



## **City of Castle Hills**

### **Request for Proposal for Depository Services**

The City of Castle Hills is seeking proposals for Depository Services for a period of five (5) years beginning on June 1, 2024 and ending on May 31, 2029.

Proposals will be received by the City Secretary, City of Castle Hills, 209 Lemonwood, Castle Hills, Texas 78213 until 3:00 p.m., May 9, 2024. At that time and date, all bids will be publicly opened and read. Any bids received after this stated date and time will be returned unopened.

The bid specifications are available for pickup from Nichole Heinrich, City Secretary, at City Hall or via email at [nheinrich@castlehills-tx.com](mailto:nheinrich@castlehills-tx.com).

Bids must be received in a sealed envelope marked "Depository Services for the City of Castle Hills" in the lower left-hand corner.

The City of Castle Hills is exempt from all Federal Excise Taxes; therefore, please do not include the tax in your proposal.

The City of Castle Hills reserves the right to reject any and all proposals, to waive all formalities, and to make the award of the Depository Services contract deemed to be in the best interest of the City.

For additional information contact Nichole Heinrich, City Secretary at 210-342-2341 x216, 209 Lemonwood, Castle Hills, Texas 78213.

## INTRODUCTION

### **General Information**

The City of Castle Hills (City) is soliciting proposals from Financial Institutions that are interested and qualified to provide Depository services to the City of Castle Hills as outlined in this Request for Proposal (RFP).

This RFP and any addenda are located on the City of Castle Hills website at <https://www.cityofcastlehills.com>.

Respondents must submit **one (1) original and four (4) copies** of their submittal by 3:00 p.m. on May 9, 2024. Any proposals received after this time and date will not be considered. Proposals must be sealed and marked “Depository Services” on the proposal. The full address for proposal delivery is as follows:

City Secretary  
City of Castle Hills  
209 Lemonwood  
Castle Hills, Texas 78213

Proposals will be opened publicly on the date and time specified herein in the City Council Chambers of City Hall at 209 Lemonwood, Castle Hills, Texas 78213.

### **SCHEDULE OF IMPORTANT DATES**

The schedule for this RFP is as follows. The City reserves the right to change the schedule of dates as it deems necessary.

Release RFP / begin advertisement	April 17, 2024
Deadline for Questions & Inquiries	May 3, 2024, 3:00 p.m.
Proposal Submission Deadline	May 9, 2024, 3:00 p.m.
City Staff Review of Proposals	Upon Receipt
Earliest Award by City Council	May 14, 2024
Effective Date of New Contract	June 1, 2024

# **INSTRUCTIONS TO BIDDERS**

## **1. EXAMINATION OF CONTRACT DOCUMENTS**

Each Bidder shall thoroughly examine and be familiar with the contract. The submission of a bid shall constitute an acknowledgment that the Bidder has thoroughly examined and is familiar with the contract documents. The failure or neglect of a Bidder to receive or examine any of the contract documents shall in no way relieve him from any obligations with respect to his bid or to the contract. No claim for extra or additional compensation shall be allowed based upon a lack of knowledge of any contract document and the City shall in no case be responsible for any loss or for unanticipated cost that may be suffered by the Bidder as a result of conditions pertaining to the contract.

## **2. ADDENDA AND INTERPRETATIONS OF DOCUMENTS**

No interpretations of the contract documents or other pre-bid documents shall be made to any Bidder orally. Every request for such interpretation shall be submitted in writing, addressed to the City Manager, and in order to receive consideration shall be received at least five days prior to the date fixed for opening of bids. Any and all such interpretations and any supplemental instructions shall be in the form of written addenda to the specifications, which, if issued, will be mailed or otherwise delivered to each prospective Bidder. Failure of any Bidder to receive any such addendum shall not relieve such Bidder from any obligation under his bid as submitted. All addenda issued shall become a part of the contract documents.

## **3. QUALIFICATIONS OF FINANCIAL INSTITUTIONS**

The City desires that the services be supplied by a Bidder who is competent, adequately financed, and established in the business of supplying the services required. The proposal must include a response to the following questions. Failure to comply with this request may cause rejection of the bid which is affected.

- A. In order to fulfill the City's fiduciary responsibility to protect public funds, all banks submitting proposals will provide, in response to this item:
  - I. audited financial statements for the most recent fiscal year, if audited financials are not available, explain why. The bank will be required during the contract period to provide audited annual financial reports each year.
  - II. statement regarding any recent or unforeseen merger or acquisition,
  - III. certification that Bidder has reviewed the City's Investment Policy (see Attachment B).
- B. Describe the bank's approach to satisfying the Depository service and customer service requirements of the City.
- C. List references from at least three current, comparable governmental clients using services similar to those requested in this RFP. Include a contact person, their title and telephone number.
- D. Provide a copy of all agreements not directly referenced in this RFP that will be required under the contract.

#### **4. EXECUTION OF CONTRACT**

The Bidder, as part of the bid, shall execute the City of Castle Hills Services Contract and fill in all blanks. Supplemental printed brochures may be submitted, but will not be accepted as substitutes for filling in blanks.

#### **5. PREPARATION OF THE BID**

The proposing depository bank can use this RFP for the Authorized Bid Form. The final RFP bid form shall include submitted prices, rates, conditions, and answers. The City of Castle Hills will provide a RFP bid form in Microsoft Word via email upon request. This will minimize errors and increase the ease of both response and evaluation. Contact Nichole Heinrich, City Secretary, 210-342-2341 x216, or [nheinrich@castlehills-tx.com](mailto:nheinrich@castlehills-tx.com).

If the Bidder is required to provide a special form appropriate to the nature of his bid, then such form shall be complete in all respects as required by the contract documents if it is to merit consideration by the City. Where indicated, all blank spaces shall be filled in with words and figures. Written amounts shall take precedence where there is a conflict between the written word amounts and the figures.

If the Proposal is made by an entity, the bid form should be signed with the name of the entity and state or jurisdiction in which it was formed, followed by the written signature of the qualified officer and the designation of the office held by the signing individual. The address of the entity on whose behalf the bid is submitted shall be given. The Bidder shall comply with all other specific requirements of the bid form.

#### **6. ALTERATION OF DOCUMENTS PROHIBITED**

Except as may be provided otherwise herein, bids that are incomplete or conditioned in any way, may contain alterations, or include items which are not named in the bid form or which are unlawful, may be rejected.

#### **7. SUBMISSION OF BID**

Submit **one (1) original and four (4) copies** of the bid proposal sealed and labeled: “Depository Services for the City of Castle Hills” by May 9, 2024 at 3:00 pm.

Nichole Heinrich, City Secretary  
City Hall  
City of Castle Hills  
209 Lemonwood  
Castle Hills, TX 78213

**NO PROPOSAL SHALL BE RECEIVED AFTER 3:00 P.M. ON THE DATE DUE.**

#### **8. MODIFICATION OF BID**

A change in a bid already delivered shall be permitted only if a request for the privilege of making such modification is made in writing signed by the Bidder and the specific modification itself is stated prior to

the scheduled closing time for the receipt of bids. To be effective, every modification must be made in writing over the signature of the Bidder, and no other procedure will be acceptable.

