



CITY OF HOUSTON

Administration & Regulatory Affairs Department
Strategic Purchasing Division

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April 26, 2010

SUBJECT: Letter of Clarification No.1
Securities Safekeeping Services for Controllers Office

REFERENCE: Invitation to Bid or RFP No.: S46-T23610

TO: All Prospective Respondents

This Letter of Clarification is issued for the following reasons:

• **The following questions and City of Houston responses are hereby incorporated and made a part of the RFP:**

1. How many receipts and disbursements are processed monthly (and what constitutes a "receipt" - the posting of income, or an actual receipt of funds)?

Answer: "Receipt" means receipt of funds. Because of cash flows throughout the year, monthly activity varies. Over calendar 2009, other than commercial paper and mortgages, the City purchased 145 securities, and 187 securities matured. The City received 312 interest payments. The City owns about 100 mortgage securities at this time and receives principal and interest payments for each once a month from Fannie, Freddie or Ginny. We now use a state money pool outside of safekeeping for liquidity, but two years ago the City relied on daily commercial paper rolls for liquidity. If markets change, we may choose to do this again.

2. Will on-line access to transaction history suffice as providing receipt / disbursement notification?

Answer: The City prefers daily electronic notification, but on-line access will meet the minimum requirement.

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Council Members: Brenda Stardig Jarvis Johnson Anne Clutterbuck Wanda Adams Mike Sullivan Al Hoang Oliver Pennington Edward Gonzalez
James G. Rodriguez Stephen C. Costello Sue Lovell Melissa Noriega C.O. "Brad" Bradford Jolanda "Jo" Jones **Controller: Ronald C Green**

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3. Will on-line access to pending trade report suffice as providing pending trade notification?

Answer: The City prefers daily electronic notification, but on-line access will meet the minimum requirement.

4. On page 11 of the RFP, section 1.0 discusses MWBE participation. The section does not say we must sign these forms. Is it necessary we fill out the MWBE forms for the purposes of this RFP?

Answer: The City MWBE requirement has been waived to 0% participation.

5. On page 11 of the RFP, section 2.0 discusses the Pay or Play Program. Though the section says we must sign these forms, is it necessary for us, as we are not a Houston-based organization?

Answer: Yes.

6. On page 11 of the RFP, section 4.1 discusses the City of Houston Fair Campaign Ordinance. The section does not say we must sign these forms. Is it necessary we fill out the Fair Campaign Ordinance form for the purposes of this RFP?

Answer: Yes.

7. On page 11 of the RFP, section 5.0 discusses Drug Policy. The section says that the forms must be completed prior to award. Therefore, is it necessary for us to fill out these forms at this stage of the RFP process?

Answer: Yes.

8. As with other vendors, we are concerned about inclusion of subcontractor when successful delivery of safekeeping services depends on a coordinated and integrated systems solution. We could not easily include another's system if required. A second concern is the indemnification language. We as other vendors are not in a position to indemnify the City for services we provide, much less for errors on the City's part.

Answer: The City MWBE requirement has been waived to 0% participation. The indemnification language as stated in this RFP is required for all City of Houston contracts.

9. Do they require us to be a QPD?

Answer: Assuming this means Qualified Public Depository, No.

10. Would the City be willing to share the amount of the last three (3) years of fees for its safekeeping services?

Answer: The City has paid \$42,400 and \$43,700 the past two years.

11. Our organization does not intend to use any subcontractors for work associated with providing custody services to the City. However, outside vendors do provide our company with services and products that are needed to support our business. These include services such as, statement printing, computer systems software and support, office supplies, courier services, etc. These vendors support our overall organization, not just services provided to one client. Would the City consider these types of vendors as "subcontractors" in relation to the MWBE requirements of this contract?

Answer: The City MWBE requirement has been waived to 0% participation.

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12. If the information requested in Section 3.4 of the RFP is available via a secure website for retrieval by the City, would this be considered acceptable for compliance with this section?

Answer: The City prefers daily electronic notification, but on-line access will meet our minimum requirement.

13. Our organization is a publicly traded company. Will copies of our last two annual reports and 10k be sufficient for the requirements listed in Section 7.1 Financial Statements, of the RFP?

Answer: Yes.

14. Is the RFP, including Exhibits, available in an electronic format such that answers to the Exhibits may be typed in?

Answer: No.

15. Can securities lending for a portion of the portfolio be considered as part of the services for this rfp?

Answer: No.

16. The contract does not appear to list detailed services expected from a master trust provider or a safekeeping group. Is this the right contract?

Answer: The details of required services are indicated in the Scope of Work in the RFP.

17. Are city representatives placing trades directly with brokers for the portfolios? My assumption in the fee quote is that they will be initiating trades with brokers and we will ensure settlement.

Answer: Yes, the City places the trades. The safekeeper ensures settlement.

18. Are city representatives placing trades directly with brokers for the portfolios? My assumption in the fee quote is that they will be initiating trades with brokers and we will ensure settlement. Are there any external investment managers?

Answer: No.

When issued, Letter(s) of Clarification shall automatically become a part of the solicitation documents and shall supersede any previous specification(s) and/or provision(s) in conflict with the Letter(s) of Clarification. It is the responsibility of the respondent to ensure that it has obtained all such letter(s). By submitting a bid on this project, respondents shall be deemed to have received all Letter(s) of Clarification and to have incorporated them into this bid.

If you have any questions or if further clarification is needed regarding this solicitation, please contact me.

Sincerely,



Eric Alexander
Sr. Procurement Specialist
City of Houston, Strategic Purchasing Division
832-393-8704

DM

cc. Sue Bailey
File

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END OF LETTER OF CLARIFICATION NO. 1

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