



City of San Antonio

Agenda Memorandum

File Number: 15-3507

Agenda Item Number: 21B.

Agenda Date: 6/4/2015

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Depository Banking, Lockbox and Merchant Banking Services Contract Renewals

SUMMARY:

- A. This Ordinance approves the first amendment and extension with Frost Bank to provide depository banking and lockbox services and related financial services to the City of San Antonio for a renewal period of two (2) years, commencing on July 1, 2015, and ending on June 30, 2017; and authorizes other matters incident and related thereto.
- B. This Ordinance approves the renewal and extension with JP Morgan Chase Bank, N.A. and Paymentech, LLC to provide merchant banking services to the City of San Antonio for a renewal period of two (2) years, commencing on July 1, 2015, and ending on June 30, 2017; and authorizes other matters incident and related thereto.

BACKGROUND INFORMATION:

The City of San Antonio's ("City") banking policies are governed by State statute and the City Charter. The City's Chief Financial Officer or his designee is responsible for implementing these policies under the direction of the City Manager. Accordingly, City funds must be maintained in accounts at qualified financial institutions approved by the City Council.

On April 19, 2012, Ordinance No. 2012-04-19-0287, passed and approved the contract between the City, and Frost Bank, a Texas state banking association, for depository banking and lockbox services for a period of three

(3) years, commencing on July 1, 2012 through June 30, 2015, with an option to renew for one (1) additional two (2) year period. Such renewal to be subject to review and evaluation of Frost Bank's performance, and contingent upon City Council approval to exercise the renewal option.

The primary goals of the contract pertain to the secure processing of the City's collections and disbursements, and provision of timely and reader-friendly reports. Frost Bank has provided good customer service for all operational aspects of the depository banking and lockbox services. Frost Bank has committed to meet quarterly over the course of the contract term for the purpose of delivering updates related to procedures and services provided by the depository bank. As a result, the City has implemented various services to include but not limited to comprehensive reviews of all bank accounts and related banking services, updated lockbox services, new security measures, and streamlined various collection and disbursement processes.

The purpose of the first amendment and first renewal and extension with Frost Bank is to renew and extend the Contract for a two (2) year extension commencing July 1, 2015, and terminating June 30, 2017 and to amend the Contract to provide for an article amendment that allows for the optional termination of custodial/trust services at the City's discretion with sixty (60) days notice to allow for the potential outsourcing of custodial/trust services in coordination with Securities Lending Services.

On June 21, 2012, Ordinance No. 2012-06-12-0520, passed and approved the contract between the City, and JPMorgan Chase Bank, N.A., a national banking association, and Paymentech, LLC, a Delaware limited liability company ("Chase Paymentech") for merchant banking (credit card) services for a period of three (3) years, commencing on July 1, 2012 through June 30, 2015, with an option to renew for one (1) additional two (2) year period. Such renewal to be subject to review and evaluation of Chase Paymentech's performance, and contingent upon City Council approval to exercise the renewal options.

Chase Paymentech assumed the responsibility of end-to-end merchant banking services customarily provided in processing credit card transactions, to include but not be limited to: provision of equipment/software; credit and charge transaction authorization; routing, clearing and settlement services for all major credit card brands, debit cards, smart and/or stored value cards; and if necessary, subcontracting with firm(s) to provide additional services. Chase Paymentech has provided exceptional customer service for all operational aspects of merchant banking services. Chase Paymentech has committed to meet quarterly over the course of the contract term for the purpose of delivering updates related to procedures and services provided by the merchant bank. As a result, the City has added various locations that accept credit cards and has streamlined processes.

The purpose of the renewal and extension with Chase Paymentech is to provide for a two (2) year extension commencing July 1, 2015 and terminating June 30, 2017.

ISSUE:

The proposed selections are consistent with State law; the City's banking policies and previous actions to contract such services.

ALTERNATIVES:

The existing depository/lockbox contract and the merchant banking contract are set to expire on June 30, 2015 and both have renewal terms remaining. If the renewals are not approved, the City would be required to initiate a Request for Proposal process, selection process, and implementation process.

FISCAL IMPACT:

Annual costs for the depository/lockbox contract are dependent upon actual transaction volume and are paid through interest earned on a compensating balance held at Frost Bank.

Annual interchange and other fees/costs for the merchant banking contract are included in the FY 2015 Adopted Budget for each City department utilizing credit card services.

RECOMMENDATION:

Staff recommends approval of these ordinances authorizing the execution of the first amendment and the first renewal and extension with Frost Bank and the renewal and extension with JP Morgan Chase Bank, N.A. and Paymentech, LLC.