## **9. WITHDRAWAL OF BID**

A bid may be withdrawn at any time prior to the scheduled closing time for filing the bids. The Bidder in person or upon his telegraphic or written request may do this. A telephone request for withdrawal of a bid shall not be recognized. If withdrawal is made personally, a written acknowledgment thereof shall be required.

After the scheduled closing time for filing the bids, no Bidder shall be permitted to withdraw his bid unless no award of contract has been made prior to the expiration of sixty (60) days immediately following the date when the bids are opened. Bids received after the scheduled closing time shall be returned to the Bidder unopened.

## **10. OPENING THE BIDS**

All bids received prior to the scheduled closing time and which are not withdrawn as above provided shall be publicly opened and read aloud, even though there may be irregularities or informalities therein.

## **11. EVALUATION PROCESS**

City of Castle Hills staff will review submitted proposals. Recommendations will be made to the City Council based on the bid proposal determined to best meet the needs of the City. An indication of what qualitative factors will be considered in the evaluation of the proposals, the following areas are provided:

- Ability of the financial institution to perform and provide the range of requested services;
- Ability to meet the legal qualifications and the terms and conditions specified in the RFP;
- Financial institution's agreement to provide products and services as requested and outlined in the Bid Proposal;
- Costs and fees associated with Depository services provided;
- Securities clearance and safekeeping procedures; and
- Ability to provide the City with effective and innovative cash management services

## **12. AWARD OF CONTRACT**

- The award of the contract shall be made to the responsible proposer whose proposal is determined to be the most advantageous to the City, taking into consideration the relative importance of price and other evaluation factors set forth in this RFP. Based upon this requirement, the award may be made to the proposer that is not the low Bidder based on price alone.
- All proposals must be valid for a minimum of 180 days from the date of submission.
- Additionally, although the City desires to contract with a single Financial Institution for all services to be provided, the City reserves the right to split the services and deal with multiple financial institutions if it is deemed to be in the City's best interest.

- All proposals submitted in accordance with the requirements of this RFP shall be considered offers to contract on the terms contained in the proposals and in this RFP and at the price offered by the Financial Institution. When the City awards a contract to the financial institution, it will constitute an acceptance of that offer and a contract between the City and the Financial Institution embodying the terms of this RFP and the proposal will become binding on the date of such award.
- The award document will be a contract incorporating, by reference, all the requirements, terms and conditions of the solicitations, and the proposer's proposal, as negotiated.

### **13. AFFIDAVIT OF NONCOLLUSION**

The City reserves the right to require that any Bidder, before being awarded a contract, execute a non-collusion affidavit in such form as shall satisfy the City that the bid offered is genuine, is not collusive, and in no respect or degree is made in the interest or on behalf of any person, firm, or corporation not named in the form containing the bid.

### **14. REQUIRED DEPOSITORY SERVICES**

- A. Consolidated Account Structure – The City anticipates a consolidated account structure with ZBA subsidiary accounts with a daily sweep to a master account or all accounts being swept individually. Describe the bank's ability to provide such a structure. Describe the bank's policy on account maintenance i.e., does one account maintenance fee include all maintenance on the account for all services provided or are separate services charged an extra monthly maintenance fee?

For interest bearing accounts list the interest paid on comparable accounts for the past twelve months. State the basis for computation of interest on these accounts. State the bank's policy on interest bearing account balances inclusion in account analysis charges. State any and all restrictions on withdrawals.

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

- B. Sweep Account Provisions – If interest rates are favorable, the City anticipates that all funds in all accounts will be swept nightly to an overnight investment in a money market fund or repurchase agreement. Describe the bank's sweep alternatives for overnight investment of balances (money market fund, repurchase agreements, etc.) Provide the rate history on each alternative for the last twelve months.

If the funds are swept into a money market fund it must be a prime fund that is registered and regulated by the SEC. The proposal must include a description of the fund, the full name and identification of the fund, and a copy of the prospectus. Minimums and cut-offs should be noted as well as any requirements of the fund.

If a repurchase agreement is to be used for the sweep a Master Repurchase Agreement will be executed and a copy of the intended agreement must be included in the proposal. A rate history for the last twelve months net of fees and the name of the counter-party, must be included in the proposal along with the basis for the rate calculation.

- C. Automated Cash Management Information Access – The City requires (a) automated cash management services and (b) balance reporting for timely access to balance transaction information. Describe whether service provided is a PC link or web-based. Services available must include stop pays, wire transfers, and ACH transactions. Daily balances reporting will include daily account reporting and daily access to closing ledger, available balances and one-day float at a minimum. Back-up balance reporting via telephone must be available.

Fully describe the bank's automated reporting system and its capabilities. Submit samples of all screens and reports available and specify all hardware and software requirements. Include a schedule of access times. All charges for services must be detailed on Attachments A.

- D. Deposit Services – Standard commercial deposit services are required for all checking accounts. All deposits received by the bank's established deadline will be honored and credited that day. Failure to credit the account will require interest payments to the City at the then current Fed Funds rate. The bank will guarantee immediate credit on all incoming wire transfers and U.S. Treasury maturities upon receipt and all other checks based on the banks published availability schedule, a copy of which is to be included in the proposal.

The City will have the option to deliver checks/cash to the main depository location daily. The bank must support use of a scanner and high speed internet connection to read and capture check images (front & back) for daily deposits.

No checks will be encoded by the City. The Bank must specify procedures, time requirements and cut-offs for deposit, including night deposit services and procedures. Include a list of all deposit locations. Describe the type of bank bag used.

- E. Standard Disbursing Services – Standard disbursing services for all accounts are required to include the payment of all City checks without charge upon presentation.

Because of the proliferation of fraudulent items (checks, ACH, branch encashment), if advanced reconciliation and fraud control services are not available or not chosen as a services under this contract, please state the bank's policy on liability of the City for refusing these services.

- F. Wire Transfer Service – Incoming wire transfers must be credited the same day received. Provide information on recurring and non-repetitive wire procedures over the PC, telephone, or fax. Include a statement on security, PINS, and back-up provisions. Describe wire procedures including notification and posting times, cut-offs, required authorization, etc. State the bank's policy on the use of balances for outgoing wires in anticipation of daily activity or incoming wires. Include a copy of your standard wire agreement as an attachment. The City requires compensation for delays caused by bank errors at the daily Fed Funds rate. State the bank's policy on compensation for delays caused by bank error.

Is a personal computer Internet-based access system available for initiating wire transfers?

Is a secondary authorization security feature available? Is the security of wire transfers controlled through online Self Administration? Are new users/capabilities added through online Self Administration? What is the capability of online Self Administration?

What is the deadline for initiating wire transfers online for current-day settlement?

