City of Culver City, California

City Council Agenda Item Report

Meeting Date: 07/24/06	Item Number: J-2
AGENDA ITEM: Authorization of Banking Custodial Services Contract with Union Bank of California	
Contact Person/Dept.: Nagam Rao/City Treasurer's Office	Phone Number: (310) 253 5889
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: All firms submitting audit proposals; Master Notification List (07/19/06)	
Department Approval: Crystal Alexander, City Treasurer	City Manager Approval: Martin R. Cole for Jerry B. Fulwood (07/19/06)
City Controller Approval:	

RECOMMENDATION:

Staff recommends the City Council authorize a Banking Custodial Services Contract with Union Bank of California.

BACKGROUND:

Bank of America has provided the City and RDA's banking services for many years. Bank of America had also been the custodial bank for the City and the Agency. On November 30, 1998, Bank of America discontinued their custodial services and named Bank of New York (BONY) as sub-custodian. Over the last few years, BONY has increased their fees substantially and implemented a few programs that have increased fees with Bank of America as well, such as requiring that the City Treasurer's Office initiate outbound wires (at a cost of $25 per wire from B of A and a receiving fee of $20 from BONY) in order to settle any trades.

Due to the increased costs and reduction of service levels, a Request for Proposal was issued on May 11, 2006 to seek a qualified financial institution to provide custodial services for cash and securities related to investment portfolios held in the name of the City of Culver City (CITY) and the Culver City Redevelopment Agency (CCRDA).

The scope of the services to be provided was to:

(1) maintain two separate custody accounts for the cash and securities owned by the CITY and the CCRDA,
(2) collect all coupons and other periodic income on securities,

(3) monitor and record the collection of funds in accounts maintained by the custodian for CITY and CCRDA,
(4) create, maintain and retain all records relating to securities held in custody in client accounts to meet the requirements and obligations under Generally Accepted Accounting Principles, and
(5) provide monthly activity statements and reports for all accounts, including cost and market value of all securities, current yield plus any accrued interest.

DISCUSSION:

On June 8, 2006, the bids were opened. Six responses were received and evaluated on the basis of their:

(1) understanding of the needs and operational requirements of the CITY and CCRDA,
(2) experience, resources, and qualifications of the Firm and the individuals assigned to this account,
(3) amount and quality of relevant experience managing similar relationships with public sector clients,
(4) familiarity and knowledge of California State Statues, Banking and Investment Regulations,
(5) Scope and Quality of additional services provided to the CITY and CCRDA,
(6) Demonstration and commitment to the industry, including continuing education and service to professional organizations,
(7) Financial strength, financial controls and adequacy of insurance coverage, and
(8) Quality and conciseness of proposals.

Staff reviewed all proposals and found them to be complete. The quantifiable criteria are shown on Attachment #1. The lowest bidder was US Bank; however, Union Bank of California provides an interface into our investment software which is included in their bid while US Bank would charge us to develop the same interface.

It is staff's recommendation that Union Bank of California be selected as the difference of $130.00 per year will be offset by the efficiency that we receive from the interface.

FISCAL ANALYSIS:

Last fiscal year, the City and Agency combined incurred more than $20,000 in fees for custodial services from Bank of New York. By shifting services to Union Bank of

California, there will be a decrease in overall costs resulting in a net increase in investment earnings of $13,250.00 per year.

There are sufficient funds included in the Fiscal Year 2006/2007 Budget for this contract.

ATTACHMENT:

1. Request for Proposal
2. Spreadsheet of Proposals in response to RFP

MOTION:

That the City Council:

1. Authorize a banking custodial services contract with Union Bank of California; and,

2. Authorize the City Attorney to prepare the necessary documents and authorize the City Manager to approve the documents.