



City of Huntsville
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Huntsville, Texas 77320
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REQUEST FOR PROPOSAL (RFP) NO. 11 – 15

“Banking Services”

RETURN SEALED RFP:

City of Huntsville
 City Secretary
 1212 Avenue M
 Huntsville, Texas 77340

Sealed solicitations shall be received no later than:

2:00 p.m., Central Standard Time
Wednesday, April 20, 2011

MARK ENVELOPE: “Solicitation Packet “11 -15”

ALL PAGES MUST BE INITIALED AND RETURNED.
IF NOT BID MAY BE REJECTED.

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Introduction

The City of Huntsville is accepting solicitations for banking services in accordance with Local Government Code Chapter 105. The City of Huntsville is aware of the time and effort you expend in preparing and submitting bids and proposals to the City. Please let us know of any solicitation requirement(s) which are causing you difficulty in responding to our solicitation. We want to make the process as easy and painless as possible so that all responsible vendors can compete for the City's business. Information on which commodities and services we purchase or have for sale is available from the Purchasing Office. You may register on the City's vendor management program at www.bidsync.com to receive notice of solicitations.

General Instructions

RFP packets must be delivered to Attention Lee Woodward, City Secretary, City of Huntsville 1212 Avenue M, Huntsville, TX 77340.

Solicitation Packets must be received by

April 20, 2011 2:00 p.m. Central Standard Time

It is the sole responsibility of responder to have packet at designated location prior to the deadline date and time. Each response must be sealed in an opaque envelope which has been clearly marked "RFP Packet # 11 - 15" All late packets will be returned to responder unopened when properly marked. Public reading is scheduled to be held at the date and time listed above at City Hall, 1212 Avenue M, Huntsville, Texas. Only the name will be read aloud and you are invited to attend.

Questions and Clarifications concerning the bid should be directed to Billie F. Smith, Purchasing Manager 936-291-5495 or e-mail bsmith@huntsvilletx.gov.

RFPs submitted do so entirely at their expense. There is no expressed or implied obligation by the City of Huntsville to reimburse any individual or firm for any costs incurred in preparing or submitting a bid, for providing additional information when requested by the City of Huntsville, or for participating in any selection interviews.

It is understood that the City of Huntsville reserves the right to reject any or all proposals for any or all products and/or services covered in this RFP request and to waive informalities or defects in RFP or to accept such RFP as it shall deem to be in the best interest of the City of Huntsville. If less than three RFP's are received, the City of Huntsville reserves the right to extend the RFP opening date as it deems to be in the best interest of the City. If the awarded vendor is unable to meet the requirements of the City, services/products may be purchased from the best available vendor. The City of Huntsville reserves the right to award the bid based on best value in whole or parts as it shall deem to be in the best interest of the City.

Preparation of bid: Each bid must be submitted on the prescribed form. All blank spaces must be filled in, in ink or typewritten, in both words and figures, and must be fully completed and executed when submitted. In the event words and figures do not agree, the words shall govern and the figures shall be disregarded. If the unit price and the total amount named for an

item are not in agreement, the unit price alone will be considered as representing the responder's intention and the total will be corrected to conform thereto. The responder must sign his proposal in the space provided on the RFP form. If the RFP is submitted by a partnership or corporation, the name and address of the partnership or corporation must be shown, together with the name and address of the partners or corporate officers. A RFP submitted by a partnership must be signed by one of the partners. A RFP submitted by a corporation must be signed by one of the corporate officials having, under the corporate structure, the power to act in this capacity and the corporate seal must be affixed onto the bid. A RFP submitted by a sole proprietorship must be signed by the proprietor.

Written Modification: Any responder may modify his RFP by letter, telegraphic or other written communication at any time prior to the scheduled closing time for receipt of the RFP, provided such written communication is received by the City prior to the closing time, and provided further, the City is satisfied that the written modification bears the signature of the responder. The written communication should not reveal the RFP price but should provide the addition or subtraction or other modification so that the final prices or terms will not be known by the City until the sealed RFP is opened. It is the responsibility of responder to ensure modification was received by the City.

Qualification of Responders: No prequalification of responders is required. Before award of any contract can be approved, however, the City shall be satisfied that the responder involved: (1) maintains a permanent place of business, (2) has adequate plant and equipment to do the work properly and expeditiously, (3) has a suitable financial status to meet obligations incident to the work, (4) has appropriate technical experience, and (5) can submit a satisfactory performance record. Forms are included in the bid proposal for the purpose of supplying the City with such information.

Addenda & Interpretations: No interpretation of the meaning of the plans, specifications or other pre-bid documents will be made to any responder orally. Every request for such interpretation should be in writing addressed to the Purchasing Agent at 448 State Highway 75 North, Huntsville, Texas 77320 and to be given consideration must be received at least 72 hours prior to the date fixed for the opening of bids. Any and all such interpretations and any supplemental instructions will be in the form of written addenda to the specifications which, if issued, may be posted on the City of Huntsville website, e-mailed, faxed or made available in the Purchasing Agents office not later than three days prior to the date fixed for the opening of bids. All addenda so issued shall become part of the contract documents, and receipt thereof shall be acknowledged in the space provided in the RFP. It is the responsibility of the responder to verify all addendums and interpretations.

Laws and Regulations: The responder's attention is directed to the fact that all applicable state laws, municipal ordinances, and the rules and regulations of all authorities having jurisdiction over construction of the project shall apply to the contract throughout, and they will be deemed to be included in the contract the same as though herein written out in full.

Obligation of Responder: At the time of the opening of the solicitations each responder will be presumed to have read and to be thoroughly familiar with the request and contract documents (including all addenda). The failure or omission of any responder to examine any form,

instrument or document shall in no way relieve any responder from any obligation in respect of their RFP.

Rejection: The City of Huntsville reserves the right to reject any or all RFPs for any or all products and/or services covered in this request and to waive informalities or defects in RFPs or to accept such bids as it shall deem to be in the best interests of the City of Huntsville. The City of Huntsville may reject for any omission of request forms not limited to the following: insurance, bid bond/or cashier's check, payment and performance bonds, non-collusion affidavit, responder information, conflict of interest, and signed RFP document. If less than three RFPs are received, the City of Huntsville reserves the right to extend the RFP opening date as it deems to be in the best interest of the City. If the awarded vendor is unable to meet the requirements of the City, services/products may be purchased from the best available vendor.

Required Forms Each responder will be required to complete the RFP Form, Conflict of Interest Form, Non-Collusion Affidavit, and Reference Forms attached. Where applicable the responder may complete the No Bid Statement and the Question/Response Form.

To obtain bid tabulation results, please log on to our website at http://www.huntsvilletx.gov/business/bids_and_rfps/bid_tabulations/. If you have any other questions, please contact the Purchasing Office, Billie F. Smith at (936) 291-5495 or e-mail bsmith@huntsvilletx.gov.

Background

The City of Huntsville invites proposals for complete banking services from qualified banking institutions to the City of Huntsville as described in this RFP. The City may bid and/or invest part or all of its surplus or excess funds outside the depository agreement that arises from this Request for Proposal.

An additional investment proposal may be submitted including all or a minimum investment of city funds. This would be submitted as a proposal option. The City of Huntsville considers value to be a function of price and quality.

Evaluation Criteria

The following criteria will be used by the City to evaluate the proposal and to make a selection.

1. Compliance with minimum requirements as set out in this RFP.
2. Completeness of responses to all required items on the quotation forms.
3. Ability of banking institution to provide internet banking for City accounts.
4. The "overnight investment rate" used to calculate interest earnings from the investment of surplus funds. For evaluation purposes, the City will assume \$1,000,000 to be the average collected balance to be invested

overnight, based on an average 12 month balance.

5. Financial strength.
6. Response of the Bank.

Terms and Conditions

1. Term: The intent of this request is for the City to arrange for banking services for a 24 month period. The contract may be extended up to three additional years, renewable on an annual basis. Texas Local Government Code § 105.017.
2. Right to Reject: The City reserves the right to waive any irregularities in any proposal, to request additional information and to accept or reject any item of any proposal. This RFP does not commit the City of Huntsville to enter into any formal or informal banking service arrangement, or to incur any costs related to the preparation of a response. Texas Local Government Code § 105.015(b).
3. Modification and Amendments: The City reserves the right to negotiate such additions, deletions or changes as it deems necessary during the term of an agreement.
4. Effective Date: The selected proposal will become effective upon approval by the City Council, the City and the Bank will commence operating pursuant to this agreement as soon as practicable. The expected effective date is approximately May of 2011.
5. Investment Policy: A copy of the City Investment Policy is enclosed. The Bank by its submission acknowledges receipt of policy and agrees to abide by any terms regarding investment.
6. The Board of Directors must approve and record all accepted proposals and agreements into the minutes of the Bank. All collateral and collateral changes must be approved and recorded in the minutes.
7. The City and depository agree to comply with Local Government Code 105 and Government Code 2257.
8. The project selection team shall be responsible for reviewing responses to the RFQ's and qualifying the submittals based on but not limited to rate to be paid on investments, charges for services, additional services, financial data, technical competence, capability to perform, past performance, financial strength, and other factors deemed appropriate. The project selection team may interview the top submittals in further evaluating compatibility and qualifications to produce the required product for the City. Based upon the submittals and possibly the interview process, the project selection team will review and rank the submittals based on the

information submitted and will attempt to negotiate a contract with the firm that is ranked number one. If the City is unable to reach an agreement with the number one ranked firm, it will formally and in writing end negotiations and proceed to negotiate with the number two ranked firm, and so on until a contract is reached.

