



November 28, 2018

Ms. Becky Brooks  
Assistant Chief Financial Officer  
City of Grand Prairie  
326 W. Main Street  
Grand Prairie, Texas 75050

Dear Ms. Brooks:

We sincerely appreciated and welcomed the opportunity to assist the City of Grand Prairie (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 February 28, 2019. This agreement, when approved, will commence on March 1, 2019 and terminate on February 28, 2021. At the option of the City, the contract may be extended for three (3) 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 with a physical location within the City’s municipal boundaries:
  - a. Bank of America, N.A.
  - b. First National Bank of Texas
  - c. Grand Bank of Texas
  - d. Herring Bank
  - e. JPMorgan Chase Bank, N.A.

- f. LegacyTexas Bank
  - g. Metro City Bank
  - h. Wells Fargo Bank, N.A. (incumbent)
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. Frost Bank
    - b. JPMorgan Chase Bank, N.A.
    - c. LegacyTexas Bank
    - d. Wells Fargo Bank, N.A.
  9. By the closing deadline, applications were received from:
    - a. Frost Bank (application not considered as Frost has no physical location within the City's municipal boundaries)
    - b. JPMorgan Chase Bank, N.A.
    - c. Wells Fargo Bank, N.A.(LegacyTexas Bank notified City staff they would not be submitting an application)
  10. No additional RFA responses were received as a result of the advertisement.

The evaluation of the applications was based on the following City provided criteria:

1. Online Banking Services
2. Robust ACH
3. Wire Transactions
4. Fraud Protection Features (post no checks, positive pay)
5. Lockboxes – electronic & retail
6. ZBA Flexibility
7. Account Analysis & Bank Statements
8. Research Support
9. Responsive Customer Service and Problem Solving Account Rep
10. Collateral Agreements and Reports
11. Supplies
12. Sweep Investment Options
13. Other
14. Interest Rates
15. Credit Earnings
16. Settlement
17. Errors and Overdrafts
18. Transition Costs
19. Fee Schedules

## **Application Analysis**

As can be 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.

The City and Sports Corporation safekeeping services for owned securities continue under the current agreements and as such were not included in this analysis.

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. Historically average annual deposit balances of \$8,200,000 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 than those offered by the banks, at least until such time as the rate environment may shift downward making the bank rate the more attractive option. With this new strategy in mind, the City will still need to target \$4,000,000 to \$6,000,000 average balances per month due to routine cash flow fluctuations and needs.

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

<b>Two-Year Term</b>	<b>JPMorgan Chase</b>	<b>Wells Fargo</b>
Proposed Fees (net of incentives)	(\$105,854)	(\$164,270)
Target Balance to Offset Fees	\$3,528,458	\$4,693,428
Earnings Credit	\$105,854	\$164,270
Expected Net Fees	\$0	\$0

  

<b>Five-Year Term</b>	<b>JPMorgan Chase</b>	<b>Wells Fargo</b>
Proposed Fees (net of incentives)	(\$377,134)	(\$433,075)
Target Balance to Offset Fees	\$6,028,466	\$5,120,100
Earnings Credit	\$377,134	\$433,075
Expected Net Fees	\$0	\$0

## **Recommendation**

After the analysis of both responses and review of the competitive offerings from each bank, the City invited JPMorgan Chase Bank, N.A. to demonstrate their Online Banking System services and capabilities, and discuss the manner in which the bank could best serve the City. JPMorgan Chase Bank, N.A. offered competitive rates and service capabilities necessary to meet all of the City's needs, however there were no perceived advantages in their Online Banking System to offset the overall effort and expense to the City to change depositories.

Based on the analysis results and discussion with staff, it was our determination that the terms offered by Wells Fargo Bank, N.A. provide the "best value" to the City of Grand Prairie. We concur with the recommendation, based on the stated evaluation criteria weighed by the staff, 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, March 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 Grand Prairie.

