



SOLICITATION OVERVIEW

The City of Bellmead is soliciting applications for:

TITLE: Primary Bank Depository Services
RFA #22-01

Due Date: Friday, June 10, 2022, @ 3:00 p.m.

Location: City of Bellmead - City Hall
Attn: Holly Owens
City Secretary
3015 Bellmead Drive
Bellmead, Texas 76705

The City is not responsible for sealed application responses labeled incorrectly or misdirected.

Pre-Award Conference*:

Date & Time: Monday, May 16, 2022 @ 11:00 a.m.

Location: City of Bellmead - City Hall
Council Chambers
3015 Bellmead Drive
Bellmead, Texas 76705

***Attendance at this conference is strongly recommended, but not mandatory.**

Public Opening of Applications:

There will be a public opening of applications in the Council Chambers immediately following the submission due time/date. Only the names of applicants will be read aloud. Interested parties are invited to attend.

Submit written questions to: Karen Evans, Chief Financial Officer at kevans@bellmead.com

Questions may be submitted via email only, with "RFA 22-01" in the subject line, until 3:00 p.m. on Friday, January 31, 2020. No verbal questions will be accepted. Questions of a substantial nature

will be addressed in addendum format to all interested parties.



**REQUEST FOR APPLICATIONS
PRIMARY BANK DEPOSITORY SERVICES**

The City of Bellmead, TX (the “City”) is soliciting sealed applications from eligible and qualified financial institutions to provide primary depository bank services. The initial contract period will begin August 1, 2022 and terminate on July 31, 2024. At the option of the City, the contract may be extended for three (3) additional 12-month periods under the same terms and conditions.

Sealed applications will be accepted until 3:00 p.m. on Friday, June 10, 2022 at the City of Bellmead, Attn: Holly Owens, City Secretary, 3015 Bellmead Drive, Bellmead, Texas 76705. **Note: Applications received after 3:00 p.m., Friday, June 10, 2022 will not be considered.** Application envelopes shall be sealed and designated on the front the following:

**“Primary Depository Application Enclosed”
Name of Financial Institution**

The sealed application submission shall include the following:

1. One (1) original (so marked) and four (4) complete bound copies of the application.
2. One (1) complete copy of the application response as a PDF file on the Flash Drive; and
3. The completed MS-Excel Fee Schedule on the Flash Drive.
4. The good faith performance check.

The application shall be accompanied by a good faith performance check in the amount of \$5,000.00 made payable to the City of Bellmead and shall be returned to each unsuccessful applicant immediately following contract award and to the successfully applicant upon final acceptance and execution of the contract. Any applications received after the time and date stated above, regardless of delivery, will not be considered and will be returned to the applicant unopened.

All prospective applicants are strongly encouraged to attend a non-mandatory pre-application conference at the City of Bellmead City Hall located at 3015 Bellmead Drive, Bellmead, Texas 76705 @ 11:00 a.m. on May 11, 2022.

Requests for a copy of the RFA documents and questions concerning this RFA should be directed to Karen Evans, CPA, Chief Financial Officer via email at kevans@bellmead.com.

The City reserves the right to reject any and all applications and to waive all formalities except time of filing.

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INTRODUCTION

The City of Bellmead (the “City”), pursuant to Chapter 105, Texas Local Government Code is requesting applications from eligible and qualified financial institutions with a physical location within 6.5 miles of City Hall (3015 Bellmead Drive, Bellmead, TX 76705) to provide the City the banking services as described below. The services provided will be in accordance with this Request for Application (the “RFA”) and attachments. It is the City’s intent that a Depository Bank Services Agreement detailing the services to be provided will be duly executed between the City and the selected financial institution.

Any and all charges and fees associated with the Depository Bank Services Agreement must be clearly and accurately included in the RFA response. The charges and fees represented in the RFA response shall overrule any and all previous bank service or other agreements between the City and the financial institution, as they relate to the accounts and services included herein. The City will not be obligated by any charges and fees not clearly and accurately presented in the RFA response. Services initiated after consummation of the Depository Bank Services Agreement shall carry charges and fees mutually agreed to, in writing, by the City and the financial institution. Regardless of time delay, the financial institution shall refund or credit the City for any erroneous charges and fees not agreed to in writing.

The philosophy incorporated into this RFA is to solicit applications for banking services currently utilized or being considered by the City. The City intends to manage its funds to minimize service charges and optimize investment income as authorized by policy and permitted by State law. Depending upon market conditions, future collected funds balances may be reduced and invested in other available investment alternatives.

While the City expects the contract duration to be five years, the new agreement period will be for a two-year period of August 1, 2022 through July 31, 2024, with a provision for three (3) one (1) year extensions under the same terms and conditions, at the option of the City. The agreement will also provide for a transition period not to exceed ninety (90) days for migration to a new bank at the end of the term.

The City reserves the right to open or close any number or types of accounts, as it deems necessary throughout the term of the agreement. Any fee charged for services not listed but later requested by the City will be mutually agreed upon in writing. All fees, rates, and conditions shall be fixed for the entire contract period, including extensions.

The Depository Bank Services Agreement is an important component of the treasury and cash management system of the City. From this perspective, the City is seeking a financial institution that is:

- Capable of providing the services required by the City,
- Willing to be attentive and responsive to the City’s financial matters,
- Financially sound, and
- Meets the City’s requirements.

REQUEST FOR APPLICATION

Pursuant to Chapter 105 of the Local Government Code, this RFA is intended to serve as the application form for the Depository Bank Services Agreement. There are multiple blanks to fill in and questions to be answered. The evaluation of the applications will be based on the responses included herein.

Exceptions, conditions, or qualifications to the provisions of the City's specifications or requirements must be clearly identified as such, with the reasons therefore, and alternate language proposed by respondent, if any, clearly stated and inserted in the appropriate place in the application submission.

Each of these exceptions, conditions, or qualifications to the City's specifications may be included, as appropriate, in the contract documents. Items and matters not explicitly excepted in this manner shall be deemed to be in conformance with the City's specifications.

The RFA also requests certain information to be attached and specifically labeled. Responses must be complete, address all aspects of the RFA, and include all requested information to receive full consideration by the City in the selection process. The City may choose to waive any irregularities in any responses received and reserves the right to reject any and all applications.

The City desires to enter into a contract of mutual party benefit and will answer all questions pertaining to this RFA. Please note the following calendar of events for the dates and times of key elements in the application process.

CALENDAR OF EVENTS

Tuesday, May 3, 2022	RFA distributed to prospective financial institutions
Monday, May 16, 2022	Non-Mandatory Pre-Application Conference (11:00 a.m.)
Friday, May 20, 2022	Deadline for questions/Requests for additional information (3:00 p.m.)
Wednesday, May 25, 2022	Responses to related questions provided to prospective financial institutions (5:00 p.m.)
Friday, June 10, 2022	Responses due to Chief Financial Officer (3:00 p.m.)
After Monday, June 13, 2022	Applicant demonstrations, if requested
Tuesday, July 12, 2022	City Council consideration of contract award (6:30 p.m.)
Monday, August 1, 2022	New Bank Depository Services Agreement period begins

APPLICATION REQUIREMENTS

One (1) original (so marked) and four (4) complete copies of the application, the flash drive, and the good faith performance check, sealed and clearly marked **“Primary Depository Application Enclosed”**, shall be delivered to the City by 3:00 P.M., on Friday, June 10, 2022 and addressed:

City of Bellmead – City Hall
Attn: Holly Owens, City Secretary
3015 Bellmead Drive
Bellmead, TX 76705
254-412-7501

NO APPLICATION SHALL BE ACCEPTED AFTER 3:00 P.M. ON FRIDAY, JUNE 10, 2022.

The applicant shall use this RFA as the Official Response Form. Submitted prices, rates, conditions, and answers shall be included as part of the final contract. The signed, submitted response must include printed copies of all completed worksheets and will be deemed the respondent’s official response. To reduce errors and increase the ease of both response and evaluation, the City is providing the RFA in MS-Word format and Fee Schedule in MS-Excel format. The RFA is a Word document to enable the applicant to respond to the questions and incorporate comments into the RFA. The MS –Excel worksheet of the Fee Schedule is to provide unit prices for the bank service items listed and be extended for the activity volume indicated for each item, to arrive at a total service cost.

The Excel fee schedule information and a PDF of the complete application are required to be provided on a Flash Drive with the application.

BASIS OF AWARD

The City will award the contract to the applicant(s) whose response provides the best value for the City based on all factors which have a bearing on price and performance of the required services including, but not limited to, compliance with all RFA requirements, delivery, and the City’s needs.

The City reserves the right to contact any applicant, at any time, to clarify, verify, or request information regarding any application. Unless stipulated in the attached RFA, the contract will be awarded to the applicant who provides goods and services specified herein at the best value for the City in compliance with Chapter 105 of the Texas Local Government Code. The City reserves the right to waive any formality or irregularity, to make awards to more than one applicant, or to reject any or all applications.

Applicants must qualify under current Texas law as a State or National bank to serve as a municipal depository bank.

Applicants shall supply a good faith performance check of \$5,000.00. The good faith performance check shall be in the form of a cashier’s check made payable to the City and shall be returned to each unsuccessful applicant immediately following contract award and to the successful applicant upon final acceptance and execution of the contract. Should the institution selected as the successful applicant by the City fail to become a bank service provider, for whatever reason, the good faith performance check will be forfeited to the City as liquidated damages.

Transfer of funds will commence at such time the successful applicant has provided the City with all required forms and supplies necessary to ensure uninterrupted day-to-day operations. The successful applicant commits its “best efforts” to complete the execution of documentation and receipt of funds by the July 1, 2020 contract period start date. Failure to complete the execution of documentation and receipt of funds by the start date, at the discretion of the City, could be considered grounds for the good faith performance check forfeiture and alternative bank selection.

The successful applicant, upon termination of this contract, agrees to cooperate with a new bank for transfer of funds.

There will be no reading of the applications or other details provided when the sealed applications are opened following the application submission deadline. Upon written request, non-confidential information on the accepted application will be available after the City Council selects the successful applicant.