Minimum Qualifications for Submitting a Proposal

In response to this RFP, the Bank acknowledges and understands that the following conditions must be met at the time services are provided to the City:

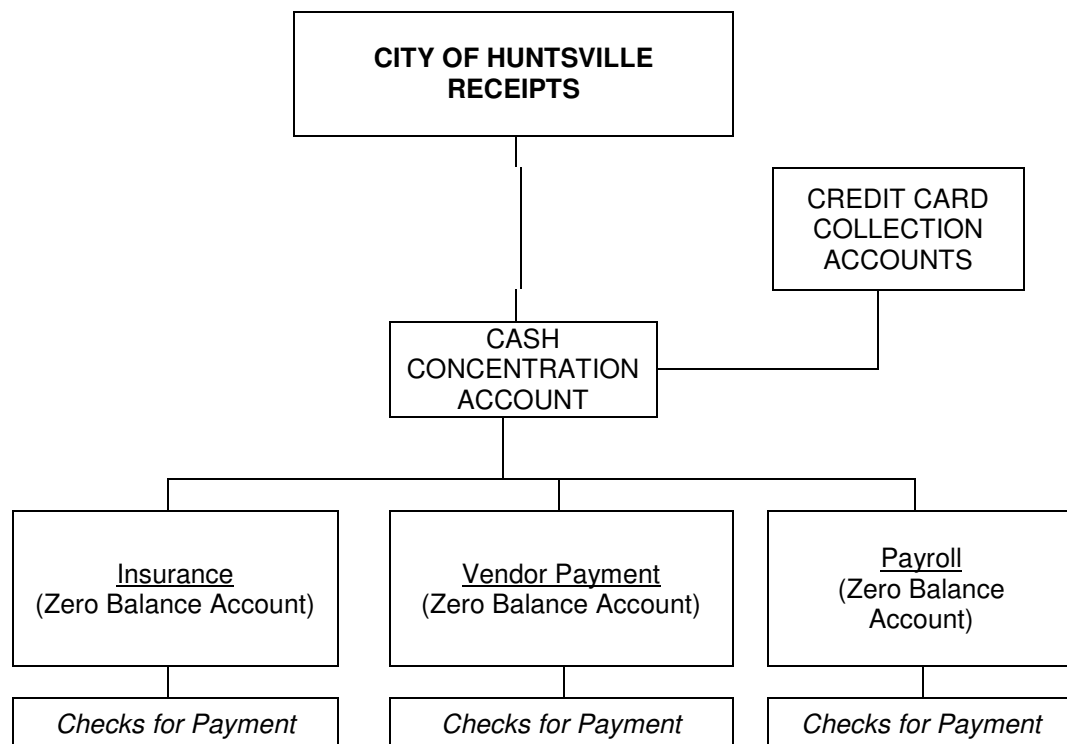
- A. **Local Bank.** A bank submitting a proposal must be a state or federal chartered bank, credit union or savings association doing business within Huntsville, Texas (herein collectively referred to as “bank”). Texas Local Government Code § 105.001.
- B. **Approved Collateral.** A bank submitting a proposal must have identifiable collateral which meets the requirements of Texas law for public depositories, the City’s investment policy,(Reference Appendix) and which is sufficient to cover all city bank accounts and certificates of deposits purchased from the bank at all times. Collateral must be maintained by one of two methods: (1) Collateral will be maintained in an independent third party bank approved by the City. The third party bank will execute a safekeeping agreement with the City. (2) Collateral will be maintained with the Federal Reserve in the name of the City. Acceptable collateral is U.S. Treasuries or Agencies of final stated maturity of less than 5 years. Texas Local Government Code §§ 105.034 et seq.; Texas Government Code Chapter 2257.
- C. **Adequate Size to Provide Service.** A bank submitting a proposal must have adequate organization, facilities, equipment, and personnel to provide prompt and efficient service to the City.
- D. **City Liaison.** A bank submitting a proposal must assign a senior level bank management person as liaison with the City’s Finance Department.
- E. **City Employee Check Cashing Privileges.** A bank submitting a proposal must agree to cash, without charge to the employees all City of Huntsville, employee payroll checks drawn on it, after proper identification is presented by the employee, regardless of whether the employee has an account with the Bank.
- F. **Conflicts of Interest.** The Bank must certify that it is not disqualified from bidding and becoming the depository for the City by reason of one or more of its officers, directors and stockholders who own more than ten (10) percent of the Bank’s outstanding capital stock, being on the City Council of the City of Huntsville, and further that no officer, director or stockholder voted or participated in the proceedings of the City whereby the Bank was selected as depository. Texas Local Government Code §§ 105.015, 131.903.

- G. State Law. The Bank must comply with the Texas Local Government Code, Chapter 105 concerning local depositories and the Public Funds Investment Act and Public Funds Collateral Act, Texas Local Government Code Chapters 2256 and 2257, respectively.
- H. The Bank must provide for prearranged payment and deposit through the ACH system. The Bank shall provide same day recording of transactions for all payments and deposits.
- I. The Bank must provide internet banking services for City accounts. Dual approval capabilities are desired. System capabilities should provide administrative controls, separate wire and ACH transfer capabilities, and viewing and reporting controls.
- J. The City should not bear the cost of printing, software changes, or other services required relating to transferring funds or computer conversion.

State of Required Services

General

The City has determined that the following services and products are the minimum necessary in order to fulfill the current and foreseeable future banking service requirements of the City of Huntsville. The following is a schematic diagram of the City's cash management system.



1. Generally, all receipts are credited to a single cash concentration account. The City's selected credit card processing merchant will deposit monies in a separate cash account(s) maintained at the depository bank. Monthly automatic sweeps must be made from the credit card accounts to the concentration account.
2. All disbursements are drawn as needed from the separate disbursement accounts (payroll, insurance and vendor payment) that are maintained at a zero balance. The City reserves the right to open up additional accounts throughout the contract term, if necessary.
3. The Bank shall make daily transfers from the cash concentration account to the disbursement accounts to cover the checks presented that day for payment.
4. The funds remaining in the cash concentration account after the transfers to the disbursement accounts will earn interest at the "overnight or federal discount investment rate".

"Overnight investment rate" means the funds offered rate as published in the Wall Street Journal for a defined period (either daily, weekly, or monthly), multiplied by the percent proposed by the Bank (see attached Quotation Form, Part I.) The proposal must state the exact method of calculation, preferably with at least two (2) examples. Interest should be deposited monthly, and interest paid may not be used in calculation of the bank charge for services.

Cash Concentration Account

1. Use of Account: The City of Huntsville requires a cash concentration account into which all City receipts will be deposited. The amount necessary to cover the checks presented in the zero balance accounts will be transferred from the cash concentration account on a daily basis. At the end of each day, the collected cash balance in the cash concentration account will be automatically invested overnight at the "Overnight Investment Rate".
2. Deposits: The City will make deposits to the cash concentration accounts at various times during the business day and will require the Bank to give same day credit for funds the Bank receives before 2:00 p.m. Deposits will not be encoded or sorted.
3. Monthly Statement: The City will require the Bank to provide a printed bank statement for each account on a monthly basis within five business days from the end of each month. The monthly statement will include return of all canceled checks, debit and

Yes / No

Yes / No

credit memos, and deposit tickets. The cut-off cycle for all City accounts must be the calendar month. The statement shall include deposits made on the last day of the period. The accompanying checks shall be arranged in numerical order.

Yes / No

4. Wire Transfers Out: The City will require the Bank to periodically wire funds out of the cash concentration account to various vendors, paying agents, and brokers upon telephone or written instructions. The Bank must provide personal identification numbers (PIN) and accept wire instructions by telephone, fax, or e-mail. Persons authorized by the City to make wire transfers will be assigned a PIN by the Bank. Call back procedures or other verification will be used to independently verify the transfer. The City agrees to notify a designated person at the Bank by 11:00 a.m.

Yes / No

Wire transfers ordered by 11:00 a.m. and not received by the destination party by the close of business will be traced from origin to destination to ascertain the party responsible for delaying the transfer. If necessary, adjustments will be made for any lost interest or charges resulting from a “fail” to consummate a transfer. All transfers will be made using the Federal Reserve System unless otherwise instructed by the City.

Yes / No

5. Safekeeping Bank: The Bank must arrange for safekeeping services. In addition to the safekeeping account in which pledged collateral is held, the City must have access to a safekeeping account to which Fed securities can be delivered via the Federal Security Wire System on a delivery versus payment (DVP) basis. A description of how safekeeping will be handled including sample contracts used and a listing of applicable safekeeping fees should be included in the Quotation Form, Part II (G).

Yes / No

6. Wire Transfers In: The City will require the Bank to accept incoming wire transfer of funds for the sale of securities, interest payments, receipts from various governmental agencies and money market accounts. The City will require the Bank to give same day credit for funds received before close of the business day. The Bank may be required to wire the funds out on the same day.

Yes / No

7. Account Inquiry: The City may inquire at no cost about the ledger and collected balance in the cash concentration account and the status of cleared checks, deposits, and ACH/wire transactions. Query must be available through electronic means.

Yes / No

8. Data Summary (Estimate of Activity) – Cash Concentration Account: The Proposer should include all transaction costs in Quotation Form, Part II-A.

<u>Account Maintenance</u>	<u>Yearly</u>	
Deposits	2,600	
Return Items	200	
Incoming Wires	40	
Outgoing Wires	30	
Incoming ACH	1,900	<u>Yes / No</u>
Outgoing ACH	400	

9. The Bank must allow for ACH payment of utility bills. Yes / No
10. Although the City does not intend to have negative balances in the cash concentration account proposed, the Bank may specify an interest rate or service charge to be applied in the account analysis calculation in the event the City does incur a negative balance in the cash concentration account. This rate or service charge should be explained in the other costs or charge portion of the RFP, Item H, page 4, of the Quotation Form. Yes / No
11. ACH payments and deposits must be credited or paid by the following business day, or the same day if submitted by 11:00 a.m. Yes / No
12. The Bank must provide the ability to electronically transmit checks and deposits (credit) by ACH. Yes / No
13. State additional costs related to accepting this proposal including transfer of funds. _____

Vendor Payment Zero Balance Account

1. Use of Account: The City of Huntsville requires a zero balance checking account from which vendor disbursements will be paid. Yes / No
2. Monthly Statement: The City will require the Bank to provide a printed bank statement for the vendor payment zero balance account on a monthly basis within five business days from the end of each month. The cut-off for the cycle must be the calendar month. The monthly statement will include return of all canceled checks and debit and credit memos. Yes / No
3. Check Sorting: The City requires that all paid checks be returned to the City with their respective bank statement and that these checks be fine sorted in ascending numerical order. Yes / No
4. Stop Payments: The City will require the Bank to issue stop payments upon communication from authorized City personnel. The City will provide written confirmation of these transactions. Yes / No
5. Data Summary (Estimates of Activity) - Vendor Zero Balance Account:

	<u>Yearly</u>	
Checks Paid	6,100	
Stop Payments	10	
		<u>Yes / No</u>

Payroll Zero Balance Account:

1. Use of account: The City of Huntsville requires a zero balance checking account from which all bi-weekly City payroll checks will be written. Yes / No
2. The Bank must provide for ACH deposit of payroll checks. Yes / No
3. Monthly Statement: Same as vendor payment account. Yes / No
4. Check Sorting: Same as vendor payment account. Yes / No
5. Stop Payments: Same as vendor payment account. Yes / No
6. Data Summary (Estimates of Activity) - Payroll Account:

	<u>Yearly</u>	
Checks Paid	2,500	
Stop Payments	2	
		<u>Yes / No</u>

Insurance Account

1. Use of Account: The City of Huntsville requires a zero balance checking account from which the City's insurance administrator will draft claim payments. Yes / No
2. Monthly Statement: Same as vendor payment account. Yes / No
3. Check Sorting: Same as vendor payment account. Yes / No
4. Stop Payments: Same as vendor payment account. Yes / No
5. Data Summary (Estimates of Activity) - Insurance Account:

	<u>Yearly</u>	
Checks Paid	3,000	
Stop Payments	2	
		<u>Yes / No</u>

Credit Card Collection

1. Use of account: The City of Huntsville requires up to four accounts for the City's selected credit card merchants to deposit

funds. Monies will be transferred to the account(s) by the credit card vendors. The Bank will transfer the money monthly to the cash concentration account.

