



## **AGENDA MEMORANDUM**

First Reading Ordinance for the City Council Meeting December 10, 2019  
Second Reading Ordinance for the City Council Meeting December 17, 2019

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**DATE:** November 15, 2019

**TO:** Peter Zaroni, City Manager

**FROM:** Alma Casas, Interim Director of Finance and Business Analysis  
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<b>Amendment to the Depository Services Agreement with Frost Bank</b>
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### **CAPTION:**

Ordinance authorizing an amendment to the Depository Services Agreement with Frost Bank to modify a collateral requirement and to extend the term of the contract for the final one-year extension commencing January 1, 2020 and ending December 31, 2020.

### **SUMMARY:**

The amendment to the Depository Services Agreement will modify the collateral requirement from a specific dollar amount of at least \$30,000,000 for the City of Corpus Christi and at least \$4,000,000 for the Corpus Christi Community Improvement Corporation (CCCIC) to a percentage amount of at least 110%.

The amendment will also extend the term of the contract for the final one-year extension.

### **BACKGROUND AND FINDINGS:**

The City of Corpus Christi Investment Policy requires that the value of pledged securities must be at least 102% of deposits including accrued interest. The Amendment to the Depository Services Agreement with Frost Bank will require at least 110% of deposits including accrued interest. Market conditions have allowed the City to significantly reduce the level of deposits needed to maintain account offsetting balances

to cover banking service fees. Therefore, the City no longer needs to maintain a \$30,000,000 balance in the City of Corpus Christi bank accounts and \$4,000,000 in the Corpus Christi Community Improvement Corporation (CCCIC) bank accounts to cover the banking fees. A change to at least 110% will allow for interest rate fluctuations.

In addition, an amendment is required to extend the term for the final year of the contract.

### **ALTERNATIVES:**

If the amendment to the Depository Services Agreement is not modified to change from a specific dollar amount to a percentage, then Frost Bank will continue to maintain excess collateral on the City and CCCIC deposits. Additionally, not extending the term of the contract will leave the City and CCCIC without a depository bank.

### **FISCAL IMPACT:**

The estimated annual fees for this agreement are \$190,932. These fees are offset by compensating balances. The City maintains a balance with Frost Bank and receives an earnings allowance. This earnings allowance is used to offset the monthly bank service fees. Therefore, no payment is due if the monthly bank service fees are less than the earnings allowance.

### **Funding Detail:**

Fund:	1020 – General Fund
Organization/Activity:	10830 – Cash Management
Mission Element:	184 – Treasury for debt and cash management
Project # <b>(CIP Only)</b> :	
Account:	540030

### **RECOMMENDATION:**

Staff recommends approval of the ordinance as presented.

### **LIST OF SUPPORTING DOCUMENTS:**

Frost Bank Depository Contract Amendment  
Ordinance