

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Rick Bruneau

SUBJECT: SEE BELOW

DATE: April 29, 2024

Approved



Date

5/6/24

**SUBJECT: AMENDMENTS TO AGREEMENTS WITH WELLS FARGO BANK,
NATIONAL ASSOCIATION FOR BANKING SERVICES**

RECOMMENDATION

Adopt a resolution authorizing the City Manager or her designee to negotiate and execute amendments to extend the terms of the current agreements with Wells Fargo Bank, National Association for general banking, lockbox services, and merchant card services from July 1, 2024 to June 30, 2026, subject to the appropriation of funds.

SUMMARY AND OUTCOME

Authorizing the City Manager or her designee to take this action allows staff to complete the competitive solicitation process and, if necessary, complete a transition of service to a new provider without interrupting critical banking and financial services.

BACKGROUND

On June 1, 2009, the City of San José (City) executed agreements with Wells Fargo Bank, National Association (Wells Fargo) to provide banking and financial services, including general banking and lockbox services, merchant card processing services, and securities custodial services for the initial term starting on July 1, 2009 through June 30, 2012, with three two-year options extending the agreements through June 30, 2018.

On May 14, 2018, staff released a request for proposals (RFP) (RFP 17-18-05) to procure a new contract for the banking and financial services. On June 19, 2018¹, the City Council authorized the Director of Finance to negotiate and execute the Fourth Amendment to the agreements to add

¹ Amendment to the General Banking Services Agreement with Wells Fargo, June 19, 2018, item 3.10
<https://sanjose.legistar.com/View.ashx?M=F&ID=6298474&GUID=ADD203EE-E664-4947-A832-C384D6294D84>

an additional one-year to the term through June 30, 2019, in order to ensure continuance of vital banking and financial services while staff completed the competitive solicitation process to procure a new contract.

On March 19, 2019², the City Council authorized the City Manager to (i) reject all proposals received in response to the RFP; (ii) negotiate and execute the Fifth Amendment to the agreements to add an additional year to the term through June 30, 2020; (iii) explore the feasibility of an alternative delivery model for banking services and to report back to the City Council prior to issuing another RFP for the services.

On June 16, 2020³, the City Council authorized the City Manager to negotiate and execute the Sixth Amendment to the agreements to add an additional two years to the term through June 30, 2022 and to release a new RFP for the provision of the services.

On February 22, 2022, the City's securities custodial services account with Wells Fargo was fully transitioned to Principal Financial Services, Inc. as part of the Wells Fargo divestiture of its institutional trust and custody business line, and the subsequent acquisition of that business line by Principal Financial Services, Inc. Accordingly, the City's agreement for those services are now with Principal Financial Services. The modification of that agreement to extend the term is being negotiated under the City Manager's authorization pursuant to San José Municipal Code Section 4.04.020.3.c.

On June 21, 2022⁴, City Council authorized the Director of Finance to negotiate and execute the Seventh Amendment to the agreements to add an additional two years to the term through June 30, 2024.

On September 22, 2023, the City issued a RFP for General Banking, Lockbox, Merchant Card, and Investment Custodial Services (PUR-RFP 2023.09.10117) consisting of two packages: (1) general banking, lockbox, and merchant services and (2) investment custodial services. That solicitation is currently at the proposal evaluation stage.

ANALYSIS

A successful banking relationship for a large, complex organization such as the City is integral to the efficient operation of the City's finances. Staff released a RFP for banking and financial services and the proposals received in response to that RFP are currently being evaluated. Once a

² *Report on Request for Proposal for Financial Services (Banking Services) RFP 17-18-05*, March 19, 2019, item 3.7 <https://sanjose.legistar.com/View.ashx?M=F&ID=7082012&GUID=FBDC2E1A-3F92-4EE0-87DC-FB5E0F5D5630>

³ *Extension of Banking Services Agreements with Wells Fargo*, June 16, 2020, item 3.6 <https://sanjose.legistar.com/View.ashx?M=F&ID=8594924&GUID=516C7557-8E3D-413E-8EF1-D3A32C3054B1>

⁴ *Amendment to the Agreements with Wells Fargo Memorandum*, June 21, 2022 <https://sanjose.legistar.com/View.ashx?M=F&ID=10978162&GUID=C0681D3B-B4A5-49B8-BD4B-C1AB63A52578>

provider is selected, the Finance Department and City Attorney's Office staff will begin contract negotiations. Based on previous experiences, the contract process can be lengthy, and along with any required implementation requirements, can take more than a year to complete.

The current two-year extension for the agreements for general banking, lockbox, and merchant card processing expires on June 30, 2024. Extension of the Wells Fargo agreements is necessary to continue efficient financial operations for the City and allow staff time to complete the current RFP and transition to a new provider, if required, without interrupting critical banking and financial services.

EVALUATION AND FOLLOW-UP

This memorandum will not require any follow-up from staff.

COST SUMMARY/IMPLICATIONS

The total recommended annual amount for this agreement is \$1,176,688. The extension from July 1, 2025 to June 30, 2026 is subject to the appropriation of funds.

BUDGET REFERENCE

The table below identifies the fund and appropriations to fund the contract recommended as part of this memorandum.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	2023-2024 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	2987	Banking Services	\$624,000	\$624,000	925	9/12/23, 30949
515	207k	Banking Services	\$342,688	\$342,688	1067	2/13/24, 31040
423	207k	Banking Services	\$210,000	\$210,000	1022	2/13/24, 31040

COORDINATION

This report was coordinated with the City Attorney's Office and the City Manager's Budget Office.

HONORABLE MAYOR AND CITY COUNCIL

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PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the May 21, 2024 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

RICK BRUNEAU
Director of Finance

For procurement- and contract-related questions, please contact Albie Udom, Deputy Director of Finance – Purchasing and Risk Management Division, at albie.udom@sanjoseca.gov. For program-related questions, please contact Qianyu Sun, Deputy Director of Finance, Debt and Treasury Management, at qianyu.sun@sanjoseca.gov.