

**REQUEST FOR PROPOSAL
BANK DEPOSITORY SERVICES**

CITY OF HILLSBORO, TEXAS

MAY 1, 2018

OPENING DATE:

JUNE 1, 2018

NOTICE TO BIDDERS

Sealed bid proposals will be received by the City of Hillsboro, Texas at the office of the City Secretary prior to 1:00 p.m., on June 1, 2018, then publicly opened to purchase the following listed items as per bid instructions and specifications.

REQUEST FOR PROPOSALS FOR BANK DEPOSITORY SERVICES

Qualified prospective bidders may obtain copies of the bid invitation with information to bidders, bid proposals, plans and/or specifications at the office of the Director of Finance, located at 214 E. Elm Hillsboro, Texas 76645.

The City of Hillsboro, Texas reserves the right to reject any and all bids and to waive defects in bids.

Minority and small business vendors or contractors encouraged to bid on any and all City of Hillsboro projects.

CITY OF HILLSBORO
CITY SECRETARY
PO BOX 568
HILLSBORO, TEXAS 76645
(254) 582-3271

This advertisement is scheduled to run on May 7th and May 14th, 2018.

I. INTRODUCTION

The City of Hillsboro is seeking applications from eligible financial institutions (“Bank”) to be the banking services depository for public funds of the City. This agreement will not cover any investment transaction activities other than and possible purchase of certificates of deposit within a pre-defined limit. The City plans to manage its own investment portfolio. The contract period will be three (3) years beginning July 1, 2018 and ending June 30, 2021, with a provision for a one (1) year continuation up to two (2) additional years under the same terms and conditions of the contract, subject to the mutual agreement of both parties. The contract will also provide for an extension period not to exceed one hundred twenty (120) days for the transition to the new Bank depository. At the onset, the City wishes to communicate the primary objectives of the depository agreement, an important component of the overall treasury and debt management program of the City of Hillsboro:

- To seek a Bank that is both capable of providing comprehensive banking services, and willing to be attentive to the City’s money matters.
- To maximize the total dollars earned by the City on investment monies in order to be prudent and effective custodians of the taxpayers’ financial resources;

- To maintain a good working relationship with the depository Bank; and
- To adequately compensate the depository bank for services provided to the City and to allow a reasonable profit to be earned, subject to competitive forces in the market place.
- To fully comply with the requirements of Texas Local Government Code Chapter 105, as amended.

This Request for Proposal (Bid) is intended to serve as the proposal form for the depository agreement. There are several blanks to fill in and questions to be answered. Any alterations, changes, or deletions to this Bid may be reason for the City to disregard and reject the proposal. Any terms in this Request for Proposal which are in conflict with Chapter 105, as amended, of the Texas Local Government Code shall be deemed superseded by such chapter. Conflicts discovered between this RFP and state law by a bidder should be noted in such bidder’s proposal form. All points outlined and materials requested will be incorporated into the bidder’s reply to be considered for evaluation. Attachments will be appropriate in order to answer some of the enclosed questions.

Questions regarding this Bid may be addressed to: Finance Director, City of Hillsboro, 214 E. Elm, Hillsboro, Texas 76645; mboyle@hillsborotx.org

II. CALENDAR OF EVENTS

<u>Target Date</u>	<u>Description of Events</u>
May 7 th & May 14 th , 2018	Advertise Bank depository notice in local newspaper
June 1 st , 2018	Receive proposals from interested banks
June 5 th , 2018	City Council to award contract
July 1 st , 2018	New Bank depository contract period begins

III. CRITERIA FOR EVALUATION

A. The City staff will review the submitted proposals carefully. The recommendations will be based on the proposal determined to be best on behalf of the City and the taxpayers. The following areas will be considered in the evaluation of the proposals:

<u>CRITERIA</u>	<u>WEIGHTED PERCENTAGE</u>
• Ability to perform the requested services	30%
• Lowest aggregate cost of banking services	30%

- Agreement to points outlined in this Bid and Contract 15%
- Financial condition & ability to meet collateral requirements 15%
- Safekeeping/collateral agreements accepted 10%

B. In order to be considered, the depository must be a Federal or Texas-chartered bank. Each proposal must provide the following information:

1. The amount of paid-up capital stock and permanent surplus for the depository.
2. Audited financial statements for the most recent reporting year.
3. A list of the depository officers.
4. A list of the depository directors.
5. Ratings on outstanding debt.
6. Availability of funds schedule.
7. Any additional contracts or agreements requiring City approval (ACH, etc).
8. RFP documents including fee schedule.
9. Daylight overdraft policy.
10. Reference list of agencies currently using your depository services.

