



# CITY OF SANTA BARBARA

## FINANCE COMMITTEE AGENDA REPORT

**AGENDA DATE:** October 28, 2014  
**TO:** Finance Committee  
**FROM:** Treasury Division, Finance Department  
**SUBJECT:** Banking Services Agreement

### RECOMMENDATION:

That the Finance Committee:

- A. Consider and recommend to the City Council the approval of a three-year contract with Union Bank to provide banking services for the period of January 1, 2015, through December 31, 2017; and
- B. Consider and recommend to the City Council the approval of a three-year contract with Brinks Security to provide armored car services for a period of January 1, 2015, through December 31, 2017.

### DISCUSSION:

#### Banking Services

Banking services for the City are currently provided by Union Bank (UB). Previously, the City had a long term banking relationship with Santa Barbara Bank and Trust (SBB&T) which officially became part of UB on December 1, 2012. UB continued to honor the City's then existing contract which was scheduled to expire on February 28, 2014, which essentially waived all fees for services valued at approximately \$114,000 after an interest earning credit of \$30,000, annually. Thereafter, the City executed a ten-month contract with UB through December 31, 2014 for fees not to exceed \$78,000 and a waiver of all transportation related costs such as armored car and courier service valued at approximately \$58,000 annually. UB agreed to discounted fees in recognition of the City's previous long standing relationship with SBB&T. In contrast, over the past few years, the value of banking services has averaged approximately \$12,000 per month.

UB has now provided the City with a proposal for banking services and fees for the three-year period of January 1, 2015 through December 31, 2017. UB has proposed the same level of banking services that the City is currently receiving. The proposed fees for these services would be approximately \$11,600 per month based on the price

per unit of activity as set forth in the fee schedule (Attachment 1). The actual fees will vary on a month to month basis based on actual volume of banking activity.

During the past few months, City staff has taken the opportunity to reevaluate overall banking services and costs after considering the efficiencies provided by the City's new financial management software. Staff surveyed several other agencies and informally compared banking fees to determine the reasonableness of the fees proposed by UB. Although services vary from one agency to another, the fees proposed by UB appear to be equal to or lower overall in key banking services categories. In addition, staff feels that the Government Services Division of UB has been responsive to the needs of the City's municipal operations. After reevaluating the City's banking service needs, informally comparing fees and reviewing the ability of UB to provide ongoing responsive customer service, staff is recommending a three-year contract. During the proposed contract period, staff anticipates a continued effort in evaluating UB's services to take advantage of automation and to streamline business processes in an effort to reduce banking service costs.

### **Transportation Services**

Armored car services have been provided by Brinks Security for a number of years and, UB is currently paying for and waiving those fees for the armored car services provided to the City's seven pick-up locations. The current transportation fees for Brinks Security are \$3,010 per month, or \$36,120 per year. These fees have remained at this level for the past several years and were lower than another provider when staff compared pricing. Brinks Security has proposed an annual contract at the current rates for continued armored car services. Staff is recommending continuing armored car services with Brinks for a period of three years.

In addition, the City uses courier services to transport utility billing payments to the UB lockbox location in Monterey Park. These payments are remitted to the local post office box in Santa Barbara and sent daily to Monterey Park for processing. The current cost for courier services is \$1,850 per month, or \$22,200 per year. Staff recommends continuing with a courier service, however, staff will evaluate the costs provided by area courier service companies before moving forward with a new contract.

Aside from the City's banking relationship with UB, the City also has a trustee relationship with them. UB serves as the City's custodian for its securities in the City's investment portfolio. In January 2006, UB offered to provide these services at no additional cost to the City insofar as the City maintains its depository arrangement with them. Since the City is also satisfied with UB's trustee performance, this no-cost arrangement is an added benefit to continuing the banking services agreement.

**BUDGET/FINANCIAL INFORMATION:**

Banking services costs will be charged to the various City funds based on a cost allocation method that reflects services received by each fund. The cost impact to the General Fund would be approximately \$17,900 for the six months remaining in Fiscal Year 2015. An increase to appropriations will be brought to City Council in connection with the mid-year report since these costs were not previously budgeted. Similarly, budget appropriations will be requested for other impacted funds for their proportionate share of the costs.

**ATTACHMENT:** Banking and Transportation Cost Allocation Schedule by Fund

**PREPARED BY:** Genie Wilson, Treasury Manager

**SUBMITTED BY:** Robert Samario, Acting Assistant City Administrator

**APPROVED BY:** City Administrator's Office

<b>Summary Allocation of Banking Fees</b>							
<b>Funds</b>	<b>Bank Srvc</b>	<b>Lockbox Srvc</b>	<b>Courier Srvc</b>	<b>Armored Srvc</b>	<b>Total</b>	<b>6 Mo Budget</b>	<b>12 Mo Budget</b>
Creek Restoration/Water Quality	396.86				396.86	2,381.16	4,762.32
County Library	21.94				21.94	131.64	263.28
Water	1,810.90	1,024.09	615.71		3,450.70	20,704.19	41,408.38
Wastewater	587.96	1,024.09	615.71		2,227.76	13,366.55	26,733.10
Downtown Parking	366.10			451.69	817.79	4,906.74	9,813.48
Solid Waste Fund	52.71	1,024.09	615.71		1,692.51	10,155.05	20,310.10
Golf Course	29.94			451.69	481.63	2,889.78	5,779.56
Airport	562.45			451.69	1,014.14	6,084.84	12,169.68
Waterfront	410.81			451.69	862.50	5,175.00	10,350.00
General Fund	1,776.26			1,202.86	2,979.12	17,874.72	35,749.44
<b>GRAND TOTAL - BANKING SERVICE FEES</b>	<b>6,015.93</b>	<b>3,072.28</b>	<b>1,847.12</b>	<b>3,009.62</b>	<b>13,944.95</b>	<b>83,669.67</b>	<b>167,339.34</b>