



CITY OF KERRVILLE, TEXAS

REQUEST FOR DEPOSITORY BANKING SERVICES proposal

RFP RESPONSE DUE DATE: September 30, 2019 - PRIOR TO 2:00PM

Responses received later than the date and time above will not be considered for award.

- I. PROPOSAL SUBMISSION INSTRUCTIONS
- II. CITY FINANCIAL OVERVIEW
- III. FINANCIAL INSTITUTION QUALIFICATIONS
- IV. REQUIRED SERVICES
- V. OPTIONAL SERVICES
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ATTACHMENT A: PROPOSED BANK FEE SCHEDULE

ATTACHMENT B: CITY GENERAL TERMS AND CONDITIONS

CITY OF KERRVILLE, TEXAS
REQUEST FOR PROPOSAL
DEPOSITORY BANKING SERVICES

Attachment B: City General Terms and Conditions

I. INTRODUCTION

The City of Kerrville, Texas (the “City”) is requesting proposals for bank depository services with service to begin January 1, 2020 and extend through December 31, 2024, with one possible two-year extension, if approved by the City Council.

Through this contract, the City intends to minimize banking costs, improve operational efficiency, and maximize earnings. This Request for Proposal (RFP), which represents the City's cash management goals, specifies all the required qualifications, banking services required, activity volumes on accounts, method and terms of compensation, submission instructions, and contract award provisions.

PROPOSAL SUBMISSION INSTRUCTIONS

By submitting a proposal in response to this RFP, depositories will be deemed to agree to the City's mandatory contract and service provisions contained herein.

The proposal submitted will be incorporated into and form the basis of the bank depository services contract along with this RFP.

1. Proposal Format

In order to equitably evaluate each bank's ability to meet the banking services needs of the City, a standard format for all proposals is required. A response must be given to each item in Sections III through V in the order given along with completion and submission of Attachment A. Only proposals submitted in the prescribed format, completing all forms in Attachment B, and using the provided Attachment A for proposed fees will be considered and evaluated for contract award. Additional explanatory information may be included by the bank.

This RFP is being issued only in electronic form and the proposal submission must be submitted via email to: **julie.smith@kerrvilletx.gov** and **two paper copies should be submitted to Julie Smith, Assistant Finance Director, City of Kerrville 701 Main Street, Kerrville, TX 78028.**

Documents should be received by the due date.

2. Schedule for Proposal Submission

The City will make an effort to adhere to the following schedule.

Sept. 03, 2019	Release of Request for Proposal
Sept. 16, 2019	Deadline for submission of questions regarding RFP (3:00pm CST)
Sept. 19, 2019	Responses to questions provided to all known proposers (3:00pm CST)
Sept. 30, 2019	Deadline for proposal submission (2:00pm CST)
Nov. 12, 2019	City Council Action to Award Contract
Jan. 01, 2020	Contract commencement

3. Proposal Submission

To be eligible for consideration under this request, two original paper copies and one electronic copy of the proposal shall be submitted by 2:00 pm on September 30, 2019 to the two addresses below. Proposals received after that time at the City address will not be accepted and will not be returned.

The paper and electronic copies submitted to the City must be submitted in a sealed envelope marked as Bank Depository Proposal.

One paper copy and one complete copy on electronic media must be delivered by mail, express mail, or in person to following address:

Julie Smith	830-258-1120
Asst. Finance Director	julie.smith@kerrvilletx.gov
City of Kerrville	
701 Main Street	
Kerrville, Texas 78028-5069	

One paper copy and one complete electronic copy of the proposal is to be sent to:

Linda T. Patterson	
Patterson & Associates	512-320-5042
Barton Oaks Plaza II, Suite 195	linda@patterson.net
901 S. Mopac	
Austin, Texas 78746	

A cover letter, not to exceed one page, must accompany the original and be signed by an individual authorized to bind the institution stating that the proposal is valid for 180 days from the submission date. The cover letter should contain an executive summary of the proposal but should not contain any information not submitted as part of the proposal.

Any banking institution submitting a proposal is deemed to have read, understood, and agreed to all terms, conditions and requirements set forth in the specifications.

4. RFP Questions

There will be no pre-proposal conference. Questions regarding this RFP, or the services requested, will be accepted in e-mail form only at: julie.smith@kerrvilletx.gov on or before 3:00 pm September 16, 2019. Responses to all material questions submitted will be communicated via email to all known proposers by 3:00 pm September 19, 2019.

5. Selection Criteria

The following general criteria will be used by the City as the basis for weighting the evaluation and for award recommendation.

- banking services costs,
- responsiveness and ability to provide services required,
- earnings potential and funds availability,
- experience and continuity of bank and bank officials, and
- creditworthiness of the bank.

Especially in the current environment, creditworthiness and bank continuity are critical elements and concerns. Any bank without the highest credit standings will be eliminated from consideration. The City also considers service capabilities and customer service as primary. Along with service, the City will consider the cost of those services as well as the earnings potential of idle cash under the contract. These elements will be combined during the evaluation of the proposals.

