



City Council Agenda Item Staff Report

CITY OF SAN BRUNO

DATE: April 26, 2022

TO: Honorable Mayor and Members of the City Council

FROM: Jovan D. Grogan, City Manager

PREPARED BY: Qianyu Sun, Finance Director

SUBJECT: Adopt Resolution Authorizing the City Manager to Execute an Agreement with Wells Fargo Bank N.A. for General Banking and Merchant Card Services

BACKGROUND:

The City of San Bruno maintained a banking service relationship with the First National Bank of Northern California for over three decades. In 2018, Tri Counties Bank (TCB) acquired First National Bank and became the City's banking service provider after the acquisition. The City updated the banking services after TCB took over the banking relationship, however, few additional service updates have been done since. As a best practice, agencies normally meet with banking relationship managers annually to get industry update and service reevaluation.

An outside consultant, Management Partners, conducted an assessment study of Finance Department in 2021 and noted that "the City uses a small local bank, presumably in a effort to support local business. Often, local banks do not have the full range of features of large banks, including the capability for the City to earn interest on its deposits..." The study recommends the City issue an RFP for banking services.

Public agencies sometimes need to solicit banking services competitively in order to stay updated with the state-of-art banking technologies and achieve competitive pricing. To continue the Finance Department's commitment to best practices and operation efficiency, staff launched an RFP process for banking services.

DISCUSSION:

The City issued an RFP for general banking and merchant card services in October 2021 and received written proposals from Tri Counties Bank, JP Morgan and Wells Fargo Bank N.A. After the proposal evaluation, staff met with all three banks via Zoom for presentations and portal demonstrations. The evaluation team includes Finance Director, Revenue Service Manager and the Accounting Manager.

Staff evaluated proposals and presentations in five criteria: executive summary, statement of qualifications, customer reference, technical proposal and pricing. The proposals submitted by J.P. Morgan and Wells Fargo were the most responsive and were very competitive in both their technical aspects and pricing. Both banks are large national banks and offer similar

services. During the presentation, Wells Fargo's online portals were more intuitive and user friendly, and their team demonstrated familiarity with Eden, the City's financial and accounting system. The bank will also provide business process reviews at no cost to the City.

Wells Fargo Bank N.A.

Wells Fargo Bank N. A. is a primary subsidiary of Wells Fargo & Company which was founded originally by Henry Wells and William Fargo during the California Gold Rush to provide express mail delivery and banking services. After 170 years, Wells Fargo & Company has become the third largest financial institution in the US by market capitalization. The following table illustrates key measures of Wells Fargo's financial strength as of December 31, 2021:

Measure	Amount
Market Capitalization	\$186 billion
Book Value of Equity	\$167 billion
Total Deposits	\$1,483 billion
Total Loans	\$919 billion
Total Assets	\$1,948 billion
Tier 1 Common Equity	11.35%
Tier 1 Capital Ratio	12.89%
Total Capital Ratio	15.84%
<i>Data Source: Bloomberg</i>	

Wells Fargo's government banking team consists of more than 300 banking, credit, and treasury management professionals. In total the bank serves 5,500 government customers across the US, including 949 California government customers. Wells Fargo currently has a branch & ATM within the City limits located less than a mile from City Hall, at 875 San Bruno Ave. San Bruno CA 94066. There will also be a Local Government Banking Relationship Manager assigned to the City's accounts. This professional has been with Wells Fargo 27 years and serves government entities throughout the San Francisco Bay Area.

Banking Services and Implementation

The City's banking service needs are made up of three major segments: general banking, corporate credit cards and merchant card services.

General banking encompasses both depository and disbursement services. The City updated general banking services with Tri Counties Bank in 2017 and significantly improved the service level. However, few updates have been implemented since that time, and the City is not benefiting from recent advancements in banking technologies.

About 46 staff members of the City hold City issued credit cards with limits ranging from \$1,000 to \$30,000. City staff currently manually processes credit card charges in Eden. Modern corporate card management systems are mobile friendly and can facilitate approval workflow and interface with the City's ERP systems.

Elavon is the City's merchant card service provider and the City relies on its payment gateways and terminals to process credit card payments. However, Elavon is not able to help

the City to pass credit card service fees on eligible charges to customers. The City currently spends approximately \$100,000 annually on fees associated with credit card transactions, not including utility and CityNet related credit card payments. One main goal for the City to solicit a new merchant card service provider was to establish online payment portals on the City's website and charge credit card service fees to customers directly. The merchant service provider will assess the fee level annually, account for collected fees and distribute payments to credit card service vendors with no City staff involvement.

Being a leading national bank, Wells Fargo Bank N.A. is able to assist the City to accomplish the goals of modernizing banking services, improving operational efficiency, and lowering operating costs. Wells Fargo offers a complimentary Business Process Review, which allows the Bank to look at the City's processes to determine where the opportunities for improvement lie.

Banking services implementation is a complicated and labor-intensive process. Finance staff will carry out extensive testing with assistance from Wells Fargo. Implementation may take from six months to a year. During the implementation, the City will retain dual banking services from both Tri Counties Bank and Wells Fargo, so that outstanding checks can clear the account. Staff also needs to notify vendors and business counterparties of the banking service change.

FISCAL IMPACT:

Based on the pro forma estimate, the banking service agreement with Wells Fargo carries a net monthly cost of \$1,600 (\$19,200 annually). As the City evaluates additional changes and enhancements to its banking services, additional services from Wells Fargo may be added in the future. Some of the additional services may result in additional cost. Banking service fees are budgeted in Finance Department and allocated to other departments and funds as a part of general administration cost allocation.

ALTERNATIVES:

1. Continue with the current banking service provider.
2. Reject staff recommendation and select a different proposal.
3. Direct staff to issue a new request for proposal for banking services.

RECOMMENDATION:

Adopt resolution authorizing the city manager to execute an agreement with Wells Fargo Bank N.A. for general banking and merchant card services. This agreement shall carry an initial term of 5 years with optional annual extensions up to a total maximum term of 10 years. After 10 years, the City will issue an RFP to solicit banking services competitively.

ATTACHMENTS:

1. Resolution