

Memorandum



CITY OF DALLAS

DATE August 30, 2024

TO Honorable Mayor and Members of the City Council

SUBJECT **September 11, 2024, Upcoming Agenda Item – 24-2304 – Resolution to Authorize Banking Depository Services Contract with JPMorgan Chase Bank, N.A.**

Your September 11, 2024, City Council agenda includes a resolution authorizing the execution of the banking depository services contract with JPMorgan Chase Bank, N.A. (“JPMorgan”). The recommended contract provides bank depository services for a five-year period with two one-year renewal options at a cost not to exceed \$1,596,992.

Background

The City requires a banking depository contract with a qualified financial institution to provide banking services in accordance with the Texas Local Government Code, Chapter 105, and the City's Charter. The financial institution shall receive and securely keep all public moneys and investments belonging to the City and provide banking products to properly receive funds, and to make payments.

The contract services include, but are not limited to, automated cash management, information reporting, deposit and disbursement services, lockbox services, securities clearance, safekeeping, and collateral.

In 2005, City Council authorized a two-year contract with a two-year extension with Bank of America, N.A. for depository banking services. A new Request for Proposals (“RFP”) was issued in 2009 which resulted in a new five-year contract with Bank of America, which was extended in 2014 for an additional five years. In 2019, a five-year contract renewal with Bank of America was achieved by interlocal agreement with Dallas County, which is set to expire on December 10, 2024.

Request for Proposal

The City issued a request for proposal (RFP) in January 2024 for a banking depository services contract for general banking services including deposits, disbursements, information reporting, account reconciliation, collateral, securities safekeeping, and lockbox services.

The RFP required certification of compliance with all Texas laws including Senate Bills 13 and 19, and compliance with the City's Responsible Banking Ordinance No. 32211 (“RBO”), including submission of the financial institution's latest Community Reinvestment Act review (“CRA”) summarizing the bank's rating, affordable home lending practices, support of racial equity programs and minority communities. Per Section 2-77

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of the Dallas City Code, the RBO requires that only bids from financial institutions that have received a rating of “Satisfactory” or “Outstanding” would be acceptable.

Proposers were encouraged to include information on their initiatives and programs that support their commitment to the City as detailed in the City’s Racial Equity Plan. The selected bank is expected to partner with the City as we continue to establish goals aimed at reducing known disparities for Dallas residents.

The City received seven proposals in response to the RFP, with two deemed non-responsive. In-person presentations and tour of the bank’s lockbox facilities were held with the top three proposers. The evaluation was based on experience, approach, cost, and timeframe for implementation of services. Details related to the RFP process were presented to the Government Performance and Financial Management Committee on May 21 and August 26, 2024. The most recent presentation can be found [here](#).

Recommendation

JPMorgan was determined to be the most advantageous qualifying proposer with an experienced government team backed by robust banking technology, competitive pricing, and commitment to serve the residents of Dallas.

Per JPMorgan’s latest CRA review released on March 2, 2020, JPMorgan received an overall “Satisfactory” rating and “High Satisfactory” with respect to lending, investment, and service tests. In Texas, JPMorgan received the same overall rating of “Satisfactory” and “High Satisfactory” when rated in the areas of lending, investment, and service. The major factors that supported this rating included excellent level of lending activity, adequate geographic distribution of home mortgage loans and small loans to businesses, and a good level of investments that displayed excellent responsiveness to credit and community economic development needs.

JPMorgan is the second largest rated bank based on aggregate deposits of \$191.9 billion representing 18.3% of the bank’s total deposits. In the Dallas-Fort Worth area, JPMorgan is ranked #1 in deposit market share with 44.1%. As of December 31, 2019, the bank operated 186 branches and 681 deposit-taking ATMs, representing 3.7% of total bank branches and 4.1% of total bank ATMs.

In Dallas, JPMorgan has made \$38 million in philanthropic contributions between 2019 and 2023, operates 138 branches with 16,000 employees, servicing 189,000 business clients and 1.9 million consumer banking customers, and 435 ATMs. Detailed information on JPMorgan’s proposal including cost, services, and the bank’s response to the City’s Responsible Banking Ordinance and Racial Equity Plan are included in the

attached fact sheet.

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The Office of Procurement Services is working with the City's current depository, Bank of America, to obtain an extension to allow staff sufficient time to transition banking services to the new provider pending approval of the City Council.

