



AGENDA MEMORANDUM

Action Item for the City Council Meeting December 16, 2025

DATE: December 16, 2025

TO: Peter Zaroni, City Manager

FROM: Sergio Villasana, Jr., Director of Finance & Procurement
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Depository Bank Services Agreement between the City of Corpus Christi and Frost Bank

CAPTION:

One reading ordinance designating Frost Bank as the depository for the City's municipal funds pursuant to Chapter 105, Local Government Code; and authorizing the City's Director of Finance & Procurement to execute a five-year depository services contract to commence on January 1, 2026.

SUMMARY:

This ordinance establishes the City's Director of Finance & Procurement to execute a contract with Frost Bank to provide Depository Banking Services that include banking, lockbox, safekeeping, collateral, and related financial services to the City of Corpus Christi for a period of five years, commencing on January 1, 2026, and ending on December 31, 2030, and authorizes other matters incident and related thereto.

BACKGROUND AND FINDINGS:

The State of Texas municipal depository law, Local Government Code Chapter 105, provides the general provisions for depositories of municipal funds. Requirements pursuant to Chapter 105 of the Local Government Code include a depository contract term that does not exceed five years and approval by the governing body of the local municipality. To remain compliant with Chapter 105 of the Texas Local Government Code, which limits the depository contract term to five years, one reading of the City Council ordinance is required. The agenda deadline for the two-reading ordinance was missed due to a combination of factors including the compressed annual reporting schedule, agenda timeline oversight, and funding monitoring that extended review and approval times. The Finance Department will implement additional monitoring to meet the agenda item deadlines in the future.

The current five-year Depository Contract with Frost Bank is for the period January 1,

2021 – December 31, 2025. The total estimated contract was approximately \$919,000, of which only about \$860,000 is expected to be expensed through the end of December 2025. The use of earnings allowance reduced the City's total cash outlay to about \$142,000. The Depository Contract fees are based upon the number of items processed with fees fluctuating monthly. The use of earnings allowance will be reviewed to determine if it is more advantageous, when possible, for the City to invest funds or retain the funds in the Frost Bank account to reduce the total cash outlay.

The contract will engage a qualified financial institution to provide depository services for the City, which include the following: maintenance of required bank accounts, deposit services, cash vault services, armored car deposits, lockbox processing services, electronic funds transfers for outgoing and incoming transactions, balance/transaction reporting, safekeeping services, and maintaining collateral requirements in accordance with State law (Chapter 2257, Government Code – Collateral for Public Funds) and the City's Investment Policy.

Depository banking services include implementing security measures to protect and assist the City with its fiduciary responsibilities. The banking services used by the City include controlled disbursement accounts, positive pay, ACH blocks, ACH filters, online intra-day banking inquiries, account transfers, wire transfers, Automated Clearing House (ACH) processing, remote deposit capture, image cash letter and eLockbox processing. Additional services include check imaging and vendor and payroll electronic funds transfers.

Lockbox services include collecting, processing, and depositing the City's receivables directly through a post office box. All items collected during the business day are deposited on a same day basis, with same day reporting available through electronic transmission.

Safekeeping and custody services are used to clear the purchase and maturity of the City's investment securities as well as safekeeping the securities. The City's investments are marked to market monthly on the last business day of the month.

Pledged collateral is required on all uninsured collected balances plus accrued interest. The market value of the pledged securities will be at least 102%. Collateral is required by the City's Investment Policy and Chapter 2257, Government Code ("Public Funds Collateral Act").

The Evaluation Committee consisted of two members from the Finance Department, Julie Sandoval, Assistant Director of Finance – Accounting and Treasury and Judy Villalon, Controller over Treasury and one member from the Budget Department Amy Cowley, Director of Management & Budget. The Evaluation Committee thoroughly reviewed and evaluated all applications and scored the Applicants based on the evaluation criteria in the written applications and references.

