



**FINANCE AND BUDGET COMMITTEE  
JUNE 17, 2004**

**SUBJECT: CONTRACT NUMBER PS0452101506, CUSTODIAL BANK COMPLIANCE REPORTING AND PERFORMANCE MEASUREMENT SERVICES**

**ACTION: AWARD CONTRACT FOR CUSTODIAL BANK SERVICES**

**RECOMMENDATION**

Authorize the Chief Executive Officer to award a five-year indefinite quantity requirements – fixed fee contract, Contract No. PS0452101506 to Bank of New York Western Trust Company for custody, compliance reporting and performance measurement services in an amount not to exceed \$482,083 inclusive of two one year options, effective August 1, 2004.

**RATIONALE**

The MTA’s Investment Policy requires that securities purchased for the investment of surplus operating funds and collateral be maintained in the trust department or safekeeping department of an established bank. The Treasurer is also required to report compliance with the investment policy and the portfolio’s performance returns in a quarterly report to the CEO and Board. To comply with the mandated policy, the MTA requires custodial services, compliance reporting and performance measurement services.

**BACKGROUND**

The current contract was awarded through competitive bid in July 1999 to Bank of New York Western Trust Company. The five-year contract inclusive of two one year renewals expires July 31, 2004.

**FINANCIAL IMPACT**

The funding of \$93,083 for this service is included in the FY 2005 budget as follows:

<b>Cost Center</b>	<b>Project Number</b>	<b>Account Number</b>
5210 - Treasury	100002	50316 – Professional Services
5210 - Treasury	300076	50316 – Professional Services
5210 - Treasury	610340	50316 – Professional Services

Since this is a multi-year contract, the cost center manager and Executive Officer will be accountable for budgeting the cost in future years, including any option exercised.

In FY 2004, actual expenditures incurred for the 6 months ended December 31, 2003 was \$56,532. For the last full year FY 2003, actual expenditures was \$112,753.


### **ALTERNATIVES CONSIDERED**

MTA's Investment Policy mandates the use of an external trust department to safekeep operating fund securities or cash.

### **ATTACHMENT**


1. Attachment A

Prepared by: Marshall Liu, Project Manager  
Phyllis Walker, Contract Administrator



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Terry Matsumoto  
Executive Officer, Finance and Treasurer



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Roger Snoble  
Chief Executive Officer

**BOARD REPORT ATTACHMENT A  
PROCUREMENT SUMMARY**

**Custodial Bank Services**

1.	Contract Number: PS0452101506		
2.	Recommended Vendor: Bank of New York Western Trust Company		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$ 482,083	Recommended Price: \$ 482,083	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Indefinite Quantity Requirements – Custody, Safekeeping & Performance Fee		
5.	Procurement Dates:		
	A. Issued: February 4, 2004		
	B. Advertised: Los Angeles Times, February 9, 2004		
	C. Pre-proposal Conference: February 19, 2004		
	D. Proposals Due: March 19, 2004		
	E. Pre-Qualification Completed: March 18, 2004		
	F. Conflict of Interest Form Submitted to Ethics: May 18, 2004		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: No SBE Goal Recommended	Date Small Business Evaluation Completed: N/A	
	B. Small Business Commitment: 0% SBE Details are in Attachment A-2		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: 9	Bids/Proposals Picked up: 11	Bids/Proposals Received: 2
8.	Evaluation Information:		
	A. Bidders/Proposers Names: Bank of New York Western Trust Co. State Street	<u>Bid/Proposal Amount:</u> \$508,750 \$585,375	<u>Best and Final Offer Amount:</u> \$482,083 \$545,000
	B. Evaluation Methodology: Best Value Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date: June 15, 2004		
	B. Protest Receipt Date:		
	C. Disposition of Protest Date:		
10.	Contract Administrator: Phyllis Walker	Telephone Number: 213/922-1084	
11.	Project Manager: Marshall Liu	Telephone Number: 213/922-4285	

BOARD REPORT ATTACHMENT A-1  
PROCUREMENT HISTORY

Custodial Bank Services

A. Background on Contractor

The Bank of New York, servicing the Metro account from their office in Los Angeles, was founded in 1784 and corporate offices are located on Wall Street in New York City. Trust and Custody services were offered in the 1920s and Master Trust/Master Custody services evolved in 1975. Global acquisitions over the past three years have strengthened the Institutional Trust/Custody services.

The Bank of New York has been providing satisfactory services to Metro for the past five years. The existing Contract, PS-5210-0356, with a term of five years will expire July 31, 2004. Several government agencies such as the Los Angeles County Treasurer, Orange County Treasurer, and Kern County have contracts for like services with the recommended Contractor.

B. Procurement Background

A Request for Proposal (RFP) was issued on a Best Value basis. Two proposals were received in response to the RFP.

The Diversity & Economic Opportunity Department did not recommend a Small Business Enterprise (SBE) participation goal.

C. Evaluation of Proposals

Evaluation of the two proposals received was based on the stated evaluation criteria. Both firms were subsequently invited to participate in interviews, clarifications, and a demonstration of their on-line capabilities.

The source selection committee ranked Bank of New York Western Trust Company's proposal highest technically; the best and final offer price was lowest overall and the firm is recommended as offering the best value to Metro.

Past Performance for both firms is satisfactory.

D. Cost/Price Analysis Explanation of Variances

The recommended price has been determined to be fair and reasonable based upon adequate competition and the data presented below. A comparison of the prices proposed, the existing contract actual expenditures beginning December 31, 1999 and extrapolated through July 31, 2004, and the independent cost estimate show the recommended price is 12% lower than State Street's prices, 18% lower than the existing

contract amount and 22% lower than the independent cost estimate for the five year period.

BOARD REPORT ATTACHMENT A-2  
LIST OF SUBCONTRACTORS

Custodial Bank Services

PRIME CONTRACTOR – List the recommended contractor or joint venture team members, if multiple recommended contractors, list each separately with respective subcontractors.

Small Business Commitment

Other Subcontractors

None

None

Total Commitment      0% SBE