



17-581

TITLE: Consider/Discuss/Act on a Resolution to Extend the American National Bank Depository Contract

COUNCIL GOAL: Financially Sound Government

MEETING DATE: June 6, 2017

DEPARTMENT: Financial Services

CONTACT: Mark Holloway, Chief Financial Officer

RECOMMENDED CITY COUNCIL ACTION:

- Adopt the Resolution.

ITEM SUMMARY:

- The original depository contract with American National Bank (ANB) allowed for one (2) two-year continuation period.
- The primary original three year agreement was signed on June 3, 2014 and will expire June 30, 2017.
- Staff is satisfied with American National Bank's performance and recommends a continuation of the current agreement with mutually agreed upon provisions which will expire June 30, 2019.
- The City has opted to receive direct billing of bank service charges in lieu of having a compensating balance to offset the charges.

BACKGROUND INFORMATION:

- Section 105.017 of the Local Government Code states that a municipality may approve, execute, and deliver any depository service contract whose term does not exceed five (5) years.
- All pertinent requirements comply with Section 110 of the City of McKinney City Charter and Section 105.017 of the Local Government Code.

FINANCIAL SUMMARY:

- All contract terms remain as stated in the original contract with the exception of :
 - ANB will no longer provide all banking services and safekeeping at no

cost in lieu of an average \$18,000,000 in Collected Non-Interest Bearing Compensating Balance Accounts

- City will maintain an investment account not to exceed \$50,000,000 at ANB's Public Fund Money Market Rate (PF/MM) plus 38 basis points (bp), with a floor of .43%
- The City will annually appropriate and pay bank service charges of approximately \$66,000.
- Interest earnings for not having the Compensating balance will be approximately \$170,000.

	Current Agreement	2 Year Continuation
Interest	15 bp above ANB's PF/MM rate only on investment account (currently .20%)	38 bp above ANB's PF/MM rate only on investment account (currently .43%)
Compensating Balance	\$18 million	None
Pledged Securities	\$50 million	\$50 million

BOARD OR COMMISSION RECOMMENDATION: N/A

SUPPORTING MATERIALS:

[Resolution](#)

[2017 ANB Depository Contract](#)

[ANB Fee Analysis](#)