	<u>Yearly</u>	
Incoming ACH	4,200	
Outgoing ACH	200	
Transfers to Cash Concentration	50	<u>Yes / No</u>

Investment Services

1. Securities Safekeeping: Can the Bank provide for safekeeping all securities purchased directly by the City (U.S. Treasury Bills and Notes)? Yes / No

The City requires a safekeeping receipt to be issued and delivered to the City within two business days after receipt of securities. Yes / No
2. Collateral Safekeeping: The City may bid its surplus funds for investments in various other banks' certificates of deposits. Can the Bank provide for safekeeping of collateral pledged, if any, to the City by other banks to cover the City's deposits in these other banks via certificates of deposit? Yes / No
3. Overnight Investment of all Collected Funds: The City requires that all collected funds remaining in the cash concentration account at the end of each day earn a return such that the City will be credited with earnings at the "Overnight Investment Rate". Interest at the "Overnight Investment Rate" must be credited at least monthly. Yes / No
4. Interest earned by the City for its overnight investment of funds may not be included in the account analysis charges used to determine fees paid by the City. Yes / No
5. Bank acknowledges having read and agrees to comply with the City's investment policy and Government Code Chapter 257. Yes / No

Other Required Services

1. Account Analysis: The City requires that a monthly account analysis be presented to the City within 15 business days of the end of the month. The account must show, at a minimum, the following information:
 - a. Account number;
 - b. Period covered;
 - c. Average ledger balance;
 - d. Average collection balance;
 - e. Services rendered (including copy of service and quantity);

- f. Per unit cost of each service;
- g. Total cost per service;
- h. Total cost of all services rendered.

Yes / No

2. Account Review: The City of Huntsville shall require a review meeting at least once every six months to evaluate the working relationship between the City and the Bank. The objective shall be to address any problems and to discuss the procedures involved in protecting the City's funds and pledged collateral.

Yes / No

3. Acknowledges compliance with Local Government Code 105 and Government Code 2257.

Yes / No

Method of Payment

- A. The City will pay for all charges for services rendered by debit to the cash concentration account. All charges must be included in the account analysis. The service cost to be reimbursed shall be taken directly from the required monthly account analysis. Any charge to be made to the City for services shall be based on the combined account analysis summary for all checking accounts (including the Cash Concentration, Vendor Payment, Payroll, and Insurance accounts) and charges for services must have been specifically identified in the proposal. Interest earnings paid to the City for the overnight investment of funds may not be included in the account analysis fees.

Yes / No

- B. The debit to the cash concentration account shall be made at the end of the month the services were provided.

Yes / No

Additional Services Requested

Investments

The City requests proposals for investing all or a stated minimum amount of City funds as a pool or in divided investments in addition to balances remaining in overnight City Cash accounts. The City maintains approximately \$40 million in investments. State any minimum requirements and rates proposed per level of dollars invested.

Lock Box Services

The City desires to request rates applied for mail sorting, recording, and depositing utility payments. Payments are to be deposited the same day collected and an electronic record provided to the City detailing name, account number, check date, check number, and amount deposited. Average number of mail accounts is approximately 3181. Total mail payments are approximately 1.1 million per month.

Yes / No

Payroll Cards

The City desires to request rates applicable for issuing pay cards to approximately seventy-four (74) employees paid twenty-six (26) times per year. Transaction requirements for pay card processing are:

Yes / No

- 1) Automatic loading from electronic files provided by the City at central ATM's or retail outlets;
- 2) Reissuance, if necessary, for lost or stolen pay cards; state minimum guarantee if any _____;
- 3) Providing extra pay cards and equipment for direct entry by the City in the Payroll Department;
- 4) List all applicable fees:

Yes / No

Quotation Form

Part I – Rate to be paid on investments

- A. Overnight Investment – Rate – Funds in the Cash Concentration Account (see item III.A.4) and Credit Card Merchant accounts:

(rate) _____

- B. Rate to be Paid on Certificates of Deposit:

The Bank agrees to pay the City interest on time deposits of \$100,000 or more for 16 days or more at a rate equal to the interest rate for U.S. Treasury Bills or U.S. Treasury Note of like Maturity plus _____ percentage points simple interest. The interest rate for U.S. Treasury Bills to be used in determining the total interest rate shall be the rate for treasury bills at the close of business on the previous day as published in the “asked” column under Treasury issues in the Southwest edition of the Wall Street Journal.

(rate) _____

- C. Earnings credit rate to be used in account analysis computation:

Interest paid to the city as a result of the overnight investments, may not be used in the charge calculated in the account analysis computation.

(rate) _____

Part II – Charges for Services

	ANNUAL ESTIMATED <u>QUANTITY</u>	PER UNIT <u>COST</u>	ANNUAL <u>COST</u>
<u>ITEM (A)</u>			
CASH CONCENTRATION ACCOUNT			
1. Cycle Statements	12	_____	_____
2. Deposits	2600	_____	_____
3. Return Items	200	_____	_____
4. Locked Depository Bags (9" x 12")	6	_____	_____
5. Incoming Wires	40	_____	_____
6. Outgoing Wires	30	_____	_____
7. ACH Transfers In/Out			
In	1900	_____	_____
Out	400	_____	_____
TOTAL FOR ITEM (A)			_____

ITEM (B)

VENDOR PAYMENT ZERO BALANCE ACCOUNT

1. Cycle Statement	12	_____	_____
2. Checks Cleared	6100	_____	_____
3. Stop Payments	10	_____	_____
TOTAL FOR ITEM (B)			_____

ITEM (C)

PAYROLL ZERO BALANCE ACCOUNT

1. Cycle Statement	12	_____	_____
2. Checks Cleared	9200	_____	_____
3. Stop Payments	2	_____	_____
TOTAL FOR ITEM (C)			_____

ANNUAL

	<u>ESTIMATED QUANTITY</u>	<u>PER UNIT COST</u>	<u>ANNUAL COST</u>
<u>ITEM (D)</u>			
INSURANCE ZERO BALANCE ACCOUNT			
1. Cycle Statement	12	_____	_____
2. Checks Cleared	2200	_____	_____
3. Stop Payments	2	_____	_____
TOTAL FOR ITEM (D)			_____

<u>ITEM (E)</u>			
CREDIT CARD MERCHANT ACCOUNT (Per account – assume 1 for quotation)			
1. Cycle Statement	12	_____	_____
2. Deposit Items	-	_____	_____
3. Incoming ACH	4200	_____	_____
4. Outgoing ACH	200	_____	_____
5. Transfers to Cash Concentration Account	50	_____	_____
TOTAL FOR ITEM (E)			_____

- ITEM (F)
- Safekeeping
1. Pledged Collateral – Collateral pledged by the Bank to cover City accounts must be maintained by one of two methods:
 - A. Collateral will be maintained in an independent third party bank approved by the City. The City and third party bank must execute a safekeeping agreement. The form of the agreement must be approved by the City Attorney of the City of Huntsville.
 - B. Collateral will be maintained with the Federal Reserve in the name of the City. The City must receive monthly statements. The Bank shall pay all costs associated with safekeeping the pledged collateral.
 2. If the Bank provides to the City a safekeeping account to which federal securities can be delivered via the Federal Security Wire System on a delivery versus payment (DVP) basis:
 - A. Attach a copy of the proposed safekeeping agreement.

B. Attach a fee schedule.

ITEM (G)

OTHER SERVICES – Include any other charges not included in items A - F in this section.

Note: Only charges specifically identified in sections A - G may be included in the account analysis. Please be specific in charges and sample calculations.

- | | | |
|----|--------------------|-------|
| 1. | FDIC Insurance: | _____ |
| 2. | Other Charges: | _____ |
| 3. | Other Charges: | _____ |
| | TOTAL FOR ITEM (G) | _____ |

TOTAL ANNUAL COST (SUM OF ITEMS (A)(B)(C)(D)(E)(G)) _____
(Not including Safekeeping Costs)

ITEM (H)

Attach a copy of your current transaction fees. Be sure to have included all applicable fees in Items A - G. Identify which fees are applicable to the City of Huntsville.

NOTE: The City will accept no charges for cash handling and will not pay an excess collateralization fee for collateral.

Part III – Additional Services

ITEM (A)

INVESTMENTS

The City requests proposals for investing all or a stated minimum amount of City funds as a pool or in divided investments in addition to balances remaining in overnight City Cash accounts. The City maintains approximately \$40 million in investments. State any minimum requirements and rates proposed per level of dollars invested.

- | | | |
|----|------------------|-------|
| 1. | Investment Rate | _____ |
| 2. | Minimum Required | _____ |

ITEM (B)

“DESKTOP” OR ACH DEPOSITS

The City has the ability to scan certain deposits by check. List if “desktop deposit” by ACH or other means is available. Include costs, requirements, and cut-off time for recording same day deposits.

ITEM (C)

LOCK BOX SERVICES

The City desires to request rates applied for mail sorting, recording, and depositing utility payments. Payments are to be deposited the same day collected and an electronic record provided to the City detailing name, account number, check date, check number, and amount deposited. Average number of mail accounts is approximately 3181. Total mail payments are approximately 1.1 million per month.

1. Cost per Unit Processing _____

ITEM (D)

PAYROLL CARDS

Please list conditions and costs attributable to the issuance of payroll cards, including minimum issuance requirements, and/or other payroll alternative methods.

