

CITY OF LOS ANGELES
INTERDEPARTMENTAL CORRESPONDENCE

Date: January 29, 2020

To: Honorable Members of the Budget and Finance Committee

From: Claire Bartels, Director of Finance / City Treasurer
Office of Finance


Georgia Mattera, Chief Deputy Controller
Office of the Controller

Subject: **REQUEST FOR FUNDS FOR BANKING TRANSITION IN THE FISCAL YEAR
2019-20 UNAPPROPRIATED BALANCE**

In Fiscal Year 2018-19, the Office of Finance (Finance) conducted a Request for Proposals (RFP) to enter into agreements with financial institutions to provide general banking services to City departments (CF# 17-1259). Finance concluded contract negotiations with successor banks and submitted the draft agreements for review and approval to the Mayor and City Council's (Council) under a separate transmittal. Once the Mayor and Council provide the requisite authority, Finance will execute the underlying agreements and work diligently with banks, vendors, and departments to transition the City's banking services to successor financial institutions. Finance anticipates completing the banking transition by June 30, 2020.

During the budget formulation for the Fiscal Year 2019-20, Finance and the Office of the Controller (Controller) requested funds associated with the bank transition project. The Mayor and Council appropriated \$2,000,000 in the Unappropriated Balance for Fiscal Year 2019-20 for this project. The purpose of the funding is to cover the costs associated with transitioning City banking services from Wells Fargo Bank to the City's two successor banks, JP Morgan Chase Bank and Bank of America.

Finance will oversee the overall transition project and function as the lead implementation manager on behalf of City departments. This transition process will involve: 1) Coordinating business discovery sessions between the banks and City departments; 2) Opening new accounts; 3) Establishing departmental user rights and transactional controls and limits; 4) The input and output mapping of City systems to bank networks for applications and services including the National Clearinghouse Association (NACHA), Clearing House Interbank Payments System Universal Identifier (CHIPS), Fed Wire, and check clearing for depository and disbursement activities. In addition, this mapping will require Bank Administration Institute (BAI) output files to load data into the City's Financial Management System (FMS); and 5) Transition lockbox services.

At this time, Finance respectfully requests \$583,000 in transfers to cover costs associated with the banking transition as specified:

1. Provide \$190,000 in Finance's 6010-Office & Administrative account for system programming services (\$150,000) and to purchase new check processing equipment (\$40,000). Based on the complex programming and configuration scope of the City's systems, a successful transition will require a specialized team of two programmers. Banks will pass through programming and configuration costs to the City that are above and beyond the banks' allowance for costs associated with the transition. Finance will replace remote deposit equipment with new equipment that implements remote lockbox protocols for receipts and aggregates cash vault and branch deposits into one application.
2. Provide \$80,000 in Finance's 4040-Bank Service Fees account for overlapping bank fees while the City is concurrently using the existing and new treasury systems for a transition period.
3. Provide \$47,000 in Finance's 1090-Salaries, Overtime account for overtime expenses. Finance expects to employ two Management Analysts, one Financial Manager, and two Treasury Accountants on an overtime basis to oversee the bank transition project.
4. Provide \$69,000 in Finance's 1070-Salaries, As-Needed account to cover expenses for one 120-Day employee. This former employee has experience supporting CashWiz, which is a software application that translates bank files into a FMS-ready format for cash receipts. Finance expects this retired employee to work up to 120 days in the classification of Senior Systems Analyst II.
5. Provide \$117,000 in the 1010-Salaries, General Appropriation account for four months' funding and resolution authority for the following three positions:

<u>No.</u>	<u>Code</u>	<u>Title</u>
1	(1411-2)	Information Systems Operations Manager II
1	(1609)	Treasury Accountant
<u>1</u>	(9171-1)	Senior Management Analyst I
3		

The Information Systems Operations Manager will provide technical and programming support to facilitate file transfers between Finance's financial systems, various City departmental financial systems, and the bank data platforms. The Treasury Accountant will support managing three bank accounting statements to ensure the migration of services, service codes, and ensure service fees are accurate, and the Senior Management Analyst will support project management duties.

6. Provide \$80,000 in the 3040-Contractual Services account to bolster Finance's cybersecurity by implementing a Security Incident and Event Management (SIEM) system to increase threat awareness against cyberattacks. The City currently has an Integrated Security Operations Center (ISOC) that gathers and monitors the City network; however, in working with the Information Technology Agency, Finance was informed that having its own SIEM system would increase threat awareness for Finance's LATAX system which houses confidential business information. Once Finance has its own SIEM, Finance can

monitor its network and automatically forward any threat information to the ISOC. A loss of public trust subsequent a breach of gathered data would be detrimental to the City's reputation and may result in payment of significant damages.

The Controller's Office has oversight of the FMS modifications needed to transition from a one-bank model to a two-bank model. This involves both system configuration changes and development of a new set of electronic interfaces, all of which must be subjected to robust testing prior to cutover to the new banks.

In order to deliver the system changes and complete the testing within the projected timeline, the Controller's Office respectfully requests the following:

7. Transfer of \$1,340,000 to Controller's 3040-Contractual Services account for a new CGI contract. Under the terms of this contract, CGI will design, develop, and test the configuration changes to FMS required to fit the new two-bank model; design, develop, and test all incoming and outgoing interfaces with the two new banks; provide support during user acceptance testing and production cutover; and, provide three months of post-implementation support.
8. Provide resolution authority for one Fiscal Systems Specialist I. This position will perform user testing of the configuration changes and interfaces, and coordinate multi-department user acceptance testing to ensure all aspects of the new design function as intended.

The total Unappropriated Balance request for Finance (\$583,000) and Controller (\$1,340,000) is \$1,923,000 to cover costs towards the banking transition.

RECOMMENDATION

That the Council, subject to approval by the Mayor, authorize the Controller to transfer funds from Fund 100/58 Account No. 580287, Unappropriated Balance, to Fund 100/39, Office of Finance, and Fund 100/26 Office of the Controller, as follows:

Finance:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
001010	Salaries General	\$ 117,000
001070	Salaries As-Needed	\$ 69,000
001090	Salaries Overtime	\$ 47,000
003040	Contractual Services	\$ 80,000
004040	Bank Fees	\$ 80,000
006010	Office and Administrative	\$ 190,000

Controller:

003040	Contractual Services	\$1,340,000
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If you have any questions, please contact Nicole Bernson, Office of Finance, at (213) 978-1774 or Matthew Crawford, Office of the Controller, at (213) 978-7203.

cc: Miguel Sangalang, Office of the Mayor
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