



# Santa Clara Valley Water District

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**File No.:** 17-0731

**Agenda Date:** 12/12/2017

**Item No.:** 3.1.

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## **BOARD AGENDA MEMORANDUM**

### **SUBJECT:**

Renew the Wells Fargo Bank Sanctions Through September 27, 2018.

### **RECOMMENDATION:**

- A. Receive updates on the State Treasurer's Office sanctions against Wells Fargo Bank; and
- B. Approve the extension of District sanctions against Wells Fargo Bank through September 27, 2018, and provide direction to staff as necessary.

### **SUMMARY:**

At its December 13, 2016 meeting, the Board directed staff to provide recommendations on sanctions of financial institutions for future consideration. Staff conferred with bond counsel, municipal advisor, and District Counsel, and analyzed the potential legal implications of any such sanctions. Based on this analysis, at its March 14, 2017 board meeting, the Board approved the suspension of Wells Fargo Bank from the District's Negotiated Sale Underwriter Pool through September 27, 2017. The suspension period coincided with sanctions imposed on Wells Fargo Bank by the State Treasurer's Office (STO) at that time. Additionally, staff is actively monitoring all participants of the District's Negotiated Sale Underwriter Pool to determine if any of the participants have received sanctions from the STO; to-date, no other banks have received STO sanctions. This procedure is documented in the District's Debt Management Policy (Attachment 1 - Debt Management Policy Section I.B.4.v. Method of Sale (page 7)).

On October 16, 2017, the STO announced a renewal of California's financial sanctions against Wells Fargo Bank, effective September 28, 2017, for at least one additional year due to an alleged lack of transparency, defrauding consumers, and a failure to respond to previous demands for greater accountability. The full letter sent by the STO to Wells Fargo is included in Attachment 2 and details of the sanctions are included in Attachment 3.

### **District Board Action**

Based upon the circumstances set forth in the STO's letter, staff recommends that the District continue to follow the STO's sanctions against Wells Fargo Bank through September 27, 2018, and suspend the bank from the following District businesses:

1. The District shall not purchase any Wells Fargo Bank securities for its investment portfolio;
2. The District shall not use Wells Fargo Bank broker-dealer services for conducting trades for the investment portfolio; and
3. The District shall not use Wells Fargo Bank as the leading underwriter on negotiated sales of District bonds.

**FINANCIAL IMPACT:**

There is no financial impact associated with this item.

**CEQA:**

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

**ATTACHMENTS:**

Attachment 1: Debt Policy

Attachment 2: State Treasurer Letter

Attachment 3: Treasurer Sanctions Fact Sheet

**UNCLASSIFIED MANAGER:**

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