



City of Oceanside

300 North Coast Highway,
Oceanside, California 92054

Staff Report

File #: 25-1146

Agenda Date: 1/14/2026

Agenda #: 11.

DATE: January 14, 2025

TO: Honorable Mayor and City Councilmembers

FROM: Financial Services Department

TITLE: APPROVE THE EXECUTION AND DELIVERY OF AGREEMENT OF REMOVAL, APPOINTMENT AND ACCEPTANCE FOR THE PURPOSE OF TRANSFERRING BOND TRUSTEE POWERS FROM THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. TO U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION; AND APPROVE CUSTODY AGREEMENT WITH U.S. BANK, NATIONAL ASSOCIATION FOR ASSET CUSTODY SERVICES.

RECOMMENDATION

Staff recommends that the City Council and the Oceanside Public Financing Authority approve the form of Agreement of Removal, Appointment and Acceptance in order to remove The Bank of New York Mellon Trust Company, N.A. ("BNY") as trustee for various bonds (described below), under and pursuant to certain governing documents, and appoint U.S. Bank Trust Company, National Association ("U.S. Bank") as successor trustee; approve the Custody Agreement with U.S. Bank for asset custody services for the City's investment portfolio; and authorize the City Manager or Financial Services Director to execute the agreements with such changes as recommended by the City Attorney and Special Counsel.

BACKGROUND AND ANALYSIS

BNY currently serves as the trustee for certain bonds (the "Bonds") issued by Community Facilities District No. 2000-1 of the City of Oceanside (Ocean Ranch Corporate Centre) ("CFD No. 2000-1"), Community Facilities District No. 2006-1 of the City of Oceanside (Pacific Coast Business Park) ("CFD No. 2006-1"), the Oceanside Public Financing Authority (the "Financing Authority"), and the City. U.S. Bank also currently serves as the trustee for several other bond transactions for the City. The City has experienced ongoing challenges with BNY, particularly related to reporting and service levels. A key issue is BNY's inability to provide monthly statements in Excel or CSV format, which is essential for efficient month-end reconciliations. City staff desires to remove BNY as the trustee for the Bonds and appoint a successor trustee. As part of evaluating a successor trustee for the Bonds, the City obtained three quotes from qualified trustee service providers. U.S. Bank provided the lowest quote, and after careful consideration, the City now desires to remove BNY as the trustee for the Bonds and appoint U.S. Bank as successor trustee in order to consolidate all trustee services with a single provider.

As part of the process of transitioning the various accounts and agreements related to the Bonds from BNY to U.S. Bank, an Agreement of Removal, Appointment and Acceptance will need to be

entered into by and among CFD No. 2000-1, CFD No. 2006-1, the Financing Authority, BNY, U.S. Bank and the City. The Agreement has been reviewed by counsel for BNY and counsel for U.S. Bank, as well as by the City Attorney and Stradling Yocca Carlson & Rauth ("Special Counsel"). The City Council is now being asked to approve the Agreement.

In addition to the review of trustee services, the City also evaluated custodial services for the City's investment portfolio. The City's investments are currently held in a custody account with BNY, which provides safekeeping, settlement of trades, receipt and delivery of securities and funds, and reporting functions. As part of the City's due diligence and best practices, staff obtained three quotes from qualified custody service providers to determine the most cost-effective and efficient option moving forward. U.S. Bank provided the lowest quote for custodial services and demonstrated strong capabilities, including enhanced online reporting tools and a dedicated municipal services team. For these reasons, staff recommends transitioning custodial services from BNY to U.S. Bank.

FISCAL IMPACT

Trustee Services for Bonds:

The costs for U.S. Bank's services as successor trustee are comparable to the fees currently paid to BNY and are already included in the City's budget. U.S. Bank's annual administration fee is \$2,000 per bond issue, resulting in a total annual cost of \$14,000 for the seven outstanding issues.

Custody services for Investment Portfolio:

U.S. Bank's annual custodial fee is 0.75 basis points (0.0075%) of total assets under custody. For an investment portfolio valued at approximately \$550 million, the estimated annual administration fee would be \$41,250.

Custody services fees will be charged to the Allocation of Interest business unit 200010102.5405, which has an available balance of \$100,000. As is the case with banking and transaction fees, these costs will be netted with the interest earnings which are then allocated out to the various funds.

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

Prepared by: Silvia Twardy, Supervising Accountant

Reviewed by: Jill Moya, Financial Services Director
Submitted by: Jonathan Borrego, City Manager

ATTACHMENTS:

1. Staff Report
2. Agreement of Removal Appointment and Acceptance
3. US Bank Custody Agreement