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November 20, 2024

Sabine Parish Police Jurors

RE: Bank of Montgomery Letters

As you are aware, the Finance Committee met on October 9, 2024, to review and evaluate the proposals for fiscal agent received by the Sabine Parish Police Jury. After review and evaluation, the Committee unanimously voted to recommend that the Police Jury appoint the City Bank and Trust Company (CB&T) as fiscal agent with Mr. Ruffin and Mr. Sepulvado voting in favor and Mr. Bison and Mr. Stewart absent. On October 16, 2024, the Police Jury voted unanimously to appoint the City Bank and Trust Company the fiscal agent for the Police Jury with Mr. Garcie absent.

I have obtained copies of letters from the Bank of Montgomery (BOM) dated October 30, 2024, and updated on November 7, 2024.

I am happy that the Bank of Montgomery (BOM) acknowledges that the Sabine Parish Police Jury has no obligation to obtain proposals for a fiscal agent bank because the population of the parish is less than 100,000 people. (LRS 39:1217.1). The Sabine Parish Police Jury could have simply selected a fiscal agent bank without requesting proposals. However, the Police Jury elected to solicit proposals to fairly and professionally select the financial institution best suited to serve the citizens of Sabine Parish.

I would like to emphasize that Louisiana Revised Statute 39:1220 provides that "no bank shall be eligible to qualify to receive the deposits of public funds which has not accompanied its application for the deposit with a sworn statement of its financial condition, as shown by its books, at the close of business in the first day of the month prior to the month in which the application was made." Evaluation Factor #3 of the Sabine Parish Police Jury's Request for Proposals clearly states that "the banking institution must provide a sworn statement of its financial condition as shown by its books, at the close of business on the first day of August 2024.

The Bank of Montgomery (BOM) provided an annual audit report for the year ended December 31, 2023, not a statement of financial condition as of August 1, 2024. Therefore, BOM did not meet the mandatory requirement of LRS 39:1220 and is ineligible to qualify as fiscal agent for the Sabine Parish Police Jury. BOM was also non-responsive to Evaluation Factor #3.

City Bank and Trust Company (CB&T) was the only respondent bank providing the required statement of financial condition as of August 1, 2024.

In the letters, BOM cites the belief that the interest rates for deposits contained in its proposal are superior to other proposals. I found the interest rate offer contained in BOM's proposal to be vague and ambiguous. BOM offered interest rates on interest bearing demand deposits "**tied to**" the 90-day Treasury Bill rate, adjusted monthly. Certificates of deposit would earn an interest rate "**tied to**" the Treasury Bill or Note with comparable maturity. I noted that the proposal did not state that the interest rates offered would be "**equal to**" the above noted rates but instead stated that the rates would be "**tied to**" them.

Many years of experience as a CPA, and having audited several banks, caused me to believe that the term "**tied to**" implies that some undisclosed adjusting factor would be applied to the stated rates to determine the amount actually paid to the Police Jury. If the rates were meant to be "**equal to**" those stated rates, the term "**equal to**" should have been used instead of the term "**tied to**".

It is notable that one other respondent bank used the term "**equal to**" in providing the interest rate proposed to be used for a deposit and the other responding banks provided the adjustment factor to be applied to the stated rates to determine the interest rates to be paid on deposits.

Furthermore, CB&T proposed an interest rate floor of 1.50%, guaranteeing at least that rate of return on deposits. BOM did not offer an interest rate floor. I view this interest rate guarantee as a very favorable concession.

BOM now asserts that its proposal was for rates "**equal to**" the 90-day Treasury Bill rate, which I believe is quite different from "**tied to**".

