



CITY OF
**PALO
ALTO**

City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Administrative Services

Meeting Date: April 7, 2025

Report #:2501-4050

TITLE

Approval of Contract Amendment Number 2 to Contract Number C24189061 with Wells Fargo for Lockbox Services for a Period of One Year; CEQA Status: Not a Project

RECOMMENDATION

Staff recommends that the City Council approve and authorize the City Manager or their designee to execute a Contract with Wells Fargo for lockbox services (Attachment A) for the term of one-year, ending June 30, 2026.

BACKGROUND

Lockbox services have been provided by Wells Fargo since 2014¹. Staff conducted a competitive solicitation for banking and related services in fall 2023 for general banking, lockbox, and investment safekeeping services. Banking service agreements were approved by the City Council on June 17, 2024²; lockbox services were awarded to US Bank, giving a one-year extension to Wells Fargo to transition lockbox services. The transition of lockbox services from Wells Fargo to US Bank has not yet occurred, as staff in Administrative Services and the Utilities Department are coordinating this transition together with the City's new utility bill print and mailing provider, InfoSend.

To ensure service continuity and avoid undergoing bill reconfiguration with Wells Fargo and then for US Bank, staff's workplan is to transition to lockbox providers in coordination with the transition to InfoSend, expected to be complete fall/winter 2025.

¹ City Council, June 23, 2014: <https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2014/4905.pdf>

² City Council, June 17, 2024: <https://portal.laserfiche.com/Portal/DocView.aspx?id=73964&repo=r-704298fc&searchid=0fabd7fc-7352-4c32-af75-5235ba6406cf>

ANALYSIS

Based on updated volumes and unit pricing, Wells Fargo's annual fees for the one-year extension is estimated to decrease from \$18,245 to \$18,093. The agreement with Wells Fargo is structured based on service and activity level; the City essentially controls cost via a fixed payment per service during the duration of the contract. The structure of the contract terms do not include a "not-to-exceed" limit, as cost is dictated by transaction volume which can vary over time based on the City's service needs. Staff continually monitors costs on a routine basis.

FISCAL/RESOURCE IMPACT

The FY 2025 Adopted Budget and the FY 2026 Proposed Budget, that is under development and subject to City Council adoption scheduled for June 2025, includes sufficient funding for this contract. Future year funding is subject to Council appropriation during the annual budget process. A not-to-exceed limit is not assigned to this contract due to the structure where fees are negotiated on per unit fixed pricing based on specific services based on volume that is controlled by the City.

STAKEHOLDER ENGAGEMENT

Administrative Services staff coordinates with departments that are involved with daily banking transactions, primarily in the Utilities Department, whose feedback on the service level provided by Wells Fargo is satisfactory. Wells Fargo's service continuity is needed as Administrative Services and Utilities partners to transition to the City's new utility bill print and mailing provider, InfoSend.

ENVIRONMENTAL REVIEW

Council action on this item is not a project under the California Environmental Quality Act (CEQA) because the contract amendments for lockbox banking services are not a continuing administrative or maintenance activity. CEQA Guidelines section 15378(b)(2).

ATTACHMENTS

Attachment A: Wells Fargo Agreement for Lockbox and Related Services

APPROVED BY:

Lauren Lai, Administrative Services Director