



Board Agenda Item 35

DATE: August 5, 2025

TO: Board of Supervisors

SUBMITTED BY: Oscar J. Garcia, CPA, Auditor-Controller/Treasurer-Tax Collector

SUBJECT: Agreement with BMO Bank N.A. to Provide Custody Services for Public Funds

RECOMMENDED ACTION(S):

Approve and authorize the Chairman to execute an Agreement with BMO Bank N.A. to provide Custody services including the safekeeping of cash, publicly traded securities, including property held in book entry form which are acceptable to BMO Bank N.A., effective October 1, 2025, through September 30, 2030, which includes a three-year base contract and two optional one-year extensions, total compensation based on transaction volume.

Approval of the recommended action would authorize BMO Bank N.A. as agent to act as custodian of cash, securities, and other investments which may be deposited in the accounts established by this agreement for a three-year period and provide the option for two one-year extensions upon the written consent of both parties. This item is countywide.

ALTERNATIVE ACTION(S):

No viable alternative is available. Failure to approve the agreement would result in the County no longer having a depository for public funds to provide services including the custody and safekeeping of cash, publicly traded securities, and other property.

FISCAL IMPACT:

There is no increase in Net County Cost (NCC) associated with the recommended action. Sufficient appropriations for this agreement are included in the FY 2025-26 General Fund Org 0410 Auditor-Controller/Treasurer-Tax Collector Recommended Budget and will be included in future budget requests.

The total amount of fees paid under the recommended agreement will vary based on balances and transaction volumes. The approximate annual cost of the agreement is \$10,713, based on current transaction volume. The pricing for Safekeeping services will be absorbed by the County's Earnings Credit Rate (ECR) of 3.25%.

DISCUSSION:

The County issued Request For Proposal (RFP) #25-050 for Banking, Custody, and Lockbox Services on January 16, 2025. After addressing follow-up questions and releasing an addendum, the RFP closed on February 21, 2025. Five out of eight proposals were received for Custody services. A five-member evaluation committee, comprising County staff, which included senior management from the Treasurer-Tax

Collector Division of the ACTTC, IT analyst from ISD, and senior accountant from Human Resources independently reviewed, and scored each proposal. The committee then conducted several meetings to discuss the proposals and review their scoring results.

The responding vendors and associated dollar amount of respective bids are included below. These are approximate annual costs based on a portfolio market value of \$7.1 billion dollars.

- BMO Bank N.A.....\$10,713; based on current transaction volumes
- JPMorgan Chase Bank, N.A...\$106,500; does not include other transaction charges
- Northern Trust.....\$106,500; does not include other transaction charges
- UMB Bank.....\$167,000
- U.S. Bank.....\$202,500

JPMorgan Chase Bank, N.A. and Northern Trust both proposed a fee structure of 0.15 basis points of the total portfolio market value; in addition to other transaction charges. UMB Bank submitted a bid of 0.235211 basis points of the total portfolio market value, while U.S. Bank's bid was 0.2852113 basis points of the total portfolio market value. Notably, BMO Bank N.A.'s pricing structure differs, as it is based on transaction volume. This approach is projected to be more cost-effective than all other bids from the responding vendors as seen above.

Following this evaluation process, BMO Bank N.A. was selected as the winning vendor for the contract award.

The proposed agreement with BMO Bank N.A. will be effective October 1, 2025 through September 30, 2028, with an option to renew for two additional one-year periods. The Treasurer will monitor the performance of the vendor to ensure satisfactory performance prior to implementing the renewal options.

BMO Bank N.A.'s proposal demonstrated the ability to meet the needs and requirements of the requested services at a reasonable price compared to other proposals who offer the same services but at a much higher price. It is also worth noting that since BMO Bank N.A. provides our banking services, the Custody service fees will be processed through account analysis which means the County will not be paying hard dollars for these fees.

BMO Bank N.A.'s proposal showcased the following key capabilities within the Safekeeping platform:

- Trade Order Capture: Perform and monitor system and operational capabilities to capture client instructions for delivery of securities
- Clearing and Settlement: Perform and monitor system and operational controls relevant to clearing trades and monitoring the settlement of client entries in book-entry form via the Federal Reserve Banks (FRB), Depository Trust Company (DTC), or other depositories.
- Income Collection/Remittance: Perform and monitor system and operational controls relevant to the distribution of all dividend, principal, interest, and maturity payments associated with client securities held at BMO Bank N.A.
- Corporate Actions: Inform clients of all Mandatory and Voluntary cash or security events that affect their account holdings. Includes the processing of all events with the Depositories and to clients' accounts.

The proposed agreement differs from the County's standard service agreement terms, in that it requires mutual indemnification. The contract also limits the Bank's cumulative liability for all losses arising from or relating to the Treasury Services Master Agreement included as Attachment C to the proposed agreement, to direct losses attributable to the Bank's gross negligence or willful misconduct and limited to an amount not to exceed twelve (12) times the fees paid by the County during the month immediately preceding the month in which the loss or damage was incurred. Further, in order to avoid an arbitration provision, the proposed agreement requires the parties to consent to the exclusive jurisdiction of the courts of the State of

California sitting in Fresno County and the U.S. District Court for the Eastern District of California, and any appellate court from any thereof, and includes a waiver by both parties to a trial by a jury. The department believes these are reasonable deviations from the standard service agreements based on the scope of services and current transaction volumes.

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Agreement with BMO Bank N.A.

CAO ANALYST:

Paige Benavides