

Petition to Flagstaff
City Council:
“Climate Emergency:
Stop the Money
Pipeline”



March 14, 2023



Citizens Petition

Overview

- The City received a Citizen's Petition on May 03, 2022
- Title: Citizen Petition: "Climate Emergency: Stop the Money Pipeline"
- Action Requested: "We request that the Flagstaff City Council instruct the City's financial managers to move the City's banking from Wells Fargo, one of the world's top financiers of the fossil fuel industry, to a Community Bank or Credit Union."
- On May 17, 2022, the petition was discussed in Work Session and City Council agreed to have further discussion on the topic.



City of Flagstaff Banking



Topics for Consideration

- Banking Services
- Partnership
- Current Banking Services Contract
- Wells Fargo in the Community
- Wells Fargo's approach to Climate Action and fossil fuels
- Staff Recommendation
- Discussion



City of Flagstaff Banking

Banking Services

- Many value added banking services have been provided during our partnership with Wells Fargo.
- Next few slides will demonstrate services the City relies on.
- Wells Fargo services are proprietary to Wells Fargo which allows
 - Cost control and risk management related to services
 - Develop based on customer needs
- Smaller institutions and credit unions are reliant on third parties (like Wells Fargo) to provide the products and services, they pass the costs down the customer.



City of Flagstaff Banking



Banking Services

Deposits:

- To ensure the City receives maximum benefit from its deposits, Wells Fargo continually works with the City to identify the best deposit strategies to ensure those strategies remain relevant to the constantly changing rate environment.



City of Flagstaff Banking

Banking Services

Collateralization Program:

- State Statutes and Regulations Governing Public Funds Deposits: Arizona Revised Statutes (ARS) Title 35, Public Finances § 35-1207, provides that:
 - Collateral for public deposits ... “required collateral shall be one hundred two percent (102%) of public deposits less any applicable deposit insurance.”
 - Wells Fargo Bank’s program, specifically designed to satisfy all applicable statutes and regulations, governing public funds deposits.
 - Dedicated Public Funds Collateral Management team provides seamless collateralization of the City’s public fund deposits in excess of FDIC insurance coverage.



City of Flagstaff Banking



Banking Services

Fraud Controls:

- Wells Fargo provides protection to the City from unauthorized electronic debits and fraudulent check writing
- Essential controls are in place that prevent transactions from clearing, and provides notice to City staff of the attempts.
- Wells Fargo has provides the City with numerous resources identifying the latest trends on potential fraud as well as best practices to protect City funds.
- City has had fraudulent activity, Wells Fargo kept the City whole



City of Flagstaff Banking



Banking Services

Fraud Controls:

- **ACH Fraud Filter:** This service ensures that no unauthorized electronic debits can be cleared from the City's accounts.
 - City utilizes ACH for Payroll, Accounts Payable, Municipal Bills, Miscellaneous Accounts Receivable, Some Vendor Payments, Federal and State Grants
- **Positive Pay:** This service provides check protection for City's General Checking and Payroll check writing accounts.
 - The City provides information on checks written
 - Wells Fargo verifies all details of each check before paying
 - Exceptions are notified to the City to reject or accept



City of Flagstaff Banking

Banking Services

Disbursements:

- Wells Fargo provides several ways for the City to complete payments
- Checking: The City utilizes checks for payroll, accounts payable, court bond refunds, Health Equity, and Housing Authority payments
- Direct Deposit: The City utilizes direct deposit services for payroll
- ACH Origination (Electronic Funds Transfers): The City utilizes
 - Direct deposit services for payroll
 - Autopay for Municipal bills and Miscellaneous Accounts Receivables
 - State and Federal payments



City of Flagstaff Banking

Banking Services

Disbursements:

- **Wire Origination and Reporting:**
 - The City relies heavily on payment wires
 - Debt service payments most used and assures our financial obligations are met
 - There is great security around initiation and approval of wires through the online portal.
 - Allows staff to send payments during emergencies or system outages.
 - The City will receive a call for unusual activity for our decision to reject or approve.