6. City Rights –

The City reserves the right to:

- waive any defect, irregularity or informality in the proposal or proposal procedures,
- reject any and all proposals,
- request additional information or require a meeting with bank representatives for clarification,
- cancel and/or reissue this request for proposal, and
- modify deadlines.
- accept any proposal or portion thereof most advantageous to the City,
- negotiate with respondents,
- retain any or all provisions of this proposal if any provision of this proposal or resulting contract is deemed invalid,
- select any proposal deemed to be in the City's best overall interest, and
- award the contract based on the overall best interest of the City.

7. Proprietary Information

To the extent permitted by law, proposals will be opened in a manner that avoids disclosure of the contents until after award of the contract. Proprietary information contained in the proposal should be designated as such on each page containing the information.

8. Bank Fees

The City will evaluate the proposals on a cost and earnings potential and both a fee and compensating balance basis for compensation will be considered. The City requires the ability to change from compensating balances to fees or reverse on thirty (30) days written notice (corresponding to a reporting period) throughout the contract period to recognize earnings made possible by changes in interest rates. The City also reserves the right, under a compensating balance basis, to use a carry-over of at least six months.

If a compensating balance basis is chosen, the City will want a structure, which will sweep accounts to their compensating balance each night through a master account. If a fee basis is chosen, the City may desire that balances be swept to zero. On a fee basis the bank may, within five business days of City receipt of the monthly account analysis, direct debit the designated account for fees due, if no exceptions are found or objections made by the City. A complete account analysis will be required monthly regardless of the payment basis.

All item and account charges as designated on Attachment A - Proposed Fees will remain at the proposal price quoted for the duration of the initial three years of the contract period regardless of changes in service volumes during the period. Should new services be required during the contract period not contemplated by this RFP those services will be provided at no more than the bank's then-current

published rate. Care should be taken to include all fees required to perform the services proposed. Fees not listed on the Attachment for required services will not be honored by the City during the contract basis. This provides a full and complete indication of the true cost of the service. However, changes in service levels, especially made in response to new technology, cannot be anticipated. Any material changes in service volumes may be discussed with the City during the contract period but any change in resultant pricing will require written City consent. The bank may reduce fees at any time during the contract period after notification to the City.

Any changes in fees for the extension period will be negotiated with and approved by the City in writing. In no instance will the rate increases in extension periods exceed the Dallas CPI increases during the same periods as reported by the Bureau of Labor Statistics.

The City has made every effort to present an accurate projection of service volumes based on historical usage. Volumes shown on Attachment A were obtained from actual account analyses over a twelve month period. As a result, no account analyses will be provided to any proposer.

Should entirely new services be required during the contract period not contemplated by this RFP, those services will be provided at fees mutually agreed upon by the banking institution and the City and will not be charged at more than the banking institution's *then current published* rate.

9. Conflict of Interest

A Conflict of Interest Form as required by statute is included. This form must be completed and returned as part of the proposal. The form is intended to identify any potential conflicts that may exist in regard to the services described herein between the bank and the City. Conflicts identified will be investigated and may disqualify a respondent from being considered for this proposal, this does not imply automatic disqualification.

II. CITY FINANCIAL OVERVIEW

The City currently maintains three (3) accounts which are listed below with average monthly balances. The ledger balance for the entire relationship averages \$ 3,085,000.00 monthly.

Funding Account	\$2,823,000.00
Employee Benefits Trust (stand-alone IB)	\$262,000.00
EMS-Sweep Account	\$0.00

Tax revenue is received from December through February and other service revenue is received throughout the year. One of the accounts are a ZBA subsidiary account (with one master account).

The City is extremely interested in highly competitive interest rates to continue the earnings it now receives. Good interest bearing rates in interest bearing accounts and money market accounts as well as the ECR will be of particular interest to the City.

The majority of banking activity occurs in the City's Funding Account which acts as the master account. The ZBA structure would utilize the Funding Account and then a sweep to a money fund (with some but not all accounts being swept). Most wires, securities transactions, transfers, and ACH transactions process through the Funding Account. Credit card payments are made to the Funding accounts through our provider ETS/Elavon.

Bi-weekly payroll checks and ACH credits are made from the Funding account for 353 total employees and a gross monthly payroll of \$ 2,170,000.00. Direct deposit is used currently by 100% of the total employees. The bank will be expected to follow standard SWACHA regulations for deposit of employee funds on the scheduled date as defined by the City.

Attachment A volumes are based on a one year aggregated account history.

The Finance Department has total control of banking, accounts payable, and payroll operations. All reporting and reconciliation will be accomplished through the Finance Department.

Any or all City funds may be maintained and invested by the City outside this contract. The City will be under no obligation to maintain time or demand funds in the bank except when fees are paid under a compensating balance basis.

III. FINANCIAL INSTITUTION INFORMATION

The proposal must include a response to each question in this Section.

To be qualified, the Proposer must be a federally or State of Texas chartered depository institution with full banking facilities physically located in the City of Kerrville. The Proposer must also qualify as a designated Texas Depository under Chapter 404 of the Texas Government Code.