Are options available to future date wire transfers?

What procedures are in place in case of a bank system failure?

What systems are in place to confirm receipt of incoming wires? Is their online message-event notification e-mailed to authorized individuals providing a link to the wire detail information?

- G. ACH Services – ACH service is required for transaction such as transfers to the local government pool. ACH is required for use in direct deposit of payroll and vendor payments. Describe the bank's ACH service availability and provide detailed information on required deadlines, tape formats, and reports. The City requests that Pre-notifications be processed within 24 hours of submission. Describe the bank's processing time and policy on pre-notification. All fees should be listed.

Does your system support personal computer input via Internet? EDI?

Does your system support mobile device support for input to your treasury management services? What type of security is provided for mobile device input to your services?

Do you provide a coded file input of ACH, Wires, Outsourced Check production and Card transactions for further processing by the bank? If yes, what file format is required?

Is the option to send payroll files to the bank via Internet Secure File Transfer available? The City requests Depository institutions have the ability to process ACH direct deposit payroll files within 24 hours of submission. Does your banking institution have this capability? If not, what is the minimum number of hours required?

The City utilizes ACH files for multiple transactions within a given business day. The daily ACH transaction limit required is \$500,000. Does your banking institution have this capability? If not, what is the capability and frequency?

How is the internet security of your system monitored? Do you utilize a Secure ID/Token Card to ensure secure access/transaction capabilities?

What is the process for correcting ACH items? ACH Deletions/Reversals? Can these be done online?

How quickly are online direct deposit stop payments (recalls) confirmed? How is confirmation communicated?

Provide an ACH summary report of direct deposit changes, corrections, return of funds, etc.

Is there access to an ACH Customer Service department that is available 24/7?

Has your institution been recognized for quality in ACH services they provide?



- H. Account Reconciliation – The City requests account reconciliation. Describe the reconciliation services available. Stipulate all reconciliation requirements and proposed options. Stipulate when checks and monthly reports will be available. Provide a sample of partial account reconciliation statement and all other reports. Stipulate whether there is an option for physical checks to be returned (See also 15.b. Optical Imaging).

Is daily balance reporting available via personal computer internet access?

What information is available on the system? Include a website link to your public demo.

How frequently is the account information updated and available on your system and at what time is your system accessible each day?

- I. Investment of Idle Funds and Safekeeping Services – All City investments will be made by the City and instruction for safekeeping will be given to the bank by an authorized staff member. The bank will be required to provide safekeeping services. All securities must be cleared on a delivery versus payment (DVP) basis into and out of the account. The City may choose to purchase time deposits from the bank. All time deposits rates will be competitively bid. The bank may provide a standard rate setting mechanism for CD's if so desired.

Ownership of the securities must be perfected and evidenced by an original safekeeping receipt sent to the City. If the bank's investment services are used, securities purchased must be maintained in Trust Department safekeeping. Describe all bank correspondent and safekeeping arrangements proposed. Provide a sample copy of a safekeeping receipt and the monthly safekeeping report(s). Describe the bank's safekeeping capabilities, processing requirements, cut-off times and security provision. Provide a list of all applicable charges for this service in Attachment A.

- J. Collateral Requirements – Securities used as a collateral pledge against time and demand deposits held by the bank must be held in an independent third party bank outside the bank's holding company. All time and demand deposits will be collateralized at 110% percent of total balances at all times, excluding FDIC insurance of \$250,000. Authorized collateral will include obligations of the US Government, its agencies and instrumentalities CMOs passing the bank test. The bank is responsible for the continuous monitoring and maintaining of margin requirements. Original safekeeping receipts sent directly to the City by the custodian will be evidenced by pledged collateral. The City will receive a monthly report of collateral pledged, including description, par, market value and cusip from the custodian.

Substitution rights will be granted if the bank obtains the City's prior approval and if all new substituting securities are received before substituted securities are removed from safekeeping. Any substitutions of the securities or reductions in the total amount pledged may be made only by and with proper written authorization approved by the City Manager or Finance Manager.

The proposing bank will execute a tri-party safekeeping agreement with the City and the safekeeping bank for safekeeping of the securities. Describe all bank correspondent and safekeeping arrangements proposed under this proposal. Stipulate the custodian to be used. Provide a copy of the anticipated tri-party safekeeping contract and a copy of the receipt and the monthly safekeeping report(s) and stipulate its compliance with all provisions of FIRREA.

- K. Account Analysis – Monthly account analysis reports must be provided for each account and on a total account basis with delivery by no later than the 5th of the succeeding month. The account analysis must contain the following, at a minimum:
- Average daily ledger balance
  - Average daily collected balance
  - Monthly volume by service
  - Daily average float
  - Price charged for each activity

A sample account analysis must be provided as part of the proposal.

- L. Monthly Statements – The bank will provide monthly account statements on all accounts and on a consolidated account basis. All accounts must be on a monthly cycle with the last calendar day of the month as the cut-off. Monthly statements must be available by the 5<sup>th</sup> of the succeeding month. Provide sample reports. Any other reports to be provided should be described and a sample attached.
- M. Account Executive – To insure smooth contract implementation and continuation of services, a specific account executive must be assigned to the City's accounts to coordinate services and expedite the solution of any problem. The account executive will work with staff on all Depository matters. Provide the name and a short biography of the proposed account executive. A trained and competent backup for the account executive, familiar with the account, must also be assigned and named in the proposal.
- N. Overdrafts – Every effort will be made to eliminate daylight and overdraft situations on the City's accounts. However, in case this situation does arise, state the bank's policy regarding overdraft charges. Describe the bank's policy and the basis for fees on a per item or per account basis for daylight overdrafts.
- O. Stop Payments – The Bank will be required to process stop payments on written, verbal, or PC transmitted, instructions from the City. It is the City's desire to process Stop Payments via online Depository. Stop pays will remain in effect for six (6) months. Describe the bank's stop payment process including deadlines, authorization levels and requirements. Describe the on-line process, back-up manual procedures, and security provisions used for stop-pays.
- P. Insufficient Funds (NSF) Items – Deposited NSF checks are to be automatically re-submitted for payment. Complete information must be provided on all NSF returned items including name and reason for return. State the bank policy on NSF items.
- Q. Company Banking – Describe any programs the bank has designed to benefit the employees of the City including requirements for account maintenance, services to be provided, etc.

## **15. OPTIONAL SERVICES**

The proposal must include a response to each of the following questions. If not available, a response of No Bid should be noted.

The City is always investigating additional services to be included under its depository services contract. These services are not currently required but will be evaluated in terms of availability, feasibility, service levels, service provided and charges for current or future use under the contract. The City will make its determination after receipt of the proposals as to whether a particular service will be used. If the service is accepted later in the contract period the services and charges stipulated in the proposal will be accepted. If the bank currently does not offer the service but is planning to offer the service during the projected contract period, it should so stipulate along with the anticipated date of activation.

