



## REQUEST FOR PROPOSALS

The City of Edinburg is soliciting sealed proposals to be received by the City Secretary's Office located at 415 W. University Drive, Edinburg, Texas 78541. City of Edinburg normal business days are Monday through Friday between the hours of 8:00 a.m. to 5:00 p.m. and shall be closed on recognized holidays.

Proposals will be received until **3:00 p.m. Central Time**, on **Monday, October 17, 2011**, shortly thereafter all submitted proposal will be gathered and taken to the Edinburg City Hall Community Room, 1<sup>st</sup> Floor, to be publicly opened and read aloud. Any proposal received after the closing time will not be accepted and will be returned to the proposer unopened. It is the responsibility of the proposer to see that any proposal submitted shall have sufficient time to be received by the City Secretary's Office prior to the proposal opening date and time. The receiving time in the City Secretary's Office will be the governing time for acceptability of the proposals. Proposals will not be accepted by telephone or facsimile machine. All proposals must bear original signatures and figures. The Proposal shall be for:

### RFP NO. 2012-04 BANK DEPOSITORY CONTRACT

**Bidders receiving a "NOTICE TO BIDDERS" and/or "REQUEST FOR PROPOSALS" notice in the mail or reading same in the newspaper are advised that the bidding documents can be downloaded from the City of Edinburg web page address: [www.cityofedinburg.com](http://www.cityofedinburg.com), or may obtain copies of same by contacting the office of:**

**LORENA FUENTES, PURCHASING AGENT, LOCATED AT 415 W. UNIVERSITY DRIVE, Edinburg, TX 78541 by calling (956) 388-8972 or by e-mailing your request to the following e-mail address: [lfuentes@cityofedinburg.com](mailto:lfuentes@cityofedinburg.com)**

If you have any questions or require additional information regarding this proposal, please contact Mr. Ascencion Alonzo, Director of Finance, at (956) 388-1895.

**Hand-delivering Proposals:** 415 West University Drive,  
c/o City Secretary Department (1<sup>st</sup> Floor)

**If using Land Courier (i.e., FedEx, UPS):** City of Edinburg  
c/o City Secretary  
415 West University Drive  
Edinburg, Texas 78541

**If Mailing Proposals:** City of Edinburg  
c/o City Secretary  
P.O. Box 1079  
Edinburg, TX 78540-1079

The City of Edinburg reserves the right to refuse and reject any or all proposals and to waive any or all formalities or technicalities and to accept the proposal deemed most advantageous to the City, and hold the proposals for a period of **60** days without taking action.

**Proposals must be submitted in an envelope sealed with tape and prominently marked on the lower left hand corner of the proposal envelope with corresponding proposal number and title.**



**415 W. University Drive • P.O. Box 1079 • Edinburg, Texas 78540  
Phone (956) 388-8204 • Fax (956) 383-7111**



**CITY OF EDINBURG  
REQUEST FOR PROPOSAL**

The City of Edinburg will consider proposals for the performance of depository services from Banks, Credit Unions or Savings Associations doing business within the City of Edinburg. Sealed proposal responses will be received at the City Secretary's Office, P.O. Box 1079, Edinburg, TX 78540, or hand delivered to the City Secretary, 415 W. University Drive, Edinburg, TX 78540. Proposal responses received after the opening time and date will be returned to the sender unopened. All responses will be publicly opened and read aloud at the opening time and date.

The return envelope should be marked:

Request for Proposal 2012-04 (RFP 2012-04)  
Bank Depository Contract  
Opens 3 P.M., October 17, 2011

In submitting the attached proposal, including terms, conditions, instructions to proposer's and specifications, the vendor agrees that acceptance of any or all proposed items by the City of Edinburg, Texas within sixty (60) days constitutes a contract.

Proposal Title	Bank Depository Contract
Opening Time/Date	3 P.M., local time, October 17, 2011
Bank's Name	_____
Bank's Address	_____ _____
Telephone Number	_____
E-mail Address	_____
Facsimile Number	_____
Authorized Signature	_____
Printed Name and Title	_____

All bid responses are required to be signed by an authorized representative of the bidding entity. Bid responses received unsigned will not be considered.

**RFP 2012-04**                      **Proposer's Initials** \_\_\_\_\_

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## A. TERMS AND CONDITIONS

1. **DEFAULT** In case of default after proposal acceptance, the City of Edinburg, Texas ("City") may exercise any and all rights it may have in compliance with the law.
2. **PRICES HELD FIRM** The City reserves the right to require that submitted proposals remain in force for a sixty (60) day period after opening or until award is made; whichever occurs first.
3. **RESOURCE CONTACT** All information and/or questions pertaining to this proposal shall be directed to Ascencion Alonzo, Director of Finance, at (956) 388-1895. It is the responsibility of the proposer to seek clarification of any uncertain terms.
4. **NEGOTIATION** Any attempt to negotiate or to give information on the contents of this proposal with the City or its representatives prior to award shall be grounds for disqualification.
5. **TAX EXEMPT** The City of Edinburg is exempt from all Texas Sales Tax and Federal Excise Taxes. Tax Exemption Certificates are available upon request.
6. **FORMS PROVIDED** All proposals must be submitted on the forms provided to insure uniformity and comparability of responses. Proposals may be rejected if they show any omissions, alterations in wording, conditional clauses, or irregularities.
7. **PRICE FIXING** In submitting a response to this request, the proposer thereby certifies that he has not participated in nor been party to any collusion, price fixing or any other Contracts with any company, firm or person concerning pricing on the enclosed bid.
8. **GRATUITIES** The City may, by written notice to the successful proposer, cancel this contract without liability, if it is determined by City that gratuities in the form of entertainment, gifts, or otherwise, were offered or given by the successful proposer, or any agent or representative of the successful proposer, to any officer or employee of the City with a view toward securing or amending, or the making of any determinations with respect to the performing of such contract.
9. **FORCE MAJEURE** Neither party shall be required to perform any term, condition or covenant in this contract so long as such performances is delayed or prevented by force majeure, which shall mean acts of God, strikes, lockouts, material or labor restrictions by any governmental authority, civil riots, floods, and any other cause not reasonably within the control of the party required to perform and which by the exercise of due diligence said party is unable, wholly or in part, to prevent or overcome.
10. **APPLICABLE LAW** This Contract shall be governed by the Uniform Commercial Code. Wherever the term "Uniform Commercial Code: is used, it shall be construed as meaning the Uniform Commercial Code as adopted in the State of Texas as effective and in force on the date of this Contract.
11. **TAXES, UNEMPLOYMENT BENEFITS, ETC.** The successful proposer hereby accepts exclusive liability for, and agrees to indemnify the City against liability for, the payment of any and all contributions or taxes for