Any questions concerning this RFA should be directed via e-mail only, with “RFA 22-01” in the subject line, to:

Karen Evans, CPA
Chief Financial Officer
City of Bellmead
Email: kevans@bellmead.com

APPLICATION SUBMITTED BY

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

Name of Financial Institution

FDIC Certificate #

Address of Financial Institution

Telephone #

Email Address

Officer Name & Title (printed)

Officer Signature _____

Signature indicates respondent accepts the specifications, terms and conditions of this solicitation and that respondent is not delinquent on any payment due the City or involved in any lawsuit against the City.

Date:

CRITERIA FOR EVALUATION

The City shall carefully review the submitted applications. The evaluation of the applications will be based on, but not limited to, the following criteria, in no particular order of priority:

1. Ability to perform and provide the required and requested services;
2. Reputation of applicant and quality of services;
3. Cost of services;
4. Transition cost, retention and transition offers and incentives;
5. Funds availability;
6. Interest paid on interest bearing accounts and deposits;
7. Earnings credit calculation on compensating balances;
8. Completeness of application and agreement to points outlined in the RFA;
9. Convenience of location(s);
10. Previous service relationship with the City;
11. Financial strength and stability of institution.

REQUIRED DISCLOSURES

As defined in Section 105.015 (c), each applicant shall comply with the conflict of interest provision of Section 131.903 of the Texas Local Government Code regarding the selection of the depositories:

Sec. 131.903. CONFLICT OF INTEREST.

- (a) A bank is not disqualified from serving as a depository for funds of a political subdivision if:
- 1) An officer or employee of the political subdivision who does not have the duty to select the political subdivision's depository is an officer, director, or shareholder of the bank; or
 - 2) One or more officers or employees of the political subdivision who have the duty to select the political subdivision's depository are officers or directors of the bank or own or have a beneficial interest, individually or collectively, in 10 percent or less of the outstanding capital stock of the bank, if:
 - A. A majority of the members of the board, commission, or other body of the political subdivision vote to select the bank as a depository; and
 - B. The interested officer or employee does not vote or take part in the proceedings.
- (b) This section may not be construed as changing or superseding a conflicting provision in the charter of a home-rule municipality.

In addition, the following disclosures apply:

Disclosure of Interest: Pursuant to Chapter 176 of the Texas Local Government Code, a person, or agent of a person, who contracts or seeks to contract for the sale or purchase of property, goods, or services with the City of Bellmead, Texas must file a completed conflict of interest questionnaire which is available at <https://www.ethics.state.tx.us/forms/CIQ.pdf>. The conflict of interest questionnaire must be filed with the City of Bellmead, Texas no later than the seventh business day after the later of the date that the person or agent begins contract discussions or negotiations with the City or submits to the City an application, response to a request for proposal or bid, correspondence, or writing related to a potential agreement. An updated conflict of interest questionnaire must be filed in accordance with Chapter 176 of the Texas Local Government Code. An offense under Chapter 176 is a Class C misdemeanor.

Certificate of Interested Parties: In 2015, the Texas Legislature adopted House Bill 1295, which added section 2252.908 of the Texas Local Government Code and applies to all contracts entered into on or after January 1, 2016. The law states that a governmental entity may not enter into certain contracts with a business entity unless the business entity submits a disclosure of interested parties to the governmental entity at the time the business entity submits the signed contract to the governmental entity. The law applies, with few exceptions, to all contracts/purchases of a governmental entity that require action or vote by the governing body of the entity. The electronic filing application process can be started on the Texas Ethics Commission website at <https://www.ethics.state.tx.us/filinginfo/1295/>. The City acknowledges that publicly traded business entities are exempt from this requirement.

Anti-Boycott & Anti-Terrorism Verifications

In the event the ensuing contract has a value of \$100,000 or more and the company has 10 or more full-time employees:

Nondiscrimination against firearm and ammunition industries. Company verifies that it does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate during the term of this contract against a firearm entity or firearm trade association, as those terms are defined by Chapter 2274, Government Code, as enacted by S.B. 19, 87th Legislature, Regular Session.

Anti-Boycott of Energy Companies. Company verifies that it does not boycott energy companies and will not boycott energy companies during the term of this contract, as those terms are defined by Chapter 2274, Government Code, as enacted by S.B. 13, 87th Legislature, Regular Session.

Anti-Boycott of Israel. Company verifies that it does not boycott Israel and will not boycott Israel during the term of this contract, as those terms are defined by Chapter 2271, Texas Government Code, as enacted by H.B. 4170, 86th Legislature, Regular Session.

Foreign Terrorist Organizations. Company verifies that it is not engaged in business with Iran, Sudan, or a foreign terrorist organization, as those terms are defined by Chapter 2252, Texas Government Code, as enacted by S.B.252, 85th Legislature, Regular Session.

COVID-19 Anti-Passport Verification

In the event the ensuing contract is to be paid in whole or in part with State Funds:

Company Certification Regarding COVID-19 Vaccination. Company certifies that it does not require a customer to provide any documentation certifying the customer's COVID-19 vaccination or post-transmission recovery on entry to, to gain access to, or to receive service from Company's business during the term of this contract, and will not require such documentation during the term of this contract, as those terms are defined by Section 161.0085, Texas Health and Safety Code, as enacted by S.B. 968, 87th Legislature, Regular Session.

ACCOUNT ACTIVITIES

The City anticipates establishing an account configuration that consists of the following bank accounts:

21. Pooled Cash Account

The **Pooled Cash Account** serves as the City's master operating account into which wires are received, bank deposits are made, credit card settlements are cleared, and receipts from direct account debits and payments received through the internet are deposited. From this account, wire and ACH transfers are initiated, accounts payable checks are issued, payroll checks are issued, ACH files are prepared for employees with direct deposit, credit card fees and charge backs are presented, returned checks and deposit corrections are posted, and bank services account analysis fees are to be debited. Investment activity of purchases and sales are made from this account.

Accounts payable and other disbursement checks are issued weekly on Friday. The City issued 99 accounts payable checks totaling \$55,000, 61 Electronic Funds Transfer payments totaling \$508,000, and 11 ACH payments totaling \$143,000 in March 2022.

The City has approximately a 80-person payroll paid bi-weekly with an approximate amount of \$219,000 per month. The City offers its employees direct deposit of payroll with approximately 80 employees utilizing direct deposit. The ACH file is prepared and transmitted usually on Tuesday before payday on Thursday. The City offers its employees an HSA account and currently has 50 employees utilizing the program.

REQUIRED SERVICES

The following services are required to be provided as described and/or be provided in an alternative form that results in essentially the same outcome or capability.

1. ON-LINE BANKING SERVICES – The City **requires** on-line banking services accessible through the internet that at a minimum include balance reporting, initiation of ACH debits and credits and wire transfers, interbank account transfers, and placement of stop payments on checks. Additional capabilities should include the ability to reprint statements and export information to MS-Excel. The minimum balance reporting information should be for intra-day and 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, and should allow transaction search capability. Historical information should be maintained on-line and accessible for a minimum of six months.

Yes, can provide as requested/required.

No, cannot provide as requested/required.

Comment:

2. POSITIVE PAY AND ACCOUNT RECONCILIATION SERVICE – The City **requires** positive pay and the ability to offer full account reconciliation services on designated accounts from which checks are issued. The City would electronically transmit the issued check file to the Bank. The Bank would only honor those checks issued by the City that are pre-authorized through the positive pay system. Payment verification criteria will be date, check number, amount, and **payee name**. Please indicate what time exceptions are reported and when City instruction must be received.

Yes, can provide as requested/required.

No, cannot provide as requested/required.

Comment:

3. ACH – The City **requires** a robust ACH system with the capability to create ACH credits for direct deposit of payroll and vendor payments, and to direct debit customer accounts for A/R.

Yes, can provide as requested/required.

No, cannot provide as requested/required.

Comment:

4. ACH DIRECT DEBIT – As an additional service to its patrons, the City **requires** the capability to direct debit customer accounts for Utility Billing charges.

Yes, can provide as requested/required.

No, cannot provide as requested/required.

Comment:

5. ACH DEBIT BLOCKING AND FILTERING– The City **requires** ACH debit blocking capabilities on its accounts, with the ability to selectively permit specified ACH debits on certain accounts and restrict all ACH debits from certain accounts.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

6. ELECTRONIC DATA INTERCHANGE – The City **requires** Electronic Data Interchange (EDI) service capability on its Pooled Cash and TMTI Escrow accounts with the capability of obtaining monthly reports.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

7. POST NO CHECKS – The City **requires** the fraud protection feature or service that prevents checks from being posted to designated electronic-only accounts.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

8. TAMPERPROOF BANK BAGS – Will the bank provide tamperproof bank bags at no charge? If there is a charge, please provide cost information.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

9. BANK SUPPLIES – Will the bank provide deposit slips and endorsement stamps at no charge? If there is a charge, please provide cost information.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

10. FUNDS AVAILABILITY – The City **requires**, at a minimum, same day credit for all transactions submitted before 4:00 PM, subject to the bank’s availability schedule. The City shall have daily access to all collected funds.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

11. EMPLOYEE CHECK CASHING – The City **requires** the bank to cash checks issued to employees (with proper identification) without service charges or fees to the employee or the City and without requiring the employee to open an account with the bank.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

12. RETURNED CHECK REPROCESSING – The City **requires** deposited checks to be processed for collection at least twice before making non-paid checks available for download by the City within two business days of the final rejected presentment. The City **requires** same day notification of all returned items in excess of \$5,000.00.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

13. ACCOUNT ANALYSIS – The City **requires** account analysis statements 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, detail of services provided with quantities and unit fees for each, and total service cost, delivered to the City on a monthly basis. **This is also a requirement for “No Fee” or “Fee Waiver” applications.**

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

14. BANK STATEMENTS – The City **requires** that Statements be rendered 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. The City prefers the ability to view and download Bank statements online on a monthly basis, even if there is no activity for the account. Bank statements must include copies of deposit slips, and copies of the front and back of all checks. Accounts shall not be placed in dormant mode for inactivity.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

15. PAYMENT FOR SERVICES – The City **intends** to pay for all services provided by the earnings credit amount generated by account balances, or by direct payment, or a combination of both.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

16. ACCOUNT SETTLEMENT – Settlement of the excess/deficient condition as reflected by the group level account analysis is **required** to occur on a quarterly basis. If deficient, settlement is to be made by direct debit to the City’s Pooled Cash Account.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

17. RESEARCH – The City **requires** that all research requests are responded to within three business days of the request.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

18. BANK ERRORS – Bank errors resulting in lost interest to the City will be reimbursed by the Bank to the City. The Bank and the City will agree upon the method of reimbursement.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

19. INVESTMENT ACCOUNT - Please provide a description of the bank's best "hard dollar" interest earning option the City may utilize for cash in excess of general operating needs. If a sweep option is proposed, confirm its compliance with Local Government Code Chapter 2256, the "Public Funds Investment Act", and the City's Investment Policy.