1. Creditworthiness

In order to fulfill the City's fiduciary responsibility for public funds the proposal shall provide the following:

- a. Provide a link to the latest published and audited annual financial statement. The bank will be required to submit an audited annual financial statement to the City each year of the contract period, as soon as it is available. Confirm agreement to this requirement.
- b. Provide certification of the bank's Community Reinvestment Act (CRA) rating by its rating agency. The bank will be required to notify the City of any change in this rating during the contract period, as soon as it is publicly available. Confirm agreement to this requirement.
- c. Provide the most recent senior and subordinate debt ratings of the bank's holding company. If not rated, provide the bank's most recent four quarters rating from an independent rating agency such as Highline or Veribanc. The bank will be contractually liable for notifying the City within thirty (30) days of any change in any of these ratings during the contract period. Confirm agreement to this requirement.

2. Customer Service and Community Service

Service is a critical element for the City and will be a primary focus of the evaluation. Describe the bank's customer service philosophy and approach to satisfying this need through the following responses.

- a. How will the bank satisfy the City's need for customer service?
- b. Will professionals in the local bank provide the City with all relationship support?
- c. What services are provided at the holding company level?

- d. How is service and overall contract performance monitored at the holding company level?
- e. How does the bank intend to support the new and ongoing automation needs of the City? How will this impact the City now and throughout the contract period? How will the representatives work with technical staff to meet our goals?
- f. Is the bank offering any transition or retention incentives? Describe fully and quantify completely.
- g. What support will the bank be able to offer the City in a disaster situation to maintain stable banking functions?
- h. The City requires the right to use a third party auditor to review the City's accounts, collateral, transactions, and bank records at any reasonable time. Confirm agreement with this condition.
- i. What level of community service does the bank and its employees contribute to Kerrville?
- j. The bank will be required to review the City's Investment Policy although certification will not be required. Confirm agreement with this requirement.

3. References.

List references from three comparable Texas public entity clients. For each reference, include the length of time under contract, a client contact, title, and telephone number.

4. Depository Agreement and Service Agreements

Provide a copy of all contracts and service agreements, which will be required to provide the services under the contract for services rendered.

The Depository/Collateral Agreement will act as an umbrella agreement under which all agreements will be made a part in the priority order. Priority order is set at:

- City's Request for Proposal dated September 3, 2019
- Bank's Response to the RFP dated September 30, 2019
- Bank Service Agreements for specific services

The City will negotiate, if it feels necessary, certain terms of the Agreements but the priority order is not negotiable.

The City anticipates that any changes required on the City or Bank agreements will be made and agreed to before award of the contract award is made by the City Council. The Depository Collateral Agreement must be agreed to and executed in totality before award of the contracts.

- a. Provide all service agreements required for provision of the services proposed.

5. Implementation timeline.

The contract period will commence January 1, 2020. The City recognizes that not all services and funds will be transferred by this date but expects that all services should be available for use by that date. In accordance with Local Government Code [105.073] the City will attempt to move funds into the bank within 60 days of the award of the agreement, if feasible. All services are planned to be transferred by March 1, 2020. Collateral will be in place [105.031(b)] before any funds are transferred.

Default in promised delivery of services, without acceptable reasons, or failure to meet the terms or conditions of the depository contract without remedy, shall result in the City having the option to terminate the contract, but the exercising of such option to terminate the contract does not limit any other remedies the City may have for damages or other relief under law.

- a. Provide a proposed, detailed timeline for implementation of the contract. Include each activity required defined by its responsible party and assigned responsibilities. Denote any limitations or potential delay points. The timeline must reflect the number of calendar days required to put the services in place or the end date of when such services will be in place and available to the City.

IV. REQUIRED SERVICES

The proposal must include a response to each of the questions in this Section and all associated fees must be detailed on Attachment A. Attachment A should contain all costs associated with providing these services and any cost so associated but not defined in Attachment A will not be honored under the contract.

It is the City's intent that the contract negotiated between the City and the Depository selected through this process will encompass all the services and conditions required here. Additional services offered by the Proposer may be included. The Required Services are minimum requirements, and any Proposer refusing or failing to provide such minimal services will not be considered for selection as the Depository.

REQUIRED BANKING SERVICES

1. Account Structure

Under this contract, the City will require the option to pay for services on a fee or compensating balance basis. The City will make its decision so that all funds are continuously earning at the best, then-current interest rates.

The City may be required or may desire to open additional accounts or close/change accounts during the contract period. Any new accounts shall be charged at the same contracted amount.

The City does currently utilize a ZBA master with one subsidiary account sweeping into the Funding Account master. The remaining one account is not interest bearing (See the average balances for each account on Attachment A.)An automated, daily sweep to a AAA-rated money market mutual fund (or bank alternative, if applicable and competitive) must be available and should be proposed in order to reach full investment goals and to minimize collateral requirements and any balance based assessments.

An SEC registered government, or enhanced government, money market mutual fund rated AAA by at least one nationally recognized rating service should be used for the sweep. The money market mutual fund must strive to maintain a \$1 NAV. If the bank has a valid alternative to an SEC money market mutual fund which is in compliance with the City's Investment Policy, it may be presented. Neither a repurchase agreement nor an off-shore account of any type is acceptable as a sweep investment vehicle.

