


7/13/20

Item # 7



**Item 7 – 20-493  
Action on  
Agreements to  
Provide  
Comprehensive  
Banking Services to  
the City**

July 13, 2020



**City of  
Santa Clara**  
The Center of What's Possible

## **Agenda**

- Overview
- Request for Proposals
- Summary of Proposals
- Bank Interviews
- JP Morgan Chase
- Wells Fargo/Principal
- Cost Comparison
- Staff Recommendations

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## Overview

- The Finance Department, under the direction of the Director of Finance, oversees the treasury responsibilities of the City, including:
  - Supervising banking relationships
  - Receipt and custody of all cash and checks received from any source in compliance with the provisions of State law governing the handling, depositing, and securing of public funds
  - Receipt of credit and debit card transactions
  - Payment of debts of the City, including general accounts payable and payroll
  - Maintain petty cash and purchasing card programs, as deemed prudent for the efficient conduct of City business
  - Custody and safekeeping of City investments and securities

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## Overview

The Finance Department makes extensive use  
of banking services to manage the City's  
Treasury operations

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## Overview

- The City had not initiated a competitive procurement for banking or merchant card services in over 25 years
- Banking services and technology have changed substantially in the last two decades
- Difficult to ascertain whether the City's current banking services fees are competitive
  - Bundled services vs. à la carte

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## Overview

- In May 2019, the Finance Department hired a consultant (PFM) to:
  - Review and document the City's current general banking, merchant card, accounts payable, and custody services and processes
  - Provide feedback on potential service level improvements
  - Analyze the City's banking fees versus market
  - Analyze the use of technology and security controls within the City's banking practices

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## Request for Proposals

The Finance Department, with the help of a consultant, prepared and distributed a RFP for the following services:

- General Banking Services
- Merchant Card Services
- Integrated Accounts Payables and P-Card Services
- Custody Services

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## Request for Proposals

**Objective:** Procure appropriate, enhanced and cost-effective banking services while safely managing public funds, reducing risk, and improving productivity and the customer experience

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## Request for Proposals

- The RFP for Banking Services was issued on October 28, 2019
- Proposals were due December 5, 2019



## Summary of Proposals

	Bank of America	Bank of the West	BNY Mellon	JP Morgan	MUFG	Northern Trust	Wells Fargo
General Banking Services	X	X		X	X		X
Merchant Card Processing	X	X		X	X		X
Purchasing Card / Integrated Payables	X	X		X	X		X
Institutional Custody Services	X	X	X			X	X

X = Received Proposal



## Bank Interviews

The Finance Department held interviews with the top scoring banks in each category as follows:

- General Banking, Merchant Card, and Integrated Payables/P-Card Services
  - Bank of America
  - JP Morgan Chase
  - Wells Fargo
- Custody
  - Bank of America
  - Wells Fargo/Principal Financial Group (“Principal”)



## Bank Interviews

Evaluation Criteria	Weight
Operational Requirements <ul style="list-style-type: none"> <li>• Understanding the needs and operational requirements of the City</li> <li>• Scope of Services offered, including degree of automation</li> </ul>	30%
Firm/Staff Experience <ul style="list-style-type: none"> <li>• Experience, resources, and qualifications of the firm and individuals assigned to City</li> <li>• Relevant experience managing similar account relationships with other govt. entities</li> </ul>	20%
Financial Strength, Security and Regulatory Compliance <ul style="list-style-type: none"> <li>• Financial strength of the proposing firm</li> <li>• Adequacy of financial controls, security and protection against loss</li> <li>• Compliance with all applicable state and federal regulations for services proposed</li> </ul>	10%
Transition <ul style="list-style-type: none"> <li>• Quality and scope of conversion/implementation</li> <li>• Value of new product or service suggestions or other new enhancements</li> </ul>	15%
Fees <ul style="list-style-type: none"> <li>• Proposed fees, compensation and earnings rates</li> </ul>	25%
<b>TOTAL</b>	<b>100%</b>



## JP Morgan Chase

### (General Banking, Merchant Card Services, Integrated AP / Purchase Card Services)

- *Opportunity to Increase Automation and Leverage New Technologies*
  - Superior online and technology capabilities.
  - Robust bank reconciliations and reporting platform.
  - JPMorgan invested \$11.5 billion into technology in 2019.
  - Proprietary P-Card platform with superior levels of detail.
  - Strong disaster recovery program and increased security.

