



Agenda Item Report

Legislative Board: City Council
Date: November 5, 2025
Contact: Bianca Redmon
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ITEM TITLE: Approval to award Request for Proposal (#25-269) and designate Wells Fargo Bank, N.A. as the City's depository for the management of City funds and to authorize the City Manager to negotiate and execute the resulting agreement (Finance Director Bianca Redmon)

1. EXECUTIVE SUMMARY

The City's existing depository agreement with Wells Fargo Bank (Contract No. 20-004) has reached the end of its contractual term. In preparation for a new depository agreement, staff advertised RFP #25-269, in compliance with Texas Local Government Code, Chapter 105, to solicit sealed proposals for qualified banking institutions to provide Depository and Banking Services for the City. Banking services being requested under this RFP include full service basic banking services including but not limited to receiving deposits, remote deposits, paying items, wire transfers (in and out), stop payments, positive pay verifications, ACH services, account analysis, records management, monthly statements, special reports, meeting daily collateral requirements, quarterly feedback meetings, etc.

2. BACKGROUND/HISTORY

The City Council originally awarded a Depository Agreement (20-004) to Wells Fargo Bank in August 2020 for a term beginning September 1, 2020, and ending August 31, 2023, with two additional one-year extension options. Both options were exercised, and the agreement ultimately expired on August 31, 2025.

On August 14, 2025, the City executed a 90-day extension with Wells Fargo under the same terms and conditions, as allowed under the current contract provisions. This temporary extension allows the City to maintain uninterrupted banking services through November 29, 2025, while completing the procurement and selection process for a new contract.

The City Council previously approved updates to the Comprehensive Financial Management Policy to align with Texas Local Government Code Section 105.011(b)(2), permitting consideration of out-of-city banking institutions. In accordance with Section 105.001(1), a City Council may select any state or national bank that maintains its main or branch office within Texas.

3. ANALYSIS

Bid Process

City staff prepared and issued RFP #25-269 for Depository and Banking Services, in accordance with the requirements of the Texas Local Government Code, Chapter 105. The solicitation was publicly advertised in both the Austin American-Statesman and Hays Free Press and was posted on

the Public Purchase and BidNet websites respectively beginning July 9, 2025.

This meets the requirements of Local Government Code Section 105.012, which mandates publication for at least 21 days in both a local newspaper of general circulation and a financial publication of general circulation within Texas. According to the Texas Municipal League, the business section of a major regional newspaper satisfies this requirement.

Two proposals were received and formally opened on August 7, 2025, at 2:00 PM. The proposals were submitted by:

- Wells Fargo Bank, N.A.
- Regions Bank

An evaluation team was convened to review and score the submissions. Based on the evaluation results, Wells Fargo Bank, N.A. was determined to be the highest-ranked offeror. A summary of the evaluation has been included with this agenda item.

Under Texas Local Government Code, the term of a depository contract may not exceed five years. Consistent with the prior agreement, staff recommends a three-year contract with two optional one-year renewals.

Services

Wells Fargo will continue to provide the City with current services including:

- Various bank accounts
- Collateralization of deposits
- Safekeeping services
- Reporting/reporting and account analysis
- Sweep accounts
- Standard & remote deposit services
- Currency orders
- Remote deposits
- Disbursing services
- Positive pay services
- Wire transfer services
- General ACH & direct deposit services
- Stop payment services
- E-lockbox services
- Banking supplies

The City is seeking to add two additional services related to fraud protection that Wells Fargo described in their response:

- **Account validation services:** Allows the City to confirm account ownership and status in real time. Through a partnership with Early Warning Services, this tool supports compliance with Nacha requirements and helps reduce fraud and payment returns associated with ACH, check, and wire activity. These capabilities improve efficiency, protect City funds, and minimize disruptions related to invalid account information.
- **Perfect receivables:** Wells Fargo offers a “Perfect Receivables” service that enhances security and improves efficiency in processing incoming payments. Instead of using the City’s true bank account number, a proxy account number is provided to each payer. This helps protect City funds by preventing fraudulent attempts to withdraw money through counterfeit checks or unauthorized wire requests. This service is designed to reduce manual work, improve cash flow management, and strengthen fraud prevention in the City’s payment operations.

