



November 26, 2018

Ms. Donna Todd
Director of Finance
City of Deer Park
710 East San Augustine
Deer Park, Texas 77536

Dear Ms. Todd:

As part of the services provided under the current Investment Advisory Agreement, we sincerely appreciated and welcomed the opportunity to assist the City of Deer Park (the “City”) with this Primary Depository Bank Services Request for Applications (the “RFA”) project.

The objective of this engagement was to select a primary depository bank following the expiration of the current contract which ends January 31, 2019. This agreement, when approved, will commence on February 1, 2019 and terminate on January 31, 2022. Upon the option of the City, the contract may be extended for two (2) additional 12-month periods under the same terms and conditions.

Procedure

The 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 was conducted as follows:

1. Analyzed historical bank service usage and balance records.
2. Reviewed the minimum banking services and potential additional services.
3. Developed a list of eligible financial institutions within 6.5 miles of City Hall with an expanded solicitation area as approved by the Deer Park City Council:
 - a. Amegy Bank a division of ZB, N.A.
 - b. Bank of America, N.A.
 - c. Branch Banking and Trust Company (BB&T)
 - d. Capital Bank

- e. Capital One Bank
 - f. Comerica Bank
 - g. Community Bank of Texas
 - h. First National Bank of Texas
 - i. Frost Bank
 - j. Iberiabank
 - k. Independent Bank
 - l. IBC Bank
 - m. JPMorgan Chase Bank, N.A.
 - n. Post Oak Bank
 - o. Regions Bank
 - p. Texas Citizens Bank, N.A.
 - q. Texas First Bank
 - r. The Moody National Bank
 - s. Trustmark National Bank
 - t. Wells Fargo Bank, N.A. (incumbent)
 - u. Woodforest National Bank
- 4. Contacted the financial institutions to confirm distribution information, describe the process, and identify the designated recipient.
 - 5. Drafted the RFA for City review and approval.
 - 6. Posted the notice and advertised the RFA.
 - 7. Distributed RFAs to the identified and receptive financial institutions.
 - 8. Held a non-mandatory pre-application conference that was attended by representatives of:
 - a. Texas First Bank
 - b. Wells Fargo Bank, N.A.
 - 9. By the closing deadline, applications were received from:
 - a. BB&T
 - b. Capital One Bank
 - c. JPMorgan Chase Bank, N.A.
 - d. The Moody National Bank
 - e. Wells Fargo Bank, N.A.
 - 10. No additional RFA responses were received as a result of the advertisement.

The evaluation of the applications was based on, but not limited to, the following criteria, in no particular order of priority:

- 1. Ability to perform and provide the required and requested services;
- 2. References provided;
- 3. Quality of services;
- 4. Cost of services;
- 5. Transition cost, retention and transition offers and incentives;
- 6. Funds availability;

7. Interest paid on interest bearing accounts and deposits;
8. Earnings credit calculation on compensating balances;
9. Completeness of application and agreement to points outlined in the RFA;
10. Convenience of location(s);
11. Previous service relationship with the City; and
12. Financial strength and stability of the institution.

Application Analysis

As seen in the attachment, the Application Analysis began with an overall review of each financial institution's general financial strength and ability to provide the services necessary to meet the City's current and future service needs. Each of the responding financial institutions exhibited acceptable financial strength and the ability to provide services the City requested.

For added convenience, all of the banks with the exception of JPMorgan Chase Bank, N.A. were willing to offer the City safekeeping services for the City's future anticipated investment activity. This service can be contracted through a provider other than the primary depository, however there may be transactional costs avoided by having the same institution provide both services.

The attached analysis of proposed fees, earnings credit, and investment income potential is summarized below.

Net Income/(Cost)

Each financial institution's fee schedule was analyzed based on the City's banking service needs and estimated activity levels. Where quantifiable and appropriate, the estimated service fees were adjusted for any incentives (including waived fees and transition allowances).

Each of the financial institutions proposed monthly fee assessments for services utilized, an earnings credit rate or an interest bearing checking option to offset monthly fee charges, and investment income options for any excess balances available. Historical average annual deposit balances of \$19,600,000 have been maintained by the City.

With the rising interest rate environment, the City will benefit by minimizing average operating deposit balances and invest excess funds in higher paying options.

