

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: CHUCK MCBRIDE, CHIEF FINANCIAL OFFICER  
SUBJECT: AGREEMENT FOR GENERAL BANKING SERVICES WITH  
JPMORGAN CHASE BANK, N.A.

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Finance Department that the Council, by resolution, approve a five-year professional services agreement (PSA) with JPMorgan Chase Bank, N.A., San Francisco, California, for general banking services, in an amount not to exceed \$300,000.

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EXECUTIVE SUMMARY

The City contracts for several services relative to banking and other financial services, including merchant card services, institutional custody, and procurement card services. Since 2002, Wells Fargo Bank has provided general banking services to the City. In July 2017, the City contracted with PFM Asset Management LLC (PFM), to assist with the Request for Proposal (RFP) process for selecting new institutions for Comprehensive Banking Services. The RFP was released on October 31, 2017, and eight proposals were received by the December 5, 2017 due date.

Proposals were reviewed by a committee including the Chief Financial Officer, the Deputy Director of Finance, an Administrative Technician tasked with performing Treasury duties, and representatives from PFM. Financial institution presentations were made to this group, as well as subject matter experts from various City operations.

After careful review of the submitted proposals and presentations, staff recommends that the City Council approve a five-year contract with JPMorgan Chase Bank, N.A. (JPMorgan) for general banking services.

BACKGROUND

The City contracts for several services relative to comprehensive banking services. These include General Banking; Institutional Custody; Merchant Card Processing; and

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Purchasing Card services. Currently, the City's general banking services are provided by Wells Fargo Bank. The contract with Wells Fargo expired on June 30, 2017; however, it was extended to allow time to go through the RFP, selection, and implementation process. The final extension of the Wells Fargo Bank contract will expire on December 31, 2018.

City staff worked with subject matter experts in various departments affected by banking services in general and developed a scope of services to be addressed within the RFP. These services were expanded into "Service Groups," adding Electronic Payables and Lockbox Services, which would be new services for the City. Firms were given the opportunity to submit proposals to provide Service Groups individually. This allowed the City the ability to select different financial institutions for each of the Service Groups. The intent of this strategy was to find institutions that could provide the best possible service, at the lowest cost.

On October 31, 2017, RFP #17-74 for Comprehensive Banking Services was released. The City performed extensive outreach to ensure small, local banks knew how to respond to the RFP. In response to the solicitation, the City received a total of eight proposals, and five of those proposals were for General Banking services.

The City employed an outside consultant, PFM Asset Management LLC (PFM), to conduct an extensive qualitative and quantitative review of the proposals. Each firm was awarded points based on a number of factors from the ability to meet operational requirements to the financial strength of the firm. The quantitative review compared the fee proposals on an "apples-to-apples" basis.

#### PRIOR CITY COUNCIL REVIEW

Not applicable.

#### ANALYSIS

The City received five proposals for General Banking services. Of this total, only one would be considered a small, local bank. That proposal scored the lowest as part of the price and service review, and did not move forward to proposer presentations.

JPMorgan submitted a quality proposal and scored the highest in both the qualitative and quantitative evaluation. JPMorgan demonstrated a robust online platform with innovative new solutions. JPMorgan also proposed the lowest fees of all vendors. The presentation was well organized and demonstrated the bank's ability to exceed the needs and requirements of the City.

During its presentation, JPMorgan provided examples of its commitment to the local community. They have three branches located in Santa Rosa. They have a small business initiative supporting local organizations and customers. As a response to the October 2017 wildfires, JPMorgan, through its local branches, assisted customers with replacing bank items lost including debit cards, safety deposit box keys and locks, and they refunded any overdraft fees incurred as a result of the fires.

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Under the five-year term of this agreement, the annual banking fees will be approximately \$49,700. The five-year total for this agreement will be approximately \$250,000.

The City's General Fund will realize a savings in banking fees as a result of this agreement. Comparing to existing fees, the savings could be as much as \$28,000 per year, or \$140,000 over the five-year term of this agreement. In addition, JPMorgan proposed a transition credit of \$60,000, which is applied during the transition from the existing banking system to the new JPMorgan system. During this transition, there will be a period where the two systems will run parallel, incurring fees from both banks. The transition credit will offset the additional cost during that period.

FISCAL IMPACT

General Banking fees are a General Fund regular operating expenditure included in the Fiscal Year 2018-19 budget. Approval of this agreement will result in a savings to the General Fund of approximately \$28,000 annually.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Resolution/Exhibit A

CONTACT

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