City of Flagstaff Banking

Banking Services

Collections:

- Wells Fargo provides standard branch deposits and innovative tools to deposit funds while providing customers ways to pay for City services
- Electronic Lockbox: Allows for utility payments to be accepted electronically versus a mailed-in paper check, providing funds faster to the City while also giving timely credit to the constituent's utility account.
- Smart Safe: With an onsite smart safe, the City securely collects and deposits cash on site. This allows for the City to report collections sooner, reduce risk, and reduce daily armored car services.



City of Flagstaff Banking



Banking Services

Collections:

- **Image Cash Letter:** This solution allows the City, through the City's cashiering system, to collect checks onsite, posting payments in real time. At the end of the day, all collections are included on a data file to Wells Fargo that electronically credits the City.
- **Desktop Deposit:** For miscellaneous collections, City staff members deposit funds on site utilizing a desktop scanner through Wells Fargo online banking portal. By using this solution, the City can deposit funds as soon as they are received and reduce trips to the branch.



City of Flagstaff Banking

Banking Services

Reporting Tools:

- The City has many types of collections and disbursements, which require robust search and reporting capabilities.
- Online Reporting Tools: Today, Wells Fargo provides daily activity, returned item, and transaction-specific reporting along with robust search and image-viewing tools to assist with ADHOC research and monthly bank reconciliation.
- Automated Receivables: A daily receivables file for utility payments is provided to the City helping avoid manual keying and assist with posting payments accurately and timely. reconciliation process.



City of Flagstaff Banking



Banking Services

Reporting Tools:

- **Deposit Location Reporting:** With a unique location identifier on different department's deposit tickets, Wells Fargo provides location-specific information for deposits. This allows for funds to be allocated appropriately and timely, which also helps with accurate monthly reconciliations
- **Paid Check File:** To aid in timely reconciliation of cleared checks, Wells Fargo delivers a paid check file. This import file is uploaded directly to the City's accounting system to provide quick reconciliation of paid check items and further improve the monthly reconciliation process.



City of Flagstaff Banking



Banking Services

Earnings Credit Offset:

- The City earns a monthly earnings allowance, based on the average collected monthly balance for any given month. This earnings allowance is used to offset the monthly banking service fees.
- The City's goal is a net sum zero position.
- The City and Wells Fargo have implemented a deposit strategy to meet the net sum zero goal while also earning interest on excess deposit balances.
- In calendar year 2022 the City paid \$0 dollars out of pocket for its banking services while receiving \$104,809 in banking services.



City of Flagstaff Banking

Banking Services

Wells Fargo CEO/Mobile Banking Services:

- View account details and reports, download monthly statements
- Transaction search, stop payments
- Initiate/schedule funds transfers between accounts
- Online Administration of User Accounts
 - Ability to manage City Staff's access based on responsibilities in the organization.
 - Ease to add, disable or delete users
 - Can specify to the Account and Services levels



City of Flagstaff Banking



Banking Services

Other Valuable Services:

- Overnight Sweeps
 - The City sets a daily minimum cash balance for our checking account
 - Nightly Wells Fargo sweeps funds above the daily minimum
 - The City earns overnight interest from Treasury notes
- Money Market Mutual Fund Options
 - The City may move some excess cash balances to a Money Market fund
 - Allows for higher interest earnings
 - Longer term cash balances are moved into our Investment Portfolio
- Employee Benefits: Financial workshops, My Financial Guide, financial health microsite, hands on banking, My Money Map



City of Flagstaff Banking

Partnership

- **Banking Services Partner and Dedicated Government Banking Team:**
 - Wells Fargo Bank has been the City's banking services partner for over 35 years (since 1986).
 - Our partnership is both collaborative and inclusive.
 - Dedicated Government Banking team provides has an array of resources ready to provide best practices, success stories and innovative solutions.
 - As banking partner, Wells Fargo provides both innovative solutions and forward thinking to help position the City for the future.
 - The bank's dedicated team specializes in local government and provides regular feedback and insight on how other cities are evolving in the ever-changing bank environment and improve daily operations.



