

**CITY OF CORSICANA, TEXAS**  
**REQUEST FOR PROPOSAL (RFP)**  
**BANK DEPOSITORY SERVICES**



**CORSICANA**  
**T E X A S**

*Preserving Yesterday. Building Tomorrow.*

April 19, 2021

200 N. 12<sup>TH</sup> STREET  
CORSICANA, TEXAS 75110  
(903) 654-4815

**CLOSING TIME: RFP'S ARE DUE NOT  
LATER THAN 10:00 A.M. ON MAY 21, 2021**

200 N. 12<sup>th</sup> STREET  
CORSICANA, TX 75110

NAME OF PROPOSER: \_\_\_\_\_

**NOTICE OF REQUEST FOR PROPOSALS  
CITY OF CORSICANA**

NOTICE IS HEREBY GIVEN that the City of Corsicana, Texas, will receive written sealed proposals only, for MUNICIPAL GOVERNMENT BANK DEPOSITORY SERVICES, as stated in the RFP documents.

The City shall receive proposals from financial institutions for the City of Corsicana as outlined in the Specifications section of the RFP. Proposers may be required to participate in an assessment center if deemed necessary.

Said RFP's must be in the office of the City Manager, City of Corsicana, 200 N. 12<sup>th</sup> Street, Corsicana, Texas, 75110, NO LATER THAN 10:00 a.m. on Friday, May 21, 2021. RFP's that are postmarked but not received until after this deadline will not be accepted. RFP's received after the posted cut-off time will not be accepted.

All RFP's are to be marked clearly on the outside or if submitting by email in the subject line: "RFP FOR MUNICIPAL GOVERNMENT BANK DEPOSITORY SERVICES".

RFP's may be mailed to 200 N. 12<sup>th</sup> Street, Corsicana, TX 75110, or delivered by courier or in person to the City Manager's office 200 N. 12<sup>th</sup> Street, Corsicana, TX 75110. RFP's may also be submitted by email at [Bids@corsicanatx.gov](mailto:Bids@corsicanatx.gov).

RFP documents may be obtained at the City of Corsicana Finance Dept. 200 N. 12<sup>th</sup> Street, Corsicana, Texas 75110. RFP documents will be ready for pick up on and after April 19, 2021. RFP's may also be downloaded in Adobe Acrobat format on the Public Notices section of the City's website at [www.cityofcorsicana.com](http://www.cityofcorsicana.com). To receive an electronic version to complete (showing all tracked changes), please e-mail your request to the Finance Department at [mboyle@corsicanatx.gov](mailto:mboyle@corsicanatx.gov).

The right is reserved to reject any and all Proposals or to accept the Proposal which is deemed by the City of Corsicana to be in the best interest of the City of Corsicana. The City of Corsicana also reserves the right to waive any irregularities and/or informalities in the RFP process.

For further information, contact City of Corsicana Finance Dept. at (903) 654-4815 or Facsimile (903) 654-4823.

Publish Dates: April 17, 2021 and April 24, 2021  
Corsicana Daily Sun - Legal Publications  
Proof of Publication Required

## **INSTRUCTIONS TO PROPOSERS**

### **SECTION 1: PROPOSER'S REVIEW**

Proposers are expected to examine all related documents of the Request for Proposal. Failure to do so will be at the proposer's risk.

Any questions concerning the Request For Proposal process should be referred to the City of Corsicana Director of Finance/City Secretary at (903) 654-4815 at least 72 hours prior to RFP due time. Changes in the RFP which might arise out of such referral will then be forwarded to all RFP holders of record prior to the time set for RFP receipt.

### **SECTION 2: SUBMISSION OF REQUEST FOR PROPOSAL**

The City of Corsicana is an Affirmative Action/Equal Opportunity Employer. Prospective suppliers shall be cognizant of the requirement for compliance with Executive Order 11246, entitled "Equal Employment Opportunity" as amended by Executive Order 11375 and as supplemented in regulations of the U.S. Department of Labor (41 CFR part 60).

Proposers are encouraged to describe in detail their services as related to this section and any additional offerings related to the offering but not specified in this request for proposal.

**ONE (1) COMPLETE ORIGINAL AND ONE (1) COMPLETE DUPLICATE COPY** of the entire proposal shall be delivered by the time and to the place stipulated in the Notice of Request for Proposal. It is the proposer's sole responsibility to see that their proposal is received at the place, date and time specified. Any proposal received after the scheduled closing time for receipt of proposals may be returned to the proposer as unacceptable. Oral, facsimile, telegraph, or telephone or other electronic modifications will not be considered.

Altering the Proposal language or any document or form may render your proposal nonresponsive.

A duly authorized representative of the proposing firm shall sign the proposal document. Unsigned offers may be rejected.

Signed copies of all Addenda and/or bulletins issued to prospective providers should be enclosed with the Proposal. Failure of the proposer to enclose said addenda or bulletins will be considered grounds for rejection of the RFP.

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## I. SPECIFICATIONS

### **A. SCOPE**

The City of Corsicana (the "City") is seeking bids from eligible local financial institutions to serve as the Depository Bank to the City. This includes the basic services of receiving deposits via ACH, remote online electronic check image deposit, and normal banking deposits, paying items via check or ACH disbursements, wiring activities (incoming or outgoing), positive pay, and other normal business banking activities. This agreement will not cover any investment transaction activities other than safekeeping services. The City plans to manage its own investment portfolio.

The objective of this Request for a Depository Bank is to identify a local financial institution that can offer the highest quality services at the lowest cost to the City. ***In addition, the City desires to conduct business with a local financial institution that can provide the services needed while maintaining a "home-town" banking experience. The City requires a primary account representative that offices in Corsicana.*** Services provided will be in accordance with the Bank Depository contract and agreements executed between the City and the Bank.

This Request for Proposal or "RFP" is intended to serve as the bid form for the Depository agreement. There are several blanks to fill in and questions to be answered. The Depository contract shall be prepared based on the bidder's response to this RFP. All points outlined and materials requested should be incorporated into the bidder's reply to be considered for evaluation. Attachments will be appropriate in order to answer some of the enclosed questions.

The contact person for the bidding process is Melissa Boyle, Director of Finance. The City desires to enter into a contract that will minimize the City's costs, *yet will be viewed as a reasonable agreement on behalf of the bank.* City staff members will be happy to answer any questions pertaining to this RFP.

***This RFP is available in PDF format on the web by visiting the Finance Department webpage at [www.cityofcorsicana.com](http://www.cityofcorsicana.com). Also, an editable, electronic version of this RFP is available upon request.***

### **B. TERM OF CONTRACT**

The new depository contract term will be for the period of October 1, 2021 through September 30, 2024, with a provision for two one-year continuations under the same terms and conditions of the contract, subject to the mutual agreement of both parties. The depository contract term will also provide for an extension period not to exceed ninety (90) days for the transition to a new Depository Bank at the end of the term. The Depository contract shall provide that the City reserves the right to cancel any agreement, at any time, upon sixty (60) days prior written notice of its intent to terminate any agreement.

### **C. OBJECTIVES OF THE AGREEMENT**

The City wishes to communicate the primary objectives of the Depository Agreement, an important component of the overall treasury program of the City of Corsicana. Depository services should support the objectives of the City's cash management program. Those objectives are to preserve and ensure safety of cash balances and to maximize yield after satisfying the goals of safety and liquidity:

1. To seek a bank that is both capable of providing banking services described within this RFP, *with a primary account representative that offices in Corsicana*, who is willing to be attentive to the City's money matters;
2. To seek a bank that meets the legal qualifications and the terms and conditions specified in this RFP, the policies and strategies for investment of City funds pursuant to the City's Investment and Collateralization Policy as adopted by City Council, and the relevant statutory provisions of the Public Funds Investment Act and Public Funds Collateral Act;
3. To maintain a good working relationship with the Depository Bank, and
4. To adequately compensate the Depository Bank for services provided and to allow a reasonable profit to be earned, subject to competitive forces in the market place.

