



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: APRIL 24, 2018**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
**SUBJECT: FIRST AMENDMENT TO BANKING AND MERCHANT SERVICES AGREEMENT
WITH BANK OF AMERICA**

ISSUE:

Approval of a First Amendment to the Banking and Merchant Services Agreement with Bank of America.

RECOMMENDATIONS:

That the City Council:

1. Approve a First Amendment to the Banking and Merchant Services Agreement with Bank of America authorizing a one-year extension; and
2. Authorize the City Manager, or his designee, to execute the First Amendment to the Banking and Merchant Services Agreement with Bank of America, including making minor and non-substantive changes.

BACKGROUND:

The City has relationships with multiple financial institutions to provide banking services, investments, lines of credit and loans, and merchant services. The City has a fiduciary responsibility to handle the public's money according to state and federal laws and local policies. The City is responsible for over \$600 million across various accounts and may move several million dollars on any given day.

On April 23, 2013, the City Council approved a Banking and Merchant Services Agreement (Agreement) with Bank of America for a five-year term of service with the option to extend the agreement in one year increments up to an additional three years.

The RFP outlined a series of required services as well as a list of optional services, some of which the City now utilizes, and others which the City may wish to utilize in the future. The RFP asked for a description of the bank's approach to providing these services and their fees and methods of compensation for doing so. Information regarding each bank's financial condition, related experience and commitment to the local community was also requested.

The City received a total of seven proposals from the following institutions: Bank of America, US Bank, Union Bank, Wells Fargo Bank, Bank of the West, Chase Bank, and BBVA Compass Bank. After a thorough review of the proposals, with an emphasis on ability to provide basic banking services, fee structures for banking services, related experience in providing like services to public sector agencies within California and the region, as well as the ability to access short-term credit with favorable terms, staff recommended that the City enter into a corporate account agreement with Bank of America for the provision of banking services.

DISCUSSION:

The current Agreement for banking and merchant services is due to expire on April 30, 2018. The City continues to receive excellent customer service and a continued commitment by Bank of America to provide high quality service while ensuring all City needs are met, and wishes to exercise a one-year extension to the current Agreement for the same pricing terms.

Core banking services are typically provided by a single depository bank, and include those services that a government agency may deem as integral to supporting its daily cash management operations. For the City, core services include, but are not limited to:

- Accounts that are accessible via a branch within the City limits;
- Accounts that are interest-bearing with overnight investment sweep;
- Electronic Services, including balance and transaction-reporting services, stop payments, electronic fund transfers (EFT), digitized storage of paid checks and statements, stale date check management, and access to safekeeping/custodial information;
- Security features, including positive pay services, bank account reconciliation services, and Automated Clearing House (ACH) blocking/filtering capabilities; and
- Cash management services, including lockbox services, credit card receipt merchant services and safekeeping custody arrangements.

The City has maintained a long- term, successful relationship with Bank of America extending to many of its various financial dealings. Pricing has remained unchanged for the optional one-year extension. Staff believes it is our strong relationship with Bank of America that has allowed their continued aggressive pricing on this specific service with the City of Riverside.

FISCAL IMPACT:

The fiscal impact associated with this Agreement include both banking fees and merchant services fees, which remain consistent and unchanged from the original Banking and Merchant Services Agreement. The amount ultimately paid under the terms of the Agreement is based on the volume of transactions and services received. Additionally, the proposal enables staff to generate earnings credits based on the amount of funds held at Bank of America such that monthly banking fees are virtually eliminated altogether. Merchant services fees average \$1.1 million annually and are allocated to the benefitting City departments and budgeted in their respective operating budgets each year; approximately 85% of these fees are allocated to RPU.

Prepared by: Edward Enriquez, Assistant Chief Financial Officer/Deputy Treasurer
Certified as to
availability of funds: Adam Raymond, Chief Financial Officer/City Treasurer
Approved by: Marianna Marysheva, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachment: First Amendment to Banking and Merchant Services Agreement with
Bank of America