City of Flagstaff Banking

Partnership

Ethnography Studies: Study of people in their own environment

- Revenue Section completed a study April 2018. Focus on cash handling, reconciling, online payments.
 - Wells Fargo observed staff processes at City Hall, Aquaplex, City Court, Police Department, and Landfill
 - Best practices recommended, list of 50 action items from short term to long term process improvement recommendation
 - Lots of the feedback was implemented
 - Having the recommendations prior to COVID helped us adapt
- Accounts Payable program currently under review



City of Flagstaff Banking

Current Banking Services Contract

- The city is currently on a Cooperative Contract with Navajo County
 - Navajo County followed state procurement rules and entered into the contract with Wells Fargo July 1, 2020
 - Wells Fargo received 271 of 300 points available
 - Contract term is a three year period with option to extend 1 two year term, through June 30, 2025
- The City joined the Cooperative December 17, 2021
- Initial term is through June 30, 2023 with 2 one year extensions
- Cooperatives save 6-12 months of work to procure a contract
- The City can extend the contract FY 2024 and FY 2025



City of Flagstaff Banking

Current Contract

- With the Wells Fargo Earnings Credit offset, the City can manage cash balances to offset up to 100% of the services provided
- In calendar year 2022, the City paid \$0 for all the services provided
- Working with our Partner Wells Fargo we can continue to keep cost down for the City
- The contract's initial term was for less than \$50,000 which allows staff to sign into the contact



City of Flagstaff Banking



Wells Fargo in the Community

- Wells Fargo Bank takes pride in being a part of the Flagstaff community since 1895.
- Currently, 24 Wells Fargo employees live or work in Flagstaff.
- Services for Consumers, Small Business Banking, Commercial Banking, Wealth and Investment Management, and Human Resources
- Between 2019 and 2021, contributed more than \$1.1 million to Flagstaff nonprofits and over \$1.6 million countywide



City of Flagstaff Banking

Wells Fargo in the Community

- Between 2019 and 2022, Wells Fargo has contributed more than \$1,148,000 to Flagstaff non-profits and other charities supporting local neighborhoods and businesses. Wells Fargo's priority focus has been on financial health and housing affordability. Recipients included:
 - Coconino County Community College Foundation, Flagstaff Family Food Center, Flagstaff Shelter Services, Habitat for Humanity of Northern Arizona, Housing Solutions of Northern Arizona, Red Feather Development Group, Rural Community Assistance Corp., United Way of Northern Arizona



City of Flagstaff Banking

Wells Fargo in the Community

- Within Coconino County during that same period, Wells Fargo's contributed in excess of \$1,657,000 to non-profits with housing affordability and financial health as our top priority. In addition to those Flagstaff organizations, recipients included:
 - Change Labs, Earn to Learn, Grand Canyon Conservancy, Museum of Northern Arizona, National Forest Foundation



City of Flagstaff Banking

Wells Fargo approach to Climate Action and fossil fuels

- Task Force for Climate-Related Financial Disclosures Report
- History of Climate Action with Wells Fargo
 - 2005: 1st bank of its size to provide \$1M in environmental financing
 - 2006: Renewable Energy and Environmental Finance group formed
 - 2007: 1st corp. to lead EPA's top 25 list of green power purchasers
 - 2008: Launches first Sustainability fund
 - 2013: Earned recognition from the Environmental Protection Agency's Climate Leadership program for Excellence in Greenhouse Gas Management
 - 2014: Underwrote 1st nonfinancial sector Corporate Green Bonds



City of Flagstaff Banking

Wells Fargo approach to Climate Action and fossil fuels

- Task Force for Climate-Related Financial Disclosures Report
- History of Climate Action with Wells Fargo (Continued)
 - 2017: Met 100% of electric consumption with renewable sources
 - 2017: Exceeded 30 million square feet of LEED Certified space
 - 2018: Provided \$5M funding to create Tribal Solar Accelerator Fund
 - 2019: Achieved carbon neutrality across organization with purchase of carbon offsets
 - 2019: 1st Power Purchase Agreement with NRG Energy for 24MW
 - 2020: Prohibited financing of coal-fired power generation projects



