



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Julia H. Cooper

**SUBJECT:** AMENDMENT TO  
INVESTMENT CUSTODIAL  
SERVICES AGREEMENT  
WITH WELLS FARGO  
BANK

**DATE:** 5-29-07

Approved

*Ray Warner*

Date

*6/5/07*

**COUNCIL DISTRICT:** Citywide

## **RECOMMENDATION**

Approval of the fourth amendment to the Investment Custodial Services Agreement with Wells Fargo Bank to extend the term of the agreement for one year from July 1, 2007 through June 30, 2008, in an amount not to exceed \$50,000 from \$300,000 for a total contract amount of \$350,000.

## **OUTCOME**

Approval of the Fourth Amendment to Investment Custodial Services Agreement with Wells Fargo Bank will provide staff sufficient time to issue a Request for Proposals ("RFP") combined with the banking services RFP, evaluate the responses, negotiate a new agreement, and, in the event a new financial institution is chosen, seamlessly transition to a new financial institution.

## **BACKGROUND**

In early 1999, the City initiated an RFP process for banking and investment custodial services. Responses to the RFP were evaluated based on content of the reply, potential technology enhancements for the City's investment program, customer service and total cost. Interviews with the most responsive financial institutions were performed, ultimately leading to the selection of Wells Fargo Bank as the provider of investment custodial services to the City.

In March 2000, the City Council approved staff's recommendation to enter into a contract with Wells Fargo Bank to provide the City's investment custodial services for a period of three years with two one-year options to extend the contract. In May 2004, the City executed the second and

final Exercise of Option to Extend the Agreement for the term of one year from July 1, 2004 through June 30, 2005, with a maximum annual compensation of \$50,000. In June 2005, the City Council approved the extension of the term of the agreement for one additional year in an amount not to exceed \$50,000. In June 2006, the City Council approved another extension of the term of the agreement for one additional year in an amount not to exceed \$50,000.

The City uses Wells Fargo Bank to maintain the investment custodial account and safekeep the City's assets by settling purchases and sales of securities, crediting investment income and providing electronic portfolio reporting which enhances the City's ability to monitor its holdings.

### **ANALYSIS**

Staff had planned to complete the RFP for general banking services and investment custodial services for both the City and the Redevelopment Agency by the end of the current fiscal year. The RFP has been delayed due to the redeployment of existing staffing resources to work on higher-priority city-wide projects, as well as the retirement of a senior manager in the Investment Program.

A draft RFP is currently under internal review and scheduled for release in early summer 2007, with Council approval of selected vendor(s) anticipated in the fall of 2007. Until the RFP process is completed, the City will continue to use Wells Fargo Bank as its investment custodial services provider.

Staff's recommendation to extend the investment custodial services contract with Wells Fargo Bank will:

- Allow staff to develop, issue, and evaluate the RFP for investment custodial services (combined with the RFP for banking services) during the fall of 2007 consistent with the new RFP and procurement standards.
- Allow time for contract negotiations and, in the event that a new financial institution is chosen as a result of the RFP process, transition to the new financial institution.

The agreement for investment custodial services with Wells Fargo Bank is for the City investment portfolio only and does not cover the Employees Deferred Compensation Plan, the Federated City Employees Retirement System or the Police and Fire Retirement Plan.

### **ALTERNATIVES**

Not applicable.

**PUBLIC OUTREACH/INTEREST**

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
  
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
  
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

**COORDINATION**

This report was coordinated with the City Manager's Budget Office and the City Attorney's Office.

**COST SUMMARY/IMPLICATIONS**

Costs for investment custodial services are funded from the pooled investment interest income. The amount of funding for fiscal year 2007-2008 is included in the Proposed 2007-2008 Operating Budget and is subject to appropriation of funds by City Council.

**BUDGET REFERENCE -- UPDATE**

<b>Fund</b>	<b>Appn.</b>	<b>Appn. Name</b>	<b>Total Appn.</b>	<b>Amt. for Contract</b>	<b>2007-08 Proposed Budget Page</b>	<b>Last Budget Action (Date, Ord. No.)</b>
001	2974	Securities Custody Services	\$50,000	\$50,000	IX-16	N/A

HONORABLE MAYOR AND CITY COUNCIL

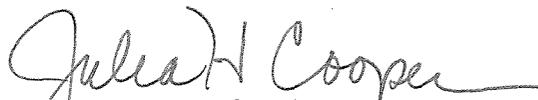
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**CEQA**

Not a project.

  
JULIA H. COOPER  
Deputy Director, Finance

For questions, please contact Julia H. Cooper, Deputy Director of Finance at (408) 535-7011.