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unemployment insurance, old age pensions or annuities or other purposes now or hereafter imposed by the Government of the United States, which are in whole or in part measured by and/or based upon the wages, salaries, or other remuneration paid to persons employed by the successful proposer on work in connection with this order.

12. **ANTI-DISCRIMINATION** The successful proposer, in performing the work required hereunder shall comply with the provisions of Executive Order Number 1146 and shall not discriminate against any employee or applicant for employment because of religion, race, color, sex, age or national origin.
13. **FAIR LABOR STANDARDS ACT** The successful proposer in performing the work required hereunder, warrants that the bank is in compliance with the requirements of the Fair Labor Standards Act of 1938, as amended.
14. **OPENING PLACE, TIME AND DATE** The City will conduct a public proposal opening at the location, time and date as specified on the first page of the request. Proposers are encouraged to attend. A tabulation of the responses received at the time and date of the opening, will be made available upon request to proposers at a later date.
15. **LIENS** The successful proposer agrees to and shall indemnify and save harmless the City against any and all liens and encumbrances for all labor, goods and services which may be provided under the request, by seller or seller's vendor(s) and if the City requests, a proper release of all liens or satisfactory evidence of freedom from liens shall be delivered to the City.
16. **WITHDRAWAL** The City reserves the right to withdraw the request for any reason prior to the opening time and date without proposer claims.
17. **FAX/E-MAIL** The City will not accept a response or alterations to a response via a facsimile machine or e-mail. The FAX machine is available for information inquiries only. No responses received via FAX machine and/or e-mail will be considered.
18. **ALTERING PROPOSALS** Proposal responses cannot be altered or amended after the submission deadline. Any interlineations, alterations, or erasures made before opening time and date, must be initialed by the signer of the proposal, guaranteeing authenticity.
19. **CHANGE ORDERS** No oral statement of any person shall modify or otherwise change, or affect the terms, conditions, or specifications stated in the resulting contract. All change orders to the contract will be made in writing by the Director of Finance.
20. **REJECT BIDS** The City of Edinburg reserves the right to accept or reject proposals submitted, waive formalities in bidding, and accept the proposal deemed most advantageous to the City of Edinburg.
21. **ADDITIONAL INFORMATION** The City reserves the right to request additional information or to meet with representatives from proposing banks to discuss points in the proposal before and after submission, any and all of which may be used in forming a recommendation.

22. **COST** All costs incurred by the proposer in responding to the RFP shall be the responsibility of the proposer.

## **B. INSTRUCTIONS TO THE PROPOSERS**

1. The contract award shall be based on, but not necessarily limited to, the following factors:
  - a. Ability to qualify as a depository for public funds in accordance with state and local laws.
  - b. Lowest net banking service cost, consistent with the ability to provide an appropriate level of service.
  - c. Ability to meet special needs and requirements of the City requested in the banking RFP.
  - d. Proposer's past performance record with the City.
  - e. City's evaluation of the bank's ability to perform.
  - f. The credit worthiness and financial stability of the bank.
  - g. Rates paid on overnight repurchase transactions.
  - h. Safekeeping agreements accepted.
  - i. Physical convenience for City officials.
  - j. Complete response to all required items on RFP form.
2. The City of Edinburg may make such investigations as it deems necessary to determine the ability of the proposer to provide satisfactory performance in accordance with specifications, and the proposer shall furnish to the City all such information and data for this purpose as the City may request.
3. If a bank declines to submit a proposal, bank is requested to submit a letter stating that they are declining to submit a bid.
4. Award will be made to a single depository.
5. Any exceptions to the RFP are to be clearly indicated on the page entitled, "Exceptions to RFP". Any major changes or deletions that alter the intent of the RFP may be grounds for the City to disregard and reject the response.
6. The City has designated Ascencion Alonzo, Director of Finance, (956) 388-1895 as the contact person for questions pertaining to the RFP.
7. Upon award, the successful proposer will designate in writing an individual to be the official contact person for all correspondence and the bank shall be responsible for training and communicating the terms of this Contract to bank employees.
8. The City shall reserve the right to require a review meeting at least once every six months to evaluate the working relationship between the City and the bank. The object of the meeting shall be to address any problems and to discuss the procedures involved in protecting the City's funds and pledged collateral.
9. The final selection of a depository bank shall be made by the City of Edinburg City Council. The successful proposer shall be required to enter into a contract which incorporates all of the obligatory points in the completed RFP and the contract must be approved by the Board of Directors of the bank.

