




September 28, 2021

Ms. Melissa Moore
Finance Director
City of Pflugerville
100 E Main St., Suite 100
Pflugerville, Texas 78660

Dear Ms. Moore:

We appreciate the opportunity to assist the City of Pflugerville (the “City”) with this Primary Depository Bank Services Request for Applications (the “RFA”) project. With Valley View Consulting recently being awarded the contract to serve as the City’s Investment Adviser, this RFA project is provided at no additional cost to the City as part of the service we provide. 

With the City receiving notification from the current depository, First Texas Bank that they were no longer willing to act as the City’s bank, the objective of this engagement was to select a primary depository bank. This selection, upon approval, will commence on December 31, 2021, and terminate on December 31, 2023, with 3 additional one-year extension options.

Procedure

The Primary Depository Bank Services RFA project began with the establishment of a calendar of events to ensure that the required project steps were performed in a timely and sequential manner.

The process for selecting a Primary Depository Bank is governed by the State of Texas Local Government Codes: Chapter 105 Municipal Depository Act; Chapter 176 Conflict of Interest Act; Chapter 2256 Public Funds Investment Act; and Chapter 2257 Public Funds Collateral Act.

In addition to complying with these State statutory requirements, it was necessary to understand and comply with the City’s financial and purchasing policies and Investment Policy.

The RFA project included the following steps:

1. Analyzed historical bank service usage and balance records.
2. Reviewed the necessary banking services and potential additional services.
3. In order to create a more competitive process and to provide more banking options to the City, the Council approved a resolution to include a list of eligible financial institutions within the City’s municipal boundaries as well as the Zip Codes of 78660, 78664, 78728, 78758 and 78653. Based on these expanded boundaries, the following twenty institutions were invited to submit an application in response to the RFA:

- a. American Bank of Commerce

2428 Carters Mill Road, Huddleston, VA 24104-4003
540.297.3419

- b. BancorpSouth Bank
 - c. Bank of America, N.A.
 - d. BBVA USA
 - e. Citizens National Bank
 - f. Comerica Bank
 - g. First National Bank Texas
 - h. First Texas Bank
 - i. Frontier Bank of Texas
 - j. Independent Financial
 - k. International Bank of Commerce
 - l. JPMorgan Chase Bank, N.A.
 - m. Lone Star Capital Bank, N.A.
 - n. PlainsCapital Bank
 - o. Regions Bank
 - p. Southside Bank
 - q. Spirit of Texas Bank
 - r. VeraBank, N.A.
 - s. Wells Fargo Bank, N.A.
 - t. Woodforest National Bank
4. Contacted the eligible financial institutions to confirm distribution information, describe process, and identify the designated recipient.
 5. Drafted the RFA for the City review and approval.
 6. Posted the notice and advertised as required.
 7. Distributed RFAs to the identified and receptive financial institutions.
 8. Held a non-mandatory virtual pre-application conference that was attended by representatives of:
 - a. Independent Financial
 - b. JPMorgan Chase Bank, N.A.
 - c. Lone Star Capital Bank, N.A.
 - d. PlainsCapital Bank
 - e. Southside Bank
 - f. Wells Fargo Bank, N.A.
 9. No additional RFA requests were received as a result of the advertisement.
 10. By the closing deadline, applications were received from:
 - a. Independent Financial
 - b. JP Morgan Chase Bank, N.A.
 - c. PlainsCapital Bank
 - d. Southside Bank
 - e. Wells Fargo Bank, N.A.

This process provided a competitive environment with five (5) banks submitting applications. The objective was to identify the application that provided the most advantageous terms to the City.

Applications Analysis

The analysis began with an overall review of each bank’s general financial strength and ability to provide the bank services necessary to meet the City’s current and future service needs.

Fees

The bank’s fee schedules were analyzed based on the City’s banking service needs and estimated activity levels. Each bank offered a variety of conversion/retention credits and incentives (including waived fees, supplies and check scanners). Where quantifiable and appropriate, the estimated service fees were adjusted for any incentives.

