

**CITY DEPOSITORY/  
CITY TREASURER'S CONTRACT**

**FINANCE AND AUDIT COMMITTEE  
MAY 31, 2005**

# **CITY DEPOSITORY/ CITY TREASURER'S CONTRACT**

## **BACKGROUND**

- **Current Depository Environment**
  - ◆ City Charter requires Council to appoint a City Treasurer who is an independent contractor; the Treasurer's term is two years and may be extended for two years
  - ◆ City has always selected an employee of its depository bank to be the City Treasurer, and its relationship is governed by the City Depository/City Treasurer's Contract
  - ◆ State law requires cities to solicit applications and contract for depository services and additional financial services (e.g., lockbox, credit card processing, escrow/trust services), as needed. State law permits five-year depository services contracts
  - ◆ Guidelines for selection of City Depository have been approved by the City Council
    1. 50% - Cost of services
    2. 30% - Quality of services and ability to meet City's specifications
    3. 10% - Commitment to affirmative action and Community Reinvestment Act
    4. 10% - Experience of staff and institution in working with public entities

- ◆ Few banks are able to provide all the depository services the City requires

- **Services Provided**

- ◆ The City Depository/City Treasurer's Contract includes the following services:

1. Basic Banking Services (deposits of cash and checks; collateralization of deposits; disbursements via check and electronic funds transfer; daily and monthly reporting of account activity and balances; safekeeping of investment securities)
2. Retail Lockbox Services (deposit of Water Utilities and parking fine remittances)
3. Merchant Credit Card Services (card authorization and settlement of credit card payments)
4. Escrow/Trust Services (HUD Section 108 program and NTTA escrow)

- **Contract History**

- ◆ Current City Depository/City Treasurer's Contract with Bank One, NA (recently renamed JPMorgan Chase Bank, N.A.)

1. Entered into as of July 1, 2001
2. Option to extend for two years to June 30, 2005 was executed in June 2003

3. Expires June 30, 2005

- **New Depository Services Request for Applications**

- ◆ City solicited applications from local banks

1. Advertisement in Dallas Morning News published on April 12, 2005
2. Seven local banks were called and Requests for Applications were mailed to the six which expressed interest
3. Pre-application meeting held on April 19, 2005 was attended by three banks

- ◆ On May 4, 2005, City received

1. Application from Bank of America, N.A. covering all four service categories
  - Non-bank subcontractor to perform lockbox processing services
  - Dallas office of The Bank of New York Trust Company, N.A. to provide escrow/trust services
2. Application from Comerica Merchant Services covering only merchant credit card services category
3. One additional bank, JPMorgan Chase Bank, N.A., submitted application after submittal deadline

- **Evaluation of Applications**

- ◆ Bank of America's application

1. Met City requirements for all four service categories
2. Offered the lowest pricing for merchant credit card services
3. Offered prices in all four categories which are equal to or less than current City Depository/City Treasurer's Contract prices
4. In addition, offered waiver of fees for Basic Banking Services category for 3 months plus \$5,000 to partially offset the cost of changing depositories

## **RECOMMENDATION**

- **Approval of June 8, 2005 Council Agenda Item that was deferred from May 25, 2005 to:**

- ◆ Appoint Nathan McClellan, a resident of the City of Dallas and senior vice president of Bank of America, N.A., as City Treasurer
- ◆ Authorize City Depository/City Treasurer's Contract with Nathan McClellan and Bank of America, N.A. for basic banking services, lockbox services and merchant credit card services for a two-year period beginning August 1, 2005 through July 31, 2007 with an option to extend the term for an additional two years

- ◆ Authorize escrow/trust agreements with The Bank of New

York Trust Company, N.A.

- ◆ Authorize a tri-party agreement between the City, Bank of America, N.A. and The Bank of New York Trust Company, N.A. regarding collateral for City deposits
  - Pending additional information from The Bank of New York, the Federal Reserve Bank of Boston might replace The Bank of New York
  
- **Approval of June 8, 2005 Council Agenda Item to:**
  - ◆ Authorize extension of the current City Depository/City Treasurer's Contract with Bank One, NA (recently renamed JPMorgan Chase Bank, N.A.) to July 31, 2005 to permit orderly transition to new City Depository