



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Julia H. Cooper

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

DATE: June 2, 2008

Approved

Christine F. Shupley

Date

6-5-08

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Approval of the Fifth Amendment to the Investment Custodial Services Agreement with Wells Fargo Bank to extend the term of the agreement for nine months from July 1, 2008 through March 31, 2009, to amend the termination provision to allow either party to terminate the agreement upon 30 days' written notice to the other, to authorize the City Manager, Director of Finance and the Deputy Director of Finance – Treasury and their authorized designees to make changes to the list of authorized personnel who transmit instructions to the bank without further Council action; and to increase the maximum compensation for the extended term in an amount not to exceed \$37,500.

OUTCOME

Approval of the Fifth Amendment to Investment Custodial Services Agreement with Wells Fargo Bank will provide staff time to evaluate the current custodial services Request for Proposal ("RFP") submissions, negotiate a new agreement, and, in the event new bank/banks are chosen, allow sufficient time to transition to new bank/banks.

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, the array of services proposed and total cost. Interviews with the most responsive banks were conducted; 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. In June 2007, 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 has completed the Financial Services RFP 07-08-18A and posted it accordingly. The RFP consists of four service area requests; General Banking Services, Lockbox Services, Merchant Card Processing Services, and Security Custody Services. The service areas were bundled into a single RFP to allow respondents the opportunity to bid on all four service areas increasing the potential for cost savings to the City. The RFP was constructed in a way that respondents not only had to meet current service requirements but also provide proactive solutions for future service needs. The term of the agreement is for three years with three two year options to renew the agreement at the sole discretion of the City, for a total of nine years. The RFP subjected respondents to minimum qualifications that ensure experience with a public entity similar in size and scope to the City.

Until the RFP process is completed, the City will continue to use Wells Fargo Bank as its security custody service provider.

Staff's recommendation to extend the security custody services contract with Wells Fargo Bank will:

- Allow staff time to evaluate proposals and presentations from respondents to the RFP for general banking services, lockbox services, merchant card processing services, and security custody services.
- Allow time for contract negotiations and, in the event that a new bank/banks are chosen as a result of the RFP process, preparation and transition to the new bank/banks.

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

Not Applicable

- 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 2008-2009 is included in the Proposed 2008-2009 Operating Budget and is subject to appropriation of funds by City Council.

BUDGET REFERENCE

Fund	Appn.	Appn. Name	Total Appn.	Amt. for Contract	2008-09 Proposed Budget Page	Last Budget Action (Date, Ord. No.)
001	2974	Securities Custody Services	\$50,000	\$37,500	IX-19	N/A

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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.