



July 1, 2025

Jawaria Tareen  
Deputy City Manager  
City of Farmers Branch  
13000 William Dodson Pkwy  
Farmers Branch, TX, 75234

Dear Ms. Tareen;

Thank you for the opportunity to assist the City of Farmers Branch (the “City”) with this Depository 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 ended April 30, 2025. Valley View Consulting was contacted in early April to assist the City with the RFA project. To provide the time necessary to complete the RFA, the City requested and received a six-month extension of the current contract, to carry the contract through October 31<sup>st</sup> in order to complete the project and to provide time for a transition in the event that a different depository was selected. The new agreement, when approved, will commence on September 1, 2025, and terminate on August 31, 2027. At the option of the City, the contract may be extended for three (3) additional one (1) 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 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. The following banks with a location within the City limits of Farmers Branch were invited to submit a proposal:

- a. JPMorgan Chase Bank (Incumbent)
  - b. Wells Fargo Bank
4. Initiated contact with the financial institutions to confirm distribution information, and identify the designated recipients with those banks.
5. Drafted the RFA for the City's review and approval.
6. Posted the notice and advertised the RFA.
7. Distributed the RFA to the identified financial institutions.
8. Held a non-mandatory pre-proposal conference that was attended by representatives of:
  - a. Capital One Bank (Ineligible. Branch is located just outside the City limits.)
  - b. JPMorgan Chase Bank (Incumbent)
  - c. Wells Fargo Bank
9. By the closing deadline, proposals were received from:
  - a. JPMorgan Chase Bank (Incumbent)
  - b. Wells Fargo Bank

The evaluation of the proposals was based on, but not limited to, the following criteria, in no particular order of priority:

1. Ability of applicant to perform and provide the required and requested services;
2. References provided and quality of services;
3. Cost of services;
4. Transition cost, retention and transition offers, and incentives;
5. Interest rates on interest bearing accounts and deposits;
6. Earnings credit rate on compensating balances;
7. Previous service relationship with the City;
8. Convenience of location(s);
9. Completeness of Proposal; and
10. Financial strength and stability of the institution.

### **Proposal Analysis**

The Proposal Analysis began with an evaluation of the breadth of services offered by each bank, the cost for services, and the interest rates offered on the City's deposits with the bank. For the preceding twelve-month period, the City maintained an average deposit balance of \$1.3 million, so this figure was used in the calculations. The tables on the following page captures the summary of the financial comparison of the applications.

FEE ANALYSIS OF DEPOSITORY SERVICES FOR 2 YEAR CONTRACT			
	JPM CHASE Incumbent	JPM CHASE Sweep Option	WELLS FARGO
Projected Operating Account Balance	\$1,300,890	\$1,300,890	\$1,300,890
<b>Proposed Fees - Banking Services</b>			
<b>Monthly Fee Estimate</b>	(1,979)	(1,979)	(2,661)
Maximum waiver amount allowed	\$13,000	\$13,000	\$35,000
Number of months of waived fees	6	6	13.15
Amount of <b>TOTAL</b> Fees Waived	\$11,873	\$11,873	\$35,000
<b>Fees for Two Year Term</b>	(35,618)	(35,618)	(28,875)
<b>Earnings Credit</b>			
Rate	1.97%	1.97%	2.25%
Target DDA Compensating Balance	\$1,205,348	\$130,312	\$130,312
Monthly Earnings Credit	\$1,979	\$214	\$244
Earnings Credit for Two Year Term	\$35,618	\$3,851	\$2,651
<b>Net Fees for Two Year Term</b>	<b>0</b>	<b>(31,767)</b>	<b>(26,224)</b>
<b>Interest Income Estimate</b>			
<b>Investment Option</b>	Hybrid DDA- ECR first, then IB DDA	MMF Sweep	MMF Sweep
<b>Rate Basis</b>	Bank Managed	Market	Market
Interest Rate (6/10/25)	1.87%	3.77%	4.24%
Balance Available During Waiver Period	\$1,205,348	\$130,312	
"Bonus Interest" earned during waiver period	\$11,270	\$1,218	
Balance Available to earn Interest	\$95,542	\$1,170,578	\$1,300,890
Monthly Investment Income	\$149	\$3,678	\$4,596
Two Year Investment Income	\$14,843	\$89,480	\$99,265
<b>Two Year Net Income</b>	<b>\$14,843</b>	<b>\$57,713</b>	<b>\$73,041</b>
<b>Contract Incentives</b>			
Funds offered for Bank Supplies	\$1,127	\$1,127	\$5,000
<b>Two Year Net Income w/ Incentives</b>	<b>\$15,971</b>	<b>\$58,840</b>	<b>\$78,041</b>

FEE ANALYSIS OF DEPOSITORY SERVICES FOR 5 YEAR CONTRACT			
	JPM CHASE	JPM CHASE	WELLS FARGO
Fees for Five Year Term	(106,854)	(106,854)	(124,687)
Earnings Credit for Five Year Term	\$106,854	\$11,552	\$11,447
Net Fees for Five Year Term	0	(95,302)	(113,240)
Five Year Investment Income	\$20,203	\$220,662	\$248,162
Five Year Net Income	\$20,203	\$126,570	\$134,922
<b>Five Year Net Income w/ Incentives</b>	<b>\$21,331</b>	<b>\$127,698</b>	<b>\$139,922</b>

## **Recommendation**

One of the findings from this process was the opportunity for the City to use the JPMorgan Chase Investment Sweep option. As illustrated in the preceding tables, this option will add more than \$100,000 in interest income over the next five years when compared to the current model. Another benefit is that this option will reduce the number of transfers the finance team must make between the bank account and other investment options.

The City is required by Texas Local Government Code to solicit for Depository Bank Services every five years and the City anticipates entering into an agreement that will last for the next five years. Based on the City's evaluation criteria listed earlier and the detailed financial analysis, we concur with staff's findings that JPMorgan Chase Bank represents the "most advantageous" application for the City for the following reasons:

1. As the incumbent, JPMorgan Chase has been an excellent and proven business partner to the City.
2. JPMorgan Chase can provide all the services the City requires at this time, and will likely require in the future.
3. Proposed cost of services is lower than the fees proposed by Wells Fargo Bank.
4. Since JPMorgan Chase is the incumbent bank there will be no transition costs.
5. While the application from Wells Fargo offers a potential benefit of \$12,224 over the five-year period, this amount is insufficient to cover both the soft and hard dollar costs of a bank change, as well as the impact on staff resources. A declining interest rate environment would likely diminish this advantage over the next five years.
6. JPMorgan Chase's application was complete and in agreement with the points outlined in the RFA.
7. The banking team assigned to the City has provided dependable and professional service over the past 5 years.

The initial contract term will be two (2) years, commencing September 1, 2025, with three (3) additional one-year extension options under the terms and conditions.

Please contact Orlando Saenz or me to discuss any questions or additional information needs. Thank you for this opportunity to serve the City of Farmers Branch.

Sincerely,

A handwritten signature in blue ink that reads "Tim Pinon".

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