



CITY OF LONG BEACH

R-15

DEPARTMENT OF FINANCIAL MANAGEMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • 562.570.6726

February 15, 2011

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to Execute an Agreement with Wells Fargo Bank, N.A., for Trust and Custody services for the City of Long Beach for a period of two years, with the option to renew for three additional two-year periods. (Citywide)

DISCUSSION

Approval is requested to execute an agreement for two years with three two-year options to extend the agreement with Wells Fargo Bank, N.A., for Trust and Custody services related to the City's investment portfolio. A Custody Agent's (Agent) primary responsibility is to provide safekeeping of securities purchased by the City for its Investment Portfolio. In addition, other services include the coordination of all securities transactions, sales, purchases and maturities, the assurance of timely collection of payments due on securities held in safekeeping, and reporting all activity daily to the City Treasurer. The Agent also prepares various reports of activity, market value comparisons, and accounting and audit reports for authorized City personnel. An Agent must be an experienced financial institution or Trust Company.

The City's Investment Portfolio consists of approximately 150 securities that are held in either book-entry (electronic) form or at the Depository Trust Company. In addition, the Agent also performs the same responsibilities for our Investment Advisor who manages the long-term securities portfolio.

A Request for Proposal (RFP) for Trust and Custody Services was advertised on the City's website, notifying 184 potential bidders, which included 22 banks/credit unions with offices in Long Beach. Of those potential bidders, 25 downloaded the RFP via our electronic bid system. The RFP document was made available through the Purchasing Division and the Division's website at www.longbeach.gov/purchasing. An RFP announcement was also included in the Purchasing Division's weekly update on Open Bid Opportunities, which was sent to 30 local, minority and women's business groups. No Minority-owned Business Enterprises (MBEs), Woman-owned Business Enterprises (WBEs), or Small Business Enterprises (SBEs) responded to the RFP. In general, most of the respondents have offices located in Long Beach.

The Department of Financial Management formed a team consisting of representatives from the Treasury Bureau; the City's outside Financial Advisor (PFM Asset Management, LLC); and, the City's Investment Advisor (Chandler Asset Management) to evaluate the RFP submissions and make a selection recommendation. In addition, the Investment Advisory Committee was also asked to review the final contract award recommendation.

Of the seven major banks who submitted proposals, Wells Fargo Bank, N.A., Union Bank of California and Bank of New York/Mellon Trust were selected as finalists for custody services. All of the finalists were judged based on (1) firm experience, (2) financial strength, (3) current assets under custody and management, (4) operational expertise, and (5) ability to meet the needs of the City. Based on a review of the bank's proposals, and the specific criteria outlined above, it is recommended that the City's Trust and Custody contract be awarded to Wells Fargo Bank, N.A.

This matter was reviewed by Deputy City Attorney Amy R. Burton on January 26, 2011 and Budget Management Officer Victoria Bell on January 31, 2011.

TIMING CONSIDERATIONS

City Council action is requested on February 15, 2011, in order to provide the necessary time needed for transitioning these services to Wells Fargo Bank, N.A. It is anticipated that the transition time necessary for converting the existing custody services will take approximately 90 days. The transition process will formally commence upon City Council's authorization of this agreement.

FISCAL IMPACT

The estimated savings from this recommendation is approximately \$40,000 annually; currently, the annual costs have been approximately \$80,400. It should be noted that costs are variable depending on the number and type of custody transactions performed by the Custody Agent and, as a result, may fluctuate depending on the volume. Payment of the costs of services is shared on a pro rata basis with all participants in the City's Investment Pool. The General Fund (GP) expenditures are estimated at approximately 3 percent of the total costs, or \$1,200 annually.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



WILLIAM YEOMANS
INTERIM DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER