



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: November 25, 2014
TO: Mayor and Councilmembers
FROM: Treasury Division, Finance Department
SUBJECT: Banking Services Agreement

RECOMMENDATION:

That Council approve a three-year contract with Union Bank to provide banking services for the 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 \$9,088 per month based on the price per unit of activity as set forth in the fee schedule without the investment of City funds to offset the banking fees with an interest earnings credit. The actual fees will vary on a month to month basis based on actual volume of banking activity. The City can choose to maintain City funds for the purpose of earning interest to offset the monthly service fee however, there is a cost for maintaining funds with the bank.

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 Security for a period of one year and thereafter, staff will evaluate the fees and other service providers. Staff is in the process of finalizing an agreement for these services and will bring forward a contract for the City Council approval by mid December.

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 \$1,847 per month, or \$22,166 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 total cost impact to the General Fund for banking and all transportation related costs would be approximately \$17,878 in Fiscal Year 2015 and \$35,800 annually, thereafter. The table below outlines the fees to the General Fund and all other funds. 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.

	General Fund	All Other Funds	FY 2015 Total	FY 2016 Total
Union Bank fees	\$ 10,658	\$ 43,872	\$ 54,529	\$ 109,059
Brinks Security Armored Car fees	\$ 7,220	\$ 10,842	\$ 18,058	\$ 36,120
Courier Service fees		\$ 11,083	\$ 11,083	\$ 22,166
Total	\$ 17,878	\$ 65,797	\$ 83,670	\$ 167,345

A copy of the Union Bank agreement is available for review in the City Clerk's Office.

PREPARED BY: Genie Wilson, Treasury Manager

SUBMITTED BY: Robert Samario, Acting Assistant City Administrator

APPROVED BY: City Administrator's Office