

REQUEST FOR PROPOSALS
Institutional Securities Custody Services



Release date: May 01, 2024

The City of Merced is seeking proposals from qualified firms to provide custodial services for the safekeeping, delivery, securities valuation, transaction reporting and other services in connection with the City's investment funds. The custodian practices and procedures must comply with state law and the City of Merced's written investment policy. The custodial firm will be expected to perform to the Prudent Expert standard.

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I. Schedule Of Events

The City will endeavor to adhere to the following schedule:

| Event | Date |
|-----------------------------------|---------------|
| RFP Release Date | May 01, 2024 |
| Proposals Due Date | May 17, 2024 |
| Interviews | May 28, 2024 |
| Anticipated Contract Award | July 01, 2024 |

II . Background

The City of Merced, (hereinafter referred to as the “City”) is located at the heart of California’s agricultural Central Valley and has a population of about 91,563. The City was incorporated in 1889 and became a charter City in 1949. City has a council-manager form of government. The mayor is elected by the citizens of Merced and serves for a four-year term. Council members serve for four years, with two or three seats up for election every two years. The city manager is the administrative official of the City and is appointed by the city council. The finance officer is also appointed by the city council and works under the direction of the city manager. Currently, Bank of Montreal (BMO) is providing custodial investment services to the City and Chandler Asset Management is the City’s investment advisor.

III. Purpose

The City is soliciting proposals from qualified investment custodial services firms to manage the City’s current investment portfolio of approximately \$375 million in operating and capital funds (non-pension funds).

The request for proposal does not obligate the City to award a contract, and the City reserves the right to cancel the solicitation if it is considered to be in its best interest.

IV. Scope

The selected security custody financial institution shall provide the following services for the City:

1. Meet the qualifications for custodian of portfolio securities for government entities.
2. Act upon proper, agreed upon method of instruction by designated City staff or their designated investment advisor to affect the receipt, transfer, and delivery of City assets.
3. Receive monies due to the City and deposit such monies on the same day in City accounts as directed by designated City staff or investment advisor.
4. Hold assets or other City property in nominee name, in bearer form, or in book-entry form.
5. Create, maintain, and retain all records relating to securities held in custody to meet the

requirements and obligations under generally accepted accounting principles.

6. Institution should provide e-mail notification to the City or have an option to run daily account activity. Describe the notification process as well as the cut-off time for receiving trade instructions.
7. Institution shall provide settlement instructions for brokers.
8. Provide a monthly custody statement to the City displaying at a minimum the following information: security description, par value, market value, accrued interest and original cost as of the end of the month, trade date, maturity date, and CUSIP number for each security, with subtotals for each security type. The reports should be distributed no later than three business days after the close of each month and should be available in both paper and online formats.
9. Provide online access to information related to securities transactions, balances, market values, etc. in a format that can be exported into Microsoft Excel.
10. Provide a monthly invoice for safekeeping services for the City within five (5) business days after the close of each month; the statement cutoff-date should be the last day of each month.
11. Provide a "sweep vehicle" which is eligible for money market fund (as directed by the City or the City's designated investment advisor).
12. Arrange for the transfer of City securities from the current custodian, BMO.
13. Receive and process the initial transfer (including wire transfer) at no cost or minimal cost to the City.

V. Proposal Response Format

The proposer is responsible for preparing an effective, clear, and concise proposal. In order to be considered for selection, proposer must submit a complete response to this solicitation that includes the following mandatory information in the following format. Responses must be in the same order as the questions presented, stating acceptance of, modifications or additions to, or a statement of the inability to provide said service(s). Failure to provide any of the information requested below may be cause for the proposal to be rejected.

1. Cover Letter

- a) A proposal cover letter introducing the proposer's firm and the individual who will be the primary contact person.

2. Firm's Background and Organization

- a) Describe the organization, founding date, and ownership of the firm. Has the firm experienced a material change in organizational structure, ownership or management during the past three years? If it has, please describe it.
- b) Describe any other business affiliations.
- c) Describe the firm's sources of revenue, categorized by retail and institutional

accounts.

- d) Describe any SEC, FINRA, or regulatory censure or litigation involving the firm or its employees within the past three years.

3. Experience

- a) Describe the firm's experience in providing custodial services and developing policies for public funds and governmental entities.
- b) What is your company policy or, how your company acts in case of failed trade/s.