The analysis below is for both the three (3) year initial contract term, and the full five (5) year term allowing for the two (2) possible one-year extensions at the option of the City.

Three-Year Term	BB&T	Capital One	JPMorgan Chase	Moody Bank	Wells Fargo
Proposed Fees (net of incentives)	(\$168,335)	(\$75,347)	(\$66,686)	(\$128,014)	(\$83,301)
Earnings Credit and Hard Interest	\$911,400	\$882,000	\$968,116	\$1,090,659	\$1,037,388
Estimated Safekeeping Fees	(\$17,220)	(\$1,800)	(\$3,150)	(\$2,412)	(\$2,088)
Net Income / (Cost)	\$725,845	\$804,853	\$898,280	\$960,233	\$951,999

Five-Year Term	BB&T	Capital One	JPMorgan Chase	Moody Bank	Wells Fargo
Proposed Fees (net of incentives)	(\$280,156)	(\$130,145)	(\$121,810)	(\$213,357)	(\$138,836)
Earnings Credit and Hard Interest	\$1,519,000	\$1,470,000	\$1,613,527	\$1,817,766	\$1,728,981
Estimated Safekeeping Fees	(\$28,700)	(\$3,000)	(\$5,250)	(\$4,020)	(\$3,480)
Net Income / (Cost)	\$1,210,144	\$1,336,855	\$1,486,467	\$1,600,389	\$1,586,665

Recommendation

After the analysis of all responses and review of the competitive offerings from each bank, the City invited JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A. to submit a Best and Final Offer (BAFO) for the City's review. The Moody National Bank offered a competitive application yet did not have the sufficient experience with comparable Public Funds clients as required by the City. JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A. were also invited by the City to demonstrate their services and discuss the manner in which each bank could serve the City. JPMorgan Chase Bank, N.A. offered competitive rates and service capabilities necessary to meet all of the City's needs, however the overall terms of the contract were not sufficient to merit the overall expense to the City to change depositories.

Based on the analysis results and discussion with staff, it was determined that the (BAFO) terms offered by Wells Fargo Bank, N.A. provide the "best value" to the City of Deer Park. We concur with the staff recommendation that the Council award the Primary Depository Bank Services contract to Wells Fargo Bank, N.A. and authorize the City Manager to execute the agreements necessary to continue the banking relationship.

Upon approval, the new contract will commence on Friday, February 1, 2019.

Please contact Bill Koch, Dick Long, Tom Ross, Emily Upshaw or me to discuss any questions or additional information needs.

Thank you for this opportunity to serve the City of Deer Park.

Sincerely,



E. K. Hufstedler III
Valley View Consulting, L.L.C.

Attachment

City Deer Park, Texas - Primary Depository Bank Services RFA Analysis - Best and Final Offer