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## C. SPECIFICATIONS

### SCOPE AND INTENT:

The City is seeking proposals from eligible financial institutions to be the City's banking services depository. This includes the basic services of receiving deposits, paying items, web transfers, wiring funds out, receiving funds wired in, stop payments, and other normal business banking activities.

The philosophy incorporated into this request for proposal (RFP) is to solicit comparable market charges for services provided and to pay for all services provided by the bank. The City also places a great deal of importance on the interest paid on daily deposits above any minimum requirements. The City desires to enter into a contract which will minimize the City's costs, yet will be viewed as a good Contract on behalf of the bank.

### REQUIREMENTS:

The contract period shall be for three (3) years beginning **November 15, 2011 and ending November 14, 2014** with one two-year extension option or thereafter until the successor depository shall have been duly selected and qualified according to state laws. The primary objectives of the depository Contract, an important component of the overall treasury and debt management program of the City, are as follow:

To select a bank that is both capable of providing banking services and attentive to the City's money matters.

To maximize the total dollars earned by the City on account balances as prudent and effective custodians of the City's financial resources.

To maintain a good working relationship with the depository bank.

To adequately compensate the depository bank for services.

The request for proposal is intended to serve as the bid form for the depository Contract. There are several blanks to fill in and questions to be answered. All points outlined and materials requested should be incorporated into the responder's proposal to be considered for evaluation. If a service requirement cannot be met by a proposer, then the term "No Proposal" should be entered on the Bid Form for that specific requirement. Responsiveness to the service requirements will be a major part of the selection criteria. Attachments are appropriate if needed by the proposer in order to answer some of the RFP questions.

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**SECTION I: CALENDAR OF EVENTS**

First advertising of the RFP in The Monitor.....	September 30, 2011
Second Advertising of the RFP in The Monitor.....	October 7, 2011
Public Opening of the Proposals, 3:00 PM local time.....	October 17, 2011
Review recommendation with the City Council and award of contract.....	November 1, 2011
New bank depository contract period begins.....	November 15, 2011

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**SECTION II: COST OF SERVICES REQUESTED**

The City will also require on-line access with the bank. This service must provide information on checks cleared on the City's account, status of deposits and available funds, capability for making intra-account transfers and wire transfers. Additionally, it must have automated clearing house functions (ACH), that the City may utilize for direct deposit of employee paychecks.

Does your bank provide these services? Yes No

Monthly cost for service \_\_\_\_\_ One account

\_\_\_\_\_ Each additional account

\_\_\_\_\_ Set-up charge

State any other fees that may apply to this service.

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The City of Edinburg intends to offer its utility billing customer direct debit banking. It is estimated that 10% (2,390) of the City's 23,715 utility customer's will use this service.

Does your bank provide these services? Yes No

Monthly cost for service \_\_\_\_\_ One account

\_\_\_\_\_ Set-up charge

State any other fees that may apply to this service.

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State whether the bank would offer any type of special checking, money market, or loan account, or other incentive for City employees.

Does your bank provide these services? Yes No

Monthly cost for service \_\_\_\_\_ One account

\_\_\_\_\_ Set-up charge

State any other fees that may apply to this service.

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Proposers are to specify any other services available to the City of Edinburg which may be thought to be beneficial or that may apply to the City and state any related fees. Example - Sweep Account where excess City funds could be invested at a higher rate than the checking accounts.

Service Offered	Associated Fee
1. _____	_____
_____	_____
_____	_____
2. _____	_____
_____	_____
_____	_____

**SECTION III: ACCOUNT ACTIVITIES**

The City intends to establish the following bank accounts:

**Demand Deposit Accounts**

**Master Account-Reconciliation Product**

General Fund (01)

**Zero Balance Accounts-Reconciliation Products**

Accounts Payable Account (01)

Payroll Fund (03)

**Regular Accounts**

Investment Account	T.W.B.D. Plumbing Assistant Fund (34)
Utility Fund (02)	H.P.R.P. Fund (36)
Utility I & S Account (02)	Hotel Occupancy Tax Fund (39)
Utility Depreciation Reserve Account (02)	Street Paving Assessment Fund (42)
Water, Sanitary Sewer & Garbage Account	T.D.R.A. Fund (50)
Utility Revenue Bond Reserve (02)	Downtown Revitalization Construction Fund (60)
2010 Revenue Bond Const. Fund (07)	Employer Insurance Trust Fund (71)
Airport Fund (12)	Boys and Girls Club of Edinburg Fund (72)
Ebony Hills Golf Course Fund (13)	Boys and Girls Club Endowment Account (72)
Solid Waste Management Fund (14)	Boys and Girls Club Endowment Interest Account (72)
S.W.M. Depreciation Reserve Account (14)	TIRZ Zone 2 (73)
Los Lagos Golf Club Fund (15)	TIRZ Zone 3 (74)
Los Lagos I & S Account (15)	Developers Trust Escrow Fund (76)
Debt Service Fund (20)	
T.C.S.A. Fund (30)	
Home Programs Fund (31)	
C.D.B.G. Fund (33)	

The General Fund Account will constitute almost all of the City's banking business. Intra-bank transfers to reimburse money to other City's accounts and most wire transactions will occur in this account.

The Accounts Payable Account will be set up to clear all operational checks for the City. Transfers from the other accounts to the Accounts Payable Account will be used to fund checks and bring the balance back to zero. The City will require a partial reconciliation service from the bank, all checks returned to the City in numerical order or available online with images. Should the Federal Reserve Bank or any other regulatory agency request changes or termination of this service, the City will alter its check clearing arrangement accordingly.

