

STAFF REPORT



SUBJECT: Consider Acceptance of Request for Proposal for Depository Services

DEPARTMENT: Finance

STAFF CONTACT: Monica Harris

RECOMMENDATION:

Staff recommends accepting the First Financial Bank proposal for depository services and presenting to Council for approval on February 1, 2022. This contract would be for two (2) years with one (1) two-year extension provided both parties agree to the extension.

BACKGROUND:

Request for proposals for depository services were advertised on November 10, 2021 and November 17, 2021. The City received proposals from Texas Bank and First Financial Bank, both local banks. Staff reviewed and evaluated both proposals. A comparison is provided below:

	Texas Bank	First Financial Bank
Interest Rate on checking accounts	70% of the quoted 13-week T-bill rate at 1 st of month on Treasury.gov on collected balances greater than \$1,000	85% of the four week average 91 day T-bill rate during the prior month with a floor of .05% and a cap of 1.5%
Fees	Waived	Waived
FDIC insured	Yes	Yes
Collateralization	102% above FDIC coverage	102% above FDIC coverage
Pledged collateral held at	Federal Home Loan Bank of Dallas	Frost Bank of San Antonio, TX
Online balance reporting system	Yes	Yes
Remote deposit scanner	Provided at no cost	Provided at no cost
Checks and deposit slips	Unknown, currently not provided	Provided at no cost
Positive pay	Provided at no cost	Provided at no cost
Direct Deposit ACH submittal deadline	2:00 pm on the business day prior to effective date	5:00 pm on the business day prior to effective date

The additional three hours for the ACH submittal would be helpful with payroll, as the Senior Accountant frequently works late on Tuesdays to make the ACH submittal deadline on payroll weeks.

FISCAL IMPACT SUMMARY:

As both submittals indicate the waiving of bank fees, the main difference is in the interest rate. Below is a comparison:

	Texas Bank	First Financial Bank
November rate	$.05 \times 70\% = .035\%$	$.05\%$ ($.05 \times 85\% = .0425\% < \text{min}$)
December rate	$.06 \times 70\% = .042\%$	$.05\%$ ($.05 \times 85\% = .0425\% < \text{min}$)
January rate	$.09 \times 70\% = .063\%$	$.06 \times 85\% = .051\%$
Total for 3 month period	.14%	.015%

As the table indicates, the timing of the rate calculation does make a difference; however, First Financial Bank does have a minimum interest rate of .05%. Treasury bill rates would have to increase to 2.15% for Texas Bank's interest rate to exceed First Financial Bank's maximum rate of 1.50%, assuming the month prior average is so close to the 1st of the month rate as to not make a difference.

ALTERNATIVES

Not award the contract and rebid.