



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Maria Öberg

**SUBJECT:** See Below

**DATE:** August 18, 2025

Approved

Date:

8/28/25

**COUNCIL DISTRICT:** Citywide

**SUBJECT: Report on Request for Proposal for General Banking, Lockbox, Merchant Card, and Investment Custodial Services**

## **RECOMMENDATION**

Accept the report on the Request for Proposal and adopt a resolution authorizing the City Manager or her designee to:

- (a) Negotiate and execute agreements with JPMorgan Chase Bank, N.A., for general banking and merchant card processing services with an initial term beginning on the date the agreements are executed by the parties through June 30, 2032, with a total compensation not to exceed \$13,000,000, and the annual compensation amount, subject to the appropriation of funds;
- (b) Negotiate and execute amendments to any of the agreements with JPMorgan Chase Bank, N.A., subject to appropriation of funds by the City Council to add new banking services, revise existing banking services, and adjust compensation based on the volume of services provided; and
- (c) Exercise up to two two-year options to extend the term of the agreements through June 30, 2036, subject to the appropriation of funds.

## **SUMMARY AND OUTCOME**

The recommendations contained in this memorandum include authorization for the City Manager, or her designee, to negotiate and execute agreements with JPMorgan Chase Bank ("JPMorgan Chase Bank" or "Bank") for general banking and merchant card processing services for the initial term commencing with the execution of the agreements through June 30, 2032, with two two-year options for extending the

agreements at the City of San José's (City) sole discretion. The banking services include general treasury management and banking services, lockbox services, online bill pay, and merchant card services. This report describes the request for proposal evaluation process, the terms and conditions of the agreements, and services to be provided.

## **BACKGROUND**

Following the City Council's approval in May 2009, the City contracted with Wells Fargo Bank, N.A. (Wells Fargo Bank) for general banking and merchant card services for an initial term from July 1, 2009 to June 30, 2012. The City's Director of Finance exercised three two-year options to extend the agreements through June 30, 2018, and received City Council approval to extend the agreements again through June 30, 2019.

In May 2018, the City issued a Request for Proposal (RFP) for Financial Services (RFP 17-18-05), consisting of four packages: general banking and lockbox services, merchant card services, bill print services, and securities custodial services. Based on City Council Policy 0-44, Wage Theft Prevention, the City Council rejected all proposals for RFP 17-18-05 and requested staff explore the feasibility of an alternative delivery model for banking services, including the exploration of the feasibility of public banking as an alternative service delivery model, and report back before issuance of an RFP based on the new model. To continue the City's normal financial operations, on March 19, 2019, the City Council authorized extending the existing agreements with Wells Fargo Bank, from July 1, 2019 to June 30, 2020<sup>1</sup>.

Staff researched and analyzed public banking as an alternative delivery model for banking services and concluded that public banking is not a feasible banking service solution for local governments<sup>2</sup>. After considering staff's analysis on other California cities' experience and proposed new service delivery model, the City Council approved extending the agreements with Wells Fargo Bank, through June 30, 2022, to allow sufficient time to prepare and issue a second RFP for general banking and merchant services<sup>3</sup>. Two additional extensions were approved through June 30, 2026, to complete the RFP process through selection and implementation and ensure a smooth transition of services.

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<sup>1</sup> [File 19-078 Report on Request for Proposal for Financial Services \(Banking Services\) RFP 17-18-05](#)

<sup>2</sup> [Information Memorandum: Public Banking Review](#)

<sup>3</sup> [File 20-659 Extension of Banking Service Agreements with Wells Fargo Bank](#)

**ANALYSIS**

In September 2023, the Finance Department released an RFP for General Banking, Lockbox, Merchant Card, and Investment Custodial Services through the City's e-procurement system, Biddingo. The RFP was divided into two packages.

- Package A: General Banking, Lockbox, and Merchant Services
- Package B: Investment Custodial Services

Over 2,300 vendors were notified of the bid opportunity through Biddingo, and 21 companies viewed the RFP. Three vendors submitted proposal responses for Package A prior to the submittal deadline. One vendor submitted a proposal response for Package B prior to the submittal deadline.

