

REQUEST FOR PROPOSAL FOR BANKING SERVICES

I. INTRODUCTION

The City of Pflugerville (City) is requesting proposals for a banking services contract to be awarded July 24, 2012, with service to begin October 1, 2012 and extend through September 30, 2015, with the option of two (2) one-year extensions.

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

All information provided on the number of transactions is based upon historical or anticipated activity to the best of the City's knowledge. Although this is the City's best estimate of volume, the City does not guarantee these volumes.

General Information

The City's banking structure currently consists of one (1) checking account and approximately 6 savings style accounts. The checking account is utilized for all payables of the City, including payroll. The remaining accounts are used to manage monies of the City's various funds and obligations.

Checks for payables are written each week and funded by transfers to the checking account from other City accounts and outside sources. Approximately 550 checks are written each month.

The City pays employees bi-weekly, on Friday. The City has approximately 290 year-round employees and approximately 150 seasonal employees. The average bi-weekly payroll is approximately \$ 510,000. Currently 251 employees are utilizing direct deposit services and approximately 70 checks are written.

Cash is deposited to various City bank accounts on a daily basis. These deposits total approximately \$ 1,200,000 monthly. The number of items deposited per month is approximately 4,984 with approximately 14 returned items per month. The total average account balance is \$ 2,200,000.

Additional information about the City can be located on the City's website: www.pflugervilletx.gov. Also, the City's Comprehensive Annual Financial Report and Operating Budgets are available on the Finance Department page of the website. The City's Investment Policy is included as *Attachment A* to this document.

II. PROPOSAL INSTRUCTIONS AND QUALIFICATIONS

A. MINIMUM QUALIFICATIONS

Qualified proposing financial institutions must meet the following minimum criteria:

- Must be a banking corporation incorporated under the laws of the State of Texas;
- Maintain a full-service branch with drive up and night depository capabilities within the city limits of the City of Pflugerville.

B. PROPOSAL SUBMISSION INSTRUCTIONS

1. Proposal Format

In order to fully and equitably evaluate each bank's ability to meet the banking services needs of the City, a standard reply format is required. Each submission must include a proposal to each item in the RFP in the order given. Only proposals submitted in the prescribed format and using the exhibit forms provided will be evaluated for contract award. The proposal must be signed by a duly authorized official of the bank. The proposal submitted will become part of the final contract.

2. Submission Requirements

Three (3) hard copies of the proposal and one (1) hard copy or CD of the Required Financial Institution Information must be submitted in a sealed envelope and clearly marked "**Depository Proposal Due June 27, 2012**" addressed and delivered to:

Beth Davis
Finance Director
City of Pflugerville
100 East Main, Suite 200
Pflugerville, TX 78660

Proposals must be received by 2:00 pm on Wednesday, June 27, 2012 at the address above.

Facsimile or electronic submissions will not be accepted.

3. RFP Questions

Questions regarding this RFP or the service requested will be accepted via email to the contact and address below. All questions must be submitted by 5:00 pm Friday, June 22, 2012. Responses to all material questions submitted will be communicated to each known prospective bidder.

Amy Good – amyg@pflugervilletx.gov

4. Request for Proposal Amendments

Modifications or additions may be made as a result of questions submitted. Written notification of any change will be made in writing to all known prospective bidders.

5. Selection Criteria

Evaluation of proposals will be made on the basis of the following objectives, not necessarily in the order given:

- Cost of services.
- Convenience of banking services, electronic as well as lobby/backroom services.
- Responsiveness to the needs of the City, both in the time required to complete transactions and in the scope of the services offered.

The City reserves the right to reject any and all proposals in part or in whole and to accept the proposal deemed most advantageous to the citizens of the City of Pflugerville.

6. Award of Bid and Service Initiation

The contract is to be awarded by the City Council at its meeting July 24, 2012.