Frost Bank has provided excellent customer service to the City of Corpus Christi for over 28 years. Frost Bank offers the necessary services that the City requires to allow for efficient banking transactions. Frost Bank provides the City with local vault services, local Relationship Banking Officer, eight local banking centers, and an easy to navigate online banking site. The lockbox service allows for mailed payments to be received quickly from the Corpus Christi area for Corpus Christi Water utility payments, Fire Department Emergency Management Services (EMS) payments and Corpus Christi Police

Department Alarm Permit payments. Additionally, electronic lockboxes are set up to handle the processing of bill pay payments from water utility customers and allow for the efficient processing of payments through the uploading of a file by City staff. Frost Bank's positive pay services prevent unauthorized, counterfeit or altered checks to clear on a City account and allow for the blocking or filtering of Automated Clearing House (ACH) payments. Frost Bank allows for online research of payments and deposits for efficient use of City staff time. The City utilizes remote deposit services and image cash services to electronically submit deposits. Payment templates are set up for recurring payments. Zero balance accounts are used to automatically transfer funds at the end of the day. ACH payments are made through the City's Accounts Payable and Payroll areas for the efficient processing of payments. City staff are trained in accessing and utilizing the Frost Bank website and processes for payments and deposits. Customers, merchant providers, state agencies, federal agencies and grantees will continue to utilize the same banking information and lockbox addresses with no change to their procedures. Frost Bank offers reliable in-house safekeeping services billed through the monthly account analysis statement.

The Government Code, Title 10. General Government, Subtitle F. State and Local Contracts and Fund Management, Chapter 2257. Collateral for Public Funds, Subchapter A. General Provisions requires that public funds be secured by eligible security in an amount not less than the amount of the deposit of public funds and accrued interest. The Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) provide deposit insurance for a limited amount of funds deposited. Therefore, financial institutions that handle public funds must have the ability to collateralize those deposits in excess of FDIC or NCUA coverage. Many institutions do not have the ability to accept public funds that require collateralization. Frost Bank has proven over the years that they can collateralize the City's public funds.

The City's utilization of bank services requires computer integration between the bank and the City's accounts payable and payroll systems for payments to vendors and employees. Utility, EMS and Alarm Permit payment coupons require appropriate formatting so that the financial institution can read and process the coupon along with the payment for file creation. Additionally, payments received through the lockboxes require file formatting so that payment files can be uploaded for posting to the various receivable systems. All payment templates, ACH block, ACH filter, positive pay files, daily BAI2 files, image cash letter and remote deposit services are required to be formatted. Any changes would require extensive time by City Information Technology Department (IT), Finance Department, Utility Department, Police Department and Fire Department to test and coordinate changes before implementation. An extensive communication plan would need to be implemented to provide changes to all customers, state agencies, federal agencies and grantees regarding any banking changes. Bank accounts will remain open for 12 months to ensure all banking transactions are received and checks have cleared. Researching transactions through the banks online system may not be available after the 12-month period unless additional fees are paid.

PROCUREMENT DETAIL:

On May 19, 2025, Contracts & Procurement issued a Request for Applications (RFA) for Depository Banking Services for the City of Corpus Christi. It was advertised twice in the Corpus Christi Caller-Times on May 18, 2025, and May 25, 2025, as required by the Texas Local Government Code and was posted to the City's website. Applications were

received from four Applicants: Frost Bank, Plains Capital Bank, PNC Bank and Wells Fargo Bank, N.A.

The applications were evaluated to ascertain the most advantageous and best value to the City.

The criteria used in the evaluation were as follows:

- Capability to provide services required
- Earnings potential and funds availability
- Creditworthiness of the Depository
- Depository services costs

Important factors also considered during the evaluation process included:

- Customer service
- Lockbox location
- Ability to make deposits by armored car services
- Cash vault location
- Availability of services by the Applicant
- Relevant references

ALTERNATIVES:

The Texas Local Government Code Chapter 105 requires the governing body of a municipality to authorize a depository services agreement. The contract is critical to maintaining the City's day-to-day financial operations. The current depository contract expires on December 31, 2025, and a new depository contract needs to be in place at that time.

FISCAL IMPACT:

The proposal submitted by Frost Bank to provide the required Depository Banking Services is estimated to have an average annual cost of \$202,380. Frost Bank's proposal includes a discounted rate for certain fees for the term of the contract, complimentary deposit bags and endorsement stamps. Actual annual costs are dependent upon actual transaction volume which is to be paid through interest earned on a compensating balance held at Frost Bank or by account analysis fee for all accounts.

The City maintains a balance with Frost Bank and receives earnings allowance. When practical, this earnings allowance is used to offset the monthly bank service fees. Funding for bank service charges is appropriated in the annual budget. Total fees are expected to average about \$16,865 per month. The current monthly average is about \$14,333. Even though the fee has increased 18%, the current contract reflects the fees locked in for the 5-year period from January 1, 2021 – December 31, 2025, with no changes for economic or market adjustments. The pricing for the new contract will be locked in for the 5-year period from January 1, 2026 – December 31, 2030.

