



ERIC GARCETTI
MAYOR

September 14, 2018

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

**APPROVAL TO EXECUTE FIFTH AMENDMENTS 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 between the City and 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 the agreements until June 30, 2019 with an option to extend for an additional year, in two six-month increments, through June 30, 2020. The extensions are necessary to evaluate the proposals received from the Bank Services Request for Proposal (RFP), obtain approvals to negotiate contracts with the recommended banks, complete negotiations and prepare agreements, and transition all of the City accounts from Wells Fargo's platform to the new banks. The current agreements expired on June 30, 2018. The contracts provide general banking services to City departments.

BACKGROUND

The two contracts for amendment resulted from a Request for Proposal (RFP) released by the Office of the Treasurer in 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. Bank services for the Department of Water and Power, Department of Recreation and Parks, the Library Department, and the Los Angeles Zoo 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. 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. The last extension option was exercised in 2017.

The proposed amendments extend the service period for an additional year beyond the original ten-year term with an option to extend for an additional year in two six-month increments. Wells Fargo Bank requested the opportunity to revisit the pricing and fees after the first year, and amend the price terms, with mutual agreement by the City, if needed.

The terms and conditions of the agreements require Wells Fargo Bank to provide general banking services, which include maintaining over 800 depository accounts for all City departments, processing Electronic Funds Transfer transactions (approximately \$50 billion in EFT transactions are processed annually), providing direct deposit, payroll tax processing, lockbox, and cash vault services.

Finance released an RFP for bank services on January 5, 2018. Responses to the RFP were received from eight (8) financial institutions on April 18, 2018. The submissions are currently under review by an evaluation committee.

It should be noted that Wells Fargo Bank did not submit a response to the RFP. However, Wells Fargo Bank has reaffirmed its commitment to the effective management of the City's banking services to allow for a smooth transition of services to a new bank services provider(s).

Finance received Wells Fargo Bank's proposed contract amendment terms and a revised pricing schedule in mid-May, 2018. Finance has been reviewing and negotiating some of the amended terms and pricing since then and recently reached an agreement for the proposed terms for the ensuing amendments. The Office of the City Attorney has reviewed and approved the amendments as to form and content.

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TIMELINE

The timeline below illustrates the anticipated timeframe and major milestones to complete the RFP, award review and approval, contract negotiation, and implementation and testing to transition to new banks:

<div>MILESTONE</div>	<div>ESTIMATED COMPLETION DATE</div>	<div>Wells Fargo Contract Period</div>
<div><u>Evaluation</u></div> <div> <div>◆Complete Phase One Review</div> <div>◆Complete Phase Two Review</div> <div>◆Interviews/Presentations</div> <div>◆Internal Review Award Recommendation</div> <div>◆Award Notification</div> <div>◆Award Protest Period</div> </div>	<div><u>10/11/2018</u></div>	<div>Wells Fargo One Year Extension</div>
<div><u>Award Approval</u></div> <div> <div>◆ Mayor - Executive Directive 3 Review</div> <div>◆ Office of the City Administrative Officer Report</div> <div>◆ Budget and Finance Committee Scheduling and Consideration</div> <div>◆ Council Consideration and Approval</div> </div>	<div><u>12/14/2018</u></div>	
<div><u>Contract Negotiation and Execution</u></div> <div> <div>◆Finance and Banks Review Terms and Service Level Agreements</div> <div>◆ Banks' Counsel and Office of the City Attorney Review</div> </div>	<div><u>4/20/2019</u></div>	
<div><u>Implementation & Testing</u></div> <div>◆Relationship reviews, account set-ups, data exchange and testing, establish disbursement activity</div>	<div><u>10/20/2019</u></div>	<div>2nd Year Option (two 6-month extensions)</div>
<div><u>Migration to New Banks</u></div> <div> <div>◆Go Live with New Banks</div> <div>◆Migrate all Services to New Banks</div> </div>	<div><u>10/30/2019</u></div> <div><u>3/15/2020</u></div>	

Finance received eight proposals, of which three were deemed non-responsive. A review committee is evaluating the remaining five proposals. Finance anticipates that it will take at least the first quarter of FY 2018-19 to complete the RFP evaluation process, which would include completing Phase One review (customer service, financial strength, pricing, and adequacy of the proposed product services), completing Phase Two (social

responsibility elements), and conducting presentations and interviews. The time period also allows for a protest and appeal process, if necessary.

The timeline factors in the reviews by the necessary parties. As Finance has limited control over the approval review processes, we have estimated the length of time based on prior banking contract review timeline.

Contract negotiations with the selected proposer(s) will commence once the authority to execute a contract award is finalized by the Council. Finance and the bank's respective relationship team will make every effort to complete negotiations quickly, however, it is difficult to determine at this time if contract negotiations will be protracted due to unforeseen service agreement conditions. Finance's experience in negotiating contractual agreements with financial institutions indicate it may take anywhere from three (3) to six (6) months to complete the contract negotiations. Accordingly, Finance included about four months in the timeline for these negotiations.

Finance anticipates it can begin implementing and testing the migration of accounts from the Wells Fargo platform to the new bank(s) platform by the fourth quarter of FY 2018-19. The expediency for migrating to a new service provider depends on the number of banks with which the City will partner, and more importantly, the ability of City departments to be available and responsive to Finance and the banks during the testing and implementation process. Additionally, the migration will require coordinated efforts between City client departments, as well as the Information Technology Agency and the Office of the Controller in establishing new accounts and migrating services.

FISCAL IMPACT

There is no fiscal impact to the General Fund. Funding was appropriated in the department's Fiscal Year 2018-19 Bank Service Fees Account (Department 39, Account 4040) and is available to pay for the services described in these amendments. Finance reviewed the proposed Fee schedule and can maintain its bank service fees within the appropriation expenditure limits and will monitor the monthly service charges and report back to the Council through the Financial Status Reports on any significant changes in the expenditures from Account 4040.

RECOMMENDATIONS

The Office of Finance respectfully requests that the City Council:

- 1) Authorize the Director of Finance, or designee, to execute amendments to Contract No. C-114826 with Wells Fargo Bank for banking services, to extend the term for an additional two years in one one-year increment and two six-month increments so long as all other terms and conditions remain the same subject to final approval as to form and legality by the City Attorney; and,
- 2) Authorize the Director of Finance, or designee, to execute amendments to Contract No. C-114564 with Wells Fargo Bank for banking services, to extend the

term for an additional two years in one one-year increment and two six-month increments so long as all other terms and conditions remain the same subject to final approval as to form and legality by the City Attorney.

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

Sincerely

A handwritten signature in cursive script, reading "Claire Bartels".

Claire Bartels
Director of Finance / City Treasurer

Attachments

cc: Miguel Sangalang, Office of the Mayor
Janelle Irving, Office of the City Administrative Officer