The bank will be required to provide available cash balances online for all City Accounts each morning no later than 8:00 a.m.

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The Payroll Account will be set up to clear only personnel related checks for the City. Transfers from other accounts to the payroll account will be used to fund checks and bring the balance back to zero. One check stock will be clearing through the account. The City will require Direct Deposit service, General ACH service, a partial reconciliation service and all checks returned to the City in numerical order or available online with images.

The City reserves the right to open or close any number or type of accounts throughout the period if necessary, although few changes are anticipated.

Electronic Bank Statements shall be rendered within five working days after the close of the calendar month. The cutoff cycle for all City accounts must be the calendar month. The statement shall include deposits made on the last day of the period.

The City intends to pay for all account services provided by the bank as set forth in Section II. The method expected to be used for the payment of these services shall be the direct payment method.

The City shall require account analysis each month, which shall clearly show volume counts, fees charged, and total price for servicing the account. The account analysis shall also show average ledger balances, average uncollected funds, average collected balances, interest rates and the amount of interest paid or credited to each account. Bidders are to submit a sample of the money account analysis statement that will be provided to the City.

The City shall receive same day credit for all funds deposited by 2:30 p.m. and drawn on a bank located in Edinburg, Texas and next day credit for all other funds. The funds shall be investable for any investment transaction that can be executed.

All checks deposited by the City which do not clear the first time, should be submitted a second time before returning them to the City.

**INVESTMENTS** - The City of Edinburg intends to manage its own investment portfolio. Therefore, the City reserves the right to withdraw, from time to time, any amount of funds of the City on deposit in any City account and to invest those funds in accordance with the City investment policy.

**SECTION IV: COLLATERAL REQUIREMENTS**

Securities Pledged: As security for the deposits of the City, the Bank shall pledge to the City securities equal to the largest total balances the City maintains in the bank, less the amount of coverage provided by the Federal Deposit Insurance Corporation (FDIC). The aggregate amount needing to be collateralized is estimated to be \$70,000,000 for all accounts. The securities comprising the pledge shall comply with the City of Edinburg's Investment Policy.

Reporting Requirements: The bank shall provide detailed statements of securities pledged against City deposits each Monday and as of the last business day of month or at any time requested by the City Manager or Director of Finance.

Safekeeping: The securities pledged shall be held in safekeeping under the name of the bank and pledged to the City of Edinburg. Safekeeping must be done by a separate and different bank other than the depository bank or any affiliate of the depository bank. The safekeeping receipt shall clearly state the security is pledged to the City of Edinburg and the original copy of the safekeeping receipt shall be filed with the Director of Finance of the City of Edinburg.

The City shall reimburse the depository bank for safekeeping charges at the rate bid. Specify the safekeeping charges that will apply:

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An explanation of how the City's claim to book entry securities can be perfected is required with a bid response.

A copy of the safekeeping agreement and the name of the safekeeping bank to be used are to be included with the bid response. The safekeeping agreements shall clearly state that the safekeeping bank 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, has been closed by a regulatory authority, is in default of this Contract, or if the instructions for release have been formally requested by the City Council by Ordinance or Resolution.

The safekeeping agreement shall have signatories from the safekeeping bank, the depository bank and the City of Edinburg and must be formally adopted by the governing entities of the depository bank and the safekeeping bank.

Substitutions: Any substitutions of the securities or reductions in the total amount pledged shall be made only by and with proper written authorization approved by the City Manager or the Director of Finance of the City of Edinburg. All securities to be pledged are subject to approval by the City. Any state or local bonds pledged shall have a rating of "A" or better by Moody's Investor Services.

Maximum Amount Offered: Proposers must state the maximum amount, if any, of pledged securities which the bank is willing or able to commit for collateralized accounts throughout the contract period above the \$250,000 FDIC insurance limit.

Wire Services: The third-party safekeeping bank must be a subscriber to the Federal Security Wire System.

**SECTION V: OVERDRAFTS DEFINED:**

The City does not intend to have a net overdraft position throughout the course of the contract. An overdraft shall be defined as a negative demand balance in the City accounts collectively, not by individual account. The City would expect the depository to view all the City's accounts together for purposes of any charges on overdrawn collected balances. This includes daylight overdrafts. Should an overdraft occur in the aggregate, the following stipulations shall apply:

1. The maximum number of days the overdraft shall be allowed is \_\_\_\_\_.
2. The maximum amount of the net overdraft to be allowed shall be \_\_\_\_\_.
3. The interest rate shall be \_\_\_\_\_% per annum computed on an actual day basis.

In the event a check or checks shall be presented for payment on any account or accounts maintained by the City, where there shall be insufficient funds for the purpose of paying checks, the depository bank shall pay such check or checks and agrees to promptly notify the Director of Finance of the City, by telephone or other means, of the existence of the overdraft situation, and to provide the Director of Finance a period of one business day to respond to such overdraft.

Short-Term Loans: The bank agrees to loan funds to the City on a short-term basis, if needed, for operational purposes and for capital expenditures only.

Specify the terms and conditions by which the bank shall loan funds to the City on a short-term basis:

1. The maximum number of days for the loan is \_\_\_\_\_.
2. The maximum amount of the loan shall be \_\_\_\_\_.
3. The interest rate shall be \_\_\_\_\_% per annum computed on an actual day basis.

**SECTION VI: OTHER CONDITIONS:**

The successful proposer shall notify the City in writing within ten (10) days of any changes in Federal or State regulations or laws that would thereafter affect the depository Contract. The bank shall also notify the City of any services that become available to the City throughout the contract period.