- a. Describe the bank’s ability to provide a ZBA-Master structure. Can the bank sweep from individual accounts or must the sweep go through a master account? Indicate your recommended structure. Include classifications of accounts (ZBA or other) to be used in the structure.
- b. How will sweep activity be reported? Is a separate sweep account report available for the transactions? If so, provide a sample.
- c. Will interest from the sweeps be applied at the account level if the sweep is from the individual accounts?
- d. If to be used, provide a link to the prospectus for the sweep fund. A AAA-rated, SEC registered fund striving to maintain a \$1 NAV must be utilized for the sweep.
- e. If the Bank cannot provide a sweep mechanism, or if alternative account types are proposed for the accounts, describe the account structure proposed including the type of accounts (interest bearing, money market, ZBA, etc.) along with the overall account structure.
- f. The City expects highly competitive rates on all demand accounts and the ECR. On interest bearing accounts, on what is the rate based or is this a solely bank managed rate?
- g. Is the sweep processed as the last transaction of the day? If it is a next day sweep, describe the collateral provisions for funds held overnight.
- h. Can accounts be established as sub-accounts outside of a ZBA structure? Describe.
- i. Will the bank charge a balance based (recoupment, administrative, etc) fee? At what rate?
- j. Provide the average rate for the past 12 months and the current rate for each of the following:

	Prior 12 Month Average	Current Rate
ECR	%	%
Interest Bearing Accounts	%	%
Money Market Accounts	%	%
Sweeps	%	%

2. Automated Cash Management Information Access

The City requires web-based cash (treasury) management services and current-day and prior-day balance reporting. It requires the all transactions are executed online and a high degree of automation within all service areas. Imaging of all checks, access and image retention is required. Imaging of deposit slips and deposit items is preferred. Preferably statements and account analyses will be available in electronic form along with information retention.

The City requires timely access to downloadable information for download to the City’s accounting software for reconciliation either automatically or in Excel format. Currently the City downloads information in Excel format and audits it before application to the financial system. The City currently uses the Incode system.

Minimum online services must include balance reporting, stop pays, positive pay, account transfers, and wire transfers. Daily balance reporting should include detail on all transactions with summary reporting on closing ledger and collected balances along with one-day float, at a minimum.

- a. Fully describe the bank’s on-line service capabilities, with examples. List the system’s online capabilities (i.e. balance reporting, wires, positive pay, stop pay, etc.). Is it a central portal?
- b. Is the system capable of sub-ledger accounting in the structure to minimize transfers?

- c. Define the history retention schedules and search capabilities for historical transactions and reports as well as the ability to retrieve and download historical images.
- d. Is paper back-up from the City needed on any transactions or services?
- e. Do the bank's systems include a cash forecasting module or capability?
- f. Detail the availability and level of prior day and current day detail and summary reporting. When is prior day information available? Is current day information real-time or delayed? How often is it updated?
- g. Define transaction, summary and report retention features.
- h. Can customized reports draw across reporting modules and activities? Describe the cross functionality features.
- i. Describe back-up procedures for use by the City with any interruption in the automated system delivery of information or transaction input functions.
- j. What services are available for mobile devices? How is security established and maintained on mobile devices?
- k. Describe provisions for off-site backup and continuation of services in local or regional disaster situations.
- l. Describe security protocols for online services. How is authentication and authorization provided? How and by whom is the administration of the security module established and maintained?
- m. What are the hours of available technical support? Where is the technical support located? How is support provided?
- m. Provide a website link and sign-on information for an on-line review of all the bank functions applicable to the City services.

3. Deposit Services

Standard commercial deposit services are required for certain accounts. A number of geographically separate City departments (such as Golf, Parks, Court) are responsible for their own deposits and these are made on a daily basis by City staff at a branch. The rest of the City deposits are consolidated by the City and made as one deposit from Utility Billing. Utility Billing uses remote deposit for electronic deposit of all checks. The deposit going to the bank is normally only coin or currency. Twenty-four hour deposit capability is required to accommodate department activities. The City anticipates six (6) daily deposits by City staff with an average of 138 individual deposits per month.

The City acts as its own lockbox for utility payments which could change if an image lockbox optional service is implemented. Currently all checks are processed by desktop deposit and coin/currency is delivered by City staff to the bank branch for processing. All check deposits are batched with tapes attached. Coin/currency is not rolled or strapped. The City does not encode checks. The City currently uses two merchant services providers to collect credit card utility payments and all payments are sent electronically to the bank.

All deposits received by the bank's established deadline must be processed and receive ledger balance (as applicable) same day. Immediate verification is not required. The bank shall guarantee immediate credit on all incoming wire transfers, on-us items, and securities maturities and coupons. All other checks clearing will be based on the bank's published availability schedule or remote processing schedule. Failure to timely credit the account will require payment reimbursement to the City at the then-current Fed Funds rate.

The City does not now utilize re-presentation of checks through ACH (RCK) but may consider its use during the contract period. Checks are currently represented automatically twice.

