



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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Phillip A. Washington
Chief Executive Officer

**PROCUREMENT SUMMARY
CUSTODIAL BANKING SERVICES
PS133590000**

1.	Contract Number: PS133590000	
2.	Recommended Vendor : U.S. Bank N.A.	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: February 22, 2019	
	B. Advertised/Publicized: February 8, 2019	
	C. Pre-proposal/Pre-Bid Conference: March 5, 2019	
	D. Proposals/Bids Due: March 28, 2019	
	E. Pre-Qualification Completed: May 9, 2019	
	F. Conflict of Interest Form Submitted to Ethics: May 5, 2019	
	G. Protest Period End Date: July 22, 2019	
5.	Solicitations Picked up/Downloaded: 13	Bids/Proposals Received: 2
6.	Contract Administrator: Rommel Hilario	Telephone Number: (213) 922-4654
7.	Project Manager: Marshall Liu	Telephone Number: (213) 922-5931

A. Procurement Background

This Board Action is to approve a firm fixed unit rate contract in support of the Treasury Department to provide custodial and safekeeping services for its Operating Funds portfolio, certain bond proceeds and/or other funds. Currently, Metro has a total of nine accounts: five accounts comprise the internally managed Operating Funds portfolio and other accounts, and four accounts comprise the externally managed Operating Funds.

Request for Proposals (RFP) No. PS59875 was issued as a competitive negotiated procurement in accordance with Metro's Acquisition Policy.

In addition to advertising the solicitation in local media, staff notified nine (9) financial institutions via email of the solicitation in an effort to increase competition.

Two amendments were issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on March 3, 2019, included an updated 2019 Investment Policy, pre-proposal documents including the agenda and planholder's list;
- Amendment No. 2, issued on March 15, 2019, included operating Portfolio account balances and extended the proposal due date.

A pre-proposal conference was held on March 5, 2019. No firms attended.

On March 28, 2019, Metro received two proposals from two firms as follows, in alphabetical order:

1. Northern Trust
2. US Bank N.A.

B. Evaluation of Proposals

The Proposal Evaluation Team (PET), consisting of staff from Treasury and Accounting departments, was convened and conducted a comprehensive evaluation of the proposals received. The PET team performed a detailed evaluation of the two proposals in accordance with the factors and sub-factors set forth in the RFP.

Proposals were evaluated based on the following criteria and weights:

- Qualifications, Experience, and Capability of the Firm and Key Personnel 25%
- Custody, Compliance Reporting, and Performance Measurement Services 25%
- Technology, Transition, and Conversion 25%
- Cost Proposal (including reasonableness of overall fee structure) 25%

Summary of Firms within the Competitive Range

Northern Trust

Northern Trust has been providing trust and custody services since it was founded in 1889. Northern Trust Corporation is a publicly listed company incorporated in the State of Delaware. Its principal subsidiary, The Northern Trust Company, is a provider of asset management and asset servicing solutions for corporations, institutions, and individuals. Northern Trust is comprised of three core business units: Corporate and Institutional Services (C&IS), Wealth Management (WM), and Asset Management (AM). All three are supported by Enterprise Enablement (E2) which supports operations, infrastructure, and technology innovation initiatives.

U.S. Bank N.A.

U.S. Bank has provided trust and custody services for institutional clients for more than 120 years. U.S. Bank is headquartered in Minneapolis, Minnesota. They are a diversified financial services holding company and the parent company of U.S. Bank National Association (U.S. Bank N.A.). U.S. Bank serves 18.7 million consumer, business and institutional customers throughout its four core lines of business: Payment Services, Consumer and Business Banking, Corporate & Commercial Banking, and Wealth Management and Investment Services.

The following is a summary of the PET scores:

1	FIRM	Average Score	Factor Weight	Weighted Average Score	Rank
2	US BANK N.A.				
3	Qualifications, Experience, and Capability of the Firm and Key Personnel	91.2	25%	22.8	
4	Custody, Compliance Reporting, and Performance Measurement Services	88.8	25%	22.2	
5	Technology, Transition, and Conversion	90.0	25%	22.5	
6	Cost Proposal	72.0	25%	18.0	
7	Total		100.00%	85.5	1
8	NORTHERN TRUST				
9	Qualifications, Experience, and Capability of the Firm and Key Personnel	74.4	25%	18.6	
10	Custody, Compliance Reporting, and Performance Measurement Services	76.8	25%	19.2	
11	Technology, Transition, and Conversion	78.8	25%	19.7	
12	Cost Proposal	88.0	25%	22.0	
13	Total		100.00%	79.5	2

C. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based upon adequate competition, the independent cost estimate (ICE), price analysis, fact finding discussions, and technical evaluation.

PROPOSER NAME	PROPOSAL AMOUNT	METRO ICE	NEGOTIATED*
U.S. Bank	\$1,095,853	\$956,142	\$1,003,370
Northern Trust	\$819,500		

* Actual pricing will be based on a fixed unit price structure and will be dependent on the actual number and amounts of the individual transactions.

D. Background on Recommended Contractor

U.S. Bank is the current custodian for Metro providing custody, asset safekeeping, reporting and investment management services. U.S. Bank has provided trust and custody services for institutional clients for more than 120 years. They are a diversified financial services holding company serving 18.7 million consumer, business and institutional customers throughout its four core lines of business.

DEOD SUMMARY

CUSTODIAL BANKING SERVICES
PS133590000

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) did not recommend a Small Business Enterprise/Disabled Veteran Business Enterprise (SBE/DVBE) participation goal for this procurement due to the lack of subcontracting opportunities. U.S. Bank N.A. is the current custodian providing custody, asset safekeeping, reporting, and investment management services. U.S. Bank N.A. will provide these services with its own workforce.

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.