



## Recommendation for Action

**File #:** 19-3061, **Agenda Item #:** 43.

10/3/2019

### **Posting Language**

Authorize an amendment to an existing contract with J.P. Morgan Chase Bank, N.A., for continued bank depository services, for an increase in the amount of \$808,026, and to extend the term up to two years, for a revised total contract amount not to exceed \$1,761,418.

(Note: The contract was reviewed for subcontracting opportunities in accordance with City Code Chapter 2-9C Minority Owned and Women Owned Business Enterprise Procurement Program. For the services required for the contract, there were insufficient subcontracting opportunities; therefore, no subcontracting goals were established).

### **Lead Department**

Purchasing Office.

### **Client Department(s)**

Financial Services Department.

### **Fiscal Note**

Funding in the amount of \$343,251 is available in the Fiscal Year 2019-2020 Operating Budget of the Financial Services Department. Funding for the remaining contract term is contingent upon available funding in future budgets.

### **Purchasing Language:**

Contract Amendment.

### **Prior Council Action:**

April 13, 2017 - Council approved an amendment to the original request which executed a three-year contract with no extension options, item 19, on a 10-0 vote.

### **For More Information:**

Inquiries should be directed to the City Manager's Agenda Office, at 512-974-2991 or [AgendaOffice@austintexas.gov](mailto:AgendaOffice@austintexas.gov) <<mailto:AgendaOffice@austintexas.gov>> or to Phyllis Benitez, at 512-974-3145 or [phyllis.benitez@austintexas.gov](mailto:phyllis.benitez@austintexas.gov) <<mailto:phyllis.benitez@austintexas.gov>>.

### **Additional Backup Information:**

The State of Texas municipal depository law, Local Government Code Chapter 105, provides the general provisions for depositories of municipal funds. Requirements pursuant to Chapter 105 of the Local Government Code include a depository contract term that does not exceed five years and approval by the governing body of the municipality.

The citywide depository services Request for Proposals (RFP) solicitation was issued August 8, 2016 and closed on September 29, 2016. The City received four offers and the review was conducted by an evaluation team composed of key financial staff across the organization. Staff recommended award of a five-year

---

depository services contract with J.P. Morgan Chase, which received the highest overall ranking. On April 13, 2017, Council awarded J.P. Morgan Chase an initial three-year contract, which will expire on May 31, 2020. This proposed amendment is to authorize execution of the two, one-year extension options from the original request. The first extension option is in the amount of \$394,159 and the second extension option is in the amount of \$413,867.

Since execution of this depository contract, a number of new services have been implemented to assist the City with streamlining operational needs. Recent service implementations include a new Lockbox service for the Emergency Medical Services Department to assist with the increasing volume of invoices and fee payments, and a new automated clearing house (ACH) file transmission to assist with expediting contractor payments, while at the same time minimizing cost.

The City has increased banking volumes across the board since the beginning of the contract. Detailed below is the approximate volume of citywide depository activity during the first two years of the contract:

- Electronic Funds Transfer (EFT):
  - 6.5 million ACH transactions
  - \$7.8 billion in ACH transactions
  - 7,000 wire transactions
  - \$10.8 billion in wire transactions
- Deposits:
  - \$1.3 million checks deposited
  - 21,000 branch deposits
  - 33,000 cash vault deposits
  - \$2 billion in deposit transactions
- Disbursements:
  - 120,000 contractor checks issued
  - \$1.6 billion in contractor checks issued
  - \$1.03 million in payroll checks/ACH transactions
  - \$1.4 billion in payroll checks/ACH transactions

The primary objective of municipal banking is to ensure that taxpayer funds are safe and secure. To achieve this objective, adhere to State law requirements, and utilize industry wide best practices, the depository must be able to provide the services listed below:

- Collateral requirements: minimum level permanent depository collateral of \$10 million;
- Daylight overdrafts: this allows the City to meet disbursements (such as debt service payments, payroll, contractor Electronic Fund Transfer (EFT) payments) in the morning as City staff liquidate short term investments during the day to fund those disbursements prior to close of business, with the bank covering the overdraft between the timing of the transactions;
- Deposit Services: provides both branch and cash vault deposit services, electronic cash letter deposit submission, and National Automated Clearing House (NACHA) formatted ACH files;
- EFT Services: provides both direct transmission of ACH files as well as manual ACH and wire initiation;

- Zero Balance Accounts (ZBA): an extensive ZBA account structure to minimize funds sitting in idle bank accounts;
- Fraud Prevention Services: ACH debit blocks, ACH debit filters, Positive Pay with Full Reconciliation, and Post No Checks;
- Securities Clearance transfer agent for buying and selling of the City's long-term investments;
- Safekeeping services for all of the City's securities.

Due to the complexity of the City's bank account structure and the volume of banking transactions, meeting the City's depository needs has been an obstacle for many local financial institutions. The City has partnered with local banks and credit unions for specialized City functions, including a contract with Velocity Credit Union for the City's \$10 million Clean Energy Accelerator energy efficiency lending program, private placement loans with Prosperity Bank for the Town Lake Venue and Airport debt service totaling \$85 million, and working with Frost Bank as the capital partner for the new Planning and Development Center and Austin Energy headquarters public-private partnership transactions. Staff will continue looking for opportunities to partner with local banks and credit unions for future financing needs of the City.

Staff is recommending the proposed amendment with J.P. Morgan Chase to continue providing depository services to the City. A new solicitation is planned to be issued for a replacement contract in the summer of 2021.

Contract Detail:

<u>Contract Term</u>	<u>Length of Term</u>	<u>Current Contract Authorization</u>	<u>Requested Additional Authorization</u>	<u>Revised Total Authorization</u>
Initial Term	3 yrs.	\$953,392		\$ 953,392
Proposed Amendment	2 yrs.		\$808,026	\$ 808,026
<b>TOTALS</b>	<b>5 yrs.</b>	<b>\$953,392</b>	<b>\$808,026</b>	<b>\$1,761,418</b>

**Note:** Contract Authorization amounts are based on the City's estimated annual usage