Sincerely,



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

Attachment

# City of Grand Prairie, Texas



## Primary Depository Bank Services RFA #18095

November 28, 2018

JPMC

Wells Fargo

### DETAIL RESPONSE ANALYSIS OF DEPOSITORY BANK SERVICES

#### Required Bank Services

1	Online Banking Services	Yes	Yes
2	ACH	Yes	Yes
3	ACH Debit Blocking and Filtering	Yes	Yes
4	Wire Transfers	Yes	Yes
5	Post No Checks	Yes	Yes
6	Positive Pay and Account Reconciliation Service	Yes - 4:00 p.m. exception decision deadline	Yes - 2:00 p.m. exception decision deadline
7	Cash Vault Services	Yes	Yes
8	Tamperproof Bank Bags	Yes/No - utilize fee waiver	No
9	Bank Supplies	Yes/No - initial order only	No
10	Consumer Bill Pay Processing	Yes	Yes
11	Retail Lock Box	Yes	Yes
12	Zero Balance Accounts	Yes	Yes
13	Controlled Disbursement Account	Yes	Yes
14	Funds Availability	Yes	Yes
15	Employee Check Cashing	Yes	Yes
16	Returned Check Processing	Yes	Yes
17	Account Analysis	Yes	Yes
18	Bank Statements	Yes/No - accounts go dormant after 30 months of no activity	No - do not include copies of checks & deposit slips. Accounts go dormant after 12 months of no activity.
19	Payment for Services	Yes	Yes
20	Account Settlement	Yes	Yes
21	Research	Yes	Yes
22	Bank Errors	Yes	Yes
23	Investment Account	Yes	Yes
24	Audit Confirmations	Yes	Yes
25	Balance Assessment	Passed in full to City	Passed in full to City
26	Reserve Requirement	No	No
27	Earnings Credit Rate	Managed - 1.50%	Fed Funds rate minus 50 bps. Currently 1.75%

#### Services That May Be Considered

1	Remote Deposit Capture	Yes	Yes
2	Transition Cost Assistance	Yes	N/A - Incumbent
3	Additional Services Available	Corporate Quick Pay; Same day ACH; Merchant Services; Integrated Receivables Connect; Integrated Payables; Smart Safe; Single Use Account; BAI Reporting (Online H2H)	WellsOne Commercial Card; Accounts Payable Control; Payment Manager; Disbursements with Zelle.Image Transmissions;

#### Collateral Requirements

1	Collateralization	Yes - but City to notify bank of need to increase collateral in advance	No - Automated processes
2	Collateral Amount	Yes - Approval of pledged collateral after the fact.	No - no advanced approvals.
3	Collateral Custody	Federal Reserve Bank	Sports Corp - FRB; City - BNYM
4	Collateral Substitution	Yes	No - Automated process
5	Collateral Report	Yes - w/o Market Value	No - No Security Name or Rating
6	Board Resolution	Yes	Yes

#### Investment Activities

1	Direct Investment Alternative	Will follow City's Instructions	Yes
2	Certificates of Deposit	Yes	Yes
3	Security Clearance/Safekeeping Services	No - BNYM	No - Wells Fargo is current provider and will continue if awarded contract
4	Separate Securities Clearing/Safekeeping Services	Yes - BNYM	No
5	Cost Sharing or Credit for Third Party Safekeeping Services	Yes/No - No cost sharing. Fees passed through Account Analysis or paid directly to BNYM	No