III. REQUIRED FINANCIAL INSTITUTION INFORMATION

All banks must provide, as part of the proposal in hard copy or CD format:

- Audited financial statements for the past two fiscal years that include the auditor's opinion and appropriate notes to the financial statements.
- One copy of each of the last four quarterly Consolidated Report of Condition and Income reports as required by the Federal Financial Institution Examination Council.
- A statement by the institution which addresses the following:
 - Any recent or foreseen merger or acquisition
 - Whether the institution has been cited for violation of any state or federal banking laws in the past two years.
- The names and qualifications (resumes) of the representatives at the institution's Pflugerville location who would be responsible for processing activity on the City's accounts.

IV. REQUIRED BANKING SERVICES

This section lists all the services to be provided by the bank under this agreement. *Attachment B* lists each of the services. The bank should use this Attachment to provide the specific price for each service.

A. Account Structure

The City's banking structure currently consists of one checking account and multiple savings style accounts. The checking account is utilized for all payables of the City, and the remaining savings style accounts are used to manage monies of the City's various funds and debt service obligations. The City desires all accounts to be interest bearing.

B. Standard Deposit Services

The bank must guarantee immediate credit on all incoming wire transfers and U.S. Treasury checks upon receipt and on all other checks based on the bank's published availability schedule.

Include deposit requirements and commercial and retail deposit locations, including night deposit services and procedures.

C. Standard Disbursing Services

Standard disbursing services for all accounts are required to include the payment of all checks upon presentation.

Checks drawn on City accounts at your institution presented by City of Pflugerville employees will be cashed at no charge.

D. On-line Banking

The institution shall offer Internet access for the inquiry of account balances and activity for all bank accounts. This access should be available by using a password set by the City. In addition, the institution shall offer on-line transfer of City monies between accounts held within the institution. The transfers should be credited and debited to the related accounts on the same business day of the transfer, if the request is received by 5:00 pm.

Include a sample account balance screen, sample account activity screen, sample transfer screen and on-line transfer agreement.

E. Direct Deposit

The banking institution must be able to provide direct deposit through a computer interface with the City via modem or internet.

Include a schedule of funding for direct deposit so that payroll is available for City employees at 12:01 a.m. Friday. Also include a sample direct deposit agreement with your proposal.

F. Wire Transfer Services

A standard wire transfer agreement will be executed with the bank. The City requires adequate security provisions and procedures. If the wire transfer requests are available on line, full information should be submitted detailing the use.

Include a copy of your standard transfer procedures and wire transfer agreement with your proposal.

G. Stop Payments

The institution must provide the City with the ability to stop payments on an automated (phone or internet) basis.

Include a statement on the stop payment process including length and available extensions (if any) with your proposal.

H. Investment of Idle Funds and Safekeeping of City Securities

All certificates of deposit bought by the City will be bought on a competitive basis. The City has no obligation to invest its funds with or through the bank.

City of Pflugerville
Request for Proposal Banking Services

All securities will be handled on a delivery versus payment (DVP) basis as they are cleared into and out of the account. All clearing and safekeeping will be in the bank or its correspondent. All correspondent and safekeeping arrangements will be stipulated in the proposal.

I. BANK SERVICE QUESTIONS

Provide your answer to each of the following by indicating no, or yes and fee amount.

	No	Yes	Fee
Will institution furnish deposit slips?	_____	_____	_____
Will institution furnish night depository services including bags and keys?	_____	_____	_____
Will institution provide coin counting services?	_____	_____	_____
Will institution provide City with cashiers checks as needed?	_____	_____	_____
Will institution charge for accounts overdrawn for short periods of time if cumulative account balances are positive?	_____	_____	_____
Do the on-line banking services allow for numerous user accounts with varying access restrictions?	_____	_____	_____
Are monthly bank statements available on-line?	_____	_____	_____

J. Reporting and Account Analysis

All City bank statements must be received no later than 10 business days after the last day of the month. All checks cleared (both front and back) must be returned to the City in paper or CD format. In addition, the City requires a detailed analysis which should include all charges against each account and a consolidated analysis.

