTAINABILITY

The City by adding the Social Responsibility Banking criteria demonstrates, directly and through its contractors, a commitment to having a positive impact on the environment.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

There are fiscal and operational impacts in implementing a disaggregated approach to banking services. The carving out of services has led to an increase in staff resources and cost. The lump sum price that the City enjoyed for having a complete banking service package with Wells Fargo Bank will increase. The City will need to negotiate rates or look for other options to reduce the fiscal impact. There continues to be additional staff time in order to further disaggregate services and solicit bidders. Once re-solicited, implementation will also require additional resources as the City moves assets to a new Bank that will provide day to day services. The City is considered a level 2 Merchant; level 2 Merchants are merchants with more than one million to six million total credit card transactions annually. This level of activity means the City has extensive financial needs and requirements. These requirements need to be analyzed and all risk mitigated prior to, during and after implementation.

Banking Services with Wells Fargo Bank

ACTION CALENDAR
July 14, 2020

CONTACT PERSON

Henry Oyekanmi, Director, Finance, 981-7326

ATTACHMENT

1. Resolution

RESOLUTION NO. ##,###-N.S.

CONTRACT NO. 9367 AMENDMENT: BANKING SERVICES CONTRACT WITH
WELLS FARGO BANK, N.A. FOR BANKING SERVICES

WHEREAS, on May 7, 2013 by Resolution No. 66,106-NS, City Council authorized the execution of a contract with Wells Fargo Bank for the provision of banking services; and

WHEREAS, on June 17, 2017, the City amended the contract for one additional year for a not to exceed amount of \$5,177,500; and

WHEREAS, on May 25, 2018, the City amended the contract for two additional years for a not to exceed amount of \$7,249,000.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to exercise and execute the last three (3) year option of the current agreement for a total of ten (10) years contract amount not to exceed \$10,356,000 through May 31, 2023.

