
CITY OF PORT LAVACA

COUNCIL MEETING: MAY 8, 2023

DATE: April 27, 2023

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: SUSAN LANG, FINANCE DIRECTOR 

SUBJECT: CONSIDER RATIFICATION OF AMENDED BANK DEPOSITORY AGREEMENT, DEPOSITORY PLEDGE AGREEMENT, AND SECURITIES ACCOUNT CONTROL AGREEMENT FOR CITY FUNDS

Background:

The City approved and executed a depository agreement and depository pledge agreement with First National Bank (FNB) on January 9, 2023 to be effective February 1, 2023 for a term of five (5) years. The agreement were rewarded to the bank for execution by the remaining parties, which included First National Bank in Port Lavaca, and Pershing, a BNY Mellon Company (Pershing).

On March 14, 2023, we were informed by First National Bank that the Pledged Collateral agreement we had previously provided to the bank for review in December, 2022 would not be acceptable to Pershing. Instead, Pershing offered a Securities Account Control Agreement for consideration.

The City was provided an alternative agreement furnished by Pershing, and as a result, there was a need to amend the Depository Agreement and Depository Pledge Agreement in order to insert language which referred to the Securities Account Control Agreement.

Members of the Finance Committee were involved in the review of the documents as well as the City's Attorney. These documents were ultimately approved and executed by all parties.

Financial Implications:

Proper agreements are not only required by Federal and State law, they also provide the mechanism to ensure the City's funds are fully collateralized in the event of a bank failure. Without the proper agreements in place, the City would only receive the \$250,000 FDIC insurance as a recovery of all funds deposited in the bank.

Additionally, the implications on our annual audit would include a finding in the government auditing standards report due to the City not being in compliance with a state law to have all deposits properly collateralized, with not disclosures mentioning that all cash deposits were not properly collateralized.

Comprehensive Master Plan:

Promoting Quality of Life and Protecting Investments.

Recommendation:

Staff recommends a motion to: Ratify the amended bank depository agreement, depository pledge agreement, and securities account control agreement between the City, First National Bank in Port Lavaca and Pershing, a BNY Mellon Company for a five (5) year period affective February 1, 2023.

Attachments:

Executed - Amended Depository Agreement

Executed - Depository Pledge Agreement

Executed - Securities Account Control Agreement