Yes, can provide.

No, cannot provide.

Comment:

20. AUDIT CONFIRMATIONS – Bank will provide electronic account balance audit confirmations to the City's audit firm annually at **no charge**.

Yes, can provide as requested/required.

No, cannot provide as requested/required.

Comment:

20. BALANCE ASSESSMENT – State how the Bank will treat any Balance Assessment or balance-based fee applicable to the City (i.e. Deposit Supervisory Fee, Premium Assessment Fee, etc.): **(Also, please reflect treatment on the attached Fee Schedule)** Please indicate if the assessment will be for all depository balances or non-interest bearing balances only.

Fees to be waived.

Fees to be partially waived.

Fee to be passed in full to the City.

Comment:

21. RESERVE REQUIREMENT – State whether the Bank imposes a reserve requirement on balances used in calculating earnings credit.

Yes.

No

Reserve Requirement %

Comment:

22. HEALTH SAVINGS ACCOUNT – State whether the Bank has health savings accounts.

Yes.

No

Comment:

SERVICES THAT MAY BE CONSIDERED

The following services may be considered; please indicate the Bank's ability to provide the services as described and the associated set-up, maintenance and/or per item processing charges:

1. INTEGRATED DISBURSEMENT SERVICES – The City may consider different levels of outsourcing for its disbursement function including, but not necessarily limited to, check printing and distribution.

Yes, can provide.

No, cannot provide.

Comment:

2. CONTROLLED DISBURSEMENT – The City may consider the use of a controlled disbursement account (CDA). The controlled disbursement presentment notification should also be accessible through On-Line Banking Services. This information should be available and accessible by 10:00 A.M. local time. The Bank teller function would identify the account as a CDA to ensure honoring of presentments made at the Bank.

Yes, can provide as requested/required.

No, cannot provide as requested/required.

Comment:

3. REMOTE DEPOSIT CAPTURE – The City may consider remote deposit capture services for electronically preparing and submitting deposits. The City will require bank provided scanners for Municipal Court and Utility Billing departments.

Yes, can provide as requested/required.

No, cannot provide as requested/required.

Comment:

4. REVERSE POSITIVE PAY SERVICE – The City may consider reverse positive pay on the other check issuing accounts with limited and infrequent issuance. The Bank would notify the City of the checks being presented for payment and the City would select the items to be honored.

Yes, can provide as requested/required.

No, cannot provide as requested/required.

Comment:

5. CONSUMER BILL PAY PROCESSING - The City may consider this service (sometimes referred to E-Lockbox) for receipts of utility and other payments generated from personal customer bank bill pay programs. Daily, the remittance data and payment amount captured during processing would be transmitted to the City for the update of the accounts receivable file.

Yes, can provide as requested/required.

No, cannot provide as requested/required.

Comment:

6. COURIER OR ARMORED CAR SERVICES – The City currently has an employee take deposits to the bank but may consider a contract with a courier or armored car service to make daily deposits from one location to the financial institution. Can the bank provide a courier or

armored car service for the City? If so, please provide the details of the service and how it would be billed. The City currently deposits approximately \$25,000 per month in cash and coin.

Fees to be waived

Fees to be partially waived; billed through analysis

Fee to be passed in full to the City; billed through analysis

Cannot provide.

Comment:

7. BANK PROVIDED ATM – The City may install a Bank provided ATM for Employee and Public use.

Yes, can provide.

No, cannot provide.

Comment:

COLLATERAL REQUIREMENTS

1. COLLATERALIZATION – The successful applicant shall pledge collateral to satisfy the requirements of the Public Funds Collateral Act, Chapter 2257, Government Code, and the City’s Investment Policy. **Ledger Balance** shall determine the total balance level. The successful applicant shall pledge collateral equal to or in excess of the required level on a **same day basis**.

The City shall approve, in advance and in writing, all proposed collateral.

If **prior day ending ledger balance** is to be used as the basis for calculating the required collateral pledge, in order to minimize any period where the City balances could be under collateralized, the City will require that the pledged amount be maintained at a minimum of 110% of the **prior day ending ledger balance**.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

2. COLLATERAL AMOUNT – The maximum ledger balances could exceed \$4,000,000 in the aggregate. Historically, the average balances are less than \$3,000,000. Please clearly explain any collateral limitations or fees. The City shall approve, in advance, all proposed collateral increase and reduction requests. The City reserves the right to maximize or minimize bank balances regardless of historical patterns. It is expected that the successful applicant will monitor the collateral adequacy on a daily basis and provide additional collateral to secure balances as required.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

3. COLLATERAL CUSTODY – The pledged securities shall be at an independent custodian acceptable to both the City and the successful applicant. Monthly holding reports shall be filed with the City’s Chief Financial Officer. Please provide the name of the proposed independent custodian as well as any related fees.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

4. COLLATERAL SUBSTITUTION – Any substitutions of the pledged securities or reductions in the total amount pledged shall be made only by and with the proper written authorization of an authorized City signatory.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

5. COLLATERAL REPORT – The successful applicant **and** the custodian shall provide the City a monthly pledged securities report or additional reports at any time requested by the City. The report should describe the total pledged securities by:

Name
Type / Description
CUSIP
Par Value
Current Face Value
Market Value
Maturity Date
Rating by Moody’s or Standard & Poor’s

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

6. BOARD RESOLUTION – The Board of Directors or designated committee of the successful applicant will be required to provide a FIRREA compliant resolution of certification approving the award of the Agreement and commitment for delivery of the collateral to the custodian not later than five days before the commencement of the Agreement period. The following is an extract of the FIRREA requirement from the FDIC Code:

e) AGREEMENTS AGAINST INTERESTS OF CORPORATION.--

(1) IN GENERAL.--No agreement which tends to diminish or defeat the interest of the Corporation in any asset acquired by it under this section or section 11, either as security for a loan or by purchase or as receiver of any insured depository institution, shall be valid against the Corporation unless such agreement--

(A) is in writing,

(B) was executed by the depository institution and any person claiming an adverse interest thereunder, including the obligor, contemporaneously with the acquisition of the asset by the depository institution,

(C) was approved by the board of directors of the depository institution or its loan committee, which approval shall be reflected in the minutes of said board or committee, and

(D) has been, continuously, from the time of its execution, an official record of the depository institution.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

INVESTMENT ACTIVITIES

The Public Funds Investment Act in conjunction with the City’s Investment Policy shall govern the City’s investment activity and the successful applicant will be required to provide services within the constraints of both.

1. **DIRECT INVESTMENT ALTERNATIVE** – The City’s direct investment activities may take place in any and all the City accounts. The City shall have the right, at its sole discretion, to direct investment of its funds. Interest earnings on interest bearing accounts shall be credited monthly regardless of the amount, with no minimum amount restriction.

As part of the City’s investment strategy the City reserves the right to open any number of accounts at other financial institution(s), in the form of DDA, MMA, and /or CDs as deemed appropriate by the City’s management and adopted Investment Policy. The Investment Policy outlines City’s options for investing. The Policy is subject to annual review and revision by the City Council.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

2. **CERTIFICATES OF DEPOSIT** – Certificates of Deposit (CD’s) purchased for the City shall be non-negotiable and shall be registered in the name of the City. The CDs must be fully insured by the F.D.I.C. or collateralized in accordance with the RFA requirements. Proof of collateral must be supplied to the City prior to CD settlement.

Extension of CDs – The successful applicant agrees to honor and continue any CD made during the term of the Agreement that will mature after the expiration date of the Agreement at the same rate established at the time of placement.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

3. **CERTIFICATES OF DEPOSIT \$250,000 (OR MORE):** Please provide the basis or formula for determining the interest rate.

Term	Rate	Minimum \$	Maximum \$
7 to 29 days	_____	_____	_____
30 to 59 days	_____	_____	_____
60 to 89 days	_____	_____	_____
90 to 119 days	_____	_____	_____
120 to 149 days	_____	_____	_____
150 to 179 days	_____	_____	_____
180 to 269 days	_____	_____	_____
270 to 364 days	_____	_____	_____
1 to 2 years	_____	_____	_____
2 to 3 years	_____	_____	_____

4. SAFEKEEPING/CUSTODY SERVICES – The City requests that the bank provide safekeeping services for the securities owned by the City or offers an alternative option for safekeeping services. All securities will be handled on a Delivery Versus Payment (DVP) basis as they are cleared into and out of the City’s account.

The Bank will act as securities clearing agent for all security purchases made by the City and for sales of securities from the investment portfolio and will provide the necessary wire transfer and physical delivery services required to support investment activities. Necessary controls will be negotiated with the Bank. Confirmation of trades must be provided to the City within one business day.

Security clearance and safekeeping services shall be governed by a “Safekeeping Agent” or similar agreement executed between the City and the bank. All interest payments on securities held are to be posted on the due date or on the next business day in the event the due date falls on a weekend or bank holiday. The City must be notified within seven (7) days of a call date notice for any securities called prior to maturity.

The City prefers a web-based Safekeeping transaction monitoring and reporting mechanism.

