

Mayor and Council Communication

DATE: 03/29/22

M&C FILE NUMBER: M&C 22-0212

LOG NAME: 13TRUST SERVICES PERMANENT FUND

SUBJECT

(ALL) Authorize Agreement with Wells Fargo Bank, National Association in an Amount Not to Exceed \$245,000.00 Per Year for Trust Management Services for the Fort Worth Permanent Fund with a Five-Year Initial Term and Two, Two-Year Renewal Options, with Agreement to be Managed by Financial Management Services Department

RECOMMENDATION:

It is recommended that the City Council authorize execution of an agreement with Wells Fargo Bank, National Association in an amount not to exceed \$245,000.00 per year to provide trust management services for the Fort Worth Permanent Fund with an initial five-year contract term and two optional two-year renewals and with the agreement to be managed by the Financial Management Services Department.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to authorize a trust management services agreement with Wells Fargo, N. A. to provide trust and investment services for the Permanent Fund. The money in the Permanent Fund was generated from royalties and other revenues from the City of Fort Worth's gas and oil mineral assets.

The Financial Management Policy Statements call for a portion of the City's gas-related revenues to be invested in a trust. Wells Fargo Bank, N.A. has served as the trustee since 2013 (M&C P-11467), and the final renewal under that contract will expire April 13, 2022.

Staff issued a new Request for Qualifications (RFQ) for management and investment of the trust on December 29, 2021. A public notice was published in the *Fort Worth Star-Telegram* on December 29, 2021 and a notice was published on the Municipal Advisory Council of Texas website on December 29, 2021. Four proposals were received: 1) Bank of Texas, 2) Pentegra Investors Inc., 3) Regions Bank, and 4) Wells Fargo, N.A. (Current Provider).

The proposals were reviewed by an evaluation panel which consisted of the six members of the Investment Committee, which consists of key staff from Financial Management Services, Legal and Water Departments. The proposals were evaluated based on the following criteria:

- Proposer's Qualifications/Experience (50%);
- Understanding the needs of the City (25%);
- Reasonableness of Costs (15%); and
- Soundness of Approach (10%).

Wells Fargo, N.A., was determined to be the best evaluated firm for trust management services.

Wells Fargo N.A., fees for the trust services will be based on the size of the assets in the trust, with fees currently estimated to be approximately \$216,000.00 for the first year based on a \$87.3 million trust balance. As the size of the trust increases, the total amount of fees will also increase. Over the five years of the contract, the total trust fees are estimated to be \$1,128,199.00 based on a projected annual growth rate of 7.65%.

All fees associated with this service will be funded through gas revenues per the Financial Management Policy Statements.

AGREEMENT TERM - Upon City Council's approval, the Agreement will be executed for a five-year term.

RENEWAL OPTIONS - This Agreement may be renewed for up to two, two-year options at the City's sole discretion.

Funding is budgeted in the PARD Endowment Gas Lease, General Endowment Gas Lease, Aviation Endowment Gas Lease and Water/Sewer Endowment Gas Lease Funds for the purpose of funding the Bank Fees project, as appropriated.

NOTE - From the inception of the Gas Lease Program in 2004, the City engaged third-party providers to furnish banking and other expertise in the management of the City's mineral assets. When Wells Fargo was awarded the trust-management contract in 2013, it was also engaged to manage the mineral leases and provide related banking services. The Property Management Department will begin providing the mineral-lease management services in house, utilizing accounts at the City's regular depository bank for associated banking needs.

A Form 1295 is not required because: This contract will be with a publicly-traded business entity or a wholly-owned subsidiary of a publicly-traded business entity: Wells Fargo Bank

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that funds are available in the current capital budget, as previously appropriated, in the PARD Endowment Gas

Lease, General Endowment Gas Lease, Aviation Endowment Gas Lease and Water/Sewer Endowmt Gas Lse Funds for the Bank Fees project to support the approval of the above recommendation and execution of the agreement. Prior to any expenditure being incurred, the Financial Management Services Department has the responsibility to validate the availability of funds

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Expedited