



County of San Mateo

Inter-Departmental Correspondence

Department: TREASURER

File #: 22-453

Board Meeting Date: 6/14/2022

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Sandie Arnott, Treasurer - Tax Collector

Subject: Adopt a resolution authorizing an agreement with Bank of New York Mellon Trust Company, National Association to provide custody services.

RECOMMENDATION:

Adopt a resolution waiving the Request for Proposal process and authorizing the execution of an agreement with Bank of New York Mellon National Association to provide custody and safekeeping services, for the term of August 1, 2022, through July 31, 2025, in an amount not to exceed \$500,000.

BACKGROUND:

The Treasurer is responsible for the receipt, custody, and investment of all monies placed in the County Treasury for all County departments, schools, special districts and voluntary participants. The Treasurer's Office oversees the County investment pool, and the primary objective is to preserve principal and maintain sufficient liquidity to meet the financial needs of the County at all times.

The Treasurer's Office currently processes an average of 21 investment transactions daily and over 5,064 transactions annually on the Bank of New York Mellon settlement platform. At this time, there are no other asset management providers that can fulfill the level of activity we are processing on a daily basis.

In April 2015, the Treasurer-Tax Collector determined that it was in the best interest of the County to issue a Request of Proposals (RFP) for custodial and asset management services to ensure competitive pricing and to receive the most efficient service. An RFP was published on the Treasurer's website and Public Purchase website. After careful consideration and evaluation, Bank of New York Mellon was selected as the successful proposer. Favorable attributes for the Bank of New York Mellon were their high institutional ratings including long and short debt ratings from S&P A/A-1, Moody's A1/P-1, and Fitch AA-/F1+. Additionally, they have extensive custodial experience, competitive pricing, and practices that are consistent with the department's Continuity of Operation Plan (COOP).

DISCUSSION:

The Treasurer-Tax Collector’s office recommends waiving the Request for Proposals process at this time to maintain continuity of custodial and asset management services of the investment pool funds. During the last RFP process, in the interview and reference follow-up stage, it was determined Bank of New York is the only institution that provides the necessary services as their primary core business. The existing investment pool the department oversees is approximately \$7 billion. The risk of changing providers may lead to a rise in settlement issues given the number of assets and securities the County and Bank of New York Mellon transact on an ongoing basis.

Excellent services are being provided to the Treasurer’s Office from Bank of New York Mellon which include trust and safekeeping, portfolio and fund reconciliation, account analysis, cash management and security movement, clearing services, online information delivery, and industry leading robust cyber security protections. The Bank of New York Mellon provides support services through a team structure with specific specialists assigned based on the specific needs of the Treasurer’s Office

The Treasurer’s Office wishes to enter into a new agreement with Bank of New York Mellon, N.A. for a new term of three years from August 1, 2022, through July 31, 2025, to prevent significant transition costs. Bank of New York Mellon is offering to preserve the fee schedule for the new term of the agreement. Pricing during the last RFP was determined to be favorable, which benefits the pool participants by maintaining low administrative costs.

Billing is settled quarterly based on the asset under management rate, which has been positively increasing and benefiting all pool participants with favorable returns.

The County Attorney has reviewed and approved the resolution and agreement as to form.

County Compliance Committee has approved a Waiver of Competitive Requirements.

This Board is being asked to authorize the Treasurer-Tax Collector or designee to execute subsequent amendments which do not exceed an aggregate of \$25,000.

PERFORMANCE MEASURE:

Measure	FY 2019-20	FY 2020-21	FY 2021-22 (Estimated)
Transactions processed with BNY Mellon, N.A.	4,968	4,824	5,064
Percentage of successful transactions	100%	100%	100%

FISCAL IMPACT:

The term of this agreement is from August 1, 2022, through July 31, 2025, for an amount not to exceed \$500,000. Funds for these services have been included in the Treasurer-Tax Collector’s FY 2022-23 Recommended Budget. Similar arrangements will be made for future budget years.