- a. What e-receivables programs does the bank have available? How would you suggest the City work into e-receivables processing?
- b. What is the bank's daily cut-off time to assure same day ledger and, pending availability, collected credit at a banking center and vault? When are deposits posted intra-day?
- c. Must deposits be made to a vault? Where is the vault located?
- d. Consolidation of receivables: Does Proposer have the capability to integrate incoming receivables data from multiple payment networks (ACH, wires, etc.) into one file for application to internal City reporting systems? What level of detail is available and reported? Describe completely.
- e. Does the bank provide deposit location tracking? Describe fully. Do daily online reports include activity by location? Are all deposits designated by location and tracked as such through the reporting?
- f. Does the bank require or prefer strapping and rolling? Are there cost options/benefits for separating cash and checks? Coin and check? Strapping/rolling?
- g. Is there any limit to the number of deposits in one deposit bag? Are these handled as separate advices?
- h. When are credit/debit advices sent to the City from the deposit locations? Are these advices sent electronically? Are images of originals provided with each advice? Is there an electronic alert sent for advices?
- i. Can change orders be placed online? What is the turnaround time?
- j. Does the bank have any program to actively assist the City in collection for vendors or ongoing repetitive citizen payments (Bill Pay) or directly through ACH? If so, is this a proprietary program of the bank? If not proprietary which vendor supplies this service?
- k. How does the bank handle discrepancies in deposit amounts? What dollar limits are used for decisioning? What settlement process is followed?
- l. If a check is accepted and subsequently returned by the bank NSF, define the process. What obligations/liabilities does the City and bank have? Is an alert sent for a return?
- m. Are returned items imaged and available online? Are they identified by deposit?
- n. Is the bank capable of processing the second presentment as an ACH debit on a targeted date schedule (RCK)? Are all items eligible for RCK processing? If not, what items are unacceptable?
- o. Give an example of the standard RCK notification to be used.
- p. How is information on returned checks processed by RCK reconciled to the original check deposit? What bank report or identifier ties the two (2) transactions?
- q. How and when does notification of return items take place? List the elements reported (date, status, reference number, account numbers and routing number, amount, etc.).
- r. What type deposit bags are used or required? Are these available from the bank? At what cost?
- s. Are all deposited checks, deposit slips and deposit items imaged and available online? When and how?
- t. Are dual verification security measures used on all receipt of deposits (immediate and post) at each deposit location?
- u. If provisional credit is given on deposit before verification, when does verification occur?
- v. How much advance notice is required on coin and currency orders? Can orders be placed on line? Is there any minimum purchase requirement? What is the turn-around time on orders?

- w. Include a list of all the bank's deposit locations within the City's limits by type.
- x. Price and report the total fees which would apply to the following sample deposit outlined below. (This does not reflect a normal City deposit and is used for cost comparison purposes only.) The cost of the deposit would be \$_____at a vault and \$ _____ at a branch.

SAMPLE DEPOSIT:
 The sample deposit would be made (a) in four (4) tamper-proof deposit bags, (b) with no currency straps, (c) with coins that are not rolled, but (d) with tapes attached. The breakdown on the deposit is:

Currency			
<u>Denom.</u>	<u>Loose \$</u>	<u>Total \$</u>	
\$100	\$ 300	\$ 20,300	
\$ 50	\$ 600	\$ 15,600	
\$ 20	\$ 340	\$ 4,340	
\$ 10	\$ 70	\$ 4,570	
\$ 5	\$ 175	\$ 5,675	
\$ 1	\$ 14	\$ 2,514	\$ 52,999
Coins			
\$.25		\$ 427	
\$.10		\$ 114	
\$.05		\$ 10	
\$.01		\$ 2	\$ 553
			\$ 53,552

4. Remote Electronic Check Acceptance

The City does currently use remote deposit for deposit of both consumer and commercial checks at the Utility Billing location but may add other remote locations during the contract period.

- a. Describe the bank's capabilities for remote deposit processing. Describe equipment needs, capabilities, and limitations. A web-based system is required.
- b. Are images quality checked at input to reduce posting errors? When are images available?
- c. Provide a sample of the online batch report provided on input.
- d. What is the final cut-off time for remote processing? Are there any limitations on batch size or number of transmissions per day?
- e. Does the bank require specific scanner models? What options does the City have in scanners for use with the process in various volume locations? Is this equipment available through the contract: purchase or lease? List the equipment required along with its approximate cost(s).

5. Standard Disbursing Services

Standard disbursing capabilities is required. Payment of all City checks without charge upon presentation especially for City employees is required. Checks are currently being written on the Funding account. The City requires positive pay services with payee name verification.

The City does have a mandatory direct deposit policy for all employees. Currently, 100 % of the average 353 employees use direct deposit (although occasional paper checks may be written for new employees.

- a. When is daily check clearing information available online through current day reporting? How long are transaction details maintained online?
- b. Does the bank image all checks? What other items are imaged?
- c. The City requires that the bank shall cash free of charge all on-us checks for City employees regardless of the individual's account status with the bank. Confirm agreement with this condition.
- d. Describe any payment consolidation services available. What data transfer options are available for payment consolidation systems?

6. Positive Pay and Reconciliation

Payee positive pay is required on all check writing accounts. Currently positive pay is used on one account. The City requires positive pay services with complete indemnification for fraudulent checks. The proposal must provide a fully automated and web compatible transmission and approval process. Transmissions will be made as part of each check run. Manual check information must be able to be input and transmitted online.

The City may combine positive pay services with partial reconciliation services. Currently no accounts use partial reconciliation services.

