



Legislation Text

File #: ID#21-9684, **Version:** 1

SUBJECT/RECOMMENDATION:

Approve a two-year extension of Master Banking Services Agreement with Wells Fargo Bank, N.A. for the period October 1, 2021 through September 30, 2023, for a not-to-exceed total of \$240,000, for banking and custodial safekeeping services, and authorize the appropriate officials to execute same. (consent)

SUMMARY:

The City originally entered into a banking services agreement with Wells Fargo effective October 1, 2016, for a three-year term, with the option for two two-year renewals. Staff is requesting approval of the 2nd and final two-year extension.

The requested renewal reflects the following two changes in terms, which are both changes to the earnings rates the bank pays the City on the account balances. All other terms of the original agreement remain unchanged.

First, Wells Fargo is lowering the Earnings Credit Rate (ECR) from the current "floor" rate of 40 basis points to a current rate of 25 basis points with no floor. The ECR is the rate paid on balances sufficient to offset current month bank fees.

The other requested change is a lowering of the rate paid on balances in excess of the above ECR balance from the current rate of 20 basis points, with a floor of 15 basis points, to a current rate of 17 basis points with no floor.

With regards to the absence of a floor on these rates, the agreement extension states "In its sole and absolute discretion, Bank may adjust these rates after evaluating a combination of factors, including the 91-Day Treasury Bill rate, the Fed Funds rate, sweep rates, and other market indicators."

Per Wells Fargo, due to drastic volatility in the T-bill and Fed Funds rates, they are unable to offer a floor, or minimum rate, on deposits currently. The bank states they need to retain flexibility to adjust rates per market conditions and the cost of collateral for public funds. However, Wells Fargo assures us that "as rates normalize in the future the bank will make equitable adjustments to rates for their depositors".

Staff feels that these changes in earnings rates are reasonable given the current interest-rate environment, and the indicated rates (25 basis points and 17 basis points) provide a competitive return at the current time.

APPROPRIATION CODE AND AMOUNT:

Funds are available in 8019821-530100, Professional Services, to fund this contract.