All fees related to investment services provided by the Bank, including safekeeping services, should be itemized and included on the Fee Schedule submitted in response to this RFA. Also, please provide a schedule of securities safekeeping fees as a part of the Response Attachments.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

5. SEPARATE SECURITIES CLEARANCE/SAFEKEEPING SERVICES – The City may select a separate bank for Securities Clearance and Safekeeping Services for securities owned by the City. If the bank would consider such a relationship, please clearly indicate and provide all itemized fees related to a separate securities clearance and safekeeping services agreement as a part of the Response Attachments under Securities Safekeeping Fees. The requirements of the Securities Clearing and Safekeeping Services relationship are described above.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

6. COST SHARING OR CREDIT FOR THIRD PARTY SAFEKEEPING SERVICES – If the bank would consider a cost sharing arrangement or offer a credit for third party securities clearance and safekeeping services, please provide details of the offer.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

OVERDRAFT PROVISIONS

1. NET OVERDRAFT DEFINED – The City does not intend to have a net overdraft position occur during the course of the Agreement period. A net overdraft shall be defined as a negative balance in the City’s accounts **collectively**, not by individual account. Please stipulate any deviation from this definition.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

2. NOTIFICATION – In the event a check or checks shall be presented for payment where there are insufficient funds in City’s collective accounts, the successful applicant agrees to promptly notify the Chief Financial Officer or other signatory person, by telephone or other means, of the overdraft condition, and to provide the City the agreed upon time to respond and rectify the condition.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

3. STIPULATIONS – Should a net overdraft condition occur, the following shall apply:

Maximum number of banking days the overdraft shall be allowed:

Maximum amount of the overdraft: \$

Interest rate per annum computed on the overdraft: %

NSF charge (if applicable): \$

Comment:

OTHER STIPULATIONS

1. REGULATION NOTIFICATIONS – The successful applicant shall notify City in writing within thirty (30) days of any changes in Federal or State regulations or laws that would affect the Agreement.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

2. INCOMING WIRE TRANSFERS - Notification of incoming wire transfers shall be made by telephone or email to the Chief Financial Officer within one hour of the transaction and a written confirmation mailed to the City the same day of the transaction.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

3. RIGHT TO CANCEL UNDER FEDERAL OR STATE LAW RULINGS – In the event it would be ruled illegal under the provisions of any Federal or State laws or regulations for the successful applicant to comply with the requirements of the Agreement, then the City expressly reserves the right and privilege to cancel the Agreement and to re-solicit applications.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

4. ACCESS TO BANK RECORDS – The successful applicant’s records relating to the City’s accounts shall be open for review during normal business hours by designated City staff members or appointed independent auditors.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

5. RIGHT TO OPEN & MAINTAIN OTHER ACCOUNTS – The City reserves the right to open and maintain one or more demand, money market, NOW, and/or CD accounts at financial institutions not affiliated with the successful applicant.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

6. SECONDARY BANK DEPOSITORY – As a component of its disaster recovery plan, the City would consider maintaining a contractual agreement for a secondary Depository Bank relationship should an event occur that makes the primary bank depository inaccessible to the City. Depending on the outcome of this solicitation for a primary bank depository relationship, would the Bank consider entering into this secondary relationship?

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

7. RIGHT TO TERMINATE – The City expressly reserves the right to terminate the Agreement with or without cause at any time by providing ninety (90) days written notice to the successful applicant to close its accounts.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

8. TERMS FIXED – All fees, rates, and conditions shall be fixed for the entire Agreement period, including any and all continuations.

Yes, can provide as requested/required. No, cannot provide as requested/required.

Comment:

9. ONE RELATIONSHIP OFFICER – City requests **one** relationship manager to coordinate the successful applicant’s efforts directly responsible for facilitating all City/applicant interaction. Additionally, please include the resume of the relationship manager assigned to the City’s account.

Description	Name	Title	Phone
Relationship Officer			
Mailing Address		Email Address	

MISCELLANEOUS

1. SEMI-ANNUAL MEETING – The City shall **require** a review meeting at least once every six months to evaluate the working relationship between the City and the successful applicant. The objective shall be to address any problems and to seek solutions as well as keeping abreast of changes, new services, or new requirements.

Yes, can provide as requested/required.

No, cannot provide as requested/required.

Comment:

2. FORMAL AGREEMENT REQUIRED – The final appointment of the successful applicant shall be made by the City of Bellmead City Council. The successful applicant shall be required to enter into an Agreement that incorporates all of the requirements of their official response to this RFA, along with the accompanying related schedules and materials as called for in this RFA. The formal agreement should include: a depository bank services agreement, a collateral custodial agreement, and a FIRREA compliant resolution of certification (see #6 under the Collateral Requirements). ***A sample of the Proposed Agreement form is found as Exhibit 3.***

Yes, can provide as requested/required.

No, cannot provide as requested/required.

Comment:

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

Karen Evans, Chief Financial Officer

EXHIBIT 1

BANK TRANSACTIONS BY ACCOUNT

ACCT	DESCRIPTION	BEGINNING BALANCE	-----CREDITS-----		-----DEBITS-----		ENDING BALANCE
			NUMBER	AMOUNT	NUMBER	AMOUNT	
4644	Pooled Cash Account	7,807,242	231	1,086,896	150	952,825	7,941,313
	TOTAL	\$ 7,807,242	231	\$ 1,086,896	150	\$ 952,825	\$ 7,941,313

EXHIBIT 2

ACCOUNT ANALYSIS SUMMARY

Period	Avg Ledger	Less Avg Float	Avg Collected	Reserve Req.	Avg. Net Collected
Apr-21	\$ 8,814,005	\$ (14,636)	\$ 8,799,368	\$ -	\$ 8,799,368
May-21	8,958,767	(14,888)	8,943,879	-	8,943,879
Jun-21	9,064,776	(9,571)	9,055,206	-	9,055,206
Jul-21	9,404,902	(13,429)	9,391,473	-	9,391,473
Aug-21	9,872,410	(10,508)	9,861,902	-	9,861,902
Sep-21	10,252,320	(12,220)	10,240,100	-	10,240,100
Oct-21	-	-	-	-	-
Nov-21	9,148,210	(8,751)	9,139,458	-	9,139,458
Dec-21	8,914,629	(5,578)	8,909,051	-	8,909,051
Jan-22	8,195,273	(11,796)	8,183,477	-	8,183,477
Feb-22	7,854,751	(7,423)	7,847,327	-	7,847,327
Mar-22	7,933,658	(11,072)	7,922,586	-	7,922,586
Total	\$ 98,413,700	\$ (119,872)	\$ 98,293,829	\$ -	\$98,293,829
Average	\$ 8,201,142	\$ (9,989)	\$ 8,191,152	\$ -	\$ 8,191,152

EXHIBIT 3

SAMPLE BANK DEPOSITORY SERVICES AGREEMENT

THIS BANK DEPOSITORY SERVICES AGREEMENT hereinafter called the “Agreement”, is made and entered into on the date last herein written by and between the City of Bellmead, Texas, hereinafter called the “City”, and _____ a banking association, organized under the law of the United States and authorized by law to do banking business in the State of Texas, hereinafter called the “Bank”, and provides as follows:

1. **Designation of Depository.** The City, through action of the City Council, on April 14, 2020, hereby designates Bank as a primary depository bank for the period beginning July 1, 2020, and **continuing** through June 30, 2022, with the option for three (3) one-year extensions under the same terms and conditions.

2. **General.** 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. All services rendered to City by Bank under this Agreement shall be performed in accordance with accepted commercial banking standards for public fund organizations and under the overall direction and instructions of City pursuant to Bank’s standard operations, policies, and procedures.

3. **Scope of Services.** Bank agrees to provide those services as described in the City of Bellmead Request for Application for Bank Depository Services released on January 8, 2020 hereinafter referred to as the “RFA”. The RFA and Bank’s response to the RFA, hereinafter referred to as the “Application”, are incorporated herein by reference. Bank acknowledges that all services performed by Bank are subject to the approval of City. If any provisions of the RFA, the Bank’s response to the RFA or this Agreement are in conflict, this Agreement, the RFA, and the Bank’s response to the RFA will control in that order.

4. **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 presentation.”

5. **City Representatives.** During the term of this Agreement, City will, through appropriate action of its City Council, designate the officer, or officers, who singly or jointly will be authorized to represent and act on behalf of City in any and all matters of every kind arising under this Agreement and to (a) appoint and designate, from time to time, a person or persons who may request withdrawals, orders for payment or transfer on behalf of City in accordance with the electronic funds or funds transfer agreement and addenda, and (b) make withdrawals or transfer by written instrument.

6. **Custodian.** City and Bank, by execution of this Agreement, hereby designate _____ as custodian, hereinafter called “Custodian”, to hold in trust, according to the terms and conditions of this Agreement, the collateral described and pledged by Bank in accordance with the provisions of this Agreement.

7. **Custodian Fees.** Any and all fees associated with Custodian's holding of collateral for the benefit of City will be paid by Bank and City will have no liability therefore.

8. **Entire Agreement.** The entire agreement between Bank and City shall consist of this Agreement, City's RFA (except to the extent Bank took specific exceptions in the Bank's Application), Bank's Application, the Custodial Agreement with Custodian, and other such bank service agreements, policies and documents as may be required and approved by the parties (together, the "Banking Agreements"), each incorporated by reference as they presently exist and each listed in governing order of precedence in the event of conflict among the documents. This Agreement supersedes any and all prior representations, statements, and agreements, whether written or oral. The terms and provisions of this Agreement may not be amended, altered, or waived except by mutual agreement evidenced by a written instrument signed by duly authorized representatives of both parties.

9. **Collateralization.** All funds on deposit with Bank to the credit of City shall be secured by collateral as provided for in the Public Funds Investment Act (Chapter 2256 of the Texas Government Code as amended), the Public Funds Collateral Act (Chapter 2257 of the Texas Government Code), City's Investment Policy, and Bank's Application.

If marketable securities are pledged, the total market value of the securities securing such deposits will be in an amount at least equal to the minimum required amount as per City's Investment Policy. The market value of any pledged securities (collateral) will be obtained from non-Bank-affiliated sources. Bank will monitor and maintain the required collateral margins and levels at all times.

Bank has heretofore, or will immediately hereafter, deliver to Custodian collateral of the kind and character above mentioned of sufficient amount and market value to provide adequate collateral for the funds of City deposited with Bank. Custodian will accept said collateral and hold the same in trust for the purposes herein stated. Said collateral or substitute collateral, as hereinafter provided for, shall be kept and retained by Custodian in trust so long as deposits of City remain with Bank. Bank hereby grants a security interest in such collateral to City.

If at any time the collateral in the hands of Custodian shall have a market value in excess of the required balances, City may authorize the withdrawal of a specified amount of collateral, and Custodian shall deliver this amount of collateral (and no more) to Bank.

If surety bonds or letters of credit are utilized, City shall agree as to the issuer and form of contract prior to pledge. The amount of surety bonds or letters of credit will be at least equal to the minimum required amount as per City's Investment Policy. The termination or expiration of any surety bond or letter of credit shall be a minimum of two (2) business days after City anticipates withdrawing the secured deposit.