## **II. CALENDAR OF EVENTS**

<b>TARGET DATES</b>	<b>DESCRIPTION OF EVENTS</b>
Monday: April 19, 2021	Distribute Depository Application/Contract to prospective financial institutions, via e-mail and City website
Saturday: April 17 and Saturday, April 24, 2021	Advertise the Depository Bank notice in the Corsicana Daily Sun newspaper
Friday: May 21, 2021	Deadline for bid submission of the Bank Depository Applications to the Director of Finance from interested institutions by 10:00 a.m. Bid opening will begin at 10:00 a.m. in the City Manager's office.
Monday: May 24, 2021	Council presentation for the award of the new Contract
Tuesday: May 25, 2021	Notify all bidders
Tuesday: May 25, 2021	Execute Depository Bank Contract/Agreements and Form 1295
Tuesday: August 31, 2021	Begin implementation of new Bank Depository Contract
Friday: October 1, 2021	New Bank Depository Services Contract period begins

## **III. CRITERIA FOR EVALUATION**

The City staff shall carefully review the submitted applications. The staff recommendation to the City Council shall be based on the application determined to be in the best interest of the City. The evaluation

of the applications will be made based on the following criteria:

- Reputation of bidder and quality of services;
- “Home-town” banking experience with a local account representative that offices in Corsicana;
- Ability to perform and provide the required and requested services, especially positive pay services;
- Cost of banking services;
- Completeness of bid and agreement to points outlined in the Depository Application;
- Funds availability;
- Interest rates paid on interest bearing accounts, time deposits, and investments;
- Earnings credit on average available account balances;
- Financial strength and stability;
- Online Banking and reporting capability;
- Convenience of location; and
- Previous service/relationship with City and its related entities.

#### **IV. ACCOUNT ACTIVITIES**

A. **Number of Accounts.** The City currently has one (1) demand account and three (3) high yield savings demand deposit accounts with our current depository bank. ***Potential depository institutions will be required to offer the best rate available for the accounts described as high yield savings demand deposit accounts.***

***Pooled Cash Account.*** The Pooled Cash Account serves as the City's master account into which most deposits will be made. The bank must have the capability of receiving and sending wire transactions, ACH transactions, electronic check image deposits, and routine deposits through the Pooled Cash Account. The City averages approximately 600 checks, 550 payroll direct deposit ACH payments, and 1,000 utility bill customer ACH deposits, per month through the Pooled Cash Account, which is utilized to issue vendor payments and biweekly payroll disbursements. The last 9-month's actual activity is presented in the Exhibit 1. There is no reason to believe that the activity will significantly increase or decrease over the term of the initial contract period. Checks are prepared once a week to pay current city expenses. Payroll is processed bi-weekly. These checks are dated and issued on Friday with an occasional manual check issued to pay bills under extenuating circumstances. The cash balance maintained in the Pooled Operating Cash Account varies with compensating balance requirements, and may be less in a higher interest rate environment.

***EMS Lockbox Account.*** This account is a demand deposit account used for EMS billing payments through Lockbox services and ACH deposits. *This account was set up in conjunction with the City's EMS Billing Services Contract, and will remain with the City's current depository bank as long as the EMS Billing Services Contract remains with the current provider.*

***Sanitation Debt Service Fund 409 Account.*** This high yield savings account is used to receive monthly transfers amounting to approximately 1/12<sup>th</sup> of each year's total debt service requirements through which the sanitation system remits its debt service obligation.

***General Obligation Debt Service Fund 411 Account.*** This account is a high yield savings account used to

segregate remittances of collected taxes received from the City's tax collection agency, and through which tax supported debt services obligations are remitted.

***Utility System Debt Service Fund 412 Account.*** This account functions as a high yield savings account used to receive a monthly transfer of funds amounting to approximately 1/12<sup>th</sup> of each year's total debt service requirements, from the Utility Operating Fund through which that fund's debt service obligations are remitted.

The City reserves the right to open or close any number or type of accounts as it deems necessary through the term of the Depository Services Contract. Any services not listed, but later requested by the City, will be charged for at a mutually agreed upon fee. Fees bid are fixed for the entire contract period. No additional setup fees or software fees shall be charged if the Depository Bank merges or is acquired by another bank.

B. Services and Volumes. The services which should be made available to the City include, but are not limited to, the items that are identified in Appendix 1, Bank Service Requirements, and Appendix 2, Other Bank Services. Exhibit 1 has been included to provide additional bank information regarding transaction volumes that should be helpful in responding to this Depository Application. **The City also requires check-cashing services for the City and its employees at no charge.**

To maximize control and investment opportunities, the City requires daily access of its bank accounts to obtain balance information. The most desirable access would be accomplished by computer via the Internet. The information to be contained in the report should be for the previous business day and include: ledger balance, collected balance, total credits, total debits, and detail debits and credits, current day disbursements, including check numbers (if available) as well as current day incoming or outgoing wires and ACH transactions and Positive Pay exception reports, if any. The system shall also allow online, inter- and intra-bank transfers, ACH, stop payment, and wire transfer origination instruction processes with user-defined security requirements. The controlled disbursement presentation notification should also be accessible through Balance Reporting. This information should be available and accessible by 10:00 a.m.

C. Collateral Required. The balances maintained in all accounts must be collateralized in the same manner and under the same stipulations as outlined in the Pledge Requirements section. The maximum ledger balances are estimated to be \$20,000,000 in the aggregate. The average ledger balances are projected to be in the range of \$3,000,000 to \$15,000,000.

D. Bank Statements. Bank statements shall be rendered on line within two (2) working days and bank statement through mail within five (5) working days after the close of the calendar month. The statement shall include debits and credits made on the last day of the period and the detail items. Checks paid are to be in numerical order. Bank Statements should be available in PDF format through the bank's online access, and are required for all accounts by the City. In addition, the monthly activity for the Pooled Operating Cash Account must be downloadable into Microsoft Excel through either a CSV or text file format.

E. Method of Payment and Reporting. The City intends to pay for all services provided by the institution as set forth in Section IV. B. and Appendices 1 and 2. The method to be used for the payment of these services shall be the direct payment method to the extent that the cost of services exceeds the earnings credit amount generated by account balances.

The City shall require account analysis statements on a monthly basis by individual account and at group level which will reflect average ledger balance, average uncollected funds, average collected balance, reserve requirement, average available balance, rate and amount of earnings credit, and detail of services provided with quantities and unit fees for each to arrive at a total service cost.

The compensating balance in the City's Pooled Operating Cash Account that is required to eliminate and/or reduce banking services charges should be communicated to the City's Director of Finance on a monthly basis. Settlement of the excess/deficient condition, if any, as reflected by the group level account analysis is to occur on a monthly basis. Please submit a sample of the monthly account analysis statement that will be provided to the City as **Attachment A**.

F. Availability of Funds. Please provide a schedule and detailed explanation of funds availability, showing both time and day of availability, and specify the institution location to which the availability is applicable. If more than one availability schedule is applicable, provide both. Please submit the availability schedule(s) as **Attachment B**.

G. Interest Rates. The collected balances in each account should be accessible through online banking inquiry and shall be available for investment at the option of the City. Funds in high-yield interest bearing accounts shall earn interest at the rate paid on interest bearing accounts. Please provide an explanation of the institution's policy and methodology used in setting rates paid on high-yield interest bearing accounts. Indicate if they are based on a market rate such as T-Bill discount or yield rate, or the federal funds rate, etc., and when the rates are changed. Also, please provide a historical schedule of rates paid on this type of interest bearing account. Please provide the interest rate information as **Attachment C**.

H. Research Requests. The City requests that all research requests be responded to within three business days of the request.

I. Bank Errors. Bank errors resulting in lost interest to the City will be reimbursed by the Bank to the City. The method of reimbursement will be agreed upon by the Bank and the City.

## **V. PLEDGE/REQUIREMENTS**

A. Securities Pledged. As security for the deposits of the City, the institution shall pledge to the City Eligible collateral for security, in compliance with the City's Investment and Collateralization Policy, which is subject to Council review on an annual basis. As of the date of this document, collateral pledged on the City's deposits is limited to:

- United States Treasury Bills, Treasury Bonds, and Treasury Notes which are backed by the full faith and credit of the United States Government;
- United States Government Agency securities which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States Government, *with a maturity not to exceed twenty years*; and
- Direct obligations of the State of Texas.

Collateral is required for the total amount of all bank account balances the City holds with the Depository, less the amount provided by the Federal Deposit Insurance Corporation (FDIC). These aggregate balances

are not estimated to exceed \$20,000,000. As of the date of this document, the following percentages are minimum market value for collateral instruments that are pledged for City deposits (and accumulated interest thereon), per the City's Investment and Collateralization Policy:

Minimum	Coll. Required -Mkt. Value-
<u>Maturity Period</u>	
a. up to 1 year	102%
b. between 1 and 5 years	105%
c. more than 5 years	110%

Any collateral with a maturity of over 5 years must be approved by the Investment Officer(s) in writing before the transaction is initiated.

In addition, the securities pledged shall be evidenced by a separate Depository Pledge Agreement in accordance with the requirements of State and Federal law. Please submit a copy of the Depository Pledge Agreement as **Attachment D**.

The securities comprising the pledge shall be calculated using market value. The securities so pledged, the amounts thereon, and the time for pledging same shall satisfy statutory requirements and the City's Investment and Collateralization policy, which currently limits pledged collateral to the items listed above. The City's current Investment and Collateralization Policy will have to be acknowledged, annually, by the Depository, after the Council's annual review.