Part IV - Confidential Financial Data

In order to establish the financial strength of the Bank, please provide the following information. This information will not be distributed to the general public or to other institutions submitting proposals.

Please include also a copy of the Bank’s Consolidated Reports of Condition (Call Report).

Last Quarter Available

LIQUIDITY:

1. Bank loans to deposits _____
2. Loans to assets minus plant and equipment _____
3. Cash and equivalents to total assets. _____
4. Percentage of assets maturing in one year. _____
5. Cash and equivalents to deposits. _____

ASSET QUALITY:

1. Current loan losses to total loans. _____

2. Loan loss reserves to total loans. _____
3. Nonperforming loans to total loans. _____

PROFITABILITY:

1. Return on total assets. _____
2. Return on equity. _____

STRENGTH:

1. Capital to deposits. _____
2. Capital to loans. _____
3. Capital to assets. _____

MANAGEMENT:

1. Net charge-offs to loans. _____
2. Income before security transactions to loans. _____

This information is confidential under Common Law or Constitutional Privacy Doctrine Texas Government Code Chapter 552; Texas Open Records Decision 620 and 640 (Corporation's financial information).

Responders Information

BANKING INSTITUTION NAME: _____

RESPONDERS PRINTED NAME: _____

RESPONDERS TITLE: _____

E-MAIL: _____

BANKING INSTITUTION ADDRESS: _____

CITY/STATE/ZIP: _____

TELEPHONE: _____ FAX: _____

PERSON DESIGNATED AS CITY LIAISON:

NAME: _____

TITLE: _____

EXCEPTIONS/COMMENTS:

Receipt is hereby acknowledges of the following addenda to the contract document:

Addendum No. 1 Received:_____

Addendum No. 2 Received:_____

Addendum No. 3 Received:_____

Responders Signature

References

Responder shall submit with this RFQ the name, address, telephone number, and point of contact of at least three (3) companies for which the responder has done business within the preceding twelve (12) months. References may be checked prior to award. Any negative responses received may result in disqualification of the RFQ. (Form is attached for your convenience below)

Reference 1

COMPANY NAME: _____

CONTACT: _____

ADDRESS: _____

PHONE #: _____

Reference 2

COMPANY NAME: _____

CONTACT: _____

ADDRESS: _____

PHONE #: _____

Reference 3

COMPANY NAME: _____

CONTACT: _____

ADDRESS: _____

PHONE #: _____

Conflict of Interest Form

CONFLICT OF INTEREST QUESTIONNAIRE For vendor or other person doing business with local governmental entity		FORM CIQ
This questionnaire reflects changes made to the law by H.B. 1491, 80th Leg., Regular Session. This questionnaire is being filed in accordance with Chapter 176, Local Government Code by a person who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the person meets requirements under Section 176.006(a). By law this questionnaire must be filed with the records administrator of the local governmental entity not later than the 7th business day after the date the person becomes aware of facts that require the statement to be filed. See Section 176.006, Local Government Code. A person commits an offense if the person knowingly violates Section 176.006, Local Government Code. An offense under this section is a Class C misdemeanor.	OFFICE USE ONLY Date Received	
1 Name of person who has a business relationship with local governmental entity.		
2 ☐ Check this box if you are filing an update to a previously filed questionnaire. (The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date the originally filed questionnaire becomes incomplete or inaccurate.)		
3 Name of local government officer with whom filer has employment or business relationship.		
_____ Name of Officer		
This section (item 3 including subparts A, B, C & D) must be completed for each officer with whom the filer has an employment or other business relationship as defined by Section 176.001(1-a), Local Government Code. Attach additional pages to this Form CIQ as necessary. A. Is the local government officer named in this section receiving or likely to receive taxable income, other than investment income, from the filer of the questionnaire? ☐ Yes ☐ No B. Is the filer of the questionnaire receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer named in this section AND the taxable income is not received from the local governmental entity? ☐ Yes ☐ No C. Is the filer of this questionnaire employed by a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership of 10 percent or more? ☐ Yes ☐ No D. Describe each employment or business relationship with the local government officer named in this section.		
4		
_____ Signature of person doing business with the governmental entity		_____ Date

Adopted 06/29/2007

Non-Collusion Statement

State of _____

County of _____

_____, being first duly sworn, deposes and says that:

1. He/she is _____ of _____, the responder that has submitted the attached bid;
2. He/she is fully informed respecting the preparation of contents of the attached bid and of all pertinent circumstances respecting such bid;
3. Such bid is genuine and is not collusive or a sham bid;
4. Neither the said responder nor any of its officer, partners, owners, agents, representative, employees or parties in interest, including this affidavit, has in any way colluded, conspired, connived or agreed, directly or indirectly with another responder, firm or person to submit a collusive or sham bid in connection with the contract for which the attached bid has been submitted or to refrain from responding in connection with such contract, or has in any manner, directly or indirectly, sought by agreement of collusion or communication or conference with any other responder, firm or person to fix the price or prices in the attached bid or of any other responder, or to fix an overhead, profit or cost element of the bid price of the bid price of any other responder, or to secure through any collusion, conspiracy, connivance or unlawful agreement any advantage against the City of Huntsville or any per interest in the proposed contract.
5. In compliance with the specifications in the bid and quote conditions, I, the undersigned agree to furnish the services upon which prices are offered at the price opposite to each line description to the City of Huntsville within the time specified. By submitting this bid/proposal and attached signature I hereby attest that I have not received nor offered anything of value to any City employee, official, and/or board member in connection with this submitted bid.
6. Advanced disclosures of any information to any particular/potential responder which gives that particular/potential responder any advantage over any other interested responder in advance of the award whether in response to advertising or an informal request for bids or proposals, made or permitted by a member of the governing body or an employee or representative thereof, will cause to void that particular responder's bid or proposal. Prior to an award any communication with a member of the selection committee or governing board will cause to void that particular responder's bid or proposal and the committee member or the governing board member will be rejected from the voting process for that bid or proposal. By submission of this bid or proposal responder attests that no improper communication has occurred resulting in an advantage over any other responder, potential responder, or advance discloser.
7. The price or prices quoted in the attached bid are fair and proper and are not tainted by any collusion, conspiracy, connivance or unlawful agreement on the part of the responder or any of its agents, representative, owners, employees, or parties in interest, including this affidavit.

Signature

Name

Subscribe and sworn to me
this _____

day of _____, 2011

Printed

By _____
Notary Public

My commission expires _____

Question/Response Form

Responders are encouraged to ask questions to gain clarification. Only questions submitted in writing and addressed to the City of Huntsville Purchasing Department will be answered. Responders are asked to use this form for questions. Responders may send for via e-mail bsmith@huntsvilletx.gov or fax 936-294-5731. The Purchasing Department will gain a response and reply via e-mail and all questions with responses may be posted on the City of Huntsville website. All responders are encouraged to check the website under FAQ prior to posting a question. Any question received after 72 hours from bid opening may not be answered.

Please only use one question per form. For additional questions please use another form.

Responders Name: _____

Responses will be sent either fax or e-mail:

Responders Fax #: _____

Responders E-mail address: _____

Question: _____

Response: _____

No-Bid Statement

RFP Name: Banking Services Bid Number: 11 – 15

Responders Name:_____

The City of Huntsville seeks to evaluate the level of competitiveness provided. Please complete this form only if you are not submitting a quote.

Please check the appropriate boxes indicating the factors considered for not bidding.

- ☐ Unable to respond to the request for bid or request for proposals by the specific deadline.
- ☐ Our company does not carry or cannot offer this type of product and service.
- ☐ Specifications are restrictive, unclear or incomplete. Please explain below

- ☐ Invitation is suitable, but engaged in other work.
- ☐ Do not wish to do business with the City.

The purpose of this form is to achieve a maximum participation in the bidding process. Vendor comments are not restrictive to the above described. Please make any statement that may have impacted your ability to bid.

Bid Terms & Conditions

DEFINITIONS:

City – City of Huntsville

City Council – The elected officials of the City of Huntsville who have been given the authority to exercise such powers and jurisdiction of all City business as conferred by the City Charter, Ordinance and Laws.

Contract– An agreement between the City and a vendor to furnish products over a designated period of time during which repeated purchases or a single purchase are made of the commodity (s) or service specified.

Vendor – The potential or successful bidder of an Invitation for Bid or Request for Proposal.

ACCEPTANCE: The City reserves the right to accept or reject any or all bids, to waive any informalities and technicalities, to accept the offer considered most advantageous in order to obtain the best value for the City in accordance with Local Government Code Chapter 252. Causes for rejection of a bid may include but shall not be limited to the bidder's current violation of any City ordinance, the bidder's current inability to satisfactorily perform the work or service, or the bidder's previous failure to properly and timely perform its obligation under a contract with the City. Bidders may be disqualified and rejection may be recommended for any but not limited to the following:

- Failure to use the form furnished by the City;
- A bid that fails to meet the essential requirements;
- A bid that does not conform to the specifications;
- A bid that fails to conform to the delivery schedule or permissible alternatives;
- Failure to submit a bid bond, insurance or other requested documents in conformance with the requirements;
- A bid seeking to qualify the terms and conditions, or otherwise seeking to limit contractor liability, or to limit the City's rights;
- A vendor that qualifies its price in such a manner that the firm's bid price cannot be determined;
- Price quoted shall be the price in effect at the time of delivery which remains unknown at the present time.

- A bid is contingent on also receiving awards on other bids currently under consideration.

All bidders are hereby notified that the City shall consider all factors it believes to be relevant in selecting the offer that provides the best value for the City including but not limited to the purchase price, the proximity of the bidder as it relates to his ability to perform the contract for the City, the delivery date, the reputation of the bidder and the bidder's goods or services, the quality of the bidder's goods or services, the bidders past performance under contracts with the City, and the bidder's compliance with City ordinances.