Include a sample bank statement and analysis as part of your proposal.

K. Collateralization of Deposits.

The bank must agree to obtain and maintain acceptable collateral sufficient to cover all anticipated time and demand deposits, above the current FDIC insured limit. Securities used to pledge against time and demand deposits must be held in an independent third-party safekeeping institution outside the bank's holding company. The bank will execute a tri-party safekeeping agreement with the City and the safekeeping bank for safekeeping of these securities. Collateral will be maintained at a minimum of 102% and marked to market at least once a month. Control will be shared jointly between the bank and the entity. Substitution will be approved by the City and not unduly withheld. Substitutions of collateral will be requested in writing and new collateral will be received before the

City of Pflugerville
Request for Proposal Banking Services

existing collateral is released. The proposal will name the safekeeping bank for collateral. The City will require monthly collateral reports.

Please provide a sample collateral report with your proposal.

L. Account Executive

An account executive must be assigned to the account to coordinate the account services and expedite the solution of any problem. A trained and competent backup for the account executive, familiar with the account, should be assigned in the proposal. Stipulate the name and a brief biography of the account executive to be assigned to the City's account.

M. Positive Pay

In order to protect against altered checks and counterfeit check fraud, the City will participate in positive pay.

Provide the format required to transfer issued check files.

V. OTHER SERVICES

The City may desire to participate in other services at a future date. These services will be negotiated as part of a separate contract.

VI. BANK COMPENSATION

Any net settlement on compensating balances will be made annually. Describe the compensating balance calculation and address fee when credits do not cover charged fees.

VII. OTHER INSTITUTION REQUIREMENTS

On an annual basis the institution must provide an audited financial statement and call reports for each fiscal year the banking services agreement is in effect. These reports must be submitted to the Finance Director within 30 days of the completion of the institution's audit.

The institution must provide the City with an updated list of the representatives at the institution responsible for processing activity on the City's accounts annually and upon change of status.

The institution must comply with the City's Investment Policy; see *Attachment A* for a copy of this policy.

APPENDIX A

CITY OF PFLUGERVILLE, TEXAS INVESTMENT POLICY

I. POLICY STATEMENT

It is the policy of the City of Pflugerville ("City") that the administration of its funds and the investment of those funds shall be handled in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the City and conforming to all applicable state and City statutes and ordinances governing the investment of public funds. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. It is the intent of the City to be in complete compliance with local law and the Texas Public Funds Investment Act, Chapter 2256 of the Texas Government Code, as amended.

II. SCOPE

This investment policy applies to all the financial assets and funds held by the City. These funds are defined in the City's Comprehensive Annual Financial Report (CAFR) and include:

- General Fund
- Special Revenue Fund
- Utility Fund
- Debt Service Fund
- Capital Project Fund
- Trust and Agency Fund
- Any new fund created by the City unless specifically exempted by the City Council and this policy.

III. OBJECTIVES AND STRATEGY

A. General Fund

It is the policy of the City that all funds shall be managed and invested with three primary objectives, listed in order of their priority: safety, liquidity, and yield. These objectives encompass:

Safety of Principal

Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. To obtain this goal, diversification is required in the portfolio's composition. The suitability of each investment decision will be made on the basis of these objectives.

Liquidity

The City's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

Yield

The City's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

B. Special Revenue Fund

It is the policy of the City that all funds shall be managed and invested with three primary objectives, listed in order of their priority: safety, liquidity, and yield. These objectives encompass:

Safety of Principal

Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. To obtain this goal, diversification is required in the portfolio's composition. The suitability of each investment decision will be made on the basis of these objectives.

Liquidity

The City's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

Yield

The City's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

C. Utility Fund

It is the policy of the City that all funds shall be managed and invested with three primary objectives, listed in order of their priority: safety, liquidity, and yield. These objectives encompass:

Safety of Principal

Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. To obtain this goal, diversification is required in the portfolio's composition. The suitability of each investment decision will be made on the basis of these objectives.