10. **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.

11. **Successors.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, if any. Whenever a reference is made herein to either party, such reference shall include the party's successors and assigns.

12. **Non-Assignability.** This Agreement is not assignable in whole or in part.

13. **Compensation.** City and Bank agree that any compensation for the performance of all duties and services is set forth in the Application accepted by City. Except as may otherwise be provided in the Banking Agreements, said compensation shall constitute full payment for all services, liaison, products, materials, and equipment required to provide the professional banking services, including services, materials, training, equipment, travel, overhead, and expenses. Fees shall be fixed for the term of the Banking Agreements, including all extensions.

14. **Consideration.** The Banking Agreements are executed by the parties hereto without coercion or duress and for substantial consideration, the sufficiency of which is forever confessed.

15. **Counterparts.** The Banking Agreements may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes. A facsimile signature will also be deemed to constitute an original if properly executed.

16. **Authority to Execute.** The individuals executing the Banking Agreements on behalf of the respective parties below represent to each other and to others that all appropriate and necessary action has been taken to authorize the individual who is executing the Banking Agreements to do so for and on behalf of the party for which his or her signature appears, that there are no other parties or entities required to execute the Banking Agreements in order for the same to be an authorized and binding on the party for whom the individual is signing and that each individual affixing his or her signature hereto is authorized to do so,

17. **Governing Law and Venue.** This Agreement shall be governed by the laws of the State of Texas. McLennan County will be the venue for any lawsuit arising out of this Agreement.

18. **Notices.** Except as may otherwise be specified in the applicable service-level agreements and/or set-up forms, any demand, notice, request, instruction, designation, or other communication(s) required in writing under this Agreement shall be personally delivered or sent certified mail, return receipt requested, to the other party as follows:

Bank: _____, _____

_____, _____

City: Karen Evans, Chief Financial Officer
City of Bellmead
3015 Bellmead Drive

Changes to notice information may be made by either party with written notification to the other party.

19. **Severability.** If any provision of this Agreement is held to be illegal, invalid, or unenforceable by a court of competent jurisdiction, the parties, shall, if possible, agree on a legal, valid, and enforceable substitute provision that is as similar in effect to the illegal, invalid, or unenforceable provision as possible. The remaining portion of the Agreement not declared illegal, invalid, or unenforceable shall remain valid and in full force and effect for the term remaining.

20. **Binding Commitment.** Bank hereby acknowledges itself duly and firmly bound for the faithful performance of all the duties and obligations required by applicable law, including the Government Code and Local Government Code, such that all funds deposited with it as depository shall be faithfully kept by it and accounted for according to law.

21. **Termination.** This Agreement may be terminated by either the City or the Bank, for any reason or no reason, by giving ninety (90) days prior written notice to the other party. Notices will be delivered as required and addressed in item 18.

22. **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 recorded in the official records of the Bank.

23. **Continuation.** Unless this Agreement is terminated sooner, Bank’s designation as the primary City Depository will remain continuously in effect through July 31, 2022, subject to execution of the extension options if applicable. Executed by the undersigned duly authorized officers of the parties hereto:

CITY OF BELLMEAD, TX

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

ATTEST:
By: _____
Name: _____
Title: _____

ATTEST:
By: _____
Name: _____
Title: _____

FEE SCHEDULE

**Fee Schedule
From November 2019 Account
Analysis**

Monthly Fee Estimate

	# UNITS/ ACTIVITY	UNIT PRICE	EXTENDED FEE
<u>Balance Assessment Fee</u>			
Balance Assessment Fee	3,000,000		
<u>General Account Services</u>			
Account Maintenance	2		-
Checks Paid - Debits	202		-
Deposits - Credits	135		-
Regular Statements	2		-
<u>Depository Services</u>			
Cash Deposited per \$100			-
Cash Paid Out per \$100			-
Return Item Converted Check Redeposit			-
Deposited Checks - On US	133		-
Deposited Checks - Transit	404		-
Deposit Corrections Night Drop			-
Coin Bag Deposit in Branch			-
Per Change Order Fee in Branch			
Rolled Coin Ordered in Branch			
Cash Ordered in Branch			
Return Item – Chargeback			
Redeposit Fee			
Image Return Item Service Monthly Base			
Admin Return Item-Repaired ACH Item			
<u>Paper Disbursement Services</u>			
Stop Payment-Online			-
Image View <90 days - Item			-
Positive Pay Monthly Base			-
Positive Pay Item Fee			-
Image Paid Check Monthly Base			-
DDA Check Paid			-
Online Search			-

Check Cashed for Non-Account Holder				
Stop Payment-Auto Renewal				
Paper Disbursement Recon				
Full Check Recon Maintenance	1			-
Full Check Recon Per Item	202			-
Recon Reports – Transmission	1			-
Automated Clearing House				
ACH Debits				-
ACH Credits	133			-
ACH Returns Report – Fax				-
ACH Return Item - Debit				-
ACH Maintenance				-
ACH Debit - Per Item				-
ACH Pre-notes				-
ACH Input Fee				-
ACH Credits - Per Item				-
ACH Return Item - Credit				-
ACH Authorization Services				-
Enhanced ACH Authorization Service				-
ACH Debit Blocking Maint				-
ACH Debit Blocking per Account				
EDI Services				
EDI On-line Reporting per Day				-
EDI Items On-line				-
Funds Transfer Services				
Incoming Wire Transfer				-
Outgoing Wire – Repetitive				-
Outgoing Wire - Non-repetitive				-
Wire Transfer Maintenance				-
Book Transfer				-
On-Line/Information Services				
DDA Statements				-
Stmnt On-line Image Maintenance				-
On-line Images Stored				-
Stmnt Item Images Retrieved				-

On-line Alerts

				-
--	--	--	--	---

Custody/Safekeeping Services

Custody - Safekeeping On-line
 Custody - Monthly Maintenance
 Security Clearance Charges/Trade
 Security Clearance Charges/Trade/Fed
 Security Clearance/Trade/DTC
 Safekeeping Charges/Month
 Safekeeping Charges/Security/Month/Fed
 Safekeeping Charges/Security/Month/DTC
 Safekeeping Charges/average par value

				-
				-
				-
				-
				-
				-
				-
				-
				-
				-
				-

Other Monthly

Collateral Fee (max. balances)
 Collateral Account Maintenance

3,000,000				-
1				-

Est Total Monthly Fees

				-
--	--	--	--	---

Other

Night Depository Bags (one time charge)
 Tamper Proof Disposable Deposit Bags
 Self-inking Endorsement Stamps
 Carbonless Deposit Tickets

Total Other Charges

				-
--	--	--	--	---

Earnings Credit

Formula/Rate Basis
 Current Rate
 Avg Collected Balance
 Less Reserve Requirement
 Investible Balance
 Est Monthly Earnings Credit

		0.000%		
		3,000,000		
		-		
		3,000,000		
				-

Checking Account Interest

Formula/Rate Basis
 Current Rate

		0.000%		

Avg Collected Balance

3,000,000

Est Monthly Earnings

-

Less Sweep Fee

-

Est Net Monthly Earnings

-

RESPONSE ATTACHMENTS

(PLEASE ATTACH IN THE ORDER LISTED)

1. ACCOUNT ANALYSIS – A pro-forma account analysis statement using your format and service descriptions that reflect your proposed fees and indicate any capability to provide the information electronically.
2. RATE BASIS – Explanation of the institution’s policy and methodology used in setting rates paid on interest bearing accounts and account analysis earnings credit. 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.
3. SAMPLE COLLATERAL AGREEMENT.
4. SECURITY MEASURES – Information describing the institution’s security measures to prevent fraud and unauthorized electronic and non-electronic transfers, and protect the integrity of computer banking services and internal computer systems.
5. TECHNOLOGY SPECIFICATIONS – Technology specifications for use of all proposed electronic systems and services.
6. SAMPLE SAFEKEEPING REPORT OF CITY OWNED SECURITIES – Sample safekeeping report of the City owned securities that the City will receive monthly.
7. SECURITIES SAFEKEEPING FEES – Schedule of Securities Safekeeping Fees.
8. INVESTMENT ACCOUNT INFORMATION – Information on the sweep account or investment account recommended for use by the City. Provide information for the Bank’s most attractive interest yielding option.
9. SUMMARY BUSINESS CONTINUITY PLAN – Summary of the institution’s business continuation plans as they pertain to the City’s ability to perform normal banking functions during natural and un-natural bank operation disruptions, including a Statement of Commitment to provide the City continuous and ongoing bank depository services to the best of the financial institution’s ability.
10. REFERENCES – List of at least three (3) comparable references and current Texas Public Funds Clients, with total number of collateralized Texas Public Fund Clients.
11. SAMPLE FIRREA COMPLIANT DOCUMENT. A sample copy of the Bank’s Document that clearly shows that the Bank’s Board or designated committee has accepted the depository contract and authorized the pledge of collateral, with a permanent record of this action to be maintained in the minutes of the Bank.

12. COMPLETED FEE SCHEDULE IN EXCEL – Be sure to provide a completed copy of the Fee Schedule in Excel on the flash drive provided with the application submission.