If you would like additional information about the RFP process or staff's recommendation, we would be happy to meet with you individually prior to the City Council meeting on September 11. If you have any questions, please contact me, Sheri Kowalski, City Controller, or Jenny Kerzman, Assistant Director of Treasury.



Jack Ireland
Chief Financial Officer

Attachment

c: Kimberly Bizer Tolbert, City Manager (I)
Tammy Palomino, City Attorney
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Dominique Artis, Chief of Public Safety (I)
Dev Rastogi, Assistant City Manager

M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Alina Ciocan, Assistant City Manager
Donzell Gipson, Assistant City Manager (I)
Robin Bentley, Assistant City Manager (I)
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I)
Directors and Assistant Directors

FACT SHEET

September 11, 2024, Upcoming Agenda Item – 24-2304 – Resolution to Authorize Banking Depository Services Contract with JPMorgan Chase Bank, N.A.

Evaluation Committee recommended JPMorgan Chase Bank, N.A. (“JPMorgan”) as the City’s new depository bank. JPMorgan submitted a strong proposal to provide banking services including bank accounts, deposits, lockbox services, disbursements, information reporting, collateral, and securities safekeeping. JPMorgan’s proposal meets the City’s objectives to minimize depository costs, improve efficiency, earnings potential, and funds availability.

Cost - \$1,596,992

The cost of the new five-year contract was calculated based on the average cost of basic banking fees, net of proposed incentives including the following:

- Earnings Credit Rate (ECR) of 4.25%
- Waive eighteen (18) months of account analysis fees, up to \$775,000
- Waiver of balance-based charges (bank assessment fee) for the life of the contract
- Transition credit of \$5,000
- Annual analysis settlement
- Collateral at no cost
- 4.15% for interest bearing accounts

Banking Services

JPMorgan will be providing the following banking services:

- Cash Management services including bank accounts and information reporting
- Acceptance of deposits including electronic transactions and by armored car
- Disbursements including payments initiated by the City electronically and paper checks
- Lockbox Services to process paper checks payable to Dallas Water Utilities and Special Collections
- Pledge collateral on all uninsured collected balances plus accrued interest. The market value of the pledged securities will be at least 102%. Collateral is required by the City’s Investment Policy and Chapter 2257, Government Code (“Public Funds Collateral Act”) and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA)
- Securities safekeeping

Dedicated Relationship Team

To ensure a successful transition, JPMorgan will assign a dedicated Client Transition Manager and Onboarding Specialist to partner with City staff throughout the implementation process.

The Dallas-based JPMorgan Government Banking Team that will oversee the new banking relationship are:

- Brian Page, Southwest Government Industry Manager and Head of Government Treasury Services
- Beth Dotson, Relationship Executive
- Nathan Hutson, Treasury Management Officer
- Veronica Aleman, Client Service Senior Associate

Responsible Banking Ordinance

The City's Responsible Banking Ordinance ("RBO") No. 32211 requires the City's depository to provide data on their socially responsible banking practices and a "Satisfactory" or "Outstanding" rating in their most recent Community Reinvestment Act ("CRA") examination.

The Office of the Comptroller of the Currency released on March 2, 2020, JPMorgan's latest examination that covered activities from January 1, 2014 – December 31, 2019. The overall CRA rating was "**Satisfactory**". Here are some highlights from the work done by JPMorgan across the nation:

- Funded approximately \$18 billion in loans to help preserve more than 100,000 affordable housing and rental housing units across the U.S.
- Invested \$100 million of equity in diverse owned Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs)
- Provided more than \$210 million in incremental funding to Community Development Financial Institutions (CDFIs)
- Originating 40,000 additional home loans and providing 20,000 refinance loans for Black, Hispanic, and Latino households.
- Created the Affordable Housing Preservation Program, which provides incentives to landlords to keep rental units in their buildings at an affordable level.
- The firm will provide an additional \$2 billion for 15,000 small businesses loans in majority Black, Hispanic and Latino communities and spend significantly more with new and existing Black, Hispanic and Latino suppliers.
- In 2022, JPMorgan Chase Business Banking provided \$4.3 billion in loans and lines of credit to small businesses, including \$860.4 million to small businesses in majority Black, Hispanic and Latino communities.
- Hosted educational events, community workshops and business training seminars to over 115,000 participants across 21 U.S. cities.
- Continue to focus on market expansion by opening 100 new branches in low-to-moderate income communities
- Hiring 150 new community managers in these and other branches. Our goal is to open one million new low-cost checking or savings accounts for Black, Hispanic, and Latino customers

In the state of Texas, JPMorgan received a **Satisfactory** rating. In the areas of Lending, Investments, and Services test, JPMorgan received a rating of "**High Satisfactory**".

