



DISTRIBUTION DATE: November 9, 2021

MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Erin Roseman
Director of Finance

SUBJECT: MUFG Union Bank Press Release

DATE: November 4, 2021

City Administrator
Approval

Date: Nov 9, 2021

INFORMATION

The purpose of this informational memorandum is to update the City Council of a press release dated September 2021 on the acquisition of MUFG Union Bank by U.S. Bancorp.

EXECUTIVE SUMMARY

In January 2019, MUFG Union Bank, N.A. (the “Union Bank”) assumed the role of the City’s primary depository service and custodial bank. In September 2021, there was a press release regarding Union Bank being acquired by U.S. Bancorp, the fifth largest banking institution in the United States. Completion of the transaction is expected around the second quarter of 2022 upon regulatory approval. Until the transaction is finalized, Union Bank and U.S. Bank will continue to operate independently as entirely separate companies. Staff will continue to monitor and keep City Council apprised as information becomes available. The press release is available for your convenience at unionbank.com [U.S. Bank to Acquire MUFG Union Bank](#) .

BACKGROUND / LEGISLATIVE HISTORY

Depository and custodial banking services are integral to supporting the City’s daily cash management operations and thereby serving Oakland’s residents and businesses. The City’s depository bank’s primary responsibility is to process cash transactions, enabling the City to make, receive and account for payments. This includes but not limited to providing balanced reporting, detailing debit/credit information, performing fund transfers, direct deposit for citywide payroll, electronic file transfer, issuing stop payments, obtaining reports, lockbox services, etc. The City’s custodian bank’s primary responsibility is to provide for the safekeeping of the City’s securities, enabling the City to invest its cash for safety, liquidity and yield. The City’s banking operations are high volume, extremely complex and require

sophisticated institutions offering a wide array of services with expert customer service representatives to manage the City's account.

On September 15, 2017, the City issued a Request for Proposal (RFP) for depository and custodial banking services. On June 5, 2018, City Council adopted Resolution No. 87229 C.M.S and Resolution No. 87228 awarded a contract with Union Bank to provide banking services for the City of Oakland for a three-year period with three one-year optional extension commencing January 1, 2019.

ANALYSIS AND POLICY ALTERNATIVES

On September 21, 2021, U.S. Bancorp announced that it has entered into a definitive agreement to acquire MUFG Union Bank's core regional banking franchise from Mitsubishi UFJ Financial Group. This union will provide benefits for both customers and the communities they served through improved technology, products and customer service.

U.S. Bancorp is the parent company of U.S. Bank, N.A. (the "U.S. Bank") with nearly 70,000 employees and \$559 billion in assets as of June 30, 2021. The company has been recognized for its approach to digital innovation, social responsibility, and customer service, including being named one of the 2021 World's Most Ethical Companies and Fortune's most admired superregional bank.

It is anticipated that the completion of the acquisition will be around the second quarter of 2022 upon regulatory approval. Until the transaction is finalized, Union Bank and U.S. Bank will continue to operate independently as entirely separate companies.

Currently, Union Bank is the City's primary depository and custodial bank with contractual agreements expiring on December 31, 2021. The City has the option of exercising one of the three, one-year extensions. Exercising a one-year option at this time will ensure continuity in banking services through the acquisition and allow time to determine the additional value gained by the acquiring bank. Additionally, the extension will maximize the opportunity to develop and initiate a comprehensive Request for Proposal (RFP), if necessary, to determine the best criteria for evaluating the City's banking needs taking into account the breadth, integration, and customization of banking services required by the City. It is estimated that a banking RFP will require 12 to 18 months to complete. The extended duration of this banking RFP is directly related to the complexity of the City's financial system and allowing for consideration of the unique community needs of the City of Oakland. If a new bank is selected, an additional 12 months will be needed to complete the implementation, integration, and conversion to a new bank, while overlapping with the existing bank to ensure for a smooth transition and continuity of service. Considering these factors and timing, it is in the best interest for the City to exercise an extension of the contract with Union Bank at this time.

Staff will advise the City Council with respect to any additional extensions and will bring an Informational Report to the Finance & Management Committee to seek City Council input on criteria the Council wishes staff to consider as it develops the next RFP.

Respectfully submitted,



[Erin Roseman \(Nov 9, 2021 16:42 PST\)](#)

Erin Roseman

Director of Finance, Finance Department

For questions, please contact Erin Roseman, Director of Finance, at (510) 238-2026.

