



Depository Services

PRESENTED TO THE CITY COUNCIL ON SEPTEMBER 18, 2023

Overview

- Chapter 105 of the Texas Local Government Code requires that the City competitively solicit Financial Institutions to provide Primary Depository Services at least every five (5) years
- The City's current five-year Depository Contract terminates on October 31, 2023

Current Primary Depository Bank

- American National Bank
- Manage short term money market/working accounts
- Contract start date August 21, 2018
- Contract end date October 31, 2023

Consulting Services for Burleson

Valley View Consulting, L.L.C.

- Provides investment management and consulting services to assist clients in achieving their investment objectives

Valley View assists in soliciting for primary depository bank services by:

- Reviewing the current banking arrangement and service needs
- Considering account structures, new services and cost-saving options
- Developing the solicitation process
- Analyzing service proposals
- Assisting with selection confirmation and service implementation
 - *Implementation estimated at 6 weeks*
- Monitor and Report investment holdings

Objective

- Comply with state statutory requirements and the City's financial and purchasing policies
- Select a primary depository financial institution
- Initial three (3) year agreement begins November 1, 2023 through October 31, 2026
- City may extend contract 2 additional one-year periods through October 31, 2028

Governing Codes

- Chapter 105 Municipal Depository Act
- Chapter 176 Conflict of Interest Act
- Chapter 2256 Public Funds Investment Act
- Chapter 2257 Public Funds Collateral Act

Project Steps

1. Analyzed historical bank service usage and balances
2. Reviewed the required banking services and potential additional services
3. Developed a list of eligible financial institutions with physical locations within the City of Burleson (thirteen eligible institutions)
4. Contacted representatives from each financial institution
5. Drafted RFA for City

Project Steps - Continued

6. Advertised as required
7. RFA Posted on the City's website and sent email to all eligible banks to notify them of the RFA
8. Held a non-mandatory pre-application video conference

Proposals Received

1. American National Bank of Texas (Incumbent)
2. First Financial Bank
3. Independent Financial Bank

Evaluation Criteria

1. Ability to perform and provide the required and requested services
2. References provided and quality of services
3. Cost of services
4. Transition cost, retention and transition offers and incentives
5. Interest paid on interest bearing accounts and deposits


Evaluation Criteria

6. Earnings credit calculation on compensating balances
7. Previous service relationship with the City
8. Completeness of application and agreement to points outlined in the RFA
9. Qualifying location of applicant and convenience of location(s)
10. Financial strength and stability of the institution


Financial Analysis with 3 & 5 Year Estimates

Financial Institution	Monthly Fee Estimate	Effective ECR	Interest Rate (07/31/2023)	Three Year Income	Five Year Income
Independent Financial	\$ (1,839)	3.15%	5.50%	\$ 5,068,829	\$ 8,448,049
American National Bank of Texas	Fee Waived	N/A	5.00%	\$ 4,263,112	\$ 7,105,187
First Financial Bank	\$ (1,637)	0.90%	4.55%	\$ 3,990,998	\$ 6,651,664


Financial Analysis with 3.00% Interest Rate

City of Burleson, Texas			
			 Valley View Consulting, L.L.C.
Analysis for Primary Depository Services RFA# 2023-015			
August 3, 2023	American National Bank of Texas (Incumbent)	First Financial Bank	Independent Financial
Interest Income Estimate			
Investment Option	IB for Non-Operating DDAs	Hybrid DDA, ECR first, then IB after fee offset	DDA w \$1 Million peg for ECR @ 3.50% to offset fees, then sweep to IB DDA indexed to FF
Rate Basis	Bank Determined	85% of the 4 week 91 Day T-Bill rate during the prior month	Indexed to Fed Fuds Upper Range
NOW Interest Rate (7/31/23)	3.00%	3.00%	3.00%
Remaining Operating Balance	0	817,333	2,264,400
Investment Balance	28,420,748	28,420,748	28,420,748
NOW Balances		28,420,748	28,420,748
Monthly Investment Income	71,052	73,095	76,713
Three Year Investment Income	2,557,867	2,631,427	2,761,663
Five Year Investment Income	4,263,112	4,385,712	4,602,772
Three Year Income/(Cost)	2,557,867	2,631,427	2,761,663
Five Year Income/(Cost)	4,263,112	4,385,712	4,602,772

Financial Analysis with 2.00% Interest Rate

City of Burleson, Texas			
Analysis for Primary Depository Services RFA# 2023-015			
August 3, 2023	American National Bank of Texas (Incumbent)	First Financial Bank	Independent Financial
Investment Option	IB for Non-Operating DDAs	Hybrid DDA, ECR first, then IB after fee offset	DDA w \$1 Million peg for ECR @ 3.50% to offset fees, then sweep to IB DDA indexed to FF
Rate Basis	Bank Determined	85% of the 4 week 91 Day T-Bill rate during the prior month	Indexed to Fed Fuds Upper Range
NOW Interest Rate (7/31/23)	2.00%	2.00%	2.00%
Remaining Operating Balance	0	817,333	1,896,600
Investment Balance	28,420,748	28,420,748	28,420,748
NOW Balances		28,420,748	28,420,748
Monthly Investment Income	47,368	48,730	50,529
Three Year Investment Income	1,705,245	1,754,285	1,819,041
Five Year Investment Income	2,842,075	2,923,808	3,031,735
Three Year Income/(Cost)	1,705,245	1,754,285	1,819,041
Five Year Income/(Cost)	2,842,075	2,923,808	3,031,735

Financial Analysis with 0.00% Interest Rate

City of Burleson, Texas			
Analysis for Primary Depository Services RFA# 2023-015			
August 3, 2023	American National Bank of Texas (Incumbent)	First Financial Bank	Independent Financial
Investment Option	IB for Non-Operating DDAs	Hybrid DDA, ECR first, then IB after fee offset	DDA w \$1 Million peg for ECR @ 3.50% to offset fees, then sweep to IB DDA indexed to FF
Rate Basis	Bank Determined	85% of the 4 week 91 Day T-Bill rate during the prior month	Indexed to Fed Fuds Upper Range
NOW Interest Rate (7/31/23)	0.00%	0.00%	0.25%
Remaining Operating Balance	0	817,333	
Investment Balance	28,420,748	28,420,748	19,593,548
NOW Balances		28,420,748	19,593,548
Monthly Investment Income	0	0	4,082
Three Year Investment Income	0	0	146,952
Five Year Investment Income	0	0	244,919
Three Year Income/(Cost)	0	0	146,952
Five Year Income/(Cost)	0	0	244,919

Options

- Approve as presented
- Approve with changes
- Deny

QUESTIONS/COMMENTS