

**Board of Trustees  
La Porte Independent School District  
La Porte, TX**

**BOARD MEETING DATE:** April 11, 2017

**AGENDA ITEM NAME:** Approve the proposal for Depository Services and authorize the Superintendent or Superintendent's designee to execute a contract.

**THIS ITEM RELATES TO BOARD GOAL(S):** 5

**BACKGROUND INFORMATION:** A legal notice was published in the Bay Area Observer for RFP 17-002. In addition, the purchasing office mailed/emailed proposals to nine banks and one bank responded.

Every two years, school districts are required by the Texas Education code to review their depository contract arrangement. At least once every six years, districts are required to formally bid this service out to banks in the community. We mailed our proposal notice and RFP to each bank located in the district as required by state law.

Our criteria for evaluating the proposal was based on cost of services, automated services, ability of the bank to provide the necessary services and perform the duties as depository, experience in providing depository services to similar accounts (strength of project team), collateralization policy and type of third-party institution holding collateral, fraud prevention and notification policy, interest rates offered on time deposits and other earnings potential, and any additional services offered that might be advantageous to the District.

**ADMINISTRATIVE RECOMMENDATION:** Administration recommends the Board of Trustees of La Porte Independent School District approve the proposal for Depository Services and authorize the Superintendent or designee to execute a contract with Wells Fargo.

**ATTACHMENTS:** Evaluation summary, fee schedule and evaluation worksheet

**BUDGET INFORMATION:** N/A

**RESOURCE PERSONNEL:** Rhonda Cumbie, Chief Financial Officer, Vicki Garcia, Director, Finance, Sheila V. Cantu, Coordinator, Purchasing/Contracts

**RECOMMENDED MOTION:** I move to approve and award the proposal for Depository Services and authorize the Superintendent or designee to execute a contract with Wells Fargo.

# **La Porte Independent School District**

## **Summary of Significant Criteria for Evaluating Depository Proposals**

### **Summary Note**

Proposal Notices were sent to each bank located in the district as required by state law. One submittal was received. The single submittal was received from Wells Fargo. Wells Fargo is the District's current depository bank.

### **Cost of Services**

Based on the current economic conditions Wells Fargo's costs are reasonable for the district's needs. Using estimated volumes for a typical month our analysis resulted in estimated monthly costs of depository services as \$3,320. These costs will be offset by the earnings credits received each month. Our analysis was fairly comprehensive and our actual monthly costs will vary month to month. In addition, Wells Fargo has offered the following incentives.

- Superior earnings credit rate, currently .49%, based on the 90-day average T-bill rate plus a variance. Rate will be reviewed on a monthly basis.
- Annualized billing to allow excess earnings credits to be carried from month to month, covering short falls throughout the year.
- In the event of year end analysis charge, Wells Fargo will waive the two highest month's charges for the life of the contract.
- Additional scanner for use at location of our choice to be used with Wells Fargo remote deposit services.
- Armored courier service fees can be charged through account analysis. If the District decides to not take advantage of this service Wells Fargo will continue to reimburse for armored courier service charges the District incurs up to \$400 per month.

### **Automated Services Offered**

Wells Fargo offers many automated services that the District is currently taking advantage of using. The following is a list of some of these services.

- Event messaging
- Accounts payable EFT vendor payment processing
- Payroll ACH (direct deposit) processing
- Wire transfers
- Notification of ACH returns
- ACH reversal processing

- Positive pay register, ARP register updating for stop payments and voided checks
- Online stop payment processing
- Online paid check search, deposited checks search (images of checks and deposits)
- Desktop deposit (remote capture of checks)
- ZBA accounts
- Multiple downloadable reports to assist district in reconciling accounts.

In addition, there are some automated services that Wells Fargo offers that we may wish to implement in the future. The following is a list of some of these services.

- Purchasing cards
- Merchant cards
- Sweep accounts
- Payroll debit cards

**Ability of the bank to provide the necessary services and perform the duties as depository. Experience in providing depository services to similar accounts (strength of project team)**

We reviewed the financial strength of Wells Fargo. As a part of Wells Fargo and Company, Wells Fargo has a nationwide presence and has over \$1.75 trillion in assets as of December 31, 2016.

Wells Fargo has a dedicated government client team and they currently serve several other school districts and government entities. Our current relationship with Wells Fargo has been positive as the client services team's customer service has proven to be a value to the district.

**Collateralization policy and type of third-party institution holding collateral**

The Federal Reserve Bank currently acts as custodian for the securities pledged as collateral for our funds. To improve services, Wells Fargo is in the process of consolidating the banks it uses as custodian for public funds collateral. The new custodial bank will be The Bank of New York Mellon Trust Company. The advantages of transferring the custodial responsibility to BNY Mellon include:

- Market value of securities pledged on monthly BNY Mellon statement
- No three-party or four-party call back required to complete transactions
- Online access to our custody accounts via BNY Mellon INFORM

**Fraud prevention/notification policy**

Due to the ever present risk of fraud, both cyber and traditional, the District considers banking safeguards an important consideration in selecting a banking partner. Wells Fargo provides many desirable safeguards through its Commercial Electronic Office portal including positive pay, payee validations, and ACH fraud filters.

## **Interest rates offered on time deposits and other earnings potential**

While safety of principal and liquidity top the list of importance with regards to investment objectives, the District must also seek out investments that will increase earnings. Below is rate information about Wells Fargo's investment opportunities.

- .49% ECR - January 2017
- .02% Interest Bearing Accounts - January 2017
- .03% Money Market Accounts - January 2017
- .41% Sweep Accounts - January 2017
- Time Deposits > \$100,000 (3 Month CD)
- .70% (rate received from Wells Fargo Securities)

## **Summary**

We would like to thank Wells Fargo for taking the time and effort to complete the District's RFP. We believe that Wells Fargo has the experience we are looking for to handle our banking needs and our positive relationship over the past six years confirms our desire to continue the relationship. Therefore, we recommend Wells Fargo as the District's local depository.