In the event it would be ruled illegal under the provisions of any Federal Statute or regulation for the bank to pay interest in the manner outlined in this Contract, the City reserves the right to cancel the contract and to re-bid the depository services.

The bank's records relating to the City's accounts shall be open to review by either City staff members or City appointed independent auditors as authorized by City Manager or Director of Finance during normal business hours.

The proposing bank shall submit a copy of its most recent annual financial statement along with the last two quarterly FDIC call reports.

The term of the contract shall be the period beginning November 15, 2011 and ending November 14, 2014, with one two-year extension option or thereafter until the successor depository shall have been duly selected and qualified according to state laws. This contract shall be automatically extended up to 90 days if the City is actively proceeding with re-bidding procedures, but for whatever reason, cannot finalize the bidding or selection process by the end of the contract period.

This contract is governed by the laws of the State of Texas. Venue shall be exclusively in Hidalgo County, Texas.

Shall the bank fail, close, or be forced into reorganization during the term of this contract, the City reserves the right to cancel the contract and re-bid for the City's depository services.

**D. COST OF SERVICE ANALYSIS**

Use this summary as a basis for analysis.

COMBINED AVERAGE DAILY BANK COLLECTED BALANCE	\$1,000,000
RESERVE REQUIREMENT	(      )
(Use your own rate and calculate)	
COMBINED INVESTABLE BALANCE	_____
EARNINGS CREDIT	_____

LESS: ANALYZED SERVICES \_\_\_\_\_

ANALYSIS DEFICIT (EXCESS) CHARGED (CREDITED)  
TO ACCOUNT \_\_\_\_\_

ANNUALIZED COST OF SERVICES (ANALYSIS CHARGES  
TIMES TWELVE). \_\_\_\_\_

RATE SUMMARY

EARNING CREDIT \_\_\_\_\_  
RESERVE REQUIREMENT \_\_\_\_\_  
BORROWED FUNDS  
(BOOK/COLLECTED) \_\_\_\_\_  
FDIC ASSESSMENT \_\_\_\_\_

ANALYZED SERVICES

DESCRIPTION OF SERVICE	UNIT PRICE	MONTHLY UNITS USED	TOTAL PRICE
Maintenance Fee	_____	39	_____
Debits Processed	_____	2,122	_____
Credits Processed	_____	792	_____
On us Items Deposited	_____	1,685	_____
Transit Items Deposited	_____	10,621	_____
Xerox Copy	_____	2	_____
Deposit Bag Workup	_____	16	_____
Charge Back Fee	_____	79	_____
Wire Transfer Domestic	_____	4	_____
Deposit Correction	_____	2	_____
ACH Per Debit Item	_____	23	_____

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**D. COST OF SERVICE ANALYSIS (CONTINUED)**

ACH per Credit Item	_____	232	_____
Online Web Transfers	_____	100	_____
ACH Items Processed	_____	3,066	_____
ACH Files Processed	_____	8	_____
ACH Monthly Counter	_____	3	_____
ACH NOCS Counter	_____	1	_____
ACH Returns Counter	_____	7	_____
Stop Pay Fee	_____	5	_____
Cashier's Fee	_____	0	_____
NSF Charge Fee	_____	0	_____

**E. PROPOSAL SUBMITTED BY**

This Proposal is being submitted to the City of Edinburg by the following person duly authorized to act on behalf of this financial institution.

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

\_\_\_\_\_

\_\_\_\_\_

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

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

\_\_\_\_\_  
E-mail Address

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

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

\_\_\_\_\_  
Date

**F. ACCEPTANCE OF PROPOSAL**

This proposal having been approved by the City of Edinburg City Council, is being accepted for the City of Edinburg by the following person duly authorized to act on behalf of the City.

\_\_\_\_\_  
Name (print)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title (print)

\_\_\_\_\_  
Date

**Appendix A - Investment Policy**

**ATTACHMENTS**

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**Proposer's Initials \_\_\_\_\_**

## APPENDIX A

### CITY OF EDINBURG INVESTMENT POLICY

#### I. SCOPE

This investment policy applies to the investment activities of the Government of the City of Edinburg, Texas. This policy serves to satisfy the statutory requirements of defining and adopting a formal investment policy. The policy and strategy shall be reviewed annually by the Investment Committee and any modifications must be approved by the Investment Committee and forwarded to City Council for final approval. The City Council must adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies. Any changes made to either the policy or strategies will be recorded in this written instrument. This Investment Policy, as approved, is in compliance with Chapter 2256 of the Texas Government Code, also known as “The Public Funds Investment Act”.

FUNDS INCLUDED All financial assets of all funds, including the General Fund and any other accounts of the City not specifically excluded in these policy guidelines are included. These funds, as well as funds that may be created from time-to-time, shall be administered in accordance with the provisions of these policies. All funds will be pooled for investment purposes. The strategy developed for this pooled fund group will address the varying needs, goals, and objectives of each fund.

FUNDS EXCLUDED None.

#### II. OBJECTIVES AND STRATEGY

COMPLIANCE The City must adopt rules and designate staff to manage local funds and submit related reports per Article 4413 (34c). All investments made on behalf of the City must comply with the “Public Funds Investment Act” and all federal, state, and local statutes, rules, or regulations. In conjunction with the comprehensive annual financial audit and report, the City will perform, or have performed, a compliance audit of management controls on investments and adherence to the City’s approved investment policy.

SAFETY The primary objective of the City’s investment activity is the preservation of capital in the overall portfolio.