- a. Describe data transmission file and timing requirements for check registers. Are file transmissions charged by file by detail item or both? Describe data transmission requirements for check register files.
- b. Is positive pay input for manual checks available on-line? Describe fully.
- c. Is ACH positive pay available?
- d. Is exception reporting and handling managed totally online? Describe.
- e. At what specific time is positive pay exception information reported to the City? How is notification made? Is email notification made or must the City check for exceptions on the site?
- f. At what specific time is the positive pay response required for City exception elections?
- g. Does the bank have payee positive pay available? Describe.
- h. Does the bank review exceptions such as encoding errors for possible repair before creating a City exception item?
- i. How can check records or ranges be modified or reversed?
- j. Are all checks, including those received over-the-counter by the tellers, verified against the positive pay file before processing? How often is teller information updated?
- k. What are the available default dispositions for payment or return? (pay, hold, do not pay)
- l. Can the bank provide fraud control paper check stock?
- m. Describe your partial and full reconciliation services.

- n. Describe your deposit reconciliation process and reports.
- o. Describe transmission file requirements.
- p. Is the bank currently able to post directly to the City's Incode system? Is the bank able to post directly to the new system?
- q. When are reconciliation reports available? Are they online? How long are they maintained online? Are they downloadable? Do they contain images of checks?
- r. Provide samples of all reconciliation reports.

7. Purchasing Cards

The City currently uses a branded network affiliated purchasing cards for designated users. Users must have the ability to use the cards at point-of-sale but restrictions will vary dependent on the individual.

The purchasing ability of the cards must be limited within set parameters. The City will be responsible for administering the enrollment and use of the program and has total discretion on the distribution of the cards.

- a. Does the bank currently provide purchasing cards? How long has this process been available?
- b. Is the program provided by the bank or from a third party? Describe.
- c. What is the card's network affiliation? (Visa, MC, etc.)
- d. How many customers use the service? Provide three public references.
- e. Describe the enrollment process. Is enrollment online and does it provide for batched and individual item processing?
- f. Define the pre-defined restrictions available for the cards.
- g. Describe the security factors built in to the cards and system.
- h. Are there rebate options on the card use? Describe in full.
- i. Can the term of the program be matched to the depository contract?
- j. Describe your customer servicing.
- k. Describe available reports. How and when are they provided? Is information available online?

8. Wires and Internal Transfer Services

The City currently focuses on using ACH rather than wires whenever possible and rarely sends or receives wires. An average of one book transfer is made a month. The average two outgoing wires a month are repetitive and input online.

Incoming wire transfers must receive same day credit. Wire initiation and release should be available online. The City will require compensation for delays caused by bank errors at that day's Fed Funds rate.

- a. Can all wires transactions be initiated and monitored on-line?
- b. Can repetitive templates be created and stored?
- c. What level of security authorization/release do repetitive or non-repetitive wires require? Is authorization (initiation and release) processing for repetitive and non-repetitive the same?
- d. Is future dating of wires and transfers available? How far in advance?
- e. State wire access, posting, and cut-off times.
- f. State the bank's policy on the use of ledger balances for outgoing wires in anticipation of scheduled activity or incoming wires.

- g. Can internal account transfers be processed totally on-line? Is there a fee?
- h. Are book debits/credits all handled online?

9. ACH Services

ACH service is currently used for payroll direct deposit and vendor payments. The City also uses a direct debit for approximately 6,500 utility payments per month. The water utility bills are sent out three times a month in cycles. ACH is used for some vendor payments and the City plans to expand this use.

Volumes on ACH can be found on Attachment A. The City requires pre-notification and will place filters/blocks on Funding accounts.

- a. Is ACH service available for online individual transactions as well as file transmission? What are the cut-off times for each?
- b. Does the bank offer same-day, one-day and two-day ACH processing?
- c. Describe how are individual ACH transactions input online? What security features are in place?
- d. What is the policy and process for handling of ACH returned items?
- e. Can ACH items and files be future dated?
- f. What specific filters and blocks are available on the accounts? Define and describe all your fraud filter and block options.
- g. What policy, process and time requirements exist for file and item reversals and deletions?
- h. Are ACH addenda shown in their entirety on-line and on detail reporting, reports and statements? Does this require additional EDI or other service or access?
- i. The City will require pre-noting? Is the pre-note charged as a standard ACH transaction?
- j. Will the City incur a transmission and/or file processing fees for on-line individual ACH transactions? Describe?
- k. Is the City account debited on initiation of the ACH or on settlement day?

10. Safekeeping Services

All City investments will be made by the City Finance Department or its investment adviser and written instructions for settlement will be given to the bank by an authorized individual. The bank will be required to provide book-entry safekeeping services through the bank or a correspondent. Correspondent processing is not preferable.

All securities must be cleared on a delivery versus payment (DVP) basis and ownership clearly and timely documented by receipts. All interest payments and maturities shall be given immediate collected credit.

The City anticipates an average of between ten and fifteen securities in FRB or DTC safekeeping at any time with third party transactions. Ownership of the securities must be perfected and evidenced by an original safekeeping receipt or access to online information directly to the City within one business day.

The bank's brokerage services will not be used for investment purchases in order to perfect DVP. Certificates of deposit may be purchased from the bank but these will be on a competitive basis.

- a. Is online trade input available? Is settlement monitoring available? Safekeeping monitoring? Describe all options.