B. Reporting Requirements. The institution shall provide the City a report of securities pledged at the end of each month or at any time requested by the Director of Finance or any other designated official. The monthly report of securities pledged is due to the finance department by the 2<sup>nd</sup> business day. The report should reflect the total pledged securities itemized by:

Name  
 Type/Description  
 Par Value  
 Market Value  
 Maturity Date  
 Rating by Moody's or Standard & Poor's (both, if available)

C. Safekeeping. The securities pledged shall be held in safekeeping by the Federal Reserve Bank. The original copy of all security receipts shall be filed with the Director of Finance. The City shall reimburse the Depository Bank for safekeeping charges, if any. Specify the safekeeping charges that shall apply.

Please submit a copy of the Safekeeping Agreement as **Attachment E**. The safekeeping agreement shall clearly state that the Trustee is instructed to release the collateralized securities to the City if the City has determined that the Depository Bank has failed to pay on any accounts, or the City has determined that the City funds are in jeopardy for any reason including, but not limited to, involuntary closure or change in ownership.

The Safekeeping Agreement shall have signatories and be executed by the Trustee Institution, the Depository Bank, and the City.

D. Substitutions or Reductions. Requests for substitution or reduction of pledged collateral must be made by contacting the City's Investment Officer(s) for approval and settlement. The substituted security's value will be calculated and substitution approved if its value is equal to or greater than the required security level. The Investment Officer(s), or a designee, must provide written notification of the decision to the bank or the safekeeping agent holding the security prior to any security release. Substitution is allowable for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense.

Should the collateral's market value exceed the required amount, any broker or financial institution may request approval from the Investment Officer(s) to reduce collateral. Collateral reductions may be permitted only if the City's records indicate that the collateral's market value exceeds the required amount.

Any substitution or reduction of pledged collateral must comply with relevant statutory requirements and must satisfy the requirements as set forth in the City's Investment and Collateralization policy.

E. Certification and Delivery of Collateral. The Board of Directors of the selected Depository Bank will be required to provide a resolution of certification approving the commitment and delivery of the collateral to the safekeeping institution not later than five days before the commencement of the contract period.

## VI. INVESTMENT ACTIVITIES

Investment of idle funds must comply with statutory requirements and the relevant provisions of the City's Investment and Collateralization Policy as included in Exhibit 3.

## VII. OVERDRAFT PROVISIONS

The City does not intend to have a net overdraft position occur during the course of the contract period. A net overdraft shall be defined as a negative balance in the City's accounts collectively, not by individual account. However, should a net overdraft condition occur, the following stipulations shall apply:

***(To be completed by the financial institution.)***

- *The maximum number of days the overdraft condition shall be allowed is \_\_\_\_\_ banking days.*
- *The maximum amount of the overdraft to be allowed shall be \$\_\_\_\_\_.*
- *The interest rate shall be \_\_\_% per annum computed on an actual day basis for the days and amount of the overdraft.*

In the event a check or checks shall be presented for payment where there is insufficient funds for the purpose of paying checks, the Depository Bank agrees to promptly notify the Director of Finance, by telephone or other means, of the overdraft condition, and to provide the Director of Finance a period not exceeding one business day to respond and rectify the condition. Please submit the overdraft provisions as **Attachment F**.

## VIII. OTHER STIPULATIONS

A. Regulation Notices. The successful bidder shall notify the City in writing within ten (10) days of any changes in Federal or State regulations or laws that would affect the Depository Services Contract.

B. Right to Cancel Contract. In the event it would be ruled illegal under the provisions of any Federal or State laws or regulations for the Depository Bank to comply with the requirements of the Depository Services Contract, then the City expressly reserves the right and privilege to cancel the Depository Services Contract and to re-bid.

C. Right to Audit Records. The Depository Bank's records relating to the City's accounts shall be open for review during normal business hours by designated City staff members or City appointed independent auditors.

D. Financial Reports. The proposing institution shall submit a copy of the latest annual financial statements, the past two most recent quarterly FDIC call reports, and the Uniform Bank Performance Report for the latest fiscal year end, all as **Attachment G**.

E. Term of the Depository Services Contract. The term of the Depository Services Contract shall be for the period October 1, 2021, through September 30, 2024, with a provision for two one-year extensions under the same contract terms and conditions, with the mutual agreement of both parties. Further, the agreement will have a ninety-day extension period for transition to the new depository bank at the end of the term.

F. Online (Web-Based) Banking Services. The Depository Bank must be able to provide a full host of online (web-based) banking services including but not limited to:

- Advanced security of the City's accounts and related user access;
- Ability to limit users to specific types of transactions or specific accounts;
- Account inquiry and reporting;
- Intra bank account transfers;
- Initiate and execute wire and ACH transfers;
- Upload ACH files for payroll direct deposit payments to employees or vendor payments;
- Upload ACH files for Utility Billing Customer Payment deposits;
- Upload of Positive Pay check information, as needed;
- Download of cleared check file electronically for import into the City's accounting software;
- View, print, and download PDF bank statements for all accounts for at least 12 months;
- Download activity for the Pooled Operating Cash account in an Microsoft Excel file format;
- View and print PDF copies of cleared checks;
- Stop payment placement and revocation; and
- Positive Pay reports.

G. Electronic Notifications. The Depository Bank must be able to provide e-mail notifications for the following:

- Daily Reporting for Positive Pay (must state whether or not there are any exceptions);
- Returned Checks;
- Returned ACH payments or deposits;

- Remote online deposit confirmations;
- Rejected remote online check deposit information, if any;
- ACH or Wire activity to be approved or released; and
- Security changes to be approved.

## IX. BIDDING REQUIREMENTS

A. Date, Time, Location. Sealed applications containing one original and one copy and clearly marked "Banking Depository Services Bid" shall be delivered to the following person by **10:00 A.M., May 21, 2021:**

Office of the City Manager  
City of Corsicana  
200 N. 12<sup>th</sup> Street  
Corsicana, Texas 75110.

**Bids will also be accepted by secure email at [bids@corsicanatx.gov](mailto:bids@corsicanatx.gov). NO DEPOSITORY APPLICATION WILL BE ACCEPTED AFTER 10:00 A.M. AND SHALL BE RETURNED UNOPENED.**

B. Responding to this Application. The proposing institution shall use this Depository Application as the Official Bid Form to submit prices, rates, and to answer questions.

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

D. Right to Reject Applications. The City reserves the right to reject any and all applications, and to accept the application it considers to be in its best interest based upon the ability to perform the requested services, agreement to points outlined in the Depository Application, interest rates paid on deposits, cost of banking services, and financial stability.

E. Certification. Bidder must be an institution qualified under current state law to serve as the City's Depository Bank.

F. Insurance Certificate. Each proposal must include a certificate of insurance showing:

1. The insurance carrier and its A.M. Best rating.
2. Scope of coverage and limits.
3. Deductibles and self-insured retention.

G. Questions Regarding Depository Application. Any questions concerning this Depository application should be directed to:

Melissa Boyle  
Director of Finance/City Secretary  
City of Corsicana  
200 N.12<sup>th</sup> Street  
Corsicana, Texas 75110  
(903) 654-4815  
(903) 654-4823 (Fax)

Email: [mboyle@corsicanatx.gov](mailto:mboyle@corsicanatx.gov)

H. Transfer of Funds. Transfer of funds will commence on September 30, 2021, or at such time the successful bidder has provided the City with all required forms and supplies necessary to insure uninterrupted day-to-day operations. Bidder shall, upon approval of contract by the City Council, cooperate with the current Depository Bank for transfer of funds.

**X. OTHER MISCELLANEOUS**

A. Periodic Review. The City shall require a review meeting at least once every six months to evaluate the working relationship between the City and the Depository Bank. The objective shall be to address any problems and to seek solutions, as well as keeping abreast of changes, new services, or new requirements.

B. Depository Application and Resulting Contract. The final appointment of the Depository Bank shall be made by the City by a contract award of the City Council. The successful bidder may be required to execute a new Depository Application/Depository Services Contract which incorporates all of the requirements of this Depository Application, accompanying related schedules and materials as called for in this Depository Application, and any exceptions, conditions, or qualifications to the specifications included herein as deemed appropriate by the City. In the alternative, this fully executed Depository Application and accompanying related schedules, attachments, and materials shall constitute the Depository Services Contract upon acceptance and execution by the City.

C. Bid Advertisement. This Depository Application has been duly advertised and is being offered for consideration to financial institutions with a business location or branch bank within the city limits of Corsicana.

