

To: Administration and Finance Committee

Date: November 25, 2014

From: Kathy Casenave, Director of Finance

Reviewed by:

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**SUBJECT: Change in financial institutions**

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### **Summary of Issues:**

First Republic Bank, our bank since 2008, informed us in late October that as of December 31, 2014 the bank would no longer do business with government entities. Upon request they have extended this to January 31, 2015.

The California Government Code requires a higher capitalization for deposits from state and local governments. Banks are required to pledge securities in an undivided collateral pool that equal at least 110% of the total amount deposited by public agencies. This, along with other governmental regulations, has caused First Republic Bank to reach the decision to end banking relationships with the governmental sector.

The Finance staff has considered some of the financial institutions that are used by state and local governments. One that stood out is Union Bank. It is the bank for MTC, the County of Alameda, and also the State of California, including LAIF.

Union Bank has submitted a proposal that will address all of our needs and also will be less expensive than our current costs. Because they have negotiated pricing with armored car services at a discount and are offering a higher interest rate, the net annual expense is estimated to be \$9,400 vs. \$20,650 paid in FY 2014.

### **RECOMMENDATION:**

Staff recommends that the A&F Committee approve the proposal from Union Bank to provide banking services and requests that this be forwarded to the Board of Directors.