



AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Katano Kasaine
Treasurer

SUBJECT: Extension of Primary Depository
Services Agreement through June 30,
2018

DATE: February 6, 2017

City Administrator Approval

Date:

2/14/17

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator Or Her Designee To Negotiate And Execute An Extension through June 30, 2018 Of The Current Agreement With J.P. Morgan Chase, National Association ("N.A."). To Provide Primary Depository Services For The City At An Estimated Annual Cost Of \$275,000.

EXECUTIVE SUMMARY

Depository services are critical to the daily operations of the City and its ability to serve its constituents. The agreement with JP Morgan to provide primary depository services commenced on March 17, 2014 and expires on March 17, 2017. As the initial period of the agreement is coming to an end, staff is requesting that the City Council authorize an extension through June 30, 2018 of the current agreement with JP Morgan in order to allow for continuity of service while staff continues development of amendments to the Linked Banking Services Ordinance, determines Eligible Depositories, conducts an extensive Request for Proposal ("RFP") process, and executes a new primary depository services agreement.

BACKGROUND / LEGISLATIVE HISTORY

On July 13, 1993, the City adopted Ordinance No. 11607 C.M.S. (the "Linked Banking Services Ordinance" or "Ordinance") establishing a linked banking services program to encourage community lending and require that depositories with which the City contracts for banking services meet certain lending goals and provide the City with certain information on their lending practices. The Linked Banking Services Ordinance was amended and restated by Ordinance No. 12066 C.M.S. passed on July 14, 1998.

On February 22, 2013, the City, issued an RFP for primary depository services. Five banking institutions – CitiBank, N.A., J.P. Morgan Chase, N.A. ("JP Morgan"), Union Bank, N.A., U.S. Bank, N.A., and Wells Fargo Bank, N.A. – responded to the RFP. A City selection committee, after considering the respective capabilities, qualities, and costs of service of these banks,

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determined that JP Morgan was an Eligible Depository in accordance with the Linked Banking Services Ordinance and the bank best meeting the required criteria.

On December 10, 2013, the City Council approved Resolution No. 64764 C.M.S., authorizing the City Administrator to negotiate and execute an agreement with JP Morgan to provide primary depository services for the City at an estimated annual cost of \$275,000 for a three-year period. The three-year period of the agreement with JP Morgan commenced on March 17, 2014 and expires on March 17, 2017.

On March 8, 2016, the Finance and Management Committee ("FMC") directed staff to amend the Linked Banking Services Ordinance in order to establish updated lending goals and lending practices reporting requirements for Eligible Depositories. Once amendments to the Ordinance are adopted, these updated goals and reporting requirements are to be used to compile a new list of Eligible Depositories with which the City may contract with for banking services. The City is to then issue an RFP soliciting proposals from the newly qualified Eligible Depositories for primary depository services to replace the expiring contract with JP Morgan.

On June 7, 2016, staff recommended that the City Council adopt an ordinance amending the Linked Banking Services Ordinance to update reporting requirements and codify the Linked Banking Services Ordinance into the Oakland Municipal Code. The proposed ordinance was referred back to FMC for further development. Staff is currently researching best practices and how to most effectively implement City Council's direction and will return to FMC for approval.

ANALYSIS AND POLICY ALTERNATIVES

The three-year period of the agreement with JP Morgan commenced on March 17, 2014 and expires on March 17, 2017. JP Morgan was fully transitioned to and operating as the City's depository bank after an exhaustive and detailed implementation process by June 2014.

As the City's depository bank, JP Morgan provides general depository services such as reporting on balances, detailing debt/credit information, performing fund transfers, issuing stop payments, obtaining reports, etc. In addition, JP Morgan provides other banking services such as account maintenance, lockbox services, paper disbursement services, paper disbursement reconciliation services, general Automated Clearing House services, wire transactions, and sophisticated online banking services. These depository services are critical to the daily operations of the City and its ability to serve its constituents.

As the initial period of the agreement is coming to an end, staff has been preparing to issue an extensive RFP for primary depository services in order to select a qualified bank and execute a new agreement. Preparations include passage of an ordinance to amend the Linked Banking Services Ordinance in order to update its lending goals and lending practices reporting requirements and to subsequently establish a new list of Eligible Depositories meeting the updated criteria with which the City may contract for banking services.

To allow time for the City to complete Linked Banking Services Ordinance amendments and issue an RFP, staff is seeking an extension through June 30, 2018 of the current agreement with JP Morgan to provide primary depository services in order to allow for continuity of service.