Liquidity

The City's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

Yield

The City's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

D. Debt Service Fund

It is the policy of the City that all funds shall be managed and invested with three primary objectives, listed in order of their priority: safety, liquidity, and yield. These objectives encompass:

Safety of Principal

Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. To obtain this goal, diversification is required in the portfolio's composition. The suitability of each investment decision will be made on the basis of these objectives.

Liquidity

The City's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

Yield

The City's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

E. Capital Projects Fund

It is the policy of the City that all funds shall be managed and invested with three primary objectives, listed in order of their priority: safety, liquidity, and yield. These objectives encompass:

Safety of Principal

Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. To obtain this goal, diversification is required in the portfolio's composition. The suitability of each investment decision will be made on the basis of these objectives.

Liquidity

The City's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

Yield

The City's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

F. Trust and Agency Fund

It is the policy of the City that all funds shall be managed and invested with three primary objectives, listed in order of their priority: safety, liquidity, and yield. These objectives encompass:

Safety of Principal

Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to insure the preservation of capital in the

overall portfolio. To obtain this goal, diversification is required in the portfolio's composition. The suitability of each investment decision will be made on the basis of these objectives.

Liquidity

The City's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

Yield

The City's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

IV. LEGAL LIMITATIONS, RESPONSIBILITIES AND AUTHORITY

Direct specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"), as amended. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended, specifies collateral requirements for all public funds deposits.

The Interlocal Cooperation Act, Chapter 791, Texas Government Code, as amended, authorizes local governments in Texas to participate in an investment pool established thereunder. That statute and reference to authorized investment in investment pools in the Act is primary authority for use of investment pools by political subdivisions of the State of Texas.

V. DELEGATION OF INVESTMENT AUTHORITY

The Finance Director, acting on behalf of the City Council, is designated as the Investment Officer of the City and is responsible for investment management decisions and activities. The Council is also responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this investment policy. Procedures will include reference to safekeeping, require and include PSA Master Repurchase Agreements, wire transfer agreements, banking services contracts, and other investment related activities.

The Investment Officer shall attend a training session not less than once in a two-year period that begins on the first day of the fiscal year and consists of the two consecutive fiscal years after that date. The training session(s) will include not less than 10 aggregate hours of instruction relating to investment responsibilities.

The Investment Officer shall be responsible for all transactions and shall establish a system of controls to regulate the activities of subordinate officials and staff. The Investment Officer

shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officer is not available.

No officer or designee may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer and approved by the City Manager.

VI. PRUDENCE

The standard of prudence to be used in the investment function shall be the “prudent person” standard and shall be applied in the context of managing the overall portfolio. This standard states: “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived.”

Limitation of Personal Liability

The Investment Officer and those delegated investment authority under this policy, when acting in accordance with the written procedures and this policy and in accord with the Prudent Person Rule, shall be relieved of personal responsibility and liability in the management of the portfolio provided that deviations from expectations for a specific security’s credit risk or market price change or portfolio shifts are reported in a timely manner and then appropriate action is taken to control adverse market effects.

VII. INTERNAL CONTROLS

The Investment Officer shall establish a system of written internal controls which will be reviewed annually with the independent auditor of the City in accordance with accepted industry practices. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the City.

The Investment Officer shall monitor the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by policy, the Investment Officer shall immediately solicit bids for and sell the security, if possible, regardless of a loss of principal.

Cash Flow Forecasting

Cash flow forecasting is designed to protect and sustain cash flow requirements of the City. Supplemental to the financial and budgetary systems, the Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes. Cash flow will include the historical researching and monitoring of specific cash flow items, payables and receivables as well as overall cash positions and patterns.

VIII. AUTHORIZED INVESTMENTS

Acceptable investments under this policy shall be limited to the instruments listed below. The investments are to be chosen in a manner which promotes diversity or market sector and maturity.