C. All RFPs must include a completed fee schedule in the form provided. Only the charges listed in *Section IV: B. Services and Fees* will be acceptable without prior approval. Once selected as the City’s Depository, no additional or increased fees for services in the fee schedule may be charged to the City during the initial contract period.

D. Services may be modified by mutual agreement. It is expected the range of services described in this RFP will be used for the length of the contract; however, the City may discontinue any service after sixty (60) days written notification to the depository. Services may also be added, with costs of new services to be negotiated at that time.

IV. BANK QUESTIONNAIRE

The Bank is requested to answer the following questions. Additional pages may be appended if space is inadequate.

1. How is the Bank chartered?
2. What percent of current loans are classified as non-performing?
3. Does the Bank have any significant problems noted by regulatory agencies in the past twenty-four (24) months? If “yes”, please explain.

4. Indicate the Bank's capital to assets ratio for the last two (2) years.
5. What was the Bank's 2017 return on assets (ROA)?
6. Attach copies of the Bank's most recent FDIC (UPBR) call reports.
7. Is the Bank a branch bank or will it soon become a branch bank? If so, please indicate which services will be provided from the Bank's present location and which will be provided from the main Bank. Also, please indicate service location throughout the proposal where applicable.
8. Please list all service locations in Hillsboro.

V. ACCOUNT DESCRIPTIONS

A. General

The City intends to establish the following types of accounts:

Account Type
MMDA
Checking
Certificates of Deposit

The City reserves the right to open or close any number or type of accounts throughout the period if necessary although no changes are anticipated.

B. Services and Fees

Depository Services	Estimated Monthly Volume	Fee Charges/Per Unit	Total Monthly Charges
Account Services			
Credits Posted	250		
Check Deposit Corrections	5		
Return Checks	10		
Checks/Debits Posted	450		
Stop Payment	0		
Online Outgoing Wire	3		
Incoming Wire	3		
ACH Checks/Debits	250		
ACH Deposits/Credits	275		

List any other applicable Bank charges: Once selected as the City's Depository, no additional or increased fees for these services in the fee schedule may be charged to the City during the contract period.

NOTE:

Under a straight fee arrangement with the Bank, analysis charges would be debited to the Control Concentration Account. Under a compensating balance method, all accounts would be tied to a main account and collected balances would be maintained to offset service charges. The estimated volumes above are projections based on current annual volumes.

- C. Automatic Payroll Deposit for employees and ACH for Utility Billing customers are required. Please include the process and cut off times for each service.
 - D. Does the Bank offer any type of sweep account where excess City funds could be invested at a higher rate overnight than in a MMDA account arrangement? Does the Bank have money market funds consisting of treasuries, agencies, prime commercial paper, prime domestic bankers acceptances and collateralized or insured certificates of deposit that the City could utilize daily as an investment alternative? If so, please explain the fund's parameters and interest earnings history or attach a separate prospectus.
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E. Payment for Services

The City intends to pay for all account services provided by the Bank as set forth in Section V. B. The City will require an account analysis each month which will clearly show volume counts, fees charged, and total price for servicing the account. The account analysis should also show average ledger balances, average float, and average collected balances, interest rates and the amount of interest paid or credited to the account. These fees are not subject to change for the length of this account.

F. Collected Funds Definition

The City desires to receive same day credit for all funds deposited by 3:00 p.m. The funds should be investable for any investment transactions that can be executed. Please attach availability schedule. Use a separate attachment if necessary.

G. MMDA Rates

Please provide a detailed explanation of the Bank's policy and methodology used in the setting of rates paid on MMDA accounts. If the Bank proposes to pay the City a different rate on its MMDA accounts, indicate that proposal.

H. Other Services

Bank capability to meet the following requirements must be detailed in the proposal.

