Valley View Consulting, L.L.C.

August 24, 2026

City of Iowa Colony
Mr. Christopher Thomas
Finance Director
3144 Meridiana Pkwy
Iowa Colony, TX 77583

Dear Mr. Thomas:

Thank you for the opportunity to assist the City of Iowa Colony (the "City") with this Depository Services Request for Applications (the "RFA") project. The objective of this engagement was to assist the City in selecting a primary depository for the City. The new contract period will be for an initial term of two (2) years commencing October 1, 2026, and continuing through September 30, 2028 with three (3) one-year extension options under the same terms and conditions.

Procedure

The 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 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 comply with the City's financial and purchasing policies and Investment Policy.

The RFA procedure was conducted as follows:

1. Analyzed bank service usage and balance records.
2. Reviewed bank accounts and statements.
3. Established the minimum required banking services and potential additional services.
4. Developed a list of thirty-one eligible financial institutions within 20 miles of City Hall:

a. American First National Bank
b. Bank of America
c. Bank of Texas (BOKF)
d. Capital Bank
e. Capital One Bank
f. East West Bank
g. Fifth Third Bank
h. First Community Bank
i. First Horizon Bank
j. First Liberty Bank (Incumbent)
k. First National Bank Texas
l. First State Bank
m. Frost Bank
n. HomeTown Bank
o. JP Morgan Chase
p. Origin Bank
q. PNC Bank
r. Prosperity Bank
s. Regions Bank
t. SouthState Bank
u. Texas Advantage Community Bank
v. Texas First Bank
w. The First State Bank
x. The Huntington National Bank
y. The Moody National Bank
z. Third Coast Bank
aa. Truist Bank
bb. Unity National Bank of Houston
cc. Wells Fargo Bank
dd. Woodforest National Bank
ee. Zions Bank

5. Contacted the identified financial institutions.
6. Drafted the RFA for review and approval.
7. Advertised as required.
8. RFA documents were distributed to eligible banks via email.
9. Hosted a Pre-Application Zoom Conference Call that was attended by the following:

    a. First National Bank
    b. First Liberty Bank (Incumbent)
    c. Huntington National Bank
    d. Prosperity Bank

By the deadline, four (4) applications were received from the following banks:

a. First National Bank
b. First Liberty Bank (Incumbent)
c. Huntington National Bank
d. Prosperity Bank

Evaluation Criteria

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

1. Ability of applicant 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 rates on interest bearing accounts and deposits;
6. Earnings credit rate on compensating balances;
7. Previous service relationship with the City;
8. Convenience of location(s);
9. Completeness of application; and
10. Financial strength and stability of the institution.

In addition to the considerations listed above, the following categories of financial and operational elements were considered:

Fees
The requested fee schedules were analyzed based on the City's banking service needs and estimated activity levels. Each financial institution offered a variety of transition/retention credits and incentives (including waived fees, supplies, and check scanners). Where quantifiable and appropriate, the estimated service fees were adjusted for any incentives. First Liberty Bank, the incumbent, and Prosperity Bank both offered to waive all fees.

While fees are an important factor in the decision-making process there were other factors that were considered during the evaluation process.

Financial Analysis
Interest earnings are a core component of the City's depository relationship, alongside bank service charges. Over the past year, the City maintained an average operating balance of approximately $3,862,000; however, the City is targeting an operating balance closer to $1.5 million going forward. For purposes of the analysis, a balance of $2 million was used as a blend of current and target balances to evaluate each bank's potential interest earnings based on the rates offered. The table below summarizes the financial comparison of the terms and scenarios proposed by each bank over the initial two-year contract period.

Bank	Net Fees for Five Year Term	Investment Option	Rate Basis	Interest Rate Offered	Two Year Net Income
Huntington National Bank	**(40,784)**	MMF Investment Sweep	Market	3.53%	**$125,730**
First National Bank Texas	**(23,441)**	Repo Sweep	Interest on Reserve Balances rate minus 35 bps, w/ a current cap of 3.30%.	3.30%	**$122,862**
First Liberty Bank	**$0.00**	Interest Bearing DDA	4-week T-Bill Bank Discount Rate minus 150 bps	2.08%	**$83,200**
Prosperity Bank	**$0.00**	Interest Bearing DDA	Bank Managed	1.00%	**$40,000**

Other Considerations

Huntington Bank and First National Bank both offered higher returns, which warranted additional review. Huntington Bank advanced to a finalist presentation and met with City staff who work closely with the depository. The team was impressed, but the 16-mile distance to the Friendswood branch was certainly a concern.

First National Bank Texas submitted a strong application as well, but their Pearland branch—13 miles away and located inside a Food Town grocery store—posed practical and safety concerns. Without a drive-thru, staff would need to carry deposits across the parking lot and wait inside the store to complete transactions. Due to these issues, First National Bank Texas was also removed from consideration.

Conclusion

At present, no banks are located within the City's municipal limits, though several institutions are evaluating the possibility of opening a branch in Iowa Colony. Such an investment would be significant, and the City would welcome the opportunity to support a bank that chooses to locate within the community. Because a new branch could lead to a change in depository services within the next two years, staff recommends entering into a two-year contract with First Liberty Bank and reassessing the landscape over the next 18 months as banks make location decisions. If needed, the City could extend the contract for an additional year. In the meantime, First Liberty Bank has demonstrated that it can meet the City's service needs efficiently and effectively. Based on these factors, staff recommends that the City Council award the Primary Depository Bank Services contract to First Liberty Bank, subject to execution of all related documentation. The initial contract term is proposed to be two years beginning October 1, 2026, with the option to renew for three additional one-year periods under the original terms and conditions.

Please contact Tim Pinon, or me to discuss any questions or additional information needs. Thank you for this opportunity to serve the City of Iowa Colony.

Sincerely,

Orlando A. Saenz

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Valley View Consulting, L.L.C.