



May 16, 2024

Mr. Kelvin Bryant
Investment and Treasury Manager
City of McKinney
222 North Tennessee Street
McKinney, Texas 75069

Dear Mr. Bryant:

We sincerely appreciated and welcomed the opportunity to assist the City of McKinney (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 June 30, 2024. This agreement, when approved, will commence on July 1, 2024 and terminate on June 30, 2027. Upon the option of the City, the contract may be extended for two additional one-year 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 as well as the 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 within the municipal boundaries of the City:
 - a. Bank of America, N.A.
 - b. Bank OZK
 - c. Bank of Texas
 - d. Cadence Bank

- e. Commercial Bank of Texas, N.A.
 - f. First Guaranty Bank
 - g. First United Bank and Trust Company
 - h. Heritage Land Bank
 - i. Independent Financial
 - j. JPMorgan Chase Bank, N.A. (incumbent)
 - k. Origin Bank
 - l. PNC Bank, N.A.
 - m. Prosperity Bank
 - n. The American National Bank of Texas (incumbent)
 - o. Truist Bank
 - p. Valliance Bank
 - q. Wells Fargo Bank, N.A.
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. Bank OZK
 - b. First Guaranty Bank
 - c. First United Bank and Trust Company
 - d. Independent Financial
 - e. JPMorgan Chase Bank, N.A.
 - f. The American National Bank of Texas
9. By the closing deadline, applications were received from:
 - a. B1Bank
 - b. Bank OZK
 - c. First Guaranty Bank
 - d. Independent Financial
 - e. JPMorgan Chase Bank, N.A.
 - f. Prosperity Bank
 - g. The American National Bank of Texas
 - h. Wells Fargo Bank, N.A.

Application Analysis

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 qualified responding financial institutions exhibited acceptable financial strength and the ability to provide services the City requested.

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).

The American National Bank and First Guaranty Bank each offered a "no-fee" application with interest earning checking account as a hard interest option. With a "no-fee" application the earnings credit rate is not applicable. Each of the remaining 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. Historical average annual deposit balances of \$30,381,591 have been maintained by the City, therefore the analysis was completed assuming the same historic average balance.

Evaluation

The evaluation of the applications was based on the following criteria developed by the City's Evaluation Committee with the scoring points assigned for each:

1. 30 Points - Cost of required banking services and earnings potential in differing account structures.
2. 15 Points - Terms and capabilities to provide required services.
3. 25 Points - Financial strength of the institution.
4. 25 Points - Customer service structure.
5. 5 Points - Collateralization.

The first scoring procedure by the Evaluation Committee eliminated from further consideration five of the eight financial institutions based on scores: American National Bank of Texas, b1Bank, Bank OZK, First Guaranty Bank, and Prosperity Bank,

Of the remaining financial institutions, Independent Financial, JPMorgan Chase Bank, and Wells Fargo Bank, were invited for an individual presentation and demonstration of their services and support capabilities. Following the presentations and demonstrations, the Evaluation Committee updated the scoring matrix for these three financial institutions. Following the demonstrations, all three finalists were extended an opportunity to respond to a best and final offer (BAFO) request.

Following the responses to the BAFO, the Evaluation Committee completed the final scoring matrix with JPMorgan Chase Bank, N.A. earning the recommendation based on the City's evaluation criteria.

Recommendation

Based on the analysis results and the criteria scoring by staff, it was determined that the terms offered by JPMorgan Chase Bank, N.A. provide the "most advantageous value" to the City. The staff recommends that the Council award the Primary Depository Bank Services contract to JPMorgan Chase Bank, N.A. and authorize the City Manager to execute the agreements necessary to implement the banking relationship.

Please contact Orlando Saenz, Richard Long, or me to discuss any questions or additional information needs.

Thank you for this opportunity to serve the City of McKinney.

Sincerely,



Tim Pinon
Valley View Consulting, L.L.C.