



# Bank Depository RFA

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Presented by Tim Pinon and Scott Martin  
Valley View Consulting, L.L.C. and Texas Capital Bank

# Primary Depository RFA Objectives

- Protect Constituent's Funds
- Create Competitive Environment (Most Advantageous)
- Establish Fees, Rates, Terms, and Conditions
- Comply with Statutory Requirements

# Primary Depository RFA Objectives

## Finance Must Control!

- *Avoid Decision-Making Committees*
- *Avoid Decision-Making Scoring Matrices*
- *Insurance Requirements?*

## Expanding the boundaries – Sec. 105.011

(b) The governing body may consider the application of a bank, ... that is not doing business within the municipality if:

(1) the bank...maintains a place of business within the state and offers within the state the services required by the depository services contract; and

(2) the governing body, prior to giving the notice required by Section 105.012, has adopted a written policy expressly permitting the consideration of applications received by the municipality from a bank...that is not doing business within the municipality...

# Timeline

- Pre-Release Items
- Month 1 – Research & Prepare: Distribute RFA
- Month 2 – Banks Respond (Minimum time: 35 days)
- Month 3 – Analyze and Potential Bank Demos
- Month 4 – Call References / Prep for Council Meeting
- Months 5 – Council Approval
- Months 6 & 7 – Transition (Potentially)

\*\*\* Add in an additional 4 to 6 weeks if crossing over Thanksgiving /  
Christmas / New Years holidays

# Pre-Release

- Build a bank list with contacts
- Meetings with interested banks
  - Could be virtual via Zoom or Teams
- Consider services not currently in use
- Good Faith Checks?

# New Services to Consider

- Application Program Interface (APIs)
- Account Validation
- E-Box / Lockbox
- Smart Safe
- Real Time Payments
- UPIC (Universal Payment Identification Code)
- Perfect Receivables / Virtual Reference Number (VRN)/Custom Account Receivables Reporting (CARR)
- Integrated Disbursement Services

# Things to include and/or consider

- What are your target balances?
  - Non-Interest Bearing vs Interest Bearing Balances
- Build a fee schedule
- Security Safekeeping?
- Purchasing Card?
- Should you include Merchant Services in a bank RFA?



## Balance Based Charges – “Names”

- Account Balance Fee
- Balance Assessment Fee
- Balanced Based Charge
- Deposit Supervisory Fee
- Ledger Balance Assessment
- Recoupment Monthly
- Regulatory Balance Fee

Usually First or Last Item A/A Statement

# Developing an RFA: Must Haves

- Identify minimum qualifications:
  - Location(s) in your area
  - Collateralization of your deposits
  - Asset Size
- Provide clear and concise instructions
- Develop an “easy” format
- Eliminate repetitive information requests within the RFA

# Developing an RFA: Must Haves

- Provide services requested and volume estimates
- Outline the account structure
- Identify evaluation factors clearly
- Make an electronic copy of the RFA available in MS Word and a fee schedule in Excel (do not “protect” cells as it prevents entities to define their terminology or pricing)

# Know Your Needs

- Review Account Analysis & Bank Statements
  - Services
  - Volumes & Activity
  - Branch Transaction Activity
- Identify Required & Considered Services
  - Fraud Prevention Tools
  - Efficiency Enhancements

## “Most Advantageous”

- Ability to perform
- Previous Service
- Cost of Services
- Interest Rates (ECR & Hard)
- Convenience
- Strength & Stability
- Online System
- Local Representation
- Incentives
- Reputation/References
- Completeness of Application

# RFA Recommendations

- Response Requirements – Keep it simple
- Account Activities / Structure
- Services:
  - Required
  - Considering
- Investment Activities
- Fee Schedule (Account Analysis)
- Provide **sample** contract
- List of Responder Required Attachments

# Distribute RFA

- Transmittal Email and/or Purchasing Platform
- Paper Copies? If so, how many? Electronic only?
  - Electronic Channels & Challenges: Purch Platform, Email, USB
- Confirm Receipt – Pre & Post
- Provide:
  - RFA Document (Word – Protected)
  - Fee Schedule (Excel)
  - Investment Policy

## Month 2 – Banks Respond

- How long to give banks?
- Pre-Application Conference (Virtual)
- Question and Answer period defined
- Have banks provide references of other public fund clients