LIQUIDITY The City’s investment portfolio will remain sufficiently liquid to enable the City to meet operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

YIELD The City's cash management portfolio shall be designed with the objective of regularly exceeding the average rate of return on three-month U.S. Treasury Bills. The investment program shall seek to augment returns above this threshold consistent with risk limitations identified herein and prudent investment principles.

Funds held for future capital projects shall be invested in certificates of deposit and securities that reasonably can be expected to produce enough income to offset inflationary construction cost increases.

RISK OF LOSS All participants in the 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.

STRATEGY The strategy for all pooled funds is to assure that cash flows are matched with projected needs and assume adequate liquidity and safety. This may be accomplished by purchasing certificate of deposit or high quality securities in a laddered structure or utilizing an investment pool. Furthermore the following purposes are also considered when investing:

- Funds for Capital Improvement Projects or special purposes should allow for flexibility and unanticipated project outlays by having a portion of their investments in certificates of deposit and/or highly liquid securities. The stated final maturity dates of the certificates of deposit and/or securities held should not exceed the estimated project completion date.

- Funds for Debt Service should assure liquidity adequate to cover the debt service obligation on the required payment date. Surplus funds outside the debt service dates will remain within the investment and fiscal policies.

- Debt service reserves, Emergency and Contingency funds will have the ability to generate a dependable revenue stream to the appropriate fund from certificates of deposit and/or securities with a low degree of volatility. Such certificates of deposit and/or securities will tend to hold their value during economic cycles. The stated final maturity dates of the certificates of deposit and/or securities held should not exceed five years.

- Operating funds will be structured in such a way as to minimize volatility during economic cycles. This may be accomplished by purchasing certificates of deposit and/or high quality short-term securities. The weighted average maturity on these funds will remain within the 6 to 9 month range.

### III. INVESTMENT COMMITTEE

MEMBERS There is hereby created an Investment Committee, consisting of the City Manager or his designee, the Director of Finance, and the Assistant Director of Finance. The Investment Committee shall meet at least quarterly to determine general strategies and to monitor results. The Investment Committee shall be authorized to invite advisors

to the meetings as needed including, but not limited to, the City Attorney, the City Council, or outside advisors.

SCOPE The Investment Committee shall include in its deliberations such topics as: performance reports, economic outlook, portfolio diversification, maturity structure, potential risk to the City's funds, authorized brokers and dealers, and the target rate of return on the investment portfolio.

PROCEDURES Any two members of the Investment Committee may request a special meeting, and three members shall constitute a quorum. The Investment Committee shall establish its own rules of procedures.

#### IV. RESPONSIBILITY AND CONTROL

DELEGATION Management responsibility for the Investment Program is hereby delegated to the Director of Finance, who shall establish written procedures for the operation of the Investment Program, consistent with this Investment Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions.

SUBORDINATES The City Manager, Director of Finance and Assistant Director of Finance are hereby designated as "Investment Officers" pursuant to the Public Funds Investment Act Section 2256.005 Subsection F. All persons involved in investment activities will be referred to as "Investment Officers." No person shall engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director of Finance. Authority granted to a person to invest the funds on behalf of the City shall remain in effect until rescinded by the City or until the person resigns from or is terminated by the City. The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate investment officials. The investment officers shall receive at least 10 hours of investment training relating to their investment responsibilities, as described by the Public Funds Investment Act, at least once every two (2) years. This training must be provided by an independent source which has been approved by the investment committee. At least one training session must be completed by the investment officer within twelve months of assuming their duties. The training must include, but is not limited to, education in investment controls, security risks, strategy risks, market risks, and compliance with the Public Funds Investment Act.

QUARTERLY REPORTS The Director of Finance shall submit quarterly an investment report that summarizes recent market conditions, economic developments and anticipated investment conditions to management and City Council. The report shall summarize the investment strategies employed in the most recent quarter, describe the portfolio in terms of investment securities, maturities, risk characteristics and other features. The report shall be in compliance with the Public Funds Investment Act and shall contain a summary statement, prepared in compliance with generally accepted accounting principles, of each pooled fund group that states the beginning market value for the reporting period, additions and changes to the market value during the period, and

the ending market value for the period and the fully accrued interest for the reporting period. It shall also state the book value, market value and maturity date for each separately invested asset at the beginning and end of the reporting period by type of asset and fund type invested. The reports must state the compliance of the City's investment portfolio as it relates to the City's investment strategies and the "Public Funds Investment Act". The report shall explain the quarter's total investment return and compare the return with budgetary expectations. The report shall include an appendix that discloses all transactions during the past quarter. All reports will be prepared jointly by all investment officers and signed by each. The reports prepared by the investment officers shall be formally reviewed, at least annually, by an independent auditor, and the results of this review will be reported to the City Council by that Auditor.

ANNUAL REPORTS Within 90 days of the end of the fiscal year, the Director of Finance shall present a comprehensive annual report on the Investment Program and investment activity. The annual report shall include twelve-month and quarterly comparison returns, and shall suggest improvements that might be made in the investment program.

MONITORING OF MARKET PRICE OF INVESTMENTS The investment officer shall determine the market value of each investment at least quarterly and at a time as close as practicable to the closing of the reporting period for investments. Such values shall be included on the investment reports. The following methods shall be used:

- A. Certificates of deposits 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 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;
  3. The bid price published by any nationally recognized security pricing service.

PRUDENCE Investment shall be made with the exercise of due care under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment considering the probable safety of their own capital as well as the probable income to be derived. Standard of prudence shall be "prudent person" and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with

written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

CONFLICTS OF INTEREST Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the Investment Program, or which could impair their ability to make impartial investment decisions.