D. Designating Officials. The bidder shall provide a list of contact personnel within the financial institution for communication and assistance with the City:

<u>DESCRIPTION</u>	<u>NAME</u>	<u>PHONE</u>
Local Relationship Officer	_____	_____
General Information	_____	_____
Investments & Safekeeping	_____	_____
Accounting & Bookkeeping	_____	_____
Deposit Discrepancies	_____	_____
Controlled Disbursement	_____	_____
Balance Reporting	_____	_____
Account Reconciliation	_____	_____
ACH Processing	_____	_____
Positive Pay	_____	_____
Other Contacts	_____	_____
	_____	_____
	_____	_____

This Depository Application is being offered by the following person duly authorized to act on behalf of the City of Corsicana.

CITY OF CORSICANA  
Melissa Boyle  
Director of Finance/City Secretary

\* \* \* \* \*

**XI. DEPOSITORY APPLICATION SUBMITTED BY**

This Depository Application is being submitted to the City of Corsicana, Texas, by the following person duly authorized to act on behalf of this financial institution. All terms contained herein, including the accompanying schedules, attachments, and materials, are agreed to by said financial institution.

\_\_\_\_\_  
Name of Financial Institution

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Address of Financial Institution

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Officer Name & Title (Printed)

\_\_\_\_\_  
Officer Signature

\_\_\_\_\_  
Date

\* \* \* \* \*

## **XII. FORM OF AGREEMENT**

This Bank Depository Agreement (the "Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2021 by and between the CITY OF CORSICANA (the "City") and \_\_\_\_\_ (the "Bank") a bank chartered by the State of Texas.

### ***Section I Designation as Depository***

The City, through action of City Council, hereby designates the Bank as its depository for banking services for a period of three years with a provision for two one-year continuations under the same terms and conditions of the contract, subject to the mutual agreement of both parties commencing October 1, 2021 through September 30, 2024. Further, the agreement will have a ninety-day extension period for transition to the new depository bank at the end of the term.

### ***Section II Designation of Custodian***

The City and Bank hereby designate the Federal Reserve Bank (the "Custodian") to hold in trust, according to the terms and conditions of the City Request for Proposal dated October 1, 2021, (the "RFP") and pursuant to a separate Safekeeping Agreement, attached as Exhibit A, all securities pledged as depository collateral in accordance with the City's Investment Policy.

Any and all fees from the Custodian associated with the safekeeping of securities pledged to the benefit of the City shall be borne by the Bank.

### ***Section III Collateral***

City time and demand deposits, inclusive of interest, in excess of the Federal Deposit Insurance Corporation insurance shall be secured at all times by collateral, acceptable to the City and in accordance with the Public Funds Collateral Act (Texas Government Code 2257) and the City's Investment and Collateralization policy. Custodian will provide a monthly report of the collateral directly to the City.

Requests for substitution or reduction of pledged collateral must be made by contacting the City's Investment Officer(s) for approval and settlement. The substituted security's value will be calculated and substitution approved if its value is equal to or greater than the required security level. The Investment Officer(s), or a designee, must provide written notification of the decision to the bank or the safekeeping agent holding the security prior to any security release. Substitution is allowable for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense.

Should the collateral's market value exceed the required amount, any broker or financial institution may request approval from the Investment Officer(s) to reduce collateral. Collateral reductions may be permitted only if the City's records indicate that the collateral's market value exceeds the required amount.

**Section IV Financial Position**

The Bank will provide a statement of its financial position on at least a quarterly basis. The Bank will provide an annual statement audited by its independent auditors including a letter as to its "fair representation".

**Section V Authorized City Representative**

For the term of this contract, the City Manager and the Director of Finance (Chief Financial Officer) are authorized to represent and act for the City in any and all matters including collateral assignment and substitution, execution of agreements and transfer of funds. Any change in these representatives will be made in writing.

**Section VI Scope of Services**

The Bank's response to the City's RFP, dated October 1, 2021, (the "Response") is incorporated into this Agreement for all purposes, including service charges, time deposit, demand deposit and loan rates. If any provisions of the Response and this Agreement are in conflict, this Agreement will control.

The Bank shall faithfully perform all of its duties and obligations required by the laws of the State of Texas for public funds depositories and shall upon presentation pay all checks drawn on it against collected funds on demand deposits, and shall, at the expiration of the Agreement, turn over to its successor all funds. City-owned securities, property and things of value held as depository.

The City shall have the power to determine and designate the character and amount of the funds to be deposited in the Bank. The City may arrange for time deposits and Bank may accept such deposits subject to the terms of the Bank's Response.

This Agreement, along with all Exhibits and other incorporated documents shall constitute the entire Agreement between the parties.

**Section VII Bank Compensation**

Bank will be compensated for any and all services rendered to City under this Agreement. Bank agrees to offset monthly service fees against its customary earnings credit for balances in City's non-interest bearing accounts.

FEE BASIS LANGUAGE

Bank will be compensated for any and all services rendered to City under this Agreement on a cost per item or monthly charge basis as set forth in the service charges of the Bank's Response.

**Section VIII Default**

The Bank shall be in default if it fails to pay all or part of a demand deposit, a matured time deposit, or a matured certificate of deposit, including accrued but unpaid interest, at a specified maturity date. The Bank shall also be in default if ruled "bankrupt", "insolvent" or "failed" by a federal or state banking regulator, or if a receiver is appointed for the Bank.

In the event of a default, failure or insolvency of the Bank, the City shall be deemed to have vested full title to all securities pledged under this Agreement. The City is empowered to take possession of and transfer and or sell any and all securities. If the security is liquidated, any proceeds over the defaulted amount, plus expenses related to liquidation, shall be returned to the Bank. This power is in addition to other remedies, which the City may have under this Agreement and without prejudice to its rights to maintain any suit in any court for redress of injuries sustained by the City under this Agreement.

**Section IX Non-Assignability**

This Agreement is not assignable in whole or in part but is binding on the parties, their successors and assigns.

**Section X Termination**

This Agreement may be terminated by either the City or the Bank by giving sixty (60) days prior written notice to the parties.

**Section XI Law Governing**

All applicable provisions and requirements of the laws of the State of Texas governing depositories for the City shall be a part of this Agreement.

**Section XII Bank Authorization**

The Bank represents and warrants that this Agreement is made pursuant to and is duly authorized by the Board of Directors of the Bank and is recorded in the minutes of the Board of Directors of the Bank.

CITY

BANK

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Name and Title

\_\_\_\_\_  
Name and Title

ATTEST:

ATTEST:

\_\_\_\_\_

\_\_\_\_\_

CUSTODIAN BANK (Federal Reserve):

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Title

ATTEST:

\_\_\_\_\_

**XIII. ACCEPTANCE OF DEPOSITORY APPLICATION/  
DEPOSITORY SERVICES CONTRACT**

**IN WITNESS WHEREOF**, the Mayor of the City of Corsicana, Texas, as attested to by the City Secretary of the City of Corsicana, Texas, has executed this Depository Application/Depository Services Contract under the authority granted to them under the provisions of Resolution No. \_\_\_\_, a Resolution duly enacted by the City Council of the City of Corsicana, Texas, on the \_\_\_\_\_ day of \_\_\_\_\_, 2021.

\_\_\_\_\_  
Don Denbow, Mayor  
City of Corsicana, Texas

\_\_\_\_\_  
Date

ATTEST:

\_\_\_\_\_  
Melissa Boyle, Director of Finance/City Secretary  
City of Corsicana, Texas

\* \* \* \* \*

## **XIV. CERTIFICATE OF INTERESTED PARTIES**

### **FORM 1295**

Section 2252.908 of the Texas Government Code states that a governmental entity or state agency may not enter into certain contracts with a business entity unless the business entity submits a disclosure of interested parties to the governmental entity or state agency at the time the business entity submits the signed contract to the governmental entity or state agency. The law applies only to a contract of a governmental entity or state agency that either (1) *requires an action or vote by the governing body of the entity or agency before the contract may be signed* or (2) has a value of at least \$1 million.

***All vendors entering into a contract that is approved by City Council must complete a Form 1295.***

A business entity must enter the required information on Form 1295 online at <https://www.ethics.state.tx.us/File/> and print a copy of the completed form, which will include a certification of filing that will contain a unique certification number. An authorized agent of the business entity must sign the printed copy of the form and have the form notarized. The completed Form 1295 with the certification of filing must be filed with City.