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In addition, staff will be compiling a new list of Eligible Depositories in accordance with the amended Ordinance, negotiating and executing a new primary depository services agreement to replace the expiring agreement, and implementing operations with the new primary depository bank. Following is a proposed schedule (Table 1) for implementing a new primary depository bank.

Table 1
Proposed Schedule

Date	Activity
March 2017	Extend current primary depository services contract with JP Morgan
May 2017	Adopt ordinance amending the Linked Banking Services Ordinance
June 2017	Compile a new list of Eligible Depositories in accordance with the amended Ordinance
July 2017	Issue an RFP to newly qualified Eligible Depositories for primary depository services
March 2018	Award a new primary depository services contract and begin transition of operations to new bank
June 2018	Existing contract with JP Morgan expires
July 2018	Operations fully transitioned and implementation complete with new depository

FISCAL IMPACT

The appropriation for depository services has been established in the Treasury Bureau's current year Bank and Bonds budget. Staff has reasonable expectations that the costs associated with the extension to the current contract will remain within budgeted levels.

PUBLIC OUTREACH / INTEREST

This item does not require any public outreach other than the required posting on the City's website.

COORDINATION

This report was prepared by the Treasury Bureau in coordination with the City Attorney's Office and Budget Office.

SUSTAINABLE OPPORTUNITIES

Economic: There are no economic opportunities associated with this report.

Environmental: There are no environmental opportunities associated with this report.

Social Equity: There are no social equity opportunities associated with this report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council adopt a resolution authorizing the City Administrator or her designee to negotiate and execute an extension through June 30, 2018 of the current agreement with J.P. Morgan Chase, N.A. to provide primary depository services for the city at an estimated annual cost of \$275,000.

For questions regarding this report, please contact KATANO KASAINÉ, TREASURER, at (510) 238-2989.

Respectfully submitted,



KATANO KASAINÉ
Treasurer, Treasury Bureau

Reviewed by:
David Jones, Assistant Controller

Prepared by:
Jacqueline Lee, Financial Analyst
Treasury Operations

2017 FEB 16 PM 7:25 RESOLUTION No. _____ C.M.S.

Introduced by Councilmember _____

**RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR OR HER
DESIGNEE TO NEGOTIATE AND EXECUTE AN EXTENSION THROUGH
JUNE 30, 2018 OF THE CURRENT AGREEMENT WITH J.P. MORGAN
CHASE, N.A. TO PROVIDE PRIMARY DEPOSITORY SERVICES FOR
THE CITY AT AN ESTIMATED ANNUAL COST OF \$275,000**

WHEREAS, depository services are mandatory to the daily operations of the City and its ability to serve its constituents; and

WHEREAS, Ordinance No. 11607 C.M.S. (the "Linked Banking Services Ordinance"), as amended and restated by Ordinance No. 12066 C.M.S., encourages community lending and requires that depositories with which the City contracts for banking services meet certain lending goals and provide the City with certain information on their lending practices; and

WHEREAS, after a competitive Request for Proposals ("RFP") process, the City Council approved Resolution No. 64764 C.M.S. on December 10, 2013 authorizing the City Administrator to negotiate and execute an agreement with J.P. Morgan Chase, N.A. ("JP Morgan"), an Eligible Depository in accordance with the Linked Banking Services Ordinance, to provide primary depository services for the City at an estimated annual cost of \$275,000 for a three-year period; and

WHEREAS, the three-year period of the agreement with JP Morgan commenced on March 17, 2014 and expires on March 17, 2017; and

WHEREAS, staff is working to develop an ordinance to amend the Linked Banking Services Ordinance in order to update its lending goals and lending practices reporting requirements and to subsequently establish a new list of Eligible Depositories with which the City may contract for banking services; and

WHEREAS, an extension through June 30, 2018 of the current agreement with JP Morgan to provide primary depository services is necessary to allow for continuity of service while staff completes amendments to the Linked Banking Services Ordinance, determines Eligible Depositories, conducts an extensive RFP process, and executes and implements a new primary depository services agreement; now, therefore be it

RESOLVED, that the City Administrator or her designee is authorized to negotiate and execute an extension through June 30, 2018 of the current agreement with J.P. Morgan Chase, N.A. to provide primary depository services for the City at an estimated annual cost of \$275,000.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GIBSON MCELHANEY, GUILLEN, KALB, KAPLAN,
AND PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California