DISCLOSURE Employees and Investment Officials shall disclose to the City Manager, City Council, and the Texas Ethics Commission any personal business relationship with a business organization offering to engage in an investment transaction with the City of Edinburg, and shall further disclose any large personal financial or investment positions that could be related to the performance of the City's portfolio. Investment officers who are related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City shall also disclose such relationship. Employees and investment officers shall subordinate their personal investment transactions to those of this jurisdiction, particularly with regard to the timing of purchases and sales. For the purpose of this section, an investment officer has personal business relationship with a business organization if:

- A. The investment officer owns 10 percent 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;
- B. Funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or
- C. 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.

V. AUTHORIZED AND SUITABLE INVESTMENT SECURITIES

ACTIVE PORTFOLIO MANAGEMENT The City intends to pursue an active versus a passive portfolio management philosophy. That is, securities may be sold before they mature if market conditions present an opportunity for the City to benefit from the trade.

ELIGIBLE INVESTMENTS (Per HB 2459) Assets of funds of the government of the City of Edinburg may be invested in:

- A. Obligation of the United States or its agencies and instrumentalities (except for mortgage pass-through securities);

- B. Fully insured or collateralized\* certificates of deposits issued by a state or national bank, a savings bank, or a state or federal credit union domiciled in this state which is guaranteed or insured by the Federal Deposit Insurance Corporation;
- C. Fully collateralized\* repurchase agreements having a defined termination date. (Repurchase “agreement” means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section V. A. of this Policy, at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term refers to direct security repurchase agreement and a reverse security repurchase agreement.) These investments must be in accordance with a master repurchase agreement approved by the Investment committee; \* (see definition of collateral, Section VII);
- D. Investment Pools with a weighted average maturity of 90 days or less. The pool must enter into a contract approved (by resolution) by the City Council to provide services to the City. The pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service. A public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily and, to the extent reasonably possible, stabilize at a \$1 net asset value. The pool must provide monthly reports that contain:
  - 1. The types and percentage breakdown of securities in which the pool is invested;
  - 2. The current average dollar-weighted maturity, based on the stated maturity date, of the pool;
  - 3. The current percentage of the pool’s portfolio in investments that have stated maturities of more than one year;
  - 4. The book value versus the market value of the pool’s portfolio, using amortized cost valuation;
  - 5. The size of the pool;
  - 6. The number of participants in the pool;
  - 7. The custodian bank that is safekeeping the assets of the pool;
  - 8. A listing of daily transaction activity of the entity participating in the pool;
  - 9. The yield and expense ratio of the pool;
  - 10. The portfolio managers of the pool; and
  - 11. Any changes or addenda to the offering circular.
- E. No load money market mutual fund, registered with and regulated by the Securities Exchange Commission, which has a dollar weighted average portfolio maturity of 90 days or less whose assets consist exclusively of the assets described in section A-C and whose investment objectives includes the maintenance of a stable net asset value of \$1 for each share.

Each fund must provide the City with a prospectus and other information required by federal law.

- F. Other such securities or obligations as approved by City Council upon recommendation of the Investment Committee. No securities will be purchased which have a potential for price volatility that is inappropriate for the City and incompatible with its investment strategies. This includes, but is not limited to, certain collateralized\* mortgage obligations, such as principal and interest only securities, inverse floaters, capped and mismatched floaters, and structures notes and rage notes.

LENGTH OF INVESTMENT Except for monies of the Debt Service Fund, the City of Edinburg shall invest in instruments whose maturities do not exceed two (2) years at the time of purchase. For the General Fund, Utility (Water & Sanitary Sewer) Fund, Solid Waste Management Fund and any other operating funds, maturities shall not exceed one (1) year, unless a temporary extension of securities is extended by the Investment Committee. In such cases, the average maturity of each fund's portfolio shall not exceed one (1) year.

Assets held from bond proceeds and other reserve funds may be invested in maturities exceeding two (2) years only with special approval of the Investment Committee. Assets held in the General Obligation Interest & Sinking Fund may be invested in maturities not exceeding thirteen (13) months.

An average remaining maturity of 365 days or less shall be maintained on bond proceeds subject to arbitrage rebate restrictions, and the total portfolio average remaining shall not exceed one (1) year.

DIVERSIFICATION It is the policy of the City of Edinburg to diversify its investment portfolios. Assets held in the common investment portfolio shall be diversified to eliminate the risk of loss resulting from one concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies shall be determined and revised periodically by the Investment Committee.

In establishing specific diversification strategies, the following general policies and constraints shall apply:

- A. Portfolio maturities shall be staggered in a way that protects interest income from the volatility of interest rates that avoids undue concentration of assets in a specific maturity sector. Securities shall be selected which provide for stability of income and reasonable liquidity.
- B. The Investment Committee shall establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, treasury bills, or insured and collateralized\* certificates of deposit. The Investment Committee shall conduct a quarterly review of these guidelines, and shall evaluate the probability of

market and default risk in various investment sectors as part of its considerations. \*(see definition of collateral, Section VII)

ARBITRAGE Although steps have been taken to distribute bond issuance annually in amounts not to exceed \$5 million dollars increments, if this process does not occur, the City of Edinburg will fall under arbitrage regulations.