**EXHIBIT 1**

**CITY OF CORSICANA BANKING SERVICES RFP  
ACCOUNT ANALYSIS SUMMARY AND AVERAGES  
FOR A RECENT 9-MONTH PERIOD**

<b>Service</b>	<b>Average Number of Units</b>	<b>Average Balance Required for Compensating Balances</b>	<b>Total Number of Units (for Various Number of Months - Up to 9)</b>	<b>Total Balance Required for Compensating Balances</b>
<b>Account Services</b>				
Account Maintenance	1	\$ 48,528.41	8	\$ 436,756
<b>Depository Services</b>				
Branch Deposit	177	\$ 200,990.36	1,594	\$ 1,808,913
Verabank Items Deposited	1	\$ 242.64	8	\$ 2,184
Fed Dallas Items Deposited	1	\$ 242.64	8	\$ 2,184
Other Fed Dists Items Deposited	504	\$ 137,390.58	4,535	\$ 1,236,515
<b>Paper Disbursement Services</b>				
Checks Paid	474	\$ 214,742.42	4,266	\$ 1,932,682
<b>General ACH Services</b>				
ACH Notification of Change	1	\$ -	11	\$ -
ACH Originated - Debits	589	\$ 268,991.96	5,304	\$ 2,420,928
ACH Originated - Credits	337	\$ 153,664.60	3,030	\$ 1,382,981
ACH Originated - Prenotes	2	\$ -	6	\$ -
ACH Received - Debit	35	\$ -	316	\$ -
ACH Received - Credit	93	\$ -	835	\$ -
ACH Return Item - Debit	5	\$ -	45	\$ -
<b>Wire Other Funds Transfer Services</b>				
Incoming Wire Transfers	5	\$ 128,858.85	49	\$ 1,159,730

## EXHIBIT 2

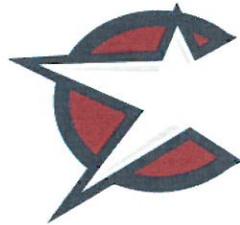
**CITY OF CORSICANA BANKING SERVICES RFP  
BANK ACCOUNT TRANSACTION SUMMARY - ALL ACCOUNTS  
FOR A RECENT 1-MONTH PERIOD**

<b>Account</b>	<b>Total Deposits &amp; Credits</b>	<b>Total Withdrawals &amp; Debits</b>	<b>Total Checks Paid</b>	<b>Ending Ledger Balance</b>	<b>Account Type</b>
Pooled Operating Cash	337	56	603	2,507,664	DDA - Analysis Business Checking with Interest
EMS Lockbox (*)	187	4	-	17,368	Lockbox (*) - DDA - Checking
Sanitation Fund Debt Service Fund 409	1	-	-	10,951	DDA - High-Yield Savings
General Obligation Debt Service Fund 411	1	-	-	8,919	DDA - High-Yield Savings
Utility System Debt Service Fund 412	1	-	-	9,356	DDA - High-Yield Savings

EXHIBIT 3

City of Corsicana, Texas

Investment and  
Collateralization  
Policy



**CORSICANA**  
**T E X A S**

*Preserving Yesterday. Building Tomorrow.*

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December 14, 2020

## **I. Purpose**

It is the intent of the City of Corsicana to invest public funds in a manner which will provide maximum security and the highest investment return while conforming to all federal, state and local statutes governing the investment of public funds. The guidelines are intended to be broad enough to allow the investment officer to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets. The Policy and investment strategies shall be reviewed annually by the City Council who will formally approve any modifications. This Investment and Collateralization Policy is in compliance with the provisions of the Public Funds Investment Act of Texas, Government Code Chapter 2256.

## **II. Scope**

This Investment and Collateralization Policy applies to all the investment activities of the City of Corsicana.

- A. Financial assets of all funds, except funds specifically excluded in these policy guidelines, are included. All funds are accounted for in the City's Comprehensive Annual Financial Report (CAFR). Note that retirement funds are covered by a separate policy.
- B. Funds covered by this Policy:
  - 1. General Fund – used to account for resources traditionally associated with government, which are not required to be accounted for in another fund.
  - 2. Special Revenue Funds – used to account for the proceeds from specific revenue sources which are restricted to expenditures for specific purposes.
  - 3. Debt Service Funds – used to account for resources to be used for the payment of principal, interest, and related costs on general obligation debt/interest and sinking funds.
  - 4. Capital Project Funds – used to account for resources to enable the acquisition or construction of major capital equipment and facilities which are not financed by enterprise funds, internal service funds, or trust funds.
  - 5. Enterprise Funds/Proprietary Funds – used to account for operations that are financed and operated in a manner similar to private business enterprises.
  - 6. Internal Service Funds – used to account for the cost of providing goods/services/equipment between City departments.
  - 7. Trust and Agency Funds – used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds; unless required by law or existing contract to be kept segregated and managed separately.
  - 8. Bond Reserve Funds – funds set at prescribed levels by certain bond ordinances to pay principal and/or interest if required to prevent default.

9. Any new fund created by the City, such as (but not limited to) resources associated with Public Improvement Districts or Tax Increment Financing zones, unless specifically exempted from this policy by the City or by law.
  10. Bond Funds – funds established with the proceeds from specific bond issue.
- C. This policy does not govern funds that are managed under separate investment programs such as retirement funds, pension funds, and certain private donations that are separately maintained, and defeased bond funds, lease/purchase funds held in trust escrow accounts. The City will maintain responsibility for these funds to the extent required by Federal and State Law, the City Charter, and donor stipulations.
  - D. The City will consolidate cash balances from all applicable funds to maximize investment earnings in accordance with this policy. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles. Such earnings from investments will be used in a manner that best serves the public trust and interests of the City as deemed in the annual budget.

The City may consolidate cash balances from all applicable funds into pooled funds to maximize investment earnings in accordance with this policy. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles. Such earnings from investments will be used in a manner that best serves the public trust and interests of the City as deemed in the annual budget.

### **III. Objectives and Strategies**

The City of Corsicana shall design and manage its investments in compliance with all Federal, State, and other legal requirements, including, but not limited to the Act. The objectives of the City's investment policy are safety, liquidity, public trust, and yield. To meet its objectives, the City shall manage and invest its available resources in conformance with State and Federal Regulations, applicable Bond Ordinance requirements, and adopted Investment Policy.

- A. Suitability - Understanding the City's financial requirements and purchasing suitable investments that comply with the Act and this policy are important.
- B. Safety - Preservation and safety of principal of the City's assets is the primary objective of the investment program. All investments will be in high quality securities with no perceived default risk.
- C. Liquidity - The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow. A portion of the portfolio will also be placed in short term investment pools and/or money market mutual funds, which offer daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

- D. **Marketability** - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement or an unforeseen need to liquidate the investment before maturity. Historical market "spreads" between the bid and offer prices of a particular security type of less than a quarter of a percentage point shall define an efficient secondary market.
- E. **Diversification** - Diversification of the portfolio will include diversification by maturity and market sector and will include the use of a number of broker/dealers for diversification and market coverage. Competitive bidding will be used on each sale and purchase. Investment pools satisfy diversification requirements.
- F. **Public Trust** - 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 capital as well as probable income to be derived. All participants in the City's investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the City's ability to govern effectively.
- G. **Yield** - The City's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio. Yield on investments is of significantly less importance compared to the safety, liquidity and public trust objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The yield of an equally weighted, rolling six-month Treasury bill portfolio shall be the minimum yield objective or "benchmark". A secondary objective will be to obtain a yield equal to or in excess of a local government investment pool or money market mutual fund.

The first measure of success in this area will be the attainment of enough income to offset inflationary increases. Although steps will be taken to obtain this goal, the City's staff will follow the "Prudent Person" statement relating to the standard of care that must be exercised when investing public funds per Tex. Gov't. Code Sec. 2256.006(a-b). Any transactions that might impair public confidence in the City's ability to govern effectively should be avoided.

#### **IV. Standards of Care**

##### **A. Delegation of Investment Authority**

The City Manager, the Director of Finance (Chief Financial Officer), and any designee they deem necessary, are designated as the Investment Officers of the City and are responsible for investment decisions and activities, pursuant to Tex Gov't Code Sec 2256.005(f). The City Council will retain ultimate responsibility as fiduciaries of the assets of the City of Corsicana. The Investment Officers may delegate the day-to-day administrative duties to other persons authorized to perform investment activities for the City, or he/she may perform the duties him or herself. No officer or delegate may engage in an investment transaction except as provided under the terms of this Policy and the procedures established.

The Investment Officers 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. These controls should emphasize control of collusion, separation of duties, clear delegation of duties, accurate and timely

reporting, and staying informed about market conditions, changes and trends. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. In conjunction with the City's annual financial audit, a compliance audit of management controls on investments and adherence to the City's Investment Policy shall be required.