Fee Schedule
From March 2022 Account Analysis

	# UNITS/ ACTIVITY	Monthly Fee Estimate UNIT PRICE	EXTENDED FEE
Balance Assessment Fee			
Balance Assessment Fee	7,934		-
General Account Services			
Account Maintenance			-
Checks Paid - Debits	121		-
Deposits - Credits	71		-
Hybrid Checking Maintenance	1		-
Depository Services			
Cash Deposited per \$10	8,100		-
Over the Counter Deposit Tickets	1		-
Night Drop Bag Deposit	7		-
Deposited Checks - On US	1		-
Deposited Checks - Transit	12		-
Remote Deposit Capture Tickets	53		-
Remote Deposit Check Images	899		-
Deposit On-Site Monthly Fee	2		-
Rolled Coin Ordered in Branch	41		-
Cash Ordered in Branch	151		-
Return Item – Chargeback	3		-
Redeposit Fee	2		-
Image Return Item Service Monthly Base			-
Admin Return Item-Repaired ACH Item			-
Paper Disbursement Services			
Stop Payment-Online	3		-
Image View Item	12		-
Positive Pay Monthly Base	1		-
Teller Positive Pay Maintenance	1		-
Payee Review Maintenance	1		-
Payee Review Items	121		-
PosPay Exceptions Loaded	19		-
Issue File Import	4		-
Issue Add/Cancel	1		-
Issue File Import Item	99		-
Paper Disbursement Recon			
Full Check Recon Maintenance	1		-
Full Check Recon Per Item	121		-
Recon Reports - Transmission			-
Automated Clearing House			
ACH Debits	13		-
ACH Credits	102		-
ACH Returns Report - Fax			-
ACH Return Item - Debit			-
ACH Maintenance	1		-
ACH File Processed	10		-

Fee Schedule

From March 2022 Account Analysis

Monthly Fee Estimate

	# UNITS/ ACTIVITY	UNIT PRICE	EXTENDED FEE
ACH Debit/Credit Originated	498		-
Addenda Originated/Received	7		-
ACH NOC Item	1		-
ACH Positive Pay Monthly Service	1		-
ACH Authorization Services			-
Enhanced ACH Authorization Service			-
ACH Debit Blocking Maint			-
ACH Debit Blocking per Account			
<u>EDI Services</u>			
Electronic Payments Received	117		-
Remittance Report - PDF	23		-
Elec Receivables Rept Monthly Maintenance	1		-
<u>Funds Transfer Services</u>			
Incoming Wire Transfer			-
Outgoing Wire - Repetitive			-
Outgoing Wire - Non-repetitive			-
Wire Transfer Maintenance			-
Book Transfer			-
<u>On-Line/Information Services</u>			
Previous Day Account	1		-
Current Day Account	1		-
Info Reporting Monthly	1		-
Prev Day Transaction	414		-
Current Day Transaction	353		-
Outstanding Check Report	1		-
Event Notification Email	33		-
Module Fees	6		-
Special Reports	21		-
Information Reporting	7		-
<u>Custody/Safekeeping Services</u>			
Custody - Safekeeping On-line			-
Custody - Monthly Maintenance			-
Security Clearance Charges/Trade			-
Security Clearance Charges/Trade/Fed			-
Security Clearance/Trade/DTC			-
Safekeeping Charges/Month			-
Safekeeping Charges/Security/Month/Fed			-
Safekeeping Charges/Security/Month/DTC			-
Safekeeping Charges/average par value			-
<u>Miscellaneous</u>			
Printed Analysis Statement Fee	1		-
<u>Other Monthly</u>			
Collateral Fee (max.balances)	3,000,000		-
Collateral Account Maintenance	1		-

Fee Schedule
From March 2022 Account Analysis

	Monthly Fee Estimate		
	# UNITS/ ACTIVITY	UNIT PRICE	EXTENDED FEE
Est Total Monthly Fees			-

Other

Period	Avg Ledger	Less Avg Float	Avg Collected	Reserve Req.	Avg. Net Collected
Apr-21	8,814,005	(14,636)	8,799,368	-	8,799,368
May-21	8,958,767	(14,888)	8,943,879	-	8,943,879
Jun-21	9,064,776	(9,571)	9,055,206	-	9,055,206
Jul-21	9,404,902	(13,429)	9,391,473	-	9,391,473
Aug-21	9,872,410	(10,508)	9,861,902	-	9,861,902
Sep-21	10,252,320	(12,220)	10,240,100	-	10,240,100
Oct-21	-	-	-	-	-
Nov-21	9,148,210	(8,751)	9,139,458	-	9,139,458
Dec-21	8,914,629	(5,578)	8,909,051	-	8,909,051
Jan-22	8,195,273	(11,796)	8,183,477	-	8,183,477
Feb-22	7,854,751	(7,423)	7,847,327	-	7,847,327
Mar-22	7,933,658	(11,072)	7,922,586	-	7,922,586
Total	98,413,700	(119,872)	98,293,829	-	98,293,829
Average	8,201,142	(9,989)	8,191,152	-	8,191,152

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City of Bellmead

Investment Policy

April 12, 2022

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II. SCOPE

The Investment Policy applies to the investment activities of the Government of the City of Bellmead (the “City”). These policies serve to satisfy the statutory requirements of the Texas Government Code Chapters 2256 (the “Public Funds Investment Act” or the “Act”) and 2257 (the “Collateral Act”) to define and adopt a formal investment policy. This Policy will be reviewed and adopted by resolution of the City Council at least annually according to the Act.

All financial assets of all funds of the City, including the General Fund, Water and Sewer Utility Fund, Capital Projects Funds, Special Revenue Funds, Debt Service Funds, and all other funds that may be created by the City from time to time, and any funds held in the City’s custody, unless expressly prohibited by law or unless it is in contravention of any depository contract between the City and any depository bank. The Bellmead Economic Development Corporation shall be incorporated as a component unit.

III. INVESTMENT OBJECTIVES

A. SAFETY

Safety of principal is the foremost objective of the City. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of investments. Diversification strategies shall be determined and revised periodically.

B. LIQUIDITY

The investment portfolio will remain sufficiently liquid to enable the City to pay current obligations as they become due. Portfolio maturities will be structured to meet the obligations of the City first, and then to achieve the highest return of interest consistent with the objectives of this Policy. When the City has funds that will not be needed to meet current-year obligations, maturity restraints will be imposed based upon the investment strategy for each fund.

C. PUBLIC TRUST

Investment Officers shall seek to act responsibly as custodians of the public trust. Investment Officers shall avoid any transaction that might impair public confidence in the City’s ability to govern effectively.

D. YIELD

It will be the objective of the City to earn the optimum rate of return allowed on its investments within the constraints imposed by its safety and liquidity objectives, investment strategies for each fund, and state and federal law governing investment of public funds.

IV. INVESTMENT COMMITTEE

A. MEMBERS

The members of the City's Investment Committee shall be the Mayor of the City (or his/her designee), the City Manager, the Chief Financial Officer, and the Accountant. The Investment Committee shall receive quarterly reports, as outlined in this Policy, and monitor the results and performance of the investment portfolio.

B. SCOPE

The Investment Committee shall include in its deliberations such topics as: investment strategy, return on investments, economic outlook, portfolio diversification, maturity structure, potential risk to the City's funds, independent training sources, and authorized broker/dealers.

C. PROCEDURES

The Investment Committee shall provide for minutes of its meetings. Any member may request a special meeting, and three members shall constitute a quorum. The Investment Committee shall establish its own rules of procedure.

V. RESPONSIBILITY AND CONTROL

A. DELEGATION

Management responsibility for the investment program is hereby delegated to the Chief Financial Officer, who is responsible for all investment decisions and activities. The Chief Financial Officer and City Manager shall be the City's Investment Officers. Investment Officers are authorized to deposit, withdraw, invest, transfer, execute documentation, and otherwise manage City funds according to this Policy. The Chief Financial Officer may designate specific City personnel to assist with various investment-related activities. The Chief Financial Officer shall be responsible for all transactions and compliance with the internal controls, to ensure that the safekeeping, custodial, and collateral duties are

consistent with this Investment Policy.

B. MANAGEMENT AND INTERNAL CONTROLS

The Chief Financial Officer shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the Investment Committee and with the independent auditor. The controls shall be designed to reasonably prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City. Dual control of all investment activities will consistently be maintained by the Chief Financial Officer.

C. INVESTMENT MANAGEMENT FIRM

The City Council may contract with an investment management firm, registered under the Investment Advisor's Act of 1940 (15 U.S.C. Section 80b-1 et seq.) to provide for the investment and management of the funds of the City. The contract will be for a term no longer than two (2) years. Renewal or extension of the contract must be in compliance with the Act.

D. TRANSACTION AUTHORITY

Certain signatory responsibilities are required to transact investments. Positions authorized as depository signatories shall be the City Manager, Chief Financial Officer, City Clerk, and the Accounting Manager.

The persons holding these positions are also designated as authorized to transact wire transfers in accordance with the goals and objectives of the City's investment strategy.

Bonding of all those individuals authorized to place, purchase, or sell investment instruments shall be required.

E. PRUDENCE

In accordance with the Act, investments shall be made with the exercise of due care, 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. Investment of funds shall be governed by the following investment objectives, in order of priority: preservation and safety of principal; maintenance of adequate liquidity; and achievement of risk-appropriate yield. This investment principle shall be applied in the context of managing the overall investment portfolio.

An Investment Officer, when acting in accordance with written procedures and exercising due diligence, shall be relieved of personal responsibility for an individual investment'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. In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration: (1) the investment of all funds, or funds under the control of the City, over which the Investment Officer had responsibility rather than a consideration as to the prudence of a single investment; and (2) whether the investment decision was consistent with the written Investment Policy.

F. TRAINING, QUALITY AND CAPABILITY OF INVESTMENT MANAGEMENT

It is the City's policy to provide training as required by the Act for the Investment Officers. Authorized Investment Officers will be required to complete 10 hours of training within 12 months of assuming duties. In order to ensure the quality, capability and competency of all Investment Officers in making investment decisions training shall be provided through courses and seminars offered by the independent sources approved by the Investment Committee. After the initial training requirement, at a minimum, all Investment Officers must attend training at least every two years and accumulate 8 hours of training. The two-year period shall begin on the first day of the City's fiscal year and consist of the two consecutive fiscal years after that date.

VI. ETHICS

A. CONFLICTS OF INTEREST

Officers and employees directly involved in the investment process, including members of the Investment Committee and those authorized as depository signatories, 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.

B. DISCLOSURE

Such employees shall disclose to the City Manager any material financial interests they have in business organizations that conduct business with the City and shall further disclose any large personal financial or investment positions, as defined by the Public Funds Investment Act, that could be related to the performance of the City's portfolio. Disclosure items include:

1. the employee 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.
2. funds received by the employee from the business organization exceed 10 percent of the employee's gross income for the previous year; or
3. the employee 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 employee.

Such employees shall subordinate their personal investment transactions to those of the City, particularly about the timing of purchases and sales.

If any Investment Officer has a personal business relationship with an entity or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City, the Investment Officer must file a statement disclosing that personal business interest or relationship with the City Council and with the Texas Ethics Commission in accordance with the Act.

