

TO: Andrew P. Powers, City Manager

FROM: Jaime Boscarino, Finance Director

DATE: December 3, 2024

SUBJECT: General Banking and Custody/Safekeeping Agreements

RECOMMENDATION:

1. Award professional services contract for general banking services to Wells Fargo Bank, National Association (Wells Fargo) of San Francisco, CA and authorize City Manager to execute agreement for a five-year period beginning January 1, 2025, with one five-year option to renew, in substantially the same form as the draft agreement.
2. Award professional services contract for custody and safekeeping services to Bank of New York Mellon Trust Company, National Association (BONY) and authorize City Manager to execute agreement for a five-year period beginning January 1, 2025, with one five-year option to renew, in substantially the same form as the draft agreement.
3. Authorize City Treasurer to sign all other documents necessary to maintain banking and custody services.
4. Authorize expenditure in the amount of \$100,000 annually from various General Fund accounts for banking, custody, and safekeeping services.
5. Find that this action is not a project as defined under the California Environmental Quality Act.

LEVINE ACT ITEM: Yes

FINANCIAL IMPACT:

No Additional Funding Requested. The cost for banking, custody, and safekeeping services is included in the Adopted FY 2024-25 General Fund Budget. Budget necessary for the remainder of the agreements will be requested during upcoming and future biennial budget processes. The total estimated annual cost for banking services is \$45,000. The total estimated annual cost for custody and safekeeping services is \$10,000.

BACKGROUND:

The City requires a wide array of banking products to provide services to the community in the most efficient manner. The City's general banking needs include, but are not limited to, lockbox, electronic payments, paper check clearing, cash deposits, and online bank reporting.

In addition, City-owned negotiable securities are held by a third-party trust department in the City's name. The City owns approximately 200 negotiable securities and manages the associated purchases, redemptions, and interest payments.

The City's general banking services are currently provided by Wells Fargo while custody services are provided by BONY. The City has a well-established relationship with both banks and has been satisfied with their services, security, and technologies they offer. The banking industry, however, has undergone significant changes in recent years. Given these changes and evolving technologies, the City determined that a Request for Proposals/Qualifications (RFP/Q) was appropriate.

DISCUSSION/ANALYSIS:

In accordance with Government Code Section 4526 and Thousand Oaks Municipal Code Section 3-10.401, staff solicited a formal RFP/Q for general banking services and custody and safekeeping services. Unlike the low bid requirement of the Public Contract Code, contracts for professional, management, general, or special services should only be awarded to firms or persons who have demonstrated an adequate level of experience, competence, training, credentials, resources, staffing, and other professional qualifications necessary for more than satisfactory performance of the services solicited.

General Banking Services

On June 28, 2024, a formal RFP/Q for general banking services was published in the Thousand Oaks Acorn newspaper and on the City's e-procurement website. The RFP/Q was viewed by over 600 vendors and downloaded by eight financial institutions. The RFP/Q closed on August 15, 2024. From this effort, the City received four proposals. The following financial institutions submitted a response:

1. BMO Bank, N.A.
2. JPMorgan Chase Bank, N.A.
3. U.S. Bank, N.A.
4. Wells Fargo Bank, N.A.

Staff from the Finance Department (Committee) closely involved with the City's banking processes and banking needs reviewed and evaluated the proposals. Two proposers were invited to interview with the Committee: Wells Fargo and BMO Bank. After careful review, the Committee determined that Wells Fargo was best qualified to continue to provide general banking services for the City based on the following criteria: ability to deliver services, quality of technology, reasonableness of cost, clarity and responsiveness of proposal, and qualifications of key personnel.

Custody and Safekeeping Services

On August 16, 2024, a formal RFP/Q for custody and safekeeping services was published in the Thousand Oaks Acorn newspaper and on the City's e-procurement website. The RFP/Q was viewed by over 400 vendors and downloaded by six financial institutions. The RFP/Q closed on September 19, 2024. From this effort, the City received four proposals. The following financial institutions submitted a response:

1. Amalgamated Bank
2. Bank of New York Mellon Trust Company, N.A. (BONY)
3. Principal Financial
4. U.S. Bank

Staff from the Finance Department (Committee) closely involved with the City's custody and safekeeping processes reviewed and evaluated the proposals. After careful review, the Committee determined that BONY was best qualified to continue to provide custody and safekeeping services for the City based on the following criteria: ability to deliver services, quality of technology, reasonableness of cost, clarity and responsiveness of proposal, and references.

Both financial institutions have proven track records of providing excellent customer service, innovative services, and competitive pricing. Based on the evaluation process, staff recommends executing five-year contracts with options to renew for five years.

Although pricing for services is fixed for the first five years, the contracts allow for pricing renegotiation with the renewal. The contracts are based on service and activity level with the number and types of transactions affecting the overall cost. The expected contract expenditure for general banking is estimated to be \$45,000 annually with a total of \$225,000 over the first five years. The expected contract expenditure for custody is estimated to be \$10,000 annually with a total of \$50,000 over the first five years. Over time, both transaction volume and service requirements will change. An expenditure approval of \$100,000 annually allows for increased transaction volume over time and pricing increases after five years.

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The contracts allow the City and Banks to negotiate the pricing of additional services and related fees not required at this time and to execute all additional forms, agreements, and requests related to services required. Draft agreements are attached (Attachments #1 and #2) and the final agreements will be in substantially the same formats.

The City's banking relationships play a crucial role in maintaining its financial health, with banking processes integrated into various City functions. Based on the RFP/Q proposals, Wells Fargo and BONY offer the safety, security, technology, and service level the City requires.

LEVINE ACT (California Government Code § 84308):

This item is subject to the Levine Act. City Councilmembers who have received a campaign contribution of more than \$250 (aggregated) within the preceding 12 months from a party or their agent/representative, or a financially-interested participant involved in this proceeding may do either of the following: (1) disclose the contribution on the record and recuse themselves from this proceeding; or if applicable (2) return the portion of the contribution that exceeds \$250 within 30 days from the time the official knew or should have known about the contribution, and participate in the proceeding.

All parties and their agents/representatives must disclose on the record of this proceeding any aggregated contribution of more than \$250 made to any Councilmember within the preceding 12 months. Councilmembers are prohibited from accepting, soliciting, or directing a campaign contribution of more than \$250 (aggregated) from a party, their agent/representative, or a financially-interested participant during a proceeding and for 12 months following the date a final decision is made. In addition, a party, their agent/representative, or a financially-interested participant is prohibited from contributing more than \$250 (aggregated) to a Councilmember during a proceeding and for 12 months following the date a final decision is made.

COUNCIL GOAL COMPLIANCE:

Meets the following City Council goal:

C. Operate City government in a fiscally and managerially responsible and prudent manner to ensure that the City of Thousand Oaks remains one of California's most desirable places to live, work, visit, recreate, and raise a family.

PREPARED BY: Jane Adelmann, Debt and Investment Analyst

Attachments:

Attachment #1 – Wells Fargo Draft Agreement

Attachment #2 – BONY Draft Agreement