#### **B. Training Requirements**

The Investment Officers and persons authorized to execute investment transactions must attend at least one training session, ten (10) hours in length, within twelve (12) months after assuming duties. They must take eight (8) hours of investment instruction every two (2) years after the initial training session. The training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Public Investment Act. Training must be provided by an approved independent source such as: Government Treasurers Organization of Texas (GTOT), Center for Public Management at University of North Texas (UNT), Government Finance Officers Association of Texas (GFOAT), Texas Municipal league (TML), North Central Texas Council of Governments (NCTCOG), Association of Public Treasurers United States and Canada (APT US & C), and Government Finance Officers' Association (GFOA). No person may engage in investment transactions except as provided under the terms of this Policy.

#### **C. Prudent Person Rule**

As set forth in the Act, Investment Officers shall use the standard of prudence with the "Prudent Person Rule". "Investments shall be made with 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 (Public Funds Investment Act 2256.006(a))."

#### **D. Limitation of Personal Liability**

Investment officials acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibilities for an individual security's credit risk or market price change, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. The City Council will retain ultimate responsibility as fiduciaries of the assets of the City.

#### **E. Ethics, Conflict of Interest and Disclosure**

Investment Officers and other employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. According to the Act, an Investment Officer has a personal business relationship with a business organization if:

1. The Investment Officer or employee owns ten percent (10%) or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
2. Funds received by the Investment Officer from the business organization exceed ten percent (10%) of the Investment Officer's gross income for the previous year; or
3. The Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the Investment Officer.

Investment Officer(s) must file a disclosure statement with the Texas Ethics Commission and the City Council if an officer has a personal business relationship with a business organization offering to engage in an investment transaction with the City or if the Officer is related within the second degree by affinity or consanguinity, as determined under Tex Gov't Code Ch 573, to an individual seeking to transact investment business with the City of Corsicana.

#### F. Reporting

Not less than quarterly, the Investment Officer(s) shall prepare and submit to the City Council, a written, signed, investment report demonstrating a list of investment transactions for the preceding reporting period, in accordance with the Act. Reports will include the following:

1. For each pooled fund group: a beginning book value and market value and ending book and market value.
2. The book value and market value of each investment at the beginning and end of the period by type of asset and fund type invested.
3. The maturity date of each investment, if applicable.
4. Statement of compliance of the portfolios as it relates to the investment strategy.
5. The name and signature of all Investment Officers.

Detailed and summary reports will be prepared jointly and presented to the City Council and Mayor in conjunction with the monthly (quarterly) financial report, but not less than quarterly. Reports will comply with Section 2256.023 of the Act, at a minimum.

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. This will ensure that a review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools." In defining market value, consideration should be given to the GASB Statement 31 pronouncement.

Unless otherwise required by an external agency, quarterly reports will be formally reviewed at least annually by an independent auditor and reported to the City Council once the City invests in items other than money market mutual funds, investment pools, or accounts offered by its depository bank in the form of CD's or money market

or similar accounts.

## **V. Authorized Financial Institutions and Dealers**

A qualified depository shall be selected through the City's banking services procurement process, which shall include solicitation of proposals as required under Chapter 105 of the Local Government Code. The centralization of depository services is designed to maximize investment capabilities while minimizing service costs. The selection of a depository shall be based on the financial institution offering the most favorable terms and conditions at the least possible cost, while adhering to the guidelines and provisions within the request for proposal. In selecting a depository, the City shall give consideration to the financial institution's credit characteristics, financial history, service capabilities, location within City limits or within a ten (10) mile radius of the City limits, and costs for required services. The City's depository contract shall be for three years with an option to extend for an additional two years upon mutual agreement of the depository and the City. Specialized services may be contracted for by the City with another financial institution or company if the depository cannot provide such service or charges more than the same service with little or no appreciable benefit. To further diversify the assets of the City, another financial institution within the City limits may also be selected as an additional depository of the City for certificates of deposit and/or higher yield savings accounts and additional local government investment pools may be utilized by the City to meet the objectives and strategies of this policy.

## **VI. Authorized Financial Broker/Dealer and Institutions**

All investments made by the City will be made through either the City's banking services depository bank, additional local banks (if necessary to diversify investments) local government investment pools, investment management firm, or a broker/dealer. At least annually, the City Council will review, revise, and adopt a list of qualified broker/dealers that are authorized to engage in investment transactions with the City, per the Act 2256.025. Refer to Appendix A for a list of approved broker/dealers and institutions.

To be included on the City's qualified broker/dealer list that is reviewed, revised, and adopted by the City Council annually, broker/dealers must meet certain criteria as determined by the Investment Officer. The following criteria must be met by those firms on the list:

- A. Adherence to the City's objectives and strategies;
- B. Investment performance and transaction pricing within accepted risk constraints;
- C. Responsiveness to the City's request for services, information and open communication;
- D. Understanding of the inherent fiduciary responsibility of investing public funds;
- E. Similarity in philosophy and strategy with the City's objectives;
- F. Proof of certification by the National Association of Securities Dealers (NASD) and provision of CRD number;
- G. Proof of current registration with the State Securities Commission; and
- H. References from other public entities in Texas.

## **VII. Approved Broker/Dealers and Institutions**

Every bank, local government investment pool, investment management firm or broker/dealer with whom the City transacts business will be provided a copy of this Investment and Collateralization Policy to ensure that they are familiar with the objectives and strategies of the Policy. A qualified representative of the firm will be required to return a signed certification (provided to them by the City, see Appendix B) stating that the Policy has been received and reviewed, and that they have implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between their organization and the City that are not authorized by the City's Investment and Collateralization Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards, as required by the Act 2256.005 (k-l). Each bank, local government investment pool, investment management firm or broker/dealer is required annually to provide current audited financial statements to the City.

The City may not engage in an investment transaction with a business organization prior to receiving this written certification completed by the organization.

### **Competitive Bidding**

It is the policy of the City to require competitive bidding for all investment transactions (securities and bank C.D's) except for transactions with money market mutual funds and local government investment pools (which are deemed to be made at prevailing market rates).

At least three bids or offers must be solicited for all other investment transactions. In a situation where the exact security being offered is not offered by other dealers, offers on the closest comparable investment may be used to establish fair market price of the security. When few broker/dealers or banks, if any, or in instances where timing is critical, City investment officers may use another authorized investment of similar maturity for evaluation purposes. The quotes may be accepted orally, in writing, electronically, or any combination of these methods, but must be followed by official written confirmation. City investment officers (at least two) may approve exceptions, on a case by case basis, by considering the investment type, maturity date, amount and potential disruptiveness to the City's investment strategy.

Funds will be authorized to be released after notification that the purchased security has been received. Written confirmation shall be received from the financial institution or broker/dealer. All investments purchased will be held in safekeeping at a third party custodial institution with a safekeeping receipt being sent to the City.

### **VIII. Authorized and Suitable Investments**

Investments described below are authorized by Chapter 2256, Texas Government Code as eligible securities for the City. City funds governed by this Policy may be invested in the following types of securities:

- A. Obligations of the United States or its agencies with stated maturity not to exceed two years.
- B. Direct obligations of the State of Texas or its agencies with a stated maturity not to exceed two years.

- C. Other obligations, the principal of 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 or its agencies, including obligations that are fully insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States and with stated maturity not to exceed two years.
- D. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent along with a stated maturity not to exceed two years.
- E. Certificates of deposit issued by state and national banks having an office in Texas that are:
  - 1. guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor with a stated maturity not to exceed two years; or
  - 2. collateralized in accordance with the collateralization requirements of this policy with a stated maturity not to exceed two years; and
  - 3. in compliance with the provisions of section 2256.010, except as limited by this policy.
- F. A no-load money market mutual fund is an authorized investment:
  - 1. for all City funds if the mutual fund:
    - a. is registered with and regulated by the Securities and Exchange Commission;
    - b. provides the City with a prospectus and other information required by the Securities and 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.);
    - c. has a dollar-weighted average stated maturity of *90 days or fewer*;
    - d. includes in their investment objectives the maintenance of a stable net asset value of \$1 for each share.
  - 2. For all City funds *other than bond proceeds, reserve funds, or debt service funds*, if the mutual fund:
    - a. is registered with the Securities and Exchange Commission;
    - b. has an average weighted maturity of less than two years;
    - c. is invested exclusively in obligations approved by Chapter 2256, Subchapter A, Authorized Investments for Governmental Entities;
    - d. 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

- e. conforms to the requirements set forth in Sections 2256.016 (b) and (c) of the Act relating to the eligibility of investment pools to receive and invest funds of investing entities.