- A. Obligations of the United States Government, its agencies and instrumentalities, and government sponsoring enterprises, not to exceed two years to the stated maturity;
- B. Direct obligations of the State of Texas or its agencies.
- C. Certificates of deposit issued by an FDIC insured financial institution, not to exceed the current FDIC limit per institution and with a maximum maturity length of one year.
- D. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.
- E. Repurchase agreements and reverse repurchase agreements as defined by the Public Funds Investment Act, as amended, not to exceed ninety (90) days to stated maturity, provided an executed PSA Master Repurchase Agreement is on file with the City and the counterparty bank or primary dealer.
- F. Texas Local Government Investment Pools as defined by the Public Funds Investment Act, as amended. The maximum dollar-weighted maturity for the pool may not exceed ninety (90) days and the pool must maintain a minimum rating of AAAm.

IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

All investments made by the City will be made through either the City's banking services bank or a primary dealer. The City shall maintain a list of financial institutions which are authorized to provide investment services. Banks shall continuously provide their most recent "Consolidated Report of Condition" (call report). Securities broker/dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve as primary dealers. The following criteria must be met by those firms on the list: provision of an audited financial statement for the most recent period, proof of certification by the National Association of Securities Dealers (NASD), and proof of current registration with the State Securities Commission.

Every dealer with whom the City transacts business will be provided a copy of this Investment Policy to assure that they are familiar with the goals and objectives of the investment program. The broker/dealer will be required to return a signed copy of the Certification Form certifying that the policy has been received and reviewed.

X. DIVERSIFICATION AND MATURITY LIMITATIONS

It is the policy of the City to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. With the exception of U.S. Treasury securities and authorized investment pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investment with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to specific requirements such as semiannual or annual bond payments, the Investment Officer may not invest more than 20% of the portfolio for a period greater than one (1) year. The Investment Officer may not invest any portion of the portfolio for a period greater than two (2) years.

XI. SAFEKEEPING AND COLLATERALIZATION

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Investment Officer and evidenced by safekeeping receipts.

XII. PERFORMANCE EVALUATION AND REPORTING

The Investment Officer shall submit quarterly reports to the City Manager and City Council containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program. This report shall contain:

- Beginning and ending market value of the portfolio by market sector and total portfolio;
- Beginning and ending carrying (Book) value of the portfolio by market sector and total portfolio;
- Transactions which change market and book value;
- Detail reporting on each asset (book, market, and maturity dates);
- Overall current yield of the portfolio;
- Overall weighted average maturity of the portfolio;
- Maximum maturities in the portfolio; and,
- The signature of the investment officer.

XIII. INVESTMENT POLICY ADOPTION BY THE CITY COUNCIL

The City's investment policy shall be adopted by the City Council. The policy shall be reviewed on an annual basis by the City Manager and City Council.

BANKING SERVICES CHARGES

Any and all anticipated service charges must be shown on this form to be applicable under the agreement. Add additional lines as required.

Service Unit	Unit Charge	Cost of Service
Account Maintenance	Per month	
Credits Posted	Per transaction	
Debits Posted	Per transaction	
Items Deposited		
Deposits	Per transaction	
Encoding charge	Per transaction	
Returned checks	Per transaction	
Web Banking		
On-line Account Access	Per month	
Transfers	Per transaction	
ACH Processing	Per transaction	
Origination of file	Per file	
ACH deletions	Per transaction	
ACH entries	Per transaction	
ACH returns	Per transaction	
ACH maintenance	Per month	
Wire Transfers		
Incoming	Per transaction	
Outgoing	Per transaction	
Stop payments	Per transaction	
Investment Safekeeping ¹		
S/keeping interest/credit	Per transaction	
S/keeping receipt deposit	Per transaction	
S/keeping outgoing	Per transaction	
Securities DVP FRB	Per transaction	
Securities DVP NY	Per transaction	
Extra Statements	Per transaction	
CD of Imaged Cancelled checks	Per disk	
Positive Pay	Per month	

¹ Refers to safekeeping on deposits on file with the institution only, no outside investments.