



ERIC GARCETTI
MAYOR

June 2, 2017

The Honorable Members of the Budget and Finance Committee
City Clerk
City Hall, Room 395
Attention: Richard Williams

APPROVAL TO EXECUTE FOURTH AMENDMENT TO CONTRACTS FOR CITY GENERAL BANKING SERVICES

Dear Honorable Members,

The Office of Finance (Finance) requests approval to execute the attached proposed Amendments to Contract C-114826 and Contract C-114564 with Wells Fargo Bank, N.A. (Wells Fargo Bank). In accordance with Los Angeles Administrative Code Section 10.5 (a), City Council approval of the proposed amendments is required because the cumulative term of the contracts exceeds three years. The purpose of these Amendments is to extend services until June 30, 2018, exercising the final year of a ten year agreement to provide general banking services to City departments.

BACKGROUND

The two contracts for amendment resulted from a Request for Proposal (RFP) process released by the Office of the Treasurer in February 2008. Wachovia Bank and Wells Fargo Bank were the successful bidders and contracts were executed in July 2008 with these banks: Contract No. C-114564 with Wachovia Bank and Contract No. C-114826 with Wells Fargo Bank. Wells Fargo Bank acquired Wachovia Bank in late 2008, and continued to provide bank services pursuant to the terms and conditions of the original Wachovia agreement. The initial term of the agreements was for a five-year period with an option to extend the agreements with five one-year options. These proposed amendments would exercise the final extension option.

Services

Bank services for the Department of Water and Power, Department of Recreation and Parks, and the Library Department are provided pursuant to Contract No. C-114826. Bank Services for all other City departments were originally provided by Wachovia Bank pursuant to Contract No. C-114564. In total, 40 City departments directly utilize banking services under these agreements, including the proprietary departments.

Under the terms of the agreements, Wells Fargo Bank provides general banking services.

These services include maintaining over 800 depository accounts, disbursement services (nearly 460,000 checks are issued annually), Electronic Funds Transfer (EFT) services (approximately \$42 billion in EFT transactions are processed annually), cash vault services (an average of \$46,335,216 is deposited annually), direct deposit and payroll tax processing, lockbox services, armored courier services, Payment Card Industry compliance validation services, and merchant processing services.

Through the Wells Fargo agreement, the City receives services directly from Elavon Inc. (Elavon) for merchant services, Garda and Brinks for armored courier services, and Trustwave for Payment Card Industry compliance validation services.

Diagram of Services and Providers Under City Banking Services Agreement



Chart of Fiscal Year 2016-17 Estimated City Payments by Banking Service

Banking Services	Wells Fargo	\$3,857,400
Merchant Processing	Wells Fargo	\$3,946,600
	Elavon	\$9,801,600
Armored Car	Brinks/Garda	\$89,051
PCI Validation	Trustwave	\$437,853
	Total	\$18,132,504

Approximately \$18.1 million in bank service payments are estimated to be expended by the City for Fiscal Year 2016-17, approximately \$7.8 million of which is anticipated will be paid to Wells Fargo with the remaining \$10.3 million going to third party providers.

Banking Services Criticality

As the above information on City banking services indicates, it is critical to the operations of the City to maintain banking services continuity. Approximately \$50 billion in financial transactions are processed through Wells Fargo Bank. Critical daily activities include investment wire settlements, debt payments, vendor payments, payroll transactions (including tax payments, benefit, and employee organization payments) for both active and retired City employees, and revenue collections from both cash deposits and electronic transfers from other agencies. City banking services go well beyond a savings and checking account. Banking services are tightly integrated to the financial working of the City with almost every City department impacted on a regular basis through some form of bank transaction. Monies do not come in or go out without banking services and the City's financial systems do not work without integration with banking systems. Business processes and technologies are intertwined throughout the City as numerous decentralized financial payables and receivables systems have each established their own integrations with banking technologies and services.

REQUEST FOR PROPOSAL

In anticipation of the expiration of the ten year banking services agreement with Wells Fargo Bank in 2018, Finance is preparing a Request for Proposal (RFP) for banking services expected to be released in the ensuing months.

The City's 2008 Banking Services RFP was all inclusive of virtually every financial service offered by the City Treasurer including positive pay, controlled disbursement, returned items processing, image capture, lockbox, merchant card processing, custody services, investment services, electronic receipt and payment platforms, purchasing cards, and payroll cards. Finance will be looking to obtain some, but not all of the aforementioned services through the RFP process. Finance will also balance the best pricing terms with the best service delivery models for bank services. In preparing the RFP, Finance will acknowledge and place an emphasis on the City's desire to ensure it obtains a financial institution as a partner that has a demonstrated corporate social responsibility in serving communities and its private citizens, respects diversity and culture, and responsibly supports community economic growth.

Pursuant to the instructions adopted by Council, Finance will be taking a new approach and incorporating various new measures and requirements recommended for inclusion in the RFP:

Responsible Banking Ordinance

Council instructed (C.F. 09-0234-S3) the City Attorney to amend the Responsible Banking Ordinance (RBO) to add the promotion of responsible consumer banking as one of the core purposes of the RBO and to include whistleblower protection as a requirement. The City Attorney transmitted a draft ordinance (C.F. 09-0234-S3) including these requested measures and compliance with consumer financial protection laws on May 11, 2017.

Responsive bidders will be required to comply with the City's RBO, including any adopted amendments.

Contract Termination

Council instructed (C.F. 16-1126) the City Administrative Officer (CAO) to report on terms for future contracts with financial institutions that provide the City with remedial actions against contractors that violate banking regulations. The CAO's report, dated June 1, 2017, recommends that existing bank contract termination language be augmented to include contractor liability for costs incurred by the City as a result of contractor replacement. Additionally, the CAO recommends inclusion of a disclosure requirement wherein contracted financial institutions must notify the City of any regulatory actions taken against the contractor.

RFP Timeline

Pending inclusion of any new requirements requested by the Council and legal review by the Office of the City Attorney, Finance should be poised to release an RFP for banking services focused on depository and related services by the end of this summer. The award and contract negotiation and development process is estimated to take approximately six months. In the event of contract award to a new vendor, an estimated minimum six month service transition process will occur. Note that some services may take longer to transition due to technical complexities, City funding or staffing requirements.

FISCAL IMPACT

Funding for these services is provided in the Fiscal Year 2017-18 Adopted Budget.

RECOMMENDATIONS

The Office of Finance respectfully requests that the City Council authorize the Director of Finance to execute Amendment No. 4 to Contract No. C-114826 and Amendment No. 4 to Contract No. C-114564 with Wells Fargo Bank for banking services, subject to final review as to form by the Office of the City Attorney.

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If you require any further information regarding this request, please contact Todd Bouey, Assistant Director of Finance, at (213) 978-1776.

Respectfully,

A handwritten signature in cursive script that reads "Claire Bartels".

Claire Bartels
Director of Finance / City Treasurer

Attachment

cc: Matt Szabo, Office of the Mayor (w/o attachments)
Richard H. Llewellyn, Interim City Administrative Officer