- A. Positive Pay – Describe the bank’s ability to provide automated positive pay (advance reconciliation) services. Describe the service including all information, transfer requirements, cut-off times, and other requirements. Describe how information is to be transferred, applied, maintained and reported. Provide information on all charges for such service on Attachment A. If positive pay is planned but not available at this time, please provide the anticipated start date. If positive pay is not available at this time, describe the bank’s ability to provide reverse positive pay services. Describe how positive pay information is communicated to the bank branch locations. Include the timing for delivery of this information once provided to the bank’s system.
- B. Optical Imaging – Describe the bank’s ability to provide optical imaging for checks. Describe the process and provide sample reports and screen layouts. Describe any software or hardware requirements to be provided by the City. Describe retrieval capabilities. Provide information on all the charges for such services.
- C. Purchasing Card – Provide a full description of any purchasing card program the bank has available. Provide information as to which brand of card is used, available online coding, controls, reporting, and limitations by purchase type. Include information on bank support for the program, bank’s experience with such a program, settlement terms on payment, lines of credit available, and license requirements. Provide samples of reporting and billing documents. Include a copy of the purchasing card agreement outlining the program and all charges for the service.
- D. ACH Fraud Prevention – Describe the bank’s ability to provide products that prevent ACH Fraud and protect account number exposure. Describe the product functionality, implementation process and the effectiveness of the product. Include systematic review and approval of ACH transactions and include counter measures to prevent non-payment of crucial vendors.

## **16. SERVICES THAT DO NOT MEET SPECIFICATIONS**

If the services provided are found not to meet the specifications, any such services shall, at the City's option, be rejected. The Bidder shall be responsible for all costs associated with correcting the services and shall receive no further compensation until the services are found to be acceptable.

## **17. COMPENSATION**

The City intends to pay for all services on a fee basis. Each proposal must include a complete Attachment A which lists all charges attendant to the anticipated services to be charged on the account analysis outlined in this proposal. If certain items are not already listed on Attachment A. Please list charge and service descriptions.

## **RFP TERMS AND CONDITIONS**

### **Questions and Inquiries**

Questions and inquiries about this RFP should be directed to Nichole Heinrich, City Secretary [nheinrich@castlehills-tx.com](mailto:nheinrich@castlehills-tx.com). Questions should be submitted in writing on or before the date specified herein.

### **Communication Blackout**

Proposers shall submit all inquiries in writing. Prior to submission of proposals, proposers are prohibited from contacting any City of Castle Hills employee or elected official concerning the financial services except through the formal inquiry process outlined in this RFP. Once the proposals are opened and are being evaluated, proposers are prohibited from contacting City of Castle Hills employees or elected officials concerning the financial services unless in writing between the Financial Institution(s) and the Department of Finance. Violations of this communication requirement may result in the disqualification of a proposal.

### **General Conditions**

1. By submitting a proposal in response to this RFP, the proposer represents that it has read and understands all elements of this RFP and has familiarized itself with all federal, state, and local laws, ordinances, rules, and regulations that in any manner may affect the cost, progress, or performance of the Contract work. Proposer shall promptly notify the City of any omission, ambiguity, inconsistency, or error that may be discovered upon examination of the RFP. Failure to make such examination shall be at the proposer's own risk. The City assumes no responsibility for proposer's failure to examine all documents that make up this RFP.
2. The failure or omission of any proposer to receive or examine any form, instrument, addendum, or other documents or to acquaint itself with conditions existing at the site or technical details of systems to be integrated with, shall in no way relieve any proposer from any obligations with respect to its proposal or to the Contract.
3. The City expressly reserves the right to the following:
  - a. Waive any defect, irregularity, or informality in any proposal;
  - b. Reject or cancel any or all proposals, or part(s) of any proposal;
  - c. Accept proposals from one or more proposers; and/or;
  - d. Procure services by other means.
4. In considering the proposal(s), the City reserves the right to select the acceptable proposer(s) who will offer contractual terms and conditions most favorable to the City.
5. Requirements stated in the RFP shall become part of any Agreement with the proposer(s) resulting from this RFP, and any deviations from these requirements must be specifically defined by the proposer in the resulting proposal, request for clarification and/or counter proposal which, if accepted, shall also become part of any Contract resulting from this RFP. The City, however, reserves the right to modify the specifications of this RFP, and/or negotiate the price and any other terms with prospective proposers, as needed.
6. Any Contract awarded based on this RFP shall be governed by and construed in accordance with the laws of the State of Texas, is fully performable in Castle Hills, Texas, and venue for any action related to this Contract will be Bexar County, Texas.

7. Assignment: The services, or any part thereof, to be provided under this RFP, shall not be assignable by the Financial Institution, without the express written permission of the City.
8. The Financial Institution shall perform the work in accordance with applicable laws, codes, ordinances, and regulations of the State of Texas and the United States.

### **Receipt of Proposals**

The submitted proposals must be received by the City Secretary's Office prior to the time and date specified. Proposals submitted via facsimile will not be accepted for any reason. Proposals that do not contain all required information may be rejected.

### **Reservations**

The City reserves the right to accept or reject any or all proposals as a result of this request, to negotiate with all qualified sources, or to cancel, in part or in its entirety, this RFP if found to be in the best interest of the City. Additionally, although the City desires to contract with a single Financial Institution for all work/services to be provided, the City reserves the right to split the work/services and deal with multiple Financial Institutions if it is deemed to be in the City's best interest. All proposals become the property of the City of Castle Hills.

### **Reimbursements**

There is no express or implied obligation for the City of Castle Hills to reimburse responding Financial Institutions for any expenses incurred in preparing proposals in response to this RFP and the City will not reimburse responding Financial Institutions for these expenses, nor will the City pay any subsequent costs associated with the provision of any additional information, presentation, or to procure a contract for these services.

## TECHNICAL SPECIFICATIONS

1. The period of the contract shall be for five (5) years, beginning June 1, 2024 and ending May 31, 2029.
2. As the depository for funds of the City of Castle Hills, Texas the Financial Institution agrees that it shall:
  - A. Comply with all provisions of Chapter 105 of the Texas Local Government Code and all other laws relating the City fund depositories.
  - B. Safely keep and faithfully receive and disburse the funds of the City of Castle Hills according to law.
3. During the period of transition to the next city depository, the city depository whose contract is terminating may make offers to the City for the investment of City funds for periods of less than 30 days for repurchase agreements of U.S. Treasury Bills or other securities, which are lawful investments for City funds. The City reserves the right to accept or reject any or all such offers.