- b. Describe the bank safekeeping arrangements proposed. Identify any correspondent bank used for custody.
- c. Which financial institution will be used for settlements and safekeeping?
- d. If a correspondent is to be used, define the process and confirm same-day crediting/debiting on all transactions. Describe any additional City actions required.
- e. Define the structure of fees charged. Are services bundled under safekeeping by cusip or Par amount or are charges made for individual clearing, safekeeping and income distribution?
- f. Are safekeeping fees hard charged or available through the account analysis?
- g. Are notifications sent on all transactions (purchase, sale, calls, and maturities)? When and how?
- h. What time are delivery instructions required? Is this a firm cut-off? Is there a fee charged for late instructions.

11. Collateral Requirements

The City requires a bank that is fiscally strong and able to provide the services described on an uninterrupted basis. As public funds the City falls under provisions of the Public Funds Collateral Act (Texas Government Code Chapter 2257) with additional restrictive City requirements. Collateral will be in place at least one day [Local Government Code 105.031(b)] before any funds are transferred.

If funds are, for any reason, not swept all un-invested time and demand funds above FDIC insurance coverage must be collateralized to 102% with securities authorized by the City. Authorized collateral will include only the following as described in the City Policy:

- Obligations of the U.S. Treasury, its agencies and instrumentalities including mortgage-backed securities and CMO passing the FRB *bank test*,
- Local and state municipal debt rated A or better; and
- FHLB letters of credit

Preference will be given to pledged securities.

All securities pledged to the City will be held by a City approved independent third party institution outside the bank's holding company. The bank will be responsible for the pricing of securities and daily monitoring and maintenance of margin levels. Preferably the custodian would provide market values on the securities. The custodian is required to provide a monthly report directly to the City on the collateral pledged.

The Pledge Agreement shall be executed under the terms of FIRREA with approval by resolution of the Bank Board or Loan Committee. If the Federal Reserve is used as custodian a Circular 7 Pledge Agreement will be executed and appended to the agreement.

The City intends to minimize collateral costs through use of the sweep mechanism if feasible.

The following conditions must be met.

- Collateral must be held in an independent third party bank approved by the City outside the bank's holding company.
- Initial collateral will be provided for the City at least one day prior to deposit of funds.

- All deposits will be collateralized, above FDIC insurance, at 102% of principal plus accrued interest at all times.
- The bank is responsible for the daily monitoring and maintaining of collateral margin requirements.
- Pledged collateral will be evidenced by original safekeeping receipts/report sent directly to the City by the custodian and the City will receive a report of collateral pledged including description, par, market value, and cusip monthly directly from the custodian.
- Substitution rights will be granted if the bank/custodian obtains the City's prior approval and if substituting securities are received before previously pledged securities are removed from safekeeping. Collateral value will be maintained during substitution at 102% or above.
- The bank shall execute a tri-party safekeeping agreement with the City and the custodian for custody of pledged securities in full compliance with FIRREA. Approval of the agreement will be made by resolution of the bank's Board or Bank Loan Committee.
 - a. Confirm agreement to each of the collateral conditions stated above noting any exceptions to each.
 - b. Will there be a fee for collateral?
 - c. What financial institution will be used as custodian? Will they price the securities?
 - d. Are online systems available for the City to inquire on collateral?

12. Account Analysis

A monthly account analysis report shall be provided for each account and on a relationship basis.

- a. Provide a sample account analysis.
- b. State how and when the analysis will be available each month.
- c. How long is the analysis maintained on-line?
- d. If a compensating balance basis is used a minimum six-month carry-over will be required. Confirm agreement to this condition.

13. Monthly Statements

The bank shall provide monthly account statements on individual accounts and on a relationship basis. All accounts are on a monthly cycle using the calendar month as cut-off. Timeliness of reporting is critical.

- a. Provide a sample statement.
- b. State how and when statements are available monthly?
- c. How long are statements maintained online?

14. Account Executive

To insure smooth contract implementation and continuation, a specific account executive and back-up must be assigned to the City account to coordinate services and expedite the solution of any problem. The account executive should meet with City staff semi-annually on banking matters at a minimum.

- a. Explain how the proposed client support level will address problems and promote ongoing communications on a timely and efficient basis.
- b. Is there a protocol and system for monitoring and providing solutions to individual problems?

- c. Provide the names and titles of the proposed account executives.
- d. How often do the representatives plan to meet with City representatives to review services?

15. Overdrafts

Every effort will be made by the City to eliminate net aggregate daylight and overnight overdraft situations.

- a. State the bank's policy regarding aggregate overdraft charges and the rate basis for fees, if any.
- b. What situation generates intra-day and overnight overdrafts?

16. Stop Payments

The City rarely has stop pays. Currently the City has automatic renewals in place for all stop pays. An automated input process is required.

- a. Describe the stop pay process and any bank policy on stop pays.
- b. Are all stop pay transactions performed online?
- c. How long do standard stop pays and renewals remain in effect? What options are available?
- d. How is a stop pay renewal or cancellation accomplished?
- e. What is the deadline for same day action?
- f. Will the on-line system verify if the check was cleared before accepting the stop pay? How far back are records verified?

V. OPTIONAL BANKING SERVICES

The proposal must include a response to each question in this section and all fees associated with the two services must be shown on Attachment A. If the service is not available respond as "Not available".