The City is committed to obtaining its goods, products and services at the lowest price possible which benefit all the citizens of Huntsville. Therefore, in order to accomplish the objective/goal it is not the intention of the City to either exclude particular vendors or manufacturers nor to create restrictive situations in its request for bids and proposals. Any manufacturer's names, trade names, brand names, catalog numbers, technical data etc. used in the specifications are there for the sole purpose of establishing and describing general performance, quality levels, type and dimensions and such references are not intended to be restrictive. Alternate bids on similar or comparable products and/or services of any manufacturer or vendor equal to the products and/or services described in the specifications are invited and will be given careful consideration provided the alternate will accomplish the same task. The City shall be the sole judge on whether the alternate product and/or service is similar to, equal to and in compliance with that specified. The decision of the City shall be final. In literal compliance in reference to standards and specifications shall mean the meeting or exceeding of all or nearly all of the said standards and specifications. If the City determines that standards and specifications are in literal compliance and not all standards and specifications have been met or exceeded, the City must base such a determination on its finding that any standards and

specifications which have not been met or exceeded do not render the bidder product any less usable for the purpose for which it is intended.

ADDENDA: Any interpretations, corrections or changes to an Invitation for Bid and/or Request for Proposal will be made by addenda. Sole issuing authority of addenda shall be vested by the City of Huntsville's Purchasing Department. Addenda will be posted on the City of Huntsville's web site and distributed to all who are known to have received a copy of this Invitation for Bid and/or Proposal will receive written notification. The City assumes no responsibility for the bidder's failure to obtain and/or properly submit any addendum. Failure to acknowledge and submit any addendum may be cause for the bid to be rejected. The City of Huntsville's decision to accept or reject any particular bid due to a failure to acknowledge and submit addenda shall be final.

ADVERTISING: Any advertising or promotions used which the Cities award is showcased, placed in written technology or verbal communication must be expressly authorized in writing by the City.

ALTERING BIDS: Bids cannot be altered or amended after the submission deadline without acceptable reason and without the approval of the purchasing manager. Any interlineations, alteration, or erasure made before opening time should be initialed by the signer of the bid, guaranteeing authenticity.

AMENDMENTS: Chapter 176 of the Texas Local Government Code requires a person or agent of a person who contracts or seeks to contract for the sale or purchase of property, goods, or services with a local governmental entity to submit a Conflict of Interest Questionnaire to the appropriate records administrator of the City not later than the seventh business day after the date the person begins contract discussions or negotiations with the local governmental entity, or submits to the local governmental entity an application, response to a request for proposal or bid, correspondence, or another writing related to a potential

agreement with the local governmental entity. For purposes of this bid, you may submit the completed form with your response. Each vendor is responsible for verifying they are using the most current form available from www.ethics.state.tx.us. This legislation is subject to change and each vendor should consult their own attorney regarding the current law.

ASSIGNMENT: The vendor is prohibited from transferring their rights and duties nor shall the vendor sell, assign, transfer or convey this contract, in whole or in part, without the prior written consent of the City of Huntsville. All subcontractors must be approved in writing by the City prior to any work being initiated.

BID AWARD: The City of Huntsville reserves the right to award bids on the lump sum or unit price basis. If the bidder desires the City to consider and all-or-none bid, it must be stated on the bid sheet (s). The City reserves the right to audit or inspect vendor's business records not limited to financial statements, liability insurance, bonding, and worker's compensation insurance and to request business references. All awards will be based on the best interest of the City, but not necessarily limited to, the following factors:

- a. Conformity to specifications;
- b. Purchase price, including payment discount terms;
- c. The reputation of the bidder and of the bidder's good or services;
- d. The quality of the bidder's goods or services;
- e. The extent to which the goods or services meet the City's needs
- f. The bidder's past relationship with the City;
- g. Delivery terms;
- h. Availability of repair and maintenance parts;
- i. Financial condition;
- j. The total long-term cost to the City to acquire the bidder's good or services; and
- k. Any relevant criteria specifically listed in this request for bid.

BRAND NAMES: Specifications may

reference name brands, make, and/or model numbers. Any reference made to brand, make, and/or model used in specifications is for descriptive purposes only. Products/materials of like quality will be considered. The City shall act as sole judge in determining equality and acceptability of products offered.

CHANGE ORDERS: No oral statement of any person shall modify or otherwise change, or affect the terms, conditions or specifications stated in the resulting contract. All change orders to the contract will be made in writing and may require approval of the City Council

COLLUSION: Advanced disclosures of any information to any particular bidder which gives that particular bidder any advantage over any other interested bidder in advance of the award whether in response to advertising or an informal request for bids or proposals, made or permitted by a member of the governing body or an employee or representative thereof, will cause to void that particular bidder's bid or proposal. Prior to an award any communication with a member of the selection committee or governing board will cause to void that particular bidder's bid or proposal and the committee member or the governing board member will be rejected from the voting process for that bid or proposal. By submission of this bid or proposal bidder attests that no improper communication has occurred resulting in an advantage over any other bidder, potential bidder, or advance discloser.

COMPLIANCE: This bid and vendor and/or contractor must comply with all federal, state, county and local laws concerning these types of service. The vendor is prohibited from discriminating due to racial, sexual, religious, disability, or any other grounds. Any known discrimination is grounds for immediate cancellation of contract at the sole expense of the vendor.

CONFLICT OF INTEREST: No public official shall have interest in this contract, in accordance with Vernon's Texas Codes Annotated, Local Government Code Title 5. Subtitle C, Chapter 171.

CONSIDERATION OF LOCATION OF BIDDER'S PRINCIPAL PLACE OF BUSINESS. If the City receives

one or more bids from a bidder whose principal place of business is in the municipality and whose bid is within five percent of the lowest bid price received from a bidder whose principal place of business is not in the municipality, the City may enter into a contract with: 1) the lowest bidder, or 2) the bidder whose principal place of business is in the municipality, and whose bid is within five percent of the lowest bidder whose principal place of business is not in the municipality, with written justification by the governing body as to economic benefit.

CONTRACT: This bid, when properly accepted by the City of Huntsville, shall constitute a contract equally binding between the successful bidder and the City of Huntsville. No different or additional terms or addendums, supplements, or amendments will become a part of this contract unless agreed to and signed by both the successful bidder and the City without the prior written approval of the City of Huntsville. Should any change in terms be requested by the vendor after the contract has been awarded, the City reserves the right to cancel the contract and award the bid to the next responsible responsive bidder. If during the life of the contract, the successful bidder's net prices to other customers for items awarded herein are reduced below the contracted price, it is understood and agreed that the benefits of such reduction shall be extended to the City. The City reserves the right to reject the bid of any bidder who is in violation of any City Ordinance. The City may, at its option, choose to negotiate a settlement of the ordinance violation as a condition of the bid award.

CONTRACT TERMINATION: The City may terminate this contract at any time upon thirty (30) calendar days written notice. Upon the Service Provider's receipt of such notice, the Service Provider shall cease work immediately. The Service Provider shall be compensated for the services satisfactorily performed prior to the termination date.

If, through any cause, the Service Provider fails to fulfill its obligations under this contract, or if the Service Provider violates any part of the agreement of the contract, the City has the right to terminate this contract by giving the Service Provider five (5) calendar days written notice. The

Service Provider will be compensated for the services satisfactorily performed before the termination date. Termination of the contract for cause shall be deemed as sufficient evidence and cause to remove the vendor's name from the bidder's list for receiving future bids.

No terms or provision of the contract shall be construed to relieve the Service Provider of liability to the City for damages sustained by the City because of any breach of contract by the Service Provider. The City may withhold payments to the Service Provider until the exact amount of damages due to the City from the Service Provider is determined and paid.

City reserves the right to order from another vendor in which an emergency or urgent need becomes necessary.

DELIVERY: All delivery and freight charges (FOB City of Huntsville designated location) are to be included in the bid price. The City assumes no liability of goods delivered in a damaged or unacceptable condition.

DISCLOSURE REQUIREMENT: Chapter 176 of the Texas Local Government Code mandates the public disclosure of certain information concerning persons doing business or seeking to do business with the City, including affiliations and business and financial relationships such persons may have with the City officers or officials. An explanation of the requirements of Chapter 176, applicable forms and a complete text of the law is available by contacting the City of Huntsville City Secretary, 1212 Ave. M Huntsville, TX 77340. By doing business or seeking to do business with the City you acknowledge that you have been notified of your sole responsibility to comply with Chapter 176 of the Texas Local Government Code.

FIRM PRICE: Bidders must hold bid prices firm for 120 days after the bid opening date to allow the City sufficient time to award a contract. Once a contract is awarded, the successful bidder must hold bid prices firm for the duration of the contract.

FORCE MAJEURE: Vendor will not be held liable for noncompliance for

any reasonable delay due to Force Majeure. Force Majeure is any delay caused by acts of God and or labor strikes.

FORM: Bids must be submitted on the City's form only. Bidders are required to submit bids itemized and prices extended when required. Bidders must return the entire original bid document with Invitation for Bid or Request for Proposal. Vendors should not change or alter packet in any way.

FUNDING: Award and funding of the bid, proposal, and contract is pending City of Huntsville City Council approval. State of Texas statutes, Local Government Code 271.903 prohibit the obligation and expenditure of public funds beyond the fiscal year for which a budget has been approved. Therefore, anticipated orders or other obligations that may arise past the end of the current City of Huntsville fiscal year shall be subject to budget approval. The City reserves the right to rescind the contract at the end of each fiscal year if determined that there are insufficient funds to extend the contract and no cost.

INDEMNIFICATION AGREEMENT: To the fullest extent permitted by law the contractor agrees to indemnify, hold harmless and defend the City of Huntsville, its officers, agents and employees, both past and present, from and against any and all liability for any and all claims, liens, suits, demands, and actions for damages, injuries to persons (including death), property damage (including loss of use), and expenses, (including court costs, attorneys' fees and other reasonable costs of litigation) arising out of or resulting from Contractor's work and activities conducted in connection with or incidental to this contract and from any liability arising out of or resulting from intentional acts or negligence of the Contractor, including all such causes of action based upon common, constitutional, or statutory law, or based in whole or in part upon the negligent or intentional acts or omissions of Contractor, including but not limited to its officers, agents, employees, subcontractors, licensees, invitees, and other persons.

INTERLOCAL COOPERATIVE: Other government entities within the State of Texas may be extended the

opportunity to purchase off of the City of Huntsville's solicitation, with the consent and agreement of the successful vendor(s) and the City. Such consent and agreement shall be conclusively inferred from lack of exception to this clause in vendor's response. However, all parties indicate their understanding and all parties hereby expressly agree that the City is not an agent of, partner to or representative of those outside agencies or entities and the City is not obligated or liable for any action or debts that may arise out of such independently, negotiated "piggyback" procurements.

