

TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
Rebecca Trevino, Chief Financial Officer

FROM: LeeRoy Lopez, Accounting Director

DATE: August 13, 2019

SUBJECT: Contract with Wells Fargo Brokerage Services, LLC (Wells Fargo) to provide financial custodian services

ACTION REQUESTED

Consider authorizing the Executive Administrator to execute a contract with Wells Fargo Brokerage Services, LLC (Wells Fargo) for the purpose of registering and safekeeping political subdivision obligations (PSOs) and to establish a budget for this purpose in an amount not to exceed \$300,000.

BACKGROUND

The Texas Water Development Board (TWDB) registers PSOs issued by entities participating in its financing programs with the Depository Trust and Clearing Corporation (DTCC) and uses its clearing services for processing principal and interest payments of its PSOs. Utilization of DTCC's clearing services improves agency efficiency by eliminating manual processing and facilitating financial reporting. Because TWDB is not formally classified as a banking institution, it requires accessing the DTCC system via a contractual relationship with a custodial bank.

Wells Fargo has been providing financial custodian services for the TWDB and has met the agency's operational needs along with providing excellent vendor performance during its contractual period ending August 31, 2019.

The proposed contract is the result of a procurement via a Request for Proposals (RFP) for Financial Custodial Services conducted this summer. Wells Fargo is the recommended vendor for this service.

KEY ISSUES

Based on the number of securities currently held as well as projected FY20 growth, it is estimated that costs will not exceed \$300,000. Costs associated with Development Fund, Economically Distressed Areas Program, or Water Infrastructure Fund programs will be paid with general revenue while costs associated with the Clean Water and Drinking Water State Revolving Funds will be paid with 4% administrative funds for those programs, respectively.

RECOMMENDATION

The Executive Administrator recommends the Board delegate the authority to execute the contract award and establish the FY20 budget in an amount of \$300,000 for the purpose of registering and settling TWDB's PSOs.