



## UNITED INDEPENDENT SCHOOL DISTRICT AGENDA ACTION ITEM

**Topic:** Consideration for Approval of Resolution to Extend Depository Contract for the 2009-2011 Biennium

**Submitted by:** Ms. Cordelia Flores-Jackson / Mr. Samuel Flores **of:** Purchasing Department / Accounting Department

**Approved for transmittal to school board:** May 19, 2009

### **Recommendations:**

Staff recommends the UISD Board of Trustees approve the resolution to extend the depository contract with BBVA Compass Bank for the 2009-2011 biennium.

### **Rationale:**

In accordance with the Texas Education Code, Section 45.205 Subchapter G, a school district and the district's depository bank may agree to extend a depository contract for an additional two-year term.

### **Budgetary Information:**

To be provided for in the 2009-2010 and 2010-2011 budgets

### **Board Policy Reference and Compliance**

Texas Education Code, Subchapter G, Chapter 45





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President  
District 3

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Member  
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William "Bill" Johnson  
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District 5

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Member  
District 7

**Roberto J. Santos**  
Superintendent

201 Lindenwood Drive  
Laredo, Texas 78045  
Phone: (956) 473-6219  
Facsimile: (956) 728-8691

# UNITED INDEPENDENT SCHOOL DISTRICT

Eduardo Zuñiga  
Associate Superintendent for Student Support Services

Date: May 1, 2009

To: Roberto J. Santos  
Superintendent of Schools

From: Laida P. Benavides, CPA  
Assistant Superintendent For Business and Finance

Samuel D. Flores  
Director of Accounting

Ref: Depository Contract

Mr. Santos, as you are aware, the District's depository contract with BBVA Compass will expire on August 31, 2009. During the March Business Committee meeting, Cordy Jackson and I presented a timeline to follow if the District was going to proceed with requesting proposals. We also presented two main reasons for soliciting new proposals.

The first reason was the **deterioration of services**. However, this situation has been addressed with the **assignment of Ms. Adrienne Trevino as the bank officer for UISD. Furthermore, BBVA has become competitive once again with investment yields – most often being the highest yield.**

The second reason was the **increase in banking fees** for services/products that the District was not being charged for before the conversion to BBVA. Specifically, the District was going to be charged for **imaging services** for checks and deposits that cleared the bank accounts. The District would have had to pay an estimated \$20,000 more per year. This situation, as well, has been resolved with the commitment from BBVA to **not charge** for this service.

Upon our request, our District's Investment Advisor compared our existing contract to recent proposals from his other clients. Attached is the **comparison, page 2, as presented** that shows our current contract maintains the **best value by at least \$85,000 in net revenue over charges per year, possibly up to \$441,000 per year. We also requested that he review the local banks to see which ones could support the carrying value of our deposits.** The list of possible banks is attached, page 3.

In summary, BBVA has committed, in writing, to all the changes presented above. Therefore, the current contract appears to be the best financial value for the District at this time. **Upon renewal, BBVA has committed to reduce the current check cashing fee by \$0.20 per item and eliminate the \$10.00 analysis fee per account which reduces our current bank charges by \$15,000 per year.**

Page 4 and 5 are the commitment letters from BBVA Compass. If you have any questions or need additional information, please contact me at extension 6368. Thank you for the attention given to this matter.

Enclosures

Copy to: Eduardo Zuniga, CPA  
Associate Superintendent for Student Support Services

It is the policy of the United Independent School District not to discriminate on the basis of race, color, national origin, sex or handicap in its vocational programs, services or activities as required by Title VI of the Civil Rights Act of 1964, as amended; Title IX of the Education Amendments of 1972; and Section 504 of the Rehabilitation Act of 1973, as amended.

201 Lindenwood Dr. - Laredo, TX 78045 - (956) 473-6369 - Fax (956) 473-6403

## United ISD

Average Ledger Balance  
 Less: Average Float  
 Equals Average Collected Balance  
 Less Reserve Requirement  
 Equals Investable Balance  
 Times Earnings Credit Rate @  
 Equals Net Monthly Earnings Credit

September-08  
 \$62,979,406.00  
 \$46,184.00  
 \$62,933,222.00  
 \$6,293,322.20  
 \$56,639,899.80

10.00%  
 0

## Activity Service Charges

### BBVA Compass

	# UNITS/ ACTIVITY	UNIT PRICE	MONTHLY CHARGE
Account Maintenance	54	0.00	0.00
Account Analysis Statement	54	0.00	0.00
Deposits/Credits Posted	2,292	0.25	573.00
Items Deposited - Encoding Charge	10,971	0.11	1,206.81
Items Deposited - Clearing Charge		0.00	0.00
Debits/Checks Paid	7,140	0.20	1,428.00
Return Items - Reclear		0.00	0.00
Return Items - charged back	79	4.00	316.00
NSF Item		25.00	0.00
Checks Cashed - Employees	2,900	1.00	2,900.00
Check Serial Sort - Per Item			0.00
Wire Maintenance			0.00
Wire Transfer - Incoming Wire	7	5.00	35.00
Wire Transfer - Outgoing Wire	13	10.00	130.00
Transfer Between Accounts		0.00	0.00
Stop Payment	8	10.00	80.00
Daily Balance Reporting			0.00
Cash & Currency Deposited per \$1,000	731	0.60	438.60
Cash & Currency - Coin Deposited		3.00	0.00
Cash & Currency - Currency Straps Purchased		0.20	0.00
Cash & Currency - Coin Rolls Purchased		0.06	0.00
Collateral Charge		0.00	0.00
ACH Maintenance			
ACH Input Fee			
ACH Returns			
ACH Items	5,208	0.05	260.40
ACH Disk	4	25.00	100.00
Online Reporting Maintenance	1	19.95	19.95
Online Activity per Item		0.00	0.00
FDIC Insurance Charge	62,933,222	0.00	0.00
<b>Total Service Charge</b>			<b>7,487.76</b>

Interest on Balances **1.00%**

Net Revenue over Charges

	Recent Bank of America	Recent Wells Fargo	Comparative BBVA Compass
	6.00	6.00	20.00
	6.00	324.00	324.00
	0.30	324.00	916.80
	0.04	687.60	658.26
		438.84	0.11
	0.10	714.00	0.16
	1.00	79.00	7.00
			553.00
	5.00	5.00	25.00
	4.00	28.00	15.00
	3.00	39.00	8.00
	4.00	32.00	15.00
	0.50	365.50	0.15
	9.00	9.00	30.00
	5.00	20.00	12.50
	1.00	100.00	4.00
	0.03	156.24	0.12
	20.00	20.00	125.00
	0.05	500.00	0.04
	0.000094	273.75	400.00
		4,115.33	7,565.62
	Minimum Rate 0.70%	36,711.05	1 mo LIBOR - .30 0.20%
		32,595.12	24,983.84
		7,117.04 over Bank of America	14,728.31 over Wells Fargo
			36,788.91 over comparative BBVA Compass
			2,923.25

Comparative fee quotes are based on recent Bank RFP response analysis and subject to change.  
 BBVA Compass fees as per the Account Analysis Statement and recent negotiated fees.  
 Activity levels estimated as per the Account Analysis Statement.  
 Other fees may apply to non-estimated activities.

## **Samuel D. Flores**

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**From:** Dick Long [rglong@yahoo.com]  
**Sent:** Monday, April 27, 2009 11:08 AM  
**To:** Sam Flores  
**Cc:** Bill Koch; Susan Anderson  
**Subject:** USD Potential Banks

Sam,

Initial review identified the following "big banks" that can easily handle USD:

Bank of America  
BBVA Compass  
IBC  
JPMChase  
Wells Fargo

We know these banks as active public funds depositories.