November 26, 2018		BB&T Pasadena Branch	Capital One La Porte Branch	JPMorgan Chase Deer Park Branch BAFO	Moody Bank Pasadena Branch	Wells Fargo (Incumbent) Deer Park Branch BAFO
DETAIL RESPONSE ANALYSIS OF DEPOSITORY BANK SERVICES						
"Best Value" Criteria						
1	Ability to perform and provide the required and requested services					
2	References provided					
3	Quality of Services					
4	Cost of services					
5	Transition cost, retention and transition offers and incentives					
6	Funds availability					
7	Interest paid on interest bearing accounts and deposits					
8	Earnings credit calculation on compensating balances					
9	Completeness of application and agreement to points in the RFA					
10	Convenience of locations					
11	Previous service relationship with the City					
12	Financial strength and stability of the institution					
Required Bank Services						
1	Online Banking Services - Historical information a minimum of 3 years	Yes - 187 rolling calendar days for reports	Yes - with 18 months of history	Yes - with 2 years of history	Yes - available history not stated	Yes - confirm current history availability
2	ACH	Yes	Yes	Yes	Yes	Yes
3	ACH Debit Blocking and Filtering	Yes - decisions due by 6:00 p.m. ET	Yes - decisions due by 5:15 p.m. ET	Yes - decisions due by 4:00 p.m. CT	Yes - decision deadline not stated	Yes - confirm decision deadline in place
4	Wire Transfers	Yes	Yes	Yes	Yes	Yes
5	Post No Checks	Yes	Yes	Yes	Yes	Yes
6	Positive Pay and Account Reconciliation Service	Yes - exception deadline is 1:00 p.m.	No - date not verified / exception deadline not given	Yes - exception deadline is 4:00 p.m. CT	Yes - exception deadline is 12:00 p.m.	Yes - exception deadline is 2:00 p.m. CT
7	Courier or Armored Car Services	Cannot provide	Capital One will pay invoice and charge through account analysis	Cannot provide	Moody will pay invoice and charge through account analysis	\$2,000 annual cash credit to offset cost of courier fees
8	Tamperproof Bank Bags	Yes	No; cost passed to City through account analysis	Preferred pricing from JPMorgan vendor	Yes	Yes
9	Bank Supplies	Yes	No; cost passed to City through account analysis	Waive up to \$1,000 on initial order; subsequent orders can be billed at current cost through account analysis	Response not marked	Yes
10	Change Orders by City Staff	Yes - Thursday deadline for upcoming week	Yes - deadline not provided	Yes - deadline not provided	Yes - deadline not provided	Yes - deadline 24 hours in advance
11	Funds availability	Yes	Yes	Yes	Yes	Yes
12	Employee Check Cashing - with no cost to employees	Yes	Yes	Yes	Yes	Yes
13	Payroll Cards	Yes - VISA; no monthly fees	Yes - NetSpend Mastercard; no fees	No	No	No; discontinuing the service
14	Returned Check Reprocessing	Yes	Yes	Yes	Yes	Yes
15	Account Analysis	Yes - online for 187 days	Yes	Yes - online for 13 months	Yes	Yes - confirm current history availability
16	Bank Statements	No; but information requested available through online module with up to 24 months history of bank statements	Yes	Yes - inactive accounts will go dormant after 30 months; check images and ARP reports on system for 7 years	Yes	No; copies of deposit slips and checks are not mailed, can be viewed online for 7 years
17	Payment for Services	Yes	Yes	Yes	Yes	Yes
18	Account Settlement - Quarterly	Yes	Yes	Yes	No; monthly	Yes; options are monthly, quarterly, or annually
19	Research	Yes	Yes	Yes	Yes	No; every effort made to complete research requests within 3 business days
20	Bank Errors	Yes	Yes	Yes	Response not marked	Yes
21	Investment Account	Yes	Yes	Yes	Response not marked	Yes
22	Audit Confirmations	Yes	Yes	Yes	Yes	Yes
23	Balance Assessment	Passed in full to City	Waived	Passed in full to City	Passed in full to City	Passed in full to City
24	Reserve Requirement	No	No	No	Yes - 10%	No
25	Earnings Credit Rate	1.45%	1.50%	1.60%	ECR not given / Questions about ECR	1.25%

