

A G E N D A



Recommendation for Council Action (Purchasing)

Austin City Council		Item ID:	13515	Agenda Number	56.
Meeting Date:		March 22, 2012			
Department:		Purchasing			
Subject					
Authorize award, negotiation, and execution of a 36-month requirements service contract with JP Morgan Chase, or one of the other qualified offerors to RFP No. JSD0111, for depository services in an estimated amount not to exceed \$624,777, with two 12-month extension options in estimated amounts not to exceed \$230,364 for the first option, and \$308,507 for the second extension option, for a total estimated contract amount not to exceed \$1,163,648.					
Amount and Source of Funding					
Funding in the amount of \$78,452 was included in the Fiscal Year 2011-12 Operating Budget of the Financial Services Department. Funding for the remaining 32 months of the original contract period and extension options is contingent upon available funding in future budgets.					
Fiscal Note					
There is no unanticipated fiscal impact. A fiscal note is not required.					
Purchasing Language:		Best evaluated proposal.			
Prior Council Action:					
For More Information:		Jeff Dilbert, 512-974-2651, Art Alfaro, 512-974-7882			
Boards and Commission Action:					
MBE / WBE:		This contract will be awarded in compliance with Chapter 2-9C of the City Code (Minority-Owned and Women-Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this solicitation.			
Related Items:		This contract will be awarded in compliance with Chapter 2-9C of the City Code (Minority-Owned and Women-Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this solicitation.			

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.

An application for depository services was issued on August 1, 2011, with applications due on September 30, 2011. An evaluation team consisting of six professional staff members from the Financial Services Department, Parks and Recreation Department, Human Resources Department, Transportation Department, and Austin Energy reviewed and scored the applications. The panel members recommended JP Morgan Chase as the most advantageous to the City based upon the following evaluation criteria: 1) Lowest Cost to the City, 2) Implementation Plan, 3) Services, and 4) Interview.

Highlights of City requirements for Depository Services outlined in the contract include:

- 1) The City currently has 32 accounts. The City of Austin uses an investment pool strategy that consolidates funds that can be legally merged under one investment umbrella. To minimize idle bank account funds, the City uses an extensive ZBA account structure for pooled funds. The funds that cannot be legally pooled are invested separately and flow through segregated bank accounts.
- 2) Collateral Requirements: All City funds must be collateralized by the depository in accordance with State law (Chapter 2257 – Collateral for Public Funds) and the City Code. In addition to Chapter 2257 and City Code requirements, the City's Investment Policy must be followed. The City has determined that the minimum level of permanent depository collateral to be pledged at all times at the relationship level will be \$10 million, regardless of the City's collected or ledger balances on deposit.
- 3) Deposit Services:
 - a. Credits – sequentially encoded deposit slips for each entity depositing into City accounts is required; reporting of deposits by sequence or serial number through the balance reporting mechanism is required.
 - b. Availability – the City expects to receive the depository's best availability published in its most recent availability schedule.
 - c. Image Cash Letter – the ability to accept an X9.37 Cash Letter or X9.100 formatted Cash Letter, as well as a notification system of the receipt of the electronic cash letter and corresponding deposit detail is required.
- 4) Check Disbursement Services:
 - a. Controlled Disbursement – the City requires one controlled disbursement account, first presentment reporting must be available by 8 A.M. CT with a second presentment reporting required by 10:15 A.M. CT.
 - b. Paid Check Service – the City requires prompt online access to current-month paid check information, a legible front and back image is required.
 - c. Reconciliation
 - i. Payee Positive Pay – payee positive pay reconciliation is required for all City accounts issuing checks.
- 5) EFT Services:
 - a. Electronic Credits – the City requires internet confirmation of electronic credits.
 - b. Electronic Debits – the City requires an internet product for Automated Clearing House (ACH) and wire initiation; online repetitive, semi-repetitive, and non-repetitive initiation capability as well as confirmation capability is required; password security and secondary authorization capability is required.
 - c. ACH Payroll Direct Deposit – for each bi-weekly payroll, the City transmits an ACH file conforming to the National Automated clearing House Association (NACHA) format containing employee direct deposit payroll credits; the depository agrees to perform the services of the originating bank for these automatic deposit entries and abide by the rules NACHA; a contingency plan in the event of processing problems for direct deposit is required.

- d. Outgoing ACH Transactions – an internet product allowing the initiation of ACH transactions in standard ACH and CCD+ format is required.
- e. Incoming ACH Transactions – access to addendum details for ACH credit transactions is required.
- 6) Additional Online Requirements and Balance/Transaction Reporting:
 - a. Security Administration for Online Services – dual security administration is required for the various entitlements needed to transact banking online.
 - b. Online Balance/Transaction Reporting – the City requires the following capabilities at minimum:
 - i. Ability to download information in CSV format to Microsoft Excel and/or Microsoft Access for selected accounts with a 10 day minimum online history for:
 - 1. Current day balances and transaction detail for select accounts and
 - 2. Previous day balances and transaction detail for all accounts.
 - ii. Ability to download the following information in CSV format to Microsoft Excel for all accounts with a 10 day minimum online history:
 - 1. Prior day closing ledger balance;
 - 2. Prior day closing collected balance;
 - 3. One day float;
 - 4. Two day float;
 - 5. Summary of prior day account debits and
 - 6. Summary of prior day account credits.
- 7) Securities Clearance: the City's depository is required to serve as transfer agent for security transactions initiated by the City.
- 8) Safekeeping: the City will require that safekeeping receipts be issued within two business days following receipt of securities; monthly statements of investment holdings are required.
- 9) Compliance with Texas Public Funds Investment Act: all applicants must comply with the Texas Public Funds Investment Act (PFIA) and sign the City's PFIA acknowledgement.
- 10) Compliance with Community Reinvestment Act (CRA) : all applicants are required to describe the depository's level of compliance with the CRA, to include the current rating and any documentation which demonstrates compliance; documentation should disclose the extent of lending activity and plans to improve or increase access to banking facilities, products, and/or services for residents and businesses in the City of Austin's target neighborhoods.

This request allows for the development of an agreement with a qualified offeror that Council selects. If the City is unsuccessful in negotiating a satisfactory agreement with the selected offeror, negotiations will cease with that provider. Staff will return to Council so that Council may select another qualified offeror and authorize contract negotiations with this provider.

MBE/WBE solicited: 3/3

MBE/WBE bid: 0/0

PRICE ANALYSIS

- a. Adequate competition. The current provider is Bank of America
- b. One Hundred Twelve notices were sent, including 3 MBEs and 3 WBEs. Three proposals were received, with no response from the MBEs.
- c. The pricing offered represents a 15% increase over the current contract.

APPROVAL JUSTIFICATION

- a. Best evaluated proposal. JP Morgan Chase has extensive experience and expertise in providing a full range of

cash management services including deposits, check disbursement, electronic funds transfer, online banking platform, securities clearance and safekeeping

- b. The Purchasing Office concurs with the evaluation committee's recommended award.
- c. Advertised in the Austin American-Statesman and on the Internet.