FUNDING DETAIL:

Fund:	1020 General Fund
Organization/Activity:	10830 Cash Management
Department:	59
Project # (CIP Only):	N/A

Account: 540030 Interest & Bank Charges
Amount: \$90,670

Fund: 1020 General Fund
Organization/Activity: 11750 Central Information
Department: 29
Project **(CIP Only)**: **N/A**
Account: 540030 Interest & Bank Charges
Amount: \$2,445

Fund: 1020 General Fund
Organization/Activity: 12950 Beach Parking Permits
Department: 27
Project **# (CIP Only)**: **N/A**
Account: 540030 Interest & Bank Charges
Amount: \$4,135

Fund: 1020 General Fund
Organization/Activity: 35100 City Ambulance Operations
Department: 10
Project **# (CIP Only)**: **N/A**
Account: 540030 Interest & Bank Charges
Amount: \$14,140

Fund: 1074 Law Enforcement Trust
Organization/Activity: 826000S
Department: 29
Project **# (CIP Only)**: **N/A**
Account: 540030 Interest & Bank Charges
Amount: \$3,325

Fund: 1120 Seawall Imprv
Organization/Activity: 13824 Seawall & Flood Control Admin
Department: 57
Project **# (CIP Only)**: **N/A**
Account: 540030 Interest & Bank Charges
Amount: \$755

Fund: 1130 Arena Facility
Organization/Activity: 13821 Arena Administration
Department: 57
Project **# (CIP Only)**: **N/A**
Account: 540030 Interest & Bank Charges
Amount: \$755

Fund: 1146 Type B Econ Dev
Organization/Activity: 15030 BJD – Administration
Department: 57
Project **# (CIP Only)**: **N/A**
Account: 540030 Interest & Bank Charges
Amount: \$585

Fund: 1147 Type B Housing
Organization/Activity: 15030 BJD - Administration
Department: 24
Project # **(CIP Only)**: **N/A**
Account: 540030 Interest & Bank Charges
Amount: \$85

Fund: 1148 Type B Streets
Organization/Activity: 15030 BJD - Administration
Department: 33
Project # **(CIP Only)**: **N/A**
Account: 540030 Interest & Bank Charges
Amount: \$500

Fund: 4610 Airport
Organization/Activity: 35000 Airport Administration
Department: 53
Project # **(CIP Only)**: **N/A**
Account: 540030 Interest & Bank Charges
Amount: \$6,670

Fund: 4710 Convention Center Complex
Organization/Activity: 13626 Convention Center Complex Operation
Department: 34
Project # **(CIP Only)**: **N/A**
Account: 540030 Interest & Bank Charges
Amount: \$10,720

Fund: 5611 Liab/EB Liab
Organization/Activity: 40500 Self Insurance Claims
Department: 54
Project # **(CIP Only)**: **N/A**
Account: 540030 Interest & Bank Charges
Amount: \$2,865

Fund: 5612 Liab/EB WC
Organization/Activity: 40510 Worker's Compensation
Department: 54
Project # **(CIP Only)**: **N/A**
Account: 540030 Interest & Bank Charges
Amount: \$3,705

Fund: 5614 Other Employee
Organization/Activity: 40610 Other Employee Benefits
Department: 16
Project # **(CIP Only)**: **N/A**
Account: 540030 Interest & Bank Charges
Amount: \$1,645

Fund: 9040 CC ComImp Corp
Organization/Activity: 48003 CDBG Program Income
Department: 24

Project # **(CIP Only):** N/A
Account: 540030 Interest & Bank Charges
Amount: \$2,365

Fund: 9045 CCCIC Home
Organization/Activity: 48004 HCD Home
Department: 24
Project # **(CIP Only):** N/A
Account: 540030 Interest & Bank Charges
Amount: \$3,705

Fund: 9047 CCCIC Collect
Organization/Activity: 48006 HCD Collections
Department: 24
Project # **(CIP Only):** N/A
Account: 540030 Interest & Bank Charges
Amount: \$2,715

RECOMMENDATION:

Staff recommends approval of this Ordinance authorizing the execution of a contract with Frost Bank to provide Depository Banking Services for a period of five years, commencing on January 1, 2026, and ending on December 31, 2030. Frost Bank provides the most advantageous and best value to the City. Frost Bank offers a high level of technological services, convenient locations, local representation, local cash vault services, and excellent customer service. The City of Corpus Christi has been a Frost Bank customer for the past 28 years.

LIST OF SUPPORTING DOCUMENTS:

Ordinance
Evaluation Matrix
Attachment A – Depository Service Agreement and attachments