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## JP Morgan Chase

### (General Banking, Merchant Card Services, Integrated AP / Purchase Card Services)

- *Enhanced Customer Service and Relationship Management*
  - JPMorgan has a dedicated team of experienced professionals directly assigned to the City's account.
  - JPMorgan is committed to providing a direct line of contact to a familiar, dedicated customer service representative rather than a generic call center.
  - Post-transition, JPMorgan has committed to meeting with City staff at least quarterly to review the City's banking and merchant card services, set goals and objectives for the following year, provide best practice recommendations, review industry trends (e.g., risk management, data security, and fraud management), and review and consider new products.

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## JP Morgan Chase

### (General Banking, Merchant Card Services, Integrated AP / Purchase Card Services)

- *Opportunity to Consolidate Merchant Relationships*
  - The City has various merchant processing relationships that have developed as departments have acquired payment-accepting software over time. JPMorgan best demonstrated the capability to review these relationships and consolidate Citywide processing platforms.
  - Consolidation will reduce account maintenance requirements while providing a more transparent pricing structure for merchant services.
  - Enhanced Payment Card Industry (PCI) Compliance assistance, including annual training.

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## Wells Fargo/Principal

### (Custody Services)

- *No Transition*
  - Wells Fargo has been providing custody services to the City since 2005.
- *Experienced Team*
  - Principal has pledged to maintain the team of providers who are familiar with the City's account and have been delivering excellent service for more than five years.
- *Low Fees*
  - Leveraging the City's excellent relationship with Wells Fargo since 2005, the Wells Fargo/Principal proposal was materially less costly than all other proposals.

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## Cost Comparison

### General Banking, Merchant Card, and Integrated Payables/P-Card Services

	Estimated Fees (Annual)	Estimated Fees (5 years)
JP Morgan*	\$ 35,000	\$173,000
Current Fees**	\$109,000	\$545,000
<b>Net Savings</b>	<b>\$ 74,000</b>	<b>\$370,000</b>

\* JP Morgan has also committed up to \$100,000 in service credits to offset transition costs.

\*\*Based on current fees paid to Bank of America.

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## Cost Comparison

### Custody Services

	Estimated Fees* (Annual)	Estimated Fees* (5 years)
Current Fees	\$ 9,000	\$ 45,000
Wells Fargo/Principal**	\$ 11,000	\$ 55,000
<b>Net Cost</b>	<b>\$ 2,000</b>	<b>\$10,000</b>

\* Based on a portfolio value of approximately \$650 million.

\*\* In July 2019, Wells Fargo entered into an agreement with Principal Financial Group ("Principal") for the sale of its institutional custody business. The transition to Principal is expected to be completed by December 2020.

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## Staff Recommendations

- Approve and authorize the City Manager to continue negotiating the terms and conditions of the agreements and execute final agreements with JPMorgan Chase Bank, N.A. for General Banking, Merchant Card Processing, and Commercial Card Services for an initial five-year term starting on or about August 1, 2020 and ending on or about July 31, 2025, subject to the appropriation of funds;

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## Staff Recommendations

- Approve and authorize the City Manager to continue negotiating the terms and conditions and execute a final agreement with Wells Fargo Bank for Custody Services for an initial five-year term starting on or about August 1, 2020 and ending on or about July 31, 2025, subject to the appropriation of funds; and
- Authorize the City Manager to execute a five-year option to extend the term of the Agreements through on or about July 31, 2030, subject to the appropriation of funds, with JP Morgan Chase and Wells Fargo Bank, respectively.

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The seal of the City of Santa Clara, California, is circular. It features a central illustration of a mission-style building with a red roof and a bell tower, set against a blue sky with clouds and green grass. The year "1852" is printed below the building. The outer ring of the seal contains the text "CITY OF SANTA CLARA CALIFORNIA" at the top and "THE MISSION CITY" at the bottom, separated by a dotted line.

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