LATE BIDS: Bids received after submission deadline will be considered void and unacceptable. The City of Huntsville is not responsible for lateness or non-delivery of mail, carrier, delivery etc., and the date/time stamp in the City Secretary's Office shall be the official time of receipt. Late bids will remain unopened and returned to the address on the outside of the envelope.

LAWS: This agreement will be governed and construed by the State of Texas Local Government Code, City Charter, City Ordinance, and City Purchasing Policy. Information in the record is deemed public record in accordance with the Texas Public Information Act. This agreement is performable in the City of Huntsville, Huntsville, Texas. Each party consents to the exclusive jurisdiction of the state courts having jurisdiction in the County of Walker, Texas. This Contract will be governed by and interpreted in accordance with the laws of the State of Texas, without regard to conflict of laws principles

NOTIFICATION: The City uses multiple channels for the notification and dissemination of all invitations to bid and/or request for proposals. The City accepts no responsibility for the lack of notification or receipt of bid to any and all potential bidders.

PAYMENT will be made upon receipt and acceptance by the City of item(s) ordered and receipt of a valid invoice, in accordance with the State of Texas Prompt Payment Act, Article 601f V.T.C.S. All invoices must be mailed to City of Huntsville Attn: Accounts Payable 1212 Ave. M Huntsville, TX 77340. The City requests credits for

any errors. Invoices will not be short

paid.

PRICE redetermination may be considered by City of Huntsville only at the anniversary date of the contract and shall be substantiated in writing (i.e., manufacturer's direct cost, postage rates, Railroad Commission Rates, Wage/Labor Rates, etc.) with a sixty day prior written notice. The bidder's past history of honoring contracts at the bid price will be an important consideration in the City's evaluation of the lowest and best bid. The City of Huntsville reserves the right to accept or reject any/all of the price redetermination as it deems to be in the best interest of the City. The City reserves the right to reject price redetermination and award the bid to next responsible responsive bidder.

QUANTITIES: Quantities indicated in the bid are estimated based upon the best available information. The City reserves the right to increase or decrease the quantities by any amount deemed necessary to meet its needs without any adjustments in the unit bid prices. Bids must be submitted on units of quantity specified. In the event of errors in extended prices, the unit price shall govern. Any suggested quantity to secure better prices is welcomed. When discrepancies occur between words and figures, the words shall govern.

RECORD RETENTION: The awarded vendor must maintain copies of all documents relating to the contract for the length of the warranty period plus one year. Should the document be destroyed or for any reason the awarded vendor is unable to locate the contract, the warranty will be considered in force under the original terms of the contract.

REIMBURSEMENTS: There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing bids in response to the request. The City will not reimburse responding firms for these expenses, nor will the City pay any subsequent costs associated with the provision of any additional information or presentation, or to procure a contract for these services.

SAMPLES: When requested, samples

shall be furnished free of expense to the City of Huntsville. All samples will be return when applicable.

TAXES: The City of Huntsville is exempt from Federal Excise, State Sales and Transportation Taxes. Tax must not be included in bid/proposal. The City upon request will execute a Tax Exemption Certificate. The City is statutorily exempt from State and Local Sales tax and a permit number is not required.

WITHDRAWAL OF BID: No bid may be withdrawn after opening time without acceptable reason in writing and with the approval of the purchasing manager.

EXCEPTIONS/SUBSTITUTIONS: All bids meeting the intent of this invitation to bid will be considered for award. Bidders taking exception to the specifications, or offering substitutions, shall state these exceptions in the section provided or by attachment as part of the bid. The absence of such a list shall indicate that the bidder has not taken exceptions and shall hold the bidder responsive to perform in strict accordance with the specifications of the invitation. The City of Huntsville reserves the right to accept any and all or none of the exception(s)/substitution(s) deemed to be in the best interest of the City.

DESIGN, STRENGTH, QUALITY of materials must conform to the highest standards of manufacturing practice.

MINIMUM STANDARDS FOR RESPONSIVE PROSPECTIVE BIDDERS: A prospective bidder must affirmatively demonstrate bidder's responsibility. A prospective bidder must meet the following requirements:

- 1) Have adequate financial resources, or the ability to obtain such resources as required;
- 2) Be able to comply with the required or proposed delivery schedule;
- 3) Have a satisfactory record of performance;
- 4) Have a satisfactory record of integrity and ethics;
- 5) Be otherwise qualified and eligible to receive an award.

The City of Huntsville may request

representation and other information sufficient to determine bidder's ability to meet the minimum standards listed above.

BIDDER SHALL PROVIDE with this bid/proposal response, all documentation required. Failure to provide this information may result in rejection of bid.

PACKING SLIPS or other suitable shipping documents shall accompany each special order shipment and shall show: (1) name and address of successful bidder, (b) name and address of receiving department and/or delivery location, (c) the City of Huntsville Purchase Order number, and (d) descriptive information as to the item(s) delivered, including product code, item number, quantity, number of containers, etc.

ITEMS supplied under this contract shall be subject to the City's approval. Items found defective or not meeting specifications shall be picked up and replaced by the successful bidder at the next service date at no expense to the City. If an item is not picked up within reasonable time after notification, the item will become a donation to the City for disposition.

WARRANTY: Successful bidder shall warrant that all items/services shall conform to the proposed specifications and/or all warranties as stated in the Uniform Commercial Code and be free from all defects in material, workmanship and title.

REMEDIES: The successful bidder and the City of Huntsville agree that both parties have all rights, duties, and remedies available as stated in the Uniform Commercial Code.

SILENCE OF SPECIFICATION: The apparent silence of these specifications as to any detail or to the apparent omission from it of a detailed description concerning any point, shall be regarded as meaning that only the best commercial practices are to prevail. All interpretations of these specifications shall be made on the basis of this statement

Updated December 2010

Appendix – Investment Policy

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Appendix I - State Law List of Authorized Investments

**CITY OF HUNTSVILLE
INVESTMENT AND BANKING POLICIES**

PART I - INVESTMENT POLICY

I. PURPOSE OF POLICY

This policy is adopted by the City Council to direct and limit the financial affairs of the City of Huntsville. It is the policy of the City of Huntsville to invest public funds in a manner which will provide the maximum security of principal invested at a reasonable market rate of return, with consideration of the City's risk constraints and cash flow needs. 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 compliance with all state and local statutes, including the Texas Public Funds Investment Act.

II. SCOPE OF POLICY

This policy applies to all funds or financial resources available for investment by the City accounted for in the *City of Huntsville, Texas Comprehensive Annual Financial Report* and include the General Fund, General Obligation Debt Service Fund, Special Revenue Funds, Enterprise Funds, Permanent Funds, Internal Service Funds, the City's self-funded Health Insurance Fund, and will include any new fund created by the City Council unless specifically exempted by City Council. These policies do not, however, govern funds that are managed under separate investment programs such as retirement funds, pension funds, deferred compensation funds and certain private donations, that are maintained as required by federal and state law, other local policies, or donor stipulations.

III. DESIGNATION OF INVESTMENT OFFICERS

The authority to manage the City of Huntsville investment program is derived from State Statute, the City Charter, and these investment policies. Management responsibility for the investment program is hereby delegated to the City Manager and Finance Director, designated as Investment Officers for the City of Huntsville, who shall establish written procedures for the operation of the investment program consistent with this investment policy and shall be responsible for the operation of the investment program consistent with this investment policy. The Director of Finance, under general supervision of the City Manager, shall direct the cash management program of the City. (See City Charter Art. XI). The City Manager and/or Director of Finance may deposit, withdraw, invest, transfer, and manage City funds. The Investment Officers shall report to the Finance Committee of City Council. The Finance Committee, appointed by the Mayor, shall be responsible for monitoring, reviewing and making recommendations regarding the City's investment program to the City Council.

The Director of Finance may authorize persons to engage in investment transactions and approve wire transfers used in the process of investing.

IV. INVESTMENT TRAINING

The Finance Director and City Manager shall attend investment training on an annual basis that includes education in investment controls, security risks, strategy risks, market risks and general

compliance with state law. Not less than once in a two-year period, the investment officers shall receive not less than 10 hours of instruction relating to investment responsibilities.

V. ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment function shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Finance Committee of the City Council any material financial interest in financial institutions that conduct business with the City, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Huntsville, particularly with regard to the time of purchases and sales. Investment officers shall comply with Texas Government Code section 2256.005(I) relating to personal business relationships with a business organization offering to engage in an investment transaction with the City of Huntsville.

VI. OBJECTIVES

The objectives of the City's investment policies are, in order of priority: preservation and safety of principal, liquidity and yield/return on investments. The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

- A. *Preservation and safety of principal* shall be the foremost objective of the City's investment program. Preservation and safety of principal shall be obtained through protection of principal and safekeeping.
 - 1. The City shall control risk of loss due to the failure of a security issuer or guarantor. Such risk shall be controlled by investing in the safest types of securities, by qualifying the financial institution with whom the City will transact, and by portfolio diversification.
 - 2. The City shall also control risks of loss by requiring collateral for depository bank funds to be held by a financial institution separate from the depository bank.
- B. *Liquidity* shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets. A security may be liquidated to meet unanticipated cash requirements, to redeploy cash into other investments expected to outperform current holdings, or to otherwise adjust the City's portfolio.
- C. *Yield/Return on Investments.* The City of Huntsville investment portfolio is designed with the objective of attaining a rate of return throughout budgetary and economic cycles commensurate with the City of Huntsville investment risk constraints and the cash flow characteristics of the portfolio. Investments, other than the overnight cash concentration account, shall be made in permitted obligations at yields equal to or greater than the bond equivalent yield on United States Treasury obligations of comparable maturity.

VII. MARKET YIELD (BENCHMARK)

The market yield benchmark shall be a yield equal to the bond equivalent yield on United States Treasury

obligations of comparable maturity.

If selling a security prior to a fixed date maturity at a gain or loss, the investment officers shall notify the Finance Committee of City Council at its next meeting. The City shall monitor the market price of investments as of the end of each month through reports provided by brokers and/or the use of a purchased service or available software.