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Services That May Be Considered						
1	Online Payments Acceptance	Yes	Yes	Yes	Yes	Yes
2	Zero Balance Accounts	Yes	Yes	Yes	Yes	Yes
3	Consumer Bill Pay Processing	Yes	Yes	Yes	No	Yes
4	Remote Deposit Capture	Yes - 8:00 p.m. CT same day credit	Yes; 3 scanners at no charge with 10:00 p.m. CT same day credit	Yes - 9:00 p.m. CT same day credit	Yes	Yes - 9:00 p.m. CT same day credit
Collateral Requirements						
1	Collateralization	Yes	Yes	Yes	Yes	No; base collateral on prior day collected balances
2	Collateral Amount	Yes	Yes	City cannot approve collateral in advance; can after the fact	Yes	No; request pre-authorization for necessary collateral increases and reductions
3	Collateral Custody	Yes - Federal Reserve Bank - Boston	Yes - Bank of New York Mellon	Yes - Federal Home Loan Bank LOC	Yes - Texas Independent Bank	Yes - Bank of New York Mellon
4	Collateral Substitution	Yes	No	Yes	Yes	No; see Pledge Agreement
5	Collateral Report	Yes - exception of rating information	Yes - exception of current face value and rating information	Yes	Yes	No; exception of ratings
6	Board Resolution	Yes	Yes	Yes	Yes	Yes; See Tab D
Investment Activities						
1	Direct Investment Alternative	Yes	Yes	Yes	Response not marked	Yes
2	Certificates of Deposit	Yes	Yes	Yes	Response not marked	Yes
3	Security Clearance/Safekeeping Services	Yes	Yes - exceptions of timing for mailing acknowledgments and no web-based monitoring system	Available from Bank of New York Mellon directly with no warranties or endorsements by JPM	Yes	Yes
4	Separate Securities Clearing/Safekeeping Services	No	Yes	BNYM	No	Yes
5	Cost Sharing or Credit for Third Party Safekeeping Services	No	No	BNYM; cost can be paid directly to BNYM or through account analysis	No	No
Overdraft Provisions						
1	Net Overdraft Defined - Balances Collectively	No; individual accounts	Yes	Yes	Response not marked	No; individual accounts
2	Notification	Yes	Yes	Yes	Response not marked	Yes
3	Stipulations - Days / \$ Amount / Interest rate / NSF fee	1 Day / \$ N/A / Prime +4% / \$36 NSF fee per item	Case by Case	Case by Case with interest rate of Prime +3%	Response not marked	Case by Case
Other Stipulations						
1	Regulation Notifications	Yes	Yes	Yes	Yes	Yes
2	Incoming Wire Transfers	Yes	Yes	Yes	No - automated online notifications	Yes
3	Right to Cancel Under Federal or State Law Rulings	Yes	Yes	Yes	Response not marked	Yes
4	Access to Bank Records	Yes	Yes	Yes	Yes	Yes
5	Right to Open and Maintain Other Accounts	Yes	Yes	Yes	Yes	Yes
6	Secondary Bank Depository	Yes	Yes	No; however, appears to be a yes with fees subject to discussion	Yes	No
7	Right to Terminate	Yes	Yes	Yes - with reciprocal rights	Yes	Yes
8	Terms Fixed	Yes - Initial term only	Yes	Yes	Yes	No; rates subject to change and will be reviewed during semi-annual meetings
9	One Relationship Officer	McKenzie VanHoy; VP; 713.425.0861	Kevin Grothouse; VP; 202.253.2568	Joanna Caudillo; Relationship Manager 713.216.4087	Michelle Foste; AVP 409.632.5023	Ann Battaglia; VP 281.971.2159
Miscellaneous						
1	Semi-Annual Meeting	Yes	Yes	Yes	Yes	Yes
2	Formal Agreement Required	Yes	Yes	Yes - with exceptions as noted in RFA	Response not marked	Yes
Application Submission						
		Page 29 not signed in PDF	Provided	Page 15 or 23 not signed in PDF	Page 8 not signed in PDF	Provided

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Fee Schedules						
	Bank Services	Provided	Provided	Provided	Provided - Noted errors	Provided
Response Attachments						
1	Account Analysis - pro-forma	Provided	Provided - included reserve req.	Provided	Provided	Provided sample
2	Rate Basis	Provided	Provided	Provided	Provided	Provided
3	Sample Collateral Agreement	Provided	Provided	Provided	Not provided	Provided
4	Security Measures	Provided	Provided	Provided	Provided	Provided
5	Technology Specifications	Provided	Provided	Provided	Provided	Provided
6	Sample Safekeeping Report	Provided	Provided collateral pledge report	Provided	Provided	Provided
7	Securities Safekeeping Fees	Provided	Provided	Provided	Provided	Provided
8	Investment Account Information	Provided	Provided	Provided	Provided	Provided
9	Summary Business Continuity Plan	Provided	Provided	Provided	Provided	Provided
10	References	Provided	Provided	Provided	Provided	Provided
11	Sample FIRREA Compliant Document	Provided	Provided	Will Provide upon award	Provided	Provided
Other Considerations						
1	Transition Cost for Bank Checks, Deposit Slips and other supplies	No cost for tamperproof bags, deposit slips, endorsement stamps	None	Up to \$1,000	None	No cost for check stock, deposit supplies and tamperproof deposit bags for the life of the contract
2	Waived Account Analysis Fees	None	First 3 months waived; balance assessment fees waived for life of contract	First Nine (9) months waived account analysis fees up to \$15,000	None	
3	Free Scanners	None	3 free scanners	Six (6) free scanners	None	
4	Other Incentives	None	None	None	None	\$3,500 annual cash credit to offset Courier/Armored Car Service for duration of contract; \$17,500 total

