

Banking Services Proposal Analysis

In response to Request for Proposals for Banking Services (RFP #2010-219), the City of Texas City received completed proposals from both Texas First Bank and Amegy Bank of Texas. This report will evaluate both proposals and address which bank will be most beneficial for providing the City with depository services.

Both banks fully meet all minimum qualifications, as well as offered predominantly equal services. Each fully meet the City's expectations for online banking services, which is of vital importance as the City moves to a new software system to stay current in this technological environment. However, there are marginal differences in service charges. The attachment is a detailed breakdown of estimated charges for all banking services, showing a total monthly fee, using October 2009 as a sample month. This attachment illustrates the following:

- While Texas First Bank charges a higher account maintenance fee and an additional cash management fee not incorporated by Amegy Bank, Texas First Bank offers a lower fee for account reconciliation.
- Texas First Bank charges more per transaction for both deposits and items per deposit. This line item may become irrelevant through the use of remote capture deposit, which would allow the City to image all deposits on-site, and would result in a fixed monthly fee rather than a variable cost.
- Amegy Bank charges \$.15 more per credit posted and \$.02 more per debit posted, making Texas First Bank's fees marginally lower.
- Amegy Bank charges \$1.00 more per returned check, which would add additional monthly charges.
- Texas First Bank charges more for both incoming and outgoing wire transactions, resulting in higher fees.
- Amegy Bank charges an additional \$6.00 per stop payment transaction, which occurs only in limited instances.
- A key note of interest is the earnings credit offered by each bank:
 - Amegy Bank offers 50 basis points and uses the overall account balance to calculate total earnings credit, while Texas First Bank offers 25 basis points and uses the account balance less the reserve requirement of 10%.
 - As it is separate from interest credit, the earnings credit will not provide a positive credit towards the account.
 - This means that total service fees will equal all incurred service charges less total earnings credit to reduce monthly charges to a minimum of \$0.00
 - Texas First Bank has also noted that the earnings credit is highly flexible.

With the earnings credit at the current proposed rates, Texas First Bank would charge slightly greater monthly service fees, typically less than \$100.00 per month. However, with an increase to Texas First Bank's earnings credit by even an additional 25 basis points, the difference in the two banks' service charges would become minimal. An increase in greater than 25 basis points may lead to Texas First Bank providing lower fees than Amegy Bank of Texas.

Due to Texas First Bank's history as the City of Texas City's depository institution, the fact that all services offered are both satisfactory and to the full requirements of the Request for Proposal, and the likelihood of a minimal fee difference between the two proposing banks, it is the opinion of the City of Texas City Finance Department that Texas First Bank be awarded the contract to continue providing the City's depository services.

ESTIMATED ACCOUNT ANALYSIS

Net Monthly Earnings/Expenses

Pro forma calculations

Average Ledger Balance	\$ 8,186,169.03
Less: Average Float	-
Average Collected Balance	8,186,169.03
Less: Reserve Requirement - 10%	(818,616.90)
Investable Balance	7,367,552.13

		Texas First Bank		Amegy Bank of Texas	
	<u>Volume</u>	<u>Unit Charge</u>	<u>Total Fee</u>	<u>Unit Charge</u>	<u>Total Fee</u>
Account Service Charges					
Account Maintenance	1	\$ (15.00)	\$ (15.00)	\$ (5.00)	\$ (5.00)
Cash Management Fee	1	(19.95)	(19.95)	0.00	0.00
Account Reconciliation	1	(25.00)	(25.00)	(60.00)	(60.00)
Deposits	103	(0.35)	(36.05)	(0.25)	(25.75)
Items Deposited ¹	2,000	(0.10)	(200.00)	(0.06)	(120.00)
Credits Posted	206	(0.10)	(20.60)	(0.25)	(51.50)
Debits Posted	1,442	(0.10)	(144.20)	(0.12)	(173.04)
Return Items	23	(3.00)	(69.00)	(4.00)	(92.00)
ACH Debits/Credits	139	(0.10)	(13.90)	(0.08)	(11.12)
Incoming Wire	0	(7.00)	-	(5.00)	-
Outgoing Wire	3	(15.00)	(45.00)	(5.00)	(15.00)
Stop Payments	0	(26.50)	-	(32.50)	-
Safekeeping Charges:					
Interest Credit	1	0.00	0.00	0.00	0.00
Receipt Deposit	0	0.00	0.00	0.00	0.00
Outgoing	0	0.00	0.00	0.00	0.00
DVP FRB	0	0.00	0.00	0.00	0.00
DVP NY	0	0.00	0.00	0.00	0.00
FDIC Insurance @ APR		0.15%	(1,042.90)	0.15%	(1,042.90)
Account Earnings					
Earnings Credit		0.25%	<u>1,564.34</u> ²	0.50%	<u>3,476.32</u> ³
Net Earnings (Cost) of Account:			<u>\$ (67.25)</u>		<u>\$ 1,880.01</u>
Total Monthly Service Charge			\$ 67.25		\$ -

¹ Total items deposited based on estimations

² Earnings credit based on average collected balance, less 10% reserve, multiplied by the average discount rate. Rate subject to change

³ Earnings credit based on average collected balance multiplied by the average discount rate. Rate subject to change