1. Accounts Payable/ACH processing. The City desires services that will allow the payment of city liabilities through ACH processing. Please identify the process, costs, and on-line reporting/viewing services associated with this process.
 - Must have on-line reporting and viewing capabilities
 - Must be able to submit electronic data for both debits and credits
 - Must be able to reverse debits and credits
2. Depository Services Requirements. Bank capability to meet the following requirements must be detailed in the proposal.
 - Previous month's bank statements must be available on the 5th working day of following month.
 - Wire Transfers detailed information must be noted on the bank statement and accessible through on-line reporting services.
 - ACH detailed information must be noted on the bank statement and accessible through on-line reporting services.
 - Credit Card Merchant ID's must be noted for deposits, adjustments, and chargeback's on the bank statement and accessible through on-line reporting services.
 - All deposit adjustments, returned checks, etc. noted on the bank statement and on-line reporting services must include original deposit information.
 - Must receive daily notification of all ACH rejects, returned checks, deposit adjustments, etc by fax, e-mail, and on-line notification services.
3. Please specify any other services available to the City of Hillsboro which may be thought to be beneficial or that may apply to the City. State all related fees.

VI. SAFEKEEPING/COLLATERAL REQUIREMENTS

A. Securities Pledged

As security for the deposits of the City of Hillsboro, the Bank shall pledge to the City securities equal to the largest total ledger balances the City maintains in the Bank. Certificates of deposit and other evidences of deposit shall be collateralized at 102% of market with/by U.S. Treasury Bills, Notes, and Bonds or any other securities approved by the Director of Finance, or designated representative with a remaining maturity of two years or less. The securities so pledged, the amounts thereof and the time for pledging same must satisfy the requirements of Texas Local Government Code Chapter 105, as amended. Additionally, U.S. Treasury securities shall be the primary securities accepted as collateral.

B. Collateral Substitutions

Any substitutions of the securities or reductions in the total amount pledged may be made only by and with proper written authorization approved by the Director of Finance, or designated representative. In the case of reduction, the Bank must provide in writing that collateral will be available when needed to meet normal City balance increases throughout the year. The City must approve all securities pledged. Any state or local government bonds pledged must have a rating of at least A or A1 or better by Moody's Investor Services or Standard & Poors Corporation.

C. Custodian of Collateral

Securities pledged as collateral must be retained by a third party custodian that is a subscriber to the Fed Security Wire, and held in joint safekeeping for the Depository and the City. The custodian must be approved by the City and be:

- A state or national domiciled in Texas,
- A federal home loan bank, or
- A Federal Reserve Bank or branch of a Federal Reserve Bank

The City shall be provided the original safekeeping receipt on each pledged security which will be filed with the Director of Finance of the City of Hillsboro. Written release by the City is required for all releases or substitutions of pledged accounts.

D. Reporting Requirements

The Bank shall provide the City a report of securities pledged on a monthly basis or at any time requested by the Director of Finance, or a designated representative. This report should reflect the following information as of the end of each month and be delivered to the City by the 5th of each month.

Total pledged securities itemized by:

- Name
- Type/Description/Cusip Number
- Par Value
- Current Market Value
- Maturity Date
- Moody's or Standard & Poors Rating (both, if available)

E. Eligible Securities

The following investment securities are approved for collateral:

1. United States Treasury notes, bills or bonds or obligations fully and unconditionally guaranteed as to principal and interest by the full faith and credit of the United States;
2. Obligations of the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation or Federal National Mortgage Association; and
3. FDIC coverage.

The City will not allow Government National Mortgage Association securities or any other asset back/pooled type securities as collateral.

These items constitute the only acceptable means of collateralizing the City's deposits. The securities must be held in safekeeping by a third party financial institution pursuant to a safekeeping agreement signed by the Depository Bank and the City. Repurchase agreements are not acceptable as collateral to the City of Hillsboro.

F. Safekeeping Requirements of Collateral

The securities pledged shall be held in safekeeping by a separate and different Bank other than the Depository Bank. The original copy of all safekeeping receipts shall be filed with the Director of Finance of the City of Hillsboro. The City will reimburse the Depository Bank for any safekeeping charges, if any. Specify the safekeeping charges that will apply: _____.