It is the intent of this section to provide a procedure by which the City may keep its funds fully invested during the transition period and at the same time provide for the prompt and orderly transfer of funds to the next city depository.
4. The City reserves the right to invest any and all of its funds in any bonds, securities, or other investments authorized by law for the investment of City funds.
5. The city depository will and shall aid and assist the City in the acquisition of any investment security without charge. Bidders are requested to detail the advisory resources available to assist the City in making investment decisions.
6. The city depository will be furnished a copy of the City's investment policy and will sign and return an acknowledgment of it (see Attachment B).
7. It is agreed that all provisions of this bid proposal, which the depository shall legally perform, shall apply to any and all other funds and nonprofit corporations for which the City may become responsible.
8. Changes in the law enacted by the Texas Legislature in future sessions could alter the scope of requirements as stated in this document. The bid should conform to all statutes in effect at the time of submission
9. The contract shall include the funds of Castle Hills Crime Control and Prevention District under the same terms and conditions of the City of Castle Hills funds.

**CITY OF CASTLE HILLS, TEXAS**  
**BID FORM AND CONTRACT**

This agreement made this day by and between the City of Castle Hills, Texas, called "City", and the undersigned "Bidder" is as follows:

1. THE WORK

The Bidder shall supply the services as required by this contract for the City's Financial Services. The following are incorporated herein:

- a. General Provisions
- b. Technical Specifications
- c. Addenda issued prior to receipt of Bid
- d. Instructions to Bidders
- e. Bid Form and Contract

Some of these documents may not be physically attached hereto but are on file at City Hall, and copies may be obtained upon request.

2. TIME

The service shall be provided beginning June 1, 2024 and shall terminate May 31, 2029.

3. CHANGES AND EXTRAS

No change of this Contract for additional service or compensation shall be effective unless prior thereto a written change order has been authorized by the City Council. Employees of the City do not have the authority to issue change orders.

4. ADDENDA

Supplier acknowledges the receipt of the following addenda:

- a. Dated: \_\_\_\_\_ Acknowledged by: \_\_\_\_\_
- b. Dated: \_\_\_\_\_ Acknowledged by: \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2024

Attest:

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_

SEAL

Title: \_\_\_\_\_

Business Address:

Bidder:

\_\_\_\_\_

\_\_\_\_\_  
Print Corporation Name

\_\_\_\_\_

\_\_\_\_\_

Phone:

\_\_\_\_\_

Fax:

\_\_\_\_\_

CITY OF CASTLE HILLS, TEXAS  
209 Lemonwood.  
Castle Hills, TX 78213  
210-342-2341 x216

By: \_\_\_\_\_  
Ryan Rapelye  
City Manager

Attest:

\_\_\_\_\_  
Nichole Heinrich  
City Secretary

CITY SEAL



## ATTACHMENT A

Service	Unit Basis	Unit Bank Charge	Explanatory Notes, if applicable
<b>Account Deposit Services</b>			
Master Account Maintenance Fee	Per account		
Subsidiary Account Maintenance	Per account		
Money Market Account Maintenance Fee	Per account		
Interest Bearing Accounts Maintenance Fee	Per account		
ZBA Accounts Maintenance Fee Master	Per account		
ZBA Accounts Maintenance Subsidiary	Per account		
ZBA Account Transfers	Per item		
Investment Sweep - master account	Per account/mo		
Investment Sweep - Subsidiary accounts	Per account/mo		
Debits Posted	Per item		
Credits Posted	Per item		
<b>Automated Services - Balance &amp; Detail</b>			
<b>If Services are Bundled:</b>			
Bundled Balance & Activity Reporting	Per month		
Monthly Maintenance	Per month/account		
Detail Item Fees	Per item		
<b>If services are Un-Bundled (by Module):</b>			
Balance Reporting Module Maintenance	Per account		
Daily Balance Reporting	Per account		
Previous day Reporting	Per account		
Previous Day Dr/Cr Items	Per item		
ACH Module Maintenance	Per account/overall		
ACH Detail	Per item		
Reconciliation Module Maintenance	Per account/overall		
Recon detail	Per item		
Stop Pay Module Maintenance	Per account/overall		
Stop pay item	Per item		
Wire and Internal Transfer Module Maintenance	Per account/overall		
Addenda reporting	Per item		
Positive Pay Module	Per account/month		
PP Detail	Per item		
Detail Transactions - All modules	Per item		
<b>Deposits</b>			
Commercial Account Maintenance	Per account		
Depository Center Deposits	Per item		
Night Drop Deposit	Per item		
Items Deposited			
Items deposited	Per deposit		
On-us Items	Per item		
Local items	Per item		
Local Fed/RCPC Clearing	Per item		
City Items (in state)	Per Item		
Other State Items	Per item		
11th Fed Country Items	Per item		
Other 11th Fed RCPC Items	Per item		
Transit Item Clearing	Per item		
Encoding Charge	Per item		

<b>Cash Vault</b>			
Cash Vault Base Fee Processing Fee	Per item		
Standard Deposit Vault	Per deposit		
Standard Deposit Note Vault	Per deposit		
Currency Deposits			
Cash deposited	Per \$\$		
Strapped currency furnished			
Currency Wraps Shipped	Per strap		
Coin Deposits			
Full bag - loose coin			
Partial bag of loose coin			
Rolled Coin Furnished	Per roll		
Minimum Change Order			
Branch Order Processing	Per Order		
Branch Per Deposit	Per Deposit		
Branch Coin Shipped	Per Shipment		
Change Order	Per item		
Deposit Corrections	Per item		
Return Item - Per item	Per item		
Return Items Return and Reclear	Per item		
Charge-backs	Per item		
Return Check Notice Fax	Per item		
Return Check Notice Internet	Per item		
<b>ACH Processing</b>			
Service Monthly Maintenance (Base) Fee	Per month/account		
ACH Transactions Originated	Per item		
Two day item - on us	Per item		
Two day item	Per item		
ACH base fee			
Electronic Credit Received/Posted	Per Item		
Electronic Debit Received/Posted	Per item		
Electronic Originated Addenda	Per item		
ACH Return Items	Per item		
Return Notification	Per Item		
Deletions or Reversal Charges	Per item		
Transmission	Per file		
Fraud Filter - Review - Base Fee	Per month		
Fraud Filter - Review - Per Item	Per item		
Reports - by Fax	Per item		
<b>Positive Pay</b>			
Service Monthly Maintenance (Base) Fee*	Per account or month		
Positive Pay Item	Per item		
Per item charge with Partial Recon	Per item		
Per item charge with Full Recon	Per item		
Per item without recon services			
Transmission - File Transmission	Per item		
<b>Imaging</b>			
Imaging Maintenance	Per month		
CD Rom Service - Per Item	Per item		
CD Rom Service - Per Disk	Per item		

