

**CITY COUNCIL AGENDA MEMORANDUM**

**SUBJECT**

Resolution authorizing the execution of two contracts and any necessary or appropriate supplements covering both Bank of America Merchant Services and Bank of America Treasury (i.e. general banking) Services each for a three-year term with the option to renew Treasury and Merchant Services for one additional two-year term, in an estimated total amount of \$4,665,000, plus all applicable taxes.

**FISCAL IMPACT**

The fiscal impact contains three components: general banking; merchant services, including pass-through fees to credit card organizations; and a provision for contracting for additional services as deemed necessary or appropriate as banking technology changes. 1) Bank of America, NA. General banking services are estimated over the three year term to be a total amount of \$205,000, with the option to extend the contract for an additional two years for an additional sum of \$155,000 for general banking. 2) Bank of America Merchant Services. Servicer fees are estimated over the three year term to be a total amount of \$125,000, with an option to extend for an additional two years for an additional sum of \$105,000 and pass-through credit card interchange fees that are set by and owed to credit card organizations, such as VISA or Master Card, are an estimated amount for three years of \$2,090,000 and \$1,925,000 for an additional two years; and 3) authorizing contracting for additional banking and/or merchant services as deemed necessary or appropriate as offered by Bank of America, NA (additional services) of \$60,000 during the initial three year contract term and/or the optional two year renewal term. The three components covering the initial and renewal terms are an estimated total amount of \$4,665,000.

General banking services	Fees	Total
Bank of America, NA		
3 years	\$ 205,000	\$ 205,000
additional 2 years	155,000	155,000
additional services	60,000	60,000
Total general banking services*		\$ 420,000
Merchant services	Fees	
3 years	\$ 125,000	\$ 125,000
additional 2 years	105,000	105,000
Credit Card Interchange Fees (Visa/MC)		
3 years	\$ 2,090,000	\$ 2,090,000
additional 2 years	1,925,000	1,925,000
Total merchant services**		\$4,245,000
Total estimated banking and merchant services		\$4,665,000

\*Banking services fees are a combination of monthly, annual, and transaction based fees depending on the type of banking service activity. These cost estimates are based on historical activity, which have

been increasing annually. Actual charges will vary based on actual usage.

\*\* Merchant services fees include those fees associated with the processing of credit card payments as well as interchange fees, which account for the majority of overall credit card processing costs to the City. Interchange fees are set by the card-issuing banks and are a non-negotiable pass through cost to the City. The use of credit cards as a method of payment to the City has been steadily increasing and thus the associated fees. The amounts listed above are a conservative estimate based on trends toward credit card usage by consumers demonstrated in historical activity.

The first three years of each contract covering Merchant and Treasury services include fixed pricing schedules without escalation of service fees and charges. Costs for these services were anticipated and included in the 2017-2018 Biennial Budget in the General Fund, Development Services Fund, Parks Fees Fund, Water Utility Fund, Sewer Utility Fund, and Storm and Surface Water Utility Fund.

The contracts include one option to extend the term for two additional years. The option to extend the contracts for the additional two year term are on the same terms and conditions and without any escalation of pricing schedule by Bank of America or Bank of America Merchant Services. Interchange fees historically increase over time and are variable as they are subject to change by the card organizations and non-negotiable. Due to this factor as well as an historical increase of customer card usage, future biennial budgets will include the costs for these services.

As part of the RFP process, Bank of America identified services/products that go beyond the mandatory services requested in the RFP. The banking industry and resulting products are continually evolving. New products and services may be made available during the terms of the contract or renewal period. The Finance Director or his/her designee will evaluate the benefits of new services/products offered by the bank during the terms of the contract and/or the renewal period and amend the contract as necessary or appropriate to add new services/products to further the efficiencies and effectiveness of banking services as authorized.

### **STAFF CONTACTS**

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*Finance Department*

### **POLICY CONSIDERATION**

It has been the practice of the City to contract for banking and merchant services through a banking services contract. The City's current contract with Bank of America expired on June 30, 2016, with a provision to provide services month to month as needed to provide continuity of services until a new contract is in place. Therefore, Council action is necessary in order for the City to enter into new banking and merchant services contracts.

### **BACKGROUND**

The City's banking and merchant services include, but are not limited to, general banking services such as check processing, deposit processing, ACH transfers, wires, vendor payment solutions, etc. and merchant services such as credit and debit card processing. Periodically, the bank offers additional solutions to automate activities, these additional solutions are analyzed to determine the cost effectiveness to the City at the time.

The City currently contracts with Bank of America for both banking services and merchant services. As required by City contracting policy, and to ensure that the City is receiving the optimal level of automated banking services at a competitive price by a qualified and financially viable bank, the Finance Department issued an RFP.

The City received proposals for the complete scope of work from four banks. A cross departmental team participated in the evaluation process which included the following:

- Review of RFP responses
- Interviews with the two top banks
- Reference checking
- Financial strength of the two top banks to accommodate the City's banking and financing needs in the current economic climate.

Weighted rating criteria established prior to the review of the proposals included:

- Ability to perform banking services, skills and experience of the vendor/individuals
- Financial strength of vendor
- Innovation/new functionality
- Compliance with RFP requirements/completeness
- Fee schedule

Staff recommends awarding the new Banking and Merchant Services contract to Bank of America for the next contract period.

### **EFFECTIVE DATE**

If approved, this Resolution becomes effective immediately upon Council adoption.

### **OPTIONS**

1. Adopt the Resolution authorizing the execution of two contracts and any necessary or appropriate supplements covering both Bank of America Merchant Services and Bank of America Treasury (i.e. general banking) Services each for a three-year term with the option to renew Treasury and Merchant Services for one additional two-year term, in an estimated total amount of \$4,665,000, plus all applicable taxes.
2. Do not adopt the Resolution and provide alternative direction to staff.

### **RECOMMENDATION**

Option 1

### **MOTION**

Move to adopt Resolution No. 9293 authorizing the execution of two contracts and any necessary or appropriate supplements covering both Bank of America Merchant Services and Bank of America Treasury (i.e. general banking) Services each for a three-year term with the option to renew Treasury and Merchant Services for one additional two-year term, in an estimated total amount of \$4,665,000, plus all applicable taxes.

### **ATTACHMENTS**

Proposed Resolution No. 9293

**AVAILABLE IN COUNCIL DOCUMENT LIBRARY**

- A. Bank of America, NA Umbrella Agreement and Banking Terms and Conditions, Bank of America Merchant Services Agreement and Umbrella Agreement are available in the electronic document library
- B. 2016 Banking Services RFP
- C. RFP response is available upon request