



City Council Report

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Sacramento, CA 95814

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File #: 2016-01482

December 6, 2016

Consent Item 04

Title: Establishment of City's Pool of Bond Trustee Providers

Recommendation: Pass a Resolution 1) approving a pool of financial firms qualified to provide trustee services to the City during fiscal years 2016/17 through 2020/21; and 2) authorizing the City Treasurer or Interim City Treasurer to select firms from the pool as needed to serve as trustee on City financing projects.

Location: Citywide

Contact: Lisa Yang, Treasury Analyst, (916) 808-2267; Brian Wong, Debt Manager, (916) 808-5811, Office of the City Treasurer

Presenter: None

Department: Office of the City Treasurer

Attachments:

- 1 – Description/Analysis
- 2 – Resolution
- 3 – Exhibit A

Description/Analysis

Issue Detail: The City Treasurer's Office ("**CTO**") has several established pools of firms eligible to provide various financial services to the City that has been an effective practice in quickly assembling the finance team as debt financings materialize. A trustee is an integral part of the bond financing team, yet a pool does not exist for trustee services (unlike the respective pools in place for underwriting / investment banking services or small-equipment lease financing).

To continually strive for efficiency, the CTO issued a request for qualifications for trustee services ("**RFQ**") in August 2016 with the objective to establish a pool of financial firms eligible to provide trustee services for a period of five years for the fiscal years 2016/17 through 2020/21 ("**Pool Period**") in anticipation of prospective financing opportunities. The RFQ was published in the Sacramento Bulletin, posted on the City's procurement web-portal PlanetBids; and notices inviting statement of qualifications ("**SOQs**") were emailed via PlanetBids to 272 organizations registered under the finance and banking services categories. The CTO received six competitive SOQs from Bank of New York Mellon, MUFG Union Bank, US Bank, Wells Fargo Bank, Wilmington Trust, and Zions Bank; all recognizable firms with known experience in municipal trustee services and meet or exceed the minimum level of financial resources required by the City.

After a RFQ evaluation process by the CTO, the top four firms were determined to be suitable and are being recommended to provide trustee services during the Pool Period; the firms are US Bank, MUFG Union Bank, Wilmington Trust, and Zions Bank. A summary of the evaluation results is provided in Exhibit A, and the top two factors that went into the decision are:

- Breadth of experience in similar bond issues and governance.
- Trust services at reasonable costs.

Although, the firms are pre-qualified by the CTO in anticipation of issuing bonds in which trustee services will be required, the passage of the resolution does not commit the City to award any engagement, pay any costs incurred in the preparation of the response to the RFQ, nor to procure for any service. Also, the trustees previously selected will continue to provide the services listed under each separate indenture that was completed and executed under prior bond issuances. The pool of bond trustee providers is not intended to be exclusive, as the City reserves the right to utilize a provider that is not part of the proposed pool as it sees fit. Additionally, certain circumstances in the future such as illegal business practices or loss of key personnel may result in a reassessment of this pool.

Policy Considerations: Establishing a pool for financial firms to provide various financial services has been a typical practice of the city and other local governments that issue debt in the municipal-bond market. This practice provides staff with immediate access to specialty expertise, maintains continuity for City projects, and ensures competitive exposure and access to trustee offered services.

Economic Impacts: Not applicable.

Environmental Considerations: Not applicable. This report concerns action that does not constitute "approval" as defined by CEQA and the CEQA Guidelines because it does not commit the City to a definite course of action in regards to the project (14 Cal. Code Regs. § 15352).

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: Although the list will be utilized during the Pool Period, for each bond financing, the financial firm selected to serve as trustee will be subject to the terms of the indenture or trust agreement which typically runs 30 years. Staff recommends that the City Council approve a resolution enabling the City Treasurer, Interim City Treasurer or his designee to enter into an agreement with one or more of the pre-qualified pool of financial firms eligible to provide trustee services to the City as bond financing opportunities materialize.

Financial Considerations: There are no immediate financial impacts to the City. Any work performed under future agreements with the financial firms for trustee services will be negotiated at the time of each financing. Typically, there are two types of costs: one-time costs and on-going costs. One-time costs are generally paid exclusively with bond proceeds upon the sale of bonds in the form of costs of issuance and on-going costs are paid from the City Treasurer's operating budget, with reimbursement from funds of the department or agency responsible for the debt or, in the case of land-secured financings, from the special-tax redemption funds.