<b>Reconciliation</b>			
ACH Monthly Maintenance	Per Month		
Partial Recon Monthly Maintenance	Per Month		
Partial reconciliation - detail	Per item		
Full recon monthly maintenance	Per month		
Full recon detail	Per item		
Deposit Reconciliation - Mo Maintenance	Per Month		
Deposit Recon - per detail	Per item		
Checks returned w/statement	Per item		
DDA Checks paid	Per item		
<b>Safekeeping</b>			
Service Monthly Maintenance Custody	Per month		
Clearing Fees			
Securities Received/ Delivered - DVP	Per item		
Safekeeping Fees	Per item		
Custody per Cusip/Holding	Per cusip		
Income Collection to DDA	Per item		
<b>Stop Pays</b>			
Stop Pays (automated)	Per item		
<b>Wire Transfers</b>			
Service Monthly Maintenance*	Per month		
Incoming - domestic Straight	Per item		
Outgoing - repetitive - automated, domestic	Per item		
Outgoing - non-repetitive - automated, domestic	Per item		
Book Transfer Internet Initiated	Per item		
Wire Advices Faxed/Mailed	Per item		
<b>OPTIONAL SERVICES REQUESTED</b>			
<b>Remote capture of checks</b>			
One-time set-up or training fees	One time		
Monthly maintenance	Per month/card		
Capture and transmission fee from provider	Per item		
On-us Item	Per item		
Local Item	Per item		
Transit Item	Per item		
<b>RCK Services</b>			
RCK Maintenance	Per account/month		
RCK Detail	Per items		
<b>Purchasing Cards</b>			
Service Monthly Maintenance	Per month		
Card Issuance Fee	Per card		
Transaction Fee	Per item		
License Fee	Per month		
Rebate on amount purchased <\$1mm			

**City of Castle Hills  
Request for Proposals for  
Depository Services**

**ATTACHMENT B  
Certificate of Review  
and  
Castle Hills Investment Policy**

## Certificate of Review

The City of Castle Hills desires that all institutions submitting bids for depository services be aware of the City's Investment Policy. Therefore, each Bidder must review the attached Investment Policy and submit this certificate with their proposal.

### Certification Form

I, \_\_\_\_\_ as a qualified representative for the  
\_\_\_\_\_ do hereby certify that I have received and  
reviewed the Investment Policy of the City of Castle Hills.

I acknowledge that this bank will abide by the requirements of this Policy in all dealings with the City of Castle Hills.

\_\_\_\_\_  
Signature

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**RESOLUTION NO. 2024-02-13-A**

**A RESOLUTION OF THE CITY OF CASTLE HILLS, TEXAS ADOPTING  
AND REPLACING IN ITS ENTIRETY THE INVESTMENT POLICY.**

**WHEREAS**, Chapter 2256 of the Texas Government Code, commonly known as the “Public Funds Investment Act,” requires the City to adopt an investment policy by rule, order, ordinance, or resolution; and

**WHEREAS**, the Public Fund Investment Act (Section 2256.005e), requires the governing body to review and adopt that investment policy and investment strategies by rule, order, ordinance or resolution not less than annually, recording any changes made thereto; and

**WHEREAS**, the City of Castle Hills has chosen to wholly rewrite in its entirety the investment policy that has been reviewed and attached:

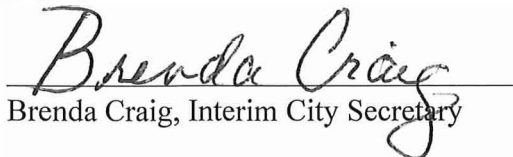
**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY  
OF CASTLE HILLS, TEXAS, THAT:**

**Section 1.** That the City of Castle Hills Investment Policy, attached hereto and incorporated herein as Exhibit A, and the investment strategies provided for therein has been reviewed by the City Council and is hereby adopted as the investment policy of the City of Castle Hills effective February 13, 2024, with no changes.

**PASSED, AND APPROVED** by the City Council of the City of Castle Hills this the 13<sup>th</sup> day of February 2024.

  
JR Trevino, Mayor

Attest:

  
Brenda Craig, Interim City Secretary



# CITY OF CASTLE HILLS INVESTMENT POLICY

February 13, 2024

## I. POLICY

It is the policy of the City of Castle Hills (herein after referred to as “City”) that after allowing for the anticipated cash flow requirements of the City and giving due consideration to the safety and risk of investment, all available funds shall be invested in conformance with these legal and administrative guidelines, seeking to optimize interest earnings to the maximum extent possible.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue to the City. The City’s investment portfolio shall be designed and managed in a manner to be responsive to public trust, and to be in compliance with legal requirements and limitations.

Investments shall be made with the primary objectives of:

- Safety and preservation of principal
- Maintenance of sufficient liquidity to meet operating needs
- Public trust from prudent investment activities
- Optimization of interest earnings on the portfolio

## II. PURPOSE

The purpose of this Investment Policy is to comply with Chapter 2256 of the Government Code (“Public Funds Investment Act”), which requires each local government to adopt a written investment policy regarding the investment of its funds and funds under its control. The Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the City’s funds.

## III. SCOPE

This Investment Policy shall govern the investment of all financial assets of the City. These funds are accounted for in the City’s Annual Financial Report and include:

- General Fund
- Crime Control Prevention District (CCPD)
- Capital Projects Funds
- Special Revenue Funds



- Debt Service Funds, including reserves and sinking funds, to the extent not required by law or existing contract to be kept segregated and managed separately
- Other funds established from time to time

Except for cash in certain restricted and special funds, the City may consolidate cash and investment balances to ease cash management operations and maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

This Investment Policy shall apply to all transactions involving the financial assets and related activity for all the foregoing funds. However, this policy does not apply to the assets administered for the benefit of the City by outside agencies under deferred compensation programs or other post-employment benefits (OPEB) trust funds.

#### **IV. INVESTMENT OBJECTIVES AND STRATEGY**

The City shall manage and invest its cash with five primary objectives, listed in order of priority: **safety, liquidity, diversification, public trust, and yield, expressed as optimization of interest earnings.** The safety of the principal invested always remains the primary objective, while strategizing to safeguard a rate of return thru diversification and proper liquidity. All investments shall be designed and managed in a manner responsive to the public trust and consistent with State and local law.

The City shall maintain a comprehensive cash management program, which includes collection of account receivables, vendor payments in accordance with invoice terms, and prudent investment of available cash. Cash management is defined as the process of managing monies in order to insure maximum cash availability and maximum earnings on short-term investment of idle cash.

##### **1. Safety**

Safety of principal is the foremost objective of the investment program. Investment for speculation is prohibited. No individual or group of transactions shall be undertaken that would jeopardize the total capital sum of the overall portfolio. Adherence to the preferred investment listed in the investment policy will maximize safety. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

A. Credit Risk – The City will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment, by:

1. Limiting investments to the safest types of investments.



2. Pre-qualifying the financial institutions and brokers/dealers with which the City will do business.
3. Diversifying the investment portfolio so that potential losses on individual issuers will be minimized.

B. Interest Rate Risk – the City will minimize the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates, by:

1. Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.
2. Investing operating funds primarily in shorter-term securities, money market mutual funds, local government investment pools functioning as money market mutual funds, or certificates of deposit.
3. Diversifying maturities and staggering (laddering) purchase dates to minimize the impact of market movements over time.

## **2. Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands (static liquidity). Because all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in money market mutual funds or local government investment pools that offer same-day liquidity.

