



## **CITY COUNCIL AGENDA REPORT**

**MEETING DATE:** 6/20/2023

**DEPARTMENT:** Finance

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### **SUBJECT:**

AWARD OF CONTRACT FOR BANKING SERVICES

### **RECOMMENDED ACTION(S):**

1. Approve the selection of U.S. Bank National Association to provide banking services; and
  2. Authorize the Mayor to sign, and the City Clerk attest, the Agreement with U.S. Bank National Association.
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### **EXECUTIVE SUMMARY:**

The City currently uses U.S. Bank National Association (“U.S. Bank”) for general banking services and has since 1997. The term of the City’s contract with U.S. Bank, the bank that currently provides banking services, is set to expire on June 30, 2023. Per the Financial Management and Budgetary Policy, the City may retain the services of a bank selected via a competitive public request for proposal process for a period of up to ten years. The current services were procured via a competitive request for proposal in April 2018. Staff recommends entering into a new three-year Agreement for Banking Services (“Agreement”) with two optional one-year extensions. The proposed Agreement would enable the City to retain the services of U.S. Bank for the allowable period of up to ten years, at the end of which the City would issue a Request for Proposal for the selection of a bank to provide banking services. The proposed Agreement would update the scope of services and update banking rates. Sufficient funds have been included in the proposed 2023-2025 Operating Budget to cover the net sum of bank charges and fees not covered by earnings credits

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### **BACKGROUND:**

In February 1997, the City contracted with National Bank of Southern California for banking services. Shortly after, National Bank of Southern California merged with Southern California Bank. U.S. Bank National Association (“U.S. Bank”) has provided banking services to the City since its latest merger with Southern California Bank in March 2000.

The City periodically conducts a competitive request for proposal (“RFP”) process in the selection of the bank for banking services. This practice allows the City to procure and select a qualified banking services provider that meets the current needs of the City and offers competitive pricing. Per the Financial Management and Budgetary Policy (“Policy”), a competitive RFP process shall be conducted prior to the end of the ten years following the previous RFP process. Typically, conducting an RFP process for banking services would commence at the beginning of the tenth year of services, which would allow a minimum of nine months to transition the City’s banking services to a new provider, should a different bank be selected.

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## **DISCUSSION:**

U.S. Bank currently provides the City’s banking services under an agreement approved by the City Council on June 5, 2018 based on a competitive Request for Proposal process from April 2018 (“Original Agreement”) (Attachment 1). The Original Agreement included an initial three-year term with two optional one-year extensions. On June 15, 2021, the City Council approved the First Amendment to the Original Agreement with U.S. Bank, which exercised the first optional one-year extension (Attachment 2). On May 19, 2022, the City Council approved the Second Amendment to the Original Agreement with U.S. Bank, which exercised the second optional one-year extension under the Original Agreement (Attachment 3).

Under the current contract, U.S. Bank provided satisfactory customer service for the City’s general banking services such as an operating account and a zero-balance account for payroll. U.S. Bank also provides a positive pay system to prevent check fraud, ACH fraud, and a monthly account analysis report that includes information on the average daily cash balance, average daily float, earnings allowance, and transaction volumes and prices. Staff is very satisfied with the vendor’s performance to date, as exemplified in Table 1 below:

*Table 1: U.S. Bank Performance Review*

<b>U.S. Bank Performance Review July 1, 2018 – June 9, 2023</b>	
<b>Category</b>	<b>Unsatisfied - Very Satisfied</b>
Performance of Scope of Services	<input type="checkbox"/> Unsatisfied <input type="checkbox"/> Satisfied <input checked="" type="checkbox"/> Very Satisfied <input type="checkbox"/> N/A
Timeliness	<input type="checkbox"/> Unsatisfied <input type="checkbox"/> Satisfied <input checked="" type="checkbox"/> Very Satisfied <input type="checkbox"/> N/A
Budget Performance	<input type="checkbox"/> Unsatisfied <input type="checkbox"/> Satisfied <input checked="" type="checkbox"/> Very Satisfied <input type="checkbox"/> N/A
Customer Service	<input type="checkbox"/> Unsatisfied <input type="checkbox"/> Satisfied <input checked="" type="checkbox"/> Very Satisfied <input type="checkbox"/> N/A

To maintain uninterrupted financial services and keep current pricing for the next proposed term, staff recommends the approval of the proposed Agreement for Banking Services with U.S. Bank (Attachment 4). The proposed Agreement would update the scope of services of the Original Agreement to better align the services to the City's needs following the recent implementation of an Enterprise Resource Planning ("ERP") finance system software.

Most of the bank fees have remained the same since 1997, even though the volume of the City's operations increased. Fees may vary based on the City's interest earnings on deposit each month as interest earnings are used to offset fees. One notable change in the proposed Agreement is an increase in the City's earning credits rate from 1% to 1.75%. The earnings credit rate ("ECR") is the rate at which the City earns interest for deposits that occur each month in an account. The amount credited to the City's account each month may offset the charges and fees for banking services incurred during the month by the City.

If approved, the Agreement would carry a three-year term with the option of two one-year extensions. U.S. Bank will maintain the current pricing and increase the City's earnings credit rate. The proposed Agreement was prepared by the Finance Department, reviewed by City Attorney's Office, and approved as to form.

The proposed Agreement would enable the City to retain the services of U.S. Bank for the allowable period of ten years through FY 2027-28. Should the City Council approve the Agreement, staff anticipates issuing a Request for Proposal in July 2027. Staff intends to conduct the procurement process at the beginning of FY 2027-28, the tenth year of services, to allow sufficient time to conduct a competitive RFP process and a potential transition to a new banking services provider.

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## **FISCAL IMPACT:**

Sufficient funds have been budgeted in the proposed 2023-2025 Operating Budget to cover the net sum of bank charges and fees not covered by earnings credits.

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## **ATTACHMENTS:**

1. Original Banking Services Agreement with U.S. Bank
2. First Amendment to Original Banking Services Agreement
3. Second Amendment to Original Banking Services Agreement
4. Proposed Banking Services Agreement with U.S. Bank

Initiated By: Nidia Ruelas, Management Analyst  
Submitted By: Kevin Shirah, Director of Finance/City Treasurer  
Approved By: Debra Rose, City Manager