Local Business Enterprise (LBE): Not applicable.

RESOLUTION NO. 2016-_____

Adopted by the Sacramento City Council

December XX, 2016

**ESTABLISHING THE CITY'S POOL OF BOND TRUSTEE PROVIDERS FOR
FISCAL YEARS 2016/17 THROUGH 2020/21**

BACKGROUND:

- A. The City Treasurer's Office ("**CTO**") has several established pools of financial firms for bond financings, but a pool does not exist for trustee services. The CTO does not intend to replace existing trustees of each of its outstanding bond issues, but rather establish a pool of trustees eligible to provide the City with trustee services in all financial matters related to the issuance and maintenance of bonds and debt obligations. Additionally, the pool of bond trustee providers is not intended to be exclusive, as the City reserves the right to utilize a provider that is not part of the proposed pool as it sees fit.
- B. On August 26, 2016, the CTO distributed a Request for Qualifications ("**RFQ**") to financial firms capable of providing the needed trustee services and that meet or exceed the minimum level of financial resources required by the City.
- C. In response to the RFQ, six financial firms submitted statement of qualifications ("**SOQ**") to the City. After reviewing the SOQs, the Interim City Treasurer recommends that the pool consist of the following four firms: US Bank, MUFG Union Bank, Wilmington Trust, and Zions Bank.
- D. One-time costs related to closing a bond issuance are paid exclusively with bond proceeds upon the sale of bonds, whereas on-going costs related to the maintenance of issued bonds are paid from the CTO's operating budget, with reimbursement from funds of the respective City department or agency responsible for the debt or, in the case of land-secured financings, from the special-tax redemption funds.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

- Section 1. The Interim City Treasurer's recommendation to establish a pool of financial firms eligible to provide the City with trustee services during the fiscal years 2016/17 through 2020/21 is hereby approved, with the pool consisting of the following four firms: US Bank, MUFG Union Bank, Wilmington Trust, and Zions Bank.
- Section 2. The Council hereby authorizes the City Treasurer, Interim City Treasurer, or his designee, at his discretion and in his judgment, to select from the pool the firm or firms that will participate on the City's financing projects during fiscal years 2016/17 through 2020/21.

Exhibit A

Trustee Services Evaluation for Establishment of Trustee Pool

Friday, 10/31/2016

SCORING GUIDELINE:

1. Score - Assess each criteria with a score between 0-5, with 0 representing a missing response or not included and 5 representing an excellent response.
2. Weighing Factor - The relative of importance as identified on the RFQ.
3. Weighted Score - This is a formula; it is the given score multiplied by the weighing factor for each criterion.

Evaluation Criteria	Weighing Factor	Bank of New York Mellon		MUFG Union Bank		US Bank		Wells Fargo		Wilmington Trust		Zions Bank	
		Score	Weighted Score	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
FIRM QUALIFICATIONS & EXPERIENCE Things to consider: Years in business, experience of firm with similar debt, location, knowledge, firm-wide resources, City's experience with firm, and/or responsiveness of the report.	40%	5	2	5	2	5	2	5	2	5	2	5	2
ASSIGNED STAFF QUALIFICATIONS AND EXPERIENCE Things to consider: Professional and academic qualifications of the team and/or specific experience of project manager.	40%	5	2	5	2	5	2	5	2	5	2	5	2
AVAILABILITY TO ACCOMMODATE REQUIRED MEETINGS AND OTHER DELIVERABLES Things to consider: Responsiveness of assigned project manager and/or additional support resources	10%	2	0.2	5	0.5	5	0.5	5	0.5	5	0.5	5	0.5
TYPICAL FEE STRUCTURE Things to consider: Competitive rates and fees proposed and/or resources available for the rates and fees proposed.	10%	5	0.5	3	0.3	4	0.4	1	0.1	3	0.3	3	0.3
TOTAL SCORE		17	4.7	18	4.8	19	4.9	16	4.6	18	4.8	18	4.8

HIGHEST TO LOWEST WEIGHTED SCORES:

US Bank	4.9
Zions Bank	4.8
MUFG Union Bank	4.8
Wilmington Trust	4.8
Bank of New York Mellon	4.7
Wells Fargo	4.6