## **3. Diversification**

The City will diversify its investments by market sector (security type and maturity, in order to minimize investment and market risk. The portfolio will be designed to avoid unreasonable risks within one market sector or from an individual institution.

## **4. Public Trust**

All participants in the City's investment process shall seek to act responsibly as custodians of the public trust. Investment officers shall avoid any transaction that might impair public confidence in the City's ability to govern effectively.

## **5. Yield (Optimization of Interest Earnings)**

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk

constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

## **V. RESPONSIBILITY AND CONTROL**

### **1. Delegation of Authority**

Authority to manage and operate the investment program is granted to the Investment Officers. The Investment Officers for the City of Castle Hills shall be the City Treasurer, a then current sitting member of the Castle Hills City Council, appointed under separate action by the City Council and the Fiscal Manager. The Investment Officers shall establish written procedures and internal controls for the operation of the investment program consistent with this Investment Policy. Procedures should include, but not be limited to, references to: account management procedures, cash flow estimation procedures, investment transaction procedures, authorized dealer selection process, and investment portfolio reporting requirements.

### **2. Quality and Capability of Investment Management**

The City shall provide funding for periodic training in investments for the Investment Officers through courses and seminars offered by professional organizations, associations, and other independent sources in order to ensure the quality and capability of investment management in compliance with the Public Funds Investment Act.

### **3. Training Requirement**

In accordance with the Public Funds Investment Act, designated Investment Officers shall attend an investment training session no less often than once in a two-year period that begins on the first day of the City's fiscal year and consists of the two consecutive fiscal years after that date and shall receive not less than 8 hours of instruction relating to investment responsibilities. A newly appointed Investment Officer must attend a training session of at least 10 hours of instruction within twelve months of the date the Officer took office or assumed the Officer's duties.

The investment training session shall be provided by an independent source approved by the City Council. For purposes of this policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institution of higher education or any other sponsor other than a business organization with whom the City may engage in an investment transaction.

Sources approved to provide training to the City's Investment Officers include:

- Government Finance Officers Association (GFOA)
- Government Finance Officers Association of Texas (GFOAT)

- Government Treasurers' Organization of Texas (GTOT)
- University of North Texas Center for Public Management
- Texas Municipal League (TML)

#### **4. Internal Controls**

The City Manager and Fiscal Manager are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Fiscal Manager shall establish a process for independent review by an external auditor to assure compliance with policies and procedures. The independent review, in conjunction with the City's annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the City's established investment policies. The internal management controls shall address the following points.

- Control of collusion.
- Separation of transactions authority from accounting and record keeping.
- Custodial safekeeping.
- Avoidance of physical delivery securities.
- Clear delegation of authority to subordinate staff members.
- Written confirmation for telephone (voice) transactions for investments and wire transfers.
- Development of a wire transfer agreement with the depository bank or third-party custodian.
- Documentation of transactions and strategies.

#### **5. Prudence**

The standard of prudence to be applied by the Investment Officers shall be the "prudent investor" rule, which states that "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- A. The investment of all funds, or funds under the City's control, over which the Officer had responsibility, rather than a consideration as to the prudence of a single investment.



B. Whether the investment decision was consistent with the written approved Investment Policy of the City

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

**6. Ethics and Conflicts of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity that would conflict with the proper execution and management of the investment program, or that would impair their ability to make impartial decisions. Investment Officers shall disclose any material interests in financial institutions with which they conduct investment business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and Officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City.

An Investment Officer of the City who has a personal business relationship with an organization seeking to sell an investment to the City shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the City Council.

**VI. SUITABLE AND AUTHORIZED INVESTMENTS**

**1. Portfolio Management**

The City will implement a laddering program as its portfolio strategy to ensure cash flow requirements are met. The City shall have the flexibility should circumstances arise that warrant the need to move securities/investments.

**2. Investments**

City funds governed by this policy may be invested in the instruments described below, all of which are authorized by Chapter 2256 of the Government Code (Public Funds Investment Act). Investment of City funds in any instrument or security not authorized by this policy for investment is prohibited. The City will not be required to liquidate an investment that becomes unauthorized subsequent to its purchase.

The City will monitor rating changes in investments acquired with public funds. Ratings will be monitored through websites such as Moody's, Standard & Poor's (S&P), and Electronic Municipal Market Access (EMMA). Ratings for active investments will be listed in the investment reports presented and approved by the City Council quarterly. All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating.

**Authorized**

1. Obligations issued, Guaranteed, or Insured by the United States of America, or its agencies and instrumentalities, including letters of credit, with a stated final maturity not to exceed two years.
2. Certificates of Deposit issued by a bank or by broker approved by the City Council and organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas, or by a savings and loan association or a savings bank organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas and that is guaranteed or insured by the Federal Deposit Insurance or its successor or secured by obligations in a manner and amount provided by law for deposits of the City.
3. No-Load Money Market Mutual funds that are registered and regulated by the Securities and Exchange Commission, and provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, continuously rated AAA by at least one nationally recognized rating service, and mark its portfolio to market daily.
4. Local government investment pools, which invest in instruments and follow practices as specified by meet the requirements of Chapter 2256.016 of the Public Funds Investment Act, are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, seek to maintain a \$1.00 net asset value, and are authorized by resolution or ordinance by the City Council.
5. Obligations issued, Guaranteed, or Insured by of the State of Texas or its agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the United States.
6. Obligations of States (other than Texas), 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.
7. Interest bearing bank deposits insured by the FDIC or the National Credit Union Share Insurance Fund.

8. Fully collateralized direct repurchase agreements with a defined termination date secured by a combination of cash and obligations of the United States, its agencies or instrumentalities. These shall 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. The following provisions shall apply to repurchase agreements:
  - a. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas.
  - b. A Master Repurchase Agreement must be signed by the bank/dealer prior to investment in a repurchase agreement.
  - c. All securities purchased under such repurchase agreement shall be held by a custodial (safekeeping) agent as approved by the City. All repurchase agreement transactions will be on a delivery vs. payment basis.
  - d. The seller of repurchase agreement securities shall be entitled to substitute securities upon authorization by the City

## **VII. INVESTMENT PARAMETERS**

### **1. Maximum Maturities**

The City attempts to match its investments with anticipated cash flow requirements. Maturities will be staggered up to 7 years to provide adequate cash flow, however, provided that not more than 35% of the portfolio shall have a maturity beyond 60 months. The maximum dollar-weighted average maturity for the entire portfolio shall be limited to 365 days.

Because no secondary market exists for repurchase agreements, the maximum maturity shall be 120 days except in the case of a flexible repurchase agreement for bond proceeds. The maximum maturity for such an investment shall be determined in accordance with project cash flow projections and the requirements of the governing bond ordinance.