Other Key Items to Note

Funds held on deposit:

- Under Chapter 2257, Texas Government Code (Collateral for Public Funds), a deposit of public funds with a depository must be secured by eligible securities to the extent and in the manner required by the chapter.
- Under Subchapter F of Chapter 2257, a participating depository institution and a public entity may elect to use a central pooled collateral mechanism. In that alternative, the law requires that the institution secure its deposits with eligible securities having a total market value of at least 102 percent of the amount of the public fund deposits covered by the security agreement.
- Accordingly, Wells Fargo has agreed to continue to collateralize the City's public-fund deposits to a level of 102 percent of the ledger balance (less \$250,000 insured by the federal deposit insurance). This means that for every dollar of deposit, at least \$1.02 of eligible collateral is pledged and held in trust (via a custodian) for the benefit of the City.
- The collateral is held by an approved custodian trustee, as mandated by statute, and the City retains the right to inspect pledge detail, trust receipts, CUSIP lists, and market valuations under the law.
- This arrangement affords the City strong protection: in the event of Wells Fargo's default as depository, the pledged collateral is available to the City (via the trust structure) to cover deposits above the federal insurance limits.

Funds swept into a Money-Market Fund (MMF):

- The sweep component of the deposit arrangement moves excess operating funds from the depository account into a money-market fund vehicle (structured through Wells Fargo). It is important to clarify that the MMF portion is not part of the deposit collateral-pledge structure under Chapter 2257. Specifically, those funds are no longer deposits with the bank that participate in the statutory 102 percent collateral pledge, but rather investments in the MMF.
- Although not collateralized by Wells Fargo in the sense of a pledge of securities backing the deposit, the MMF remains very secure and appropriate for short-term liquidity for a number of reasons:
 - The MMF invests in high-quality, short-term, highly liquid instruments (such as U.S. Treasury obligations, repurchase agreements collateralized by Treasuries, etc.)
 - The MMF is managed under regulatory constraints (including those applicable to municipal short-term funds) and provides same-day liquidity or very short settlement cycles, which is consistent with the City's liquidity policy for operating reserves.
 - Even though the funds in the MMF are not pledged collateral in the Chapter 2257 sense, they are subject to independent oversight, transparency (daily valuations, portfolio holdings disclosures), and the risk profile is extremely conservative.
 - From a policy and risk-management perspective: the deposit portion (in the bank account) carries statutory collateral coverage (102 percent pledge) while the sweep investment portion is managed as a short-term cash-equivalent investment. The dual structure gives the City both the protection of the collateral statute for its bank deposit and the flexibility and yield-/liquidity-enhancement of the MMF sweep.

4. FINANCIAL IMPACT

While Wells Fargo's proposed fees increased compared to the prior contract, the overall proposal remains competitive when comparing to the other proposal received and also when factoring in service quality.

Fees for depository and banking services are offset in part by the Earnings Credit Rate (ECR), which represents a credit the City earns based on its account balances. Rather than earning traditional

interest, the ECR allows the City to apply those credits toward monthly banking service charges. A higher ECR provides greater offsets to fees, reducing the City's out-of-pocket banking expenses. In other words, the ECR is essentially a benefit the City earns from keeping money in its bank accounts. Instead of receiving interest, the bank gives the City a credit that helps pay for monthly banking fees. The higher the rate, the more those credits offset the City's costs for banking services.

When reviewing the proposal, it was noted that the average collected balance needed to offset fees was a little less than \$2m. The remaining balance would continue to be automatically "swept" into a money market mutual fund, earning market-based interest, ensuring idle funds are continuously invested while maintaining daily liquidity for city operations.

Banking service fees and related costs are budgeted annually. Staff is currently negotiating the fees and the earnings credit rate.

5. STRATEGIC PLAN/GOALS

EXCEPTIONAL CITY SERVICES

6. STRATEGIC PLAN OBJECTIVES

Deliver City services consistent with our City of Buda mission and core values

7. PROS AND CONS

Pros:

- Maintains continuity of banking services with a long-term, reputable institution familiar with the City's operations.
- Strong fraud protection services the City can opt into.
- Reduced administrative transition burden compared to implementing a new banking platform.
- Provides flexibility to manage average collected balances strategically to generate sufficient ECR credits to cover service fees.
- Funds within a MMF typically earn a higher interest rate.

Cons:

- Overall fee structure reflects an increase compared to the prior contract.
- Limited number of competitive proposals (two total), reducing pricing leverage.

8. ALTERNATIVES

Council may reject all applications and re-advertise for new proposals.

9. REQUESTED ACTION / SUGGESTED MOTION / RECOMMENDATION

Staff recommends that the City Council designate Wells Fargo Bank, N.A. as the City's depository for the management of City funds and authorize the City Manager to execute a new Depository Agreement for a term of three years with two one-year renewal options.

Attachments:

[Public Opening Sheet.pdf](#)

[Depository & Banking Services Scoring Matrix.pdf](#)