G. *The City is not authorized to:*

1. *invest, in the aggregate, more than 15% of its monthly average fund balance, excluding bond or other debt proceeds and reserves and other funds held for debt service, in mutual funds described above;*
2. *invest any portion of bond proceeds, reserves, and other funds held for debt service, in mutual funds described in Subsection B above;*
3. *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 above in an amount that exceeds 10 percent of the total assets of the mutual fund.*

H. Eligible Investment Pools as defined in Section 2256.016 of the Texas Government Code provided that:

1. investment in the particular pool has been authorized by the City Council;
2. the pool shall have furnished the Investment Officer an offering circular containing the information required by Section 2256.016(b) of the Texas Government Code;
3. the pool shall furnish to the Investment Officer investment transaction confirmations with respect to all investments made with it;
4. the pool shall furnish to the Investment Officer monthly reports that contain the information required by Section 2256.016(c) of the Texas Government Code;
5. any pool that is created to function as a money market mutual fund must maintain a stable net asset value of one dollar (\$1.00),
6. investment philosophy and strategy are consistent with this Policy and the City's ongoing investment strategy; and
7. the pool provides evidence of credit rating no lower than "AAA" or "AAA-m" by at least one nationally recognized credit rating service, and have a weighted average maturity of no greater than 90 days.
8. the pool complies with all relevant provisions of chapter 2256, specifically section 2256.016.

The City's investment officers will, not less than quarterly, monitor the rating status of any eligible investment pool(s) and obligations of states (other than Texas), agencies, counties and other political subdivisions by obtaining and reviewing a rating report from at least one nationally recognized investment rating firm. The City shall take all prudent measures that are consistent with this investment policy to liquidate any investment through the most efficient market

available that does not have or is down-graded to less than the minimum rating stated herein. However, as stated in Section 2256.017, the City is not required to liquidate investments that were authorized investments at the time of purchase. Investment Officers of the City shall consider the time remaining until maturity, the quality of the investment, and the quality and amounts of any collateral which may be securing the investment in determining whether to hold the investment until maturity or to redeem the investment.

#### **IX. Unauthorized Investments**

The following investments are specifically prohibited by State Law or by virtue of this policy:

- A. An obligation whose payment represents the coupon payment on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
- B. An obligation whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
- C. Banker's Acceptances
- D. "Bond" Mutual Funds
- E. Collateralized mortgage obligations of any type
- F. Commercial paper, except that the City can invest in local government investment pools and money market mutual funds that have commercial paper as authorized investments. A local government investment pool or money market mutual fund that invests in commercial paper must meet the requirements of Article VIII, section (8) above.
- G. Any other investment specifically prohibited in section 2256.009 (b) (1-4)

#### **X. Collateralization**

The City of Corsicana's investment portfolio is selected and managed in such a manner to ensure that it will meet all the requirements established by the City of Corsicana Investment Policy and the Public Funds Investment Act. The Collateralization Policy, as part of the overall Investment Policy, is intended to protect the City's investments by providing a buffer against market changes to provide a level of security for all City funds. Therefore, collateralization will be required on deposits held by depository banks and certificates of deposit.

- A. Allowable Collateral and required Collateral Levels

Eligible collateral for security of the City's deposits is limited to:

- United States Treasury Bills, Treasury Bonds, and Treasury Notes which are backed by the full faith and credit of the United States Government;
- United States Government Agency securities which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States Government, *with a maturity not to exceed twenty years*; and

- Direct obligations of the State of Texas.

This policy requires that collateral pledged be revalued and adjusted on a monthly basis. The variable nature of this system recognizes the appropriateness of lower minimum requirements for collateral instruments that mark-to-market more frequently, and higher ratios for collateral that is market adjusted less frequently.

The following percentages are minimum market value for collateral instruments that are pledged for City deposits (and accumulated interest thereon):

<u>Maturity Period</u>	<u>Minimum Coll. Required -Mkt. Value-</u>
a. up to 1 year	102%
b. between 1 and 5 years	105%
c. more than 5 years	110%

Any collateral with a maturity of over 5 years must be approved by the Investment Officer(s) in writing before the transaction is initiated.

Collateral is valued at current market price plus accrued interest accrued through the date of valuation.

**B. Monitoring Collateral Adequacy**

The City requires monthly reports with market values of pledged securities from all financial institutions with which the City has deposits. The Investment Officer(s) will at least monitor adequacy of collateralization monthly.

**C. Margin Calls on Certificates of Deposit**

If the collateral pledged for a certificate of deposit falls below the par value of the deposit, plus accrued interest less FDIC insurance, the Institution will be notified by the Investment Officer(s) and will be required to pledge additional securities, allowed by this policy, no later than the end of the next succeeding business day.

**D. Collateral Substitution**

Any broker, dealer, or financial institution requesting collateral substitution must contact the Investment Officer(s) for approval and settlement. The substituted security's value will be calculated and substitution approved if its value is equal to or greater than the required security level. The Investment Officer(s), or a designee, must provide written notification of the decision to the bank or the safekeeping agent holding the security prior to any security release. Substitution is allowable for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense. The Investment Officer may limit substitution and assess appropriate fees if substitution becomes excessive or abusive.

**E. Collateral Reductions**

Should the collateral's market value exceed the required amount, any broker or financial institution may request approval from the Investment Officer(s) to reduce collateral. Collateral reductions may be permitted only if the City's records indicate that the collateral's market value exceeds the required amount.

## **XI. Safekeeping and Custody**

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 as part of its depository agreement. All collateral securing bank deposits must be held by third-party banking institution acceptable to and under contract with the City, or by the Federal Reserve Bank. All security transactions, including transactions for collateral held in the City's name, except for investment pool funds or mutual fund transactions, shall be conducted on a delivery-verses-payment (DVP) basis. By so doing, City funds are not released until the City has received, through the Safekeeping Agent, the securities purchased. The security shall be held in the name of the City or held on behalf of the City. The Safekeeping Agent's records shall assure the notation of the City's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the City.

Evidence of perfected ownership shall be provided through monthly safekeeping statements which shall be promptly reconciled to internal investment records.

## **XII. Investment Parameters**

### **A. Diversification**

The City will purchase and diversify its investments by security type and investment maturity, in accordance with this policy. Diversification by investment type shall be established by the following maximum percentages of investment type to the total investment portfolio:

1.	Obligations of the United States or its agencies	100%
2.	Fully collateralized interest bearing commercial checking/savings accounts	100%
3.	Eligible Investment Pools as defined in section 2256.016 of the Act	100%
4.	Fully insured and/or collateralized Certificates of Deposit	50%
5.	No-load Money Market Mutual Funds	35%
6.	Direct obligations of the State of Texas or its agencies	25%
7.	Obligations of states, agencies, cities and other political subdivisions of any state	25%
8.	Other authorized and suitable investments	10%

### **B. Maximum and Weighted Average Maturity**

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirement of the funds. The City of Corsicana intends to match the holding periods of investment funds with liquidity need of the City. The maximum final stated maturity of any investment shall not exceed five years. All long-term maturities will be intended to cover long-term liabilities. In addition, no less than ten percent (10%) of the funds in the portfolio will be liquid at all times. The entire portfolio will have a weighted average

maturity of one (1) year or less. This weighted average will be calculated using the stated final maturity dates of each security.

### **C. By Fund Groups**

Maturity guidelines by fund are as follows:

1. **Operating Funds** - The weighted average days to maturity for the operating fund portfolio shall be 365 days or less and the maximum allowable maturity shall be one year.
2. **Debt Service Funds** - Debt Service Funds shall be invested to ensure adequate funding for each consecutive debt service payment. The Investment Officer shall invest in such a manner as not to exceed an "unfunded" debt service date with the maturity of any investment. Any unfunded debt service date is defined as a coupon or principal payment date that does not have cash or investment securities available to satisfy said payment.
3. **Debt Service Reserve Funds** - Market conditions, Bond Resolutions constraints and Arbitrage compliance will be considered when formulating Reserve Fund strategy. Maturity limitation shall generally not exceed the call provisions of the Bond Ordinance and shall not exceed the final maturity of the bond issue. All Debt Service Reserve Fund investment maturities shall not exceed five years.
4. **Special Project, Special Purpose, and Construction Funds** - The investment maturity of bond or debt proceeds shall generally be limited to the anticipated cash flow requirements. City funds that are considered "bond proceeds" for arbitrage purposes will be invested using a more conservative approach than the standard investment strategy when arbitrage rebate rules requiring refunding excess earnings. All earnings in excess of the allowable arbitrage earnings will be segregated and made available for any necessary payments to the U.S. Treasury.

### **XIII. Investment Strategy**

The City of Corsicana maintains one portfolio in which all funds under the City's control are pooled for investment purposes. Within the pooled portfolio are fund components, each having an investment strategy as described below:

- A. Investment strategies for operating funds are to assure 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. This may be accomplished by purchasing quality, short-term securities or certificates of deposit in a laddered structure or utilizing authorized money market mutual funds or investment pools that function as money market mutual funds. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity date of each security.
- B. Investment strategies for the debt service funds shall have as the primary objective the assurance of investment liquidity to cover the debt service obligation on the required payment date. Securities purchased shall not have a stated maturity date that exceeds the debt service payment date.