***Evaluation Process:***

**Package A:** Proposals for Package A were independently evaluated and scored, in accordance with the evaluation criteria set forth in the RFP, by a three-member evaluation team comprised of representatives from the City's Finance Department. All proposals were found to be responsive. Following the initial evaluation, all proposers were moved forward to oral interviews/system demonstrations and Phase 3 – Cost Proposal. The City conducted the technology, security, and privacy review with the highest scoring finalist.

| <b>Evaluation Criteria</b>                          | <b>Points Available</b> | <b>JPMorgan Chase Bank, N.A.</b> | <b>U.S. Bank National Association</b> | <b>Wells Fargo Bank, N.A.</b> |
|-----------------------------------------------------|-------------------------|----------------------------------|---------------------------------------|-------------------------------|
| Proposal Responsiveness                             | Pass/Fail               | Pass                             | Pass                                  | Pass                          |
| Technology, Security, and Privacy Review            | Pass/Fail               | Pass                             | N/A                                   | N/A                           |
| General Requirements                                | 10                      | 8                                | 7                                     | 9                             |
| Experience / Qualifications / Social Responsibility | 10                      | 8                                | 7                                     | 8                             |
| Project Approach / Schedule / Implementation Plan   | 10                      | 8                                | 7                                     | 8                             |
| Services / Technical Capabilities                   | 15                      | 12                               | 10                                    | 12                            |
| Additional Services / Options                       | 5                       | 4                                | 4                                     | 3                             |
| Oral Interview / System Demonstration               | 20                      | 16                               | 13                                    | 12                            |
| Cost Proposal                                       | 20                      | 20                               | 20                                    | 19                            |
| Local Business Enterprise                           | 5                       | 5                                | 0                                     | 0                             |
| Small Business Enterprise                           | 5                       | 0                                | 0                                     | 0                             |
| <b>TOTAL SCORE</b>                                  | <b>100</b>              | <b>81</b>                        | <b>68</b>                             | <b>71</b>                     |

**Local and Small Business Enterprise Preference:** In accordance with the City of San José Municipal Code, Section 4.12.320, 10 percent of the total evaluation points were reserved for the local and small business preference. JPMorgan Chase Bank requested and received the City's local business preference for its local offices located within Santa Clara County.

**Wage Theft Prevention Policy Check:** In accordance with Wage Theft Prevention Policy 0-44 (RES2023-96), potential contractors/vendors that have submitted a formal bid or proposal for a procurement for a service that is highly regulated under state or federal law will not be disqualified if the contractor/vendor has received two or more final judgments or one or more unpaid judgments within the last five years if disqualification would limit the City's ability to compete in the market for service(s) for the most qualified contractor. Staff may consider the number of judgments or final administrative decisions, cumulative dollar amount, number of employees impacted, the size of company, and history of compliance as part of the evaluation.

The Department of Public Works' Office of Equality Assurance reviewed the proposers for compliance with the City's Wage Theft Prevention Policy on December 14, 2023 and again on July 28, 2025. The initial Wage Theft review identified three Wells Fargo Bank judgments totaling \$16,562.72, two JPMorgan Chase Bank judgments totaling \$20,034.52, and one U.S. Bank National Association judgment totaling \$5,703.71. The judgments identified for Wells Fargo Bank and JPMorgan Chase Bank were issued under the Commercial Banking and U.S. Bank Association was issued under the Mortgage and Non-mortgage Loan Brokers.

Wage Theft review included history of compliance, size of company, the number of judgments, and cumulative dollar amount of judgments. Staff was unable to review the number of affected employees due to unavailable information for all judgments. Staff determined that all proposers had history of wage theft. The size, both in total assets managed and total workers employed, varied amongst the proposers with JPMorgan Chase Bank identified as the largest and U.S. Bank National Association as the smallest. While the number of and cumulative dollar amounts of the judgments differed, the difference was negligible based on size of the company. Disqualifications would limit the City's ability to select the most qualified vendor, and therefore, no proposer was disqualified from consideration.

**Protest:** The City's RFP process included a 10-day protest period that began when the City issued the Notice of Intended Award on July 31, 2024. No protests were received.

**Award Recommendations:** Based on the results of the RFP, staff recommends award of contract to JPMorgan Chase Bank, as the highest-ranked responsive and responsible proposer per the evaluation criteria and specifications set forth in the RFP. The vendor's proposal was rated highly in the following key areas:

- Extensive experience serving government clients with teams located in the Bay Area;
- Online banking portal is highly ranked and provides a robust one stop location for all services;
- Offers enhanced merchant services that will provide improved payment platforms and reporting formats; and
- Comprehensive implementation plan with experienced project manager that will ensure a smooth transition of services.