The Tax Reform Act of 1986 provided limitations restricting the City's investing of tax-exempt General Obligation Bond proceeds and debt service income. New arbitrage rebate provisions require that the City compute earnings on investment from each issue of bonds on an annual basis to determine if a rebate is required. To determine the City's arbitrage position, the City is required to perform specific calculations relative to the actual yield earned on the investment of the funds and the yield that could have been earned if the funds had been invested at a rate equal to the yield on the bonds sold by the City. The rebate provision states that periodically (not less than once every five years, and not later than sixty days after maturity of the bonds), the City is required to pay the U.S. Treasury a rebate of excess earnings based on the City being in a positive arbitrage position. The Tax Reform restrictions require extreme precision in the monitoring and recording facets of investments as a whole, and particularly as relates to yields and computations so as to insure compliance. Failure to comply can dictate that the bonds become taxable, retroactively from the date of issuance.

The City's investment position relative to the new arbitrage restrictions is the continued pursuit of maximizing yield on applicable investments while insuring the safety of capital and liquidity. It is a fiscally sound position to continue maximization of yield and rebate excess earnings, if necessary.

## VI. SELECTION OF BANKS AND DEALERS

BIDDING PROCESS Periodically, a Depository shall be selected through the City's banking services procurement process, which shall include a formal request for proposal (RFP) issued every three years with an option to extend for two more years. In selecting depositories, the credit worthiness of institutions shall be considered, and the Director of Finance shall conduct a comprehensive review of prospective depositories credit characteristics and financial history.

INSURABILITY Banks and Savings & Loan Associations seeking to establish eligibility for the City's competitive investment program, shall submit financial statements, evidence of federal insurance and other information as required by the Director of Finance.

PRIMARY DEALERS & APPROVED LISTS For brokers and dealers of government securities, the Investment Committee shall select only those dealers reporting to the Market Reports Division of the Federal Reserve Bank of New York, also known as the "primary government securities dealers," unless a comprehensive credit and capitalization analysis reveals that other firms are adequately financed to conduct public business. All brokers and dealers must be authorized by the Investment Committee, as analyzed by a Broker Questionnaire. Investment Officers shall not conduct business with any firm with whom public entities have sustained losses on investments or whose name has been removed from an approved list by the Investment

Committee. At least annually, the investment committee will review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

COMPLIANCE A written copy of the investment policy will be presented to any investment pool or business organization offering to engage in an investment transaction with the City. A qualified representative (as described by section 2256.022, subdivision 10 of the Texas Government Code) of such business organization shall execute a written instrument, in a form acceptable to both the city and the organization, certifying that they have received and reviewed a written copy of the City's investment policy. The firm must acknowledge that it has implemented reasonable internal procedures and controls in an effort to preclude investment transactions conducted between the City and the organization 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 of the City's entire portfolio or requires an interpretation of subjective investment standards. The investment officer of the City may not acquire or otherwise obtain any authorized investment described in the City's investment policy from a person who has not delivered such instrument. This instrument does not, at any time, relieve the City of the responsibility of monitoring all investment transactions to determine if they are in compliance with this policy.

## VII. SAFEKEEPING AND CUSTODY

INSURANCE OR COLLATERAL All deposits and investments of City funds other than direct purchases of U.S. Treasuries or U.S. Agencies shall be secured by pledged collateral with a market value equal to no less than 102% of the deposits or investments less any amount insured by the FDIC or FSLIC. Evidence of the pledged collateral shall be maintained by a third party financial institution. Repurchase agreements shall be documented by a specific agreement noting the collateral pledged in each agreement. Collateral shall be reviewed monthly to assure the market value of the securities pledged equals or exceeds the related bank balances.

SAFEKEEPING AGREEMENT All safekeeping arrangements shall be in accordance with a Safekeeping Agreement approved by the Investment Committee which clearly defines the procedural steps for gaining access to the collateral should the City of Edinburg determine that the City's funds are in jeopardy. The safekeeping institution, or Trustee, shall be the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral. The safekeeping agreement shall include the signatures of the City of Edinburg, the firm pledging the collateral, and the Trustee.

COLLATERAL DEFINED The City of Edinburg shall accept only the following securities as collateral:

- A. FDIC and FSLIC insurance coverage.
- B. United States Treasuries & Agencies.
- C. Other securities as approved by the Investment Committee.

SUBJECT TO AUDIT All collateral shall be subject to inspection and audit by the Director of Finance, or designee, as well as, the City's independent auditors.

DELIVERY VS. PAYMENT Treasury Bills, Notes & Bonds and Government Agencies' Securities, and all other investment transactions, except investment pools and mutual funds, shall be purchased using the delivery versus payment method. That is, funds shall not be wired or paid until verification has been made that the collateral was received by the Trustee. The collateral shall be held in the name of the City or held on behalf of the City. The Trustee'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.

#### VIII. MANAGEMENT AND INTERNAL CONTROLS

The Director of Finance, or designee, 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, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees or Investment Officers of the City.

Controls and managerial emphasis deemed most important that shall be employed where practical are:

- A. Control of collusion
- B. Separation of duties
- C. Separation of transaction authority from Accounting and Record-keeping
- D. Custodian safekeeping receipts records management
- E. Avoidance of bearer-form securities
- F. Clear delegation of authority
- G. Documentation of investment bidding events
- H. Written confirmation of telephone transactions
- I. Reconcilements and comparisons of security receipts with the investment subsidiary records
- J. Compliance with investment policies
- K. Accurate and timely reports
- L. Validation of investment maturity decisions with supporting cash flow data

- M. Adequate training and development of Investment Officials
- N. Verification of all interest income and security purchase and sell computations
- O. Review of financial conditions of all brokers, dealers, and depository institutions
- P. Staying informed about market conditions, changes and trends that require adjustments in investment strategies