4. Personnel

- a) Identify and provide background information on the key person or staff who take the most active role(s) in the administration and management of the firm.
- b) Has there been any turnover of professional staff in the firm in the last three years who were assigned to public sector clients? If it has been so, explain the reason for the turnover.

5. Reporting

- a) Describe the investment accounting and reporting system used by the firm.
- b) Describe the frequency and format of reports that the firm would provide to the City. Attach a sample.

8. Fees

- a) Provide the complete fee schedule that would apply to this account. Are fees charged in arrears?
- b) What additional expenses not covered through the fee structure will be expected in order to implement the firm's investment custodial services? Are fees charged when there is no activity in the account?

9. Additional Information

- a) Briefly describe any additional features, attributes, or conditions which the City should consider in selecting the proposer's firm. Describe any other services the firm can provide.
- b) Provide any contract language the firm requires to be included in a contract for

the services described in this RFP.

- c) Describe the firm’s business continuity plan, how often it is updated, and what assistance would be available to the City.
- d) Provide a list of three public entities for which you currently or formally provide custodian services. Include the firm name, individual name, email address, phone number, and physical address.

10. Binding Authority

- a) The signature of an authorized individual to bind the firm. The proposal must be a firm offer and good for a one hundred twenty (120) calendar-day period beginning on May 17, 2024.

VI. Submission Requirements

Follow these directions to ensure a firm’s proposal is accepted as responsive:

1. Submittal Instructions

Submit one (1) original and three (3) paper copies of the proposal.

Respondents to this solicitation must submit completed proposals in a sealed envelope, clearly marked as **“Proposal for Institutional Custody Services”** and the name of the firm.

No postmarks will be accepted. Response proposals must be received by **5:00 pm (PST) on May 17, 2024**, at the following address:

**CITY OF MERCED
678 W. 18th Street
Merced, CA 95340**

Proposals become part of the City of Merced’s official records and will not be returned to the proposers.

2. Inquiries

- a) All inquiries concerning this request for proposals should be addressed via **email only** to:

Kuljit Singh
Deputy Finance Officer
singhk@cityofmerced.org

VII. Selection Process

The following criteria will be used as the basis for evaluation of the proposals and the award recommendation:

- Proposal Responsiveness
 1. Meets basic requirements of the RFP.
 2. Relevance of the responses to the needs of the City.
 3. Scope of services offered.
 4. Degree of automation.
- Proposal Responsibility
 1. Professional experience and qualifications of the individuals assigned to the account.
 2. Experience of the bank in providing similar services to public and not-for-profit organizations.
 3. Financial strength, adequacy of financial controls, security and compliance with all applicable state and federal regulations for the services proposed.
 4. Implementation/transition plan.
- Proposal Cost-
 1. Overall fees (including both direct and indirect costs)

Contract award may not go to the firm submitting the lowest price proposal. The City will choose the proposal offering the best overall value based on the selection criteria described above.

VIII. General Information

The City reserves the right to reject any or all proposals and will not be liable for any costs incurred by responding firms relating to the preparation and submittal of proposals, making of initial presentation to the City, negotiating a contract for services, or any other expense incurred by the firm prior to the date of an executed contract. In addition, no bidder shall include any such expenses as part of the price proposed to conduct the scope of work for this project.

- Proposals must be valid for 120 calendar days beginning May 17, 2025.
- The City reserves the right to expand or diminish the scope of the work subject to negotiation with the firm awarded the contract.
- The City is not required to select the proposal that may indicate the lowest price or costs. The City expressly reserves the right to reject all proposals at its sole discretion

and opinion, without indicating any reason(s) for such rejection. If all proposals are rejected, the City may or may not request additional proposals. The City may withdraw this RFP at any time without advance notice.

- The firm awarded the contract shall adhere to all the indemnity provisions as found Attachment B
- The successful firm shall submit appropriate evidence of required insurance coverage, licenses, or permits prior to the completion of any contract for services described in Attachment B. By submitting a proposal, the firm consents to abide by the provisions therein.
- The successful firm shall not transfer the responsibility for any part of their contractual obligation without prior written approval of the City.
- The City reserves the right to terminate the agreement upon giving the firm awarded the contract a forty-five (45) day written notice of termination.
- In the event it becomes necessary to revise any part of this RFP, addenda will be posted in writing on the City's website and firms will be directed there to view and download them.

Thank you very much for taking your valuable time to respond to this solicitation.

IX. Attachments

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| Attachment A | City of Merced Investment Policy |
| Attachment B | Sample Design Professional Services Agreement |