JPMorgan Chase Bank is the largest banking group in the United States and the world's largest bank by market capitalization. It is subject to regulatory requirements on enhanced capital reserves and leverage ratios, aimed at ensuring stability and mitigating systemic risks. It serves government clients in 50 states and works with several large government clients in California, including the City and County of San Francisco, County of San Diego, County of Santa Clara, City of Los Angeles, City of Santa Clara, City of Sacramento, and others.

Staff conducted formal reference checks with the County of Sacramento (CA), and the County of Tulare (CA) and informal reference checks with the County of Santa Clara (CA), County of San Diego (CA) and City of Los Angeles. All references provided positive feedback.

JPMorgan Chase Bank enjoys strong credit ratings and a Community Reinvestment Act rating of Outstanding in California. The Community Reinvestment Act rating is provided by the Federal Reserve as a measure of how well the bank serves its community and helps meet its needs. In 2021, the Bank set a target to finance and facilitate more than \$2.5 trillion over 10 years — from 2021 through the end of 2030 — to support sustainable development. In San José, the Bank's community banking team supports organizations across four impact pillars: affordable housing, small business and entrepreneurship, workforce development, and financial health. These partnerships aim to address the affordability crisis and bridge the wealth divide in San José; challenges that have been intensified by the rapid growth of the tech industry, leading to displacement and inflation.

The fees quoted by JPMorgan Chase Bank are competitive and comparable with other providers. The Bank is also offering a transition credit of \$225,000 to help offset the costs associated with making the change. This credit can be used over 12 months up to \$175,000 of the initial term of the contract and \$25,000 to be applied to each of the option periods to cover the Bank's service fees and other items such as deposit scanners, and check stock, etc.

While a transition of banking services will result in additional work for City staff, there are benefits that will result as well. The thorough review of current services and procedures that will take place by City staff, and the Bank will ensure that opportunities for efficiencies and other improvements are identified and incorporated into the transition to new services. The Bank is providing a transition team to facilitate the process through completion.

**Package B:** Staff opted not to make an award recommendation for Package B because the fees proposed for the services far exceeded the budget. Staff intends to conduct another competitive solicitation for the services included in Package B. In the meantime, the City has extended its agreement with the incumbent vendor for a two-year period through June 30, 2026 for a total estimated fee of \$50,000, to ensure there is no break in service.

### ***Summary of Agreements:***

City staff is in the process of finalizing negotiations with JPMorgan Chase Bank, including the Master Banking Agreement, (which includes many of the City's standard terms and conditions), the Bank's Service Terms, the Bank's Privacy and Information Security Supplement, and the U.S. Select Government Merchant Processing Agreement. The Bank's Service Terms includes the Bank's Account Terms, Addendum to Account Terms, Consolidated Service Terms, and Digital Bill Payment Service Terms, all of which are attached to the Master Banking Agreement along with Bank's Privacy and Information Security Supplement. The City will also execute several account set-up forms required for the administration, implementation and operation of banking services and merchant card processing services, including the Contract for Deposit of California Local Agency Funds. The Master Banking Agreement together with the Bank's Service Terms, Privacy and Information Security Supplement, and the account set up forms represent the full understanding of the parties on these services. In the event there is a conflict among any of these, the terms and conditions of the Master Banking Agreement controls, unless otherwise agreed to by the parties.

There are several terms and conditions that are consistent throughout the agreements, in addition to terms and conditions that are specific to the service being provided.

### **Common Terms and Conditions:**

Term of the Agreements – The term of the agreements with JPMorgan Chase commences upon execution by the parties and continues through June 30, 2032 (the "Initial Term"). The City at its sole discretion may extend the Initial Term of the agreements through June 30, 2036. The agreements include two two-year options to extend. The City Manager, Director of Finance, Assistant Director of Finance, and the Deputy Director of Finance responsible for Debt and Treasury Management, each, individually, is authorized to extend the term of the agreements by providing the Bank

with 30 days' written notice prior to expiration of the Initial Term or the first option period, as applicable.

**Funding of the Agreements** – The City's funding of the agreements is on a fiscal year basis and is subject to appropriation of funds. The Initial Term of the agreements and the exercise of any option to extend is contingent upon the appropriation of funds by the City.