The City, Depository Bank, and the Safekeeping Bank shall operate in accordance with a master safekeeping agreement signed by all three parties. The safekeeping agreement must clearly state that the Safekeeping Bank is instructed to release the collateral securities to the City if the City has determined that the Depository Bank has failed to pay on any accounts, or is in default of this agreement, or the City has determined that the City's funds are in jeopardy for whatever reason including involuntary closure or change of ownership, and if the instructions for release have been formally requested by the City Council by ordinance or resolution.

A copy of the safekeeping agreement and the name of the safekeeping bank to be used in the event you are awarded the Bank Depository Agreement must be submitted with the proposal.

G. Maximum Amount Offered

Please state the maximum amount, if any, of pledged securities which the Bank is willing or able to commit for collateralized MMDA accounts throughout the contract period above the \$1,000,000 minimum balance the City expects to maintain. \$_____.

H. City to Handle Investments

The City of Hillsboro will be responsible for handling the investment bidding process. The Depository Bank, along with any eligible financial institution shall be included in the bidding process as deemed appropriate and in accordance with the City's investment policies.

I. Interest Rates Paid – Certificates of Deposit

The City may choose to invest in the certificates of deposit in the Depository Bank or any other eligible financial institution. The Depository Bank agrees to accept time deposits from the City for investment purposes in the form of certificates of deposits in varying amounts and maturities at rates determined by the depository's competitive bid as submitted in accordance with periodic competitive bid solicitations conducted by the City.

J. Interest Rate Calculations

Interest on all certificates of deposit shall be computed on an actual day basis (365), and the interest will be paid to the City on the maturity date. Interest calculations will include the first day in the investment period but will not include the day of maturity. Payment will be made by crediting the Bank account.

VII. OVERDRAFTS

A. Definition

The City does not intend to have a net overdraft position throughout the course of the contract. An overdraft is defined as a negative demand balance in the City accounts collectively, not by individual account.

B. Terms

Should an overdraft occur in the aggregate, the following stipulation shall apply:

1. The maximum number of days the overdraft will be allowed is _____.
2. The maximum amount of the net overdraft to be allowed will be \$_____.
3. The interest rate charged for overdrafts will be _____ per annum computed on the actual day basis.

VIII. INFORMATION SERVICES

A. Account Reconciliation

The City will process its own reconciliation for its accounts but requires data as follows:

1. Monthly statements on all accounts showing overall activity shall be mailed within five (5) working days after the close of the calendar month. Statements shall include deposits made on the last day of the period. The accompanying image of checks shall be arranged in ascending numerical order for the Disbursement Account which will include operating checks and payroll checks. All other account statements should include debit/credit advices which the City will be responsible for

placing in numerical order. The City requires a report reflecting all items paid in serial number sequence, which is balanced to the Bank statement (partial account reconciliation).

B. Check Safekeeping Service

Imaging of paid checks shall be returned to the City monthly along with the monthly statement.

C. On-Line Banking Access

The City requires on-line bank access to all City account information. The following requirements must be met for full consideration:

- Must be able to add, edit, and delete users.
- Single and multiple approval levels must be available for all cash related transactions.
- Ability to create templates for wires and ACH transfers.
- Ability to initiate wires, stop payment, ACH transfers.
- Reporting that will allow access to current and prior business day transactions.
- Imaging of checks and statements.

IX. OTHER STIPULATIONS

A. Regulation Notices

The Bank will notify the City in writing within ten (10) days of any changes in Federal or State regulations or laws that would thereafter affect the depository agreement. The Bank shall also notify the City of any new services that become available to the City throughout the contract period.

B. Wire Transfers

The City shall submit all outgoing wire transfers to the Depository according to its published cutoff times established for current customers. The Depository shall maintain wire transfer facilities to the Federal Reserve Bank for investment purchases or sales and other transactions with financial institutions. Written confirmation of such transactions will be provided to the City and a duplicate copy of the debit or credit shall be furnished to the City within twenty-four (24) hours. Notification to the City of incoming wire transfers or problems with outgoing wire transfers shall be made within one (1) hour of the transaction.

The City requires that all outgoing wire transfers be released within one hour. In addition, all wire transfers (both incoming and outgoing) must be properly noted on the bank statement. (i.e., Wire Transfer-State Comptroller).