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FEE ANALYSIS OF DEPOSITORY BANK SERVICES					
Proposed Fees - Banking Services					
Monthly Fee Estimate	(4,659)	(2,283)	(2,297)	(3,556)	(2,606)
Monthly Estimated Assessment Fee	-	Waived	179	455	283
One time Set-up Fees	(605)				
Fees for Three Year Term	(168,335)	(82,197)	(82,686)	(128,014)	(93,801)
Fees for Five Year Term	(280,156)	(136,995)	(137,810)	(213,357)	(156,336)
Contract Incentives					
Estimated Waived Fees	-	6,850	15,000	-	-
Transition Allowance	-	-	1,000	-	-
Annual Cash Credit to offset Courier fees X 3 Years	-	-	-	-	10,500
Annual Cash Credit to offset Courier fees X 5 Years	-	-	-	-	17,500
Total Fees for Three Year Term less Incentives	(168,335)	(75,347)	(66,686)	(128,014)	(83,301)
Total Fees for Five Year Term less Incentives	(280,156)	(130,145)	(121,810)	(213,357)	(138,836)
Earnings Credit					
Earnings Credit Rate	1.45%	1.50%	1.60%	1.25%	1.25%
Rate Basis	Indexed to Federal Fund Target rate; Start at 1.45% and add 40% of increases in target rate	Bank Managed Rate	Bank Managed Rate	Bank Managed Rate / 91 Day T-Bill Cap of 1.50%	Bank Managed Rate
Target DDA Compensating Balance	-	-	1,389,288	3,793,020	2,221,369
Monthly Earnings Credit less Reserve	-	-	1,852	3,556	2,314
Earnings Credit for Three Year Term	-	-	66,686	128,014	83,301
Earnings Credit for Five Year Term	-	-	111,143	213,357	138,836
Reserve Requirement	0%	0%	0%	10%	0%
Net Fees for Three Year Term	(168,335)	(75,347)	0	0	0
Net Fees for Five Year Term	(280,156)	(130,145)	(10,667)	0	0
Interest Income Estimate					
Investment Option	Special Money Rate Checking	Public Funds NOW Checking	Money Market Deposit Account	Interest Bearing Checking	MMMF Sweep
Rate Basis	Indexed to Federal Fund Target rate; Start at 1.55% and add 40% of increases in target rate	Bank Managed Rate	Bank Managed Rate	Federal Funds minus 15bps	Stagecoach Sweep - Managed
Interest Rate	1.55%	1.50%	1.65%	2.03%	1.83%
Investment Balance	19,600,000	19,600,000	18,210,712	15,806,980	17,378,631
Monthly Investment Income	25,317	24,500	25,040	26,740	26,502
Three Year Investment Income	911,400	882,000	901,430	962,645	954,087
Five Year Investment Income	1,519,000	1,470,000	1,502,384	1,604,408	1,590,145
Three Year Income/(Cost)	743,065	806,653	901,430	962,645	954,087
Five Year Income/(Cost)	1,238,844	1,339,855	1,491,717	1,604,409	1,590,145

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Safekeeping Fee Estimate					
Three Year Estimated Safekeeping Charges	(17,220)	(1,800)	(3,150)	(2,412)	(2,088)
Five Year Estimated Safekeeping Charges	(28,700)	(3,000)	(5,250)	(4,020)	(3,480)
Net Fees for Three Years including Safekeeping Fee Estimate	725,845	804,853	898,280	960,233	951,999
Net Fees for Five Years including Safekeeping Fee Estimate	1,210,144	1,336,855	1,486,467	1,600,389	1,586,665
October 1, 2018 Submission Date					
Historical Bank Balance	\$ 19,600,000	\$ 19,600,000	\$ 19,600,000	\$ 19,600,000	\$ 19,600,000
91-Day T-Bill Discount Rate	2.19%	2.19%	2.19%	2.19%	2.19%
Fed Funds Rate Actual	2.18%	2.18%	2.18%	2.18%	2.18%
Fed Funds Rate Target	2.00 - 2.25%	2.00 - 2.25%	2.00 - 2.25%	2.00 - 2.25%	2.00 - 2.25%
Local Government Investment Pool	2.11%	2.11%	2.11%	2.11%	2.11%