**Compensation** – Total maximum compensation under all agreements through June 30, 2032, is \$13 million. The maximum annual compensation may vary each year depending upon the volume of services provided; however, the schedule of fees is set for the Initial Term. In order to best manage the City's overall banking costs, the Director of Finance is authorized to reallocate monies between the agreements provided that the total annual compensation for all the agreements does not exceed the amount appropriated.

For example, over time the City may experience more payments by credit card than by check, thereby increasing compensation due under the Merchant Card Service Agreement and decreasing compensation due under the Master Banking Agreement for general banking services. The flexibility will allow the City to more efficiently manage all of its agreements with the Bank and respond to changes in the use and demand for banking services. To that end, the Director of Finance, Assistant Director of Finance, and Deputy Director of Finance, each, individually, is authorized to enter into amendments to the agreements without further City Council approval, increasing or decreasing the compensation for each agreement provided the funds have been appropriated.

**Governing Law and Venue** – California law governs the agreements. In the event that suit is brought, the parties agree that venue is vested in the state courts in the County of Santa Clara, or if federal jurisdiction is appropriate, in the United States District Court for the Northern District of California, located in San José, California.

#### General Banking Services:

Key elements of the Master Banking Agreement include the following:

**Services under the Master Banking Agreement** – The terms and conditions of the Master Banking Agreement control all other terms and conditions with respect to the City's contractual relationship with the Bank for general banking services. If there is a conflict among the Master Banking Agreement and the Bank's Account Terms, Consolidated Service Terms, Digital Bill Payment Service Terms, account set up forms and other documents required for the implementation and operation of services, the Master Banking Agreement controls, unless otherwise agreed to by the parties.

**Change to Services** – The City may discontinue an existing service or begin using a new service by providing the Bank with at least 30 days' written notice provided that the cost of the new service does not cause the compensation paid to the Bank to exceed the maximum compensation permitted under the Master Banking Agreement and the terms and conditions of the Master Banking Agreement govern all supplemental agreements for new services.

**Termination** – The City has the right to terminate the Master Banking Agreement, without cause, by giving not less than 90 days' written notice to the Bank. The Bank may terminate by giving not less than 12 months' prior written notice to the City; provided, however, that the Bank may terminate following notice to the City of its failure to make any payment due under the Master Banking Agreement and the City's failure to cure within 30 days of notice. In certain instances, the City may terminate immediately for cause, or after providing the Bank with an opportunity to cure.

**Indemnity and Limitation of Liability** – The Bank agrees to indemnify and hold harmless the City, its officers, employees, or agents from third party claims and losses caused by: (a) the Bank's negligent performance of any service; (b) any negligent act or omission, recklessness or willful misconduct of the Bank in the performance of any service under the Master Banking Agreement; (c) any infringement of the patent rights, copyright, trade secret, trade name, trademark, or other proprietary right of any person caused by the City's use of any services, deliverables, or other items provided by the Bank (subject to certain limited exceptions); or (d) any breach of the Master Banking Agreement by the Bank.

The Bank's indemnity obligation does *not* apply to any third party claim or loss resulting from the sole negligence or willful misconduct of the City, its officers, employees, or agents.

The Bank's obligation to indemnify and hold harmless the City against third party claims and losses is capped at \$17 million for the term of the Master Banking Agreement. However, this cap does not apply to the unauthorized access to or disclosure of the City's data or the City's confidential information (including personally identifiable information) or a cyber-security incident. Further, the cap does not limit the Bank's obligation with respect to any claims and losses covered by the Bank's insurance. Originally, the Bank had capped its indemnity obligation at two times the average annual fees paid to the Bank under the Master Banking Agreement. However, after lengthy negotiations, the Bank agreed to increase the cap substantially, with a carve out for data breaches and security incidents.

Neither the City nor the Bank will be liable for special, consequential, or indirect damages, except instances where the Bank has acted with gross negligence or engaged in willful misconduct or fraud. Negligence is failure to act with reasonable care.

Gross negligence means acting with serious carelessness or acting in a way that is an extreme departure from the ordinary standard of care.

Both parties are liable for direct monetary damages for acting negligently or breaching the terms and conditions of the Master Banking Agreement.

A description of other services available to the City can be found in the Bank's Consolidated Service Terms which are subject to the Master Banking Agreement and the Bank's Account Terms.