Below is a summary of grants provided in and around Dallas in 2023

- \$1,500,000 to The Commit Partnership (Commit) to support Year 1 of Opportunity 2040, a comprehensive 18-year investment plan consisting of multiple interventions to improve numerous public systems and place 150,000 students on a path to economic mobility by 2040.
- \$750,000 renewal to Tarrant To & Through Partnership (T3) to support Phase II of the program design that will create a workforce pipeline model to help parents and students explore pathways to industry-base credentials, degrees, certifications, and job opportunities. The JPMC Force for Good team of software developers are designing a calculator to assist students and their families in evaluating the earning potential of different pathways.
- \$250,000 renewal to Builders of Hope CDC to support the implementation of the Dallas Neighborhood Anti-Displacement toolkit, which is a first of its kind anti-displacement roadmap for policymakers and stakeholders to address the growing concern of neighborhood displacement and was presented to City Council's Housing and Homelessness Solutions Committee on February 27, 2023.
- \$250,000 renewal to Capital Impact Partners (CIP) to deepen the Equitable Development Initiative (EDI), a real estate developer training program launched in Dallas in 2022. The program supports local developers of color with formalized technical assistance and development financing, targeting neighborhoods in southern Dallas.
- \$750,000 grant to nonprofit Trinity Park Conservancy that aims to bring economic growth and opportunity to Greater West Dallas.

Racial Equity Plan

In 2022, JPMorgan reached a milestone in becoming the first national bank to have branches in all the lower 48 states and being able to accept government deposits in all 50 U.S. States. Including the City of Dallas, JPMorgan is fully committed to support government clients through comprehensive philanthropic investments, including the \$500 million, five-year "AdvancingCities" initiative which promotes inclusive economic growth across the country.

JPMorgan has also committed \$30 billion by the end of 2025 to help close the racial wealth gap and drive economic inclusion by providing more opportunities for ownership, access to affordable housing, entrepreneurship and bolstering financial health for Black, Hispanic, and Latino communities.

In response to the City's Racial Equity Plan, JPMorgan provided the following information on their commitment to the City of Dallas.

- \$38 million in philanthropic contributions 2019-2023
- 138 branches

- 435 ATMs
- 16,000 employees in the area
- 189,000 business clients
- 1.9 million consumer banking customers

Business Growth and Entrepreneurship

- Provided \$500,000 in philanthropic capital to TruFund Financial Services to help develop new, accessible lending products and programs that are specifically designed for small business owners of color through a new Entrepreneurs of Color Fund in Dallas.
- Provided \$150,500 in 2021, and \$345,500 in 2022 in philanthropic capital to the Dallas Entrepreneur Center to strengthen local small businesses and foster inclusive growth for underrepresented business owners.

Community Development

- Provided \$500,000 to Capital Impact Partners to provide formalized technical assistance and capital to developers of color in Southern Dallas.
- Committed \$500,000 in philanthropic capital to Business & Community Lenders of Texas's Community Developers Roundtable, a collective network and capacity building initiative for established nonprofit and for-profit community oriented real estate developers, primarily led by people of color.
- Provided \$200,000 in philanthropic capital to TREC Community Investors to help establish the Affordable Housing Fund, which is projected to create new affordable housing units by addressing the funding gap for affordable housing developers of color unable to access traditional capital.
- JPMorgan Chase invested \$750,000 to support the construction of the transformational Southern Gateway Park in Oak Cliff.

Careers and Skills

- A \$7 million grant to Commit!2Dallas' Career-Connected Learning Network to support a collaborative effort to create seamless links between high schools and higher education while aligning pathways to in-demand careers and work-based learning experiences.
- A \$1 million grant to Per Scholas to support the development of a national remote training team to establish a diverse and inclusive tech pipeline through deepening employer engagement strategies.
- Provided \$750,000 in philanthropic capital to the United Way of Metropolitan Dallas' Pathways to Work, a program to strengthen the local jobs and opportunity network, convene industry partnerships to advance job quality, and to equip workers by investing in entry-level training, upskilling, and reskilling.
- Provided \$500,000 in philanthropic capital to Paul Quinn College to support the development of a data science pathway that will lead to industry recognized credentials for high demand tech jobs in the region.