



**Council Meeting: December 3, 2013**

**SUBJECT: Authorization to Amend an Existing Contract with Union Bank for Banking Services**

**BACKGROUND**

Approval is requested to amend the City's existing banking contract with Union Bank by extending it an additional three years, as more fully described below. The City requires the services of a financial institution in order to have accounts into which revenues collected for City services can be deposited and from which the City can pay expenses. This type of specialized professional service can be exempted from competitive bidding under Section 2.08.070(b)(1) of the Sunnyvale Municipal Code.

**CEQA REVIEW**

N/A.

**DISCUSSION**

The City has maintained a banking relationship with Union Bank since 1993 following competitive Request for Proposal (RFP) processes in 1993, 2000, and 2006. The 2006 contract included a 36% price reduction over the prior period for the entire term of the contract. The current contract term expires on December 31, 2013. Union Bank has offered an additional 8% price reduction for the next three years. At the conclusion of the extended contract term, a new RFP process will be conducted.

Union Bank services include the following:

- Deposit services for all City departments that collect payments
- Wire transfer and check clearing services
- Direct Deposit of employee payroll
- Automated Clearing House (ACH) processing for utility customers to pay utility bills electronically
- Merchant Credit and Debit Card processing (in partnership with Elavon Payment Network)
- Account reconciliation reporting

The City currently accepts approximately \$15 million in credit card payments annually. While convenient for customers who transact business with the City, acceptance of credit card payments incurs substantial fees. The largest

component of the fees paid by the City is the Interchange fee, which is the fee that the processor's bank pays the card issuing bank to process the credit card. This fee is determined by Visa and MasterCard and is passed onto the merchant (City). In addition, the processor charges a fee to process the transaction. Elavon Payment Network, in partnership with Union Bank, is the City's processor. Elavon has agreed to a price reduction of 40% on their processing fees, from .20% per transaction to .12% per transaction. Should Council approval the proposed contract amendment with Union Bank, staff will authorize a merchant application form with Elavon to memorialize the pricing reduction.

The City also has a contract with Union Bank for custody services, which expires on December 31, 2013. Based on the projected annual cost of \$8,800, this contract will be renewed in tandem under the City Manager's contract award authority. Custody services for the City's investment transactions include the following:

- Processing and safekeeping of all securities
- Reconciling assets
- Collecting and reinvesting interest income
- Providing accounting statements
- Executing ownership documents and forms

#### **FISCAL IMPACT**

Staff estimates that the cost of banking services, including credit card processing, will not exceed \$213,800 per year. Based on the City's transaction volume, it is anticipated that the City will realize a savings of approximately \$14,500 per year through more favorable pricing offered by both Union Bank and Elavon in the recommended new contract. These fees are very competitive as compared to neighboring jurisdictions.

#### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site.

**RECOMMENDATION**

Staff recommends that Council approve an amendment to extend the contract for banking services for a three-year term to expire on December 31, 2016.

Reviewed by:

Grace K. Leung Director, Finance  
Prepared by: Pete Gonda, Purchasing Officer

Approved by:

Gary M. Luebbers  
City Manager

**Attachments**

- A. Second Amendment to Agreement Between City of Sunnyvale and Union Bank

**Attachment A**

**SECOND AMENDMENT TO AGREEMENT BETWEEN THE  
CITY OF SUNNYVALE AND UNION BANK OF CALIFORNIA, N.A. FOR BANKING SERVICES**

This Amendment to Agreement, dated \_\_\_\_\_, is by and between the CITY OF SUNNYVALE, a municipal corporation ("CITY") and UNION BANK, N.A. ("BANK").

WHEREAS, on March 20, 2007, CITY and BANK entered into an Agreement whereby BANK would perform services necessary to serve as CITY'S depository and provider of banking services; and

WHEREAS, December 31, 2011, CITY and BANK amended said Agreement, extending the term through December 31, 2013; and

WHEREAS, the parties now agree that a Second Amendment to said Agreement is advisable;

NOW, THEREFORE, THE PARTIES ENTER INTO THIS AMENDMENT TO AGREEMENT:

1. Term of Agreement; replace existing with the following:

BANK shall serve as CITY'S depository and provider of banking services for a period of three (3) years, commencing January 1, 2014, and ending December 31, 2016.

8. Compensation; replace existing with the following:

(a) Rate on Merchant Card Transactions. BANK shall charge CITY Interchange Cost Pricing plus 0.12% of the transaction amount.

All other terms and conditions remain unchanged.

IN WITNESS WHEREOF, the parties have executed this Agreement Amendment.

ATTEST:

CITY OF SUNNYVALE ("CITY")

By \_\_\_\_\_  
City Clerk

By \_\_\_\_\_  
City Manager

APPROVED AS TO FORM:

UNION BANK, N.A.  
("BANK")

By \_\_\_\_\_  
City Attorney

By \_\_\_\_\_  
\_\_\_\_\_  
Name and Title