Consolidated Service Terms:

Automated Clearing House Origination Service – This service provides an efficient and inexpensive means to receive or send payments electronically through the Automated Clearing House. Payments made in this manner must follow the operating rules and guidelines established by the Automated Clearing House Association.

Automated Clearing House Transaction Blocking, Positive Pay, and Payee Verification Service – These services are for fraud prevention and are used to mitigate the opportunities for fraudulent activities such as debiting an account to steal funds or presentation of stolen or manipulated checks. By using a method of preauthorization, the Bank will stop any attempt to debit an account not authorized. To use the Positive Pay with Payee Verification Service, the City provides the Bank with a file containing the details of issued checks. Checks presented to a bank for payment will be matched against the file. If the check information does not match the information on the file, it would be refused.

Lockbox Service – Lockbox services offers an efficient and cost effective way to simplify and expedite the collection and processing of large volumes of check payments. Check payments are mailed directly to a location, generally a post office box, that is picked up by the Bank. The Bank processes the payments and deposits the funds to the City's Bank account. A file is produced with the payment information that is uploaded to the relevant billing system to post the payments. Using a lockbox accelerates posting of payment detail, which allows the City to update account records faster and with greater accuracy.

Coin and Currency Service or Cash Vault Service – This service is used to provide coin or cash for ongoing business needs. The service is additionally used for making cash or check deposits. Funds are transported to and from the Cash Vault by an authorized armored courier service and delivered according to scheduled locations.

Controlled Disbursements Service – Controlled Disbursements Services are used for daily cash management of funds being disbursed for a given day. Outgoing payments are made through the Controlled Disbursement account. The Bank notifies the City of

the total number of items drawn against the Controlled Disbursement Account that are presented for payments, at a set time early in the day.

**Check Print Service** – This service is used to outsource the printing and distribution of paper checks. The Bank will print and distribute checks for payments using information and instructions provided by the City.

**Remote Capture Service** – This service provides the City with the means to electronically deposit paper checks. Checks received by the City can be scanned using a Bank approved scanning device. The image is uploaded to the Bank's for online platform for further processing. Value is posted the same day to the City's accounts.

**Digital Bill Payment Services** – These services will be provided by the Bank and the Paymentus Corporation and will provide the City with digital bill payment services including a platform and connectivity enabling the City to present bills and receive payments from its counterparties electronically (counterparties include the City's consumers or business customers or other persons with whom the City has a business relationship), provide counterparties with bill notification and reminders, secure electronic billing and other services as set forth in the Service Terms. The City will not store or have access to any counterparties' account information, such as account number, expiration date, security code or password or personal identification number in connection with the processing services provided. Services include accepting payments from an online platform using Visa, Mastercard, Discover, and American Express credit cards. In the event there is unauthorized access to or disclosure of account information defined as a Data Compromise Event, the Bank agrees to indemnify and hold harmless the City from any claims or losses.

Digital Bill Payment Services are provided as is and all warranties and representations express or implied regarding the technology or service are disclaimed, including any warranties of merchantability, quality, fitness for a particular purpose or warranty of non-infringement. However, nothing in the disclaimer is intended to disclaim the affirmative express obligations of the Bank under the Master Banking Agreement. Under the Master Banking Agreement, the Bank agrees to indemnify the City against any third party claims for intellectual property infringement caused by the City's use of any services, deliverables, or other items provided by the Bank except in certain limited instances for example, when the City asks for customization or uses the intellectual property provided in conjunction with hardware or software not provided by the Bank or in a manner inconsistent with the terms of the Master Banking Agreement, Bank's Service Terms, or specific written instructions.

**Government Merchant Processing Services:**

Merchant card processing services provides the functionality to manage and process point-of-sale credit card payments using a physical or virtual terminal. Services provided

are governed through the execution of a Merchant Agreement in which the terms and conditions of are largely driven by Card Network Rules.

In addition to the Master Banking Agreement, there is a separate U.S. Select Government Merchant Processing Agreement for credit card payment processing (Merchant Agreement) which is entered into between the City, the Bank, and Paymentech, LLC, a Delaware limited liability company also known as Chase Merchant Services (CMS). The Bank is a member of several card networks and CMS is authorized through the Bank to process credit card payments on behalf of its merchants, including the City.

