

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: CHUCK MCBRIDE, CHIEF FINANCIAL OFFICER

SUBJECT: CUSTODY AGREEMENT FOR INSTITUTIONAL CUSTODY
SERVICES WITH U.S. BANK NATIONAL ASSOCIATION

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Finance Department that the Council, by Resolution, approve a Custody Agreement with U.S. Bank National Association, Minneapolis, Minnesota for Institutional Custody Services.

EXECUTIVE SUMMARY

A Request for Proposal (RFP) was released on October 31, 2017, and seven (7) proposals were received for Institutional Custody Services by the due date.

Proposals were reviewed by a committee, including the Chief Financial Officer, the Deputy Director of Finance, an Administrative Technician tasked with performing Treasury duties, and representatives from PFM Asset Management LLC (PFM). Financial institution presentations were made to this committee, as well as subject matter experts from various City operations.

After careful review of the submitted proposals and presentations, the committee and subject matter experts recommend that the City Council approve a Custody Agreement with U.S. Bank National Association (US Bank, N. A.), Minneapolis, Minnesota, for Institutional Custody Services.

BACKGROUND

Since 2010, Bank of New York Mellon has provided Institutional Custody Services to the City. In July 2017, the City contracted with PFM to assist with the RFP process for multiple banking services. The City's contract for custodial banking services includes the execution of sales and purchases of investment securities per the direction of the City's investment advisor (PFM); cash management including the processing of wiring

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of funds; accounting and reporting of securities; and the generation of monthly and quarterly statements for all Citywide investments.

On October 31, 2017, RFP #17-74 for Comprehensive Banking Services was released. In response, the City received a total of seven (7) proposals offering Institutional Custodial Services. The City and an outside consultant, PFM, conducted an extensive qualitative and quantitative review of the proposals. Each firm was awarded points based on proposed fees and several qualitative factors of the RFP including (1) the ability to meet legal, operational and functional requirements, (2) Experience, Expertise, and Qualifications, (3) Financial Strength, (4) Transitional Plan and (5) Compliance with the requirements of the RFP and quality of proposal.

PRIOR CITY COUNCIL REVIEW

Not applicable.

ANALYSIS

After review of the proposals for Institutional Custody Services, it was concluded that US Bank, N.A. submitted a superior proposal and scored the highest in both the qualitative and quantitative evaluation. US Bank, N. A. proposed the lowest fees of all seven institutions including the current institutional bank, Bank of New York Mellon. In addition, US Bank, N. A. received the highest rank in automation of service, online services, client customer service, financial strength and transition and scope of implementation.

Under this agreement, the annual institutional custodial banking fee will be the higher of \$7,500 or 0.50 basis points (.005%) of the investment assets. As a result of this agreement, the City's Pooled Investment Fund estimates a savings in institutional custodial banking fees. Compared to existing fees of approximately \$65,000, the savings is estimated to be approximately \$39,000 annually.

FISCAL IMPACT

For Fiscal Year (FY) 2018-19, there is no fiscal impact to the General Fund. Custodial banking fees are budgeted within the Pooled Investment Fund in the amount of \$65,000 for FY 2018-19. Approval of this agreement is estimated to result in a savings of approximately \$39,000 annually to the Pooled Investment Fund.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Resolution/Exhibit A – Custody Agreement with US Bank, N. A.

CONTACT

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