# City of Grand Prairie, Texas



## Primary Depository Bank Services RFA #18095

November 28, 2018		JPMC	Wells Fargo
<b>Overdraft Provisions</b>			
1	Net Overdraft Defined	Yes	No - Individual Account
2	Notification	Yes	Yes
3	Stipulations	Case by Case	\$35 per NSF item; Case by Case
<b>Other Stipulations</b>			
1	Regulation Notifications	No - But offered acceptable alternative language.	No - But offered acceptable alternative language.
2	Notification of Incoming Wire Transfers	Yes	Yes
3	Right to Cancel Under Federal or State Law Rulings	Yes	Yes
4	Access to Bank Records	Yes	No - But offered acceptable alternative language.
5	Right to Open and Maintain Other Accounts	Yes	Yes
6	Secondary Bank Depository	Yes	Yes
7	Right to Terminate	Yes - but reciprocal right for Bank	Yes
8	Terms Fixed	Yes	Yes
9	One Relationship Officer	Keba Batie, Relationship Manager, 214.965.3695	Timothy Pinon; Relationship Manager; 214.661.1224
<b>Miscellaneous</b>			
1	Semi-Annual Meeting	Yes	Yes
2	Formal Agreement Required	Yes with exceptions	Yes
<b>Required Forms</b>			
1	Completed Submittal Checklist	Provided	Provided
2	Completed Bank Services Questionnaire	Provided	Provided
3	Completed Fee Schedule	Provided	Provided
4	References	City of Fort Worth; City of Arlington; City of Garland	City of Duncanville; City of Hurst; City of Waco.
5	Submittal Affirmation Form	Provided with exceptions	Provided
6	Conflict of Interest Questionnaire	Not provided	Not Provided
7	Historically Underutilized Business Questionnaire	Provided	Provided
8	House Bill 89 Verification Form	Provided with exceptions	Provided
9	Sample pro-forma account analysis and monthly statement	Provided	Provided
10	Rate basis information - Explanation of the institution's policy and methodology used in setting rates paid on interest bearing accounts and account analysis earnings credit. Indicate if they are based on a market rate such as T-Bill discount or yield rate, or the Federal Funds rate, etc., and when the rates are changed. Also, please provide a historical schedule of rates paid.	Provided	Provided for ECR
11	Sample of City owned securities safekeeping report	No - but BNYM provided	Provided
12	Schedule of securities safekeeping fees	No - but BNYM provided	Provided
13	Investment account information – Information on the investment account(s) recommended for the City's use. Provide information for the bank's most attractive interest yielding option.	Provided	Provided
14	Technology specifications – Technology specifications for use of all proposed electronic systems and services.	Provided	Provided
15	Security measures – Information describing the institution's security measures to prevent fraud and unauthorized electronic and non-electronic transfers, and protect the integrity of computer banking services and internal computer systems.	Provided	Provided
16	Summary business continuity plan – Summary of the institution's business continuation plans as they pertain to the City's ability to perform normal banking functions during natural and un-natural bank operation disruptions, including a Statement of Commitment to provide the City continuous and ongoing bank depository services to the best of the financial institution's ability.	Provided	Provided
17	Audited financial statements for its most recent fiscal year (link may be provided if the information is available online)	Provided Link	Provided Link
18	Ratings on outstanding debt	Provided	Provided
19	Availability of funds schedule	Provided	Provided
20	Sample FIRREA compliant document – A sample copy of the bank's document that clearly shows that the bank's Board or designated committee has accepted the depository contract and authorized the pledge of collateral, with a permanent record of this action to be maintained in the minutes of the bank.	Provided	Provided
21	Proposed collateral agreement	Provided	Provided
22	Proposed wire transfer agreement/contract	Provided	Provided
23	Any additional contracts or agreements requiring City's approval	None stated other than the various exceptions as noted throughout RFA response	Attached agreements and the exceptions as noted in RFA response
24	Good faith of performance check of \$5,000 made payable to the City	Provided	Provided
<b>Other Considerations</b>			

City of Grand Prairie, Texas



Primary Depository Bank Services RFA #18095

November 28, 2018		JPMC	Wells Fargo
1	Transition Cost for Bank Checks, Deposit Slips and other supplies	See waived Fees	None
2	Waived Account Analysis Fees	\$75,000 in first year	First 2 months of Fees
3	Free Scanners	9 Epson Remote Scanners (\$5,200)	None
4	Other		Free Safe Deposit Lockbox

City of Grand Prairie, Texas



Primary Depository Bank Services RFA #18095

November 28, 2018		JPMC	Wells Fargo
<b>Proposed Fees - Banking Services</b>			
<b>Monthly Fee Estimate</b>		(7,536)	(7,467)
Monthly Estimated Assessment Fee		858	391
Fees for Two Year Term		(180,854)	(179,204)
Fees for Five Year Term		(452,134)	(448,009)
<b>Contract Incentives</b>			
Estimated Waived Fees		75,000	14,934
Transition Allowance		0	0
<b>Total Fees for Two Year Term less incentives</b>		(105,854)	(164,270)
<b>Total Fees for Five Year Term less incentives</b>		(377,134)	(433,075)
<b>Earnings Credit</b>			
<b>Earnings Credit Rate</b>		1.50%	1.75%
<b>Rate Basis</b>	Bank Managed - Hybrid DDA		Fed Funds rate less 50 bsp
Target DDA Compensating Balance (First Two years)		3,528,458	4,693,428
Monthly Earnings Credit less Reserve		4,411	6,845
Earnings Credit for Two Year Term		105,854	164,270
Target DDA Compensating Balance (Final Three years)		6,028,466	5,120,100
Monthly Earnings Credit less Reserve		7,536	7,467
Earnings Credit for Five Year Term		377,135	433,075
Reserve Requirement		0%	0%
<b>Net Fees for Two Year Term</b>		0	0
<b>Net Fees for Five Year Term</b>		0	0
<b>Balances Available for Investment Options</b>			
<b>First Two Years</b>		4,671,542	3,506,572
<b>Next Three Years</b>		2,171,534	3,079,900
<b>Interest Rate Offered</b>		1.40%	2.03%
<b>October 26, 2018 Submission Date</b>			
Historical Bank Balance		8,200,000	8,200,000
91-Day T-Bill Discount Rate		2.29%	2.29%
Fed Funds Rate Actual		2.20%	2.20%
Fed Funds Rate Target		2.00% - 2.25%	2.00% - 2.25%
Local Government Investment Pool		2.16%	2.16%