Services under the Merchant Agreement:

The services provided include the following: processing of payments made using Visa, Mastercard, American Express, and Discover credit cards; provide secure equipment (for purchase) for accepting in person or over the phone payments following the industry's best practices and procedures to prevent fraudulent transactions; deposit of funds from transactions into appropriate bank accounts; the ability to reject or refund transactions; provide a platform for responding to chargeback requests; provide a space for the retention of records; provide robust reporting functions that facilitate reconciliations and management of accounts; be Payment Card Industry Data Security Standard compliant and comply with Card Network Rules .

Convenience Fees – The City will continue to impose a convenience fee within the terms, conditions, and guidelines established by the Card Network Rules.

Non-Exclusive Merchant Card Vendor – The City is not required to use CMS for all of its credit card processing services. However, the more credit card payments that are consolidated under the Merchant Agreement, the more the City can achieve cost savings.

Termination – Same termination for convenience provisions as Master Banking Agreement. In addition, in the event either party fails in any material respect to comply with any provisions of this Merchant Agreement (an event of default) and such party fails to cure within 30 days, the non-defaulting party may terminate upon written notice to the defaulting party.

Fees – The Bank's fees based on current estimated volume and transaction size are fixed for the Initial Term (but these do not include Card Network and other third party fees, including interchange fees).

Indemnity and Limitation of Liability – CMS agrees to indemnify and hold harmless the City from any claims and losses arising out of any third party claim or complaint relating to CMS' noncompliance with Card Network Rules or Security Standards (rules,

regulations, standards or guidelines adopted or required by the Card Networks or the Payment Card Industry Security Standards Council relating to privacy, data security and the safeguarding, disclosure, and handling of card information), a Data Compromise Event (an occurrence that results or may have resulted directly or indirectly in the unauthorized access to or disclosure of card information), or CMS' violation of any federal, state, or local laws, claims and losses, excepting claims or losses caused by City's own negligence, recklessness, or willful misconduct. However, CMS' and the Bank's combined financial liabilities are capped at the total fees paid to CMS (net of Card Network and other third party fees) for the six months prior to the time the liability arose; provided, however this limitation on liability does not apply to CMS' indemnity obligations with respect to a Data Compromise Event or in the event CMS transmits any computer malware, virus, trojan horse or similar infected file to the City. CMS' liability arising out of such transmission is capped at \$7.5 million. Neither party is liable for indirect or consequential damages and the parties acknowledge that this is an agreement for services and the Uniform Commercial Code does not apply. CMS and the Bank disclaim any warranties, express or implied, made to the City regarding the quality, suitability, merchantability, fitness for a particular purpose or otherwise of any service provided under the Merchant Agreement.

**Waiver of Jury Trial** – As mentioned above, the Merchant Agreement is governed by California law and venue exists either in Santa Clara County Superior Court or if federal jurisdiction is appropriate, in the United District Court for the Northern District of California, located in San José, California. However, the parties waive any rights either of them may have to a jury trial. Further, in order to process American Express Payment Cards, the City must enter into a separate amendment with Bank. The amendment requires the City to agree to binding arbitration of any claims or disputes arising out of or relating to the acceptance of the American Express Payment Card including any actions for which the City might be eligible to participate as a member of a class action lawsuit. The amendment is referred to as the American Express OptBlue Amendment and allows smaller merchants, like the City, that process American Express Card transactions of \$1 million or less to participate in the OptBlue Program and accept payments by American Express Payment Cards. The City agrees to accept payments in accordance with the Merchant Agreement, the OptBlue Amendment, and the American Express Merchant Operating Guide.

#### Implementation Plan and Wells Fargo Bank Overlap Services:

The City and JPMorgan Chase Bank will commence formal transition of banking services, lockbox services, and merchant card processing services after City Council approval and execution of the agreements, estimated to be on or about October 1, 2025. The table below provides the estimated date of conversion from Wells Fargo Bank to JPMorgan Chase Bank.

| BANKING SERVICES TRANSITION SCHEDULE |                    |                           |
|--------------------------------------|--------------------|---------------------------|
| Services                             | Days of Transition | Estimate Transition Dates |
| General Banking                      | 124                | 10/1/2025 – 5/18/2026     |
| Lockbox                              | 106                | 10/1/2025 – 4/30/2026     |
| Merchant Card                        | 150                | 10/1/2025 – 6/26/2026     |
| Digital Bill Pay                     | 150                | 10/1/2025 – 6/26/2026     |

During implementation and conversion from Wells Fargo Bank to JPMorgan Chase Bank, a number of pre-conversion activities must take place including, but not limited to, the following:

- Complete account/product documentation requirements including the signatory authorizations;
- Finalize banking structure of approximately 19 accounts and services associated with each;
- Create new Access (JPMorgan banking platform) profile adding core products and establishing Security Administrators;
- Establish implementation teams and begin discovery meetings with department stakeholders and the City's Information Technology support staff;
- Order new equipment and banking supplies such as deposit slips, deposit bags, and check stock; and
- Gather necessary information to establish merchant accounts (approximately 62 accounts) and services needed.