## Month 3 – Analyze / Demos?

- Scoring Matrix?
  - Does it tell you the financial impact?
    - Why is that important?
  - Objective or Subjective?
- Financial Analysis

# Analyze Responses – Services

## Primary Depository Services - RFA# 22-09-01

September 7, 2022		Bank A	Bank B	Bank C
<b>DETAIL RESPONSE ANALYSIS OF DEPOSITORY SERVICES</b>				
<b>Expected Depository Services</b>				
	<b>Online Banking Portal</b>			
1	Online Reporting Services	Yes	Yes	Yes
2	Wire Transfers	Yes	Yes	Yes
3	ACH	Yes	Yes	Yes
4	Stop Payments			
	Term of Initial Stop	182 Days	182 Days	6 Months
	Automatic Renewal Offered (Y/N)	No	No	No
5	Does Stop Payment remove item from Positive Pay?	No	No	No
6	Online Banking Historical Information Retention (90 days, 180, 12 Months, 19 Months, Other)	24 Months	18 Months	18 Months

# Analyze Responses – Fees & Earnings Credit

September 7, 2022	Bank A	Bank B	Bank C
<b>FEE ANALYSIS OF DEPOSITORY SERVICES</b>			
Projected Bank Balance	\$37,200,913	\$37,200,913	\$37,200,913
<b>Proposed Fees - Banking Services</b>			
Current Services Fee Estimate	0	(6,226)	0
Balance Assessment Fee	Waived 24 Months	5,208	Waived
Safekeeping of City Owned Securities			
Number of months of <b>TOTAL</b> fee waiver	24	0	0
Number of months of <b>NET</b> fee waiver	0	0	0
Maximum waiver amount allowed	0	0	0
Actual months available for waiver after factoring in cap	0	0	0
Amount of <b>TOTAL</b> Fees Waived	0	0	0
Amount of <b>NET</b> Fees Waived	0	0	0
<b>Fees for Two Year Term</b>	0	(149,421)	0
<b>Fees for Five Year Term</b>	0	(373,554)	0
<b>Earnings Credit</b>			
Rate	0.00%	0.20%	0.00%

# Analyze Responses – Hard Interest

September 7, 2022	Bank A	Bank B	Bank C
<b>Hard Interest Income Estimate</b>			
<b>Investment Option</b>	IB Checking	IB Checking	IB Checking
<b>Rate Basis</b>	Upper Range Fed Funds Target - 95 bps; <b>CAP of 2.50%</b>	Upper Range Fed Funds Target - 100 bps; <b>CAP of 2.25% MAX Bal \$50M</b>	90 Day T-Bill asked rate; <b>Max 3.00%; Floor 1.00%</b>
Interest Rate	1.55%	1.50%	2.48%
Investment Balance	37,200,913	37,200,913	37,200,913
Monthly Investment Income	48,051	46,501	76,882
Two Year Investment Income	1,153,228	1,116,027	1,845,165
Five Year Investment Income	N/A	2,790,068	4,612,913
<b>Two Year Income/(Cost)</b>	<b>1,153,228</b>	<b>966,606</b>	<b>1,845,165</b>
<b>Five Year Income/(Cost)</b>	<b>2,883,060</b>	<b>2,416,515</b>	<b>4,612,913</b>

# Why Interview/Demo or Check References?

- Would you hire someone based on a resume?
  - Would you buy a car without driving it?
- Review responses to questions and services offered.
- Define the meeting
- How long should the meeting last?
- Why should you call references?
  - What should you ask them?

# Select Primary Depository

- Prepare Recommendation – Make your business case.
- Get buy-in of key decision makers
- Is there a Finance Committee that needs to approve before going to council?
- How far in advance of the council meeting do the docs need to be prepared

# Month 5 – Council Approval

- Is a presentation necessary?
- Will it go on consent?
- Invite the bankers to the meeting?
- Notify all respondents of the outcome
- Be prepared to explain your decision to the other banks

## Months 6 & 7 – Transition (if needed)

- Build in time to allow for the transition.
- How many times do RFA's result in a bank change?





## Questions?

- Tim Pinon

[tdpinon@valleyviewconsultingllc.com](mailto:tdpinon@valleyviewconsultingllc.com)

- Scott Martin

[Scott.Martin@texascapitalbank.com](mailto:Scott.Martin@texascapitalbank.com)