

Capitola City Council

Agenda Report



Meeting: August 22, 2024

From: Finance Department

Subject: City Banking Services Agreement

Recommended Action: Authorize the City Manager to execute a five-year agreement for banking services with Santa Cruz County Bank with an option for a five-year contract extension, subject to City Attorney review and approval.

Background: On August 5, 2023, the Finance Advisory Committee discussed the City's banking services and recommended the Finance Director issue a Request for Proposals (RFP) during fiscal year (FY) 2023-24. The RFP was issued March 22, 2024, with proposals due by April 26, 2024. The City received and reviewed three proposals from the following banks:

- BMO Commercial Bank
- Santa Cruz County Bank
- Wells Fargo (current provider)

Discussion: The City has obtained banking services from Wells Fargo for approximately 10 years. The Government Finance Officers Association (GFOA) recommends local governments conduct periodic reviews of professional services, such as banking services, every five to ten years. Issuance of an RFP allows the City to compare competitive rates, allow local banks an opportunity to propose services, and take advantage of technological enhancements and evolution in the market.

All three proposals were reviewed by each member of the Finance Department. Staff came to a consensus that all three banks were highly qualified and proceeded to interview each bank. The interviews consisted of a presentation, which included an overview of key proposal points, and the opportunity to respond to questions. The interviews with BMO and Santa Cruz County Bank also included a demonstration of their online banking systems. The City is currently using Wells Fargo's online banking platform and therefore a demonstration was not requested. All interview panel members were asked to evaluate the following criteria:

- Protection of funds, collateralization, bank ratings, profitability;
- Ability to provide required services, technologies, and controls;
- Relevant experience managing similar account relationships with public institutions and similar clients. This includes reviewing experience, resources, qualifications of the team, and references;
- Proposed fees and compensation;
- Ability and value of providing any new product or service; suggestions or other new ideas and enhancements;
- Community and local reinvestment;
- Quality of the proposal.

Following the interviews and demonstrations, staff proceeded to review references for both BMO and Santa Cruz County Bank. References were not contacted for Wells Fargo since the City is

an existing customer. Based on the proposals, interviews, demonstrations, and references, staff is recommending a five-year contract with Santa Cruz County Bank, with an option to extend an additional five years.

Santa Cruz County Bank offers the best value for the City in terms of its capabilities, operational effectiveness, ability to safely collateralize City funds, technological innovation, Community Reinvestment Act rating, and ranked highly in customer service rating. The Government Banking Unit consists of managers, senior leaders, and executive leaders, providing the City with direct and immediate access to decision-makers, all of whom have extensive government banking experience.

Currently, Santa Cruz County Bank manages banking services for fourteen Government Agencies, including the Santa Cruz County Housing Authority and Soquel Creek Water District, with a total of \$29.5 million in combined balances. One important differentiator for Santa Cruz County Bank is that they reinvest deposits by lending to the businesses that serve the local community. They currently have offices in Capitola, Santa Cruz, Scotts Valley, Aptos, Watsonville, Monterey, Salinas, and Cupertino.

The entire Government Banking Team lives in Santa Cruz County, and all give back to local communities by serving non-profits, community service groups, or by participating in events that Santa Cruz County Bank supports. During 2023, Santa Cruz County Bank employees participated in 180 community events generating \$290,000 in contributions and 91 volunteers donated 2,743 hours.

Fiscal Impact: In FY 2023-24 the City incurred approximately \$17,500 in account maintenance fees that were offset with earnings credits for balances on deposit. Additionally, the City incurred approximately \$62,000 in parking-related merchant credit card fees. Parking-related fees have doubled over the last 10 years as more individuals utilize electronic payment methods, but have leveled off over the last several years. Parking-related fees are offset by parking revenue. Based on the proposed services staff expects the account maintenance and parking-related fees to remain relatively constant while increasing online and paperless service options.

There are no fees directly associated with this transition. If approved, staff anticipates the transition to take approximately 60 days.

Attachments:

1. Banking Services Agreement
2. Pricing Schedule

Report Prepared By: Jim Malberg, Finance Director

Reviewed By: Julia Gautho, City Clerk, Samatha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager