



December 19, 2025

Ms. Shelly Hendrix, CPA, CGMA  
Sr. Director/Controller, Financial Services  
Edwards Aquifer Authority  
900 E. Quincy St.  
San Antonio, Texas 78215

Dear Ms. Hendrix:

We sincerely appreciated and welcomed the opportunity to assist the Edwards Aquifer Authority (the “EAA”) with this Primary Depository Bank Services Request for Proposals (the “RFP”) project.

The objective of this engagement was to select a primary depository financial institution, award the contract, and execute the agreements necessary to bind the EAA and the awarded financial institution. This agreement, when approved, will commence on March 1, 2025 and terminate on February 28, 2027. At the option of the EAA, the contract may be extended for three (3) additional one-year period under the same terms and conditions.

### **Procedure**

The project began with the establishment of a calendar of events to ensure that the required project steps were performed in a timely and sequential manner.

The process for selecting a Primary Depository Bank is governed by the Texas Water Code, Section 49.156, Chapter 2256, Texas Government Code, “Public Funds Investment Act” as amended Chapter 2257, Texas Government Code, “Public Funds Collateral Act” as amended. EAA’s adopted Investment Policy, Chapter 131, Sub-chapter Z, Sec. 131.903, Conflict of Interest, Texas Local Government Code, “Finances”.

In addition to complying with these State statutory requirements, it was necessary to understand and comply with the EAA’s financial and purchasing policies and Investment Policy.

The RFP project was conducted as follows:

1. Analyzed historical bank service usage and balance records.
2. Reviewed the minimum banking services and potential additional services.
3. Developed a list of eligible financial institutions within the municipal boundaries of San Antonio, Texas which totalled thirty-four (34) institutions.
4. Contacted the financial institutions to confirm distribution information and identify the designated recipient.
5. Drafted the RFP for EAA’s review and approval.
6. Posted the public notice in the *San Antonio Express-News*.

7. Distributed the RFP via email to the identified and receptive financial institutions.
8. Held a non-mandatory pre-proposal teleconference that was attended by representatives of:
  - a. Bank OZK
  - b. Frost Bank
  - c. Lone Star National Bank
  - d. PlainsCapital Bank
  - e. PNC Bank (Incumbent)
  - f. Texas Capital Bank
  - g. Texas Regional Bank
  - h. Vantage Bank Texas
  
9. By the closing deadline, proposals were received from:
  - a. Bank OZK
  - b. Frost Bank
  - c. Lone Star National Bank
  - d. PlainsCapital Bank
  - e. PNC Bank (Incumbent)
  - f. Texas Capital Bank
  - g. Texas Regional Bank
  
10. No additional RFP responses were received as a result of the newspaper advertisement.

The evaluation of the proposals was based on the most favorable terms and conditions for the EAA, but not limited to the following criteria, in no particular order of priority:

1. Ability to perform and provide the required and requested services;
2. References provided and quality of services;
3. Lowest net banking costs for services provided;
4. Transition cost, retention and transition offers and incentives;
5. Funds availability;
6. Interest paid on interest bearing accounts and deposits;
7. Earnings credit calculation on compensating balances;
8. Completeness of application and agreement to points outlined in the RFP;
9. Convenience of location(s);
10. Previous service relationship with the EAA; and
11. Financial strength and stability of the institution.

### **Proposal Analysis**

The review and analysis of the seven (7) proposals began with an overall review of each financial institution's general financial strength and ability to provide the services necessary to meet the EAA's current and future service needs. Each of the qualified responding financial institutions exhibited acceptable financial strength and the ability to provide services the EAA requested.

## Financial Analysis

The next step was to perform an analysis of the fee structure and the interest rate options offered by each bank. The table below reflects the summary of these calculations, with the banks ranked from highest to lowest based on overall return after calculating earnings credit and interest paid, less fees charged for services:

Bank	Fees for Five-Year Term	Investment Option	Interest Rate Offered	Interest Rate Basis	Net Five-Year Income
PlainsCapital Bank (Sweep)	(\$38,278)	Sweep	4.54%	Market	\$565,769
PNC Bank	(\$131,224)	Sweep	4.74%	Market	\$499,433
Texas Regional Bank	(\$28,485)	Money Market Account	4.25% Intro, then 3.75%	3 Month T-Bill + .010% with a ceiling of 4.25% for the first 6 months, then adjust to a ceiling of 3.75%	\$476,725
Bank OZK	(\$46,603)	Interest Bearing Account or Insured Cash Sweep	3.15%	Federal Funds Target Rate ("FFTR") minus 1.50%	\$372,505
PlainsCapital Bank (ICS)	(\$36,928)	Insured Cash Sweep	3.00%	Bank managed	\$363,980
Lone Star National Bank	\$0	Interest Bearing Account or Insured Cash Sweep	4.00% Intro, then 2.37%	Fixed for 6 months, then indexed to an average of 50% of the U.S. Treasury 13 week bill, with a 0.10% floor, 2.75% cap.	\$337,016
Frost Bank	(\$106,483)	IOC	0.06%, and 3.06% for MMA	Bank managed	\$147,440
Texas Capital Bank	(\$110,417)	Hybrid-Money Market Account	1.30 and 4.50% for MMA	Bank Managed, and MMA = Effective Fed Funds Rate minus 33 basis points (0.33%)	\$50,280

## Factoring in the Cost of Safekeeping

The only bank that offered a more attractive financial proposal than PNC Bank was PlainsCapital Bank. One important adjustment to the calculations above is the cost of safekeeping which EAA currently uses. When factoring in safekeeping, the comparison looks like this:

Bank	Fees for Five Year Term	Net Four Year Income	Safekeeping Fees	Net after Safekeeping Fees
PlainsCapital Bank	(\$38,278)	\$565,769	(\$36,360)	\$529,409
PNC Bank	(\$131,224)	\$499,433	(\$6,390)	\$493,043
Annual Difference				\$7,273

### **Recommendation**

PNC Bank has performed well as the incumbent bank for the EAA for the last five years. In considering the decision, the EAA reviewed the proposals for a compelling reason to change depositories. Only PlainsCapital Bank offered a combination of fees and rates that was slightly better than the fees and rates offered by PNC Bank. While the analysis shows an annual benefit of \$7,300 by moving to PlainsCapital Bank there are a couple of factors that could outweigh the potential gain:

- 1) The breadth of services, and products offered by PNC Bank is more robust and adequate for the EAA's current and future needs. PNC Bank offers three additional services that would add efficiencies to the EAA that are not offered by PlainsCapital Bank: Account Validation Services, Real Time Payments, and Universal Payment Identification (UPIC).
- 2) The current rate provided by PNC Bank is 20 basis points higher than the rate offered by PlainsCapital Bank.
- 3) Although not quantified, it is reasonable to assume that the cost (soft and hard costs) to change banks would outweigh the potential \$7,300 annual benefit offered by PlainsCapital Bank.

Based on the proven track record of PNC Bank, the outstanding level of service provided, and the excellent combination of fees and interest rates offered for the next contract term, we concur with the staff recommendation that the Board of Directors award the Primary Depository Bank Services contract to PNC Bank and authorize the Senior Director & Controller to negotiate and sign the agreements necessary to renew this depository relationship.

With Board of Directors award and execution of all necessary agreements, the new contract will commence on Saturday, March 1, 2025.

Please contact Dick Long, Orlando Saenz, or me to discuss any questions or for additional information needs.

Thank you for this opportunity to serve the Edwards Aquifer Authority.

Sincerely,



Tim Pinon  
Valley View Consulting, L.L.C.