



Board Report

File #: 2019-0172, File Type: Contract

Agenda Number: 18.

FINANCE, BUDGET AND AUDIT COMMITTEE JULY 17, 2019

SUBJECT: CUSTODIAL BANKING SERVICES

ACTION: AWARD CONTRACT

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a five-year, firm fixed-unit rate Contract No. PS133590000 to US Bank N.A. for custodial banking services in an amount not to exceed \$1,003,370 inclusive of two, one year options, effective October 1, 2019, subject to resolution of protest(s), if any.

ISSUE

The existing five-year banking custodial services contract with U.S. Bank Institutional Trust & Custody will expire on September 30, 2019.

BACKGROUND

Metro's Investment Policy requires that securities purchased for the investment of operating funds and collateral be maintained in the trust department or the safekeeping department of an established bank. The Treasurer is also required to report compliance with the investment policy and provide performance returns for the investments in a quarterly report to the CEO and Board.

DISCUSSION

As of March 31, 2019, Metro Operating funds held in custody at US Bank totaled \$1.6 billion. Operating funds are the pool of revenue used to pay expenses such as salaries, fuel, project costs, and supplies. To comply with the mandated Investment Policy, Metro requires an external trust department to provide custodial services of operating funds, compliance reporting, and performance measurement services.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of our patrons or employees.

FINANCIAL IMPACT

Total proposed fees of \$1,003,370 over five years are based on a firm fixed rate applied to estimated market value of assets under custody, the number of transactions applied to a unit price, and the number of accounts subject to compliance monitoring and performance reporting services. The fiscal year 2020 fee of \$200,674 is included in the FY20 Adopted Budget under Treasury cost center 5210, in Investment and Debt Management project 610340.

This multi-year contract will be managed by the Treasury department cost center and the Treasurer will be accountable for budgeting the cost in future years.

Impact to Budget

The source of funds for this contract is Prop A, Prop C, TDA Administration. These funds are not eligible for Metro Bus and Rail operations.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports strategic plan goal # 5.2 "Metro will exercise good public policy judgment and sound fiscal stewardship" by safeguarding Metro assets with an established custody bank.

ALTERNATIVES CONSIDERED

LACMTA's Investment Policy mandates the use of an external custody bank to safekeep operating fund securities or cash.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS133590000 to US Bank N.A. effective October 1, 2019 to provide custodial banking services.

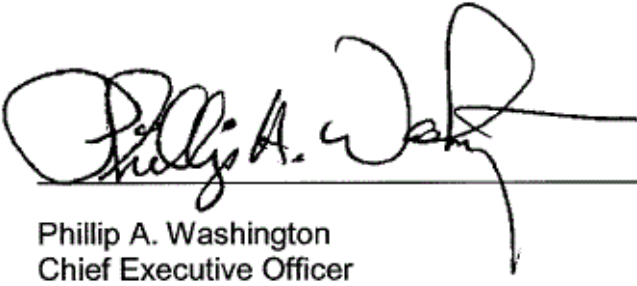
ATTACHMENTS

Attachment A - Procurement Summary

Attachment B - DEOD Summary

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