Additionally there may be up to five other banks that could qualify with detailed analysis of activity capacity.

Did you receive any deadline interpretation from TEA?

Dick  
888.853.3778



March 24, 2009

Mrs. Laida Benavides  
Mr. Sam Flores  
United Independent School District  
201 Lindenwood Rd.  
Laredo,, Texas 78041

Dear United ISD Finance Committee:

We appreciate our longtime relationship with United Independent School District, and look forward to extending the depository contract for another two (2) years. In order to more accurately collateralize all deposit balances, BBVA Compass would like to use Federal Home Loan Bank (FHLB) Letters of Credit at 110% collateral of bank deposits above the legal FDIC insured limit, currently \$250,000, as authorized by the Texas Government Code, Collateral for Public Funds, Section 2257.002 (5) (c), and as interpreted by the Texas Education Agency. Please see attached letter from the TEA, noting their opinion of the Texas Government Code. We feel that this form of collateral will be more beneficial to the District in the following two areas:

- a) FHLB Letters of Credit are issued in fixed amounts, and do not have to be monitored for fluctuating market value by the District or by the bank, as with traditional securities. Seasonal and daily balance increases will be secured by additional letters of credit and/or collateralized mortgage obligations issued by Federal agencies of the United States.
- b) Because the FHLB Letters of Credit involve less monitoring and overall cost to the bank, BBVA Compass will be able to extend the terms of the contract without further changes.

As is such, if the District will accept the approved collateral in the amount of 110% of depository balances above the legal FDIC insured limit, currently \$250,000, and in the form of Federal Home Loan Bank Letters of Credit in lieu of the current collateral arrangement, as we feel is favorable to both parties, this letter will serve to show our formal extension of terms of the original depository contract which began September 1, 2007. If the collateral substitution is accepted by the District, the new date for the contract to expire would be August 31, 2011. Should new services or offering become available that were not previously available or listed in the original contract, BBVA Compass will offer them at current market rates.

United Independent School District is a valued relationship to BBVA Compass. We are looking forward to your response to extend this relationship, as outlined above. Further, as part of our new organization, we have an extended product offering with services like Purchasing Card, PaySource payroll card, and electronic fraud prevention through ACH Authorization service. With these valuable new products, we are excited to grow our relationship with United Independent School District.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Adrienne G. Trevino".

Adrienne G. Trevino  
First Vice President-RM  
BBVA-Compass Bank  
Public Funds Management

April 3, 2009

Mrs. Laida Benavides  
Mr. Sam Flores  
United Independent School District  
201 Lindenwood Rd.  
Laredo,, Texas 78041

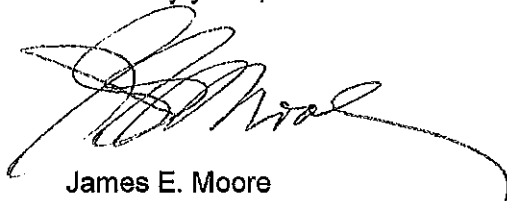
Dear United ISD Finance Committee :

BBVA Compass fully intends to stand by the extension later dated March 24, 2009 as well as all the provisions of its depository contracts. The current contract allows for the extension of the contract for one additional two year term. Should the District choose this option, BBVA Compass is willing to continue to provide services to the District at rates and fees as outlined in the contract, except as modified by agreement of both parties.

Should the District choose to go to RFP and/or solicit other bank bids, the Bank will interpret that as declining the option to renew and extend. Under that scenario, the Bank would no longer be bound to the terms of the contract past the expiration date of the original contract, and would be free to change rates and/or pricing.

United Independent School District is a valued relationship to BBVA Compass. We are looking forward to your response to extend this relationship, as outlined above.

Sincerely yours,



James E. Moore  
City President



Adrienne G. Trevino  
First Vice President-  
Relationship Manager