- C. Investment strategies for 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. Securities should be of high quality and, except as may be required by the bond ordinance specific to an individual issue, of short to medium term maturities.
- D. Investment strategies for special projects, special purpose, or construction fund portfolios will have as their primary objective the assurance that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include highly liquid securities and investments to allow for flexibility and unanticipated project outlays. The stated final maturity dates of securities held should not exceed the estimated project completion date.

The Act requires that investment transactions for the City be settled on delivery versus payment (DVP) basis, with the exception of investment pools and mutual funds.

#### XIV. Monitoring of the Market Value of Investments and Collateral

The Investment Officer(s), with the help of City Council, as needed, shall determine the market value of each investment and of all Collateral pledged to secure deposits of City funds at least quarterly and at a time as close as practicable to the closing of the reporting period for the investments. Such values shall be included on the investment report. The following methods shall be used:

- A. Certificates of deposit shall be valued at their face value plus any accrued but unpaid interest.
- B. Shares in money market mutual funds and investment pools shall be valued at par plus any accrued but unpaid interest.
- C. Other investment securities with a remaining maturity of one year or less may be valued in any of the following ways:
  1. the lower of two bids obtained from securities broker/dealers for such security;
  2. the average of the bid and asked prices for such investment security as published in The Wall Street Journal or The New York Times;
  3. the bid price published by any nationally recognized security pricing service; or
  4. the market value quoted by the seller of the security or the owner of such Collateral.
- D. Other investment securities with a remaining maturity of greater than one year shall be valued at the lower of two bids obtained from securities broker/dealers for such security, unless two bids are not available, in which case the securities may be valued in any manner provided in this section.

#### XV. Internal Control

Investment Officers shall establish a system of internal controls, which shall be reviewed by an independent auditor. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, unanticipated changes in financial markets, or imprudent actions by employees. Pertinent controls include custodian safekeeping receipts records management, avoidance of bearer-form securities, documentation of

investment bidding activities, written confirmations of oral transactions, reconciliation records, training requirement documentation, compliance with investment policies, and verification of all interest income and security purchase and sell computations. Where practical, the City should emphasize control of collusion, separation of duties, separation of transaction authority between Accounting and record keeping, clear delegation of duties, accurate and timely reports, validation of investment maturity decisions and supporting cash flow data, adequate training and development of Investment Officials, review of financial conditions of all brokers/dealers and depository institutions, and staying informed about market conditions, changes and trends.

#### **XVI. Performance Standards**

The investment portfolio shall be designed with the objective of ensuring the safety of the City's assets and minimizing interest rate risk. In addition, it will remain sufficiently liquid to meet cash flow needs, while protecting the interests of the public, all while obtaining a rate of return throughout budgetary and economic cycles.

The City's overall investment strategy is conservative. Given this strategy, the basis used by the Treasury to determine whether market yields are being achieved shall be the six month U.S. Treasury Bill.

#### **XVII. Investment Policy Adoption and Policy Review**

This Investment and Collateralization Policy shall be formally approved and adopted by resolution of the City Council and reviewed annually in accordance with the provisions of the Act.

## Appendix "A"

The following are the only eligible institutions and broker/dealers authorized by this Investment Policy to engage in investment transactions with the City:

### Depository Institutions:

1. Verabank (Primary Depository Institution)
2. JP Morgan Chase Bank, N.A. (Secondary Depository Institution for EMS lockbox deposits)
3. Wells Fargo Corporate Trust Services (Texas Water Development Board Escrow- Texas Combination Tax and Revenue Certificates of Obligation, Series 2009)
4. Branch Banking and Trust Company

### Local Government Investment Pool:

1. Texas Short Term Asset Reserve Fund (TexSTAR)
2. Texas Local Government Investment Pool (TexPool)

### Broker/Dealers:

This policy currently does not authorize engagement of third party broker/dealers for assistance with investing City funds. A formal amendment of this policy will be required prior to the involvement of third party broker/dealers with investing City funds.

**Appendix “B”**

I hereby certify that I have personally read and understand the investment policy of the City of Corsicana, Texas. I further acknowledge that reasonable procedures and controls designed to fulfill those objectives and conditions have been implemented. Therefore, this firm will preclude investment transactions between itself and the City of Corsicana that are not authorized by the City’s investment policy, except to the extent that this authorization is dependent on an analysis of the makeup the City’s entire portfolio or requires an interpretation of subjective investment standards, thus protecting the City’s credit or market risk.

All sales personnel of this firm dealing with the City of Corsicana’s account(s) have been informed and will be routinely informed of the City’s investment horizons, limitations, strategy and risk constraints, whenever we are so informed by the City.

This firm pledges due diligence in informing the City of foreseeable risks associated with financial transactions connected to this firm.

I further acknowledge that no investment transaction shall occur between this firm and the City, until the City of Corsicana receives this consent form, completed by the firm’s qualified representative.

City of Corsicana, Texas:

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Connie Standridge  
City Manager

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Date

\* \* \* \* \* *Attach City Council Resolution* \* \* \* \* \*

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*Investment and Collateralization Policy Adoptions:  
December 17, 2018, Resolution #4106  
December 9, 2019, Resolution #4191  
December 14, 2020, Resolution #4283*

## APPENDIX 1

### CITY OF CORSICANA BANKING SERVICES RFP - APPENDIX 1 BANKING SERVICE REQUIREMENT PRICING

**PLEASE COMPLETE THE HIGHLIGHTED SECTION.  
IF ADDITIONAL SERVICES ARE AVAILABLE, PLEASE ADD THOSE AT THE BOTTOM.**

Service Description	Monthly Average Number of Units	Unit Price	Total Charge
<b>Account Services</b>			
Account Maintenance	1		
<b>Depository Services</b>			
Branch Deposit	177		
Verabank Items Deposited	1		
Fed Dallas Items Deposited	1		
Other Fed Dists Items Deposited	504		
<b>Paper Disbursement Services</b>			
Checks Paid	474		
<b>General ACH Services</b>			
ACH Notification of Change	1		
ACH Originated - Debits	589		
ACH Originated - Credits	337		
ACH Originated - Prenotes	2		
ACH Received - Debit	35		
ACH Received - Credit	93		
ACH Return Item - Debit	5		
<b>Wire Other Funds Transfer Services</b>			
Incoming Wire Transfers	5		
<b>Additional Services</b>			
Business Banking Monthly Fee	1		

\*\*\* The City requires that check cashing for employees for checks drawn on depository bank be provided at no charge to the employee or the City.

## APPENDIX 2

### CITY OF CORSICANA OTHER BANK SERVICES

The City would prefer the use of sweep type ZBA or other controlled disbursement type accounts as the Pooled Operating Cash Account. As **Attachment H**, please provide information on any additional controlled disbursement type services, options available, and the pricing.

As **Attachment I**, please provide the pricing for any one-time setup fee and software fee for bank services the City is currently using as included in Appendix 1.

The City is using Direct Deposit of Payroll for most of its employees. (See Appendix 1.) As **Attachment J**, please confirm the capability of your bank to provide this service and an ATM account for employees with no bank account. The ATM Service is called Cash Pay or Ready Pay by some banks. Also provide pricing for the ATM Account.

To maximize control and investment opportunities, the City requires Balance Reporting for daily access of its bank accounts to obtain balance information. The most desirable access would be accomplished by computer via the Internet. The information to be contained in the report should be for the previous business day and include: ledger balance, collected balance, one-day float amount, two-day float amount, total credits, total debits, and detail debits and credits. As **Attachment K**, please confirm the capability of your bank to provide this service, the options available, and the pricing. (See Appendix 1.)

The City is using a direct payment system (Automatic Bank Draft) for utilities charges. Approximately 540 customers utilize this payment method. As **Attachment L**, please confirm the capability of your bank to provide this service, the options available, and the pricing. (See Appendix 1.)

As **Attachment M**, please provide bank benefits that would be available to City employees, i.e., free checking, discounted loans, traveler's checks, etc.

The City is using an electronic check image deposit system through Remit Plus (Profit Stars). As **Attachment N**, please confirm the capability of your bank to provide Image Direct Deposit and/or Image Cash Letter services and integration with Remit Plus. File specifications will be provided upon request.

As **Attachment O**, please provide pricing for the bank services listed below, any other bank services and the pricing that the City should consider using during the term of the Contract:

Deposit Bags-Small Zipper  
Deposit Bags-Large Zipper  
Deposit Bags-Locking  
Disposable Tamper Evident Deposit Bags  
Endorsement Stamps - self-inking  
Printed Deposit Tickets - carbonless, 3-part; for all accounts