



DATE: December 5, 2017

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT: Authorization to Execute a Banking Services Agreement with JP Morgan Chase Bank, N.A. for banking transactions and cash management services.

RECOMMENDATION

That Council adopts the attached resolution (Attachment II) authorizing the City Manager to execute a five-year contract with JP Morgan Chase Bank, N.A. for banking transaction and cash management services (banking services). The agreement would be effective from January 1, 2018 through January 1, 2023.

BACKGROUND

The City last issued an RFP for banking services in 2006. Since that time, the City has engaged Bank of the West for banking services. On January 18, 2017, the City issued a request for proposals (RFP) for banking services and received responses from three financial institutions. On March 20, 2017, the City re-issued the RFP in the hopes of receiving a response from more financial institutions than had been received originally. When the response period ended for the re-issued RFP, the City received responses from five financial institutions; each institution was considered qualified based on their responses.

DISCUSSION

Staff evaluated each of the responding institution's proposals using the following criteria:

- Completeness of response to all required items included in the RFP
- Ability to meet current and projected service requirements over the term of the agreement
- Overall cost
- Reliability and quality of customer service
- Experience and governmental knowledge of bank team
- Financial Strength
- Capacity to provide comprehensive electronic banking services
- Thoroughness of the conversion plan

In addition, staff considered recommendations from references and the institution's involvement with the Hayward community. After careful consideration and many interviews with the institutions, staff recommends engaging JP Morgan Chase, N.A. to provide banking services. JP Morgan Chase, N.A. is a national banking association, organized and existing under the laws of the United States pursuant to a charter issued by the U.S. Office of the Comptroller of the Currency. Deposits in J.P. Morgan Chase, N.A. are insured by the Federal Deposit Insurance Corporation (FDIC). They have more than 4,600 clients nationwide with over 2,300 government clients. There are three JP Morgan Chase branches located in Hayward.

JP Morgan Chase, N.A. devotes \$9 billion annually to its technology and cybersecurity enhancements, focused on advancing their mobile banking and transactions capabilities. The tight controls their solutions provide will help to safeguard the city's assets and protect the city's customer as they interact with the city's payment systems.

JP Morgan, Chase, N.A. has a proven history of commitment to the goals of the Community Reinvestment Act and community service. While commitment to the Hayward community was not a technical specification considered in the initial scoring of institutions, overall value provided to the City (both as an organization and community) was considered. To that end the following demonstrates JP Morgan, Chase N.A.'s commitment to the Hayward community:

- From January 2015 through December 2016, JP Morgan, Chase N.A. originated or purchased more than 500 mortgage loans for approximately \$270 million in Hayward, of which 18% were made to low-or moderate-income customers and 47% were made for homes located in low-or moderate-income communities.
- Over the same period, JP Morgan, Chase N.A. originated more than 800 small business loans for approximately \$25 million in Hayward, of which, 27% were made to businesses located in low-or moderate-income communities.
- They contributed \$33,400 to nonprofits in support of Workforce Readiness, \$14,200 in support of Financial Capability and \$11,500 to nonprofits in support of Business Development in Hayward.

STRATEGIC INITIATIVES

While the awarding of this contract does not directly contribute to the advancing of any of the three strategic initiatives, staff is committed to leveraging the relationship in all possible ways allowable legally to benefit all residents of the Hayward community.

FISCAL IMPACT

The costs for the five-year contract term were determined using historical banking service activity levels and reduced by interest earnings on bank account balances. The estimated fees for five years are \$498,166 and the estimated earnings credit for five years on bank account balance is \$498,166, with an estimated net cost of \$0.

Prepared by: Marichu Maramba, Accounting Manager

Recommended by: Dustin Claussen, Director of Finance

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', written in a cursive style.

Kelly McAdoo, City Manager