The Director of Finance will authorize all wire transfers on behalf of the City. *In the event of computer problems or other unexpected difficulties, the Depository shall use whatever means*

necessary to ensure that the City's outgoing wire transfers are completed on the date specified through City initiated instructions.

C. Debit and Credit Adjustments

The City requires that a copy of all debit and credit adjustments be faxed or emailed to the Finance Director with supporting documentation, as the entries are made throughout each month. The documentation must include reference to the original deposit slip number and location identifier. The City's monthly statement should also include a copy of all debit and credit adjustments. Adjustments should include descriptions, dates, and amounts in order for the City to properly adjust its books. The City shall not be responsible for the cost of credit and debit adjustments necessitated by Bank.

D. Bank Statements

Bank statements or statement activity shall be rendered by the fifth working day after the close of the calendar month. The statement must include deposits made on the last day of the month. The accompanying check images must be arranged in numerical order.

E. Right to Audit Records

The Banks' records relating to the City of Hillsboro accounts shall be open to review by either City staff members or City-appointed independent auditors during normal business hours.

F. Financial Reports

The Bank will submit a copy of the last audited annual financial statements and the subsequent quarterly supplements along with an annual year end uniform Bank Performance Report.

G. Investment Extension Period

The Bank agrees to honor and continue any investments made during the term of the depository contract that will mature after the expiration date of the depository agreement at the same rate established before the expiration of the contract. The investment extension period will not exceed ninety (90) days.

H. Bank Failure

Should the Bank fail, close, or be forced into reorganization during the term of this contract, City reserves the right to cancel the contract and re-bid for City's depository services.

I. Research Requests

The City requests that all research requests be turned around within three (3) business days of the request.

J. Returned Items

All checks deposited by the City that do not clear the first time should be submitted a second time before returning them to the City. Returned checks that do not clear on the second attempt shall be mailed to the City within two (2) business days. The City shall receive same day telephone or e-mail notification of all return items in excess of \$5,000.

K. Transition Schedule

Please provide a schedule documenting the transition of transferring the City's banking services from the current Depository to your institution.

X. PROPOSAL INSTRUCTIONS

A. Date, Time, Location

Sealed proposals clearly marked "**SEALED DEPOSITORY BID**" should be delivered to the City Secretary no later than 1:00 p.m. central standard time, June 1st, 2018 to the attention of:

Karen S. Warren
City Secretary
PO Box 568
Hillsboro, Texas 76645

NO PROPOSAL WILL BE ACCEPTED AFTER 1:00 P.M. CENTRAL STANDARD TIME.

B. Response to the Bid

The proposing Bank should use this Bid form to submit rates and to answer questions wherever possible. However, any point to which the Bank cannot agree should be clearly noted with attachments which explain this disagreement. Please reference the section and paragraph in these cases. Also, please clearly restate the question when supplying answers on any supplemental pages.

C. Additional Information

The City reserves the right to request additional information or to meet with representatives from proposing organizations to discuss points in the proposal before and after submission, any and all which may be used in forming a recommendation.

D. Right to Reject Bids

The City reserves the right to reject any and all proposals.

XI. OTHER MISCELLANEOUS

A. Periodic Review

The City of Hillsboro shall require a review meeting at least once every six months to evaluate the working relationship between the City and the Depository Bank. The objective will be to address any problems and to seek a responsible solution. More frequent meetings may be called if necessary.

B. City Council Action

The final appointment of a depository Bank will be made by City Council of the City of Hillsboro.

C. Bid Advertisement

This Bid will be duly advertised and is being offered for consideration to all financial institutions inside and outside the corporate limits of the City of Hillsboro, as permitted by City Council and state laws.

D. Designation of Individuals

Upon being awarded the contract, the Depository Bank shall designate, in writing, an individual to be the official contact person for all correspondence. The City of Hillsboro shall do the same. The Depository Bank shall be responsible for training and communicating the terms of this contract to Bank employees.

XII. SUBMISSION CHECK

- A. "Bid" be will fill-in-the-blank format.
- B. Availability of funds schedule.
- C. Money Market Fund prospectus if applicable.
- D. Annual financial statement of the Bank along with the last two quarterly FDIC call reports.
- E. Reference list of agencies currently using your bank depository services.