The City continually investigates new services for use and possible inclusion under its banking services contract. The following services are not currently required but will be evaluated in terms of availability, feasibility, service levels, services provided and charges for current, or future, use under the contract.

The City will make its determination during the contract period as to whether a particular service will be used. If the service is initiated later in the contract period the services and charges stipulated in this proposal will be applied. If the bank currently does not offer the service but is planning to offer the service during the projected contract period, it should so stipulate along with the anticipated date of activation.

1. Image Lockbox

The City currently does not use any lockbox service for receipt and collection of utility bills or other receivables. A lockbox service could be used to collect payments and transmit daily files with detail for downloading to City customer files. The current utility remittance document is shown below.

The account number is up to 8 digits (all numeric) but may vary. The utility currently processes 1800 to 2,200 physical check payments mailed monthly with a daily billing cycle.

- a. Describe the lockbox service to be provided. Describe the work flow and processing of payments at your facilities.
- b. Is this provided by a third party or proprietary system?
- c. When and how is information available daily?
- d. Describe the potential implementation timeline. When could the lockbox be implemented?
- e. What level of technical assistance would be given to the City to implement the lockbox and design or redesign the remittance document?
- f. Where is the lockbox facility located? In what city is the processing located? What city would be used for the remittance address?
- b. When is mail collected and delivered to the facility? How many times daily? How many hours of operation each day?
- c. Can the lockbox handle remittances paid by credit card?
- d. Describe the major components of quality control checkpoints.
- e. Is image processing currently in place? Are there imaging costs for each item (check and remittance document)? Is there a separate fee assigned for the transmission of images?
- f. Will mail be processed on all shifts including weekends?
- g. Is there a formal procedure for responding to and correcting errors and problems? What is the average response time.
- h. Provide the names, contact names and telephone numbers of at least three comparable public lockbox clients.
- i. In the case of system failure, what are the back-up arrangements for processing? Are any delays expected in this situation?
- j. Describe the data transmission process (BAI, 823, 820, or other) and provide all sample reports to be received. What transmission protocol is used? What options are available? Is their full MICR capture?
- k. What is the earliest transmission time that information is available on the daily deposit(s)? Intra-day? Is this information available on-line?
- l. Who is responsible for handling adjustments and error resolution? How?

VI. ALTERNATIVE SERVICES

If the bank has alternatives or additional services not covered by the RFA to present, please provide summary information on the service(s).

	Service	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Average Mo Volume	Proposed Item Fee	Extended Mo. Cost	Information/Notes (as applicable)
450510	MONTHLY MAINTENANCE	1												1			
450111	SAFEKEEPING ASSET PER \$10,000 PAR	20												20			
450102	FIXED INCOME RECEIPTS	5												5			
459999	COUPON PAYMENTS	1												1			
459999	MATURITY AND CALL PAYMENTS	1												1			
450020	INVESTMENT SWEEP	1												1			
	PURCHASING CARD SERVICES																
100416	CEO RETURN ITEM SUBSCRIPT/ACCOUNT	3	2	2	2	2	2	2	2	2	2	2	2	2			
100416	CEO RETURN ITEM SUBSCRIPT/ITEM						14	10	3	7	34	20	1	13			
100006	BRANCH DEPOSIT	133	138	141	145	157	136	152	131	128	149	135	135	140			
100220	DEPOSITED CHECKS ON US	17	17	43	87	66	13	22	17	10	12	17	8	27			
100225	DEPOSITED CHECK	79	75	173	318	199	70	85	65	51	64	64	73	110			
10220	DESKTOP DEPOSIT ITEM ON US	514	511	446	446	437	460	490	447	426	475	404	433	457			
100224	DESKTOP DEPOSIT DEPOSITED ITEM	1814	1,813	1,573	1,607	1,666	1,647	1,832	1,593	1,667	1,862	1,492	1,693	1,688			
100006	CASH DEPOSITED IN BRANCH	91,300	100,872	104,739	122,617	104,249	80,609	90,848	80,702	77,429	91,312	78,143	90,122	92,745			
100040	CASH ORDER FEE BRANCH	20	23	17	16	19	19	15	16	14	16	6	13	16			
100040	ROLLED COIN FURNISHED BY BRANCH	23	27	32	31	28	35	36	31	23	36	19	36	30			
100040	CURRENCY FURNISHED BY BRANCH	3253	3,117	2,600	2,364	3,970	3,015	2,600	2,440	2,088	2,005	2,280	3,108	2,737			
100040	RETURN ITEM CHARGE BACK	4	4	6	4	1	4	6	3	6	5	1	1	4			
100416	CEO RETURN ITEM RETEIVAL IMAGE		1	1		13	10	7	7	10	22	7	2	8			
100416	CEO RETURN ITEM SERVICE MO BASE	2	2	1	1	1	1	1	1	1	1	1	1	1			
100402	RETURN ITEM REDEPOSITED	4	4	6	2	4	3	4	10	3	6	6	2	5			
	REQUIRED SERVICES TOTAL																
	OPTIONAL SERVICES																
	CHECK PRINTING																
	CHECK FEE																
	ENCLOSURES																
	SAME DAY																