City of Flagstaff Banking



Wells Fargo approach to Climate Action and fossil fuels

- Task Force for Climate-Related Financial Disclosures Report

Select operational and financial sustainability goals	
Goal	2019 Results
Provide \$200 billion in financing to sustainable businesses and projects by 2030, including clean/renewable energy, green buildings, and green bonds	Provided ~\$26 billion to sustainable businesses and projects, bringing our cumulative total to ~\$49 billion (since 2018) of our \$200 billion commitment
Reduce energy consumption 40%	Reduced consumption 38% (from 2008 baseline)
Purchase renewable electricity to meet 100% of our global operations needs by the close of 2017	Met 100% of our global electricity needs with renewable energy sources (since 2017) ¹¹
Reduce greenhouse gas emissions 45%	Achieved a 52% reduction (from 2008 baseline). Purchased carbon offsets to achieve carbon neutrality for our 2019 operations.
Achieve LEED® certification for 35% of buildings (by leased and owned square footage)	30% LEED-certified square footage (2019)
Reduce water consumption 65%	61% reduction (from 2008 baseline)
Reduce total waste stream 50%	46% reduction (from 2010 baseline)



City of Flagstaff Banking

Wells Fargo approach to Climate Action and fossil fuels

- Wells Fargo recognizes that climate change is one of the most urgent environmental and social issues of our time.
- May 2022 Wells Fargo released CO2eMission: A net-zero alignment and target-setting methodology
- Net Zero greenhouse gas emissions by 2050
 - Includes both WF operations and emissions of clients that can be contributed to WF financing



City of Flagstaff Banking



Wells Fargo approach to Climate Action and fossil fuels

- Interim target for 2030 for the Gas & Oil and Power sectors

Sector	Metric	2019 Baseline	2030 Target	Financing activities included in the targets	Climate scenario relied upon to set target
Oil & Gas (Scopes 1, 2, and 3)	Absolute emissions (Mt CO ₂ e) ¹	97.7 Mt CO ₂ e	72.3 Mt CO ₂ e 26% reduction from 2019 baseline	<ul style="list-style-type: none">• Lending• Debt and equity capital markets facilitation	Network for Greening the Financial System (NGFS) Orderly Net Zero 2050 (June 2021)
Power (Scope 1)	Emissions intensity (kg CO ₂ e/MWh) ²	253 kg CO ₂ e/MWh	102 kg CO ₂ e/MWh 60% reduction from 2019 baseline	<ul style="list-style-type: none">• Lending• Debt and equity capital markets facilitation• Renewable energy financing	NGFS Orderly Net Zero 2050 (June 2021)