BOM has made a statement in its letters that the Sabine Parish Police Jury will receive over \$222,500 less in interest per year, or a total of \$1,112,730 less over 5 years. This is based on a crude, simplistic, and inaccurate projection prepared by Bank of Montgomery and provided to the jurors. Since the BOM provides commercial loans and is managed by educated and experienced officers and staff, I expect such projections to be accurate and present the assumptions made in deriving the estimate. However, the projection made by BOM is unrealistic and inaccurate for the following reasons:

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1. BOM did not inquire of the Sabine Parish Police Jury to determine the dedication of funds deposited and the plans for future major expenditures such as:

Landfill land acquisition -	\$1,230,422
Landfill Cell Expansion -	<u>\$5,908,000</u>
Expected current decrease in cash deposits -	\$ 7,138,422

This is a material overstatement of expected deposits due to known future major expenditures and will greatly reduce estimated future interest earnings.

2. BOM has apparently assumed that interest rates will remain constant at the current rate over a five-year period. This is totally unrealistic. Interest rates will fluctuate over the period of five years and the projection should include consideration of expected changes in interest rates with an explanation of how the fluctuations were determined.
3. BOM has calculated the interest rate that it will pay as **equal to** the 90-day Treasury Bill rate. This rate is not clearly stated in their proposal.
4. BOM did not inquire about or consider future transfers of money from ordinary bank deposits to deposits with the Louisiana Asset Management Plan (LAMP).
5. BOM did not consider future reductions in deposits due to decreased property tax assessments for oil and gas properties, reduced sales tax collections, or increased cost of operations. Their projection should include these matters with an explanation as to how future revenues and expenditures are determined.

The projection of future interest income to be earned that was provided by BOM, and presented in the letters to the jurors, is so flawed as to be useless in the determination of a difference of interest income offered by BOM and CB&T. It is simply an example of a lack of technical knowledge, attention to details, and concern for accuracy exhibited by BOM.

The best method of evaluating the expected performance of the interest rates offered by the banks is to compare potential earnings results over the prior five-year (60 months) period. If you apply the rate now asserted to be offered by the Bank of Montgomery and the rate offered by City Bank and Trust to the actual (historically factual) Treasury rates paid during the prior five-year period to determine the rate to be paid to the Sabine Parish Police Jury and then apply that rate to an estimated fiscal agent deposit balance of \$15,000,000 an average rate of return of 2.41% will be estimated for BOM compared to an estimated average rate of return of 2.54% for CB&T. This will result in estimated interest earnings for the Sabine Parish Police Jury during the five-year period of \$1,209,378.08 for BOM and \$1,272,115.07 for CB&T. CB&T is estimated to pay \$62,736.99 more in interest over the five-year period than BOM.

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In its proposal, City Bank and Trust Company stated, "Public Fund Checking products will be used for any non-interest-bearing accounts." BOM's letter states in part, "BOM's bid offered a more superior rate AND the rate would have been paid on 100% of the Jury's deposits versus the winning bank paying an inferior interest rate on an unknown portion of deposits." I would like to remind you that certain bank deposits, such as the Louisiana Community Development Block Grant, must be held in non-interest-bearing bank deposits. It is impossible to pay interest on 100% of the Jury's deposits. This statement by BOM is evidence that it is unaware of basic requirements for the Police Jury deposits.

I would like to address **Evaluation Factor 6.4- Experience with the financial institution**. Prior to the advertisement for the Request for Proposals for Fiscal Agent, the Sabine Parish Police Jury, to my knowledge, had no experience with either the Bank of Montgomery or City Bank and Trust Company. The experience that the Police Jury has had with these two banks is limited to the activities surrounding the request for proposals.

BOM hand delivered its proposal on September 30, 2024. Representatives from both BOM and CB&T attended the opening of the proposals. On Monday, October 7, 2024, all respondent banks, including BOM, were notified of a Finance Committee meeting to be held on Wednesday, October 9, 2024. BOM chose not to attend the Finance Committee meeting and participate in the discussion and evaluation of the respondent proposals. Only CB&T attended the Finance Committee Meeting. In fact, the only communication between BOM and the Sabine Parish Police Jury during the period between the opening of the proposals and the award was a request for copies of all the other proposals. During the same period, the Police Jury was visited by President/CEO of CB&T on two occasions and by CB&T senior management on three occasions.