VIII. INVESTMENT STRATEGIES

The City of Huntsville shall generally invest funds with the intent to hold to maturity. Investment selection shall be based on legality, appropriateness, liquidity, and risk/return considerations. Monies designed for immediate expenditure should be passively invested to allow for liquidity to pay upcoming disbursements, (payroll, debt service payments, payables, etc.), and allow for structuring the investment portfolio on a “laddered” basis. The City of Huntsville maintains portfolios that utilize four specific investment strategies designed to address the unique characteristics of the fund groups represented in the portfolios:

- A. *Operating Funds* have as their primary objective the assurance that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure that will experience minimal volatility during economic cycles. The weighted average days to maturity of these funds shall be less than 365 days and shall be calculated using the stated final maturity date for each security.
- B. *Debt Service Funds* shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligations on the required payment date. Securities purchased shall not have a stated final maturity date that exceeds the debt service payment date.
- C. *Debt Service Reserve Funds* shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund from securities with a low degree of volatility. In addition to the bond ordinance specific to an individual bond issue, which sets out investment parameters, securities shall have a maturity of less than five years. Investments shall be limited to obligations of the United States or its agencies and instrumentalities or in approved investment pools.
- D. *Special Projects* or *Special Purpose Fund* portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity.

These portfolios should include at least 10% in highly liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity dates of securities held should not exceed the estimated project completion date. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request. This investment structure is commonly referred to as a flexible repurchase agreement.

IX. PRUDENCE/STANDARD OF CARE

Investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. In determining whether the City's investment officers have exercised prudence with respect to an investment decision, the determination shall be made taking into consideration, the investment of all funds, or funds under the City's control,

over which they have responsibility rather than a consideration as to the prudence of a single investment, and whether the investment decision is consistent with this investment policy.

X. DIVERSIFICATION

The City of Huntsville will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio will be invested in a single security type or with a single financial institution. Diversification will also include terms of maturity as well as instrument type and issue. Investments shall not exceed more than 20% of the capitalization of the financial institution other than the main depository. Bond proceeds may be invested in a single security or investment which exceeds the City's diversification limits if the Investment Officers, with concurrence of the Finance Committee, determine that such an investment is necessary to comply with Federal arbitrage restriction or to facilitate arbitrage record keeping and calculation.

XI. MAXIMUM MATURITIES

In order to stabilize yield for budgeting purposes, the City shall maintain a portion of its investments in obligations with maturities greater than one year. No investment shall be made with a maturity greater than five years without express authority of the Finance Committee of the City Council. In determining the amount of investment longer than one year, cash flow and unallocated reserve funds will be evaluated. The maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio shall not exceed 2 years.

XII. PURCHASE PROCEDURES

- A. The City may, without further bidding, utilize any program established through the Texas Inter-local Cooperation Act that invests in funds authorized by the Public Funds Investment Act; or purchase certificates of deposit or other approved securities through its primary depository bank.

When possible, other investments should be made after competitive bids are solicited. Competitive bids may be solicited orally, in writing, electronically, or in any combination of these methods. An offer worksheet shall be kept for each bid transaction showing the name of dealer/bank contacted, amount of principal to be invested, yield quoted, type of investment, fund designation, maturity date, issue date, length of time invested, and cusip number. Purchase of a security shall not be made at a price that exceeds the existing market value of the security.

The delivery shall be made under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank. The deposit shall be held in the name of the City of Huntsville and shall be evidenced by a trust receipt of the bank with which the securities are deposited.

XIII. COLLATERALIZATION

Collateralization will be required on two types of investments: *certificates of deposit* and *repurchase (and reverse) agreements*. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be at least 102% of the market value of principal and accrued interest. The City chooses to limit collateral to obligations of the United States or its agencies and instrumentalities, and direct obligations of the State of Texas or its

agencies and instrumentalities. Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. Collateral substitution is allowed.

XIV. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements entered into by the City of Huntsville shall be conducted on a delivery vs. payment (DVP) basis. Securities shall be held by a third party custodian. Safekeeping receipts shall be required.

XV. INTERNAL CONTROL/COMPLIANCE AUDIT

A system of internal controls shall be established. As part of the City's annual audit, an independent auditor shall review internal controls, investment practices, investment performance, quarterly reports prepared by the investment officers and the result of the review shall be reported to the Finance Committee of the City Council. A compliance audit of management control on investments and adherence to investment policies is to be included.

XVI. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The City Council shall approve at least three broker/dealers upon recommendation of the Finance Committee for use by the designated investment officers. The broker/dealers may include primary dealers and regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

The selection process shall include a proposal process with potential broker/dealers providing a completed broker/dealer questionnaire, certification of having read the City of Huntsville investment policy, proof of National Association of Security Dealers certification and proof of state registration.

The selected broker/dealers must provide a written instrument certifying that they have received and reviewed the City's Investment Policy and acknowledge that the business organization has implemented reasonable procedures and control, in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the City's Investment Policy. An investment officer may not buy any securities from a firm that has not filed this instrument.

An annual review of the financial condition and registrations of qualified bidders is to be conducted by the City Manager or Finance Director and a current audited financial statement is required to be on file for each broker/dealer that conducts transactions with the City. The Finance Committee shall review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

XVII. AUTHORIZED INVESTMENTS

The City of Huntsville may invest only in the safest type of securities and in accordance with Texas state law (Appendix I). There are two general categories of authorized investments for the City of Huntsville: (1) investments which the designated investment officers may invest without prior approval from the Finance Committee; and, (2) investments that require prior Finance Committee approval.

A. Authorized investments that do **not** require prior approval of Finance Committee:

1. Obligations of, or Guaranteed by, Governmental Entities:

- a. obligations of the United States or its agencies and instrumentalities;
- b. direct obligations of the State of Texas or its agencies and instrumentalities,
- c. other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and [its] instrumentalities;
- d. obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
- e. The following are not authorized investments under this section:
 - 1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
 - 2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
 - 3) *collateralized mortgage obligations* that have a stated final maturity date greater than 10 years; and
 - 4) *collateralized mortgage obligations* the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

2. Certificates of Deposit:

Certificates of deposit issued by state and national banks or a savings bank domiciled in Texas that are:

- a. guaranteed or insured by the Federal Deposit Insurance Corporation, or comparable insurance entities or their successors; or
- b. secured in any other manner and amount provided by law for deposits of the City.

B. Authorized investments requiring prior approval of the Finance Committee:

- 1. *Collateralized Mortgage Obligations (CMO=s)* directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States. The stated maturity date cannot be greater than 10 years and the interest rate cannot be determined by an index that adjusts opposite to the changes in a market index.
- 2. Repurchase Agreements

“*Repurchase agreement*” means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Texas

Government Code section 2256.009(a)(1), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a *reverse security repurchase agreement*. The primary dealer and the City of Huntsville must sign a Master Repurchase Agreement which details acceptable types of collateral; the standard for collateral custody and control; the collateral valuation and initial margin, accrued interest, a requirement of marking to market, and margin call; the method of transmitting security income; and, the condition for agreement termination and acceptable methods for delivery of securities and collateral.

A *fully collateralized repurchase agreement* is an authorized investment if the repurchase agreement has a defined termination date, is secured by obligations described by Texas Government Code section 2256.009(a)(1), and, requires the securities being purchased by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas.

Notwithstanding any other law, the term of any *reverse security repurchase agreement* may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

Money received by the City under the terms of a *reverse security repurchase agreement* shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the *reverse security repurchase agreement*.

3. Banker's Acceptances

A *bankers acceptance* is an authorized investment if the *bankers= acceptance*: (a) has a stated maturity of 270 days or fewer from the date of its issuance; (b) will be, in accordance with its terms, liquidated in full at maturity; (c) is eligible for collateral for borrowing from a Federal Reserve Bank; and (d) is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

4. Commercial Paper

Commercial paper is an authorized investment if the *commercial paper* has a stated maturity of 270 days or fewer from the date of its issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies or one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

5. Mutual Funds

- a. A *no-load money market mutual fund* is an authorized investment if: (1) the *mutual fund* is registered with and regulated by the Securities and Exchange Commission; (2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); (3) has a dollar-weighted average stated maturity of 90 days or fewer; and (4) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.
- b. In addition to a *no-load money market mutual fund* permitted as an authorized investment in Subsection (a), a *no-load mutual fund* is an authorized investment under this subchapter if the *mutual fund*:
 - 1) is registered with the Securities and Exchange Commission;
 - 2) has an average weighted maturity of less than two years;
 - 3) is invested exclusively in obligations approved by this subchapter;
 - 4) is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
 - 5) conforms to the requirements set forth in Texas Government Code sections 2256.016(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.
- c. The City is **not** authorized by this section to:
 - 1) invest in the aggregate more than 80 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in *money market mutual funds* described in Subsection (a) or *mutual funds* described in Subsection (b), either separately or collectively;
 - 2) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in *mutual funds* described in Subsection (b);
 - 3) invest any portion of bond proceeds, reserves and funds held for debt service, in *mutual funds* described in Subsection (b); or
 - 4) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one *mutual fund* described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

C. Effect of Loss of Required Rating

An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. The City shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

XVIII. INVESTMENT POOLS

- A. The City may invest in eligible *investment pools* as defined by the Public Funds Investment Act, which meet criteria outlined in chapter Texas Government Code section

2256.016 and section 2256.019. The Council shall authorize participation in the pool by resolution or ordinance.

B. The City must receive from the pool an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

1. a description of eligible investment securities;
2. the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
3. the maximum stated maturity date any investment security within the portfolio has;
4. a written statement of investment policy and objectives;
5. the size of the pool;
6. the names of the members of the advisory board of the pool and the dates their terms expire;
7. the custodian bank that will safekeep the pool's assets; a description of how the securities are safeguarded (including the settlement process) and how often the securities are priced;
8. whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
9. whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
10. the name and address of the independent auditor of the pool and how often the program is audited;
11. the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool including how often and what size deposits and withdrawals are allowed, and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool; and;
12. the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios;
13. a description of interest calculations and how it is distributed and how gains and losses are treated;
14. a schedule for receiving statements and portfolio listings;
15. an explanation of whether reserves, retained earnings, etc. are utilized by the pool;
16. a fee schedule, including when and how it is assessed;
17. an explanation of whether the pool is eligible and/or will it accept bond proceeds.

- C. To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an *investment pool* must furnish to the investment officer or other authorized representatives of the entity:
1. investment transaction confirmations; and
 2. a monthly report that contains, at a minimum, the following information:
 - a. the types and percentage breakdown of securities in which the pool is invested;
 - b. the current dollar-weighted average maturity, based on the stated maturity date, of the pool;
 - c. the current percentage of the pool=s portfolio in investments that have stated maturities of more than one year;
 - d. the book value versus the market value of the pool=s portfolio, using amortized cost valuation;
 - e. the size of the pool;
 - f. the number of participants in the pool;
 - g. the custodian bank that is safekeeping the assets of the pool;
 - h. a listing of daily transaction activity of the entity participating in the pool;
 - i. the yield and expense ratio of the pool;
 - j. the portfolio managers of the pool; and
 - k. any changes or addenda to the offering circular.
- D. The City by contract may delegate to an *investment pool* the authority to hold legal title as custodian of investments purchased with its local funds.
- E. “Yield” shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the Federal Securities and Exchange Commission.