During the conversion period it will be necessary to retain the services of Wells Fargo Bank. Once the transition takes place, the City is required to maintain an account with Wells Fargo Bank for a period of not less than 12 months from the time the last check is issued against the Wells Fargo Bank account to allow customers sufficient time to cash their checks and manage the escheatment process.

Accounts Payable Staff will closely monitor the number (quantity) and dollar amount of the checks outstanding to advise when to close Wells Fargo Bank accounts. If there are needs past the 12-month time period, a recommendation to extend the time will be explored along with the additional costs.

Lockbox services will be cancelled at Wells Fargo Bank once the transition to JPMorgan Chase Bank is completed. The new submission address will be communicated by all departments who issue invoices to their customers. A mail forwarding service will be put into place with the U.S. Post office for a period of one year to assist in the transition.

## **EVALUATION AND FOLLOW-UP**

This memorandum presents recommendations for the City Council's approval of the agreements with JPMorgan Chase Bank to provide general banking, lockbox and merchant card services to the City. It requires no follow-up with the City Council.

## **COST SUMMARY/IMPLICATIONS**

The total amount of the initial agreement's term through June 30, 2032 is estimated to cost \$13 million for services such as general banking and lockbox services, merchant card services, and online banking services. The Fiscal Year 2025-2026 cost estimate of \$700,000 is to be funded by the General Fund and the General Purpose Parking Fund. This agreement is to be managed by the City's Finance Department and any additional cost from other departments will be subject to the appropriation of funds. The annual cost for these services will be evaluated in the budget process and built into each year's Base Budget, as appropriate.

### **INITIAL CONTRACT COST**

| <b>Contract Year</b>                        | <b>Annual Cost</b>         |
|---------------------------------------------|----------------------------|
| Partial Year 0 - (2025-2026)                | \$700,000                  |
| Year 1 (2026-2027)                          | \$1,700,000                |
| Year 2 (2027-2028)                          | \$1,900,000                |
| Year 3 (2028-2029)                          | \$2,000,000                |
| Year 4 (2029-2030)                          | \$2,100,000                |
| Year 5 (2030-2031)                          | \$2,200,000                |
| Year 6 (2031-2032)                          | \$2,400,000                |
| <b>Initial Contract Not-to-Exceed Total</b> | <b><u>\$13,000,000</u></b> |

## **BUDGET REFERENCE**

The table below identifies the funds and appropriations to fund the FY 2025-2026 agreement's amount recommended as part of this memorandum.

| Fund # | Appn. # | Appropriation Name           | Total Appropriation | Amount for Contract | 2025-2026 Proposed Budget Page* | Last Budget Action (Date, Ord. No.) |
|--------|---------|------------------------------|---------------------|---------------------|---------------------------------|-------------------------------------|
| 001    | 2987    | Banking Services             | \$635,000           | \$433,500           | 819                             | 6/17/2025, 31230                    |
| 533    | 0512    | DOT Non-Personal / Equipment | \$7,659,653         | \$266,500           | 893                             | 6/17/2025, 31230                    |

\* The 2025-2026 Adopted Operating Budget was approved on June 10, 2025 and adopted on June 17, 2025 by the City Council.

### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Budget Office, the Information Technology Department, and the Department of Transportation.

### **PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the September 9, 2025 City Council meeting.

### **COMMISSION RECOMMENDATION AND INPUT**

No commission recommendation or input is associated with this action.

### **CEQA**

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

### **PUBLIC SUBSIDY REPORTING**

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

HONORABLE MAYOR AND CITY COUNCIL

August 18, 2025

**Subject: Report on Request for Proposal for General Banking, Lockbox, Merchant Card, and Investment Custodial Services**

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/s/

MARIA ÖBERG

Director of Finance

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