I believe it is plain to see which financial institution desires to work with the Sabine Parish Police Jury and which bank will be available for problem assistance. Had BOM participated in the Finance Committee Meeting, as they were invited, some of the vague and ambiguous items in their proposal could have been discussed. However, as noted above, the Bank of Montgomery chose not to attend the Finance Committee meeting or otherwise communicate with the Police Jury.

Although the letters do not address loans, the Sabine Parish Police Jury not only deposits funds with its fiscal agent, but it also borrows funds for large capital expenditures such as road and landfill equipment. CB&T offered loans at 2% below the Wall Street Journal Prime with a ceiling rate of 8%. BOM offered loans at 1% below Wall Street Journal Prime with no ceiling rate. Obviously, CB&T proposes a superior loan offer.

Evaluation Factor 6.2 requires the Bank of Montgomery to provide the Sabine Parish Police Jury the "length of time the financial institution has been located in Sabine Parish. The Bank of Montgomery

did not provide this required information with its proposal. CB&T did provide the required information.

The letters from the Bank of Montgomery state that this type of information is on the bank's website and is easy to find. I would remind the Bank of Montgomery that it is their responsibility to provide information required by the request for a proposal. Failure to provide this simple required information is non-responsive to the request for proposal and is yet another example of the Bank of Montgomery's cavalier attitude concerning the proposal and management's failure to correctly respond to the requirements of the request for proposal.

Evaluation Factor 6.3 – Availability of local problem assistance. The letters imply that the availability of local problem assistance is based on the number of employees working at the Many location. I believe that the availability of local problem assistance is more dependent on the corporate attitude of the financial institution. As noted above, BOM merely delivered their proposal. Management of the Bank of Montgomery didn't bother to attend or even send a bank representative to the Finance Committee Meeting (which was open to the public and publicly advertised) even though they were individually invited to attend by email two days prior to the meeting. In fact, there was no representative from the Bank at Montgomery present at the awarding of the fiscal agent during the October 16, 2024, Police Jury meeting.

The President /CEO of CB&T, the Many Branch Manager, and the Senior Vice President attended and participated in the Finance Committee Meeting. Senior management of CB&T also visited the Police Jury. These actions are representative of a helpful attitude and a willingness to promptly address any needs of the Sabine Parish Police Jury.

In closing, the November 7, 2024, letter states that "something is not right". I agree.

The ambiguity and vagueness of the wording in the BOM proposal allows the Bank of Montgomery to now assert that the interest rate offered for deposits is equal to the current 90-day Treasury Bill rate (adjusted monthly) and not an adjusted rate **tied to** (moving with) the Treasury Bill rate. If the intention of the Bank of Montgomery was to pay a rate equal to the current 90-day Treasury Bill rate, why did the proposal not simply state that **the rate offered would be equal to the current rate, as reported on a monthly basis?**

The projected loss of interest income asserted by BOM in the letters is negligently and flagrantly overstated.

I would also like to address the frequent use of the word "fraudulent" in the Bank of Montgomery's letters. The meaning of fraudulent is "acting with or having the intent to deceive or acting, done by, or involving deception, especially criminal deception." Synonyms for the word fraudulent include

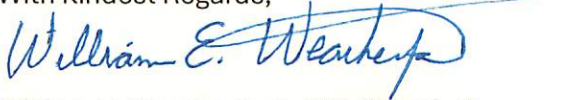
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dishonest, cheating, swindling, corrupt and unlawful. I find the use of that word reprehensible. BOM has made a serious accusation without providing any evidence that fraud exists.

The letters are adolescent, inflammatory, and meant to be punitive. I am trying to determine which action is most unprofessional, writing the letters or the threatening visit by BOM's Regional President after CB&T was appointed fiscal agent.

I believe the letters to be a feeble attempt to coerce the Sabine Parish Police Jury to rescind its decision on the fiscal agent and for BOM to acquire a large client that it failed to earn due to complacency and failures by its management.

With Kindest Regards,

A handwritten signature in blue ink that reads "William E. Weatherford". The signature is written in a cursive style with a large, sweeping flourish at the end.

William E. Weatherford, CPA (Inactive)
Secretary Treasurer