XIX. REPORTING

Not less than quarterly, the Finance Director shall prepare and submit to the City Council a written report of investment transactions for the preceding reporting period. The report shall describe in detail the investment position of the City on the date of the report, and state compliance of the investment portfolio, as it relates to the investment strategy and investment policies. The report shall contain a summary statement prepared in compliance with generally accepted accounting principles of each pools fund group that states the beginning market value for the reporting period, additions and changes to the market value during the period, the ending market value for the period, a comparison to the benchmark bond equivalent yield or United States Treasury obligation of comparable maturity and fully accrued interest for the reporting period. The report shall state the book value, market value, and maturity date of each separately invested asset as of the beginning and end of the reporting period by the type of security and fund type invested. The fund for which each individual investment was acquired shall be reported. The report shall be presented to the Council and shall be jointly signed by the Finance Director and City Manager within 21 days after the end of the period. On a monthly basis, the Finance Director shall provide to the City Council, in summary form, a report showing by fund, total cash, monies in investment pools and securities by type and maturity date, and a summary of interest earnings.

XX. POLICY ADOPTION

The City of Huntsville investment policy shall be adopted by ordinance of the City Council. The policy shall be reviewed annually by the Finance Committee, and any modifications made thereto must be approved by the City Council. Annually, City Council shall adopt a resolution or include in the budget ordinance information stating that it has reviewed the investment policy and investment strategies. The resolution/ordinance shall record any changes made to the investment policy or investment strategies.

PART II - BANKING SERVICES POLICY

The City Council shall approve a financial institution/institutions to act as a depository bank for a two year period.

I. ESTABLISHMENT OF BANKING DEPOSITORY

- A. The City Council shall select a bank, credit union or savings association as its primary depository for normal banking transactions. In addition, the City may designate one or more other depositories for investment transactions.
- B. The City's primary banking depository shall have a branch located in the City.
- C. Not more than four weeks and not less than one week before the City Council considers applications for its depository, the City shall publish at least once in the City's official newspaper a notice of the meeting at which applications are to be received.
- D. A bank, credit union or savings association desiring to be selected as the city depository must deliver its application to the City Secretary on or before the time stated in the notice. The application shall be accompanied by an affidavit disclosing conflicts of interest, if any, that apply to the selection of the depository. The City's Finance Committee may, as directed by City Council, review the applications and prepare a recommendation regarding the selection of depositories for Council.
- E. The City Council may, after considering the application and the recommendation, if any, of its staff and/or Finance Committee:
 - 1. select as city depositories one or more banks, credit unions or savings associations that offer the most favorable terms and conditions for the handling of the municipal funds; or
 - 2. reject any or all of the applications.
- F. The City shall retain the right to withdraw any municipal funds deposited in a depository that are not immediately required to pay obligations of the City and invest those funds as outlined in these **Investment and Banking Policies**.
- G. The Director of Finance shall immediately deposit in the depository to the credit of the City any money received.

- H. Except as provided for wire transfers to other depositories or ACH transfers, the funds of the City may be paid out of a depository only on the checks of the City.
- I. Checks must be signed by the Mayor and either the City Manager or Finance Director. A facsimile signature may be used by the Mayor and/or City Manager.
- J. Checks must be authorized by the Mayor, City Manager, or Finance Director.
- K. No check shall be drawn on a *special fund* created to pay bonded indebtedness other than to pay principal or interest on the indebtedness, or to invest the fund as provided by these policies or law.
- L. All checks shall be payable by the depository at its place of business.
- M. The Director of Finance may, with approval of Council, pay a bond, coupon, or other indebtedness of the City at a place other than the depository if by its terms the indebtedness is payable on maturity at the other location.

II. COLLATERALIZATION REQUIREMENTS/SAFEKEEPING AND CUSTODY

- A. All public funds held in a *checking* account or *time deposit* at a bank or other depository shall be secured by eligible security. An eligible security means:
 - 1. a surety bond;
 - 2. investment securities (obligations of the United States or its agencies and instrumentalities); or
 - 3. ownership or beneficial interest (but not merely an option contract to purchase or sell) any authorized investment.
- B. The market value of the collateral shall equal at least 102% of the cash value of a *repurchase agreement*. Otherwise, market value of the *investment securities* used as collateral should be at least equal to the deposits of public funds increased by the amount of any accrued interest and reduced by the extent of insurance through an agency of the United States.
- C. Safekeeping
 - 1. A depository for the City may deposit investment securities pledged to secure deposits of public funds with a custodian that the City has approved as a custodian and that is either:
 - a. a state or national bank domiciled in the State of Texas and which has a capital stock and permanent surplus of not less than \$5 million.
 - b. the Texas Treasury Safekeeping Trust Company; or
 - c. a Federal Reserve Bank or its branches.
 - 2. The securities shall be held in trust by the custodian to secure the deposit of public funds of the City in the depository pledging the securities.
 - 3. On receipt of the *investment securities*, the custodian shall immediately, by book entry or otherwise, identify on its books and records the pledge of the securities to the City and shall promptly issue and deliver to the Director of

Finance of the City trust receipts for the securities pledged. The security evidenced by the trust receipts is subject to inspection by the City or its agents at any time.

4. A custodian holding in trust *investment securities* of a depository may deposit the pledged securities with a permitted institution. These securities shall be held by the permitted institution to secure funds deposited by the City in the depository pledging the securities. On receipt of the securities, the permitted institution shall immediately issue to the custodian an advice of transaction or other document evidencing the deposit of the securities. When the pledged securities held by a custodian are deposited, the permitted institution may apply book entry procedures to the securities. The records of the permitted institution shall at all times reflect the name of the custodian depositing the pledged securities. The trust receipts the custodian issues to the City shall indicate that the custodian has deposited with the permitted institution the pledged securities held in trust for the depository pledging the securities.

5. The custodian shall maintain separate, accurate, and complete records relating to the pledged investment securities and all transactions relating to the pledged investment securities.

D. The Director of Finance shall inform its depositories of significant changes in the amount or activity of public funds reasonably in advance of such changes.

GLOSSARY

ACH: Automated Clearing House.

AGENCIES: Federal agency securities.

ASKED: The price at which securities are offered.

BANKERS= ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BOND PROCEEDS: Proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.

BOOK VALUE: The original acquisition cost of an investment plus or minus the accrued amortization or accretion.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMOs): Debt obligations collateralized by pools of mortgages. The collateral can consist of conventional whole loans or agency-backed securities such as GNMA's, FNMA's or FHLMC's. The monthly cash flow generated from the pool is transformed into a series of securities with differing average lives and maturities. CMOs

are issued by investment banks, commercial banks, the FNMA and the FHLMC. The issuer takes a higher yielding security and carves it up into different classes with lower interest rates and shorter maturities.

COMMERCIAL PAPER: Commercial Paper consists of short-term note issues by large corporations. Maturity is 270 days or less. There is no explicit coupon rate and interest is figured on a discount basis in the same manner as for Treasury Bills.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the City of Huntsville. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

CUSIP NUMBER: A unique nine-digit identification number permanently assigned by the Committee on Uniform Securities Identification Procedures to each publicly traded security at the time of issuance. If the security is in physical form, the CUSIP number is printed on its face.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt.

Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g. S & Ls, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits.

FEDERAL FARM CREDIT BANKS (FFCB): The Federal Farm Credit Banks Consolidated Systemwide Bonds are obligations of the 37 Farm Credit Banks. The Farm Credit Administration which is an independent agency of the U.S. Government supervises the Farm Credit System.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Bank vis-a-vis member commercial banks.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): The Federal Home Loan Mortgage Corporation, also known as Freddie Mac, is an agency of the Federal Government. The Participation Certificates (PC) issued by Freddie Mac are full faith and credit obligations of an agency of the U.S. Government. In that all loans purchased by Freddie Mac are either FHA/VA mortgages originated by members of the Federal Home Loan Bank System or other HUD-approved mortgages.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA OR FANNIE MAE): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

FINANCIAL INSTITUTIONS: As used in these policies also refers to Security Broker/Dealers doing business with the City.

FUNDS: Public funds in the custody of a local government that the investing entity has authority to invest.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR GINNIE MAE): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHM mortgages. The term "passthroughs" is often used to describe Ginnie Maes.

INVESTMENT POOL: An entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are (a) preservation and safety of principal; (b) liquidity; and (c) yield.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other

things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which securities are traded that have one year or less until their maturity.

MONEY MARKET MUTUAL FUNDS: A mutual fund with investments that mature within one year.

MUTUAL FUNDS: A type of investment company that pools investments from participants to purchase a portfolio and give to investors fractional ownership of the created portfolio. A mutual fund redeems investors= shares at the net asset value of the shares.

NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD): A trade association that helps regulate the performance of the over-the-counter securities market.

NET ASSET VALUE (PER SHARE): The value of the securities underlying one share in the investment company.

NO-LOAD MONEY MARKET MUTUAL FUND: A mutual fund that imposes no initial sales charges or fees.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve=s most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state--the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

QUALIFIED REPRESENTATIVE: A person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following: (A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers; (B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution; or (C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the

investment pool to sign the written instrument on behalf of the investment pool.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

RATING AGENCY: A nationally recognized investment rating firm including Moody's and Standard & Poor's that assigns a rating to a debt issue.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves. State Statute defines repurchase agreement as a simultaneous agreement to buy, hold for a specific time, and sell back at a future date obligations described in State Statute Section 2256.009 a (1) (obligations of the United States or its agencies and instrumentalities) at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse repurchase agreement.

REVERSE REPURCHASE AGREEMENT: See Repurchase Agreement.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE

COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEPARATELY INVESTED ASSET: An account or fund of a state agency or local government that is not invested in a pooled fund group.

STATE AGENCY: An office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BOND: Long-term U.S. Treasury securities having initial maturities of more than 10 years.

TREASURY NOTES: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio*. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD or YIELD TO MATURITY** is the current income yield minus any premium above par or

plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

