



# CITY OF MCKINNEY, TEXAS

## Legislation Text

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**File #:** 17-581, **Version:** 1

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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.

	<b>Current Agreement</b>	<b>2 Year Continuation</b>
<b>Interest</b>	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%)
<b>Compensating Balance</b>	\$18 million	None
<b>Pledged Securities</b>	\$50 million	\$50 million

**BOARD OR COMMISSION RECOMMENDATION:** N/A