### **2. Diversification**

The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification that shall be achieved by the following general guidelines:



- Limiting investments to avoid over concentration in investments from a specific issuer or business sector (excluding U.S. Treasury securities and certificates of deposit that are fully insured and collateralized in accordance with state and federal law),
- Limiting investment in securities that have higher credit risks (example: commercial paper),
- Investing in investments with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

The table below summarizes the authorized investment and their maximum allocation as a percentage of the overall investment portfolio to assure diversification:

<b><u>Security Type</u></b>	<b><u>Maximum Allocation</u></b>
1. Obligations of the U.S., or its agencies or instrumentalities	100%
2. Certificate of Deposits	70%
3. No-Load Money Market Mutual Funds	50%
4. Local Government Investment Pools	100%
5. Obligations of the State of Texas	50%
6. Obligations of States (Other than Texas)	10%
7. Interest Bearing Bank Deposits	90%
8. Fully Collateralized Direct Repurchase Agreements	10%

## **VIII. SELECTION OF BANKS AND DEALERS**

### **1. Depository**

City Council shall, by ordinance, select and designate one or more banking institutions as the depository for the monies and funds of the City in accordance with the requirement of Tex. Loc. Govt Code Ch. 105. At least every five years a depository shall be selected through the City's banking services procurement process, which shall include a formal request for proposal (RFP). The selection of a depository will be determined by competitive bid, and evaluation of bids will be based on certain selection criteria.

### **2. Authorized Brokers/Dealers**

The City shall, at least annually, review, revise, and adopt a list of qualified broker/dealers authorized to engage in securities transactions with the City.

Those firms that request to become qualified bidders for securities transactions will be required to provide a completed broker/dealer questionnaire that provides information

regarding creditworthiness, experience and reputation. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15c3-1 (Uniform Net Capital Rule), and qualified depositaries.

All investment providers, including financial institutions, banks, money market mutual funds, and local government investment pools, must sign a certification verifying that the organization has received and thoroughly reviewed the City's Investment Policy.

### **3. Competitive Bids**

The City authorizes the designated Investment Officer to solicit offerings for investments. Generally, the City will seek at least three competitive offerings before it invests surplus funds. The City will accept the offerings which provide the highest rate of return within the maturity required and within the guidelines of this Policy.

The City recognizes that a competitive offering process is not always necessary or is not always in the best interest of the City. On these occasions, the Investment Officer is authorized to purchase a security without seeking competitive offerings. Examples of these occasions are:

- Market conditions are changing rapidly.
- The security is a "new issue" that is still in the primary market.
- A specific type of security, maturity date, or rate of return is sought that may not be immediately available.

### **4. Delivery vs. Payment**

Securities shall be purchased using the delivery vs. payment method with the exception of public funds investment pools and mutual funds. Funds will be released after notification that the purchased security has been received.

## **IX. SAFEKEEPING OF SECURITIES AND COLLATERAL**

### **1. Safekeeping and Custodian Agreements**

The City shall contract with a bank or banks for the safekeeping of securities either owned by the City as part of its investment portfolio or held as collateral to secure demand or time deposits. Securities owned by the City shall be held in the City's name as evidenced by safekeeping receipts of the institution holding the securities.

Collateral for deposits will be held by a third-party custodian designated by the City and pledged to the City as evidenced by safekeeping receipts of the institution with which the collateral is deposited. Original safekeeping receipts shall be obtained. Collateral may be held by a Federal Reserve Bank or branch of a Federal Reserve Bank, a State or National



back domiciled within Texas, which has a capital stock and permanent surplus of not less than \$5 million, a Federal Home Loan Bank, or a third-party bank approved by the City.

## **2. Collateral Policy**

Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all uninsured City funds (plus accrued interest, if any) on deposit with a depository bank, other than investments. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will not be less than 110% of the amount of uninsured deposits. Determination of the market value of the collateral will be calculated monthly or more frequently upon request by the City.

At its discretion, the City may require a higher level of collateralization for certain investment securities. Securities pledged as collateral shall be held by an independent third party with which the City has a current custodial agreement. The City Manager is responsible for entering into collateralization agreements with third party custodians in compliance with this policy.

The agreements are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. Collateral shall be reviewed at least monthly to assure that the market value of the pledged securities is adequate.

## **3. Collateral Defined**

The City shall accept only the following types of collateral, as restricted by law:

- A. Obligations, including Letters of Credit, of the United States or its agencies and instrumentalities
- B. Direct obligations of the State of Texas or Texas State agencies and instrumentalities
- C. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States of America, the underlying security for which is guaranteed by an agency or instrumentality of the United States of America
- D. Other obligations the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States of America or their respective agencies and instrumentalities

- E. Fixed-rate collateralized mortgage obligations that have an expected weighted average life of 10 years or less and which do not constitute a high-risk mortgage security as defined in the Public Funds Law
- F. Floating-rate collateralized mortgage obligations that do not constitute a high-risk mortgage security as defined in the Public Funds Law

#### **4. Subject to Audit**

All collateral shall be subject to inspection and audit by the Fiscal Manager or the City's independent auditors.

### **X. PERFORMANCE STANDARDS**

The City's investment portfolio will be managed in accordance with the parameters specified within this Policy. The portfolio shall be designed with the objective of obtaining a rate of return through budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow requirements of the City.

### **XI. REPORTING**

#### **1. Methods**

The Investment Officer shall prepare an investment report on a quarterly basis that summarizes investment strategies employed in the most recent quarter and describes the portfolio in terms of investment securities and maturities, and shall explain the total investment return for the quarter.

The quarterly investment report shall include a summary statement of investment activity. This summary will be prepared in a manner that will allow the City to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be provided to the City Council. The report will include the following:

- A listing of individual securities held at the end of the reporting period.
- Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period.
- Average weighted yield to maturity of portfolio.
- Listing of investments by maturity date.
- Fully accrued interest for the reporting period.
- The percentage of the total portfolio that each type of investment represents.
- Statement of compliance with the Public Funds Investment Act and this policy.
- Signatures of all Investment Officers.

The annual audit shall include a review of the quarterly reports and compliance of the management controls on investments and adherence to the City's established investment policy and procedures and report any discrepancies to the governing body.

## **2. Monitoring Market Value**

The market value of the portfolio shall be calculated at least quarterly, and a statement of the market value of the portfolio shall be issued at least quarterly. The source of pricing used to calculate the market value will be the values published in the financial section of the Wall Street Journal and, as necessary, a third-party agency with access to pricing for securities that are not listed in the Wall Street Journal.

## **XII. INVESTMENT POLICY ADOPTION**

The City's Investment Policy shall be adopted by resolution of the City Council. It is the City's intent to comply with State laws and regulations. The City's Investment Policy shall be subject to revisions consistent with changing laws, regulations, and needs of the City. The City Council shall review the City's Investment Policy annually. The City Council shall adopt a resolution stating that it has reviewed the policy and investment strategies annually, approving any changes or modifications.

**Exhibit A – Approved Broker/Dealers**

The following is the current list of approved brokers/dealers who are qualified to engage in securities transactions with the City:

None at this time.