



COUNCIL AGENDA: 06-21-05

ITEM: 2.13

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: 06-08-05

Approved

Ray Winter

Date

6/8/05

SUBJECT: APPROVAL OF A SECOND AMENDMENT TO THE AGREEMENT FOR INVESTMENT CUSTODIAL SERVICES WITH WELLS FARGO BANK, N.A

RECOMMENDATION

Approval of the Second Amendment to the Investment Custodial Services Agreement with Wells Fargo Bank to extend the term of the agreement for one year from July 1, 2005 through June 30, 2006, in an amount not to exceed \$50,000 for the one year extension.

BACKGROUND

In early 1999, the City initiated a request for proposal (RFP) process for 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.

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 has enhanced the City's ability to monitor its holdings.

ANALYSIS

In conjunction with an RFP for general banking services for both the City and the Redevelopment Agency, staff is currently in the process of preparing an RFP to enter into an investment custodial services agreement for the City's investment portfolio. Until the RFP process is completed, the City will continue to use Wells Fargo Bank as its investment custodial services provider. The expected timeline to complete the development of the RFP is July 2005.

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

- Provide staff with adequate time necessary to thoroughly complete, issue and evaluate the RFP for investment custodial services (combined with the RFP for banking services) due to be completed by October 2005.
- Assure all facets of new and emerging financial technology and systems are considered through the RFP process as part of the desirable qualifications of the new financial institution. (For example, some banks are capable of providing online systems for the transmission of directions and/or data transmission for the settlement of security transactions).
- Allow time for contract negotiations and, in the event that a new financial institution is chosen as a result of the RFP process, preparation to transition to the new financial institution.

Staff is also recommending that the current language in the Agreement be amended in order to conform with Wells Fargo Bank's current practice of accepting instructions from authorized City employees by facsimile and electronic mail.

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, Federated City Employees Retirement System or the Police and Fire Retirement Plan.

OUTCOMES

Approval of the Second Amendment to the agreement for investment custodial services with Wells Fargo Bank will provide staff sufficient time to issue a new RFP combined with banking services, evaluate the proposals, negotiate a new agreement, and in the event a new financial institution is chosen, seamlessly transition to a new financial institution. In addition, the Second Amendment to the agreement will also clarify the method of direction/data transmission to Wells Fargo Bank, reflecting more accurately the method currently used.

PUBLIC OUTREACH

Not applicable.

COORDINATION

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

COST IMPLICATIONS

Costs for investment custodial services are funded from the pooled investment interest income. The amount of funding for fiscal year 2005-2006 is included in the 2005-2006 Operating Budget.

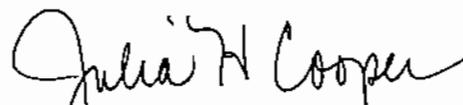
BUDGET REFERENCE

Fund: 001
Appropriation: 2974
Amount: \$25,000
Budget Document: 2005-2006 Proposed Operating Budget, Page IX-14*

* A budget adjustment to increase the 2005-2006 allocation to \$50,000 is being recommended in the Rebudget/Clean-up Manager's Budget Addendum (MBA) that would be incorporated into the 2005-2006 Adopted Budget.

CEQA

Not a project.



JULIA H. COOPER
Deputy Director, Finance Department