Earnings Credit and Interest Rates

Each bank’s earnings credit was calculated as “soft-dollar” earnings credit to be netted against the estimated service fees. The City would like to maintain depository balances of around \$10 million. This analysis was performed with the City balances set at the City’s preferred balance level of \$10 million.

With depository balances to \$10 million, the City can offset all bank fees and earn interest income with four of the five banks that responded. The analysis reflects the competitive environment that the RFA created with the City receiving very attractive offers from the banks. The following Table summarize the key financial elements of the analysis based on the City’s preferred balance level of \$10 million:

Summary Financial Comparison					
Based on \$10M in balances	Independent Financial	JPMorgan Chase Bank, N.A	PlainsCapital Bank	Southside Bank	Wells Fargo Bank, N.A
Projected Bank Balance	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Proposed Fees - Banking Services					
Monthly Fee Estimate	(1,931)	(2,761)	(1,981)	(2,415)	(2,792)
Fees for Two Year Term	(46,352)	(66,269)	(47,551)	(57,965)	(67,018)
Fees for Five Year Term	(115,879)	(165,672)	(118,877)	(144,912)	(167,546)
Earnings Credit					
Earnings Credit Rate	N/A	0.23%	0.25%	0.40%	0.40%
Target DDA Compensating Balance	0	10,000,000	9,510,180	8,050,660	8,377,308
Net Fees for Two Year Term	(46,352)	(43,269)	0	0	0
Net Fees for Five Year Term	(115,879)	(73,672)	0	0	0
Interest Income Estimate					
Interest Rate	0.25%	0.18%	0.10%	0.20%	0.16%
Investment Balance	10,000,000	10,000,000	489,820	1,949,340	1,622,692
Two Year Investment Income	60,000	18,000	980	7,797	5,193
Five Year Investment Income	135,000	18,000	2,449	19,493	12,982
Two Year Income/(Cost)	13,648	(25,269)	980	7,797	5,193
Five Year Income/(Cost)	19,121	(55,672)	2,449	19,493	12,982
Contract Incentives					
Estimated Waived Fees	0	21,000	0	0	
Transition/Retention Allowance	1,000	800	0	0	5,000
Scanners	0	1,500	0	500	1,000
Two Year Income/(Cost) with Contract Incentives	14,648	(1,969)	980	8,297	11,193
Five Year Income/(Cost) with Contract Incentives	20,121	(32,372)	2,449	19,993	18,982

Conclusion

The City's banking relationship is a critical component of the City's operations and switching banks is a major decision. The staff met separately with Independent Financial, JPMorgan Chase Bank, N.A., and Wells Fargo Bank, N.A. to have each financial institution demonstrate their online platforms and to discuss specific aspects of their suggested transition approach. As further due diligence, the City Staff, contacted the references provided by each bank to obtain feedback from current customers of each institution.

Based on the financial attractiveness of the application, the informative demonstration, the transition discussions, and the positive comments of the references, the City Staff believes that, overall, the most advantageous application for the City was offered by Wells Fargo Bank, N.A. The staff noted the following highlights as factors in their decision:

- Bank fees/interest earnings analysis: total earning exceeds projected bank fees
- Dedicated and engaged bank staff
- Online portal training
- Ability to accept e-payments for Utility Billing
- Onsite process mapping & improvements at no additional charge
- Bank location w/I 10-15 minutes from office
- Strong commitment to community service
- Support of daily processes
- Provide industry leading security & fraud protection
- Remote deposit
- Strong references reflecting excellent customer service

As the City's consultants we concur with the City Staff's recommendation that the City Council award the Primary Depository Bank Services contract to Wells Fargo Bank, N.A., subject to execution of all related documentation.

Please contact E.K. Hufstedler, Tom Ross, or me to discuss any questions or additional information needs. Thank you for this opportunity to serve the City of Pflugerville.

Sincerely,



Tim Pinon
Valley View Consulting, L.L.C.