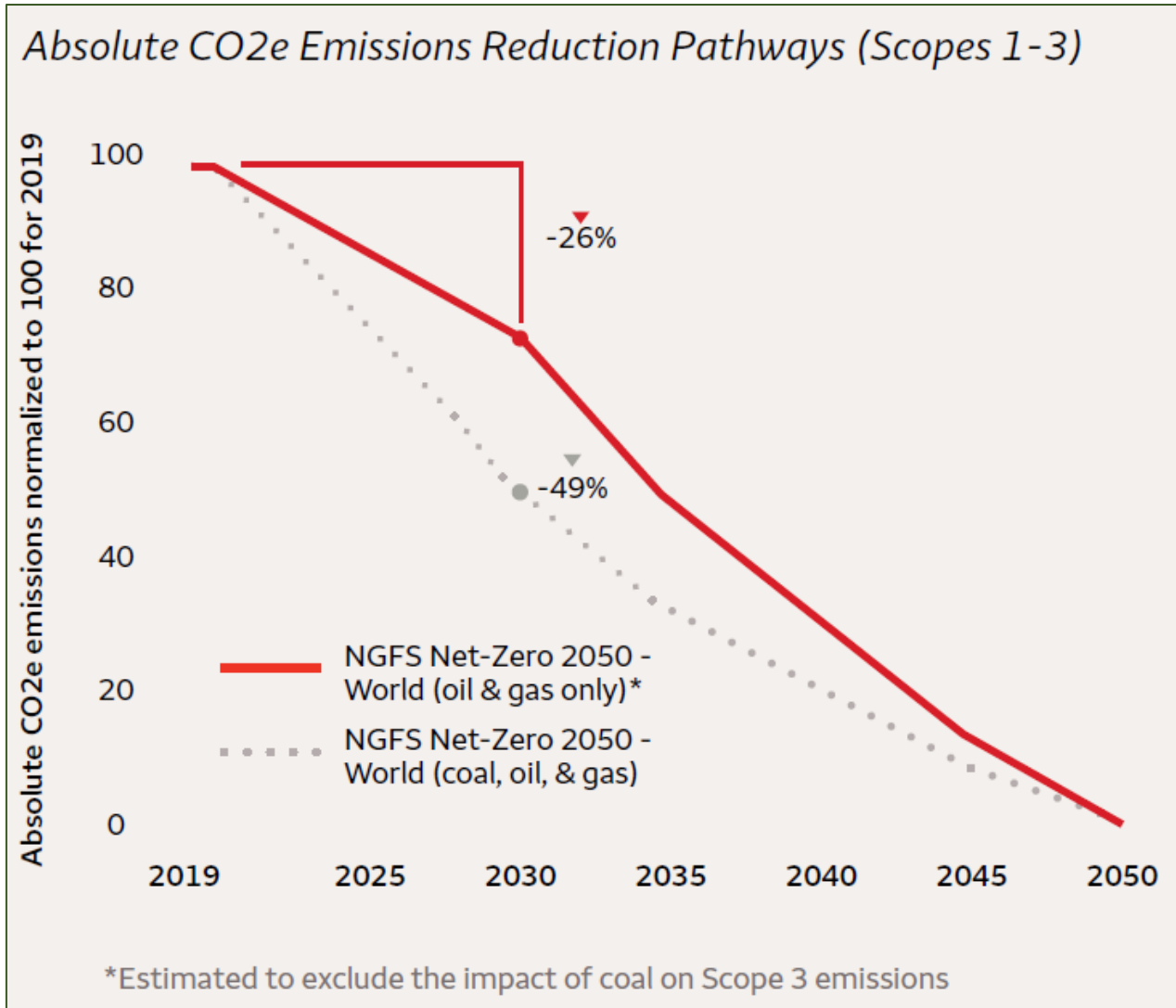


City of Flagstaff Banking



Wells Fargo approach to Climate Action and fossil fuels

- Gas & Oil sectors





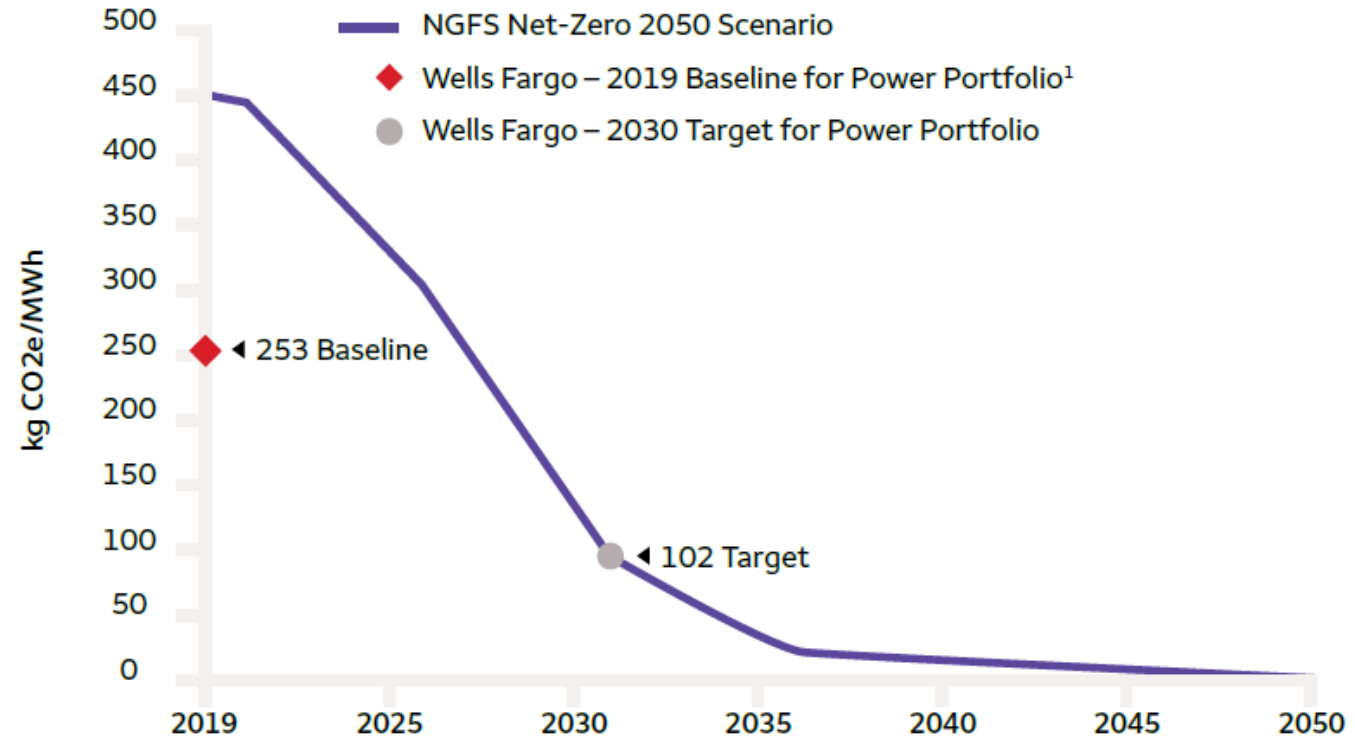
City of Flagstaff Banking



Wells Fargo approach to Climate Action and fossil fuels

- Power sectors

Scope 1 Intensity: 2019 Baseline, Scenario, and Wells Fargo 2030 Target



1. Power sector baseline calculated using 2020 power generation data as a proxy for 2019 data due to data availability.



City of Flagstaff Banking

Wells Fargo approach to Climate Action and fossil fuels

- A leader in sustainable financing
- Committed \$500 Billion to sustainable finance

2022 U.S. Sustainability-Linked Loans Bookrunner				
Bookrunner	Rank	Volume (\$M)	Market Share (%)	# of Deals
Bank of America	1	21,122	18.2	57
JPMorgan	2	12,725	10.6	41
Wells Fargo	3	12,455	10.7	41
Citi	4	6,336	5.5	23
BNP	5	4,270	3.7	16
Barclays	6	3,995	3.4	16
Goldman Sachs	7	3,804	3.3	11
RBC	8	3,794	3.3	11
TD	9	3,735	3.2	11
Mizuho	10	3,442	2.9	13



City of Flagstaff Banking

Staff Discussion/Recommendation

- Banking services are an administrative function of the City Treasurer
- The City Treasurer shall (Charter):
 - receive and have custody of all the money
 - keep and save said money
 - dispense the same only as provided by ordinance
 - always be bound by the Constitution, laws of the State, Charter of the City, and ordinances, and upon whom legal garnishments may be served



City of Flagstaff Banking



Staff Discussion/Recommendation

- Procurement rules allows staff to enter in to Cooperative Agreements with under \$50,000 annual costs
- Current services received cost the City \$0
- City banking services are complex
- The City and Wells Fargo have a great working relationship
- Wells Fargo is addressing Climate Action through CO2eMission
- Staff anticipates continuing the contract with Wells Fargo for the City's full-service banking needs

Petition to Flagstaff City Council:

Petition to Flagstaff City
Council: “Climate
Emergency: Stop the
Money Pipeline”



“We request that the Flagstaff City Council instruct the City’s financial managers to move the City’s banking from Wells Fargo, one of the world’s top financiers of the fossil fuel industry, to a Community Bank or Credit Union.”

Questions?