VII. REPORTING INVESTMENT EARNING EVALUATION

A. QUARTERLY REPORTS

In accordance with the Act, not less than quarterly, the Investment Officers shall prepare and submit to the City Council a written report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period. The report must:

1. describe in detail the investment position of the City on the date of the report;
2. be prepared jointly by all Investment Officers;
3. be signed by each Investment Officer;
4. contain a summary statement of each pooled fund group that states the:
 - a.) beginning market value for the reporting period;
 - b.) ending market value for the period; and
 - c.) fully accrued interest for the reporting period.
5. state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested; market valuations obtained by the City shall be from sources believed to be accurate and representative of the investment's true value;
6. state the maturity date of each separately invested asset that has a maturity date;
7. state the account or fund or pooled group fund in the City for which each individual

- investment was acquired;
8. state the compliance of the investment portfolio of the City as it relates to:
 - d.) the investment strategy expressed in the City's Investment Policy; and
 - e.) relevant provisions of the Act; and
 9. state the rate of return on the investment portfolio.

The quarterly investment reports shall be reviewed by the City's independent auditors as part of the City's annual audit and the result of this review shall be reported to the City Council.

B. ANNUAL REPORT

Within a reasonable time after the end of the fiscal year, the Chief Financial Officer shall present an annual report on the investment program activity. The annual report shall include 12-month performance information and shall suggest improvements that might be made in the investment program. The annual report may be a component of the fourth quarter investment report.

C. NOTIFICATION OF INVESTMENT CHANGES

It shall be the duty of the Chief Financial Officer to notify the City Council of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this Policy or not.

D. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles that is consistent with risk limitations and cash flow needs of the City. Given this strategy, the basis used by Investment Officers to determine whether market yields are being achieved shall be the average return on 90-day or 180-day U.S. Treasury Bills. "Weighted average yield to maturity" shall be the portfolio performance measurement standard.

VIII. INVESTMENT TYPES

A. ACTIVE PORTFOLIO MANAGEMENT

The City intends to pursue an active vs. a passive portfolio management philosophy. That is investments may be sold before they mature if market conditions present an opportunity

for the City to benefit from the trade.

B. ELIGIBLE INVESTMENTS

Financial assets of the City may be invested in:

1. Obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. Financial institution deposits with a state or national bank, savings and loan association, or credit union, that meets the requirements of the Act and are fully insured or collateralized in accordance with Section I. SAFEKEEPING AND CUSTODY.
4. Other obligations, the principal and interest of 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 their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm of not less than A or its equivalent;
6. A fully collateralized repurchase agreement, as defined in the Act, if it:
 - a.) has a defined termination date;
 - b.) is secured by cash and obligations described by Section 2256.009 (a) (1) of the Act; and
 - c.) requires the securities being purchased by the City to be pledged to the City, held in the City's account, and deposited at the time the investment is made with the City or with a third party selected and approved by the City; and
 - d.) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this State.

Notwithstanding any law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received by the City under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated

in the reverse security repurchase agreement.

7. Eligible investment pools if the City Council by resolution authorizes investment in the particular pool. An investment pool shall invest the funds it receives from the City in authorized investments permitted by the Act. Investment pools must be continuously rated AAAM or the equivalent by at least one nationally recognized rating service.
8. Money market mutual funds continuously rated AAAM or the equivalent that are registered with and regulated by the Securities and Exchange Commission, whose investment objectives include seeking to maintain a stable net asset value of \$1.0000 per share. The money market mutual funds must provide the City with a prospectus and other information required by federal law. The City may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund.

C. CREDIT RATINGS

Not less than quarterly, the Investment Officers will monitor the current credit rating of each held investment that has an Act required minimum rating. Any investment that requires a minimum rating does not qualify during the period the investment does not have the minimum rating. All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating. The City is not required to liquidate investments that were authorized investments at the time of purchase.

D. LENGTH OF INVESTMENTS

The City shall invest in instruments with scheduled maturity not to exceed the limitation of the specific investment strategy at the time of purchase.

E. DIVERSIFICATION

It shall be the policy of the City to diversify the investment portfolio. Diversification strategies shall be determined and revised periodically by the Investment Committee. In establishing specific diversification strategies, the following general constraints shall apply:

1. Limiting investments to avoid over concentration in investments from a specific issuer or business sector, where appropriate,
2. Limiting investments with higher credit risk,
3. Investing in instruments with varying maturities and in accordance with the City's cash flow projections, and

4. Continuously investing a portion of the portfolio in readily available funds such as local government investment pools, financial institution deposits, money market mutual funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

F. PROHIBITED INVESTMENTS

The following investment instruments are strictly prohibited:

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
3. Collateralized Mortgage Obligations with a stated final maturity greater than ten years;
4. Collateralized Mortgage Obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index;
5. The City will not invest in derivatives. For the purposes of this Policy, the definition of derivatives includes instruments which have embedded features that alter their character or income stream or allow holders to hedge or speculate on a market or spreads between markets that are external to the issuer or are not correlated on a one-to-one basis to the associated index or market.

IX. SELECTION OF BANKS AND BROKER/DEALERS

A. SELECTION PROCESS

Primary Depositories shall be selected through the City's banking services procurement process, which shall include a formal request for application (RFA) as per State legislation and the City's purchasing policy. In selecting primary depositories, the credit worthiness of institutions shall be considered, and the Chief Financial Officer shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history.

B. INSURABILITY

Financial institutions seeking to establish eligibility for the City's funds shall submit financial statements, evidence of Federal insurance and other information as required by the Chief Financial Officer.

C. COLLATERALIZED DEPOSITS

All financial institution deposits shall be insured or collateralized in compliance with applicable State law. The City reserves the right, in its sole discretion, to accept or reject any form of insurance or collateralization pledged towards City deposits. Financial institutions serving as the City's depositories will be required to sign a depository agreement with the City. The collateralized deposit portion of the agreement shall define the City's rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- The agreement must be in writing;
- The agreement must be executed by the depository and the City contemporaneously with the acquisition of the asset;
- The agreement must be approved by the Board of Directors or designated committee of the depository and a copy of the meeting minutes must be delivered to the City; and
- The agreement must be part of the depository's "official record" continuously since its execution.

The Bellmead Economic Development Corporation, where applicable, shall also comply with these requirements.

D. BROKER/DEALERS AND APPROVED LIST

All broker/dealers who desire to become qualified for investment transactions with the City must be recommended by the Chief Financial Officer and approved by the Investment Committee. Applications will be reviewed on a periodic basis and submitted to the Investment Committee for approval. The Chief Financial Officer will maintain a list of broker/dealers authorized to provide investment services to the City. The authorized list of broker/dealers will, at a minimum, be reviewed and approved on an annual basis, and any broker/dealers who fail to meet the standards of this Policy shall be removed from the list. All broker/dealers who desire to become qualified for investment transactions must supply the following, as appropriate:

1. Proof of registration with the Texas State Securities Board.
2. Proof of Financial Industry Regulatory Authority (FINRA) membership.
3. Audited financial statements.

E. COMPETITIVE ENVIRONMENT

All trades, purchases and sales, executed for the City, excluding transactions with money market mutual funds and local government investment pools which are deemed to be made at prevailing market rates, will be done through a documented competitive solicitation process. Competitive quotes must be solicited from at least three qualifying institutions for any investment transaction. For those situations where it may be impractical or unreasonable to receive three quotes for a transaction due to rapidly changing market conditions, initial security offering, or limited secondary market availability, documentation of a competitive market survey of comparable investments or an explanation of the specific circumstance must be included with the transaction record.

F. INVESTMENT POLICY

In accordance with the Act, a written copy of this Investment Policy shall be presented to any person seeking to sell to the City an authorized investment or act as Investment Advisor. A qualified representative of a local government investment pool or discretionary investment management firm (e.g. business organization) seeking to sell an authorized investment or perform investment advisory services shall execute a written instrument substantially to the effect that the qualified representative has:

1. Received and thoroughly reviewed the Investment Policy; and
2. Acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the City and the organization in accordance with the Act.

X. SAFEKEEPING AND CUSTODY

The City shall contract with a third party for the safekeeping and custody of securities either owned by the City as a part of its investment portfolio or held as collateral to secure financial institution deposits, share certificates or repurchase agreements. The securities will be held in an account in the name of the City as evidenced by safekeeping or pledge receipts of the institution with which the securities are deposited.

A. INSURANCE OR COLLATERAL

All deposits of City funds with financial institutions shall be secured by pledged collateral in accordance with Chapter 2257 of the Texas Government Code. Securities pledged as collateral for deposits must maintain a market value equal to no less than 102% of the uninsured deposits, including accrued interest. Federal Home Loan Bank Letters of Credit

pledged as collateral must be equal to no less than 100% of the uninsured deposits, including accrued interest. Federal Home Loan Bank Letters of Credit pledged for certificates of deposit must expire at least two business days beyond the maturity date of the certificate of deposit. Repurchase agreements shall be documented by a specific agreement noting the collateral pledged in each agreement. Collateral shall be reviewed at least monthly to assure the market value equals or exceeds the collateralization requirement for the related bank balances.

B. PLEDGED COLLATERAL AGREEMENTS

All custodial arrangements shall be in accordance with a Custodial Agreement approved by the Investment Officers, which clearly defines the procedural steps for gaining access to the collateral should the City determine that the City's funds are in jeopardy. The custodian institution, or Custodian, shall be the Federal Reserve Bank or an institution not a branch of the firm pledging the collateral. A Depository Agreement shall include the signatures of the City and the firm pledging the collateral and may include the Custodian. The Custodial and Depository Agreements shall address acceptance, substitution, release and valuation of collateral.

C. COLLATERAL DEFINED

The City shall accept only the following as collateral:

1. Cash.
2. FDIC and NCUSIF insurance coverage.
3. A bond, certificate of indebtedness, or note of the United States or its agencies and instrumentalities, or other evidence of indebtedness that is guaranteed as to the principal and interest by the United States or its agencies and instrumentalities.
4. Obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or its agencies and instrumentalities.
5. A bond of the State of Texas or of a county, city or other political subdivision of the State of Texas having been rated as investment grade (investment rating no less than "A" or its equivalent) by a nationally recognized rating agency, with a remaining maturity of ten (10) years or less.

The use of a letter of credit issued to the City by a Federal Home Loan Bank may be considered by the City to meet the required bank depository collateral requirements.

D. SUBJECT TO AUDIT

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

E. DELIVERY VS. PAYMENT

All security transactions shall be purchased using the delivery vs. payment method. That is, funds shall not be wired or paid until verification has been made that the security was received by the City's Safekeeping Agent or Trustee. The security shall be held in the account of the City. The Trustee's or 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.

