



# Memorandum

**TO:** HONORABLE MAYOR AND CITY COUNCIL  
**FROM:** Julia H. Cooper  
**SUBJECT:** AMENDMENT TO INVESTMENT CUSTODIAL SERVICES AGREEMENT WITH WELLS FARGO BANK  
**DATE:** March 2, 2009

Approved

*Christine J. Shupp*

Date

*3/5/09*

**COUNCIL DISTRICT:** Citywide

## RECOMMENDATION

Approval of the Sixth Amendment to the Investment Custodial Services Agreement with Wells Fargo Bank to extend the term of the agreement for three months from April 1, 2009 through June 30, 2009 and to increase the maximum compensation by \$12,500 for the extended term in an amount not to exceed \$50,000.

## OUTCOME

Approval of the Sixth Amendment to Investment Custodial Services Agreement with Wells Fargo Bank will provide staff time to finalize the negotiations with Wells Fargo Bank to enter into a new Investment Custodial Services Agreement in conjunction with a new Banking Services Agreement.

## 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

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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. In June 2008, the City Council approved the fifth amendment to the Agreement in an amount not to exceed \$37,500.

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.

All of these extensions while outside of the original maximum term of the agreement were approved by the City Council. These extensions relied on the original competitive process as the basis for the extension. The Request for Proposal process for banking services has been delayed over the last several years due to other competing Council priorities, staffing turn-over and the resulting vacancies. As discussed below, the negotiations are nearing completion with the selected bank which has taken longer than anticipated for the reasons noted below.

### **ANALYSIS**

Staff has completed the Financial Services RFP 07-08-18A, proposals have been received and evaluated, protest period completed and negotiations are currently underway with the recommended service provider, Wells Fargo Bank. Staff had anticipated contract negotiations would be complete prior to the expiration of the contract extensions approved in June 2008. The negotiation process has taken more time than previously anticipated due to the technical nature of the services to be provided, disruption in the banking industry, and the complexity of the agreements for the services to be provided.

It is currently anticipated that approval of Wells Fargo Bank to provide General Banking Services, Lockbox Services, Merchant Card Processing Services, and Security Custody Services for the City for an initial term of three years with three two year options to renew will be brought forward for Council approval in April. While there will be no change or transition associated with the Investment Custodial Services Agreement, a new Agreement will be executed with the package of agreements with Wells Fargo Bank to provide a set of financial services.

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)**

This memorandum will be posted on the City's Internet website for the March 24, 2009 Council agenda.

**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 Adopted 2008-2009 Operating Budget.

**BUDGET REFERENCE**

Fund	Appn.	Appn. Name	RC #	Total Appn.	Amt. for Contract	2008-09 Adopted Budget Page	Last Budget Action (Date, Ord. No.)
001	2974	Securities Custody Services	009208	\$50,000	\$50,000	IX-20	6/24/08

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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.