F. STANDARDS OF OPERATION

The Chief Financial Officer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with this Investment Policy.

XI. INTERNAL CONTROLS

A. INTERNAL CONTROLS

The Chief Financial Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. Accordingly, as part of the annual audit, the Chief Financial Officer shall establish a process for independent review by the external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

1. Control of collusion - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. Separation of transaction authority from accounting and record keeping - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. Custodial safekeeping - Securities purchased from any bank or broker/dealer, including appropriate collateral shall be placed with an independent third party for custodial safekeeping.
4. Avoidance of physical delivery securities - Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The

potential for fraud and loss increases with physically delivered securities.

5. Clear delegation of authority to subordinate staff members - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. Written confirmation of telephone transactions for investments and wire transfers - Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax or email if on letterhead and the custodial safekeeping institution has a list of authorized signatures.

XII. INVESTMENT STRATEGIES

A. INVESTMENT STRATEGIES

In accordance with the Act, a separate written investment strategy will be developed for each of the fund-types under the City's control. Each investment strategy must describe the investment objectives for the particular fund-type using the following priorities of importance:

1. Understanding of the suitability of the investment to the financial requirements of the City;
2. Preservation and safety of principal;
3. Liquidity;
4. Marketability of the investment if the need arises to liquidate the investment before maturity;
5. Diversification of the investment portfolio;
6. Yield; and
7. Maturity restrictions.

B. FUND STRATEGIES

The investment strategies to be employed by the City are:

1. OPERATING FUNDS

Suitability - Any investment eligible in the Investment Policy is suitable for Operating Funds.

Safety of Principal - All investments shall be of high quality with no perceived default risk. Market price fluctuations will occur. However, managing the weighted average days to maturity of each fund's portfolio to less than 270 days and restricting the maximum allowable maturity to two years will minimize the price volatility of the portfolio.

Liquidity - Operating Funds require the greatest short-term liquidity of any of the fund-types. Short-term financial institution deposits, investment pools and money market mutual funds will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.

Diversification - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the City. Diversifying the appropriate maturity structure up to the two-year maximum will reduce interest rate risk.

Yield - Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of a rolling three-month Treasury Bill portfolio will be the minimum yield objective.

2. DEBT SERVICE FUNDS

Suitability - Any investment eligible in the Investment Policy is suitable for Debt Service Funds.

Safety of Principal - All investments shall be of high quality with no perceived default risk. Market price fluctuations will occur. However, by managing Debt Service Funds to not exceed the debt service payment schedule the market risk of the overall portfolio will be minimized.

Liquidity - Debt Service Funds have predictable payment schedules. Therefore, investment maturities should not exceed the anticipated cash flow requirements. Short-term financial institution deposits, investments pools and money market mutual funds may provide a competitive yield alternative for short-term fixed maturity investments. A singular repurchase agreement, or similar structured investment, may be utilized if disbursements are allowed in the amount necessary to satisfy any debt service payment. This investment structure is commonly referred to as a flexible repurchase agreement.

Marketability - Securities with active and efficient secondary markets are not necessary as the event of an unanticipated cash flow requirement is not probable.

Diversification - Market conditions influence the attractiveness of fully extending maturity to the next “unfunded” payment date. Generally, if investment rates are anticipated to decrease over time, the City is best served by locking in most investments. If the interest rates are potentially rising, then investing in shorter and larger amounts may provide an advantage. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

Yield - Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective. The yield of a rolling three-month Treasury Bill portfolio shall be the minimum yield objective.

3. SPECIAL REVENUE FUNDS

Suitability - Any investment eligible in the Investment Policy is suitable for Special Revenue Funds.

Safety of Principal - All investments will be of high quality with no perceived default risk. Market fluctuations will occur. However, by managing Special Revenue Funds to balance the short-term and long-term anticipated cash flow requirements of the specific revenue/expense plan, the market risk of the Fund’s portfolio will be minimized. No stated final investment maturity shall exceed the shorter of the anticipated cash flow requirement or two years.

Liquidity - A portion of the Special Revenue Funds are reasonably predictable. However, unanticipated needs or emergencies may arise. Selecting investment maturities that provide greater cash flow than the anticipated needs will reduce the liquidity risk of unanticipated expenditures. Short-term financial institution deposits, investment pools and money market mutual funds will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market “spreads” between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.

Diversification - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated needs of the City. Diversifying the appropriate maturity structure up to the two-year maximum will reduce interest rate risk.

Yield - Attaining a competitive market yield for comparable investment-types and portfolio structures is the desired objective. The yield of a rolling three-month Treasury Bill portfolio will be the minimum yield objective.

4. CAPITAL PROJECT FUNDS

Suitability - Any investment eligible in the Investment Policy is suitable for Capital Project Funds.

Safety of Principal - All investments will be of high quality with no perceived default risk. Market price fluctuations will occur. However, by managing Capital Project Funds to not exceed the anticipated expenditure schedule the market risk of the overall portfolio will be minimized. No stated final investment maturity shall exceed the shorter of the anticipated expenditure schedule, the IRS temporary period for tax-exempt bond proceeds, or five years.

Liquidity - Most capital improvements programs have reasonably predictable draw down schedules. Therefore, investment maturities should generally follow the anticipated cash flow requirements. Short-term financial institution deposits, investment pools and money market mutual funds will provide readily available funds generally equal to at least one month's anticipated cash flow needs, or a competitive yield alternative for short-term fixed maturity investments. A singular repurchase agreement, or similar investment structure, may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request. This investment structure is commonly referred to as a flexible repurchase agreement.

Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.

Diversification - Market conditions and arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for bond proceeds. Generally, if investment rates exceed the applicable cost of borrowing, the City is best served by locking in most investments. If the cost of borrowing cannot be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger amounts. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield.

Yield - Achieving a positive spread to the cost of borrowing is the desired objective, within the limits of the Investment Policy's risk constraints. The yield of a rolling six-month Treasury Bill portfolio will be the minimum yield objective.

XIII. POLICY

A. EXEMPTION

Any investment currently held that does not meet the guidelines of this Policy shall be exempted from the requirements of this Policy. At maturity or liquidation, such monies shall be reinvested only as provided by this Policy.

B. AMENDMENT

The City Council shall review the Investment Policy, and incorporated investment strategies, annually. Amendments must be approved by the Investment Committee and adopted by the City Council. The City Council shall annually adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed and approved the Investment Policy and investment strategies, even if there are no changes from the previous document.

XIV. APPENDIX A

Sample Investment Policy Certification

This certification is executed on behalf of the **City of Bellmead** (the Investor) and _____ (the Business Organization) pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code (the Act) in connection with investment transactions conducted between the Investor and the Business Organization.

The undersigned Qualified Representative of the Business Organization hereby certifies on behalf of the Business Organization that:

1. The undersigned is a Qualified Representative of the Business Organization offering to enter an investment transaction with the Investor as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code and
2. The Qualified Representative of the Business Organization has received and reviewed the Investment Policy furnished by the Investor and
3. The Qualified Representative of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Business Organization and the Investor that are not authorized by the Investor's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Investor's entire portfolio or requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

(Firm)

Qualified Representative of the Business Organization

(Signature)

(Name)

(Title)

(Date)

XV. GLOSSARY

Capital Project – A non-recurring expenditure that exceeds \$100,000 and has a useful life exceeding one year.

Capital Projects Fund – A governmental fund established to account for resources used for the acquisition of large capital improvements and non-recurring expenditures other than those acquisitions accounted for in proprietary or trust funds.

Cash Flow – The net cash balance at any given point.

City Manager – All references to the City Manager are understood to be the City Manager or designee.

Debt Service - The cash that is required for a particular time period to cover the repayment of interest and principal on a debt. Debt Service is projected on an annual basis.

Debt Service Fund – A fund established to accumulate resources and to account for revenues and expenditures used to repay the principal and interest on debt.

Chief Financial Officer – All references to the Chief Financial Officer are understood to be the Chief Financial Officer or designee.

Expenditure – Refers to the value of goods and services *received* during a period of time, regardless of when they are *used* (accrual basis of accounting) or *paid* for (cash basis of accounting).

Expense - Refers to the value of goods and services *used* during a period of time, regardless of when they were *received* (modified accrual basis of accounting) or *paid* for (cash basis of accounting).

Finance Department – The Finance Department is the department responsible for the corporate financial operations of the City.

Governmental Fund – Governmental funds are used to account for the government's general government activities primarily supported by taxes, grants, and similar revenue sources. There are five different types of governmental funds including: General Fund, Special Revenue Funds, General Debt Service Fund, Capital Project Funds, and Permanent Funds. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

General Fund - The main operating fund which is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund finances many of the basic municipal functions, such as general administration and public safety.

Special Revenue Funds – Governmental fund type used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects and exclusive of resources held in trust for individuals, private organizations, or other governments.

Capital Projects Funds - Governmental fund type used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Governmental fund type used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Internal Controls – The plan of organization and all of the coordinated methods and measures adopted within the City to safeguard assets, check the accuracy and reliability of its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

Accounting Controls – The plan of organization and all the methods and procedures that are concerned mainly with, and relate directly to, the safeguarding of assets and reliability of financial records.

Administrative Controls – The plan of organization and all the methods and procedures that are concerned mainly with operational efficiency and adherence to managerial policies and usually relate only indirectly to the financial records.

Pooled Cash – The sum of unrestricted cash and investments of several accounting funds that are consolidated for cash management and investment purposes. Investment income or expenditure is allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

Program - A set of activities, operations, or organizational units designed and directed to accomplish specific service outcomes or objectives for a defined customer.

Proprietary Fund – A class of fund types that account for a local government’s businesslike activities. Proprietary funds are of two types: enterprise funds and internal service funds. Both use the accrual basis of accounting and receive their revenues from charges to users. (Enterprise Fund examples: Water and Sewer Fund, and Drainage Utility Fund; Internal Service Fund examples: Fleet Maintenance Fund, Information Systems Fund).

Enterprise Fund - Enterprise funds are used to account for those activities that are business-like in nature, and include the Water & Sewer, Drainage, Solid Waste, and Aviation funds. Enterprise fund types are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues

are recorded when earned and expenses are recorded at the time liabilities are incurred. These funds are supported largely by user charges.